T&E Item 1
March 18, 2019
Addendum

MEMORANDUM

March 15, 2019

TO: Transportation and Environment Committee

FROM: Robert H. Drummer, Senior Legislative Attorney
GO Glenn Orlin, Deputy Director

SUBJECT: Bill 36-18, Transportation Management - Transportation Demand Management (TDM) Plan – Amendments

PURPOSE: Addendum

Attached is the revised fiscal impact statement for Bill 36-18, which was received on Friday afternoon (©204-211).

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OFFICE OF MANAGEMENT AND BUDGET

Marc Elrich
County Executive

Richard S. Madaleno
Director

MEMORANDUM

March 15, 2019

TO: Nancy Navarro, President, County Council

FROM: Richard S. Madaleno, Jr., Director, Office of Management and Budget

SUBJECT: Fiscal Impact Statement for Bill 36-18, Transportation Demand Managemeent "NextGen TDM"

Please find attached the Fiscal Impact Statement for the above-referenced legislation.

RSM:brg

cc: Andrew Kleine, Chief Administrative Officer
Debbie Spielberg, Special Assistant to the County Executive
Dale Tibbitts, Special Assistant to the County Executive
Fariba Kassiri, Deputy Chief Administrative Officer
Ohene Gyapong, Acting Director, Public Information Office
Lisa Austin, Office of the County Executive
Monika Coble, Office of Management and Budget
Chrissy Mireles, Office of Management and Budget
Chris Conklin, Deputy Director, MCDOT
Sandra L. Brecher, Chief, Commuter Services

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Fiscal Impact Statement
Council Bill 36-18
Transportation Demand Management
"NextGen TDM"

1. Legislative Summary

Council Bill 36-18 recommends changes to Chapter 42A, Article II of the County Code, "Transportation Demand Management."

Under current Code, the County may require certain transportation demand management ("TDM") measures at new developments and for employers with over 25 employees located within the six designated transportation management districts ("TMDs"): Bethesda, North Bethesda, Silver Spring, Friendship Heights, Greater Shady Grove and White Oak. Existing buildings in those TMDs may also be required to adopt TDM measures under certain circumstances.

Bill 36-18 and the accompanying Executive Regulation provide for the expansion of TDM measures beyond the current TMDs to the rest of the County's Red, Orange, and Yellow Policy Areas. New development projects and employers in these additional areas would be required to submit TDM Plans, based on the project size or number of employees, and the Subdivision Staging Transportation Policy Area in which they are located.

For new development projects, a Project-based TDM Plan Level would be required based on the size of the project and the Subdivision Staging Transportation Policy Area in which it is located.

There are three Project-based TDM Plan Levels:

- Level 1: TDM Basic Plan
- Level 2: TDM Action Plan
- Level 3: TDM Results Plan

Projects in Policy Areas classified as Red, Orange or Yellow are included, with the size thresholds shown in Table 1 below:

Table 1: Project-based TDM Plan Requirements for New Developments

Subdivision Staging Policy Area	**No Requirements**	Level 1: **TDM Basic Plan**	Level 2: **TDM Action Plan**	Level 3: **TDM Results Plan**
Red Areas		≤25K		>25K GSF
Orange Areas	<25K GSF	25K – 50K GSF	>75-150K GSF	>150K GSF
Yellow Areas	<50K GSF	50K – 150K GSF	>150K GSF	TDM Results Plan not required – May be used upon Applicant request

Employers: Current requirements to file a TDM Plan for employers with more than 25 employees located in a TMD would be extended beyond the current TMDs to include employers located within the Red, Orange and Yellow Policy Areas.

Existing Buildings: The bill would maintain current authority already in the Code enabling MCDOT to require TDM Plans for existing buildings, under certain circumstances, and would extend that authority to existing buildings in the Red, Orange and Yellow Policy Areas.

2. **An estimate of changes in County revenues and expenditures regardless of whether the revenues or expenditures are assumed in the recommended or approved budget. Includes source of information, assumptions, and methodologies used.**

Sources of Information. An analysis was made of Planning Department development information for the past six Fiscal Years (2013-2018). Data analyzed included commercial, mixed-use and residential development projects (excluding single family detached units). The analysis found that in the "Non-TMD" areas covered by the proposed legislation (i.e., Red, Orange and Yellow Policy Areas outside current TMDs), a total of approximately 3 million square feet of projects were completed over those six years.

Under current Code, the Transportation Management fee applies only within the current TMDs, with the rate and type of development to which it applies set each year by Council resolution. Since inception in 2006 the rate has been set at $.10 per square foot and the fee has been applied only to new commercial development completed since 2006. The $.10 fee recovers approximately 45 percent of the current TMD operating expenses.

Section 42A-29 of the current Code authorizes the Council to set the transportation management fee by resolution, and states that the rate must not generate more than what it costs to administer the TMD and to carry out TDM programs. This analysis presents an option for an increase in the fee to $.125 per square foot to cover a larger portion of the expenses within the TMDs. The proposal would be made under a separate action.

New Revenue Generated within Non-TMD Areas. Table 2 below projects revenue over six years in the Non-TMD areas, based on the current fee rate of $.10 per square foot and the possible increase to $.125 per square foot. This analysis assumes the same rate of development will occur in these Non-TMD areas over the six years following the effective date of the proposed bill as occurred during the prior six years. It also assumes the TDM fees are applied to both commercial and multi-unit residential development, as is permitted under current Code. The projected additional revenue, based on those assumptions, would be as shown in Table 2 below.

Table 2: Projected Development-based TDM Fee Revenue Over 6 Years

Areas Outside Current TMDs ("Non-TMDs")

Non-TMD	**Gross SF**	**Annual Revenue $.10**	**6-Year Total**	**Annual Revenue $.125**	**6-Yr Total**
New Developments Completed	3.0 M	300,000	**1,800,000**	375,000	**2,250,000**

Revenue Generated within Current TMDs. During the same six-year period of 2013-2018, the County's current TMDs experienced the growth shown in Table 3 below in commercial, mixed use and non-single-family residential development. Assuming the same rate of development occurs over the six years following the effective date of the proposed legislation, Table 3 shows projected revenue applying the current fee to commercial and multi-unit residential development in the existing TMDs.

Applying the fees to multi-unit residential development in TMDs would represent a change from current practice, whereby the fees have been applied thus far only to commercial development in the TMDs. However, existing Code authorizes Council to apply the fees to multi-unit residential projects. Since many areas now have residentially-based NADMS goals, requiring multi-unit residential projects to pay for TMD services seems to make sense. Table 3 also shows the projected revenue if the TDM fee is raised to \$.125 per square foot.

Table 3: Projected Development & TDM Fee Revenue Over 6 Years – Areas Within Current TMDs

TMD	Gross SF	Annual Revenue \$.10	6-Yr Total	Annual Revenue \$.125	6-Yr Total
Completed					
Commercial	4.4 M	440,000	2,640,000	550,000	3,300,000
Multi-unit Residential	2.8 M	280,000	1,680,000	350,000	2,100,000
Total	**7.2 M**	**720,000**	**4,320,000**	**900,000**	**5,400,000**

Total Projected New Fee Revenue. Total expected revenue increase from new development projected to be completed within the next six years for the TMDs and Non-TMD areas is shown in Table 4.

Table 4: Projected Revenue from TDM Fees on New Completed Development - 6 Year Totals

Revenue		
	\$.10 / sf	**\$.125 / sf**
Subtotal–Current TMDs – Projected New Completed Development	**4,320,000**	**5,400,000**
Commercial – 4.4 M GSF over 6 years	*2,640,000	*3,300,000
Multi-unit Residential – 2.8 M GSF over 6 years	1,680,000	2,100,000
Subtotal – "Non-TMDs" – Development Outside Current TMDs	**1,800,000**	**2,250,000**
GRAND TOTAL	**\$6,120,000**	**\$7,650,000**
Total New Revenue from Projected New Completed Development (Based on Applying TDM Fees to New Commercial Space in Areas Currently Outside TMDs + New Residential Space in both Current TMDs & Areas Outside Current TMDs)	**\$3,480,000**	**\$4,350,000**
*TDM fees of \$2,640K for projected new commercial development in current TMDs are already required under existing Code & Council-adopted current fee resolution. If the fee rate is increased by Council resolution to \$ .125, then the commercial development would be required to pay that increased amount, totaling \$3,300K.		

Total estimated expenditures over six years are analyzed in Section 3 below.

3. Revenue and expenditure estimates covering at least the next 6 fiscal years.

Revenues – See discussion in Section #2 above.

Expenditures

The primary expense related to expansion of TDM to a broader portion of the County will consist of staffing requirements. Estimated expenditures include costs for County staff within MCDOT and for contractor staff, which are detailed in Tables 6 and 7 below. It is anticipated there will be approximately \$50,000 in expenses related to IT that are addressed in more detail in Section 5 below. Some funding also will be necessary for outreach events, promotional and marketing costs, and related efforts to ensure TDM is promoted throughout these areas. Those costs are estimated at $50,000 per year, or $300,000 over six years. New programs and services also would be required to meet NADMS goals. That is shown below as $314,160. The tables below summarize the various types of expenses over a six-year period. Contract outreach costs are phased in; the Red Policy Area starts in year 1, the Orange Policy Area starts in year 4 and the Yellow Policy Area starts in year 6.

Table 5: Total Estimated Basic Expenditures Over 6 Years

Expenditures	
2 Staff Positions Grade 23	1,128,000
Contract Outreach Staff	1,687,840
Sub Total	2,815,840
IT Support – Web Development *	50,000
Promotion, events & related	300,000
New Programs and Services to Meet NADMS Goals	**314,160**
Total	**$3,480,000**
* See IT discussion Section 5 below	

County Staff: Two Grade 23 staff positions would be required to implement the new TDM approach for new and existing projects on a broader basis, monitor compliance and manage contractor outreach to existing and future employers and building projects. Projected costs shown in Table 6 below assume FY19 mid-point of Grade 23 salary range plus benefits with annual salary adjustments. The total of $1,127,999 has been rounded to $1,128,000 for use in analyses included herein.

Table 6: Projected Staff Expenses Over 6 Years

FY20	169,340		FY23	191,505
FY21	178,772		FY24	198,208
FY22	185,029		FY25	205,145
			Total	**$1,127,999**

Contract Staff for Employer and Building Outreach: Cost analysis based on current average annualized contractor hourly rate of $88.94 for a typical TMD and approximately $1,370 expended annually per building or employer. Projected number and size of employers located within each Policy Area shown in Table 7 is based on a more detailed analysis of numbers within each Policy Area using data received from the Department of Finance. If growth occurs in the number and size of employers or additional buildings in each of these areas, the expenditures required would increase.

Table 7: Projected Contract Outreach Staff Expenses Phased In Over 6 Years

Policy Area	**Employers**	**Expenditure (x $1370)**	**6-Yr Total**
Red / 25+ employees	102	139,740	838,440
Orange / 100+	195	267,150	801,450
Yellow / 200+	35	47,950	47,950
Total	**471**	**$571,290**	**$1,687,840**

Note: Orange Policy Area expenditures are calculated to start in year 4 and Yellow Policy Area expenditures are calculated to start in year 6. The Red Policy Area does not include the City of Rockville.

Table 8: Comparison of New Expenditures to New Revenue Over 6 Years

	$.10 / sf	$.125 / sf
Total Contractor + County Staff	2,815,840	2,815,840
IT / ERP Systems (see #5)	50,000	50,000
Promotion, events & related	300,000	300,000
New programs & services to meet NADMS goals	314,160	*1,184,160
Subtotal Expenditures	**3,480,000**	**4,350,000**
"Non-TMD" Revenue (*Areas outside current TMDs*)	1,800,000	2,250,000
TMD Revenue – *Adding Multi-unit residential*	1,680,000	2,100,000
Subtotal – New Revenue	**3,480,000**	**4,350,000**
Net Revenue to Expense	**$0**	**$0**

Increased TMD fee rate would allow for increased new programs and services.

4. **An actuarial analysis through the entire amortization period for each bill that would affect retiree pension or group insurance costs.**

   Not applicable. This bill does not affect retiree benefits or group insurance costs.

5. **An estimate of expenditures related to County's information technology (IT) systems, including Enterprise Resource Planning (ERP) systems.**

   The County will need to develop an online registration system for developers to submit basic information on Project-based TDM Plans, survey results, and biannual reports, and for monitoring compliance.

   Estimate based on experience with Department of Technology Services during development of the current online employer traffic mitigation plan (TMP) system is shown in the table below. For estimating purposes, because the exact amount of time required is not known, this figure has been rounded to $50,000 for purposes of this analysis.

Table 9: Estimated IT Development Cost

# of Staff	Salary ($121.372 x 2)	Hourly Rate	Weekly Hrs. Spent	Cost Per Week	12 Month Project Span
2	$242,744	$116.70	8	$933.60	**$46,680**

6. **Later actions that may affect future revenue and expenditures if the bill authorizes future spending.**

   The current rate of $0.10/sq. ft. on new commercial development in the existing TMDs has been in place since 2006. Council sets the amount of the fee and the types of development to which it applies by resolution each year as part of the budget process, and could establish a higher rate, increasing revenue. This analysis assumes the TDM fee would be applied to new multi-unit residential projects as well as new commercial projects, which Council already has the authority to do under current Code. Council also has the authority under current Code to apply the fee to existing buildings.

   There may be a longer-term need for additional County staff for monitoring and compliance of new and existing development. The need for any additional positions would be linked to the increased level of development and would be less than the net revenue expected from that additional new development.

7. **An estimate of the staff time needed to implement the bill.**

   Two full time Grade 23 staff (80 hrs./week) will be required to oversee contractors and collect and monitor development fees. In addition, administrative support from the Commuter Services Section OSC will be needed for approximately four hours per week.

8. **An explanation of how the addition of new staff responsibilities would affect other duties.**

   Impacts should be manageable but will affect the duties of the Planning Specialist regarding master plans, analyses of special programs and their implementation, and interactions with community groups and advisory committees; the Senior Marketing Manager in managing additional outreach contracts and staging County- and Region-wide TDM-related events on a broader basis (e.g., Bike to Work Day); the Program Specialist regarding fee collection activities and monitoring of TDM Plan filings; and on the Section Chief and OSC.

9. **An estimate of costs when an additional appropriation is needed.**

   See above analysis. Costs indicated would need to be covered by appropriations, but offsetting revenue from TDM fees will be sufficient to cover those costs.

10. **A description of any variable that could affect revenue and cost estimates.**

    The rate of development in both the current TMDs and non-TMD areas for completed projects could vary, impacting both costs and revenues. Over the last six years the rate of development of projects that would be covered by the new TDM approach has been approximately 25 projects per year. If this rate increases, additional County staff and/or contracted staff may be required beyond those assumed here. That additional development would result in corresponding increases in revenue which would be sufficient to cover those added costs.

11. **Ranges of revenue or expenditures that are uncertain or difficult to project.**

    Private sector development activity is dependent on many factors, including the national and regional economy which, in the event of another recession, could affect the level of new development and projected revenue.

12. **If a bill is likely to have no fiscal impact, why that is the case.**

    The costs of implementing the bill are expected to be covered by additional revenue from TDM fees as shown in Table 8 above. Fee revenues are required to be used within the TMD in which they were generated. This additional revenue would be used to help cover the cost of added transportation services necessary to increase non-auto options and thus the success of TDM efforts, such as shuttle or circulator services and bikeshare-related expenses.

13. **Other fiscal impacts or comments.** – N/A

14. The following contributed to or concurred with this analysis:

Chris Conklin, Deputy Director, MCDOT
Sandra L. Brecher, Chief, Commuter Services
Jim Carlson, Planning Specialist, Commuter Services
Beth Dennard, Program Specialist, Commuter Services
Michelle Golden, Senior Marketing Manager, Commuter Services
Brady Goldsmith, Office of Management and Budget
Brandon Hill, MCDOT Director's Office
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Richard Madaleno

Richard S. Madaleno, Jr., Director
Office of Management and Budget

3/15/19
Date

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