

CITY COUNCIL JOINT MEETING

MAY 9, 2016

The City Council of the City of McKinney, Texas met in joint session in the Council Chambers of the Municipal Building on May 9, 2016 at 5:30 p.m.

Council Present: Mayor Brian Loughmiller, Mayor Pro Tem Travis Ussery, Council members: Chuck Branch, Randy P. Pogue, Tracy Rath, and Rainey Rogers. Absent: Council member Don Day.

MEDC Board Present: Chairman Lance Lindsay, Vice Chairman Robert Clark, Board members: Jason Burress, Sheila Johnson, and Ken Sipiora. Absent: Board members Walter Chen and Randy Page.

Staff Present: Interim City Manager Mark Houser; McKinney Economic Development Corporation Interim President Abby Liu, City/MEDC Attorney Mark Houser; City Secretary Sandy Hart; Deputy City Manager Jose Madrigal; Assistant City Manager Barry Shelton; Director of Business Development Chad Walker; and Strategic Services Director Chandler Merritt.

There were four guests present.

Mayor Loughmiller called the City Council meeting to order at 5:33 p.m. after determining a quorum present.

Chairman Lindsay called the MEDC meeting to order at 5:33 p.m. after determining a quorum present.

16-478 Discuss Regional Development Trends (Bill Guthrey, KDC). Mr. Bill Guthrey, Senior Vice President/Partner with KDC, presented general views on what is trending on the types of companies based on location or mobility that is interested in the North Texas region. Ten years ago, companies would first look at cost analysis, cost of land, the financial analysis of what it would take to get a company up and running. In the last five years, things have changed in terms of decision making. Now the Human Resources of a company is a driving force. They look at what will attract and retain the most talented professionals to work for their company in a certain location. What type of environment do we need to create and attract the most talented people to run businesses in the

future. Today's employees, who are the future of businesses, are choosing where they want to live first and then searching for jobs in that area. The DFW area is one of those places. Businesses are identifying locations in those major hubs that offer restaurants, retail, and medical services in close proximity to employment. McKinney has the dynamics that drive the younger generations to locate in this area. The US 75 and Highway 121 corridor is a key component in this area. Mr. Guthrey suggested having a plan in place with a credible message that will resonate to potential businesses. He stated that McKinney has a great brand and market awareness but is not sure that the market is completely aware of what is available here. Communication is key in promoting McKinney to potential business development and marketing firms. Mr. Guthrey does not recognize anything negative about McKinney as far as getting bricks and mortar on the ground. He feels the City is very responsive to inquiries from the business community but perhaps an annual event to bring in potential businesses and brokers to get McKinney's message out that the infrastructure is here, including the completion of US 75 north of Highway 121. That is something that should be made aware to the business community.

16-479 Chairman Lindsay called for an Update on MEDC. Director of Business Development Chad Walker spoke about the potential Return on Investment (ROI) and how they look at the value of projects the EDC brought to the community. When the McKinney EDC receives an application for assistance, the information received allows the EDC to calculate their ROI including the property tax revenue generated, number of new households built, whether new residents will be coming to McKinney, and the cost of City services required for those new residents. The resulting data looks at the number of employees, amount of wages, allocation of a percentage of wages to be spent here in McKinney, the impact on sales tax revenue, as well as the impact to the local school

district. The model used for these estimates calculates that employees coming in will spend about 25% of their wages in McKinney. Interim President Liu stated in order to provide incentives, we go by two major parameters: the number of jobs and the average wage or the total capital investment. The sales tax is calculated depending on what the company's anticipated estimated sales will be in McKinney. Sales tax is looked at on a case-by-case basis. The parameters for the ROI analysis can be changed and customized. Chairman Lindsay presented an update on projects that MEDC is currently working on as well as an update on current businesses located at The Werx. Interim President Liu noted that the MEDC hosts an annual Site Selection Day. This year five site selection consultants were attendance, including attendees from New York, Washington D.C., Florida, Houston and Austin. Chairman Lindsay stated that MEDC is working on the strategic plan, with the target groups as AeroSpace, Clean Manufacturing, Healthcare, High Tech, and Corporate Headquarters. Council member Pogue noted that these target groups are still our focus but we should look at defining the categories so that we can pinpoint a particular target. With the ONE McKinney 2040 Plan being divided into boundary districts, perhaps it can be included when a prospective business is targeted. Chairman Lindsay stated some of the issues noted here will be discussed in the Strategic Planning meeting on May 20th. Director of Business Development Chad Walker stated that as a Type 4A corporation, MEDC is prohibited from incentivizing retail or service related projects as far as giving them any sort of incentive for a building or bringing in employees. We can legally fund infrastructure that would serve that retail site. We can also offer job training classes for those employees and can help with advertising and marketing. Type 4A cannot incentivize hospitals but can offer incentives to a back office operation that serves the health care industry. MEDC Attorney Mark Houser stated that in the past, MEDC has reimbursed

impact fees for infrastructure development as a way to assist a retail user. Impact fees are eligible because those are targeting infrastructure. Partial rental reimbursements are provided for emerging technology businesses. The rent reimbursements are up to a 50% reimbursement of rent paid. If a business qualifies, they can come back after a year and request an additional year of rent reimbursements upon EDC Board approval. The business must provide documentation including a profit/loss statement showing that they still qualify for the abatements. Mayor Loughmiller stated that it is the role and responsibility of the MEDC to come up with the policy and guidelines to invest in technology based businesses.

16-480 Mayor Loughmiller and Chairman Lindsay called for Discussion on Strategies, Goals, and Vision. Interim City Manager Tom Muehlenbeck noted that the recently adopted goals of the City Council guides the strategies for the City and any recommendation made to Council should be tied back to one of the six goals. Staff is currently developing strategies and measurement criteria for those strategies.

16-481 Mayor Loughmiller and Chairman Lindsay called for Discussion on Retention and Funding Existing Businesses. This was discussed on a previous item.

16-482 Mayor Loughmiller and Chairman Lindsay called for Discussion on Innovative Ideas for Economic Development. Chairman Lindsay stated that he and MEDC staff had discussed if our competitors, Frisco, Allen and Plano, had purchased land to offer as incentives. Frisco has made sizeable land purchases to be more competitive on future projects coming to the area. MEDC Vice Chairman Clark stated that an option is to purchase property and make the infrastructure improvements in order to offer that as incentives. As far as funding existing businesses, we could fund the infrastructure improvements and have those in place to

offer as incentives. Vice Chairman Clark stated that if we have specific corners or large areas of land that we want to develop in a particular manner, perhaps we should purchase it, improve the infrastructure, and have it ready to offer. Board member Sipiora stated that we should be careful when purchasing property as we are entering the competitive side with the private sector. Any purchases should be investment-driven.

16-483 Mayor Loughmiller and Chairman Lindsay called for Discussion of Roles and Responsibilities. Mayor Loughmiller stated that he wanted an understanding of the roles of each group. Mayor Loughmiller stated that he wanted the Council and the MEDC Board to work together when it comes to economic development projects even though some of the projects only include Council incentives and other projects only include MEDC incentives. Mayor Loughmiller stated that each group has a distinct role when it comes to economic development projects. The MEDC Board has the authority to determine if there is a viable project that deserves MEDC incentives and it is the role of the Council to determine if there is justification for providing tax abatements. It was recommended that improved communication between groups would be beneficial to keep everyone informed of economic development projects.

Mayor Loughmiller and Chairman Lindsay recessed the meeting into executive session at 7:28 p.m. per Texas Government Code Section 551.071 (2) Consultation with City Attorney on any Work Session, Special or Regular Session agenda item requiring confidential, attorney/client advice necessitated by the deliberation or discussion of said items (as needed), Section 551.074 Discuss Personnel Matters and Section 551.087 Discuss Economic Development Matters as listed on the posted agenda. Mayor Loughmiller recessed to the open session at 8:35 p.m.

Council unanimously approved the motion by Vice Chairman Clark, seconded by Board member Johnson, to adjourn. Chairman Lindsay adjourned the McKinney Economic Development Corporation meeting at 8:36 p.m.

Council unanimously approved the motion by Council member Pogue, seconded by Council member Rogers, to adjourn. Mayor Loughmiller adjourned the City Council meeting at 8:37 p.m.

BRIAN LOUGHMILLER
Mayor

LANCE LINDSAY
Chairman

ATTEST:

SANDY HART, TRMC, MMC
City Secretary