

# ADDENDUM No. 1

## RFP No. 26-34

### Comprehensive Fee Analysis for the Building Unit

**Due: June 11, 2026 by 2:00 P.M. (local time)**

The information contained herein shall take precedence over the original documents and all previous addenda (if any) and is appended thereto. **This Addendum includes twenty-one (21) pages.**

**The Proposer is to acknowledge receipt of this Addendum No. 1, including all attachments in its Proposal by so indicating in the proposal that the addendum has been received. Proposals submitted without acknowledgement of receipt of this addendum may be considered non-conforming.**

**The following forms provided within the RFP Document should be included in submitted proposal:**

- **Attachment B – City of Ann Arbor Non-Discrimination Declaration of Compliance**
- **Attachment C - City of Ann Arbor Living Wage Declaration of Compliance**
- **Attachment D - Vendor Conflict of Interest Disclosure Form of the RFP Document**

**Proposals that fail to provide these completed forms listed above upon proposal opening may be rejected as non-responsive and may not be considered for award.**

#### I. QUESTIONS AND ANSWERS

The following Questions have been received by the City. Responses are being provided in accordance with the terms of the RFP. Respondents are directed to take note in its review of the documents of the following questions and City responses as they affect work or details in other areas not specifically referenced here.

Question 1: Benchmarking Agencies (Page 10): The RFP references benchmarking against similar communities. Does the City have an existing list of preferred peer agencies, or should the consultant propose appropriate benchmarks?

Answer 1: We do not have an existing list; however, cities of a similar size and construction activity would be; Lansing/East Lansing, Sterling Heights, Kalamazoo and Grand Rapids to name a few.

Question 2: Deliverable for the model (Pages 10-11): The scope of services includes a cost allocation model and financial impact analysis. Please confirm if the City would like to see the cost allocation as part of the deliverables. If so, please confirm whether the City would accept Excel as the platform for the cost allocation model and the financial impact model, or whether the City has another preferred format.

Answer 2: Yes, we would like to see the cost allocation as part of the deliverables and Excel would be acceptable.

Question 3: Budget range: Could the City share whether there is an anticipated budget range for this engagement that proposers should consider?

Answer 3: We don't have a budget figure identified.

Question 4: Can the previous cost of service study results be provided?

Answer 4: Yes, see attached.

Offerors are responsible for any conclusions that they may draw from the information contained in the Addendum.

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**CITY OF ANN ARBOR, MICHIGAN**  
**PLANNING & DEVELOPMENT**  
**COST OF SERVICE ANALYSIS**  
**FISCAL 2012**

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**FINAL REPORT**  
**JUNE 15, 2012**

**MAXIMUS**  
*HELPING GOVERNMENT SERVE THE PEOPLE™*

**CITY OF ANN ARBOR, MICHIGAN  
PLANNING & DEVELOPMENT  
COST OF SERVICE ANALYSIS**

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**CITY OF ANN ARBOR, MICHIGAN  
COST OF SERVICE ANALYSIS  
PLANNING & DEVELOPMENT SERVICES  
Introduction**

**Background**

**T**he City of Ann Arbor, Michigan engaged MAXIMUS Consulting Services, Inc. to conduct a detailed cost of service analysis of user fee services provided by Planning & Development. The objectives were to:

- ◆ **Calculate the full costs of providing specific services,**
- ◆ **Compare costs with the revenues received for these services, and**
- ◆ **Recommend levels to recover more of the full cost of services when such fees are practical.**

As traditional revenue sources become increasingly more difficult to forecast and depend on, alternative methods of financing become necessary. One such alternative is the movement towards “user fee” related charges. This analysis reviews the current methods of providing user fee related services. Total costs are calculated and a cost versus revenue analysis is developed. MAXIMUS used a proprietary computer model to develop the full cost of providing the various services.

**Project Scope**

This cost of service report features the identification of service costs and fee levels when providing fee-for-service activities.

A service for which a user fee is charged can be viewed as the time and/or material costs paid by the government agency on behalf of a private citizen or group. The underlying assumption of user fees is that for services benefiting individuals, and not society as a whole, the individuals should pay for some portion of the cost of providing the service.

Full costs developed for services rendered include: direct labor costs, divisional and departmental supervision and administration, and supplies and material costs. All appropriate indirect, or overhead, costs are allocated from central service departments to the department or division performing the service.

### **Summary of Results**

The analysis focuses on three divisions of Planning & Development: Construction Fund, General Fund Housing, and General Fund Planning.

Analysis of the services provided by these departments where the City is currently assessing fees indicates the City is spending \$4,166,228 to provide these services and recovering \$2,828,505 in related user fee revenue. The difference of \$1,337,723 is covered primarily by general tax dollars. Of this subsidy, it is believed that \$596,421 can be recovered through reasonable increases in the current fee schedules, thereby reducing the general subsidy to \$741,302. A large portion of the remaining subsidy is attributed to compliance activities where user fees may not be appropriate. The City may want to consider additional increases in some service areas in subsequent years to further reduce subsidies.

The following table summarizes the cost and revenue findings for each of the departments involved in this cost of service analysis. The table details the full annual cost of user fee services analyzed within each department, the current annual revenue, the amount of subsidy, the percent of cost recovery, and the estimated additional revenue potential through recommended fee increases.

Division	Full Cost	Current Revenue	Difference	% Cost Recovery	Proposed Additional Revenue
Construction	\$2,158,694	\$1,617,441	(\$541,253)	74.9%	\$271,859
Planning	\$355,932	\$227,986	(\$127,946)	64.1%	\$127,946
Housing	\$1,651,602	\$983,078	(\$668,524)	59.5%	\$196,616
<b>Total</b>	<b>\$4,166,228</b>	<b>\$2,828,505</b>	<b>(\$1,337,723)</b>	<b>67.9%</b>	<b>\$596,421</b>

*Note: Planning amounts include Planning, Fire and Systems Planning*

It is important to note that the recommended fee increases are provided only as options for the City's consideration. Any final fee adjustments will need to be addressed by City Officials. It is equally important to note that the additional revenue projections are based upon current levels of service, whereas actual activity for most services generally varies from year to year. Any reduction in demand for a particular service would result in the proposed additional revenue projections not being fully realized. MAXIMUS recommends that the City request its legal advisor to research appropriate ordinances and statutes to determine if the City has the legal authority to adjust existing fees, as well as to identify any implementation procedures prior to any formal fee determinations. MAXIMUS further recommends that the City review any additional revenue projections with department and division heads, legal advisors, and administration prior to adjusting budgeted user fee revenue.

**Ann Arbor, Michigan  
Cost of Service Analysis  
Planning & Development – Construction Fund**

**Description of Department**

The Construction Fund of the Planning & Development Unit is responsible for the issuance and inspection of construction permits and plan review for all construction projects within the City. In addition it is responsible for enforcement of the building code and handling appeals to the Building Board of Appeals.

The Construction Fund operates as an Enterprise Fund within the City, and as such records all expenditures and revenues associated with its operation within the Fund. It is the City's desire to have the fund operate fully on the revenues generated and to not rely on subsidization from the City's General Fund. To do so, fees charged for services must bear a reasonable relationship to the actual cost of providing those services.

**Methodology**

In order to assess the adequacy of fees, a Construction Fund cost allocation plan was prepared. The plan allocated current fiscal year budgeted expenditures into several cost pools reflecting broad category of services, i.e. building permits, electrical permits, etc. Costs were allocated using the following approach:

- Budgeted expenditures were reduced to reflect vacant positions that currently exist,
- Municipal charges were adjusted to reflect the results of the most recent city-wide cost allocation plan,
- Personnel costs associated with inspectors were allocated into fee areas based upon the historical number of inspections by permit type over the past 4 years,
- Counter staff responsible for issuing permits and receipting permit revenues were allocated into fee areas based upon the dollar amount of revenue collected,
- Personnel costs associated with Board of Appeals, Plan Review and Code Enforcement were allocated directly to those areas,

- Administrative personnel costs were allocated across all areas based upon the direct salaries and benefits associated with each area,
- Line items related to vehicle and travel costs were allocated to fee areas based upon the historical number of permits by type,
- Line items related to banking were allocated into fee areas based upon the dollar amount of revenue for each,
- All other line items, including municipal charges, IT charges and other operating costs were allocated to fee areas based upon the direct salaries and benefits associated with each.

The cost allocation plan resulted in the identification of the full annual cost for fiscal 2012 associated with each area. Costs were then compared to the projected revenue associated with each area to determine the relative percent of cost recovery. Because of the normal fluctuation in revenues that occur from year-to-year, a single year of revenue may not be representative. As such, a 4-year average was used; 2009 and 2010 actual revenues, and 2011 and 2012 budgeted revenues. The following section summarizes our findings for each fee area.

**Service Area Descriptions**

<b>BUILDING PERMITS</b>	
Full Annual Cost	\$855,256
Current Revenue	\$830,412
Percent of Cost Recovery	97.1%

<b>ELECTRICAL PERMITS</b>	
Full Annual Cost	\$308,761
Current Revenue	\$132,879
Percent of Cost Recovery	43.0%

<b>MECHANICAL PERMITS</b>	
Full Annual Cost	\$413,668
Current Revenue	\$276,141
Percent of Cost Recovery	66.8%

<b>PLUMBING PERMITS</b>	
Full Annual Cost	\$308,760
Current Revenue	\$128,197
Percent of Cost Recovery	41.5%

<b>PLAN REVIEW</b>	
Full Annual Cost	\$221,853
Current Revenue	\$246,312
Percent of Cost Recovery	111.0%

<b>BOARD OF APPEALS</b>	
Full Annual Cost	\$9,881
Units	13
Full Cost per Unit	\$760
Current Revenue	\$3,500
Percent of Cost Recovery	35.4%

<b>CODE ENFORCEMENT EFFORTS</b>	
Full Annual Cost	\$40,515
Current Revenue	\$0
Percent of Cost Recovery	0%

In total, based upon current year budgeted expenditures and the revenue average discussed above, revenues are projected to recover 75% of the full cost of providing services (see Cost/Revenue Summary). Without adjustment to the current fee schedules, the projected subsidy of over \$540,000 would need to be covered by a general fund appropriation or by using any fund balance that exists in the Construction Fund.

**Recommendations**

It is recommended that the City consider adjusting the following fees within the Construction Fund. MAXIMUS further recommends that the City request its legal advisor research appropriate ordinances and statutes to determine if the City has the legal authority to adjust existing fees, as well as to identify any implementation procedures prior to any

formal fee determinations. The following section details the current fee, full cost, and recommended rate for each service area.

SERVICE	CURRENT FEE	FULL COST RATE	RECOMMENDED FEE
Electrical Permits	Varies	Varies	50% Increase
Mechanical Permits	Varies	Varies	50% Increase
Plumbing Permits	Varies	Varies	50% Increase
Board of Review	\$250 Single-Family/ \$500 Others	\$760	\$500 / \$750

Building Permits and Plan Review fees are currently doing an adequate job of recovering cost. However, trade permits and Board of Appeals have cost recovery rates ranging from 35% and 66%. MAXIMUS recommends that the City consider adjusting fees in those areas across the board by approximately 50%. It is projected that the recommended increases would generate approximately \$270,000 in additional fee revenue. The total subsidy identified by this analysis is \$541,253. As discussed above, this subsidy was determined by using a 4-year average for revenues. However, if only current year budgeted revenue were considered, the subsidy would be reduced to \$292,994.

It should be noted that municipal charges included in this analysis were based upon the most recently completed city-wide cost allocation plan. However, the City has since completed major renovations to city hall. These renovation costs are not included in this analysis. It is not clear to what degree these renovations will impact the cost of service.

**Cost / Revenue Summary**

The following chart details the full cost of the service areas, the revenue generated under the current fee schedule, the difference, the percent of cost recovery, the current fee, the number of service units, the average cost per unit, and the estimated amount of potential additional revenue at the MAXIMUS recommended increases.

**DEPARTMENTAL COST / REVENUE SUMMARY**

Ann Arbor Planning & Development

Construction Fund

2012

SERVICE FEES	Full Cost	Current Revenue	Difference (Subsidy)	% Cost Recovery	Current Unit Rate	Current Units	Full Cost Rate	Recomm'd Fee	Proposed Additional Revenue
Building Permits	\$855,256	\$830,412	(\$24,844)	97.1%	Varies	n/a	\$855,256.00	No Change	\$0
Electrical Permits	\$308,761	\$132,879	(\$175,882)	43.0%	Varies	n/a	\$308,761.00	50% Inc.	\$66,440
Mechanical Permits	\$413,668	\$276,141	(\$137,527)	66.8%	Varies	n/a	\$413,668.00	50% Inc.	\$138,071
Plumbing Permits	\$308,760	\$128,197	(\$180,563)	41.5%	Varies	n/a	\$308,760.00	50% Inc.	\$64,099
Plan Review	\$221,853	\$246,312	\$24,459	111.0%	Varies	n/a	\$221,853.00	No Change	\$0
Board of Appeals	\$9,881	\$3,500	(\$6,381)	35.4%	\$250/\$500	13	\$760.08	\$500/\$750	\$3,250
Code Compliance	\$40,515	\$0	(\$40,515)	0.0%	\$0.00	n/a	\$40,515.00	\$0.00	\$0
<b>TOTALS</b>	<b>\$2,158,694</b>	<b>\$1,617,441</b>	<b>-\$541,253</b>	<b>74.9%</b>					<b>\$271,859</b>

**MAXIMUS Consulting Services, Inc.**

**Ann Arbor, Michigan  
Cost of Service Analysis  
Planning & Development – Planning**

**Description of Department**

The Planning Division of the Planning & Development Unit is responsible for reviewing and approving development plans, land divisions, annexations, zoning and special land use within the City. In addition, the Division processes board of appeals cases and reviews all historical district projects.

**Methodology**

Service areas were analyzed using a proprietary costing model to allocate costs into each fee area. The model allocated current fiscal year budgeted expenditures into several cost pools each representing a discrete user fee area. Costs were allocated using the following approach:

- Questionnaires were completed by the Planning staff to identify the resources associated with processing each plan or application.
- Direct personnel costs associated with each service were allocated accordingly.
- Specific supply and equipment costs associated with each service were allocated accordingly.
- Administrative costs were allocated across all service areas based upon the ratio of direct staff assigned to each service.
- Miscellaneous supply and material costs were allocated across all service areas based upon the ratio of direct staff assigned to each service.
- Municipal charges were determined from the most recent city-wide cost allocation plan, and were allocated across all service areas based upon the ratio of direct staff assigned to each service.
- Similar questionnaires were compiled by staff from the Fire Marshall and Systems Planning to identify their effort, and a similar approach was used in identifying their cost for each fee area.

The above approach resulted in the identification of the full annual cost for fiscal 2012 associated with each area. Costs were then compared to the projected revenue associated with each area to determine the relative percent of cost recovery. Revenues were imputed based upon the estimated annual units of service multiplied by the current fee charged for each service. The following table summarizes our cost findings for Planning Services, including the costs for Planning, Fire and Systems Planning.

<b>Planning Services</b>				
	Planning	Systems Planning	Fire	Total
Full Annual Cost	\$285,847	\$53,271	\$16,814	\$355,932
Current Revenue	\$194,706	\$23,920	\$9,360	\$227,986
Percent Cost Recovery	68.1%	44.9%	55.7%	64.1%

The above cost information only relates to the specific user fee services analyzed. It does not include non-fee related activities. The non-fee related activities were however allocated their appropriate share of all costs, including personnel, supply and municipal charges.

**Recommendations**

It is recommended that the City consider adjusting fees within the Planning Division. MAXIMUS further recommends that the City request its legal advisor research appropriate ordinances and statutes to determine if the City has the legal authority to adjust existing fees, as well as to identify any implementation procedures prior to any formal fee determinations. See Exhibit 1, following the Cost/Revenue Summary, for detail on specific service area costs and recommendations. Costs for Systems Planning are further broken down by type of review on Exhibit 2.

Please note, that for the purpose of this study, the recommended fees for each service represent the actual computed cost of service. The City will want to review each recommendation and approve a final fee that is consistent with its pricing philosophy.

**Cost / Revenue Summary**

The following chart summarizes the full cost, current revenue, current subsidy, percent of cost recovery, and the revised revenue and potential additional revenue at the MAXIMUS recommended increases.

**DEPARTMENTAL COST / REVENUE SUMMARY**  
**Ann Arbor Planning & Development**  
**Planning**  
**2012**

<b>SERVICE FEES</b>	<b>Full Cost</b>	<b>Current Revenue</b>	<b>Difference (Subsidy)</b>	<b>% Cost Recovery</b>	<b>Recomm'd Fee</b>	<b>Revised Revenue</b>	<b>Proposed Additional Revenue</b>
<b>Planning</b>	\$285,847	\$194,706	(\$91,141)	68.1%	See Exhibit 1	\$285,847	\$91,141
<b>Fire</b>	\$16,814	\$9,360	(\$7,454)	55.7%	See Exhibit 1	\$16,814	\$7,454
<b>Systems Planning</b>	\$53,271	\$23,920	(\$29,351)	44.9%	See Exhibit 1	\$53,271	\$29,351
<b>TOTALS</b>	<b>\$355,932</b>	<b>\$227,986</b>	<b>-\$127,946</b>	<b>64.1%</b>		<b>\$355,932</b>	<b>\$127,946</b>

**MAXIMUS Consulting Services, Inc.**

City of Ann Arbor, Michigan  
 Cost of Service Study - 2012  
 Detail to Planning Services

Service Area	Units	Current Fee				Full Unit Cost				Annual Cost	Proposed Fee				Projected Revenue			
		Planning	Systems	Fire	Total	Planning	Systems	Fire	Total		Planning	Systems	Fire	Total	Planning	Systems	Fire	Total
Admin Amendment - within 2 yrs	2	605	460	240	1,305	934	968	241	2,143	4,286	934	968	241	2,143	1,868	1,936	482	4,286
Admin Amendment - after 2 yrs	10	2,305	460	240	3,005	1,881	968	241	3,090	30,900	1,881	968	241	3,090	18,810	9,680	2,410	30,900
Admin Land Transfer	2	694	115	240	1,049	934	371	193	1,498	2,996	934	371	193	1,498	1,868	742	386	2,996
Land Division	2	1,469	115	240	1,824	1,251	418	241	1,910	3,820	1,251	418	241	1,910	2,502	836	482	3,820
Master Deed Review	1	1,500			1,500	528	-	-	528	528	528	-	-	528	528	-	-	528
Public/Charter School Plan	2	500	460	240	1,200	664	911	385	1,960	3,920	664	911	385	1,960	1,328	1,822	770	3,920
Site Plan for Planning Comm	2	3,605	805	240	4,650	5,025	1,594	337	6,956	13,912	5,025	1,594	337	6,956	10,050	3,188	674	13,912
Site Plan - Add'l cost if tabled	-	-			-	1,082	-	-	1,082	-	1,082	-	-	1,082	-	-	-	-
Special Exception - Planning Comm	1	355			355	467	-	337	804	804	467	-	337	804	467	-	337	804
Revision Natural Features	1	400	115		515	197	683	-	880	880	197	683	-	880	197	683	-	880
Alternative Storm Water	-	65			65	197	-	-	197	-	197	-	-	197	-	-	-	-
Wetland Use - Planning Comm	1	1,890			1,890	277	910	-	1,187	1,187	277	910	-	1,187	277	910	-	1,187
Wetland - condo or subdiv	1	505			505	-	455	-	455	455	-	455	-	455	-	455	-	455
Wetland > 1 acre	1	1,725			1,725	-	455	-	455	455	-	455	-	455	-	455	-	455
Chapter 62 - Planning Comm	2	260			260	332	-	-	332	664	332	-	-	332	664	-	-	664
Area Plan Waiver	1	100			100	68	-	-	68	68	68	-	-	68	68	-	-	68
Special Exception - Plot Plan	3	1,005	115		1,120	2,185	133	337	2,655	7,965	2,185	133	337	2,655	6,555	399	1,011	7,965
Combined Annex & R1 Zone	4	500	115		615	1,577	361	193	2,131	8,524	1,577	361	193	2,131	6,308	1,444	772	8,524
Annexation	4	500	115	240	855	793	351	193	1,337	5,348	793	351	193	1,337	3,172	1,404	772	5,348
Zoning Text or PUD Suppl Revision	2	1,505			1,505	2,455	-	-	2,455	4,910	2,455	-	-	2,455	4,910	-	-	4,910
Zoning Public Land	3	-			-	1,441	133	144	1,718	5,154	1,441	133	144	1,718	4,323	399	432	5,154
Zoning R1	-	550	115		665	1,196	133	144	1,473	-	1,196	133	144	1,473	-	-	-	-
Zoning Others except PUD	3	1,000	115		1,115	1,263	133	144	1,540	4,620	1,263	133	144	1,540	3,789	399	432	4,620
PUD Zoning District	1	5,000	805	240	6,045	5,609	1,338	337	7,284	7,284	5,609	1,338	337	7,284	5,609	1,338	337	7,284
PUD Site Plan	1	4,005	805	240	5,050	6,217	1,594	337	8,148	8,148	6,217	1,594	337	8,148	6,217	1,594	337	8,148
Combined Zoning/PUD	2	5,805	805	240	6,850	6,961	1,594	337	8,892	17,784	6,961	1,594	337	8,892	13,922	3,188	674	17,784
Area Plan	1	3,500	460	240	4,200	3,402	1,224	385	5,011	5,011	3,402	1,224	385	5,011	3,402	1,224	385	5,011
Site Plan for Council	8	5,905	805	240	6,950	6,217	1,594	337	8,148	65,184	6,217	1,594	337	8,148	49,736	12,752	2,696	65,184
Site Plan - Add'l cost if tabled	-	-			-	2,705	-	-	2,705	-	2,705	-	-	2,705	-	-	-	-
Site Plan - Condo	1	5,905	805	240	6,950	6,217	1,594	337	8,148	8,148	6,217	1,594	337	8,148	6,217	1,594	337	8,148
Site Plan - Add'l cost if tabled	-	-			-	2,705	-	-	2,705	-	2,705	-	-	2,705	-	-	-	-
Planned Project	1	650			650	467	-	-	467	467	467	-	-	467	467	-	-	467
Wetland for Council	1	1,885			1,885	467	910	-	1,377	1,377	467	910	-	1,377	467	910	-	1,377
Wetland Add'l for Condo or Sub	1	505			505	-	683	-	683	683	-	683	-	683	-	683	-	683
Wetland Add'l > 1 acre	1	1,725			1,725	-	455	-	455	455	-	455	-	455	-	455	-	455
Chapter 62 - Council	2	255			255	332	-	-	332	664	332	-	-	332	664	-	-	664
Street Vacation	1	1,700	230	240	2,170	2,591	589	193	3,373	3,373	2,591	589	193	3,373	2,591	589	193	3,373

Service Area	Units	Current Fee				Full Unit Cost				Annual Cost	Proposed Fee				Projected Revenue			
		Planning	Systems	Fire	Total	Planning	Systems	Fire	Total		Planning	Systems	Fire	Total	Planning	Systems	Fire	Total
Brownfield Plan	2	2,200	1,150		3,350	738	1,593	-	2,331	4,662	738	1,593	-	2,331	1,476	3,186	-	4,662
Brownfield Revision	-	1,100			1,100	399	1,024	-	1,423	-	399	1,024	-	1,423	-	-	-	-
Revision to Bldg Elevation	2	510			510	602	-	-	602	1,204	602	-	-	602	1,204	-	-	1,204
Revision Approved Devel Agree	2	400	115		515	664	503	-	1,167	2,334	664	503	-	1,167	1,328	1,006	-	2,334
Site Plan Compliance Review	15	150			150	1,353	-	193	1,546	23,190	1,353	-	193	1,546	20,295	-	2,895	23,190
Site Plan Comp - Add'l Inspection	1	60			60	271	-	-	271	271	271	-	-	271	271	-	-	271
Zoning Comp Permit to 10,000	120	20			20	54	-	-	54	6,480	54	-	-	54	6,480	-	-	6,480
Zoning Comp over 10,000	120	50			50	54	-	-	54	6,480	54	-	-	54	6,480	-	-	6,480
Zoning Comp Shed < 200	20	75			75	101	-	-	101	2,020	101	-	-	101	2,020	-	-	2,020
Zoning Comp Sales & Use - Incl FB	120	50			50	98	-	-	98	11,760	98	-	-	98	11,760	-	-	11,760
Zoning Verification Letter	40	50			50	234	-	-	234	9,360	234	-	-	234	9,360	-	-	9,360
Zoning Analysis	2	150			150	467	-	-	467	934	467	-	-	467	934	-	-	934
Investigation of Complaints	8	150			150	467	-	-	467	3,736	467	-	-	467	3,736	-	-	3,736
Medical Marijuana Application	8	600			600	1,598	-	-	1,598	12,784	1,598	-	-	1,598	12,784	-	-	12,784
Land Division Appeal	-	500			500	828	-	-	828	-	828	-	-	828	-	-	-	-
Design Review Board	2	500			500	1,474	-	-	1,474	2,948	1,474	-	-	1,474	2,948	-	-	2,948
Sign Board	4	500			500	862	-	-	862	3,448	862	-	-	862	3,448	-	-	3,448
Zoning Board	10	500			500	985	-	-	985	9,850	985	-	-	985	9,850	-	-	9,850
Hist Dist - Staff Rev of Exterior	140	25			25	98	-	-	98	13,720	98	-	-	98	13,720	-	-	13,720
Hist Dist - Revision to Approval	4	25			25	98	-	-	98	392	98	-	-	98	392	-	-	392
Hist Dist - Conditional Approval	2	25			25	68	-	-	68	136	68	-	-	68	136	-	-	136
Hist Dist - Demo Contributing	1	750			750	1,266	-	-	1,266	1,266	1,266	-	-	1,266	1,266	-	-	1,266
Hist Dist - Demo Non-contributing	3	100			100	393	-	-	393	1,179	393	-	-	393	1,179	-	-	1,179
Hist Dist - Relocate Contributing	1	750			750	995	-	-	995	995	995	-	-	995	995	-	-	995
Hist Dist - Relocate Non-contributing	1	250			250	528	-	-	528	528	528	-	-	528	528	-	-	528
Hist Dist - New Structure:Principal	2	750			750	1,266	-	-	1,266	2,532	1,266	-	-	1,266	2,532	-	-	2,532
Hist Dist - New Structure:Accessory	4	100			100	393	-	-	393	1,572	393	-	-	393	1,572	-	-	1,572
Hist Dist - Res Add: > 1 story	3	500			500	799	-	-	799	2,397	799	-	-	799	2,397	-	-	2,397
Hist Dist - Res Add: Single story	3	250			250	664	-	-	664	1,992	664	-	-	664	1,992	-	-	1,992
Hist Dist - Comm Additions	2	650			650	1,069	-	-	1,069	2,138	1,069	-	-	1,069	2,138	-	-	2,138
Hist Dist - New Comm Storefront	1	575			575	934	-	-	934	934	934	-	-	934	934	-	-	934
Hist Dist - All other work	12	100			100	393	-	-	393	4,716	393	-	-	393	4,716	-	-	4,716
Totals										355,932					285,847	53,271	16,814	355,932

City of Ann Arbor  
 Cost of Service Study - 2012  
 Detail to Systems Planning Costs

Exhibit 2

Fee Area	Water Review	Sewer Review	Environmental Review	Solid Waste Review	Total
Administrative Amendment	128.45	128.45	682.86	28.45	968.21
Administrative Land Transfer	71.54	71.54	227.62	-	370.70
Land Division	95.12	95.12	227.62	-	417.85
Public/Charter School Plan Review	99.99	99.99	682.86	28.45	911.30
Site Plan for Planning Commission	441.42	441.42	682.86	28.45	1,594.16
Revision to Natural Features	-	-	682.86	-	682.86
Wetland Use Permit for Planning Comm	-	-	910.48	-	910.48
Wetland Use - Add'l for Condo or Subd'n	-	-	455.24	-	455.24
Wetland Use - Add't for > 1 acre	-	-	455.24	-	455.24
Special Exception Use - Plot Plan	66.66	66.66	-	-	133.33
Combined Annex & R1 Zoning	66.66	66.66	227.62	-	360.95
Annexation	66.66	56.91	227.62	-	351.19
Zoning - R1	66.66	66.66	-	-	133.33
Zoning - Others except PUD	66.66	66.66	-	-	133.33
PUD Zoning & Conceptual Plan	441.42	441.42	455.24	-	1,338.09
PUD Site Plan	441.42	441.42	682.86	28.45	1,594.16
Site Plan - Condo	441.42	441.42	682.86	28.45	1,594.16
Area Plan	384.52	384.52	455.24	-	1,224.28
Site Plan for City Council	441.42	441.42	682.86	28.45	1,594.16
Site Plan Condo	441.42	441.42	682.86	28.45	1,594.16
Wetland Use Permit for Council	-	-	910.48	-	910.48
Wetland Use - Add'l for Condo or Subd'n	-	-	682.86	-	682.86
Wetland Use - Add't for > 1 acre	-	-	455.24	-	455.24
Street Vacation	180.47	180.47	227.62	-	588.57
Brownfield Plan	227.62	227.62	1,138.10	-	1,593.34
Brownfield Plan Revision	113.81	113.81	796.67	-	1,024.29
Revision to Approved Dev't Agreement	123.57	123.57	227.62	28.45	503.21

**Ann Arbor, Michigan  
Cost of Service Analysis  
Planning & Development – Housing**

**Description of Department**

The Housing Division of Planning & Development is responsible for the licensing and inspection of all rental properties within the City of Ann Arbor. Properties are currently inspected every 30 months. In addition, the Division is responsible for enforcement of the Housing Code by investigating and identifying non-compliant rental properties operating within the City.

**Methodology**

Service areas were analyzed using a proprietary costing model to allocate costs. The model allocated current fiscal year budgeted expenditures into several cost pools. Costs were allocated using the following approach:

- Questionnaires were completed by the Housing staff to identify the personnel resources associated with the licensing and inspection of rental properties, and the resources associated with enforcement efforts.
- Direct personnel costs associated with each service were allocated accordingly.
- Specific supply and equipment costs associated with each service were allocated accordingly.
- Administrative costs were allocated across all service areas based upon the ratio of direct staff assigned to each service.
- Miscellaneous supply and material costs were allocated across all service areas based upon the ratio of direct staff assigned to each service.
- Municipal charges were determined from the most recent city-wide cost allocation plan, and were allocated across all service areas based upon the ratio of direct staff assigned to each service.

The above approach resulted in the identification of the full annual cost for fiscal 2012 associated with both the licensing and inspection of rental properties, and the cost of enforcement. Costs were then compared to the projected revenue to determine the relative percent of cost recovery. Revenue projections were based upon a two-year average.

**Recommendations**

Based upon the results of the cost analysis, it is recommended that the City consider adjusting the following fees within the Housing Division. MAXIMUS further recommends that the City request its legal advisor research appropriate ordinances and statutes to determine if the City has the legal authority to adjust existing fees, as well as to identify any implementation procedures prior to any formal fee determinations.

<b>Service Fee</b>	<b>Current Fee</b>	<b>Full Cost</b>	<b>Proposed Fee</b>
Registration	\$25 per bldg	\$31.44 per bldg	\$30 per bldg
Record/Permit Check	\$10	\$12.57	\$12
Initial Inspection Fees:			
1 & 2 Family, Townhouses, Condos	\$100 per unit	\$125.75 per unit	\$120 per unit
3-30 Unit Buildings	\$60 per unit	\$75.45 per unit	\$72 per unit
31+ Unit Buildings	\$45 per unit	\$56.59 per unit	\$54 per unit
Rooming Houses	\$60 per unit	\$75.45 per unit	\$72 per unit
Complaints	\$90 per unit	\$113.17 per unit	\$108 per unit
Vacant Building Posting	\$100	\$125.75	\$120
Posting No Occupancy	\$100	\$125.75	\$120
Reposting No Occupancy	\$150	\$188.62	\$180
Reinspection Fees:			
1 & 2 Family, Townhouses, Condos	\$75 per unit	\$94.31 per unit	\$90 per unit
3-30 Unit Buildings	\$30 per unit	\$37.72 per unit	\$36 per unit
31+ Unit Buildings	\$25 per unit	\$31.44 per unit	\$30 per unit
Rooming Houses	\$40 per unit	\$50.30 per unit	\$48 per unit
Complaints	\$60 per unit	\$75.45 per unit	\$72 per unit
Life Safety Inspection - Reinspection	\$90 per unit	\$113.17 per unit	\$108 per unit
Exterior Only	\$37 per unit	\$46.53 per unit	\$44 per unit
No show Reinspection	\$50 per hour	\$123.03 per hour	\$100 per hour
Housing Board of Appeals	\$500	\$628.74	\$600

As mentioned above, this cost analysis separately identifies the cost of enforcement of the Housing Code from the costs of licensing and inspection of registered properties. Enforcement efforts are directed towards the identification of non-compliant rental properties within the City. Enforcement is an integral part of the program and results in additional properties being licensed. However, there is a question as to whether the costs associated with enforcement efforts to identify unlicensed properties should be borne by those property owners who are in compliance. The cost information above represents only the costs associated with the licensing and inspections of rental properties. The recommended fees represent a 20% increase to the current fee schedule and should generate approximately \$196,000 of additional revenue annually, resulting in a 95% cost recovery for licensing and inspection. However, if the City determines that fees should also recover enforcement efforts, then the fee schedule would need to be increased by 68% over its current level.

**Cost / Revenue Summary**

The following chart summarizes the full cost, current revenue, current subsidy, percent of cost recovery, and the revised revenue and potential additional revenue at the MAXIMUS recommended increases.

**DEPARTMENTAL COST / REVENUE SUMMARY**  
 Ann Arbor Planning & Development  
 Housing  
 2012

<b>SERVICE FEES</b>	<b>Full Cost</b>	<b>Current Revenue</b>	<b>Difference (Subsidy)</b>	<b>% Cost Recovery</b>	<b>Recomm'd Fee</b>	<b>Revised Revenue</b>	<b>Proposed Additional Revenue</b>
<b>Licensing &amp; Inspection</b>	\$1,236,192	\$983,078	(\$253,114)	79.5%	See Table Above	\$1,179,694	\$196,616
<b>Enforcement</b>	\$415,410	\$0	(\$415,410)	0.0%	N/A		\$0
<b>TOTALS</b>	<b>\$1,651,602</b>	<b>\$983,078</b>	<b>-\$668,524</b>	<b>59.5%</b>		<b>\$1,179,694</b>	<b>\$196,616</b>

**MAXIMUS Consulting Services, Inc.**