

# Carlisle/Wortman teams with Colo. firm to privatize services

BY DANIEL DUGGAN  
CRAIN'S DETROIT BUSINESS

The trickle of projects in the local construction pipeline has meant a lot less business for most planning consultants, but one Ann Arbor firm sees the situation as a chance for growth.

With a smaller amount of work available for local building departments, Richard Carlisle expects more local governments to hire private firms as a way to cut costs and gain efficiency.

To that end, Ann Arbor-based **Carlisle/Wortman Associates L.L.C.** will work with Loveland, Colo.

based **Safebuilt Inc.** to market privatized government services such as building code inspections and enforcement.



Carlisle

He expects to need to add another seven employees to his roster of 20 in the next year and forecasts a 25 percent increase in the firm's \$2 million gross revenue.

"In the good times, we were being called in to help communities deal with devel-

opment growth that was beyond their capacity," said Carlisle, president of the firm. "This is the other end of the spectrum, but it's an essential service that we can offer."

A small number of local firms offer building department services, and Carlisle hopes that by involving a large national firm, he can offer better technology, depth of experience and a larger number of employees.

Safebuilt has 63 employees and represents 130 municipalities through its 20 offices in eight states, with plans to open an office in Michigan, said president Mike McCurdie.

"And we can take as many of those employees as we need and put them in any state at any time, adjusting to what our clients need," he said.

Carlisle/Wortman offers a range of government planning and consulting services, while Safebuilt has the niche of offering only building department services. Under the arrangement between the companies, Carlisle will take advantage of Safebuilt's national resources and Safebuilt will take advantage of Carlisle Wortman's local presence.

McCurdie said Michigan has all the elements for growth in privatized services because local gov-

ernments are looking for ways to save money and also because the state has a strong set of building codes and an eagerness to have them enforced.

Privatizing a local building department makes sense when there is not enough work to justify keeping a staff of full-time inspectors on the payroll, Carlisle said.

With a smaller amount of construction work, some communities might need inspectors for only two days in one week, but then have twice as much work the next week.

Carlisle's firm can allocate inspectors to a community when needed, but not have to pay people to be there when there is no work. As a result, he said he can cut costs by 30 percent to 50 percent.

In the city of Riverview, Carlisle Wortman took over the building department in February. Overall department costs have been reduced from \$374,000 in the 2007-08 fiscal year to \$185,000 in 2009-10, according to a memo prepared for the city.

But there can also be added costs to developers.

Joey Agree, president of Farmington Hills-based **Agree Realty**, has been involved with retail developments in Michigan and the rest of the country.

Having worked with local governments that use outsourced building departments, Agree said that while he has had good experiences working with knowledgeable consultants, in some cases there are increased costs when private firms pass lots of fees on to the developer.

"It can become a more expensive process when third-party consultants become involved. There is a balance between efficient operation of a building department and costs," he said. "Unanticipated costs can thwart development and serve as a disincentive for new projects."

Agree said a private building department can save a local government lots of money if it's overwhelmed or understaffed. But the key is that the fees passed on to developers should be public information and comparable to fees municipalities typically employ.

McCurdie said it's crucial for a private firm to keep the balance between making a profit and offering a service to a community. He said it's important for all of the fees to be negotiated and approved by the local government.

Other local firms are making a push into the privatized building department work, such as Northville-based **McKenna Associates**, which is handling work for Garden City.

"Offering this service is an excellent way for our firm to use its expertise and talent in a new category of service," said President Phil McKenna. "We're actively seeking this work, and we're expecting to do more of it."

Having worked with the public sector during the recession of the 1980s, Carlisle said he's never seen a public revenue situation so dire.

"Local governments are going to be looking at ways to cut costs for the next couple years," he said. "Demand for cheaper ways to do things is only going to grow."

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