

**To the Mayor and Members of the City Council****February 21, 2023**

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**SUBJECT: PROCEDURE RELATING TO FINANCIAL DUE DILIGENCE
PERFORMED DURING ZONING PROCESS**

The purpose of this Informal Report (IR) is to provide clarification on the procedure, if any, relating to what financial due diligence is performed for Zoning cases.

For Annexation applications, a Fiscal Impact Analysis (FIA) is conducted by the Planning and Data Analytics Department. The analysis summarizes anticipated expenses and revenues, based on estimates provided by departments concerning different types of City services, such as Police, Fire, EMS, Emergency Radio, Roads and Streets, Code Compliance, Parks and Recreation, Stormwater, and Water. A general recommendation on the proposed annexation is provided based on the FIA results. Planning and Data Analytics is working to improve the strategic value of the analysis.

Regarding zoning cases, staff is not aware of any similar FIAs being conducted at a City organization level in the State of Texas.

- Better understanding of the long-term fiscal consequences of zoning cases specifically would be very beneficial and informative. Since there is little to no previous comparable experience from other cities, additional research on what/if software is available in the market for this purpose would need to be done. What is known is that the scale for conducting this type of analysis at the zoning case level would be very resource-consuming, in staff time, potential software, and corresponding training. Zoning cases average more than 250 cases per year and run in a very quick turnaround compared to other US cities.
- It should be noted that conducting Fiscal Impact Analysis at the zoning change level may not capture the reality of the development being permitted city-wide, as most developments do not need a zoning change, but are instead approved administratively (by-right uses).

Another option would be to conduct a city-wide fiscal analysis, which are more common and can be linked to 5-10 year reviews of the Comprehensive Plan, for example. If so, additional resources would be needed in the Planning and Data Analytics Department.

Planning and Data Analytics staff previously explored a consultant-led project to develop a FIA tool that evaluates City costs and revenues associated with development, including zoning. Planning and Data Analytics plans to develop a scope of work and prepare/issue a Request for Proposals for further consideration.

If you have any questions, please contact Daniel Leal – Development Services Assistant Director at 817-392-6214 or Eric Fladager – Planning & Data Analytics Assistant Director at 817-392-8011.

David Cooke
City Manager