



## **Economic Impact Analysis Virginia Department of Planning and Budget**

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### **24 VAC 30-151 - Land Use Permit Manual Virginia Department of Transportation July 29, 2005**

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The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.H of the Administrative Process Act and Executive Order Number 21 (02). Section 2.2-4007.H requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. The analysis presented below represents DPB's best estimate of these economic impacts.

### **Summary of the Proposed Regulation**

The Commonwealth Transportation Board (board) proposes to repeal and replace existing regulations that establish the policy and guidelines of land use permit. Major changes include:

1. Logging permits are required to be issued as single use permits and are no longer available as a blanket permit.
2. Entrance pipes where private driveways meet public roads will no longer be installed by Virginia Department of Transportation (VDOT). The property owners are required to arrange installation of the pipes.
3. Fees for permits will be increased to reflect the actual costs of permit issuance and administration.
4. Accommodation fees will be added for utilities within limited access right-of-way.

5. The concept of access management is addressed in the review of commercial entrance permits.
6. The proposed regulations establish the authority for VDOT to adjust the application fee and additive fees by up to 25% on an annual basis, based on a review of cost by the department.
7. Redundant or obsolete provisions are eliminated to provide clarity.

## Estimated Economic Impact

The Land Use Permit Manual was last updated in 1983. The board proposes that logging permits be issued as single use permits. In the current regulation, logging companies can purchase a district or statewide permit at the cost of \$200 per year that allowed them to create an entrance for logging on any primary and secondary road. This very broad permit does not provide VDOT local offices with adequate measures to control access to the roadway. Requiring logging permits to be issued as single use permits allows VDOT local offices to ensure adequate sight distance at the entrances and monitor whether the public road has been damaged. Hence the probability of accidents and damages to private vehicles will be reduced. On the other hand, the single logging permit requirement will raise the cost for the logging companies, wood product companies and paper companies, because each single permit will be subject to a \$100 non-refundable application fee. According to VDOT, currently there are about 90 blanket logging permits issued each year, with a total cost of \$18,000 for the applicants.<sup>1</sup> Under the proposed regulation, VDOT estimates that there will be 450 single logging permits which would be currently covered by blanket permits, indicating a total cost of \$45,000 for the applicants. Therefore the proposed regulation will cause an increase in fees of approximately \$27,000 for the logging permit applicants. Although the increase in cost will reduce the profits and the single permit requirement will cause more processing time for the logging companies, wood product companies and paper companies, it is likely not large enough to have a significant impact on the behavior of the businesses. VDOT will have about 360 more permits to be reviewed or

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<sup>1</sup> Calculation:  $90 \times 200 = \$18,000$

inspected each year, which means 2772 more hours of work given that the average time spent on miscellaneous permits is 7.7 hours.<sup>2</sup>

The board also proposes to establish that VDOT will no longer be responsible for installing the entrance pipes where private driveways meet public roads. The property owners will be required to arrange installation of the pipes. Currently, if the property owner purchases the pipe for the entrance, VDOT maintenance forces would install the pipe at no cost. According to VDOT, the average cost for pipe installation is roughly \$1000, and the total statewide expenditure for pipe installation is \$2,957,919 for the last fiscal year. Relieving VDOT from the commitment of pipe installation will shift the installation cost from public construction funds onto private property owners and will provide the VDOT maintenance forces with more time for necessary roadwork. To the private property owner, this proposed change causes a \$1,000 increase in cost. However, this increase in cost is likely not large enough to have a significant impact on the behavior of property owners.

According to VDOT, permit fees have not increased since 1983. Under the current regulations, VDOT charges the following fees: 1) \$100 minimum for special use permit (where a special agreement has to be drafted), 2) \$60 minimum for building movements, 3) \$40 minimum for private entrances, 4) \$5 additive fee per entrance (private, commercial and logging), medium crossover or connection. The board proposes to charge permit fees as follows to reflect the actual costs of permit issuance and administration: 1) \$100 non-refundable application fee for a single permit, 2) \$10 additive fee per logging entrance, 3) \$150 additive fee for first commercial entrances and \$50 for each additional entrance, 4) \$150 additive fee for first street connection and \$50 for each additional connection, 5) \$500 additive fee per crossover, 6) \$1,000 additive fee per traffic signal.

These changes will cause the permit fees for building movements to increase from \$50 to \$100 and that for private entrances to increase from \$40 to \$100. For commercial entrances or street connections, a new additive fee of \$150 will be added for the first commercial entrance or street connection, and the additive fee for each additional entrance or connection will be raised from \$5 to \$50. In addition, an additive fee of \$500 will be charged for each crossover and \$1,000 will be charged for a traffic signal installation. The increased fees will raise the cost and

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<sup>2</sup> VDOT provided estimate of time spent reviewing permits.

reduce the profit for the permit applicants. However, given that the application fee or additive fees are such a small portion of the construction cost, these changes will not often affect the business decisions.

The board also proposes to add annual accommodation fees for non-telecommunication utilities within limited access right-of-way. For example, fees for limited access crossings will be \$50 per crossing and fees for limited access longitudinal installation will be \$250 per mile annually. These fees are to cover the permit review and administration costs for VDOT. Although this change will raise the costs for the non-telecommunication utilities, generally the power, gas, water or sewage providers, no significant impact on their behavior is expected as the fees are a minor part of the total installation cost. A fixed annual use payment for telecommunication tower sites is also included in the proposed regulations. Currently these fees are charged on a negotiated basis without a fixed rate. The amount is set based upon the value of the right-of-way to the private corporations to make it competitive with off-right-of-way installations. According to VDOT, the proposed fee, which is \$24,000 for a communication tower site on the right-of-way and \$14,000 for co-location on a tower site, equals the average rate currently charged. Although the private companies may currently pay more or less than the proposed fees, incorporating these fees into the proposed regulations will likely not cause significant effects on the behavior of the businesses as a whole.

In addition, the proposed regulation addresses the concept of access management for the review of commercial entrance permits, which is defined as “the systematic control of the location, spacing, design, and operation of driveways, median openings, interchanges, and street connections to a roadway.” As a part of any commercial entrance permit review, VDOT will determine what improvements are needed to accommodate the proposed traffic and if entrance modifications are needed to protect the transportation corridor. Although not addressed in the current regulation, principles of access management have been applied to the design of commercial entrances in VDOT procedures and there were some access management provisions in the Commercial Entrances Standards. So the inclusion of access management will not affect the behavior of businesses significantly.

Finally, the proposed regulations establish the authority for VDOT to adjust the application fee and additive fees on an annual basis, based on a review of cost by the department.

VDOT will have the option of adjusting the land use permit application fee and additive fees, in which case it shall compile information regarding its costs for permit review, administration and inspection of permit work during the previous fiscal year and report this information to the commissioner by January of each year. The commissioner may adjust the permit application fee and additive fees by no more than 25% of the fee structure in effect on July 1 of the previous calendar year and no greater than the VDOT's average direct cost as established in the report. If the commissioner deems that a change in the permit application fee and additive fee structure is warranted, notice of the adjusted fee structure, including the report on which it is based or information about where the report may be viewed, will be published in the Virginia Register of Regulations in April of that year and the adjusted fee structure shall become effective on July 1 of that year. Although this change will facilitate VDOT's needs to adjust the fees on an annual basis in order to recover its costs and at the same time provide adequate notice to the public of a change to the fee amount, this regulatory change may cause disincentive for VDOT to reduce the costs.

In summary, the single logging permit requirement and inclusion of access management will allow VDOT to better monitor the entrances and protect the integrity of the highways. The proposed fee-related changes and single logging permit requirement will raise the cost for the permit applicants, but the impact on the behavior of the businesses will be small. To VDOT, the saved time and cost from pipe installation will counteract the increased hours and cost spent on logging permits.

## **Businesses and Entities Affected**

This proposed regulation will affect businesses and entities that are involved in activities permitted with the right-of-way, including installation of utilities, construction of private and commercial entrances, landscaping and temporary use of the right-of-way. Specifically, the single logging permit requirement will affect the logging companies directly. The wood product companies and paper companies will be affected indirectly through logging. The new accommodation fees will affect non-telecommunication utility companies installing lines within the right-of-way. Although the proposed fees for communication tower sites on the right-of-way equal the average rates currently charged, telecommunication companies will be affected because currently they may have paid more or less than the proposed fixed amount. End of free

pipe installations for private entrances permit applicants will affect homeowners building a new driveway. Commercial developers installing entrances onto existing roads will be affected by the access management requirement. The increased additive fees will affect businesses that are involved in activities such as commercial entrance installation, street connection or traffic signal installation, most of which are in logging, utilities, construction, wood product and paper manufacturing. To provide a rough idea of how broad the impact of the changes will be, the following is a list of the number of businesses in the industries that are most likely to be affected by the regulatory changes.<sup>3</sup>

<i>Industry</i>	<i>Number of Businesses</i>
Logging	469
Utilities	425
Construction of buildings	7880
Heavy and civil engineering construction	1865
Wood product manufacturing	638
Paper manufacturing	117
Telecommunications	1415

### **Localities Particularly Affected**

The proposed regulation applied to localities throughout the Commonwealth.

### **Projected Impact on Employment**

Since the increased fees and other changes such as the single logging permit requirement will not discourage permit applications and constructions very much given the scope and expenses of the whole projects, the impact of the proposed regulations on employment will be small. There may be a minimal decrease in employment in the affected industries listed above.

### **Effects on the Use and Value of Private Property**

The proposed increased fees will reduce the value of firms that pay those fees commensurately. The requirement for the property owners to arrange entrance pipe installations

<sup>3</sup> These numbers were calculated based on data provided by the Virginia Employment Commission that were collected for the last quarter of 2004.

at their own expense will also commensurately reduce the value of their property. There will likely not be significant effects on the use of private property given the magnitude of the costs.

### **Small Businesses: Costs and Other Effects**

The proposed regulation will affect small businesses in logging, utilities, construction, telecommunications, wood product and paper manufacturing. However, the proposed increased costs are likely not large enough to discourage permit applications or keep the projects from going forward. Specifically, the single logging permit requirement will affect small businesses in logging directly and those in wood product and paper manufacturing indirectly through logging, because each single permit will be subject to a \$100 non-refundable application fee. The new accommodation fees will affect small businesses in non-telecommunication utilities installing lines within the right-of-way. For example, accommodation fee for limited access crossings will be \$50 per crossing. The increased additive fees will affect small businesses that are involved in activities such as commercial entrances installation, street connection or traffic signal installation.

Below are the numbers of small businesses in the industries that may be affected by the regulatory changes.<sup>4</sup>

<i>Industry</i>	<i>Number of Small Businesses (Employment &lt; 500)</i>
Logging	469
Utilities	420
Construction of buildings	7876
Heavy and civil engineering construction	1859
Wood product manufacturing	537
Paper manufacturing	114
Telecommunications	1401

### **Small Businesses: Alternative Method that Minimizes Adverse Impact**

<sup>4</sup> These numbers were calculated based on data provided by the Virginia Employment Commission that were collected for the last quarter of 2004.

According to VDOT, the current fees, which were established in 1983, are far below their costs of permit review, administration and inspection. Thus, these activities have been subsidized by outside revenue sources. The proposed amendments to the Land Use Permit Manual consist of fee increases to better reflect these costs and the end of a free service. Avoiding the adverse impacts of higher fees and the end of a free service could only be accomplished by continued effective subsidies by outside revenue sources.