GRAND RAPIDS AREA CHAMBER OF COMMERCE

Ease of Doing Business in Grand Rapids

2017 REPORT
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Introduction

The Grand Rapids Area Chamber of Commerce (GRACC) has a mission of “being a champion for West Michigan business” and works to accomplish this by being a trusted source of information, impacting regional economic success, and connecting members.¹ The goal of this report is to provide the Grand Rapids Area Chamber, its members, and the community at large, with information and perceptions about the ease

The study also compares the Grand Rapids area to other aspirational cities in order to identify successes and potential areas of improvement.² This inaugural report will primarily focus on the impact licensing, planning, and taxes have on the ease of doing business. Based on survey results and a series of interviews with GRACC members, these topics were identified as areas of concern. Less than one third of respondents said these areas were “not important.”³

One caveat to this study is the issue of selection bias. The decision makers and business owners surveyed have already demonstrated an ability to navigate their way through various levels of government licensing, taxes, planning, and permitting. 50.5% of those surveyed indicated they have owned, operated, managed, or facilitated a business for 15 years or more. 20.2% of all respondents indicated they had been in their position for less than five years.

It was not possible for the authors to observe the projects or businesses which never made it far enough to submit plans, open their doors, or those deemed too expensive to warrant further exploration. The businesses and projects most likely to fall into this category are typically more limited in size and scope, as the burden to navigate these issues falls heaviest on smaller firms.

²Aspirational cities were chosen by the GRACC using metrics such as population growth and size, to compare policies which may influence the ease of doing business. Information and data was gathered to the extent it was readily available, but no interviews or surveys of these cities were undertaken.
³Information and data for this report was gathered from over 300 responses from GRACC members who took part in an online survey, and through numerous in person and phone interviews.
Overall, according to survey results and member interviews, the local business community has a favorable view about doing business in the Grand Rapids area. 59.14% of survey respondents said local government was “very” or “slightly” helpful compared to 25.48% who responded “slightly” or “very” unhelpful. A majority of respondents viewed Grand Rapids more favorably when compared to other Michigan cities where they had worked. The graph below shows respondents view local governments as more helpful than the state and federal counterparts. While many view local governments in a favorable light, respondents still identified areas for improvement.

**General Overview of Findings**

Customer Service of Local Government

In the graph on the following page we see that more experienced firms and decision makers perceive local government as being more helpful than those with less experience. Common sense tells us that experience leads to increased ease when navigating interactions with local governments. Legally, all businesses may be subject to the same sets of laws, yet in practice we see that having more experience facilitates these interactions with less friction. Tacit knowledge of people, places, and processes accumulate, making it easier to do business. While this is not a groundbreaking realization, it is worth pointing out that changes in policy will likely impose costs unevenly, depending on a firm’s experience, size, and industry.
General Overview of Findings (cont)

Customer Service of Local Government by Age

Overall, GRACC members feel planning and ordinances are areas in need of improvement, when compared to other issues. The City of Grand Rapids had consistently higher fees for planning and permitting when compared to other cities. Navigating the planning process is, at times, viewed as cumbersome and time-consuming. While local governments compare well against GRACC’s aspirational cities currently, improvements to the planning and permitting process can be made, especially as Grand Rapids continues to grow.

While Grand Rapids has comparatively low taxes and Michigan is a comparatively low tax state, taxation remains a major source of concern for business leaders. Given the numerous credits, abatements, and subsidies offered, Grand Rapids appears to have fostered a business friendly environment. Services provided relative to taxes paid will help Grand Rapids maintain this friendliness.

Licensing proved to be a less important issue to respondents than taxes and planning. While there are certainly differences between municipalities, they are minor when we compare them with aspirational cities. Among local municipalities, the City of Grand Rapids was both more expensive in terms of fees, and more burdensome in terms of required business licenses. It is worth noting licensing appears to be falling out of favor in some of the aspirational cities.
Planning and Permitting

The topics of planning, permitting, and ordinances ranked as most important based on results from the survey and in-person interviews. 51.9% of respondents indicated these topics impact their business “very much so” or “slightly so.” In the graph below, we see that respondents view them as impacting their business at all levels of government. Approximately 20% of respondents said planning, permitting and ordinances affected their business “not at all” or were “uncertain.”

Since 2001, approximately $3.1 billion dollars of construction has occurred in the City of Grand Rapids alone, with approximately half occurring since 2012. Even though licensing and taxes impact a sizable percentage of local businesses, it is likely the magnitude of the impact from zoning, signage restrictions, permitting, and planning is larger. GRACC members spent a majority of their interview time discussing these concerns. Overall, members had positive comments about these issues and their process. They highlighted their ability to speak directly with local municipalities about questions or an issue that needed resolving. Most interviewees felt the process was usually predictable and fair, but, without fail, each had a particular issue(s) or anecdote of a frustrating experience.

While the issues they experienced may not be the norm, they should not be overlooked. The cost of compliance, additional paperwork, and the subsequent delays is not inconsequential.

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1 We would like to thank the countless GRACC members and government employees who patiently took the time to explain the various steps and processes related to planning and permitting.


3 Any one of these topics could be its own report with its own recommendations. For example, an in depth look at signage/zoning ordinances, would be complicated as there might be variations within a city block by block, or building to building, each with variances approved at different points in time.
Abnormal situations can be a financial burden on companies, more so than any relevant fees they were paying. This burden will fall more heavily upon smaller firms or firms that are not in a position to hire a large project management company.

While many members have (and actively use) the ability to reach out directly to government employees and officials to resolve issues, this avenue is certainly not available to everyone. Relationships, and the ability to successfully navigate local issues, are a service offered by area firms to gain new business. The use of relationships to solve issues and further economic development can be viewed in two ways:

One point of view is personal relationships make doing business easier. When issues arise, personal relationships allow them to be quickly and informally resolved, which benefits both the municipality and the business. Solutions of this nature are also lower in cost, both in terms of time and money. Even if not all businesses have the ability to pick up the phone to resolve issues, it is better that some do. However, as Grand Rapids continues to grow, this informal resolution mechanism may not always function as well as it does now.

The second viewpoint is that the process of informally resolving issues makes doing business harder. Businesses new to the area, or those that do not frequently engage in the planning process, will likely not have the same relationships or knowledge. Interviewees expressed doubt as to whether outside firms would be able to see projects through completion as quickly. Personal relationships also have the very real potential for bias. Well-known firms or persons may receive preferential treatment (intentionally or not) towards projects, which may be viewed as unfair to outside organizations. To be clear, no one interviewed believed this to be the case, or insinuated it. This is merely the observation of the authors.

Members also mentioned the complexity of ordinances, and the possibility for misinterpretation, as an additional task. The “correct” interpretation is not always obvious or predictable, even when a good faith effort is made by all parties. In specific areas, such as signage, there might always be a natural tension between businesses and general safety or aesthetic requirements pushing back. A project which appears to conform to all requirements today, may need modifications in the future once underway. The greater the level of uncertainty, the greater the burden on businesses. While members ultimately felt they could resolve many of these issues with a phone call or a meeting, it adds another step to the process.

As the Grand Rapids area has grown, members have noticed a decrease in the speed at which their plans or issues are being resolved (this was commonly mentioned for the City of Grand Rapids). While most considered the average turn around time from their local municipality to be reasonable, it still slows all other aspects of projects down. One member noted that while getting their plans approved in a timely manner was important, accuracy and attention to detail, that may prevent future changes, was more so. For them, speed should not come at the price of thoroughness. As economic activity has accelerated in the Grand Rapids area, it is unclear if the staffing and services provided by local municipalities have always accurately anticipated the needs of businesses. The table below shows an abbreviated planning fee schedule for local municipalities.
Planning and Permitting (cont)

<table>
<thead>
<tr>
<th>Step</th>
<th>Walker</th>
<th>EGR</th>
<th>Wyoming</th>
<th>City of Grand Rapids</th>
<th>Kentwood</th>
<th>Grandville</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preliminary Plan</td>
<td>$500.00</td>
<td>$1,000.00</td>
<td>$700.00 - $1200.00</td>
<td>$2,743.00</td>
<td>$2,060.00</td>
<td>$1,500.00</td>
</tr>
<tr>
<td>Rezoning / one acre of less</td>
<td>$300.00</td>
<td>$800.00</td>
<td>$600.00</td>
<td>$2,743.00</td>
<td>$1,560.00</td>
<td>$500.00</td>
</tr>
<tr>
<td>Rezoning / over 1 acre</td>
<td>$600.00</td>
<td>$800.00</td>
<td>$1,000.00</td>
<td>$2,743.00</td>
<td>$1,560.00</td>
<td>$500.00</td>
</tr>
<tr>
<td>Special Exception Permit</td>
<td>$1,000.00</td>
<td>$800.00</td>
<td>$500.00</td>
<td>$1,930.00</td>
<td>-</td>
<td>$200.00</td>
</tr>
<tr>
<td>Unique Use Permit</td>
<td>$1,000.00</td>
<td>-</td>
<td>$500.00</td>
<td>-</td>
<td>$780.00</td>
<td>-</td>
</tr>
<tr>
<td>Site Plan Review</td>
<td>$1,000.00</td>
<td>$200-$500</td>
<td>$400-$1,800.00</td>
<td>$1,117/director $1,574/commission</td>
<td>$530.00</td>
<td>$250.00</td>
</tr>
</tbody>
</table>

Permitting and Planning – Aspirational Cities

Comparing municipalities around Grand Rapids to aspirational cities is extremely difficult to do without having direct input from members of those communities. The informal process of reaching out directly to local municipalities is not easily observable in aspirational cities. Pre-submission planning meetings may vary in scope and intensity, or the number of relevant approvals required from neighborhood organizations might be different. Fees in aspirational cities might be based upon the size of the overall project, and not have a set per-project fee. The number of variables faced by business owners can differ greatly in all of these cities.

From observable information presented online and with phone conversations with aspirational cities, Grand Rapids fares well in comparison. For example, during one phone call with the City of Louisville, KY, an employee openly admitted their planning process was “very complicated” and our frustration in understanding their fee structure and process was understandable. The City of Boulder, CO, has a 32-page document listing their planning and development fees. In contrast, the City of Portland, OR, appears to offer good customer service with predefined times for people to “walk in” with questions. They also offer example applications to demonstrate fee schedules, and even have a flowchart of the process. Based on these observations and our interviews, it appears that municipalities in the Grand Rapids area have better processes and fees in place than most aspirational cities. However, they are behind when it comes to clear communication, ease of access to information, and the “customer service” experience.

*Different municipalities have differing fees for various stages. For the sake of easier comparison, an attempt was made to compare similar fees even if the comparison is not exact or a complete assessment of all the fees encountered. Data came from city websites as available or over the phone when possible.*
Taxes and Business Decisions

Much ink has been used to assert relationships between municipal tax policies and business decision-making. Whether it relates to business location choice, short-run cost concerns, and/or long-run issues related to planning, the issue of comparative tax policy generates a robust dialogue about tax policy and government efficiency. These concerns are illustrated in both the ease of doing business survey previously discussed and a tax roundtable discussion held by the Chamber in early 2017. While the extent to which tax policies are perceived as onerous relative to their real business impact is a hotly debated topic, it is clear to the authors of this study that business operators in Grand Rapids feel very strongly about the taxes they pay relative to the services they receive from the city. 47.8% of respondents indicated the payment of local taxes impact their business “very much so” or “slightly so.” In the graph below, we see that respondents view taxes as important to their business at all levels of government, but local taxes were not as much of a concern when compared to state and federal taxes.

Impact of Taxes on Business Decisions

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6This roundtable took place on Tuesday, April 4th 2017.
7Most studies show that taxes play a small part in firm location choice and long-run planning. Short-run cost concerns have shown small but significantly negative business impacts. (Poterba, 1995; Wagner, 2003)
Taxes and Business Decisions (cont)

There are two central issues related to taxes and business decision-making. First, do comparative tax rates in nearby cities present an incentive for businesses to locate in Grand Rapids? Second, do comparative tax rates create a comparatively beneficial business climate in Grand Rapids? It must be noted that on both points, issues unrelated to tax rates will also have significant impacts on these decisions. In fact, it is often quite difficult to draw causal relationships between tax policies and business decision-making, given the litany of other business-related factors. Moreover, there is a tendency to talk about taxes broadly, when specific business impacts will be correlated with specific taxes. Land intensive businesses, manufacturing for example, will be relatively more impacted by property taxes than those that require less. Nevertheless, it is useful to compare tax rates in Grand Rapids with nearby cities, as these rates absolutely play a role in the perceptions of the ease of doing business.

Despite their perceived importance, tax rates are but one side of the role of governance in business decisions. Taxes paid go on to fund schools, infrastructure, police, fire, and other forms of public provision. A city such as Grand Rapids may have comparatively higher taxes than a nearby city, but may also have comparatively more governmental services. Previous research shows business location choices are made by considering both cost of location (taxes) and benefits of location (public services). The ability of a city to maintain roads, schools, and public safety is crucial for a firm’s location decision. Further, cities that efficiently use tax revenues better retain human capital, providing existing and future businesses a valuable labor pool. In the end, it will be those cities that are able to balance the need for preferential business taxes and public provision requirements that will most successful at attracting talent and economic growth.

Property Taxes

There are essentially three main tax rates that businesses in Kent County may be subjected to, on top of any federal obligations: property taxes, income taxes, and sales taxes. Property taxes are paid on both personal and real property to the collecting city, with the state of Michigan imposing a uniform education tax of 0.6% per $1,000 in assessed value (6 mills) and cities adding millage based on school districts. The City of Grand Rapids has seven school districts, each with their own millage rates. The average primary residence tax is 3.5% per $1,000 in assessed value (35 mills) and the average non-residence tax is 5.3% per $1,000 in assessed value (53 mills). See Map 1, on the next page for comparative property tax rates for cities within Kent County.

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11 So a business with assessed property value of $1,000,000.00 would pay on average $53,000 (1,000,000 x 0.53) in property taxes before any exemptions or credits are considered.
As Map 1 shows above, the City of Grand Rapids’ average residence (3.5% per $1,000) and non-residence (5.3% per $1,000) property tax rates fall just above the average for nearby city residence (3.15% per $1,000) and non-residence (5.05% per $1,000) property tax rates. This likely indicates that comparative property tax rates have a small impact on business related decisions across cities in Kent County. While the actual size of property tax payments may be large, they would be similarly large in most other cities as well.

Where this tax differential may matter is firm location choice of new businesses which require large property sizes.

### Income Taxes

Grand Rapids business income taxes come in two forms: business and corporate income taxes. The state of Michigan imposes a 4.95% income tax and 0.8% gross receipts tax on all businesses (Michigan Business Tax or MBT), and a 6% tax rate on C corporations (Corporate Income Tax or CIT). For most businesses, the CIT replaced the MBT in 2012. Grand Rapids further imposes a business income tax rate of 1.5% and a corporate tax rate of 1.5%. The City of Walker is the only other city in Kent County which imposes an income tax on individuals and businesses, with a rate of 1.0%. Again, it would be difficult to lay business decisions solely at the feet of differing income tax rates, but clearly the lack of income tax rates in nearby cities poses a potential disadvantage to the City of Grand Rapids as it attempts to attract and retain businesses. Perhaps a more important distinction is found when one combines city with state income tax rates for

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12For example, the lowest non-residence property tax in Kent County is in the city of Solon Township with an average rate of 4.21% per $1,000. Our $1,000,000 in property would produce $42,000 in property taxes in Solon, compared with our $53,000 in property taxes in the city of Grand Rapids. A tax savings of just 1.1%.

13The Insurance and Financial Services Industries face separate and additional taxes beyond this state rate.
out-of-state yet nearby cities. See Map 2 below for comparative business income tax rates for nearby out of state cities.

Looking at the five closest large cities for our comparisons (Chicago, IL; Fort Wayne, IN; Indianapolis, IN; Milwaukee, WI; Toledo, OH), we see that Grand Rapids is a relatively low tax city in a relatively low tax state. State business tax rates are higher in Illinois and Indiana, with city business tax rates higher in Chicago, Fort Wayne, Indianapolis, and Milwaukee. As it pertains to comparative cities in and around the northern Midwest region, both Michigan and Grand Rapids appear competitive with respect to tax rates.

Sales Taxes

The state of Michigan sets a statewide sales tax remittance of 6% on all final sale of personal property, with a 4% rate on the sale of energy sources. The state does not allow cities to set their own sales tax rates. See Map 3 on following page for comparative sales tax rates for nearby out of state cities.
State sales taxes along with local options are higher in Chicago, Fort Wayne, Indianapolis, and Toledo. While the degree to which sales taxes may impact business decisions is another question up for extensive research, Michigan’s comparatively lower sales tax and restriction on local additions to the sales tax mean that businesses are subject to less short-run cost increases caused by comparatively higher sales taxes. Again, this difference is small, but potentially adds to Grand Rapid’s competitive advantage with respect to nearby out-of-state cities.

Recent Business Property Tax Changes in Michigan and Grand Rapids

In 2014, the voters of Michigan voted to begin phasing out many of the existing business personal property taxes (PPT) imposed by the state. These phase outs began immediately for business properties worth $80,000 or less, and equipment purchased for use in manufacturing.14 Phase outs will continue for some years until most PPT for businesses are completely phased out. The potential impact for the City of Grand Rapids is for the total tax obligation of new businesses to be lower than before, potentially making the city more

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Taxes and Business Decisions (cont)

attractive for firm location choice. It is unknown whether such legislation will in fact create additional firm location in Michigan, but is another indication that tax policy is perceived as a crucial source of leverage for cities and states.

Another change to property tax rates has come in the form of millage increases approved by voters inside of Grand Rapids. Over the last several years, voters have approved millage increases for various reasons, mostly tied to public provision of education within the city.\(^{15,16}\) These increases necessarily increase the property tax paid by both residents and non-residents, with the potential to make Grand Rapids less attractive to new firm location.

Tax Credits, Incentives, and Exemptions

The State of Michigan grants significant freedom for cities to implement various forms of tax abeyance targeted at small businesses, areas designated for revitalization, and industries highlighted by the state as especially important for economic growth. It would be very difficult to compare various tax incentive policies across cities, as often they exist for regionally specific reasons. However, it can be said that Grand Rapids appears to offer a comparable number of tax incentive schemes for businesses that choose to locate and/or make investments in the city.

Examples include the Industrial Property Tax Abatement (PA198), the Community Revitalization Fund, and Personal Property Tax Relief in Distressed Communities (PA328).

A Note on Taxes and Government Services

During the aforementioned tax roundtable held by the Chamber of Commerce, in which local business operators voiced their concerns and positions on various tax and expenditure policies, it was said and reiterated that taxes present a real and onerous cost for business in Grand Rapids. The feeling at the roundtable was that taxes represent a seemingly unending obligation to state, local, and federal governments for which the services they receive do not “make-up” for the burden they feel they experience. But, it has been shown that Grand Rapids is a comparatively low tax city in a low tax state. This certainly does not mean that taxes are not onerous, but that the taxes paid in Grand Rapids are less than most nearby out-of-state cities. Further, of the cities for which Grand Rapids does have comparatively higher taxes, specifically property taxes and business income taxes, Grand Rapids provides a far higher level of public provision than these nearby in-state cities. A great example of these public services is the award winning public transportation system known as The Rapid.\(^{17}\) The Rapid provides access to much of the city and allows businesses in Grand Rapids to encourage employees to reduce down-town congestion by taking public transit over a personal vehicle. The Rapid represents a difficult to quantify but very real benefit to businesses in Grand Rapids. Other examples of public services for which Grand Rapids has been recognized were several municipal water and energy efficiency programs that began around 2012. These programs actually led the city to cut rates to business and residential customers in 2014, as well as improving the long-run stability of the city’s crucial water and energy infrastructures.\(^{18}\)

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\(^{15}\)VanDe Bunte, M., Millage increase in Grand Rapids, but some summer bills will be lower. MLive.com, July 1st, 2014
\(^{16}\)Scott, M., Taxpayer group to oppose planned $19.9M, 0.9-mill tax for Kent County schools. MLive.com, January 3rd, 2017
\(^{17}\)More information on The Rapid can be found https://www.ridetherapid.org/about-the-rapid/performance
When one looks at the survey responses and hears the voices of business operators in Grand Rapids, it is clear that tax policy plays a crucial role in the perceptions of doing business. But when one looks at the comparative tax rates, government services, and recent business growth in Grand Rapids, it is hard to believe that the city’s tax policies are discouraging businesses from operating in the city. In fact, it would appear to be just the opposite. From tax abatement policies to smart and efficient government decision making, Grand Rapids appears to be a model city for governance. Nevertheless, as future policy is crafted and debated, the city would do well to listen to the concerns of business operators. The accumulation of tax obligations does represent a real potential disadvantage for cities attempting to attract entrepreneurial talent, so the targeted tax abatement policies allow the city real leverage to continue attracting growth generating economic activity.

1PR Newswire, City of Grand Rapids to Save $2.2MM through First Performance Contract Sustainability Project at Waste Water Treatment Plant, September 14th, 2015
Licensing

Of the topics covered in this study, local licensing was the least concerning to respondents. 28.9% felt it was “not important” to their decision-making process. 46.9% indicated it was “very important” or “slightly important.” At the state level, licensing was seen as much more of a concern with 62.7% respondents saying it was either “slightly” or “very important” to their decision-making process. This aligns with the fact there are 160 occupations in Michigan that require a license at the state level. Nationally, approximately 25% of workers require a license in order to work.19 Overall, it appears the licensing requirements in the Grand Rapids area are relatively light in both their requirements and fees. The graph below shows the impact of licensing at various levels of government. Again, it is worth noting the most burdensome of these is at the state level.

The topic of licensing rarely surfaced during the in-person interviews and was of secondary importance. It is likely that large or well-established firms simply look at them as a small cost of doing business. Licensing fees are most likely to impact new or potential business owners, both in the size of the fee and the time, energy, and resources needed to file the correct paperwork. Experience may also play a role in the success rate and speed at which a firm obtains a new license – as the process may not be as obvious to a new business owner.

The graph below breaks down the answers of respondents who saw local licensing as “very important” or “slightly important,” and their view of local governance in providing customer service. These results suggest a connection between the perception of local governments and the age of the firm or experience of the decision maker. On average, 70.05% firms with more than fifteen years of experience found

Licensing (cont)

local government to be either “very helpful” or “slightly helpful.” For firms with less than ten years of experience, the average at which they found local government to be either “very helpful” or “slightly helpful” drops to 51.25%. This acquired knowledge of how the local government functions also aligns with observations that were gathered during interviews from the planning and permitting section.

In preparing this study it was surprisingly difficult at times to verify license requirements, associated fees, or if the information provided was current. In one of the author’s attempts to ask a clarifying question about a licensing application, the call was transferred to three different people within the department only to come to the conclusion there was an error on the form requesting an additional $200 fee from the applicant. A similar experience accompanied a call to discover the age of a “Christmas Tree Sales” license ordinance. While these experiences are certainly not the norm in the Grand Rapids area, it does highlight the potential maze-like nature of licensing experienced by some businesses.

The table below is an abbreviated comparison of the licensing requirements by municipalities around Grand Rapids. One point of friction

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[20] All of these people were extremely helpful and polite in trying to answer our question, and we were able to accomplish this in a single phone call.

[21] We were unable to get a quick answer to this question after two phone calls. The zoning ordinance related to “outdoor seasonal sales” was not available online, and appears not to be specific to Christmas trees. When we attempted to ask if a permit would be required to sell pumpkins, a city employee became concerned we were going to follow through on our hypothetical example and politely reminded us despite there not being a fee for a home occupation, you are not allowed to store products at your personal residence.
in collecting this data, which we would expect business owners and decision makers to do, is varying level of difficulty it takes to find the information. The simple metric we chose was the number of clicks it took to find license and fee schedules on each city’s website. It is worth noting that while the City of Grand Rapids and City of Wyoming have a similar number of required licenses, the City of Wyoming’s fees are typically much lower.

<table>
<thead>
<tr>
<th>City of Grand Rapids</th>
<th># of Licenses Required</th>
<th># of clicks to find fee schedule</th>
<th>General Business License</th>
<th>Rubbish/Trash</th>
<th>Snowplowing</th>
<th>Home Occupation</th>
<th>Peddler / Solicitor / Transient Vendor</th>
<th>Pawnbroker</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Grand Rapids</td>
<td>40</td>
<td>3</td>
<td>None</td>
<td>$286 initial, $218 renewal</td>
<td>$311 first time, $16/vehicle</td>
<td>$280 initial, $129/annual</td>
<td>$284</td>
<td>$366 initial, $154 annual</td>
</tr>
<tr>
<td>East Grand Rapids</td>
<td>3</td>
<td>4</td>
<td>None</td>
<td>$100 annual &amp; $25/vehicle + insurance</td>
<td>$100 annual &amp; $25/vehicle + insurance</td>
<td>None</td>
<td>$25/day, $100/week, $200 annual</td>
<td>None</td>
</tr>
<tr>
<td>Grandville</td>
<td>14</td>
<td>4</td>
<td>$100 annual</td>
<td>$25/vehicle annual + insurance</td>
<td>$25/vehicle annual + insurance</td>
<td>None</td>
<td>$25/day, $50/week</td>
<td>Police dept application</td>
</tr>
<tr>
<td>Kentwood²⁴</td>
<td>13</td>
<td>5</td>
<td>$50 annual</td>
<td>$30/vehicle annual</td>
<td>$30/vehicle annual</td>
<td>$25 one time fee</td>
<td>$25/day, $100/week</td>
<td>$330 annual</td>
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<tr>
<td>City of Walker</td>
<td>6</td>
<td>5</td>
<td>$25 annual</td>
<td>$30/vehicle annual + insurance</td>
<td>$30/vehicle annual + insurance</td>
<td>$25 annual</td>
<td>$25 per person, $25/day, $200/month + more</td>
<td>$50 annual + $3,000 bond</td>
</tr>
<tr>
<td>City of Wyoming</td>
<td>40</td>
<td>2</td>
<td>$40</td>
<td>$30/vehicle annual + insurance</td>
<td>$30/vehicle annual + insurance</td>
<td>None</td>
<td>$10 initial, $25 per person every week</td>
<td>$50</td>
</tr>
</tbody>
</table>

²²These municipalities were chosen at the request of the GRACC. The specific licenses were chosen for the commonality due to space constraints, as some licenses may be required in one area (for example, Grandville is the only municipality studied which requires bowling alleys to apply for a license) but not in another.

²Counting the number of clicks was used as it was a quick and simple method of demonstrating how readily available this information is to those who are looking for it. It is by no means a perfect reflection or measurement of ease of using a website.

²The fees are not listed under the business section of the website is typical with most other municipality websites. It was listed under: city services > departments > clerk > fees, which required more work to find.
Licensing – Aspirational Cities

The area of licensing presents a difficult comparison to aspirational cities. Cities may have very few licensing requirements if there are numerous required at the county and/or state level, and vice versa. Overall, the municipalities in and around Grand Rapids had similar licensing requirements and better access to these requirements, when compared to the aspirational cities. A few of the aspirational cities were eager to point out they had little or no licensing when asked. The lack of licensing requirements appears to be a recent trend. Licenses, once passed, tend to persist for long periods of time. The City of Grand Rapids only recently removed its 35-year-old taxi cab licensing requirement, as the result of legislation passed at the state level. It would be worth taking a proactive approach in reviewing licensing requirements at the local level.

Information was collected as it was available through various city and government websites.

It is also difficult to directly compare license fees in multiple cities, as the fee structures can vary. For example there may be an initial licensing fee and a renewal fee, or a fee per employee/equipment. The fee may vary based on the size of the firm.
### Licensing (cont)

<table>
<thead>
<tr>
<th></th>
<th># of Licenses Required</th>
<th># of clicks to find fee schedule</th>
<th>General Business License</th>
<th>Rubbish/Trash</th>
<th>Snow-plowing</th>
<th>Home Occupation</th>
<th>Peddler / Solicitor / Transient Vendor</th>
<th>Pawnbroker</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boulder, CO</td>
<td>10</td>
<td>3</td>
<td>$75</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>$57 annual + $7/person background check</td>
<td>$2,181</td>
</tr>
<tr>
<td>Chattanooga, TN</td>
<td>6</td>
<td>3</td>
<td>$15 initial + $15 county application</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>$50</td>
<td>None</td>
</tr>
<tr>
<td>Kansas City, MO</td>
<td>116</td>
<td>10+28</td>
<td>Complicated</td>
<td>Complicated</td>
<td>Complicated</td>
<td>Complicated</td>
<td>$62.50 annual</td>
<td>$375</td>
</tr>
<tr>
<td>Louisville, KY</td>
<td>10</td>
<td>4</td>
<td>Register, but no fee</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>$25 annual</td>
<td>None</td>
</tr>
<tr>
<td>Lafayette, LA</td>
<td>9</td>
<td>2</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>$100</td>
<td>$25/person</td>
</tr>
<tr>
<td>Ogden-Clearfield, UT</td>
<td>27</td>
<td>$83 annual + $7/employee</td>
<td>$83</td>
<td>None listed.</td>
<td>None listed.</td>
<td>$83</td>
<td>$546 annual</td>
<td></td>
</tr>
<tr>
<td>Portland, OR</td>
<td>2</td>
<td>2</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>$500 annual + $450/additional location</td>
</tr>
<tr>
<td>Provo-Orem, UT</td>
<td>33</td>
<td>Employee fees: 1-5 = $125 6-10 = $175 11-25 = $300 Etc.</td>
<td>$218 initial, $159 annual</td>
<td>None</td>
<td>$37 initial, $17 annual</td>
<td>$66/employee, $10/employee for ID</td>
<td>None</td>
<td></td>
</tr>
<tr>
<td>Winston-Salem, NC</td>
<td>7</td>
<td>2</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>No fee, $5,000 bond required</td>
</tr>
</tbody>
</table>

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27As an example, the city of Boulder does not have a rubbish/trash collector license, but the County of Boulder does. For consistency in comparison to all Grand Rapids municipalities we did not include these in our table.

28Kansas City has a particularly difficult website to navigate and a complicated fee structure worksheet. During a phone call attempting to figure out a range of fees might fall under we were informed, “It isn’t that simple to just apply for a business license”. When presented with opening a hypothetical coffee shop as an example the Kansas City employee then asked multiple follow up questions which would be needed to start determining the business license fee. At this point it became clear to the authors that Kansas City had some of the worst licensing fees and paperwork requirements of the aspirational cities.
Conclusion and Recommendations

The purpose of the study was to help determine the ease of doing business in and around Grand Rapids. Our findings show there are two ways to approach this: The first is that Grand Rapids and its surrounding municipalities are relatively easy places to do business. Most municipalities have only minor differences in licenses, taxes, and permitting, especially when compared to aspirational cities. The second, and one which was echoed during interviews with members, is that opportunities for improvement exist. One business owner made an interesting comment: that he would prefer to be treated more like a customer, rather than someone seeking permission, in order to invest his time and money into the city. A few made the observation that they felt local municipalities were being more “reactive” instead of “proactive” to the needs faced by the business community. Said another way, many business owners would be worried if 25% of their customers felt their business were “slightly” or “very” unhelpful.

GRACC members raised a number of other issues related to governance that did not fit into the topics this report attempted to address, but are significant and important. Members often feel as if inspections, fees, and/or taxes are sprung upon them. More consistent and transparent communication would be welcome by many businesses. Public services downtown suffer from congestion issues. Parking and permitting are made more difficult by lack of capacity. Either more parking needs to be provided, the price of parking needs to be increased, or some combination. Looking at changes to zoning has the ability to help with this issue and create more opportunities for affordable housing needed to help attract a growing labor force.

When compared with aspirational cities, the Grand Rapids area falls somewhere in the middle. There are certainly ideas and lessons which would be worth modeling when it comes to streamlining how businesses interact and communicate with local governments. Some aspirational cities also provide cautionary tales which are also worthy of consideration.

The growth and investment in the Grand Rapids area over the past decade gives a strong indication of the desire and ability of firms to open their doors or expand operations. One observation is the older or more developed a city is, the more formal and complex its rules about planning, licensing, and taxes are. While there will never be agreement about the proper tax rate or how an ordinance should be written, concerted effort should be made to keep these as simple and predictable as possible. By continuing and improving the existing policies, and increasing communication with local business, the Grand Rapids area has the ability to continue to grow and prosper in the foreseeable future.
About the Authors

Lewis Butler

Lewis Butler earned his Bachelor of Science in Economics from Hillsdale College, and his Master of Arts in Economics from George Mason University while working at the Mercatus Center, a free market think tank. While there he worked on various topics, including, small business access to capital, midnight regulations, and governmental transparency. He has taught economics at Hillsdale College, Ferris State University, and Aquinas College. He owns a small yacht detailing company in northern Michigan, as well as an UAV mapping and modeling company. He was the founding Board President of Detroit Achievement Academy, and currently Board President of Detroit Prep, both successful non-profit charter schools in Detroit.

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Dr. Todd Richard Yarbrough earned his Bachelors (Math, Business Economics), Masters (Economics), and Ph.D. (Economics) from the University of Tennessee, where he specialized in quantitative methods in economic analysis. While at Tennessee he was a graduate research fellow in the Center for Business and Economic Research, conducting numerous economic impact reports, tax policy analysis, and business forecasting. His main areas of research are public finance, environmental economics, and sustainability. Since 2013 he has been an assistant professor of economics at Aquinas College, most recently serving as department chair. His work has been featured in academic journals, national publications, and West Michigan outlets. Beginning in fall 2017, he will be an assistant professor of economics and policy at Pace University in New York City.

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