

M-NCPPC



Montgomery County Department of Park and Planning
THE MARYLAND NATIONAL CAPITAL MCPB
PARK AND PLANNING COMMISSION Item: 11
8787 Georgia Avenue
Silver Spring, Maryland 20901

March 23, 2006

MEMORANDUM

TO: Montgomery County Planning Board

VIA: Faroll Hamer 
Acting Director

FROM: Rose G. Krasnow, Chief
Development Review Division

Bill Mooney
Acting Deputy Director 

DATE: March 10, 2006

SUBJECT: Increase Fees for Regulatory Applications Beginning April 1, 2006

Recommendation: Staff recommends that fees be increased April 1, 2006 to recover all Development Review costs, space required for staff, and legal staff time devoted to development review matters. This results in setting fees that will generate approximately \$3,500,000 as detailed below. The list of fees recommended for adoption is on Attachment C.

The recommended fees are 75 percent of the maximum discussed with the Board during the March 2 work session.

ANALYSIS

As part of the FY 06 budget preparation, staff looked closely at whether we were achieving the County Council's goal of recovering 100% of the costs of plan review through the fees being charged. In order to do this, it was necessary to collect data on the hours staff was charging to the review of each type of plan as part of the payroll process and comparing this to the fees collected as part of the application process.¹ It quickly became evident that we had fallen short of our goal in FY 05. The primary reason for this is that even though the number of plans being submitted remained fairly constant, the size of the proposed developments was substantially smaller.² To make

¹ In addition to hours charged by Development Review staff, it is important to remember that staff in Community Based Planning and County-wide Planning also spends a substantial amount of time analyzing submitted plans. The hours that they charge to plan review is included in this analysis. Therefore, Development Review in this context is the program as opposed to the organizational entity.

² This is not surprising, as we have fewer Greenfields to develop, and more of our work now focuses on smaller, in-fill developments.

up for this shortfall, and to cover the increased costs of salaries and benefits that could be expected in FY 06, staff recommended an increase in filing fees that would have gone into affect on July 1, 2005. However, as the events of Clarksburg began to unfold this increase was put on hold.

In order to continue the efforts to improve Development Review as a result of the Clarksburg matter, a number of reforms have been put in place that increase the workload of staff. These include detailed checklists for each type of plan review, plus signature set, record plat and building permit review. Minor amendments must be noticed and staff memos written detailing the changes and why they do not go against the intent of the Board's approvals. More than one set of eyes is brought to bear throughout the process. Greater and earlier interaction with the public has also been instituted. As a result, the Commission submitted a supplemental budget request to the County Council that enables the Planning Department to: hire additional staff, including additional site plan reviewers, as well as technical staff to enhance record management; improve and expand the use of technology; provide additional resources to the legal staff; and lease additional space.

In the past, fees have been set with a goal to recover 100% of the costs that those doing actual review of plans were recording on their time cards. After review of the costs associated with the Development Review process and in discussion with the PHED committee of the County Council, staff has identified additional cost areas that should be considered for the fee structure. In addition to the direct costs of development review, the following cost centers have been identified:

Table 1 Cost Center Summary

		Cumulative Total	Increase Over Current	
Current Fees	1,395,000			
Revised Fees (Current Budget)	2,513,633	2,513,633	80.2%	Recommended
Plus Full Allocation *	854,150	3,367,783	141.4%	Recommended
Plus Legal Staff	273,000	3,640,783	161.0%	Recommended
Plus Space	172,400	3,813,183	173.3%	Recommended
Plus Overhead	524,600	4,337,783	211.0%	Defer
Plus Reserves	749,500	5,087,283	264.7%	Defer
Total All Costs	<u>5,087,283</u>			

* Full allocation is defined as all personnel costs for development review staff -- beyond time directly charged to review.

Based on the discussion with the Board on March 2, 2006 and after consideration of testimony that was heard at that time, staff recommends that the Board set fees that will cover the full cost of the development review program staff as well as office space and the percent of legal staff time devoted to development review. While the additional costs of overhead and reserves are important considerations, they must be balanced against the magnitude of the increases that are being recommended. Further, the number of applications and the number of development units and square feet of commercial development that are being assumed in the projections are conservative. This strategic decision to use conservative numbers provides the margin for error with a revised fee structure and provides that potential for reserve funds to be

Increase Fees for Regulatory Applications Beginning April 1, 2006

accumulated in the special revenue fund if the actual applications exceed the projected number. It is critical in the early years of a special revenue fund that reserves be accumulated.

Table 2 below clearly shows that the filing fees at the current rate will not achieve 100% cost recovery nor would they address any of the additional cost centers that staff has identified. However, with the fees as proposed, coverage of the recommended cost centers will be achieved. Table 2 also shows an option that shows what revenue would be generated if the Board chose to phase in the increase and charge only 90 percent of the proposed fees. However, staff recommends the full fee to achieve 100 percent recovery of the identified cost centers. When the recommended fees are compared to the current fees, the increases are reasonable based on the increasing costs of processing the applications. This comparison is shown in the bottom section of charts 3, 4, and 5 below.

Although it has not been unusual to increase fees annually, the last increase in fees actually took effect on July 1, 2003 (the beginning of FY 04). An analysis the following year indicated considerable parity between monies coming in and costs being charged, so no increase was recommended as part of the FY 05 budget. Clearly, that situation has now changed dramatically. As stated above, the number of staff reviewing applications has increased along with their salaries and benefits. Also, the FY 06 supplemental budget added new positions responsible for reviewing applications.

Table 2

Application Type	Estimated FY07 Review Labor	Estimated FY07 Filing Fees at Current Rates	Estimated FY07 Cost Recovery at Current Rates	Estimated FY07 Filing Fees with Revised Fees	Estimated FY07 Cost Recovery with Increase	Estimated FY07 Cost Recovery at 90% Phase In
Preliminary Plan	1,627,200	416,800	26%	1,632,400	100%	1,469,200
Site Plan	1,296,300	362,400	28%	1,294,200	100%	1,164,800
Record Plats	268,500	110,500	41%	268,900	100%	242,000
Pre-Application	165,400	53,200	32%	165,800	100%	149,200
Project Plans	164,800	66,200	40%	163,900	99%	147,500
Natural Resources Inventory /Forest Stand Delineation	100,700	69,000	69%	99,300	99%	89,400
Forest Conservation Plans	162,700	200,000	123%	162,700	100%	146,400
Forest Conservation Plan Exemptions	27,400	10,700	39%	27,200	99%	24,500
Totals	3,813,000	1,288,800	34%	3,814,400	100%	3,433,000

It should be noted that in order to estimate labor costs as accurately as possible, staff used FY 05 payroll time code data (the last full year) to identify staff from all divisions that were charging time to development review. Time code data also allowed

for distribution of staff-hours between the application types. The staff-hours that would be accrued by additional staff recommended as part of the supplemental were estimated and distributed by plan type. The FY 07 salaries/benefits were used to arrive at the labor costs for each application type.

Staff also had to make assumptions about the amount of application fees that could be anticipated, using historic data and estimates concerning how many and what plan type of applications would be submitted in FY 07. To do this, staff looked at the number and types of plans submitted in FY 04, FY 05, and FY 06 to date, and projected this history outward, thereby assuming that FY 07 filings would be similar to those in the prior years. Staff then based the fee projections for FY 07 on 70% of the average of the prior years. This is done to provide a conservative revenue forecast at the beginning of the Special Revenue Fund. Should there be a slow down in applications, this will provide adequate funds for operations. Should the projections actually be conservative, this will provide funds to establish the reserves in the Special Revenue Fund.

In previous fee structures, various applications types have a base fee and a surcharge based on the number of residential dwelling units (DU's) or commercial square footage (SF). Staff analyzed the breakdown of DU and SF by application type to estimate the number of applications with base fees only and base fees with the DU or SF surcharge. Under the higher fees being proposed, this structure was producing a disparate fee per dwelling unit, in that small developments were generating disproportionately higher fees per unit. To some extent, higher fees for smaller developments can be justified because the efforts expended on small projects are, in fact, disproportionate. However, staff has developed a fee structure that reduces the differences in the fees per unit to a level that is more even across the spectrum.

The recommended fee structure for Project, Preliminary and Site Plans are shown below in tables 3 – 5, including the impact on developments of various sizes.

Table 3 – Preliminary Plans; Amendments, etc.

Review Costs			
		Wk Yrs	\$
Plan Review Staff		11.63	1,017,679
Full Allocation of Staff			387,816
Legal Costs			151,949
Office Space			69,799
Total Costs for Fees			1,627,243
Projected Development Workload		89	Plans
	DUs	3,699	
	SFs	2,270,830	
	Extensions	7	
	Waivers	2	
Recommended Fees			
	Category	Amount	Generation
	Base	1,500	133,500
	Per DU	365	1,350,135
	Per SF	0.06	136,250
	Extensions	1,390	9,730
	Waivers	1,390	2,780
Total This Category			1,632,395
Net Revenue over Costs			5,152
Impact on Development			
	Dev Units	Fee	per DU
	3	2,595	865
	10	5,150	515
	50	19,750	395
	100	38,000	380
	Square Feet	Fee	per SF
	1,000	1,560	1.56
	10,000	2,100	0.21
	100,000	7,500	0.08
Comparison to Current Fees			
	Dev Units	Fee	per DU
	3	1,535	512
	10	3,090	309
	50	4,600	92
	100	6,100	61
	Square Feet	Fee	per SF
	1,000	2,315	2.32
	10,000	3,090	0.31
	100,000	6,850	0.07

Table 4 – Site Plans; Amendments, etc.

Review Costs			
	Wk Yrs	\$	
Plan Review Staff	9.24	810,735	
Full Allocation of Staff		308,954	
Legal Costs		121,051	
Office Space		55,605	
Total Costs for Fees		1,296,345	
Projected Development Workload			
	55	Plans	
DUs	5,758		
SFs	3,909,884		
Minor w/o DRC	15		
Minor w/ DRC	9		
Recommended Fees			
Category	Amount	Generation	
Base	1,500	82,500	
Per DU	165	950,070	
Per SF	0.06	234,593	
Minor w/o DRC	450	6,750	
Minor w/ DRC	2,250	20,250	
Total This Category		1,294,163	
Net Revenue over Costs		(2,182)	
Impact on Development			
Dev Units	Fee	per DU	
10	3,150	315	
50	9,750	195	
100	18,000	180	
Sq Feet	Fee	per SF	
1,000	1,560	1.56	
10,000	2,100	0.21	
100,000	7,500	0.08	
Comparison to Current Fees			
Dev Units	Fee	per DU	
10	2,675	268	
50	5,100	102	
100	6,450	65	
Sq Feet	Fee	per SF	
1,000	2,675	2.68	
10,000	4,020	0.40	
100,000	5,820	0.06	

Table 5 – Project Plans; Amendments, etc.

Review Costs			
	Wk Yrs	\$	
Plan Review Staff	1.24	113,659	
Full Allocation of Staff		43,313	
Legal Costs		-	
Office Space		7,795	
Total Costs for Fees		164,767	
Projected Development Workload			
	6 Plans		
DUs	900		
SFs	1,106,960		
Recommended Fees			
	Category	Amount	Generation
	Base	5,000	30,000
	DUs	75	67,500
	SFs	0.06	66,418
Total This Category			163,918
Net Revenue over Costs			(849)
Impact on Development			
	Dev Units	Fee	per DU
	50	8,750	175
	100	12,500	125
	Sq Feet	Fee	per SF
	1,000	5,060	5.06
	10,000	5,600	0.56
	100,000	11,000	0.11
Comparison to Current Fees			
	Dev Units	Fee	per DU
	50	3,660	73
	100	4,860	49
	Sq Feet	Fee	per SF
	1,000	2,480	2.48
	10,000	2,660	0.27
	100,000	4,460	0.04

These types of estimates are ever changing. New staff performing reviews, more review staff-hours by staff, or higher than expected salaries/ benefits are hard to predict accurately. Staff believes a new analysis will be needed in the fall to ensure that fees are meeting the expectations of the projections.

Attachments

A – History of Fee Increases

B – Current and Proposed Fee Schedule

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
2																
3																
4	Effective				7/1/98 % increase	7/1/99 % increase	7/12/01 % increase	8/1/02 % increase	7/1/03 % increase					Current Fees	10/10/04 % increase	FY07
5	Pre-Application Plan															
6	Staff	400	10.0%	440	0.0%	440	19.3%	525	18.1%	620	0.0%	620	0.0%	620	350.0%	2790
7	Board	600	10.0%	660	0.0%	660	18.9%	785	17.8%	925	0.0%	925	0.0%	925	350.0%	4170
8	NR/IFSD															
9	SF	100	0.0%	100	0.0%	100	25.0%	125	180.0%	350	0.0%	350	0.0%	350	105.0%	720
10	Others	200	0.0%	200	0.0%	200	25.0%	250	40.0%	350	0.0%	350	0.0%	350	105.0%	720
11	Recertification	n/a		n/a		n/a		n/a		200		200		200	105.0%	410
12	FCP Exemption	n/a		n/a		n/a		35	42.9%	50		50		50	250.0%	180
13	FCP															
14	SF	50	0.0%	50	0.0%	50	50.0%	75	166.7%	200	0.0%	200	0.0%	200	140.0%	480
15	+ / lot	15	0.0%	15	0.0%	15	100.0%	30	166.7%	80	0.0%	80	0.0%	80	140.0%	200
16	Others	100	0.0%	100	0.0%	100	50.0%	150	170.0%	405	0.0%	405	0.0%	405	140.0%	980
17	+ / acre	30	0.0%	30	0.0%	30	50.0%	45	166.7%	120	0.0%	120	0.0%	120	140.0%	290
18	Preliminary Plan															
19	Residential															
20	Base															1500
21	DUs															365
22																
23	1 - 9 DUs	1000	10.0%	1100	0.0%	1100	18.2%	1300	18.1%	1535	0.0%	1535	0.0%	1535	-100.0%	0
24	+ SPA	n/a		n/a		n/a		n/a		n/a		n/a		250	50.0%	380
25	10 - 49 DUs	2000	10.0%	2200	0.0%	2200	19.1%	2620	17.9%	3090	0.0%	3090	0.0%	3090	-100.0%	0
26	+ SPA	n/a		n/a		n/a		n/a		n/a		n/a		500	50.0%	750
27	50 or more	3000	10.0%	3300	0.0%	3300	18.2%	3900	17.9%	4600	0.0%	4600	0.0%	4600	-100.0%	0
28	+ DUs > 50	20	10.0%	22	0.0%	22	18.2%	26		30		30		30	-100.0%	0
29	+ SPA	n/a		n/a		n/a		n/a		n/a		n/a		500	50.0%	750
30	+ SPA DUs > 50	n/a		n/a		n/a		n/a		n/a		n/a		10	50.0%	20
31	Commercial															
32	SFs															0.06
33																
34	1 - 9999sf	1500	10.0%	1650	0.0%	1650	19.0%	1963	17.9%	2315	0.0%	2315	0.0%	2315	-100.0%	0
35	+ SPA	n/a		n/a		n/a		n/a		n/a		n/a		500	50.0%	750
36	10000 - 24999 sf	2000	10.0%	2200	0.0%	2200	19.0%	2618	18.0%	3090	0.0%	3090	0.0%	3090	-100.0%	0
37	+ SPA	n/a		n/a		n/a		n/a		n/a		n/a		500	50.0%	750
38	25000 sf or more	3000	10.0%	3300	0.0%	3300	18.2%	3900	17.9%	4600	0.0%	4600	0.0%	4600	-100.0%	0
39	+ sf > 25000	0.02	0.0%	0.02	0.0%	0.02	0.0%	0.02	50.0%	0.03		0.03		0.03	-100.0%	0
40	+ SPA	n/a		n/a		n/a		n/a		n/a		n/a		500	50.0%	750
41	Institutional/Religious	1000	10.0%	1100	0.0%	1100	18.2%	1300	18.1%	1535	0.0%	1535	0.0%	1535	50.0%	2310
42	+ SPA	n/a		n/a		n/a		n/a		n/a		n/a		500	50.0%	750
43	Amendments	1000	10.0%	1100	100.0%	2200		as above		as above		as above		as above		as above
44	Extensions	600	10.0%	660	0.0%	660	18.9%	785	17.8%	925	0.0%	925	0.0%	925	50.0%	1390
45	Waivers	600	10.0%	660	0.0%	660	18.9%	785	17.8%	925	0.0%	925	0.0%	925	50.0%	1390

Attachment A

	A	B	C	N	O	P	Q	R	S	T	U	AF	AG	AH
1	Recommended Development Review Fee Schedule													
2														
3				Current Fees								Current Fees		
4				10/10/04	% increase							10/10/04	% increase	
5	Effective					FY07								FY07
6	<u>Pre Application Plan</u>													
7	Staff			620	350.0%	2790 *								1500
8	Board			925	350.0%	4170 **								165
9	<u>NRI/FSD</u>													
10	SF			350	105.0%	720								0
11	Others			350	105.0%	720								380
12	Recertification			200	105.0%	410								0
13	FCP Exemption			50	250.0%	180								0
14	<u>FCP</u>													
15	SF			200	140.0%	480								750
16	Others		+ / lot	80	140.0%	200								20
17			+ / acre	405	140.0%	980								20
18	<u>Preliminary Plan</u>													
19	Residential			120	140.0%	290								0.06
20	<u>Base</u>													
21	DUs			1500		1500								0
22	1 - 9 DUs			1535	-100.0%	0								750
23	+ SPA			250	50.0%	380								0
24	10 - 49 DUs			3090	-100.0%	0								750
25	+ SPA			500	50.0%	750								4020
26	50 or more			4600	-100.0%	0								as above
27	+ DUs > 50			30	-100.0%	0								0
28	+ SPA			500	50.0%	750								450
29	+ SPA DUs > 50			10	50.0%	20								2250
30	Commercial													
31	<u>SFs</u>													
32	1 - 9999sf			2315	-100.0%	0								5000
33	+ SPA			500	50.0%	750								75
34	10000 - 24999 sf			3090	-100.0%	0								0.06
35	+ SPA			500	50.0%	750								
36	25000 sf or more			4600	-100.0%	0								0
37	+ sf > 25000			0.03	-100.0%	0								0
38	+ SPA			500	50.0%	750								as above
39	Institutional/Religious			1535	50.0%	2310								1310
40	+ SPA			500	50.0%	750								1630
41	Amendments			as above		as above								205
42	Extensions			925	50.0%	1390								
43	Waivers			925	50.0%	1390								
44	<u>Record Plans</u>													
45	Residential			2460	-100.0%	0								0
46	+ DUs			24	-100.0%	0								0
47	Commercial			2460	-100.0%	0								0
48	+ sf			0.02	-100.0%	0								0
	Amendments			as above		as above								as above
	Extensions			870	50.0%	1310								1310
	Record Plans			470	245.0%	1630								1630
				205		205								205

Attachment B

* Pre-Application Fees will not exceed Preliminary Plan Fee for staff level review.
 ** Pre-Application Fees that go to the board will be 30% higher than staff level reviews.