



CITY OF MCKINNEY, TEXAS

Legislation Text

File #: 25-2422, **Version:** 1

Conduct a Public Hearing to Consider/Discuss/Act on a Resolution of the City Council of the City of McKinney, Texas, Regarding the Application of Palladium USA International, Inc., to the Texas Department of Housing and Community Affairs, for a 9% Housing Tax Credit to Construct a New Housing Development to be Known as “McKinney Ranch Senior Living”

COUNCIL GOAL: Direction for Strategic and Economic Growth
(**1B:** Provide a strong city economy by implementing a Global Housing Strategy with a focus on affordable housing and facilitating a balance between industrial, commercial, residential, and open space)

MEETING DATE: February 7, 2025

DEPARTMENT: Housing and Community Development

CONTACT: Margaret Li, Housing and Community Development Director
Cristel Todd, Housing Administrator

RECOMMENDED CITY COUNCIL ACTION:

- Approve one of the following resolutions:
 - Resolution of Opposition
 - Resolution of No Objection
 - Resolution of Support

ITEM SUMMARY:

- Palladium USA International, Inc. (Palladium USA) will be applying to the Texas Department of Housing and Community Affairs (TDHCA) for a 9% tax credit to construct a new housing development to be known as McKinney Ranch Senior Living (the Project).
- Palladium USA is requesting a Resolution of Support from the City Council to satisfy one criterion of the TDHCA’s 2025 Qualified Allocation Plan and increase the chances of the Project receiving funding from the TDHCA.
- Approval of a Resolution of Support or No Objection does not guarantee that TDHCA will award tax credits to the Project. If tax credits are not awarded, the Project will not move forward.

BACKGROUND INFORMATION:

- On December 1, 2024, the 2025 Qualified Allocation Plan (QAP) was approved by the Texas Governor’s Office. According to the QAP, applications for the 9% tax credit will receive the following points for the following City Council Resolutions:
 - Resolution of Support - 17 points

- Resolution of No Objection - 14 points
- Resolution of Opposition - 0 points
- The QAP also provides for 1 additional point if the City commits to providing Palladium USA with a loan, grant, reduced fees or contribution of other value that equals \$500 or more.

City Evaluation Criteria and Factors Adopted by Resolution 2022-12-171 (R)

- Project Location:
 - An approximately 3.71-acre site at 5353 McKinney Ranch Parkway, McKinney, Texas 75070 (the Project Site).
 - The Project Site is located approximately 0.7-miles from an existing tax credit development (Millennium Apartments).
 - The Project is planned to be senior housing (age 62 and older) that will serve a different household than Millenium Apartments which serves a general target.
- Housing Needs Characteristics:
 - There are currently 3,015 multifamily tax credit units in McKinney
 - To maintain the historic number of tax credit units at 1.25% of the population (or one unit for every 80 people), a total of 2,686 units of affordable housing would be needed.
 - With an estimated January 1, 2024, population of 214,810 (Source: 2022 American Community Survey and the City of McKinney), the City has exceeded the total number of units needed to date by 330 units.
- Project Characteristics:
 - The Project Site does not include the use of existing housing or propose a community revitalization plan.
 - The Project Site is currently vacant land with no existing structures.
 - The proposed Project intends to construct approximately 110 rental units for seniors.
 - The proposed Project is not intended for eventual tenant ownership.
 - The development plan proposes one three-story building, comprised of one- and two-bedroom units containing approximately 88,502 total net rentable square feet plus space for a clubhouse and amenity area.
- Sponsor/Developer Characteristics and Experience:
 - The Applicant is a privately owned global real estate company with a 150-year history developing, owning, and self-managing communities through the Palladium Management Company. Please see the attached Letter of Request.
- Anticipated Tenant Population and Special Housing Needs:
 - The Project may be considered as including persons with special needs based on the proposed age restriction to seniors 62 years and older
 - The Project proposes the following rate structure

| | One-Bedroom | Two-Bedroom | Subtotal | Percentage of Total |
|--------------------|-------------|-------------|-----------|---------------------|
| Market Rate | 11 | 18 | 29 | 26% |
| Affordable | 60 | 21 | 81 | 74% |
| 80% AMI | 1 | 1 | 2 | 2% |
| 70% AMI | 2 | 5 | 7 | 6% |
| 60% AMI | 25 | 5 | 30 | 27% |

| | | | | |
|--------------|-----------|-----------|------------|-------------|
| 50% AMI | 25 | 8 | 33 | 30% |
| 30% AMI | 7 | 2 | 9 | 8% |
| Total | 71 | 39 | 110 | 100% |

- McKinney Housing Authority (“MHA”) Waiting Lists and Support:
 - MHA has 137 families on its wait list for public housing units.
 - MHA has 470 families on its wait list for housing choice vouchers.
- Anticipated Tenant Population and Individuals with Children:
 - With the senior age restriction of 62 years and older, the Project would not include individuals with children.
- Whether there are any Restrictions on the Project Becoming Tenant Owned:
 - The proposed Project is not intended for eventual tenant ownership.
- Whether there are any Agreements Regarding Minimum Income Requirements on Potential Tenants Utilizing Vouchers or Rental Assistance Programs:
 - The Applicant’s management team has agreed that they will not impose any minimum income requirements related to rental assistance programs.
- Energy Efficiency of Project:
 - The proposed Project will comply with all applicable TDHCA, Federal, State and local energy efficiency guidelines.
 - The proposed Project will meet National Green Building Standards and have Energy Star appliances and fixtures in each unit.
 - The proposed Project will also have Electric Vehicle parking spaces provided for residents.
- Historic Nature of the Project:
 - The proposed Project is a new build on land that is currently vacant.
 - The proposed Project will not have any impact on City historical areas, sites, buildings or other structures.
- Whether the City Has More Than Twice the State Average of Units Per Capita Supported by Housing Tax Credits or Private Activity Bonds:
 - With a 2024 population of 214,840, and 3,015 existing tax credit units, the City’s total units per capita is 0.1403 (Source: Texas Department of Housing and Community Affairs).
 - The City’s total units per capita is 1.32 times the state average of 0.01063 units per capita.
- Whether the Applicant Notified the Entities Identified by the City’s Policy About the Filing of the Application:
 - Some of the entities including Councilmember Cloutier in whose District the Project is located, most City Council Members, and McKinney Planning Staff have already been notified.
 - The Applicant has indicated that all of the entities identified on the QAP will be notified as required by the TDHCA.
 - The Applicant has indicated that they plan to reach out to nonprofits and other community organizations in the area.
- Whether the Development of the Project at the Proposed Location Complies with the Existing Zoning or Requires a Change in Zoning and Whether the Project at the Project Site is

- Consistent With the City's Comprehensive Plan and Housing Priorities;
 - The Project Site is currently zoned as a Planned Development
 - The Project Site will have to be rezoned to permit the proposed Project as a multifamily use
 - The proposed land use change to accommodate the proposed Project appears to be consistent with the City's Comprehensive Plan and housing priorities.
- Whether the Applicant is in the Process of Seeking the Appropriate Zoning From the City and whether the Applicant has Signed and Provided to the City a Release Agreeing to Hold the City and All Other Parties Harmless if the Requested Zoning is Denied:
 - The Applicant is in the process of seeking the appropriate zoning from the City.
 - The Applicant has executed a Hold Harmless Agreement.
- Information regarding 4% Tax Credit Projects:
 - The proposed Project is not seeking a 4% tax credit, and will not be funded through private bonds.
- Information Regarding Rehabilitation Projects and Accessibility Standards:
 - The proposed Project is not a rehabilitation project.
 - The proposed Project is still under design and is intended to comply with all required accessibility standards.
- Anticipated Impacts on City Services:
 - Police:
 - The proposed Project is in line with the anticipated growth of the City.
 - The McKinney Police Department has sufficient current capacity to absorb the proposed Project's anticipated service demands.
 - The McKinney Police Department has a multi-year plan to meet the demands of future City growth.
 - Fire:
 - These proposed Project typically increases demand for Emergency Medical Services (EMS).
 - The overall impact to fire suppression should be minimal under normal circumstances because new buildings are built within existing codes and standards including active fire protection features
 - The proposed Project will create additional inspection requirements for the Fire Marshal Office.
 - City Services:
 - There is sufficient water, sewer, and stormwater connections/capacity to serve the proposed Project's intended use.
 - Please see the attached Impact on City Services Map.
 - Traffic analysis:
 - Trips generated from the Project (SR Ind. Living MF) are not considered significant.
 - Please see the attached Traffic Analysis.
- Rehabilitation Projects and Compliance with Health and Safety Codes:
 - The proposed Project is not a rehabilitation project.
 - The proposed Project will comply with all applicable City health and safety codes.

FINANCIAL SUMMARY:

- The estimated cost of the Project is approximately \$31.1 million. Tax credits make up approximately \$11.8 million, with a deferred developer fee of \$1.5 million and private debt making up the remaining \$17.8 million.
- Palladium USA is asking the city for a minimal contribution of \$500 to maximize TDHCA tax credit application scoring, this can be provided in the form of a loan, grant, reduced fees for applications, or fee waivers. Palladium USA is not asking for any additional contribution or fee waivers from the city.

BOARD OR COMMISSION RECOMMENDATION:

- On January 28, 2025, the McKinney Housing Authority (MHA) Board approved a Resolution of Support for the Project.