Agenda Item 4
December 4, 2018
Public Hearing
Addendum

MEMORANDUM

December 3, 2018

TO: County Council

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

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

PURPOSE: Addendum to Public Hearing packet – no Council votes required

Attached is the Fiscal and Economic Impact Statement for Bill 36-18. It was sent over on December 3 after the Public Hearing packet went to print.

B36-18

OFFICE OF MANAGEMENT AND BUDGET

Isiah Leggett
County Executive

MEMORANDUM

Jennifer A. Hughes
Director

November 30, 2018

TO: Hans Riemer, President, County Council

FROM: Jennifer A. Hughes, Director, Office of Management and Budget MCB for JAH
Alexandre A. Espinosa, Director, Department of Finance AE

SUBJECT: FEIS for Bill Transportation Demand Management "NextGen TDM"

Please find attached the fiscal and economic impact statements for the above-referenced legislation.

JAH:bg

c: Bonnie Kirkland, Assistant Chief Administrative Officer
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Patrick Lacefield, Director, Public Information Office
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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:

Subdivision Staging Policy Area	**No Requirements**	**Level 1: Project-based TDM Basic Plan**	**Level 2: Project-based TDM Action Plan**	**Level 3: Project-based TDM Results Plan**
Red Areas	<25K GSF	25K – 100K GSF	Not Applicable	>100+K GSF
Orange Areas	<50K GSF	50K – 100K GSF	>100-200K GSF	>200+K GSF
Yellow Areas	<75K GSF	75K – 150K GSF	>150K GSF	TDM Results Plan not required – May be used upon Applicant request

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

For employers or existing buildings, the requirements to file a TDM Plan would be extended beyond the current TMDs to employers and existing buildings over a certain size located within 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 Completed Development - 6 Year Totals

Revenue		
	$.10 / sf	**$.125 / sf**
Subtotal–Current TMDs – Projected 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
"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	**$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. The tables below summarize the various types of expenses over a six-year period.

Table 5: Total Estimated Basic Expenditures Over 6 Years

Expenditures	
2 Staff Positions Grade 23	1,128,000
Contract Outreach Staff	1,726,200
IT Support – Web Development *	50,000
Promotion, events & related	300,000
Total	**$3,204,200**
* 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. Projected costs shown in Table 6 below assume FY19 mid-point of Grade 23 salary range plus benefits = $84,670 + COLA 2% annually and 3.5% service increments thereafter, per the current collective bargaining agreement. 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 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 employer. Projected number and size of employers located within each Policy Area assumes similar sizes and numbers of employers as exist currently (based on data received from Department of Finance).

Table 7: Projected Contract Outreach Staff Expenses Over 6 Years

Policy Area	**Employers**	**Expenditure (x $1370)**	**6-Yr Total**
Red / 25+ employees	50	68,500	411,000
Orange / 100+	130	178,100	1,068,600
Yellow / 200+	30	41,100	246,600
Total	**210**	**$287,700**	**$1,726,200**

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

	$.10 / sf	**$.125 / sf**
Total Contractor + County Staff	2,854,200	2,854,200
IT / ERP Systems (see #5)	50,000	50,000
Promotion, events & related	300,000	300,000
New programs & services to meet NADMS goals	275,800	1,145,800
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**

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
Christine McGrew, M-NCPPC
Jay Mukherjee, M-NCPPC

Jennifer A. Hughes, Director
Office of Management and Budget

11/30/18
Date

Economic Impact Statement
Bill 36-18 – Transportation Management
Transportation Demand Management Plan - Amendments

Background

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. 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

The purpose of the Bill is to extend Transportation Demand Management (TDM) to a broader portion of the County, streamline the process for TDM Plan approval for new projects, and provide flexibility in implementing TDM. The amendments are designed to increase the effectiveness of TDM in addressing traffic congestion, support multi-modalism, enhance the efficient use of transportation infrastructure, and promote sustainability.

Key Changes to Chapter 42A, Article II include:

1. Subdivision Staging Policy Areas would be used as the basis for determining which developments and existing businesses must have TDM Plans.

2. New development projects would be required to file a Project-based TDM Plan if they are over a minimum size, based on Policy Area. These Plans would replace the negotiated Traffic Mitigation Agreements (TMAgs) authorized under current Code; TMAgs will no longer be required for future development projects.

3. Three Levels of Project-based TDM Plans are created: Basic – minimal requirements; Action – mid-range requirements and must contribute to achieving area goals; and Results – highest level requirements and must achieve goals at the project. The Level of Plan required is dependent upon the size of the project and the Subdivision Staging Policy Area in which it is located.

4. Employer Transportation Demand Management Plans are currently required only in TMDs. These Plans would now be required for employers over a certain size throughout the County (except for Green Policy Areas), based on the number of employees and the Policy Area.

1. **The sources of information, assumptions, and methodologies used.**

- Department of Transportation data including:
  existing County Code Section 42A, Article II; information on transportation demand management and its effectiveness in the County and elsewhere; typical sizes and locations of new development applications within existing TMDs and in areas outside TMDs over recent years; and data on employer workforce sizes and locations within and outside existing TMDs.

2. **A description of any variable that could affect the economic impact estimates.**

The rate of development in both the TMDs and non-TMD areas for approved and built projects could vary, impacting costs, revenues, and corresponding economic impacts. 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. 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 defines 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. That additional development would result in corresponding increases in revenue which would be sufficient to cover those added costs.

Variables that could affect economic impact estimates are:

- the number of potential future development projects in areas outside existing TMDs
- the number of future employers and their workforce sizes in areas currently outside TMDs
- the effectiveness of TDM efforts in areas currently without substantial transit alternatives and the timeframe within which those alternatives can be provided

As noted in the fiscal impact statement for the legislation, estimates suggest that anticipated revenue and expenditures will match over the next six years resulting in no additional net revenue to the County at both the $.10 per square foot and $.125 per square foot rates. Since the revenues are required to be used within the TMD in which they were generated, any additional revenue would be used to help cover the cost of transportation services or other initiatives in that TMD.

3. **The Bill's positive or negative effect, if any on employment, spending, savings, investment, incomes and property values in the County.**

Because it will expand the use of TDM, Bill 36-18 would have the potential to generate positive impacts on employment and property values in the County, due to anticipated reductions in traffic congestion, increased efficiencies in use of transportation infrastructure and related services and streamlining of the development approval process. Private sector development activity is partially dependent on the national and regional economy which, in the event of another recession, could affect the level of new development and projected revenue. Focusing new development in highly transit-serviced areas is an important County land use and economic development objective. The proposed amendments will make it more attractive to concentrate more jobs and housing in areas with good transit service along with other multi-modal options.

As stated in the existing Code, "Transportation demand management, in conjunction with adequate transportation facility review, planned capital improvement projects, and parking and traffic control measures, will, among other things, help provide sufficient transportation capacity to achieve County land use objectives and permit further economic development." *(Ch 42A, Article II, Section 22 Findings/Purposes (c) 1)*

Bill 36-18 is anticipated to have a positive economic impact on property values and real property tax base, due to expanded transportation demand management efforts resulting in more sustainable development projects and businesses being attracted to the area. Reduced traffic congestion and increased multi-modal options could result in an increase in businesses in the County, with a potential corresponding increase in employment. The potential property value and employment impacts cannot be quantified with specificity given a lack of data enumerating the scale of future developments but are anticipated to be a net positive for the County as a direct result of this legislation.

4. If a Bill is likely to have no economic impact, why is that the case?

As noted above, it is anticipated that this Bill would have a positive economic impact.

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

Christopher Conklin, Sandra Brecher and Beth Dennard - Office of Transportation Policy
Department of Transportation.
David Platt, Dennis Hetman - Department of Finance

Alexandre A. Espinosa, Director
Department of Finance

11/29/18
Date