

# Tax Exemption Scorecard

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POLICY DISCUSSION & DIRECTION

DECEMBER 17, 2024 - COUNCIL WORK SESSION

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# McKinney Housing Needs Assessment

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## Top Housing Needs

- Additional affordable rentals, particularly for residents earning less than \$35,000
- Starter homes and workforce housing priced near or below \$200,000
- Increase ownership product diversity
- Strategic redevelopment and condition improvements

*Rental gap of **5,145 units** affordable to households earning less than \$35,000*

## Recommendations

- Adopt an affordable housing goal
- Allocate publicly owned land/acquire vacant or underutilized properties
- Implement a foreclosure/eviction prevention program
- Increase funding for affordable housing (bonds, loans, tax credits, etc.)
- Zoning/land use updates:
  - Increased zoning flexibility for affordable housing
  - Development incentives
  - Development fee waivers, reductions, or reimbursements

# Housing Needs Assessment

Renter Incomes	Gap	
Less than \$5,000	(739)	30% AMI
\$5,000 to \$9,999	(414)	
\$10,000 to \$14,999	(0)	
\$15,000 to \$19,999	(1,289)	
\$20,000 to \$24,999	(810)	
\$25,000 to \$34,999	(1,893)	50% AMI
\$35,000 to \$49,999	2,517	60% AMI
\$50,000 to \$74,999	2,702	80% AMI
\$75,000+	(1,340)	
<b>Total/Low Income Gap</b>	<b>(5,145)</b>	

Dallas, TX HUD Metro FMR Area*	4 Persons
Average Median Income	\$110,300
• 80% AMI (low income)	\$88,240
• 60% AMI (lower income)	\$66,180
• 50% AMI (very low income)	\$55,150
• 30% AMI (extremely low income)	\$33,100

\* Includes the counties of Collin, Dallas, Denton, Ellis, Hunt, Kaufman, and Rockwall

Source: Root Policy Research, McKinney Housing Needs Assessment, updated September 2023

# Pay Ranges

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## DALLAS-FORT WORTH-ARLINGTON

Industry	Average Annual Income
Building and Grounds Cleaning and Maintenance Occupations	\$36,691
Food Preparation and Serving Related Occupations	\$38,106
Healthcare Support Occupations	\$38,917
Production Occupations	\$45,926
Office and Administrative Support Occupations	\$48,714

Source: 2023 Bureau of Labor Statistics, Modeled Wage Estimates, Dallas-Fort Worth-Arlington, TX

## MCKINNEY INDEPENDENT SCHOOL DISTRICT

Position	Min.	Max.
Paraprofessional/Office/Technical	\$19,496	\$78,369
Auxiliary	\$21,056	\$75,462
Teachers, Nurses, and LSSP Interns	\$62,100	\$90,721
Counselors and Other Professionals	\$65,350	\$94,632
Administrative and Professional	\$54,202	\$204,921

Source: MISD, Compensation 2024-25

# Tax Exemption for Affordable Housing

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# What is it?

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- Tax Exemptions is a powerful tool that can further affordable housing goals.
- MHA, MHFC, and the PFC can provide tax exemptions to a developer, by owning the property, in exchange for a certain number of affordable units and payments in lieu of taxes.
- Tax Exemptions have historically been provided by MHA and MHFC via an RFQ process.
- Tax Exemptions help maintain affordability and supports housing programs.
- MHFC projects are high quality and in high demand, but the RFQ process doesn't always align with market timing and opportunity.
- Recently, MHA has had success in securing 30% AMI commitments from developers.
- All entities rely on professional consultants to review the projects to ensure community benefit.

# Why are we talking about it?

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- Tax Exemption requests have dramatically increased over the past few years.
- The RFQ process does not align with the timing of the development market to obtain the best projects.
- The three entities do not follow a unified review process, so developers must go through different reviews at each entity. The review process historically also has not compared the total number of tax exempt projects or included direction related to targets or goal for this too.
- PFC Research indicates that not all tax-exempt projects provide adequate community benefit.
- The legislative landscape related to this tool continues to evolve.
- A unified approach is desired by the City and MHA to ensure that projects support each entity and align with Council's goals.

# Tax Exemption in McKinney

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- MHA Throckmorton & Murray Public Housing
- MHA Merritt Homes
- MHA Newsome Homes
- MHFC Independence
- Cameron County – Throckmorton Villas
- MPFC – Jefferson Verdant
- MHFC – Palladium
- MHA – Remnant \*
- MHFC – RFQ Selection
- MHA – Magnolia Ranch
- MHA - Kinstead
- MHA – Jefferson Wilmeth
- MHA – Jefferson Terry
- MHA – Cotton Mill \*\*



\* Remnant I and II adds 50 affordable units for a total of 96 on land that is already tax exempt.

\*\* MHA Board is reviewing Cotton Mill on 12/17/2024

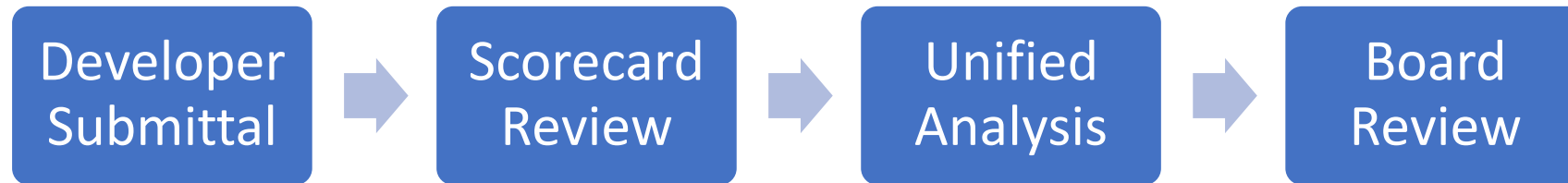


# 2024 Tax Exemptions

<u>Project</u>	<u>Total Units</u>	<u>30% AMI</u>	<u>60% AMI</u>	<u>80% AMI</u>	<u>Market Rate</u>	<u>Total Tax Benefit</u>	<u>Rent Savings</u>	<u>MHA Benefit</u>	<u>Public Benefit</u>	<u>Public Benefit Less Tax Benefit</u>
MHFC RFQ	<i>Pending Project Location and Development Details</i>									
Magnolia Ranch	576	30	260		286	\$16,836,679	\$12,563,923	\$22,450,601	\$35,014,524	\$18,177,845
Kinstead	376	29		162	185	\$16,523,399	\$11,152,781	\$15,858,129	\$27,010,910	\$10,487,511
Jefferson Wilmeth	443	22		201	220	\$13,874,438	\$9,062,863	\$14,860,706	\$23,923,569	\$10,049,131
Jefferson Terry	393	20		177	196	\$11,568,953	\$7,535,476	\$12,157,446	\$19,692,922	\$8,123,969
Cotton Mill	<i>Pending Project Location and Development Details</i>									
<b>Total</b>	<b>1,788</b>	<b>101</b>	<b>260</b>	<b>540</b>	<b>887</b>	<b>\$58,803,469</b>	<b>\$40,315,043</b>	<b>\$65,326,882</b>	<b>\$105,641,925</b>	<b>\$46,838,456</b>

# Proposed Scorecard Approach

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- Open RFQ allows developer to submit projects for review at any time.
- Scorecard review establishes minimum threshold to ensure McKinney Benefit.
- Unified analysis ensures that MHFC, MHA and PFC projects can be reviewed ‘apples to apples’
- Board review provides additional information so that each entity can make informed decisions.

# Proposed Unified Scorecard

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- Provides a consistent approach between the MHFC, MHA, and PFC
- Analyzes proposals based on a project's:
  - Level of Affordability (% of lower AMIs)
  - Housing Type (single- or multi-family, rental or ownership)
  - Public Benefit Ratio (rent savings + granting entity benefit/tax exemption)\*
  - Location of the Project (U.S. 380 and U.S. 75)
  - Project Type (acquisition, rehabilitation, new build)
  - Total Annual Allotment of Tax Exempt Projects
  - Total Annual Allotment of Tax Exemptions

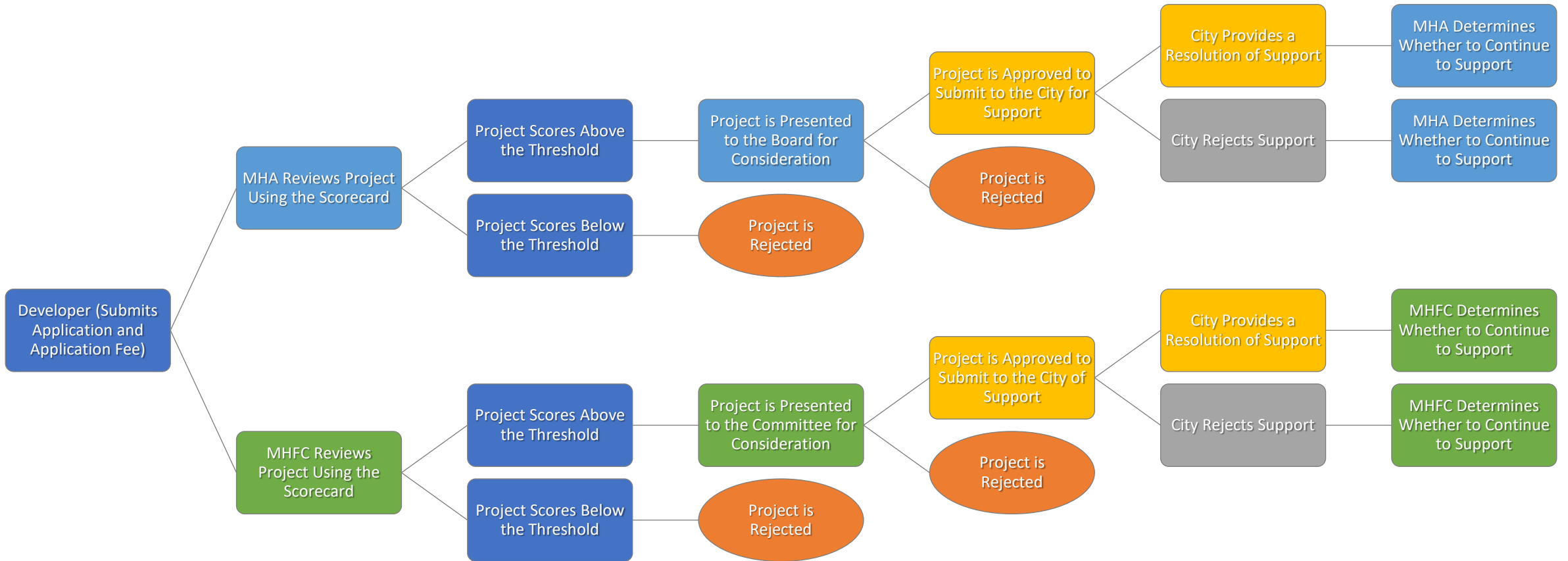
*\* need to develop a consistent methodology and assumptions for calculations*

# MHFC/MHA /PFC Post-Scorecard Review

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- In-depth quantitative analysis using the same consultant or same methodology/assumptions:
  - Affordability mix and rent savings
  - Entity cost/unit for lower AMI units
  - Payment structure for granting entity (fees and lease payments)
  - Tax exemption per unit and/or per affordable unit
  - Total and city-specific tax exemptions (10- and 15-year period)
  - 10- and 15-year proforma review
- Qualitative considerations:
  - Project details (amenities, services)
  - Potential sale year
  - Status of other city projects
  - Development company qualifications

# Project Consideration



# Affordable Housing Scorecard

Affordability	Housing Type	Public Benefit	Location	Project Type	Total Annual Allotment	Total Annual Tax Exemption Allotment
<ul style="list-style-type: none"> <li>•4: Project includes a minimum of 45% of the units at 80% AMI and 5% of the units at 30% AMI</li> <li>•3: Project includes a minimum of 45% of the units at 80% AMI and 5% of the units at 50% AMI</li> <li>•2: Project includes a minimum of 45% of the units at 80% AMI and 5% of the units at 60% AMI</li> <li>•1: Project includes 50% of the units at 80% AMI</li> </ul>	<ul style="list-style-type: none"> <li>•4: Single-family (ownership)</li> <li>•3: Multi-family (ownership)</li> <li>•2: Single-family (rental)</li> <li>•1: Multi-family (rental)</li> </ul>	<ul style="list-style-type: none"> <li>•4: 200% or above</li> <li>•3: 175-199%</li> <li>•2: 150-174%</li> <li>•1: 101-149%</li> <li>•0: 100% or below</li> </ul>	<ul style="list-style-type: none"> <li>•4: Northwest</li> <li>•3: Southwest</li> <li>•2: Eastside (located in an area with no affordable housing within a 10-mile radius)</li> <li>•1: Eastside (located in close proximity to other affordable housing projects)</li> </ul>	<ul style="list-style-type: none"> <li>•4: Rehabilitation (property is 15 years or older)</li> <li>•3: Renovations (property is under 15 years old)</li> <li>•2: Acquisition (no renovations)</li> <li>•1: New Build</li> </ul>	<ul style="list-style-type: none"> <li>•1: No previous projects approved for the year</li> <li>•0: up to 2 previous project approved for the year</li> <li>•-1: 3 previous projects approved for the year</li> <li>•-2: more than 3 previous projects approved for the year</li> </ul>	<ul style="list-style-type: none"> <li>•1: No previous projects approved for the year</li> <li>•0: up to \$20 million or less approved for the year</li> <li>•-1: \$20-\$50 million approved for the year</li> <li>•-2: over \$50 million approved for the year</li> </ul>

**Minimum Score of 10 to move on for further consideration by MHA or MHFC**

# Council Direction

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- Should we pursue the development and administration of a unified scorecard?
- If so:
  - Staff will collaborate with housing partners to develop policy and review standards.
  - Policy will be presented to MHFC, MHA, and PFC for review and adoption.
  - Scorecard review and subsequent reporting to be implemented in early 2025.