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TO: The Honorable Detroit City Council

FROM: David Whitaker, Director   
Legislative Policy Division Staff

DATE: July 5, 2024

RE: **Business Development in the City of Detroit**

Council member Coleman A. Young II requested that the Legislative Policy Division (LPD) prepare a report examining business development in the City of Detroit. LPD was asked to identify what determines whether a business is small, medium, or large. In addition, we were asked to identify the steps needed to start a business, and to determine the costs of regulating businesses in the city.

This report is our response to this inquiry.

### **What Determines Whether a Business is Small, Medium, or Large**

Regarding the City of Detroit's standards, according to the Detroit Business Certification Program Certification Checklist<sup>1</sup> businesses that meet Small Business Requirements (average over the last 3 fiscal years) meet the following criteria:

- **Manufacturing: < 500 Employees in 3 Years**
- **General Construction: < \$28 million**
- **Specialty Construction: < \$12 million**
- **Wholesale: < 100 Employees in 3Years**
- **Retail: < \$6 million**
- **Service: < \$6 million**
- **Professional Service: < \$6 million**

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<sup>1</sup> [Detroit Business Certification Program Checklist.pdf \(detroitmi.gov\)](#)

Generally speaking however, Businesses are classified by size based on the number of employees: <sup>2</sup>

- Small: 0-100 employees
- Medium: 100-249 employees
- Large: More than 250 employees

When starting a business, one should consider that the business concept needs to be profitable and something the prospective business owner is good at. To bring this into focus according to Forbes in its **How To Start A Business In 11 Steps (2024 Guide)**<sup>3</sup> The *11 steps as chronicled by Forbes are as follows:*

### **1. Determine Your Business Concept**

- What do you love to do?
- What do you hate to do?
- Can you think of something that would make those things easier?
- What are you good at?
- What do others come to you for advice about?
- If you were given ten minutes to give a five-minute speech on any topic, what would it be?
- What's something you've always wanted to do, but lacked resources for?

Forbes also suggests that when choosing the type of business to start, there are some key things to consider:

- What type of funding do you have?
- How much time do you have to invest in your business?
- Do you prefer to work from home or at an office or workshop?
- What interests and passions do you have?
- Can you sell information (such as a course), rather than a product?
- What skills or expertise do you have?
- How fast do you need to scale your business?
- What kind of support do you have to start your business?
- Are you partnering with someone else?
- Does the franchise model make more sense to you?

### **2. Research Your Competitors and Market**

Most entrepreneurs spend more time on their products than they do getting to know the competition. If you ever apply for outside funding, the potential lender or partner wants to know: what sets you (or your business idea) apart? If market analysis indicates your product or service is saturated in your area, see if you can think of a different approach.

#### **Primary Research**

The first stage of any competition study is primary research, which entails obtaining data directly from potential customers rather than basing your conclusions on past data. You can use questionnaires, surveys and interviews to learn what consumers want.

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<sup>2</sup> [What Is a Business? Understanding Different Types and Company Sizes \(investopedia.com\)](https://www.investopedia.com/terms/b/business-size.asp)

<sup>3</sup> [How To Start A Business In 11 Steps \(2024 Guide\) – Forbes Advisor](https://www.forbes.com/advisor/business/start-a-business/)

## Secondary Research

Utilize existing sources of information, such as census data, to gather information when you do secondary research. The current data may be studied, compiled and analyzed in various ways that are appropriate for your needs, but it may not be as detailed as primary research.

## Conduct a SWOT<sup>4</sup> Analysis

Conducting a SWOT analysis allows you to look at the facts about how your product or idea might perform if taken to market, and it can also help you make decisions about the direction of your idea.

## 3. Create Your Business Plan

A business plan<sup>5</sup> is a dynamic document that serves as a roadmap for establishing a new business. This document makes it simple for potential investors, financial institutions and company management to understand and absorb. Even if you intend to self-finance, a business plan can help you flesh out your idea and spot potential problems. When writing a well-rounded business plan, include the following sections:

- **Executive summary:** The executive summary should be the first item in the business plan, but it should be written last. It describes the proposed new business and highlights the goals of the company and the methods to achieve them.
- **Company description:** The company description covers what problems your product or service solves and why your business or idea is best. For example, maybe your background is in molecular engineering, and you've used that background to create a new type of athletic wear—you have the proper credentials to make the best material.
- **Market analysis:** This section of the business plan analyzes how well a company is positioned against its competitors. The market analysis should include target market, segmentation analysis, market size, growth rate, trends and a competitive environment assessment.
- **Organization and structure:** Write about the type of business organization you expect, what risk management strategies you propose and who will staff the management team. What are their qualifications? Will your business be a single-member limited liability company (LLC) or a corporation?<sup>6</sup>
- **Mission and goals:** This section should contain a brief mission statement and detail what the business wishes to accomplish and the steps to get there. These goals should be SMART<sup>7</sup> (specific, measurable, action-orientated, realistic and time-bound).
- **Products or services:** This section describes how your business will operate. It includes what products you'll offer to consumers at the beginning of the business, how they compare to existing competitors, how much your products cost, who will be responsible for creating the products, how you'll source materials and how much they cost to make.
- **Background summary:** This portion of the business plan is the most time-consuming to write. Compile and summarize any data, articles and research studies on trends that could positively and negatively affect your business or industry.
- **Marketing plan:** The marketing plan identifies the characteristics of your product or service, summarizes the SWOT analysis and analyzes competitors. It also discusses how you'll promote your business; how much money will be spent on marketing and how long the campaign is expected to last.

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<sup>4</sup> SWOT stands for strengths, weaknesses, opportunities and threats.

<sup>5</sup> [How To Write A Business Plan \(2024 Guide\) – Forbes Advisor](#)

<sup>6</sup> [LLC Vs Corporation – Forbes Advisor](#)

<sup>7</sup> [The Ultimate Guide to S.M.A.R.T. Goals – Forbes Advisor](#)

- **Financial plan:** The financial plan is perhaps the core of the business plan because, without money, the business will not move forward. Include a proposed budget in your financial plan along with projected financial statements, such as an income statement, a balance sheet and a statement of cash flows. Usually, five years of projected financial statements are acceptable. This section is also where you should include your funding request if you're looking for outside funding.

## **Develop a Scalable Business Model**

As your small business grows, it's important to have a scalable business model so that you can accommodate additional customers without incurring additional costs. A scalable business model is one that can be replicated easily to serve more customers without a significant increase in expenses.

Some common scalable business models are:

- Subscription-based businesses
- Businesses that sell digital products
- Franchise businesses
- Network marketing businesses

## **Start Planning for Taxes**

One of the most important things to do when starting a small business is to start planning for taxes. Taxes can be complex, and there are several different types of taxes you may be liable for, including income tax, self-employment tax, sales tax and property tax. Depending on the type of business you're operating, you may also be required to pay other taxes, such as payroll tax or unemployment tax.

## **4. Choose Your Business Structure**

When structuring your business, it's essential to consider how each structure impacts the amount of taxes you owe, daily operations and whether your personal assets are at risk.

### **LLC**

An LLC<sup>8</sup> limits your personal liability for business debts. LLCs can be owned by one or more people or companies and must include a registered agent.<sup>9</sup> These owners are referred to as members.

#### **Pros**

- LLCs offer liability protection for the owners
- They're one of the easiest business entities to set up
- You can have a single-member LLC

#### **Cons**

- You may be required to file additional paperwork with your state on a regular basis
- LLCs can't issue stock
- You'll need to pay annual filing fees to your state

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<sup>8</sup> [What Is A Limited Liability Company \(LLC\)? Definition, Pros & Cons](#) [What Is An LLC? Definition, Pros & Cons – Forbes Advisor](#)

<sup>9</sup> [What Is A Registered Agent For An LLC & Do You Need One? – Forbes Advisor](#)

## Limited Liability Partnership (LLP)

An LLP is similar to an LLC<sup>10</sup> but is typically used for licensed business professionals such as an attorney or accountant. These arrangements require a partnership agreement.

### Pros

- Partners have limited liability for the debts and actions of the LLP
- LLPs are easy to form and don't require much paperwork
- There's no limit to the number of partners in an LLP

### Cons

- Partners are required to actively take part in the business
- LLPs can't issue stock
- All partners are personally liable for any malpractice claims against the business

## Sole Proprietorship

If you start a solo business, you might consider a sole proprietorship.<sup>11</sup> The company and the owner, for legal and tax purposes, are considered the same. The business owner assumes liability for the business. So, if the business fails, the owner is personally and financially responsible for all business debts.

### Pros

- Sole proprietorships are easy to form
- There's no need to file additional paperwork with your state
- You're in complete control of the business

### Cons

- You're personally liable for all business debts
- It can be difficult to raise money for a sole proprietorship
- The business may have a limited lifespan

## Corporation

A corporation limits your personal liability for business debts just as an LLC does. A corporation can be taxed as a C corporation (C-corp) or an S corporation (S-corp). S-corp<sup>12</sup> status offers pass-through taxation to small corporations that meet certain IRS requirements. Larger companies and startups hoping to attract venture capital are usually taxed as C-corps.

### Pros

- Corporations offer liability protection for the owners
- The life span of a corporation is not limited
- A corporation can have an unlimited number of shareholders

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<sup>10</sup> [LLP Vs. LLC: Key Differences Between The Two Business Structures – Forbes Advisor](#)

<sup>11</sup> [What Is A Sole Proprietorship? – Forbes Advisor](#)

<sup>12</sup> [Starting An S-Corp – Forbes Advisor](#)

## Cons

- Corporations are subject to double taxation
- They're more expensive and complicated to set up than other business structures
- The shareholders may have limited liability

Before you decide on a business structure, discuss your situation with a small business accountant and possibly an attorney, as each business type has different tax treatments that could affect your bottom line.

## 5. Register Your Business and Get Licenses

There are several legal issues to address when starting a business after choosing the business structure. The following is a good checklist of items to consider when establishing your business:

### Choose Your Business Name

Make it memorable but not too difficult. Choose the same domain name, if available, to establish your internet presence. A business name cannot be the same as another registered company in your state, nor can it infringe on another trademark or service mark that is already registered with the United States Patent and Trademark Office (USPTO).

### Business Name vs. DBA

There are business names, and then there are fictitious business names known as “Doing Business As” or DBA. You may need to file a DBA if you're operating under a name that's different from the legal name of your business. For example, “Mike's Bike Shop” is doing business as “Mike's Bikes.” The legal name of the business is “Mike's Bike Shop,” and “Mike's Bikes” is the DBA.

You may need to file a DBA with your state, county or city government offices. The benefits of a DBA include:

- It can help you open a business bank account under your business name
- A DBA can be used as a “trade name” to brand your products or services
- A DBA can be used to get a business license

### Register Your Business and Obtain an EIN

You'll officially create a corporation, LLC or other business entity by filing forms with your state's business agency—usually the Secretary of State. As part of this process, you'll need to choose a registered agent<sup>13</sup> to accept legal documents on behalf of your business. You'll also pay a filing fee. The state will send you a certificate that you can use to apply for licenses, a tax identification number (TIN) and business bank accounts.

Next, . apply for an employer identification number (EIN)<sup>14</sup> All businesses, other than sole proprietorships with no employees, must have a federal employer identification number. Submit your application to the IRS<sup>15</sup> and you'll typically receive your number in minutes.

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<sup>13</sup> [Best Registered Agent Services 2024 – Forbes Advisor](#)

<sup>14</sup> [How To Get An EIN For An LLC \(2024 Guide\) – Forbes Advisor](#)

<sup>15</sup> [How to Apply for an EIN | Internal Revenue Service \(irs.gov\)](#)

## Get Appropriate Licenses and Permits

Legal requirements<sup>16</sup> are determined by your industry and jurisdiction. Most businesses need a mixture of local, state and federal licenses to operate. Check with your local government office (and even an attorney) for licensing information tailored to your area.

## 6. Get Your Finances in Order

### Open a Business Bank Account

Keep your business and personal finances separate. Here's how to choose a *business checking account*<sup>17</sup> and why *separate business accounts*<sup>18</sup> are essential. When you open a business bank account, you'll need to provide your business name and your business tax identification number (EIN). This business bank account can be used for your business transactions, such as paying suppliers or invoicing customers. Most times, a bank will require a separate business bank account to issue a business loan or line of credit.

### Hire a Bookkeeper or Get Accounting Software

If you sell a product, you need an inventory function in your accounting software to manage and track inventory. The software should have ledger and journal entries and the ability to generate financial statements.

Some software programs double as bookkeeping tools. These often include features such as check writing and managing receivables and payables. You can also use this software to track your income and expenses, generate invoices, run reports and calculate taxes.

There are many bookkeeping services available that can do all of this for you, and more. These services can be accessed online from any computer or mobile device and often include features such as bank reconciliation and invoicing. Check out the *best accounting software*<sup>19</sup> for small business or see if you want to *handle the bookkeeping*<sup>20</sup> yourself.

### Determine Your Break-Even Point

Before you fund your business, you must get an idea of your startup costs. To determine these, make a list of all the physical supplies you need, estimate the cost of any professional services you will require, determine the price of any licenses or permits required to operate and calculate the cost of office space or other real estate. Add in the costs of payroll and benefits, if applicable.

Businesses can take years to turn a profit, so it's better to overestimate the startup costs and have too much money than too little. Many experts recommend having enough cash on hand to cover six months of operating expenses.

When you know how much you need to get started with your business, you need to know the point at which your business makes money. This figure is your break-even point.

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<sup>16</sup> [Legal Requirements To Start A Small Business In 2024 – Forbes Advisor](#)

<sup>17</sup> [How To Choose A Business Checking Account – Forbes Advisor](#)

<sup>18</sup> [How Can A Business Bank Account Help Your Small Business Grow? – Forbes Advisor](#)

<sup>19</sup> [Best Accounting Software For Small Business Of 2024 – Forbes Advisor](#)

<sup>20</sup> [Small Business Bookkeeping \(2024 Guide\) – Forbes Advisor](#)

Break-even point = Fixed cost ÷ Contribution margin

In contrast, the **contribution margin = total sales revenue – cost to make product**

For example, let's say you're starting a small business that sells miniature birdhouses for fairy gardens. You have determined that it will cost you \$500 in startup costs. Your variable costs are \$0.40 per birdhouse produced, and you sell them for \$1.50 each.

Let's write these out so it's easy to follow:

<b>Fixed costs:</b>	\$500 for the first month
<b>Variable costs:</b>	40 cents per birdhouse
<b>Price per birdhouse:</b>	\$1.50
<b>The formula:</b>	$\$500 / (\$1.50 - 40 \text{ cents})$
<b><math>\\$500 \div \\$1.10 = 456 \text{ units}</math></b>	

This means that you need to sell at least 456 units just to cover your costs. If you can sell more than 456 units in your first month, you will make a profit.

## 7. Fund Your Business

There are many different ways to fund your business—some require considerable effort, while others are easier to obtain. Two categories of funding exist: internal and external.

Internal funding includes:

- Personal savings
- *Credit cards*<sup>21</sup>
- Funds from friends and family

If you finance the business with your own funds or with credit cards, you have to pay the debt on the credit cards, and you've lost a chunk of your wealth if the business fails. By allowing your family members or friends to invest in your business, you are risking hard feelings and strained relationships if the company goes under. Business owners who want to minimize these risks may consider external funding.

External funding includes:

- *Small business loans*<sup>22</sup>
- *Small business grants*<sup>23</sup>
- Angel investors
- Venture capital

<sup>21</sup> [Best Business Credit Cards Of July 2024 – Forbes Advisor](#)

<sup>22</sup> [Best Small Business Loans Of July 2024 – Forbes Advisor](#)

<sup>23</sup> [Small Business Grants: How To Get Free Money – Forbes Advisor](#)



- *Crowdfunding*<sup>24</sup>

Small businesses may have to use a combination of several sources of capital. Consider how much money is needed, how long it will take before the company can repay it and how risk-tolerant you are. No matter which source you use, plan for profit. It's far better to take home six figures than make seven figures and only keep \$80,000 of it.

Funding ideas include:

- **Invoice factoring:** With *invoice factoring*,<sup>25</sup> you can sell your unpaid invoices to a third party at a discount.
- **Business lines of credit:** Apply for a *business line of credit*,<sup>26</sup> which is similar to a personal line of credit. The credit limit and interest rate will be based on your business's revenue, credit score and financial history.
- **Equipment financing:** If you need to purchase expensive equipment for your business, you can finance it with a loan or lease.
- **Small Business Administration (SBA) microloans:** Microloans are up to \$50,000 loans that can be used for working capital, inventory or supplies and machinery or equipment.
- **Grants:** The federal government offers *grants*<sup>27</sup> for businesses that promote innovation, export growth or are located in historically disadvantaged areas. You can also find grants through local and regional organizations.
- **Crowdfunding:** With *crowdfunding*,<sup>28</sup> you can raise money from a large group of people by soliciting donations or selling equity in your company.

Choose the right funding source for your business by considering the amount of money you need, the time frame for repayment and your tolerance for risk.

## 8. Apply for Business Insurance

You need to have *insurance for your business*,<sup>29</sup> even if it's a home-based business or you don't have any employees. The type of insurance you need depends on your business model and what risks you face. You might need more than one type of policy, and you might need additional coverage as your business grows. In most states, workers' compensation insurance is required by law if you have employees.

### Work With an Agent To Get Insured

An insurance agent can help determine what coverages are appropriate for your business and find policies from insurers that offer the best rates. An independent insurance agent represents several different insurers, so they can shop around for the best rates and coverage options.

### Basic Types of Business Insurance Coverage

- **Liability insurance** protects your business against third-party claims of bodily injury, property damage and personal injury such as defamation or false advertising.

<sup>24</sup> [How Crowdfunding Changed These People's Lives – Forbes Advisor](#)

<sup>25</sup> [Invoice Factoring: Is It Right For Your Business? – Forbes Advisor](#)

<sup>26</sup> [How To Get A Business Line Of Credit In 5 Steps – Forbes Advisor](#)

<sup>27</sup> [Small Business Grants: How To Get Free Money – Forbes Advisor](#)

<sup>28</sup> [Equity Crowdfunding: What Is It & How Does It Work? – Forbes Advisor](#)

<sup>29</sup> [Best Small Business Insurance Of June 2024 – Forbes Advisor](#)

- **Property insurance** covers the physical assets of your business, including your office space, equipment and inventory.
- **Business interruption insurance** pays for the loss of income if your business is forced to close temporarily due to a covered event such as a natural disaster.
- **Product liability insurance** protects against claims that your products caused bodily injury or property damage.
- **Employee practices liability insurance** covers claims from employees alleging discrimination, sexual harassment or other wrongful termination.
- **Workers' compensation insurance** covers medical expenses and income replacement for employees who are injured on the job.

## 9. Get the Right Business Tools

Business tools can help make your life easier and make your business run more smoothly. The right tools can help you save time, automate tasks and make better decisions.

Consider the following tools in your arsenal:

- **Accounting software:**<sup>30</sup> Track your business income and expenses, prepare financial statements and file taxes. Examples include QuickBooks and FreshBooks.
- **Customer relationship management (CRM) software:**<sup>31</sup> This will help you manage your customer relationships, track sales and marketing data and automate tasks like customer service and follow-ups. Examples include Zoho CRM and monday.com.
- **Project management software:**<sup>32</sup> Plan, execute and track projects. It can also be used to manage employee tasks and allocate resources. Examples include Airtable and ClickUp.
- **Credit card processor:**<sup>33</sup> This will allow you to accept credit card payments from customers. Examples include Stripe and PayPal.
- **Point of sale (POS):**<sup>34</sup> A system that allows you to process customer payments. Some accounting software and CRM software have POS features built-in. Examples include Clover and Lightspeed.
- **Virtual private network (VPN):**<sup>35</sup> Provides a secure, private connection between your computer and the internet. This is important for businesses that handle sensitive data. Examples include NordVPN and ExpressVPN.
- **Merchant services:**<sup>36</sup> When customers make a purchase, the money is deposited into your business account. You can also use merchant services to set up recurring billing or subscription payments. Examples include Square and Stripe.
- **Email hosting:**<sup>37</sup> This allows you to create a professional email address with your own domain name. Examples include G Suite and Microsoft Office 365.

## 10. Market Your Business

Many business owners spend so much money creating their products that there isn't a marketing budget by the time they've launched. Alternatively, they've spent so much time developing the product that marketing is an afterthought.

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<sup>30</sup> [Best Accounting Software For Small Business Of 2024 – Forbes Advisor](#)

<sup>31</sup> [Best CRM Software Of 2024 – Forbes Advisor](#)

<sup>32</sup> [Best Project Management Software Of 2024 – Forbes Advisor](#)

<sup>33</sup> [10 Best Credit Card Processing Companies of 2024 – Forbes Advisor](#)

<sup>34</sup> [Best POS Systems For Small Business Of 2024 – Forbes Advisor](#)

<sup>35</sup> [10 Best VPN Services of 2024 – Forbes Advisor](#)

<sup>36</sup> [Best Merchant Account Service Providers Of 2024 – Forbes Advisor](#)

<sup>37</sup> [5 Best Email Hosting Services Of 2024 – Forbes Advisor](#)

## **Create a Website**

Even if you're a brick-and-mortar business, a web presence is essential. *Creating a website*<sup>38</sup> doesn't take long, either—you can have one done in as little as a weekend. You can make a standard informational website or an *e-commerce site*<sup>39</sup> where you sell products online. If you sell products or services offline, include a page on your site where customers can find your locations and hours. Other pages to add include an “About Us” page, product or service pages, frequently asked questions (FAQs), a *blog*<sup>40</sup> and contact information.

## **Optimize Your Site for SEO**

After getting a website or e-commerce store, focus on optimizing it for search engines (SEO). This way, when a potential customer searches for specific keywords for your products, the search engine can point them to your site. SEO is a long-term strategy, so don't expect a ton of traffic from search engines initially—even if you're using all the right keywords.

## **Create Relevant Content**

Provide quality digital content on your site that makes it easy for customers to find the correct answers to their questions. Content marketing ideas include videos, customer testimonials, blog posts and demos. Consider content marketing one of the most critical tasks on your daily to-do list. This is used in conjunction with posting on social media.

## **Get Listed in Online Directories**

Customers use online directories like Yelp, Google My Business and Facebook to find local businesses. Some city halls and chambers of commerce have business directories too. Include your business in as many relevant directories as possible. You can also create listings for your business on specific directories that focus on your industry.

## **Develop a Social Media Strategy**

Your potential customers are using social media every day—you need to be there too. Post content that's interesting and relevant to your audience. Use social media to drive traffic back to your website where customers can learn more about what you do and buy your products or services.

You don't necessarily need to be on every social media platform available. However, you should have a presence on Facebook and Instagram because they offer e-commerce features that allow you to sell directly from your social media accounts. Both of these platforms have free ad training to help you market your business.

## **11. Scale Your Business**

To scale your business, you need to grow your customer base and revenue. This can be done by expanding your marketing efforts, improving your product or service, collaborating with other creators or adding new products or services that complement what you already offer.

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<sup>38</sup> [How To Make A Small Business Website In 2024 – Forbes Advisor](#)

<sup>39</sup> [7 Best E-Commerce Hosting Providers Of 2024 – Forbes Advisor](#)

<sup>40</sup> [Best Blogging Platforms Of 2024 – Forbes Advisor](#)

Think about ways you can automate or outsource certain tasks so you can focus on scaling the business. For example, if social media marketing is taking up too much of your time, consider using a platform such as Hootsuite to help you manage your accounts more efficiently. You can also consider outsourcing the time-consumer completely.

You can also use technology to automate certain business processes, including accounting, email marketing and lead generation. Doing this will give you more time to focus on other aspects of your business.

When scaling your business, it's important to keep an eye on your finances and make sure you're still profitable. If you're not making enough money to cover your costs, you need to either reduce your expenses or find ways to increase your revenue.

## **Build a Team**

As your business grows, you'll need to delegate tasks and put together a team of people who can help you run the day-to-day operations. This might include hiring additional staff, contractors or freelancers.

Resources for building a team include:

- **Hiring platforms:** To find the right candidates, hiring platforms, such as Indeed and Glassdoor, can help you post job descriptions, screen résumés and conduct video interviews.
- **Job boards:** Job boards such as Craigslist and Indeed allow you to post open positions for free.
- **Social media:** You can also use social media platforms such as LinkedIn and Facebook to find potential employees.
- **Freelance platforms:** Using Upwork, Freelancer and Fiverr can help you find talented freelancers for one-time or short-term projects. You can also outsource certain tasks, such as customer service, social media marketing or bookkeeping.

You might also consider partnering with other businesses in your industry. For example, if you're a wedding planner, you could partner with a florist, photographer, catering company or venue. This way, you can offer your customers a one-stop shop for all their wedding needs. Another example is an e-commerce store that partners with a fulfillment center. This type of partnership can help you save money on shipping and storage costs, and it can also help you get your products to your customers faster.

To find potential partnerships, search for businesses in your industry that complement what you do. For example, if you're a web designer, you could partner with a digital marketing agency.

You can also search for businesses that serve the same target market as you but offer different products or services. For example, if you sell women's clothing, you could partner with a jewelry store or a hair salon.

## **Overview of Starting a Business in Detroit**

The City of Detroit's website has a "**Quick Start Guide – New Business**,"<sup>41</sup> which may be accessed with a search on the City's website at [https://detroitmi.gov/Steps to start your business](https://detroitmi.gov/Steps%20to%20start%20your%20business):

### **01 Check your zoning**

Learn where your project is allowed, if it is by-right, or requires additional review.

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<sup>41</sup> [Quick Start Guide – New Business | City of Detroit \(detroitmi.gov\)](https://detroitmi.gov/Quick%20Start%20Guide%20-%20New%20Business)

<https://zoning.detroitmi.gov/>

Additional reviews may include: Site Plan Review, *Special Land Use hearing*,<sup>42</sup> or *Zoning Verification Letters*<sup>43</sup>

*Apply Online*<sup>44</sup>

*EPlans Submission*<sup>45</sup>

## **02 Apply for permits**

For a list of permits required for your project, please visit:

<https://permits.detroitmi.gov/><sup>46</sup>

For specifics about the trade permitting process, see the *Quick Start Guide document*<sup>47</sup>

*Apply Online*<sup>48</sup>

*Apply in Person*<sup>49</sup>

*EPlans Submission*<sup>50</sup>

## **03 Begin construction upon issuance of permits**

During construction, please post your permits on the exterior of your property.

## **04 Schedule City of Detroit inspections**

You may request an inspection by applying online or calling BSEED Construction Inspection division.

Inspections are required for all trades. When approved you will be provided your Certificate of Acceptance.

*Apply Online*<sup>51</sup>

Call (313) 224-3202

## **05 Apply for Certificate of Occupancy or Compliance**

After approved final inspections for all trades, you can submit for your Certificate of Occupancy or Certificate of Compliance. These will be required to open your business and begin operation.

*Apply in Person*<sup>52</sup>

*Apply via Email*<sup>53</sup>

\*To apply via email, send completed application to [derrol@detroitmi.gov](mailto:derrol@detroitmi.gov)

## **06 Apply for a business license**

<sup>42</sup> [Zoning / Special Land Use | City of Detroit \(detroitmi.gov\)](#)

<sup>43</sup> [Zoning Verification Letters | City of Detroit \(detroitmi.gov\)](#)

<sup>44</sup> [City of Detroit - Building, Safety, and Environmental Department \(accela.com\)](#)

<sup>45</sup> [ProjectDox Login \(avolvecloud.com\)](#)

<sup>46</sup> [Detroit Permitting Portal \(detroitmi.gov\)](#)

<sup>47</sup> [BSEED-Quick-Start-Permits.pdf \(detroitmi.gov\)](#)

<sup>48</sup> [City of Detroit - Building, Safety, and Environmental Department \(accela.com\)](#)

<sup>49</sup> [Construction Inspection | City of Detroit \(detroitmi.gov\)](#)

<sup>50</sup> [ProjectDox Login \(avolvecloud.com\)](#)

<sup>51</sup> [City of Detroit - Building, Safety, and Environmental Department \(accela.com\)](#)

<sup>52</sup> [C7 Request for Certificate of Occupancy\\_EF.pdf \(detroitmi.gov\)](#)

<sup>53</sup> [C7 Request for Certificate of Occupancy\\_EF.pdf \(detroitmi.gov\)](#)

Some uses require a business license. View the *list of business types requiring a license here*.<sup>54</sup>

For a list of all the required information for submissions see *the step-by-step guide for applying for a business license*.<sup>55</sup>

*Apply Online*<sup>56</sup>

## 07 Open your business!

Don't forget! Your business licenses have to be renewed annually and your Certificate of Compliance every two years.

*Apply in Person*<sup>57</sup>

## 08 Health Department Approval - when applicable

Plan Review from the Detroit Health Department Food Safety Division is required when constructing a new food establishment or remodeling an existing food establishment. Construction may not begin until approval is granted.

You will need to submit the Fixed Establishment Plan Review Packet.  
For additional guidance see the Fixed Establishment Plan Review Manual

*Apply in Person*<sup>58</sup>

*Apply Online*<sup>59</sup>

*EPlans Submission*<sup>60</sup>

## 09 Pre-Opening inspection

After completion of construction, contact the Food Safety division of the Health Department to schedule an inspection.

*Apply in Person*<sup>61</sup>

Call (313) 876-4559

To encourage small businesses to locate in the city, the City of Detroit has streamlined its processes and its elimination of certain business licensing fees. Prospective business owners can now utilize the Electronic Licensing and Permitting System, which has simplified the application process. Depending on the business type and location, additional permits and reviews may be required, such as:

- Site Plan Review
- Special Land Use Hearings
- Zoning Verification Letters
- Health Department approvals, including:

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<sup>54</sup> [Businesses Licensed By the City of Detroit\\_ColorV2-LEGAL\\_1.pdf \(detroitmi.gov\)](#)

<sup>55</sup> *The online link to this portal appears to be broken*

<sup>56</sup> [City of Detroit - Building, Safety, and Environmental Department \(accela.com\)](#)

<sup>57</sup> BSEED/Development Resource Center (DRC) Coleman A Young Municipal Center 4th Floor

<sup>58</sup> In person: 100 Mack Ave., 3rd Floor

<sup>59</sup> [DHD\\_FSE\\_PLAN\\_REVIEW\\_PACKET\\_5.20.pdf \(detroitmi.gov\)](#)

<sup>60</sup> [ProjectDox Login \(avolvecloud.com\)](#) ePlans submission is ONLY available if applying with your Building Permit. Be prepared with all required materials when uploading your other documents. Otherwise, this can be done after submitting for your building permit directly with the Health Department. Note: fees for plans submitted through ePlans must be paid directly to the Health Department. Review will not begin until all the required documents are submitted and the plan review fee(s) are paid in full.

<sup>61</sup> [Pre-opening preparation checklist.pdf \(detroitmi.gov\)](#)

- Plan Review from the Detroit Health Department Food Safety Division
- Pre-Opening inspection

### **Licensing and Costs**

Obtaining the necessary licenses for a small business in Michigan can vary in cost. While a Michigan sales tax license is free, specialized licenses may range from \$50 to several hundred dollars. Key steps to start a business in Michigan include:

- Defining the business concept
- Drafting a business plan
- Choosing a business name
- Funding the startup costs
- Choosing a business structure

Registering the business with the Michigan Secretary of State. For more details, visit MyCorporation. <https://www.mycorporation.com/>

### **Additional Resources and Support**

The Detroit Economic Growth Corporation (DEGC) offers several resources to support small businesses. The DEGC provides various online resources for business compliance and licensing. Key links include:

- [DEGC District Business Liaisons](#)
- [Buildings, Safety, Engineering, and Environmental Department \(BSEED\)](#)
- [Detroit Accela/Electronic Licensing and Permits System \(eLAPS\)](#)
- [Office of Contracting and Procurement](#)
- [Detroit At Work](#)

### **DEGC District Business Liaisons (DBLs)**

DBLs serve as key resources for neighborhood business owners by helping them navigate city processes and to connect with various support organizations. DBLs work closely with the Mayor's Office, City Council, and other small business support initiatives to ensure businesses thrive in Detroit's commercial corridors.

### **Starting a Business in Detroit**

To start a business in Detroit, you will need to:

1. Define the business concept
2. Draft a business plan
3. Choose a business name
4. Fund the startup costs
5. Select a business structure
6. Register the business with the Michigan Secretary of State

### **Cost and Classification of Businesses**

The cost of doing business in Detroit varies. Detailed cost information can be found in these resources:

- [Michigan Business Licensing Costs](#)
- Detroit Business License Center Rate Report

For further details, refer to <https://www.northwestregisteredagent.com/llc/michigan/cost>

### **Conclusion**

Starting a small business in Detroit involves several steps and considerations, but the City offers extensive support through its resources and streamlined processes. By leveraging these resources, prospective business owners can navigate the complexities of licensing, permitting, and compliance to establish successful enterprises in Detroit.

Please contact us if you need further assistance.

**Attachments:**

- Basics of Business Licensing: Useful Contacts and Links
- Neighborhood Business Initiative. For further details, refer **to <https://www.degc.org/wp-content/uploads/2021/09/NBI-OpenUp-Up-WorkBook-FINAL.pdf>**

**cc:**

Auditor General's Office  
Planning and Development Department  
Law Department  
Mayor's Office  
Jobs & Economy Team  
DEGC



## Useful Contacts and Links

1. Michigan Secretary of State. [MyCorporation](https://www.mycorporation.com/). <https://www.mycorporation.com/>
2. Detroit Economic Growth Corporation (DEGC). [DEGC District Business Liaisons](https://www.degc.org/). <https://www.degc.org/>
3. City of Detroit. Buildings, Safety, Engineering, and Environmental Department (BSEED). <https://detroitmi.gov/departments/buildings-safety-engineering-and-environmental-department>
4. City of Detroit. Detroit Accela/Electronic Licensing and Permits System (eLAPS). <https://detroitmi.gov/departments/buildings-safety-engineering-and-environmental-department/bseed-divisions/plan-review/accela-electronic-licensing-and-permits-system-elaps>
5. City of Detroit. Office of Contracting and Procurement. <https://detroitmi.gov/departments/office-chief-financial-officer/ocfo-divisions/office-contracting-and-procurement>
6. City of Detroit. [Detroit At Work](https://detroitatwork.com/). <https://detroitatwork.com/>
7. Michigan Business Licensing Costs. Michigan Business Licensing Costs. <https://www.michigan.gov/lara/bureau-list/bpl/occ/prof/accountancy/lic-info/license-fees>
8. Detroit Business License Center Rate Report. This can be found at the Detroit Business License Center. <https://detroitmi.gov/sites/detroitmi.localhost/files/201805/Business%20License%20Center%20Rate%20Report.pdf>
9. U.S. Small Business Administration (SBA). SBA Table of Size Standards. <https://www.sba.gov/document/support-table-size-standards>
10. NBI OpenUp Workbook. <https://www.degc.org/wp-content/uploads/2021/09/NBI-OpenUp-Up-Workbook-FINAL.pdf>