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TO: Detroit City Council

FROM: David Whitaker, Director 
Legislative Policy Division

RE: Detroit's Permitting Processes and Business Start-up Costs

DATE: August 3, 2023

Councilmember Fred Durhal, III, requested LPD provide a report on Detroit's permitting process and the cost of starting a business in the city as compared to other peer cities. The following represents LPD's response to this request.

For decades, many have raised questions relative to the effectiveness and efficiency of the city of Detroit's licensing and permitting process, and its effect on the ability of potential small business owners to establish and conduct business in the City. The process has long been plagued by bureaucratic red tape, and the inability to find a path to efficiently address practical concerns.

In 2018, the city of Detroit launched, through its Building, Safety and Engineering Department (BSEED), a business license process improvement to encourage more small businesses through easier processes and elimination of some licensing fees.

According to BSEED, the department conducted surveys to determine what activities are licensed in cities with a similar sized population to Detroit, and met with other city departments to discuss the relevancy of continued regulation of certain business types that may no longer require a business license. As a result, BSEED repealed thirty-five types of licenses previously required by small businesses. BSEED

discontinued these licenses and eliminated fees to assist in an ongoing effort to improve the climate for small businesses in the city. ¹

Additionally, BSEED made business license technology improvements by removing duplicative webpages, developing interactive webpages, and creating a virtual concierge (Business Portal) where business owners are able to view all license types, with clickable links that will inform them of all requested documents, clearances, and fees.

Starting in 2018, the department contracted with Accela/eLAPS (Electronic Licensing and Application System) for software to allow individuals to access the licensing process online and to receive notifications regarding clearance status, license expiration, and renewals. The software is also capable of issuing automatic emails to applicable inspecting departments relative to new applications, renewals, and the status of clearances. Council recently approved a new contract with Accela, Inc. to provide a Permitting and Licensing Software System including Subscription, Maintenance, and Hosting Services for a 3-year term through July 2026.

To apply for a business license, applicants must first submit an application along with the Assumed Name or Articles of Incorporation documents, identification and contact information for all applicants/shareholders/corporate officers, Federal Identification Number, proof of property ownership, Personal Property Tax ID, and payment for the business license fee. BSEED will then review the application and provide the applicant with a checklist of required approvals based on the business type. The applicant must then complete all necessary inspections and clearances before BSEED issues a business license to the applicant.

In general, Detroit's licensing, permitting, and clearance process is similar to other municipalities, with some subtle variations. The processes summarized below all require an application for license for a particular business activity, submission of various information and documents, followed by inspections and the issuance of clearances. As we look at other similar municipalities and their specific licensing and permitting processes, slight differences do exist. While some municipalities place the requirement of obtaining a Certificate of Occupancy (C of O) or its equivalent at the beginning of the licensing process, in other cities the (C of O) is the final stage.

Columbus, Ohio

The city of Columbus Ohio offers online information on obtaining business permits and licenses, inspections, zoning, engineering and more. A citizens online portal gives contractors and business owners access to forms and applications, enabling them to see the status of a permit application, and to request a building inspection.

Businesses are required to register with the Ohio Secretary of State to legally conduct business in the state, which is the primary step in obtaining a business license. Most of the licenses are issued and managed through the State of Ohio's "elicense" system.

Fees for new construction, additions, alterations, and accessory structures include a cost of \$450 which includes two inspections for this price, plus \$4 per each 10 gross square foot over 1,000 square feet

¹ Business License Process Improvements, Building, Safety Engineering & Environmental Department, PowerPoint

not to exceed 50,000 square feet. Additionally, a certificate of occupancy for a commercial building is \$575.²

Memphis, Tennessee

The city of Memphis Tennessee through the Planning and Development Division of Memphis and Shelby County, offers online access to new business applications through the Develop 901 Citizens Portal. All businesses operating within Shelby County are required to obtain a business license and report their gross receipts to the Tennessee Department of Revenue on an annual basis. Licenses are issued by the Shelby County Clerk's office.

Businesses located within the city of Memphis must receive a combined Shelby County, city of Memphis license, a certificate of occupancy is required for any business located in a commercial district. The combined Shelby County, city of Memphis business license fee is \$30, \$15 for each municipality. While inspections average around \$20 and a Certificate of Occupancy is \$69. Certificates of Occupancy are issued on a cash only basis. The turnaround time for the entire process is estimated to be 7 to 20 business days once all documents and materials are submitted.³

Pittsburgh, Pennsylvania

The city of Pittsburgh through the office of Permits Licenses and Inspections (PLI), offers Onestop PHG online. OneStop PGH is a one-stop shop where Pittsburgh residents can apply, pay for, and receive business licenses and permits, upload development plans, and track violation notices.

The Department of Permits, Licenses, and Inspections issues contractor, trade, and business licenses. Pittsburgh does not have as many licenses as other municipalities. In addition, the city has a Service Level Agreement (SLA) for each permit type that requires application review. The agreement delineates the timeframe for processing permits and licenses. It takes 30 days for the initial review for commercial structures for building mechanical, fire alarm, suppression systems and permits.⁴

The cost of a Certificate of Occupancy is \$450, while a construction permit is \$7.00 per \$1000 of construction value with a minimum fee of \$500.

Milwaukee, Wisconsin

The city of Milwaukee offers access to licensing and permitting applications online. Before the city issues a license, the applicant must show proof of registration with the Wisconsin Department of Financial Institutions for Corporations and Limited Liability Companies, undergo, and provide a police background check, and solicit support from the District Alderperson in addition to the paying all associated fees and completing the application.

Typically, from the date of application submittal, issuance of a license will be a minimum of 15 days. The city will issue a Certificate of Occupancy approximately three working days after all inspections

² [Business Licenses & Resources - City of Columbus, Ohio](#)

³ [Licenses and Permits - The City of Memphis \(memphistn.gov\)](#)

⁴ [Permits, Licenses, and Inspections - What's your Permit Status, Code Enforcement, Condemned Structures, Appeals Building Standards and Codes, Licenses Information and Fees \(pittsburghpa.gov\)](#)

are conducted and the facility is found to be in compliance. The total process takes approximately 6-8 weeks.

Business license fees vary from \$50 to \$300 depending upon the service provided. For example, a food service license will cost \$300 as compared to a parking lot license which is \$50. In most cases, the licensing application triggers the plumbing, construction, and electrical inspections of the property. An Occupancy Certificate costs \$200 for spaces less than 10,000 square feet, and \$400 for spaces greater than 10,000 square feet. Milwaukee still offers over fifty different licenses.⁵

Cleveland, Ohio

Like Detroit, the city of Cleveland's processes needed a complete overhaul. Although Cleveland has made in-house efforts to improve and streamline the city's permitting and licensing processes, those efforts were not successful. In January of 2022, when Mayor Justin Bibb took office, he made hiring a consultant to help the city streamline and improve the permitting and licensing process a priority. His hope was to accomplish this within his first one hundred days in office. This took longer than anticipated, and in early 2023, the city of Cleveland sought proposals from consulting firms to analyze and make recommendations for process improvements in their antiquated permitting and licensing process.⁶

Costs

It is difficult to specifically identify the cost of starting a new business. The overall cost of establishing a small business can vary drastically depending on several factors including business type, building requirements and size, and other capital costs. Additionally, permitting and licensing fees vary greatly depending on the type of business and whether some type of construction is involved.

While the city of Memphis Tennessee in conjunction with Shelby County has managed to keep fees in check to assist business start-ups, with the \$30 combined license fee and \$69 Certificate of Occupancy, it does appear that the cost of acquiring proper permits and licenses to start a small business in the city of Detroit does not differ greatly from that of other municipalities we studied.

A building permit in Detroit obtained for small alterations to a building would cost approximately \$150, plus an additional \$150 for a fire plan review. The Business License itself would cost another \$55, plumbing permit \$50 and an electrical permit at a base fee of \$75. Fire inspections are more costly. Perhaps this additional cost could be attributed to the special expertise necessary to conduct these inspections. Otherwise, these costs are in line with most other municipalities.⁷

When considering the cost of fees and the potential negative effect they might have on the small business climate in Detroit, one must note that in *Bolt v. Lansing*,⁸ the Michigan Supreme Court distinguished fees from taxes. The court based its analysis on the proposition that a fee is exchanged for a service rendered or a benefit conferred with some reasonable relationship between the fee and the value of the service or benefit, while a tax is designed to raise revenue for the benefit of the public at-large. In short, the fees the city charges associated with permits, licensing and inspections must be proportionate to the

⁵ [Licenses and Permits \(milwaukee.gov\)](https://www.milwaukee.gov/licenses-permits)

⁶ [Cleveland seeks to digitize, streamline "antiquated" process to obtain permits - cleveland.com](https://www.cleveland.com/news/2022/01/cleveland-seeks-to-digitize-streamline-antiquated-process-to-obtain-permits/)

⁷ [Detroit Business Portal \(detroitmi.gov\)](https://www.detroitmi.gov/business-portal)

⁸ *Bolt v. City of Lansing*, 587 N.W.2d 264 (1998)

costs of the service.⁹ Therefore, the costs associated with the permitting, licensing and inspections are not meant to be revenue generating and should be proportionate to the costs associated with providing the services.

In December 2018, as part of the Business License Improvement process for the city, BSEED began the implementation of the Accela Civic Platform system to manage all licensing, permitting and inspections. Many of these technological improvements were not fully implemented until 2021. The fact that the implementation took place during the pandemic at a time when business activities in general were at an all-time low, makes it difficult to gauge the effectiveness of the new systems from both a consumer and administrative perspective.

The city, through BSEED, stated that prior to the acquisition and implementation of this software, part of their due diligence was to look to similar cities around the country for best practices. When examining other cities, it does appear that the city of Detroit is on the leading edge of technology through the utilization of the Accela software. Although it does take a slight level of sophistication for a potential business owner to effectively avail themselves of the full range of the software's capabilities, the ability to access information and perform tasks through the online business portal is impressive, especially considering the city's capabilities prior to this initiative.¹⁰ Additionally, the department provides online videos explaining many aspects of the licensing and permitting process, including question and answer videos with departmental personnel going through frequently asked questions.

In conjunction with the features offered by the Accella software, there are still portions of the process which call for varying degrees of human interaction between potential business owners and departmental personnel, such as scheduling in person inspections, receiving documentation and fees in a timely manner, and general customer service issues. There have been persistent problems with the department in this regard. The department has long been cited for poor customer service and an inability to adhere to timelines. While technological changes have improved portions of the process, solutions to other issues might be proper subject matter for examination by professional consultants, which could involve training, increased workforce capacity, more public education, or any combination thereof.

Additionally, for many years, there have been discussions regarding relocating the department's permitting and licensing to a separate building with convenient parking for a more customer-friendly experience.

The city of Pittsburgh offers a Service Level Agreement (SLA) which delineates a specific timeline for the issuance of licenses and permits. Our own Service Level Agreement could assist in creating an obtainable level of service delivery upon which the department can be evaluated, and which the public can rely upon. As stated by the BSEED, the elimination of license fees was to assist in making the process easier for small businesses. However, the city of Detroit still offers over forty licenses, while the city of Pittsburgh has less than ten.

It is important to note that we have no information from business owners in these other municipalities relative to how they rate the current permitting and licensing programs in their respective cities. It is vital for the department to receive feedback from business owners who have been through the process. However, once a business owner goes through the process and starts operation of their business,

⁹ [FS Bolt Refresher with Plus.pdf \(mml.org\)](#)

¹⁰ LPD conducted a test utilizing the Business Portal by inputting information relative to the establishment of a fictitious business. Though, not a highly sophisticated user, it functioned as stated and I found the software to be helpful and very user-friendly.

they typically do not have to concern themselves with the process because they are only required to seek renewals of licenses from BSEED from that point onward.

The Council might like to consider inviting BSEED to come before the body to update the Councilmembers or answer specific questions regarding the software, its implementation, and how the department is working to make it easier for small businesses to operate in the city.

Please contact our office if you need any further assistance.