



Carlisle | Wortman
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February 7, 2022

Mariah Walton, Interim City Manager
City of Eastpointe
23200 Gratiot Ave.
Eastpointe, Mi 48021

Dear Mariah,

Pursuant to the approved scope of work with Code Enforcement Services, please accept this Building Department Fee Study with a focus on fees charged for building and trade permits, rental housing certification, vacant structure inspections, and miscellaneous building and enforcement fees.

Code Enforcement Services was engaged to perform the study for the purpose of determining whether fees were adequate to cover the cost of providing services and to make recommendations as indicated. The study team relied on BS&A data previously obtained during the Building Department Audit completed in late 2021, as well as more recent data provided by the city through its consultant operating the Building Department, as well as the Finance Director.

This study contains specific detailed observations and recommendations. I can make myself available to discuss this report with your office and/or City Council upon request.

We would like to thank your office for your assistance and facilitation and Building Department staff for their cooperation with this study.

Respectfully Submitted,

CODE ENFORCEMENT SERVICES, INC.

Michael Radzik
Administrator Manager



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CITY OF EASTPOINTE, MICHIGAN

BUILDING DEPARTMENT FEE STUDY

- ❖ **Building & Trade Permits**
- ❖ **Rental Housing Certification**
- ❖ **Vacant Structure Inspections**
- ❖ **Other Building & Enforcement**

Prepared By:

Carlisle | Wortman Associates, Inc.

Code Enforcement Services

February 7, 2022

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EXECUTIVE SUMMARY

Overview

After completion of an audit of the staffing, services, and performance of the Building Department, Eastpointe engaged Carlisle Wortman Associates (CWA) to conduct a building permit fee study. The original scope of the study was subsequently expanded to include other fees administered through the Building Department.

Purpose

CWA, through its Code Enforcement Services (CES) division was engaged to perform a study of Building Department fees for the purpose of determining whether fees assessed for building permit and other services were sufficient to cover the cost of providing those services. The focus of the study was to compare Eastpointe's fee schedule with nearby comparable communities and to compare actual and projected fee revenue with actual and projected budget allocations to determine whether the fee schedule generated sufficient revenue to support the entire costs to provide those services.

Observations

Through review and analysis of permit and budget records, it became clear that fees being charged for building permit services are insufficient to support the costs to provide those services. Under the current building permit fee schedule and associated budget allocation, annual budget deficits will continue to accumulate and increase. As a result, the costs to provide building permit services are being subsidized by fees collected for other types of services and/or by general fund tax revenue.

At the city's request, other non-permit fees were also studied in a similar manner for the same purpose with mixed results.

At City Council's discretion, there is an opportunity to revise the fee schedule in alignment with expenses to meet the spirit and intent of state code governing building permits. In late 2021, the city contracted with a private firm to provide building department services pursuant to a fee revenue sharing agreement with the intent to bring services back in-house at a later date. This study provides advice for adjusting fee schedules now and in the future in order to cover all expenses regardless of how services are provided.

BACKGROUND

Code Enforcement Services was engaged to perform a study of building permit and other fees for the purpose of determining whether fees assessed for building permit and other services were sufficient to cover the cost of providing those services.

The study team previously had access to the Building Department’s records management database known as the BS&A software program and had collected a variety of reports that were subsequently useful for this study. Additional data was also provided by the city through its contracted service provider as well as the finance director and city manager’s office.

Selection of Comparison Communities

Eastpointe is uniquely positioned on the southern edge of Macomb County along the Wayne County border. For the purpose of comparing building permit fees, seven nearby communities were selected. It is of great interest to note that among the eight communities within a 20-mile radius, Eastpointe has the highest population and household density, yet the lowest median housing value and per capita income.

Despite having the lowest per capita income, the second lowest median household income, and the second highest number of households in poverty, Eastpointe registered the second highest median gross rent. In general, Eastpointe landlords are receiving 14% higher monthly rent payments than the average of the eight communities. Furthermore, only one other community, Riverview, has a higher percentage of renter-occupied housing than Eastpointe. This demographic data is consistent with Eastpointe’s own permit data that shows a relatively low dollar value of new construction activity, the importance of which will be discussed in detail later in this report.

Table 1 DEMOGRAPHIC COMPARISON OF COMMUNITIES

	Population	Land Area (sq mi)	Pop Density (per sq mi)	Net Total Res Bldg Permits 2000-2021	Households	Household Density (per sq mi)	Median Housing Value	Renter Occupied Housing	Median Gross Rent	Median Household Income	Per Capita Income	Households in Poverty
Eastpointe actual	34,318	5.0	6,864	124	13,783	2,757	\$77,200	33%	\$1,095	\$49,849	\$23,292	14.4%
Trenton	18,544	7.4	2,506	376	8,044	1,087	\$150,800	21%	\$771	\$67,294	\$36,459	7.9%
Warren	139,387	34.4	4,052	1,239	58,308	1,695	\$122,300	28%	\$939	\$49,619	\$25,803	15.1%
Grosse Pointe Woods	16,487	3.3	4,996	95	6,291	1,906	\$244,500	9%	\$1,438	\$104,848	\$47,912	5.7%
Riverview	12,490	4.4	2,839	32	5,454	1,240	\$149,400	36%	\$795	\$58,246	\$35,058	9.7%
Wyandotte	25,058	5.3	4,728	(124)	12,039	2,272	\$109,300	26%	\$763	\$54,462	\$30,916	13.4%
Southgate	30,014	6.8	4,414	736	13,578	1,997	\$112,300	32%	\$876	\$57,133	\$30,822	9.6%
Allen Park	28,638	7.0	4,091	7	11,526	1,647	\$123,800	15%	\$980	\$67,130	\$34,956	6.7%
Average for 8 communities	38,117	9.2	4,311	311	16,128	1,753	\$136,200	25%	\$957	\$63,573	\$33,152	10.3%
Eastpointe Rank	2	6	1	4	2	1	8	2	2	7	8	2

* 2020 Census & 2019 American Community Survey

A Tutorial About Building Permit Fees and Funds

Eastpointe's Building Department provides building and trade permit plan review and inspection services, rental and vacant property inspection services, and other ancillary licensing and zoning services to the community. Until late 2021 when the Building Department was privatized, the Director of the department oversaw all aspects of the operation. The organizational structure as described in the Eastpointe FY2021-22 Adopted Budget included:

- Planning & Zoning Department Divisions
 - Building
 - Rental Inspection
 - Vacant Properties
 - Planning Commission
 - Home Demolition
 - Blight Removal

The Building Department was staffed by five (5) full-time employees, eight (8) part-time employees, and two (2) private inspection contractors paid on a fee basis as follows:

- Staffing
 - Director of Planning & Zoning/Building Official 1 FT
 - Assistant Building Official 1 FT
 - Electrical Inspector Contractual (fee basis)
 - Mechanical/Plumbing Inspector Contractual (fee Basis)
 - Rental Inspectors/Code Enforcement Officers 1 FT 4 PT
 - Clerical Support (serving all services) 2 FT 4 PT

In late 2021, an audit indicated the Building Department was over-staffed and plagued with performance issues. Department staff were laid off and two full-time clerical support employees were retained to help support a private firm that now provides all services under a two-year revenue sharing agreement in which the firm retains 80% of all fee revenue. Eastpointe's Planning & Zoning Department and all of its divisions are funded through the General Fund rather than a separate enterprise fund.

In accordance with Michigan statutes and recent case law, revenues from building permits and related fees may be used only for purposes of building code enforcement, and surplus revenue should not be transferred to other funds or sources. If a fund surplus is increasing over time, the community should consider reducing its fees. When building permit fees are insufficient to cover costs, then fees should be adjusted accordingly. It is permissible to subsidize operations using other unrestricted revenue sources; however, doing so unfairly puts the burden on the backs of taxpayers who do not receive those services.

Municipalities ideally should aim for full cost recovery levels when setting permit fees. Using verifiable accounting practices, Eastpointe could charge a portion of overhead, administrative and other similar costs against building code revenues (direct labor, other dept. support, allocation of non-personnel expense, indirect cost, capital costs, etc.). Examples include support from other city departments such as the City Manager, Clerk, Finance, I.T., Human Resources, Purchasing, Facilities and General Services. Under Eastpointe's current arrangement, the 20% of fee revenue retained by the city should fully cover

the city’s two clerical positions, indirect costs, capital costs, and necessary support from all other city departments required to operate the Building Department.

The ICC Formula for Building Permit Fees

The International Code Council (ICC) is the building code authority that promulgates most of the codes adopted by the State of Michigan and local jurisdictions and administered by the City of Eastpointe.

The ICC developed a tried-and-true formula that municipalities can use to establish building permit fees. The formula relies on three components: 1) the total annual construction value that has occurred for the past year; 2) the percentage of the building department budget that is expected to be provided by permit revenue; and 3) the building department budget allocation. Ideally, a community should strive to provide 100% of its building department budget from permit fees paid by those using the services.

The example given by the ICC in its Building Valuation Data biannual publication looks like this:

The building department operates on a \$300,000 budget, and it expects to cover 75 percent of that from building permit fees. The total annual construction value which occurred within the jurisdiction in the previous year is \$30,000,000.

$$\text{Permit Fee Multiplier} = \frac{\$300,000 \times 75\%}{\$30,000,000} = 0.0075$$

$$\text{Permit Fee} = \text{Gross Area} \times \text{Square Foot Construction Cost} \times \text{Permit Fee Multiplier}$$

Why the ICC Formula Won’t Work for Eastpointe

Table 2

Construction value, defined as the value of new construction and certain improvements to existing structures, is a critical component of the ICC formula for determining building permit fees.

The study found that Eastpointe has experienced a relatively low dollar value of new construction activity over the past several years, especially new commercial and industrial development value. Building permit fees will necessarily need to be much higher to support services when total annual construction value is very low.

Table 2 depicts Eastpointe’s actual construction values from 2016 to 2021 as reported by the city’s official permit records, along with the ICC permit fee multiplier for each year. Three-, four- and five-year averages are also shown. An estimated Building Department budget of \$508,000 based on full staffing

Eastpointe Construction Values		
Year	Reported Value	ICC Permit Fee Multiplier
2021	\$6,900,000	0.0736
2020	\$15,704,706	0.0323
2019	\$5,871,397	0.0865
2018	\$15,816,157	0.0321
2017	\$11,159,122	0.0455
2016	\$6,687,697	0.0760
3 YR AVG	\$9,492,034	0.0535
4 YR AVG	\$11,073,065	0.0459
5 YR AVG	\$11,090,276	0.0458
Estimated 2021/22 Building Dept Budget (at full staffing)		\$508,000

was assumed per Finance Director advice (excluding other non-permit budgets within the Planning & Zoning cost center).

Table 3 below uses Eastpointe’s actual historical construction value and estimated departmental budget at full staffing to formulate the ICC permit fee multiplier to achieve 100% budget coverage. The multiplier was applied to the same three common construction scenarios used for fee comparisons between communities later in this study.

The formula outcome results in exorbitant fees that would be required to be charged in order to properly fund the building department and clearly demonstrates why the ICC permit fee method is unrealistic for use by Eastpointe. Accordingly, the study team redirected its focus toward permit fee comparisons with similar neighboring communities that provide like services. As discussed in the Background section, the selection of comparable communities was impacted by the vast demographic and economic differences between Eastpointe and its closest similar neighboring communities.

Eastpointe Permit Fee Multiplier				
1.	2021 construction value = \$6,900,000			
2.	Percentage of building dept budget expected to be provided by building dept revenue = 100% (budget estimate \$508,000)			
3.	Permit Fee Multiplier =	\$508,000	=	0.0736
		\$6,900,000		
Eastpointe Permit Fee				
The permit fee is determined using the building gross area, the Square Foot Construction Cost and the Permit Fee Multiplier.				
	Construction Value =	Gross Area x Square Foot Construction Cost		
	Permit Fee =	Construction Value x Permit Fee Multiplier		
2021	1,000 s.f. res addition @ \$75,000 value	\$75,000 X 0.0736	=	\$5,520
	2,500 s.f. new house @ \$230,000 value	\$230,000 X 0.0736	=	\$16,928
	18,000 s.f. comm project @ 4,500,000 value	\$4,500,000 X 0.0736	=	\$331,200
2020	1,000 s.f. res addition @ \$75,000 value	\$75,000 X 0.0323	=	\$2,423
	2,500 s.f. new house @ \$230,000 value	\$230,000 X 0.0323	=	\$7,429
	18,000 s.f. comm project @ 4,500,000 value	\$4,500,000 X 0.0323	=	\$145,350
3 yr Average	1,000 s.f. res addition @ \$75,000 value	\$75,000 X 0.0535	=	\$4,013
	2,500 s.f. new house @ \$230,000 value	\$230,000 X 0.0535	=	\$12,305
	18,000 s.f. comm project @ 4,500,000 value	\$4,500,000 X 0.0535	=	\$240,750
5 yr Average	1,000 s.f. res addition @ \$75,000 value	\$75,000 X 0.0458	=	\$3,435
	2,500 s.f. new house @ \$230,000 value	\$230,000 X 0.0458	=	\$10,534
	18,000 s.f. comm project @ 4,500,000 value	\$4,500,000 X 0.0458	=	\$206,100

Construction value and revenue data self-reported by Eastpointe. Only includes building, mechanical, electrical and plumbing permit data. Does not include zoning, rental housing, vacant structure, business licensing, or code enforcement data.

STUDY FINDINGS – BUILDING & TRADE PERMIT FEES

Once it was determined that the ICC Permit Fee Method was unrealistic for use in this study, the team redirected focus and used the same three construction scenarios previously used for the preliminary fee study published in the 2021 Building Department Audit to compare fees with similar nearby communities. The purpose of the fee comparison was to determine whether Eastpointe’s fees were consistent with its neighboring communities, and if not, to what degree they varied.

Three common construction scenarios were used: 1) a 1,000 s.f. residential addition/remodel valued at \$75,000; 2) a 2,500 s.f. new house valued at \$230,000; and 3) an 18,000 s.f. new commercial project valued at \$4,500,000. For each scenario, fees for building, mechanical, electrical, and plumbing permits were calculated and totaled for each community. Fee categories were averaged and ranked, with Eastpointe’s deviation from the average value reported in Tables 4, 5, and 6 respectively.

Table 4 **Total Permit Fees Based on a 1,000 s.f. Addition/Remodel with a Construction Value of \$75,000**

	Building	Plumbing	Electrical	Mechanical	Total fees
Eastpointe actual	\$525	\$293	\$342	\$282	\$1,442
Trenton	\$750	\$315	\$235	\$365	\$1,665
Warren	\$710	\$140	\$235	\$220	\$1,305
Grosse Pointe Woods	\$1,200	\$395	\$189	\$205	\$1,989
Riverview	\$750	\$238	\$260	\$230	\$1,478
Wyandotte	\$975	\$176	\$225	\$210	\$1,586
Southgate	\$1,050	\$82	\$170	\$80	\$1,382
Allen Park	\$900	\$204	\$79	\$90	\$1,273
Average for 8 communities	\$858	\$230	\$217	\$210	\$1,515
Eastpointe Community Rank	8	3	1	2	5
Eastpointe Deviation From Average	-38.8%	27.3%	57.7%	34.0%	-4.8%

As depicted in Table 4, Eastpointe’s permit fees for a modest residential addition/remodel vary widely. The most glaring category shows the building permit fee is 38.8% less than average and strikingly the lowest of all eight communities. Trade permit fees are in the top third tier, yet the total permit fee is still less than the average total for the construction project.

Table 5

**Total Permit Fees Based on a 2,500 s.f. House
w/Construction Value of \$230,000**

	Building	Plumbing	Electrical	Mechanical	Total Fees
Eastpointe actual	\$1,150	\$322	\$575	\$496	\$2,543
Trenton	\$2,300	\$335	\$410	\$470	\$3,515
Warren	\$2,260	\$445	\$600	\$680	\$3,985
Grosse Pointe Woods	\$1,300	\$610	\$604	\$375	\$2,889
Riverview	\$2,300	\$671	\$1,050	\$635	\$4,656
Wyandotte	\$3,250	\$358	\$562	\$555	\$4,725
Southgate	\$3,220	\$540	\$794	\$374	\$4,928
Allen Park	\$2,760	\$742	\$426	\$360	\$4,288
Average of 8 Communities	\$2,318	\$410	\$574	\$448	\$3,941
Eastpointe Community Rank	8	8	5	4	8
Eastpointe Deviation From Average	-50.4%	-21.5%	0.1%	10.6%	-35.5%

As depicted in Table 5, Eastpointe’s permit fees for construction of a higher value and larger new house lag far behind its comparable neighbors. The building permit fee is a whopping 50% less than average and the lowest of the group. Likewise, the plumbing permit and total fees are significantly lower than group averages. Only the electrical and mechanical permit fees are aligned with group averages.

	Building	Plumbing	Electrical	Mechanical	Total fees
Eastpointe actual	\$21,500	\$993	\$3,488	\$2,052	\$28,033
Trenton	\$45,000	\$885	\$1,630	\$1,085	\$48,600
Warren	\$44,960	\$1,230	\$1,225	\$1,100	\$48,515
Grosse Pointe Woods	\$22,500	\$1,315	\$1,994	\$715	\$26,524
Riverview	\$45,000	\$2,659	\$3,740	\$1,845	\$53,244
Wyandotte	\$80,500	\$2,050	\$1,350	\$1,110	\$85,010
Southgate	\$63,000	\$1,059	\$2,362	\$977	\$67,398
Allen Park	\$54,000	\$1,309	\$730	\$1,010	\$57,049
Average for 8 communities	\$47,058	\$1,438	\$2,065	\$1,237	\$51,797
Eastpointe Community Rank	8	7	2	1	7
Eastpointe Deviation From Average	-54.3%	-30.9%	68.9%	65.9%	-45.9%

As depicted in Table 6 above, the larger the size and higher the value of the project, the more significant the fee variances become. For this larger and higher value commercial project, the building and plumbing permit fees are again significantly lower than average, while electrical and mechanical permit fees are significantly higher than average. Yet, the total fees for the project are almost half of the average for the group. In this single hypothetical scenario alone, Eastpointe would have collected \$23,764 fewer dollars than the average of all of its comparable neighbors.

STUDY FINDINGS – RENTAL HOUSING CERTIFICATION FEES

Like most of its comparable neighbors, Eastpointe wisely prioritizes the inspection and certification of rental housing to help maintain minimum housing quality standards. However, unlike its building permit fees, Eastpointe’s rental housing inspection fees are among the highest in the group.

For purpose of this study, we examined fees charged to inspect the three most common types of rental housing units: single family, two-family duplex, and multifamily. The study found many variances in the way municipal fees were structured for rental housing. For instance, some communities require annual registration in addition to inspection, others consider one registration valid for the life of ownership, while some don’t have a registration fee at all. We focused on inspection and re-inspection fees and only reported registration fees when inspections were included in the fee.

Table 7

RENTAL HOUSING INSPECTION FEE COMPARISON

	SINGLE FAMILY DWELLING	TWO FAMILY DUPLEX	MULTI-FAMILY EACH BUILDING	MULTI-FAMILY EACH UNIT	REINSPECTION
EASTPOINTE	\$200	\$300	N/A	\$150	\$75
TRENTON (1)	N/A	N/A	N/A	N/A	N/A
WARREN (2)	\$200	\$300	\$125	\$100	\$100
GROSS POINTE WOODS	\$150	\$150	\$350	N/A	\$75
RIVERVIEW (3)	\$165	\$165	\$165	\$75	\$50
WYANDOTTE	\$196	\$294	\$294	\$98	N/A
SOUTHGATE (4)	\$175	\$175	N/A	N/A	\$40
ALLEN PARK	\$200	\$200	\$100	\$40	\$35
DEARBORN (5)	\$200	\$250	\$200	\$50	\$50
CANTON TOWNSHIP	\$240	\$240	\$240	\$60	\$50
COMMUNITIES AVERAGE	\$192	\$230	\$211	\$82	\$59
EASTPOINTE RANK	2	1	N/A	1	2
EASTPOINTE DEVIATION FROM AVERAGE	\$8	\$70	N/A	\$68	\$16

NOTE: some cities charge separate registration fees; registration fees not reported unless inspections are included

NOTE: failure to register, late fees, lock-out fees, etc., vary widely and are not reported

(1) Trenton does not inspect rental housing, but requires Point-of-Sale inspections

(2) Warren only inspects 20% of apartment units per complex

(3) Riverview charges \$75 to inspect each MF mechanical room and common area plus a 10% admin fee

(4) Southgate inspects SF homes but not multifamily apartment dwellings

(5) Dearborn discounts mulifamily unit fees in clusters on a graduated scale up to 25 and more than 25

The data in Table 7 shows that Eastpointe collects the highest fees among the group to inspect two-family duplexes and multifamily apartments. The fees for a single-family rental are considered neutral and consistent with others in the group.

Note that no comparison was made for inspection of multifamily buildings, only for multifamily dwelling units within each building. This is because Eastpointe does not charge a separate fee to inspect the exterior of an apartment building, its common areas like stairwells, mechanical rooms, or laundry rooms. Those areas are, indeed, inspected; however, the time and cost to do so is covered by fees charged to inspect the apartment units. This practice is uncommon as code violations discovered on exterior walls and in mechanical rooms, boiler rooms, and laundry facilities often consume a lot of inspection time and require significant follow-up investigation.

As with building permits, the study considered the total cost of inspections in common rental housing scenarios including compliance re-inspections and registration as depicted below.

Table 8 **RENTAL HOUSING INSPECTION FEE COMPARISON**

	SF HOUSE WITH ONE REINSPECT	TWO FAMILY DUPLEX WITH ONE REINSPECT EACH	FEES - 8 UNIT BLDG WITH ONE REINSPECT EACH	FEES - 12 UNIT BLDG WITH ONE REINSPECT EACH
EASTPOINTE	\$275	\$450	\$1,800	\$2,700
TRENTON	N/A	N/A	N/A	N/A
WARREN	\$300	\$500	\$1,275	\$2,525
GROSS POINTE WOODS	\$225	\$300	\$950	\$1,250
RIVERVIEW	\$265	\$315	\$1,165	\$1,665
WYANDOTTE	\$196	\$294	\$1,078	\$1,470
SOUTHGATE	\$215	\$255	N/A	N/A
ALLEN PARK	\$235	\$270	\$700	\$1,000
DEARBORN	\$250	\$350	\$1,000	\$1,400
CANTON TOWNSHIP	\$290	\$330	\$1,120	\$1,560
COMMUNITIES AVERAGE	\$254	\$340	\$1,136	\$1,696
EASTPOINTE RANK	3	2	1	1
EASTPOINTE DEVIATION FROM AVERAGE	\$21	\$110	\$664	\$1,004

NOTE: Chart includes all fees charged to certify a property (registration & inspection)

In alignment with Table 7, Table 8 reveals that Eastpointe’s fees are higher than the group average and within the top third tier of fees.

It should be noted that Dearborn and Canton Township were added to the list of comparable jurisdictions for rental housing because Trenton does not inspect rental housing and Southgate does not inspect multifamily rental housing.

STUDY FINDINGS – VACANT STRUCTURE INSPECTION FEES

Every municipality in the group except Wyandotte registers and inspects vacant structures. Like other types of services, fee schedules for vacant structures vary widely among cities. Eastpointe is one of only two cities that does not require annual registration renewal. However, Eastpointe is the only city that assesses an additional fee if a structure remains vacant for more than two years and when ownership of a registered property transfers.

Eastpointe charges the highest registration fee of the group; however, the registration is not required to be renewed annually under a new set of fees and is automatically discounted 45% if paid on time.

Table 9 VACANT STRUCTURES REGISTRATION FEE COMPARISON

	REGISTRATION	ANNUAL RENEWAL	ADDITIONAL FEE IF VACANT >2 YRS	NEW OWNER APPLICATION
EASTPOINTE (1)	\$500	N/A	\$500	\$50
TRENTON	\$80	N/A	N/A	N/A
WARREN	\$200	\$125	N/A	N/A
GROSS POINTE WOODS	\$200	\$200	N/A	N/A
RIVERVIEW	\$300	\$300	N/A	N/A
WYANDOTTE	N/A	N/A	N/A	N/A
SOUTHGATE	\$240	\$240	N/A	N/A
ALLEN PARK	\$250	\$250	N/A	N/A
DEARBORN	\$25	\$25	N/A	N/A
CANTON TOWNSHIP	\$75	\$75	N/A	N/A
COMMUNITIES AVERAGE	\$208	\$174	N/A	N/A
EASTPOINTE RANK	1	N/A	N/A	N/A
EASTPOINTE DEVIATION FROM AVERAGE	\$292	(\$174)	N/A	N/A

(1) Eastpointe discounts the vacant structure registration fee 45% if paid on or before the due date

Of special note is the fact that both rental housing and vacant structure inspections are normally done under the city's local property maintenance code, not under the state building code. Accordingly, these inspections may be performed by properly trained housing inspectors rather than state-registered building inspectors who normally have higher payroll costs.

STUDY FINDINGS – OTHER BUILDING & ENFORCEMENT FEES

The number and type of miscellaneous building, zoning, and enforcement fees varies widely between municipalities and there is no standard to follow. The study team selected a small set of other types of fees used by Eastpointe that are commonly found in most other jurisdictions for comparison purposes.

Table 10 OTHER BUILDING & ENFORCEMENT FEES COMPARISON

	PERMIT APPLICATION FEE (NON-REFUNDABLE)	CONTRACTOR REGISTRATION	DEMOLITION (RES/COMM)	ZONING SHED </= 200 SF	ZONING RESIDENTIAL FENCE	SNOW/GRASS ABATEMENT	BUSINESS LICENSE/ RE-OCCUPANCY
EASTPOINTE	\$50 BLDG \$75 MEP (1)	\$25	\$200/\$500	\$50	\$75	Actual expense + \$125 admin	\$150
TRENTON	\$75	\$50	\$50/\$1k value \$10/\$1k value	\$60	\$50	Actual expense	\$240
WARREN	N/A	\$35	\$250/\$450	\$80	\$0.25/lf (\$25 min)	Actual expense + \$50 admin + 25% of cost	N/A
GROSS POINTE WOODS	\$75	\$20	\$500/\$750	\$50	\$50	Actual expense + 30% of cost	\$100
RIVERVIEW	\$20	\$50	\$100/\$150	\$75	\$75	Actual expense	\$75
WYANDOTTE	\$50	\$45	\$150/\$300	\$50	N/A	N/A	\$200 + 0.10/sf
SOUTHGATE	\$50	\$35	Building Permit	Building Permit	Building Permit	N/A	\$200-\$600 (2)
ALLEN PARK	\$50	\$15-\$45	Building Permit	Building Permit	\$85	Actual expense	\$50-\$250 (3)
DEARBORN	\$42	\$15-\$100 (4)	Bldg Permit + Plan Review Fee	\$65	\$125	Actual expense	\$300 (5)
CANTON TOWNSHIP	\$40	\$15	\$100	\$50 + \$10/\$1k value > \$3k	\$50	Actual expense	\$65
COMMUNITIES AVERAGE	\$50	\$34	\$220/\$375	\$63	\$73	Actual expense + \$29 (6)	\$200
EASTPOINTE RANK	3	8	N/A	8	4	1	7
EASTPOINTE DEVIATION FROM AVERAGE	\$0	(\$9)	(\$20)/\$125	(\$13)	\$2	\$96 (6)	(\$50)

(1) Eastpointe charges a 15% administrative fee for mechanical, electrical, and plumbing permit applications & re-inspections

(2) Southgate charges a sliding fee depending on square footage - includes BMEP inspections; \$125 additional fire inspection fee

(3) Allen Park charges a sliding scale business license fee depending on the type of business

(4) Dearborn charges different fees for various contractor types

(5) Dearborn charges \$300 up to 5,000 sf plus \$30 each additional 1,000 sf

(6) Communities Average and Eastpointe Deviation based on a \$100 actual expense for grass/snow abatement

Permit Application Fee

Almost every municipality assesses a non-refundable application fee for permits, registrations, and licenses. Such fees are usually intended to offset administrative processing and handling costs regardless of whether the permit is canceled or ever issued. Of interest is that Eastpointe charges a higher application fee and assesses a 15% administrative fee for trade permits and re-inspections. This

may likely have been done because the city was using contracted trade inspectors paid a high percentage of fee revenue per inspection. This arrangement required more administrative support for data entry of inspection results and processing of contractor payroll. In general, however, Eastpointe's application fees are consistent with others.

Contractor Registration

Most municipalities require licensed contractors doing business in their jurisdiction to register as a means to ensure they are properly licensed by the state and insured. A few cities require local contractor licensing in addition to state licensing. Eastpointe's registration fee is lower than most others and is discounted for Master Plumbers and Journeyman only.

Demolition

Building permits for demolition work normally require two site inspections for open hole and final grade at completion. However, there can be more intense clerical effort involved to receive and verify utility termination notices prior to commencement of work. Eastpointe's demolition permit fees are lower for residential and higher for commercial, however are generally aligned with others.

Zoning – Sheds & Fences

Two of the most common types of permits sought by homeowners are for shed and fence installations, both of which require zoning compliance review and site inspection. Eastpointe's fees are among the lowest, however this may serve to incentivize code compliance by homeowners and reduce difficult zoning enforcement down the road when fences and sheds are placed in the wrong spot.

Snow/Grass Abatement

Nuisance abatement for the removal of snow on sidewalks and the mowing of tall grass were included in the list of "other" types of fees that were studied as these activities greatly impact neighborhood life. The average cost is based upon a standard \$100 abatement job applied to the various municipal fee schemes. Not every municipality assesses an administrative fee for collection of abatement costs, while several assess a fee plus a percentage of the cost. Eastpointe charges a flat \$125 fee, which is the highest of the group.

Business Licensing

And finally, most municipalities require commercial spaces to be inspected for building, fire safety, and zoning code compliance prior to re-occupancy by a new commercial tenant. Such procedures go by various names including business licensing, change of use, and re-occupancy inspections. Fee schemes also vary widely depending on the type of business and size of the space. The study shows that Eastpointe's fee is among the lowest in the region.

RECOMMENDATIONS

After careful study of fee schedules for the City of Eastpointe and surrounding comparable communities, the following recommendations are offered for consideration.

Building and Trade Permit Fees

As depicted in Tables 4, 5, and 6, Eastpointe’s building permit fees are significantly lower than comparable communities, while trade permit fees are generally higher with the exception of plumbing. The study team learned that the Building Department division of the Planning & Zoning Department has experienced historical budget deficits for many years, with operations subsidized through use of fees collected for other services and general fund tax dollars.

If left unchanged, annual budget deficits will continue to accumulate as projected in Table 11 (based upon the 2021-22 budget estimate for full staffing).

Table 11

The budget projection for building permit services assumes annual 3% budget increases and 1.2% revenue increases with no new commercial construction occurring.

The projection is consistent with historical budget outcomes over the past several years.

In the event any larger commercial or industrial development occurs in the future, the extent of revenue shortfalls will be even greater.

Year	Projected Revenue	Projected Budget	Budget Deficit
2021-22	\$495,133	\$508,000	(\$12,867)
2022-23	\$505,036	\$523,240	(\$18,204)
2023-24	\$515,136	\$538,937	(\$23,801)
2024-25	\$525,439	\$555,105	(\$29,666)
2025-26	\$535,948	\$571,758	(\$35,810)
2026-27	\$546,667	\$588,911	(\$42,244)
2027-28	\$557,600	\$606,579	(\$48,979)
PROJECTED CUMULATIVE 7-YR BUDGET DEFICIT			-\$211,572
*Assumed annual 3% budget increase and 1.2% revenue increase with no new commercial construction activity			

It is strongly recommended that city administration work cooperatively with its Building Department consultant providing services to revamp building permit plan review, inspection, and administrative fees as to increase the total permit fee by approximately 50%. Trade permit fees are at an acceptable level for the foreseeable future.

Once building permit fees have been adjusted, it is strongly recommended that Building Department management work closely with the Finance Director to review building and trade permit fee revenue every year on a continuing basis and to continue to adjust fees until revenue results in 100% cost recovery. Full cost recovery should be inclusive of contract revenue sharing, city administrative support, a portion of overhead and other similar costs including support from other city departments such as the City Manager, Clerk, Finance, I.T., Human Resources, Purchasing, Facilities and General Services.

Local government's ability to recognize and react to economic and industry changes typically lag behind the often quick progression of such changes. Once full cost recovery is achieved regardless of how services are provided, revenue/expense reviews should be completed every year to gauge any changes in conditions that may indicate the need to adjust permit fees up or down in order to maintain full cost recovery without making a profit. Consideration should also be given to establishing an Enterprise Fund to separately track building and trade permit revenues and expenses.

Rental Housing Certification Fees

As depicted in Tables 7 and 8, Eastpointe's rental housing inspection fees are aligned and adequate for the inspection of single family and two-family duplex dwellings.

It is recommended that changes be made for multifamily dwellings as follows:

- Add a flat rate graduated inspection fee for each multifamily apartment building by size:
 - \$175 for buildings up to 12 units
 - \$200 for buildings up to 24 units
 - \$250 for buildings of 25 units or more
 - Building inspection fee will cover:
 - Inspection of the exterior walls, roof, and foundation
 - Inspection of the grounds around the building
 - Inspection of common area hallway stairs, security systems, and exits
- Add a flat rate inspection fee of \$50 for each mechanical room, boiler room, and laundry room facility within each building
- Reduce the fee for individual apartment unit inspections from \$150 each to \$75 each
- Reduce the reinspection fee from \$75 to \$60

In addition, it is recommended that Eastpointe establish a one-time registration fee of \$50 for all types of rental housing units not currently registered with the city. The fee would apply to each single family house, each duplex house, and each individual multifamily building. The purpose of the fee is to cover the administrative cost to build BS&A records and process registration applications. The registration would be valid for the life of ownership of the property. When ownership changes, registration is required again from the new owner.

Vacant Structure Inspection Fees

Eastpointe currently charges a significantly higher fee for registration and inspection of vacant structures, does not require annual renewal, and charges an additional fee after two years.

It is recommended that the city reduce its initial registration fee from \$500 to \$300 and require registration renewal on an annual basis. The registration should be transferable to a new owner upon payment of the existing \$50 fee to process the new owner's application.

Other Building & Enforcement Fees

The following recommendations are offered for consideration:

- **Permit Application**
 - Eliminate the 15% administrative charge for trade permit applications
 - Increase the building permit application fee from \$50 to \$75
- **Contractor Registration**
 - Increase the fee from \$25 to \$45 for all types of licensed contractors
 - Registration should be valid for the entire length of the state licensing cycle for each individual licensee
- **Demolition Permit**
 - No change recommended
- **Zoning Permit for Shed <=/= 200 sf**
 - Increase from \$50 to \$65
- **Zoning Permit for Residential Fence**
 - No change recommended
- **Snow/Grass Abatement Fee**
 - Reduce the administrative fee from \$125 to \$75 added to the actual cost of abatement
- **Business License/Re-Occupancy**
 - Raise the fee from \$150 to \$200

Final Note on Planning & Zoning Fees

This study did not compare fees charged for planning and zoning services with similar fees charged by other municipalities. Eastpointe's fees for Planning Commission and Zoning Board of Appeals meetings are appropriate to cover expenses. Fees charged for planning and zoning application reviews by engineering, planning, and legal consultants are established through contractual agreements with the city. The 15% administrative fee assessed by the city is appropriate to cover the city's costs to process and handle applications and invoice applicants and consultants.