



Proposed Change to Fee Structure for Project Plans and Plans submitted Concurrently with Project Plans

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Description

Recommended revisions to the regulatory fee schedule related to the following:

- A cap on project plan fees for projects over a certain size.
- A reduction in the fees that will be collected when additional plans types, such as a preliminary and/or site plan for the same development, are submitted concurrently with the project plan .

Summary

In 2010, The Board established a fee schedule for Sketch Plans, a new plan type recommended as part of the CR zone. Because of the increased densities allowed in the CR zone, it was understood that projects requiring a sketch plan would often propose square footage greater than most other plans. Since fees were calculated based on a cost per square foot, these larger plans would end up paying a very high fee. As a result, the Board agreed to establish fee cap. The Board also agreed that when sketch plans were submitted concurrently with other plan types, the fees for the other plans could be reduced, but in no event could that reduction exceed the amount that was being charged for the sketch plan itself.

Staff is now proposing that, to be consistent, a similar fee arrangement be adopted for project plans. Like the sketch plan, fees for project plans would be capped at \$260,000. In addition, fees for preliminary and/or site plans submitted concurrently with a project plan could be reduced by up to half, but only up to the full amount charged for the project plan.

Staff recommends approval of these recommendations.

ANALYSIS

Setting fee levels for new plan types and revising fee schedules for existing plan types has always been done on a fairly regular basis by the Board. For many years, fees were set at a level designed to cover the hours charged on time cards by plan reviewers, although this was at best an educated guess since it was impossible to know either the number or type of plans that would be submitted in a future year. When the Development Review Special Revenue Fund was set up, the Council asked that we set our fees even higher, in order to cover several other costs, including the time spent by legal on regulatory cases, a percentage of overhead for operating the building, outreach staff time and so forth. As a result, in 2006 the Board voted to triple most regulatory fees. Soon thereafter, however, the economy turned downward, causing a drop in plan submittals. This meant that we were not taking in enough fees to meet our cost recovery goals, so for several years running Council had to transfer funds from the Administration Fund to the Development Review Special Revenue Fund. Given the economic situation, the Board did not wish to raise fees any higher.

In 2010, the new CR zone was created, which required the submittal of a sketch plan. This, in turn, required the Board to adopt a fee schedule for this new plan type. Staff worked hard to recommend a fee that would cover the costs of review without overcharging, yet still encourage new development. The fees adopted by the Board were unique for the following reasons: 1) the fee was capped when a project was greater than one million square feet, 2) since the fee could be quite large, applicants were allowed to pay in two equal installments, 75 days apart, and 3) the Board agreed to provide a break in fees when other plan types related to the same project were submitted for review concurrently.

Soon after the sketch plan fees were adopted, staff received a request to adjust fees in a similar manner for project plans. Staff supports this request for the following reasons:

- 1) Project plans and sketch plans are similar in nature. They are only required in certain zones and for optional method projects in order to allow the Board to analyze the relationship between the benefits being offered and the density requested. Both sketch and project plans require further reviews including preliminary and/or site plans.
- 2) Although fees are based on the size of a project, at some point additional square footage does not equate to a greater number of hours required for the review. Therefore, it is reasonable to cap the amount of fees being collected.
- 3) When two or more plans are submitted simultaneously (as opposed to years apart, which was often the case), the time required for staff review is decreased. This is particularly true given the reorganization, because the same geographic team will be reviewing all of the plans that have been submitted concurrently.

Staff, therefore, proposes the following:

- 1) Cap project plan fees at \$260,000. Unlike sketch plan fees, which are calculated based on the square footage of a project, project plan fees are based on both a charge per dwelling unit (\$75.00) and a charge per square foot (\$0.15). For example, the fee for a project plan containing 1000 dwelling units and 1.2 million square feet of commercial space would generate fees of \$264,000, including base fees. The sketch plan fee was capped at \$260,000 because it

represented a project of one million square feet. Staff recognizes, however, that the mix of uses could vary for every project plan so the fee will vary as well. Nevertheless, to be consistent, staff proposes that, regardless of the mix of uses, any project plan that generates a fee greater than \$260,000 should be capped at \$260,000.

- 2) To be consistent with the fees established for plans submitted concurrently with sketch plans, if a project and preliminary plan are submitted at the same time for review by staff, up to half of the preliminary plan fee will be waived, but only up to a maximum of the project plan fee. If project, preliminary and site plan amendment applications are submitted together, up to half of the preliminary and site plan fees combined can be written off, but only up to a maximum of the project plan fee that was collected.

To clarify what the impact of these recommendations would be, some specific examples are given below. The first example represents the project for which this revision was first sought:

Total Site Area = 110 Acres
DU's proposed: 1,500
Non-Residential Space proposed: 1,515,000 sq. ft.

Fees calculated using the current method:

Project Plan:

Base Fee of \$4,500 plus 1,500 du's at \$75/du = \$117,000 and

Base fee of \$4,500 plus 1,515,000 square feet at \$0.15/s.f. = \$231,750

Total Project Plan Fee = \$348,750

Preliminary Plan Fee:

\$2500 Base Fee + \$365/du for 1st 100 du's and \$100/du for remaining 1400 du's = \$179,000 and

\$6,000 Base fee + 1,515,000 square feet at \$0.15/s.f. = \$233,250

Total Preliminary Plan Fee = \$412,250

Total for the two plans together: \$761,000

Under the fee structure proposed here, this applicant's project plan fee would be capped at \$260,000. If the project and preliminary plan are submitted together, the applicant would owe a total of only \$466,125, which represents the capped project plan fee of \$260,000 plus half of the total preliminary plan fee or \$206,125. This is a savings of \$294,875, which is quite significant.

The applicant does not need to submit a site plan for any portion of their site to receive the savings demonstrated above. However, if a site plan were submitted at the same time, the applicant could write off half of the site plan fee but only up to \$53,875, which represents the remaining balance of their project plan fee of \$260,000 (\$206,125, or half of their preliminary plan fee, has already been written off.)

It is also important to remember that the cap will probably not come into play too often, since only a small number of project plans are submitted in any given year, and most are not nearly as big as the one cited above. However, reducing fees for plans submitted concurrently will also have a financial impact, as demonstrated by examples below:

Project 1: Project and Preliminary Plans reviewed concurrently for a project containing 310 dwelling units:

Traditional Method:		New Method:	SAVINGS = \$27,750
Project Plan Fee =	\$27,750	Project Plan =	\$27,750 or 31.6%
Preliminary Plan Fee =	<u>60,000</u>	Preliminary Plan =	<u>\$32,250</u>
Total	\$87,750	Total	\$60,000

Please note that since this was for a concurrent project and preliminary plan submittal, half of the preliminary plan fee can be waived but only up to the amount of the total project plan fee. In this case, half of the preliminary plan is \$30,000 but since the project plan fee is only \$27,750, that is the maximum that can be waived.

Project 2: Project and Preliminary Plans reviewed concurrently for a project containing 500 dwelling units and 59,500 square feet of retail:

Traditional Method:		New Method:	SAVINGS = \$42,000
Project Plan Fee =	\$ 42,000	Project Plan =	\$42,000 or 31%
Preliminary Plan Fee =	<u>93,925</u>	Preliminary Plan =	<u>\$51,925</u>
Total	\$135,925	Total	\$93,925

Again, since this was for a project and preliminary plan submittal, half of the preliminary plan fee can be waived but only up to the amount of the total project plan fee. In this case, half of the preliminary plan is \$46,962.50 but since the project plan fee is only \$42,000, that is the maximum that can be waived.

Project 3: Project and Preliminary Plans reviewed concurrently for a project containing 1250 dwelling units and 70,000 square feet of retail:

Traditional Method:		New Method:	SAVINGS = \$85,250
Project Plan Fee =	\$ 113,250	Project Plan =	\$113,250 or 30%
Preliminary Plan Fee =	<u>170,500</u>	Preliminary Plan =	<u>\$ 85,250</u>
Total	\$ 283,750	Total	\$ 198,500

In this example, half of the preliminary plan fee (85,250) is less than the project plan fee so the entire amount can be waived.

In order to give the Board a better idea of what impact these fee changes might have on our bottom line at a time when the Planning Department's budget has already been decreasing, an analysis was done to determine what the new fee schedule would have meant for plans that were submitted concurrently in FY '10, FY '11, and year to date in FY '12. These results are summarized below:

FY '10:

Fees collected for project and other plans received concurrently :	\$495,680.85
Fees that would not have been collected under new proposal:	\$365,562.60

Reduction in fees = \$130,118.25 or 26.3%

FY 2011:

Fees collected for project and other plans received concurrently : \$338,264.25

Fees that would not have been collected under new proposal: \$269,822.60

Reduction in fees = \$68,441,65 or 20.2%

FY 2012 to Date:

Fees collected for project and other plans received concurrently : \$336,085.60

Fees that would not have been collected under new proposal: \$237,052.15

Reduction in fees = \$99,033.45 or 29.5%

Based on this analysis, it would appear that the fee schedule being proposed would cause a reduction in revenue for combined plans ranging from 20 – 30%. The overall impact on the entire development review special revenue fund would be less because we do not receive too many project plans in any given year. It should also be pointed out that, in the time period covered above, no project plan was submitted that would have triggered the \$260,000 cap.

Although a reduction in fee revenue may seem counter-intuitive during these difficult times, staff believes that it makes sense for the project plan fees and sketch plan fees to be consistent. Staff proposes, at the end of each fiscal year, in preparation for the following year's budget, to bring to the planning board an in-depth analysis of current fees and the costs of review. This would be the appropriate time to revisit fees and cost recovery goals since the reorganization will have been in place for more than one year and there will be data to compare to previous year review time and costs.