

MEMORANDUM

October 27, 2015

TO: Planning, Housing, and Economic Development Committee

FROM: Jeff Zyontz, Senior Legislative Analyst

SUBJECT: Revision to Department of Permitting Services' fees for services provided under Chapter 59 of the Montgomery County Code

The attached resolution to amend the Department of Permitting Services' (DPS) fees was introduced on September 29, 2015. The lead sponsor is the District Council at the request of the County Executive. The Council last approved these fees on May 14, 2008.

Although the Department had the authority to increase the fees by the rate of increase in the Department's personnel cost, the fees have not changed since 2008. The Washington Area Consumer Price Index has increased by approximately 9% since 2008. During FY15, the Department studied their costs for providing their services. The proposed changes are based on that study and full cost recovery.

The proposed fees would not affect the current sign fee and sign variance discounts for non-profit organizations; however, some discounts are established as a percentage of the regular fee. Fees will increase for larger non-profit organizations if the proposed fees go into effect. Under Executive Regulation 13-08, a non-profit organization with annual revenues of less than \$50,000 is not charged any sign fees, and a non-profit with annual revenues of more than \$50,000 but less than \$100,000 pays 33% of the stated fees. With annual revenues between \$100,000 and \$200,000, a non-profit organization is charged 66% of the stated fees.

Under the proposed resolution, the Department may adjust proposed fees based on its labor and operating costs. The method of adjustment would be identical to the adjustment for all of the Department's fees established by Executive Regulations.

The Council conducted a public hearing on October 13, 2015. The Director of DPS spoke in favor of the proposed fees. The Director stated that declining to raise the zoning related fees will push known expenses to other permit fee payers. The owner of Signarama testified that the fees were out of line with other jurisdictions and that the current cost of the permits—even without the fee increase—represented a very high percentage of the cost of the sign. Increasing fees will promote more illegal unpermitted signs, in her opinion.

The following table indicates the Department's current fees, the proposed fees, and the percentage difference between the proposed fees and current fees.

	<u>Existing</u>	<u>Proposed</u>	<u>Percent Change</u>	<u># of FY15 Permits</u>
Equestrian Permit	\$185	\$455	146%	1
Home Occupation	\$185	\$420	127%	40
Nonconforming use certificates	\$185	\$385	108%	1
Parking Waiver request	\$780	\$1,085	39%	4
Conditional use enforcement	\$290	\$245	-16%	1,071
Zoning Compliance letters				273
Residential	\$100	\$350	250%	
Commercial	\$210	\$455	117%	
Sign Fees*				
Permanent				550
Without Site Plan	\$255	\$300 ¹	18%	
With Site Plan	\$410	\$300 ¹	-27%	
Limited duration				0
Without Site Plan	\$32	\$140	338%	
With Site Plan	\$52	\$140	169%	
Sign concept plan				8
Without Site Plan	\$435	\$1,295	198%	
With Site Plan	\$695	\$1,295	86%	
Sign variance				21
Without Site Plan	\$435	\$595	37%	
With Site Plan	\$695	\$595	-14%	

The table reflects the DPS response to testimony. The person who testified was satisfied with the response. The Department is also examining the possibility of no fees for a non-illuminated replacement sign where a permit was previously issued.

Fee Comparison

The Committee Chair asked for a comparison of the proposed fees with fees in other neighboring jurisdictions. Staff would note that other jurisdictions do not operate their permitting offices as pure enterprise funds where fees pay 100% of costs incurred.

¹ After the public hearing, the Department changed its proposed fee from \$490 to \$300.

	<u>MC Proposed</u>	<u>Prince George's Fees</u>	<u>Fairfax Fees</u>
Equestrian Permit	\$455		
Home Occupation	\$420		
Nonconforming use certificates	\$385	\$50	\$320
Parking Waiver request	\$1,085	\$2,000 for a departure	
Conditional use enforcement	\$245		
Zoning Compliance letters			
Residential	\$350	\$50	\$115
Commercial	\$455	\$50	\$320
Sign Permits	\$300	\$200 minimum or \$50 + .008% of construction cost	\$95
Sign concept plan	\$1,295	\$500	\$8,260
Sign variance	\$595	\$2,000 for a departure	

Based on this small sample, the one identifiable fact is that local jurisdictions will never be accused of price fixing. Fees vary widely for similar permits. The DPS proposed fees are not consistently higher than fees in either Prince George's County or Fairfax County. Prince George's County fees are lower, except when a variance or waiver is required. Fairfax County has lower fees, with the dramatic exception of sign concept plans. The comparison does not lead Staff to any conclusion.²

This Packet Contains

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² If you gathered together all the economists in the Washington Region and laid them end to end starting at the Washington Monument...they would be more comfortable, but they would still not reach a conclusion.



OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Isiah Leggett
County Executive

MEMORANDUM

September 16, 2015

TO: George Leventhal, County Council President

FROM: Isiah Leggett, County Executive 

SUBJECT: Resolution to set Fees of the Department of Permitting Services Under Montgomery County Code, Chapter 59

Attached please find a proposed Council Resolution to set certain fees for DPS services under the Montgomery County Zoning Ordinance. These fees were recommended as a result of the Comprehensive Fee Study undertaken in FY2015. While other fees resulting from the study were implemented in Executive Regulations 8-15 and 9-15AMII, fees for DPS zoning services are principally authorized under the Zoning Ordinance and pursuant to section 59.7.6.5 must be set by resolution adopted by the County Council sitting as the District Council. The proposed resolution will supersede Council Resolution 16-551 which has not changed since 2008.

I would appreciate your introduction and adoption of this resolution so that this remaining action to implement fees based on the functional analysis undertaken as part of the Comprehensive Fee Study can be put in place.

IL/dsj

1

My name is Stacey Brown and I am the owner of Signarama Silver located on Brookville Road in the industrial zone. I am here to provide testimony against the proposed DPS sign permit fee increases. About 30% of my business involves signage that requires permitting. My customer base is wide with customers in Montgomery County, Prince George's County, D.C. and beyond. I am my own permit runner, so I have experience with the various permitting processes and fees in the County, Prince Georges County and DC. In a given month, I probably run at least 2 permits. I work very closely with a very good core of permitting folks to obtain information and process my permits. Although there are issues, I have high regard for the core team of experts.

The current fees are already way out of line with neighboring jurisdictions (up to 4 times more) and the ratio of permit cost as compared to the cost of the sign is very high (25% or more for a basic, non-illuminated building sign). The new fees will exacerbate this and make it extremely unaffordable for small businesses. Large businesses will not be happy but they can better absorb these costs. For the small business, it may mean that they opt out of getting a permanent sign or they put up their sign illegally, which is already happening.

I'm a rule follower, so I follow strict guidelines in my company to inform my clients about permit requirements and do not install signs that do not have a valid permit. This has lost me some business over the years. Because I am so hands on with regards to permitting, I hear all kinds of issues and barriers primarily related to the amount of time it takes and the cost as compared to other jurisdictions. Many businesses find the delivery time unacceptable and the cost unreasonable as compared to the cost of the sign and the cost of sign permits in other neighboring jurisdictions. Last year, I reached out to DPS to see how I might get involved to provide constructive feedback on the process. They were very open to this and subsequently put together a small focus group of local sign companies led by DPS manager, Ehsan Motazedli. Here are a few key findings:

- 1) The process takes far too long, particularly for basic building signs. 4 to 6 weeks was the average time several months ago. This is and has improved but still has a way to go. For basic signs, many neighboring jurisdictions are providing permits on the spot.
- 2) Not enough knowledgeable permit technicians. They have a good core team but need more skilled resources to handle the demand.
- 3) One size fits all process and pricing is inequitable – for example building signs without a site concept plan uses simple math (2 times the linear width) and, therefore, requires less time to process. However, they take too long to process and the fee is high.
- 4) Very expensive as compared to other jurisdictions. The current fee structure for the permit (not including electrical) is over 4 times that of Prince George's County and 3 times the fees in DC for certain types of signs. To give you an example, I recently processed a permit for a building sign in Montgomery County. The cost of the sign was about \$1,000. The permit cost \$267.50, which is approximately 27% of the cost of the sign itself. It took 2 weeks to get the permit (which is an improvement). I also recently



8930 Brookville Road – Silver Spring MD 20910 – 301.273.3462

processed a permit for a building sign in Prince George's County. The cost of the sign was about \$1,100. The permit cost \$60, which is approximately 5.5% of the cost of the sign. In addition, I received the permit the same day.

In my previous example for the sign in Montgomery County, with the new rates, the permit cost would rise to 49% of the cost of the sign. The new rates would now be more than 8 times the cost of one of our neighboring jurisdictions. I can even think of cases for simple aluminum signs where the cost of the permit would now be more than the cost of the sign.

I completely understand that DPS has not raised rates since 2008, that they underwent a detailed fees analysis and that since they are self-funded, there is extreme pressure to raise the fees. I also applaud them on the work they have been doing to improve the process. However, there has to be a better solution than so severely impacting small businesses. A sign for a small business is critical to being found and getting customers. We should be making it easier and more cost-effective for small businesses not causing such financial hardship. There are already a lot of illegal signs now and DPS, by its own admission, is not staffed to police this. They are only equipped to respond to complaints. Today, this leaves a lot of potential money on the table in terms of collection of permit fees as well as potential public safety and aesthetic issues. The higher rates will only lead to more illegal signs and more potential revenue loss for DPS. For those of us in the industry who are proponents of sign permitting, it will also cause us to lose business as businesses choose to find other sources that will comply or to opt out of certain types of signage altogether.

On behalf of my fellow sign industry colleagues and all of the businesses that we help, I urge you to reconsider these increases; to include in your analysis and decision the fees of local, competing jurisdictions and to develop a fee structure that reflects the DPS effort to process (i.e. building signs should be less) and that does not cause such financial hardship to small businesses that it discourages them from following the legal sign permitting process.

Thank you for your consideration.

Respectfully,

Stacey Brown, Chief Image Builder

Signarama Silver Spring

Zyontz, Jeffrey

From: Motazedi, Ehsan
Sent: Thursday, October 15, 2015 11:18 AM
To: Zyontz, Jeffrey
Cc: Jones, Diane
Subject: FW: Permit Fee Discussion Follow-up
Attachments: 20151015110528202.pdf

Hi Jeff,

We met with Ms. Stacy Brown of Signarama yesterday and discussed her concerns with the increase fee associated with the permanent signs. We compromise on lowering the proposed fees on Permanent Signs to \$300.00. Below is her email regarding our meeting. Please include it in your packet as part of the proposed resolution.

Also, I have attached your table with the revised changes and the information you requested regarding number of permits issued for each category.

I hope this helps.

Thanks

Ehsan

From: Stacey Brown [mailto:stacey@signarama-silverspring.com]
Sent: Wednesday, October 14, 2015 5:41 PM
To: Motazedi, Ehsan <Ehsan.Motazedi@montgomerycountymd.gov>; Jones, Diane <Diane.Jones@montgomerycountymd.gov>
Subject: Permit Fee Discussion Follow-up

Hi Diane & Ehsan,

Thank you for your time today to discuss the sign permit fees. Apologies for not getting back to you as early as I would have liked to but it took a bit to reach the folks I needed to talk to. However, I did call around 4:45 p.m. and left a voice message for both Ehsan and Mark. In any event, I appreciate your willingness to compromise. For the permanent sign category, I will not protest the single rate of \$300 for both the signs with and without a site plan. Although, I would have liked to not have any increase at all given the rates of other jurisdictions and the much needed process improvements, I understand your dilemma and it would be unfair to hold you 100% accountable for an organizational structure that you do not control. I also think that it is very positive that the rate for signs with a site plan have decreased so that you are no longer penalized for having a park & planning address. Many thanks for a fair and productive discussion. I look forward to working with you to continue to improve the process.

BTW - I understand that Jane Redicker (GSSCC) will be following up with you with questions about some of the other categories that are outside of my area of expertise.

Kind Regards.

Stacey Brown, Chief Image Builder

From: Leventhal's Office, Councilmember [Councilmember.Leventhal@montgomerycountymd.gov]
Sent: Tuesday, October 13, 2015 12:16:54 PM
To: Council President
Subject: FW: Resolution to Amend DPS Fees -- October 13 Public Hearing

From: Jane Redicker [mailto:jredicker@gsscc.org]
Sent: Monday, October 12, 2015 5:11 PM
To: Leventhal's Office, Councilmember <Councilmember.Leventhal@montgomerycountymd.gov>; Floreen's Office, Councilmember <Councilmember.Floreen@montgomerycountymd.gov>; Navarro's Office, Councilmember <Councilmember.Navarro@montgomerycountymd.gov>; Berliner's Office, Councilmember <Councilmember.Berliner@montgomerycountymd.gov>; Riemer's Office, Councilmember <Councilmember.Riemer@montgomerycountymd.gov>; Elrich's Office, Councilmember <Councilmember.Elrich@montgomerycountymd.gov>; Hucker's Office, Councilmember <Councilmember.Hucker@montgomerycountymd.gov>; Katz's Office, Councilmember <Councilmember.Katz@montgomerycountymd.gov>; Rice's Office, Councilmember <Councilmember.Rice@montgomerycountymd.gov>
Subject: Resolution to Amend DPS Fees -- October 13 Public Hearing

October 12, 2015

Council President George Leventhal
and Members of the Council
Montgomery County Council
100 Maryland Avenue
Rockville, MD 20850

Re: Resolution to Amend Fees for the Department of Permitting Services

Dear Council President Leventhal:

On behalf of the Greater Silver Spring Chamber of Commerce, I am submitting this letter in lieu of testimony to express our concerns about and opposition to the proposed Resolution to Amend Fees for the Department of Permitting Services.

While the Chamber recognizes that County departments must review and adjust their fees from time to time, given increases in the cost of providing services, we would hope that consideration is also given to customer affordability and charges for similar services in surrounding areas. That's what our Chamber does each year when we assess our dues structure. We must, of course, make sure we have sufficient operating funds, but we must also consider what other Chambers in the area are charging, and how much of an increase our members can afford.

While we acknowledge that DPS has not increased its fees since 2008, the increases proposed in this resolution are way too much, too soon. One of our member companies that is in the business of making signs for various clients called the increase "outrageous," noting that fees here are already substantially higher than in Washington D.C. and Prince George's County. Yes, costs increase, and the packet for tomorrow's public hearing notes the CPI increase of 9% since 2008. But the increases proposed by DPS range from 37% up to 338%, with most increases being over 100%. We have to agree that these massive increases are indeed "outrageous," especially coming all at once.

5

We strongly urge you to ask DPS to reconsider this request and come back with fees which are more in line with those of surrounding jurisdictions, and which would not serve to discourage small businesses from going through the legal sign-permitting process.

Thank you for your consideration.

Sincerely,
 Jane Redicker - straight

Jane Redicker

Jane Redicker

President & CEO

Greater Silver Spring Chamber of Commerce

8601 Georgia Avenue #203

Silver Spring, MD 20910

Office: (301) 565-3777

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www.gsscc.org

Subject: Permitting Fees- County Image

Dear council,

Please consider the effects of raising permitting fees. You will hear that fees for permits have not gone up in recent years, but the current rates in our county are already four times higher than those in Prince George's county and three times higher than DC. What does this say about Montgomery County? While I understand that DPS is working to streamline its process, I still hear of dramatic inconsistencies in judgments and inefficiencies in procedures that are disheartening for many trying to improve their business. In your discussion of raising permitting fees - some as much as 300% - consider the message this sends to those who run a company and provide payroll to other residents. Montgomery County will be seen as squeezing more dollars from those who can least afford it. Our county needs to support these entrepreneurs right now. While the job numbers have 'come back' from pre-recession in numbers, they have not come back in terms of dollars. The jobs today look very different with fewer large company 'white collar' jobs and many more in service and even manufacturing. Much of this growth is happening at smaller companies with room to grow. We need this growth to happen here and not in the neighboring jurisdictions.

Thank you

Mark Mendez

Silver Spring Citizens' Advisory Board

Rosemary Hills Neighbors 'Association, VP

Visit the NEW Brookville Rd. Business District Directory
Here

Jobs and Services Where We Need Them

⑦

Table 1:

A. DEPARTMENT OF PERMITTING SERVICES FEES 2015

Equestrian Event Permit:	\$455.00
Home Occupation Fee:	\$420.00
Nonconforming Use Certificate:	\$385.00
Request to Waive Parking Standards:	\$1,085.00
Enforcement of Conditional Use:	\$245.00
Zoning Compliance Letters Residential:	\$350.00
Zoning Compliance Letters Commercial:	\$455.00

Sign Fees:

1. Permanent Sign	\$300.00
2. Limited Duration Sign	\$140.00
3. Sign Review Board Variance	\$595.00
4. Sign Concept Plan	\$1,295.00

B. ANNUAL ADJUSTMENT TO 2015 FEES

The Director of Permitting Services must calculate an enterprise fund stabilization factor (EFSF) each year to be applied to each fee set in or under this regulation on July 1 or each year. The EFSF is the factor by which the fee calculation is adjusted, up or down, to cover DPS labor and operating costs and to manage the DPS reserve policy under the 2002 Principles of the Fiscal Management of the Permitting Services Fund. The Director must publish the EFSF for each upcoming fiscal year not later than March 15 of the current fiscal year. For any year in which the EFSF will be less than .80 or greater than 1.20, the Department must review its fee rates and functional analysis behind the fee rates to determine if changes need to be made to the fee rates.