

# Economic Impact Statement

Montgomery County, Maryland

## Bill 7-26, Buildings – Scope and Applicability – Exemptions – Buildings or Structures used exclusively for Agricultural Purposes – Amendments

### Summary

The Office of Legislative Oversight (OLO) anticipates that Bill 7-26 would positively impact economic conditions in the County, as measured by the Council's priority economic indicators. By clarifying that certain structures used exclusively for agricultural purposes on agricultural land are exempt from requiring County building permits, the Bill would primarily benefit certain farm owners and construction contractors. To assess its economic impact on these groups, OLO reviewed County sources to understand the required steps and applicant costs of the County's permitting process, as well as sources on the financial impacts of construction project delays.

For farm owners, the Bill would likely reduce the cost of eligible projects due to reduced permitting fees and administrative time, as well as potentially lowering material, labor, and financing costs. For construction-related contractors, exempt projects may reduce their operating expenses by lowering unbillable administrative time and other inefficiencies. Additionally, contractors may complete eligible projects more quickly and allocate their workforce and other resources to other projects. Together, these effects may improve business income for both groups.

### Background and Purpose of Bill 7-26

Under current County Code, there is an exemption to building permitting requirements for “a building or structure used exclusively for agricultural purposes on land used exclusively on agriculture.”<sup>1</sup> The term “agricultural purposes” is not defined in Chapter 8 of the County Code, and the exemption has been interpreted narrowly in practice. Currently, the exemption is not applied to structures where agricultural business operations are performed or processed for market.<sup>2</sup>

According to the lead sponsors, the purpose of Bill 7-26 is to “allow Montgomery County agricultural operators to run their businesses with less interference from inconsistent and unnecessary regulations.” If enacted, Bill 7-26 would:

- Define agricultural purpose in Chapter 8 to include “the business, administration, or management of agriculture and the processing of an agricultural product to prepare the product for market.” which aligns with definitions of agriculture set in other sections of the County Code;<sup>3,4</sup>

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<sup>1</sup> [Montgomery County Code, COMCOR 08.14.01 Schedule of Fees for Permits, Licenses and Certifications, Accessed 2/13/2026.](#)

<sup>2</sup> [Staff Introduction Report for Bill 7-26, Montgomery County Council, Introduced February 10, 2026.](#)

<sup>3</sup> See Chapters [2B](#) and [59](#) of County Code

<sup>4</sup> [Staff Introduction Report for Bill 7-26, Montgomery County Council, Introduced February 10, 2026.](#)

- Clarify that the exemption does not extend to buildings or structures where customers consume food or beverage, such as a brewery; and
- Delete confusing language regarding the exemption in Chapter 8, which would have no legal effect.<sup>5</sup>

The County Council introduced Bill 7-26 on February 10, 2026.

## Information Sources, Methodologies, and Assumptions

As required by Section 2-81B of the Montgomery County Code, this Economic Impact Statement evaluates the impacts of Bill 7-26 on residents and private organizations, using the Council's priority economic indicators as the measure. In doing so, it examines whether the Bill would have a net positive or negative impact on overall economic conditions in the County.<sup>6</sup>

In this analysis, OLO reviewed:

- Montgomery County Department of Permitting Services commercial building permit Process Guides (new construction, additions, interior alterations, and changes of use) and other related County sources to understand required steps and applicant costs.
- Sources on the financial impacts of construction project delays, including a peer-reviewed journal article and an industry guidance article.

This analysis does not consider two factors with potential economic consequences.

First, building codes and related regulations generally exist to address externalities such as fire spread, structural failures, disaster losses, and certain environmental risks. These externalities can impose real economic costs on third parties, including neighboring property owners and taxpayers.<sup>7</sup> However, OLO was unable to identify empirical assessments of how exempting on-farm operational and processing structures from building permit requirements affects the economic or other externalities these structures may pose. As a result, this statement does not assess any change in externalized risk that could follow from this policy change.

Additionally, this analysis does not account for the economic opportunity cost associated with foregone building permit revenues, namely the potential value of alternative uses of those revenues.

## Variables

The primary variables that would affect the economic impacts of enacting Bill 7-26 are the following:

- Number of qualifying projects;
- Total permitting costs; and

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<sup>5</sup> [Ibid.](#)

<sup>6</sup> Montgomery County Code, "[Sec. 2-81B, Economic Impact Statements.](#)"

<sup>7</sup> Ellen Vaughn and Jim Turner, "[The Value and Impact of Building Codes,](#)" Environmental and Energy Study Institute, September 30, 2013.

- Average time of project completion.

## Impacts

WORKFORCE ▪ TAXATION POLICY ▪ PROPERTY VALUES ▪ INCOMES ▪ OPERATING COSTS ▪ PRIVATE SECTOR CAPITAL INVESTMENT ▪ ECONOMIC DEVELOPMENT ▪ COMPETITIVENESS

### Businesses, Non-Profits, Other Private Organizations

OLO anticipates that Bill 7-26 would positively impact certain private organizations in the County.

The Bill would amend Chapter 8 of the County building code to clarify that structures used exclusively for agricultural purposes on agricultural land—including agricultural business operations, administration, management, and processing of products for market—are exempt from building permits, except for buildings where the public consumes food or beverages.

This policy change would primarily benefit local farm owners and construction-related contractors.

The exemption would remove the requirement for farm owners or its contractor (e.g. construction firm, engineer, or architect acting as the owner’s agent)<sup>8</sup> to apply to DPS for commercial building permits for farm structures. These may include permits for new agricultural buildings, additions to existing barns or processing spaces, interior alterations to on-farm offices or product-handling areas, and changes of use that would otherwise reclassify an agricultural building as a commercial occupancy.<sup>9</sup>

In the absence of this exemption, a farm owner or its contractor must go through the County’s commercial building permit process with DPS. This involves applying and paying online, submitting engineered plans for multi-agency review, paying commercial permit fees, and passing required inspections before receiving final approval and occupancy.

Exempting permits for these projects would likely reduce operating expenses in two ways:

- Reduce direct permitting costs (fees and related administrative expenses); and
- Facilitate timelier completion of projects by avoiding permit-related delays, which can otherwise increase labor, material, contractor, and financing costs.<sup>10</sup>

For **farm owners**, reduced permitting fees and administrative time lower the cost of eligible construction projects. Cost savings would occur through lower permitting costs as well as potentially carrying costs on

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<sup>8</sup> The County allows property owners or contractors to apply for building permits. Montgomery County Code, [Sec. 8-24. Application for Permit](#); and MC311, [“Eligibility to Apply for a Building Permit,”](#) Montgomery County Government.

<sup>9</sup> Montgomery County Department of Permitting Services, *Process Guides* for [“Commercial New Construction Permit & Inspection,”](#) [“Commercial Additions Permit & Inspection,”](#) [“Commercial Interior Alteration Building Permit & Inspection,”](#) and [“Commercial Change of Use Permit & Inspection,”](#) *Montgomery County Government*, accessed March 10, 2026.

<sup>10</sup> Charan V. et al., [“A Literature Review on Impact of Delays in Construction in Terms of Time, Cost and Quality,”](#) *International Research Journal of Modernization in Engineering, Technology and Science* 5, no. 9 (September 2023); Phillip Ross, [“The Financial Impact of Project Delays: Prevention and Mitigation Strategies,”](#) Construction Industry Council; and Curtis Beaty et al., [Assessing the Costs Attributed to Project Delays](#) (Texas Transportation Institute, Texas A&M University System, September 2011).

financing and lower material and labor costs. Holding all else equal, these effects would reduce the cost of on-farm structures and may improve business income over time.

For **construction-related contractors**, exempt projects may reduce their operating expenses by lowering unbillable administrative time and other inefficiencies. Additionally, eligible projects may be completed quicker and allocate their workforce and other resources to other projects. Together, these effects may increase contractor profitability on farm-related construction projects.

Beyond these potential impacts, OLO does not anticipate the Bill to directly affect other private organizations in terms of the Council's other priority indicators.

## **Residents**

OLO anticipates that Bill 7-26 would have insignificant direct impacts on certain residents in the County.

## **Net Impact**

OLO anticipates that Bill 7-26 would positively impact overall economic conditions in the County. As previously discussed, exempting eligible projects from County building permits would likely reduce operating expenses and potentially increase business incomes for farm owners and construction-related contractors.

As previously stated, this analysis does not account for potential economic impacts of alternative uses of foregone permit revenue. In addition, if exempting eligible projects from building code requirements generates negative externalities for local third parties, these economic costs would offset the Bill's overall economic benefits to the County.

## **Discussion Items**

Not applicable

## **Caveats**

Two caveats to the economic impact analysis conducted here should be noted. First, predicting the economic impacts of legislation is a challenging analytical endeavor due to data limitations, the multitude of causes of economic outcomes, economic shocks, uncertainty, and other factors. Second, the analysis performed here is intended to *inform* the legislative process, not determine whether the Council should enact legislation. Thus, any conclusion made in this statement does not represent OLO's endorsement of, or objection to, the Bill under consideration.

## **Contributions**

Stephen Roblin, PhD (OLO) prepared this report.