



RE: **Response to Res. R-22-362 Regarding Food Trucks in the Library Lot surface parking lot**
 TO: Mayor Taylor and Members of the Ann Arbor City Council
 FROM: Milton Dohoney, City Administrator; John Fournier, Deputy City Administrator
 CC: Atleen Kaur, City Attorney; Kevin McDonald, Chief Deputy City Attorney; Derek Delacourt, Community Services SAA; Sara Higgins, Director of Operations; Kelly Reynolds, Executive Assistant to the Mayor
 DATE: 4/5/23

This memo is provided in response to Council Resolution R-22-362, which directs the City Administrator to:

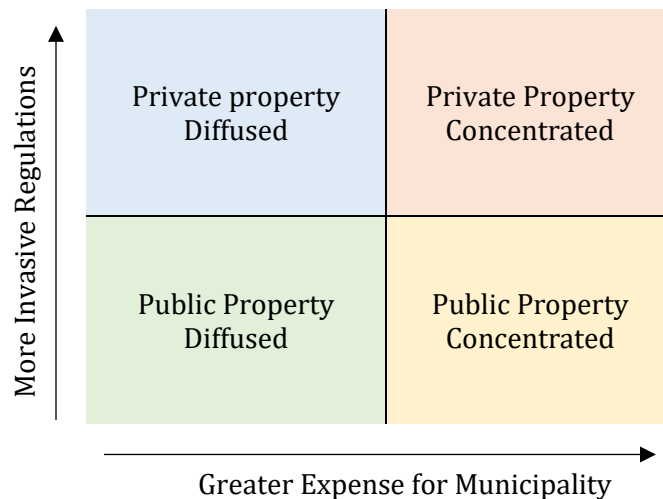
...investigate the costs, operational needs, sustainability, and feasibility of utilizing the Library Lane surface parking lot for regular and recurring use by food trucks/carts and other similar and complementary programming such as artisan pop-ups and small musical performances and provide a report to City Council no later than April 1, 2023; and...

...examine the challenges and benefits of partnering with an external or non-profit entity to manage the program on the City's behalf, if barriers to City operation are deemed significant.

Discussion of Basic Operating Conditions

Cities across America successfully allow the operation of food trucks in their communities in a number of different arrangements. [The National League of Cities](#) and the [American Planning Association](#) both offer comprehensive guides for how to regulate and manage food trucks, and we have drawn on those guides for this memorandum. In addition to the example cities studied in these best practice guides, we will specifically examine our own food truck programming at the Ann Arbor Farmers Market, The Little Fleet in Traverse City, and the food cart pods program in Portland, OR.

Generally speaking, food truck operating approaches can be plotted on a graph with four quadrants, along an axis dedicated to whether the trucks are allowed to operate on private or public property, and whether food trucks are permitted or not to be diffused or concentrated in specific areas. The regulatory approaches differ, the tertiary amenities needed differ, and these variables affect the cost of the programs significantly.





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Food truck operations on private property generally are regulated through more complex or restrictive zoning codes and enforcement of these laws is difficult in the field for a dynamic operation like this. On public property, zoning laws like this do not apply, however the operating cost to cities is much higher because the city must pay staff, program space, and provide amenities on its own. That is why it is generally a best practice to allow food truck rallies or installations on properties where there are already existing amenities, programs, and staff present. A food truck rally on its own, without complimentary programming that generates activity and also generates revenue, will not be able to sustain the resources to create a safe and attractive environment for patrons.

The City of Ann Arbor allows food trucks to operate on private property in areas zoned as mixed use, nonresidential or special purpose areas as long as there is fewer than one food truck per 20 parking spaces, they are not located in required setback areas, and they provide trash and recycling receptacles on site. Food trucks are not allowed to operate on residentially zoned private properties, and food truck rallies would not be allowed in any small or medium sized parking lot in the city. In addition, any food truck operating on private property must get a Zoning Compliance Permit from the city annually. This regulatory scheme is extremely restrictive when compared to peer cities, with perhaps the only notable allowance being that there are no time restrictions contemplated in the code. Most cities compliment their zoning regulations with ordinances that require a food truck to be mobile, and do not allow them to stay in the same spot for more than a few hours at a time—Ann Arbor does not.

What this approach lacks in flexibility, it benefits in terms of how resource intensive it is for the city. Restricting food trucks to a limited set of private property, and requiring them to be extremely diffuse puts significantly less pressure on the city in terms of mobilizing enforcement or inspection personnel. It limits the impact food trucks have on private property and therefore requires them to have fewer amenities, and it generally creates an environment where both the presence of food trucks and the attention required of the city staff on food trucks is minimal—in fact, it is almost nonexistent on both fronts.

On public property, the city has taken a different approach. We allow food trucks to participate in the Ann Arbor Farmers Market on Saturdays and Wednesdays, at a cost of \$30 a day. In addition, in the summer and fall we host food truck rallies at the Farmers Market once a month on the third Wednesday of the month. Food trucks pay \$55 to participate in the food truck rallies. Notably, the food truck rallies that we host in the Farmers Market would not be allowed on private property under our zoning code even though they are well attended and enjoy community support.



Food Truck Rally at the Ann Arbor Farmers Market

The Little Fleet in Traverse City, MI is an example of a food truck installation that follows best practices and has been a successful part of the community. However, it is also extremely



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resource-intensive. The Little Fleet is actually the name of a bar that is the anchor tenant on the property. The parking lot of the bar has been transformed into a permanent food truck rally, which works to the bar's benefit because the bar itself does not serve food. In addition, there is a stage on site where local musicians play, facing the entrance to the bar and the seating area for food truck patrons. Finally, The Little Fleet is integral to Traverse City's walkable business district downtown. There is ample pedestrian traffic on the street related to immediately adjacent businesses so that there is interest and activity for The Little Fleet to benefit from.

The Little Fleet succeeds because it is enmeshed in an already active pedestrian street, on a property with an already successful bar that attracts customers on its own right. Because the bar is already there, there is also a staff present to manage the activities, needs, and obligations of the food truck owners, and there are bathroom amenities for patrons. The presence of a performance



The Little Fleet in Traverse City, MI

stage amplifies the attractiveness of the space and creates an additional draw, working synergistically with the activities that are already there to create an attractive and desirable event space for patrons.

The Ann Arbor Farmers Market benefits from a similar set of amenities and activities that make this site attractive for patrons and food truck operators. We do the summer and fall food truck rallies on Wednesdays, which is already a market day. This means that there is already a good level of pedestrian activity in the area for other reasons,

there is staff present to help manage the food trucks, and there are bathrooms available for patrons. Often there is live music in addition to the vendors already present, and the market is located adjacent to the Kerrytown Shops and other restaurants and retailers that create a synergistic environment for patrons. The food truck rallies succeed because they are already enmeshed in an active and dynamic environment.

Discussion of the Library Lot Surface Parking Lot

The properties comprising the Library Lot surface parking lot are likely not good candidates for a food truck rally or installation without significant investment in infrastructure, amenities, and staff to manage the operation. Those costs would have to be born by the City of Ann Arbor. Further complicating this proposal is that the existing charter language may restrict the use of the site for these purposes, though a formal legal opinion will have to be provided to address the question.

What makes the food truck rallies at the Farmers Market and The Little Fleet in Traverse City successes is that they are inviting food trucks into spaces that are already strong with pedestrian activity and are already surrounded by staff and amenities that can service the patrons and business owners who come. The food trucks are a compliment to the existing draw of the property, not the centerpiece.

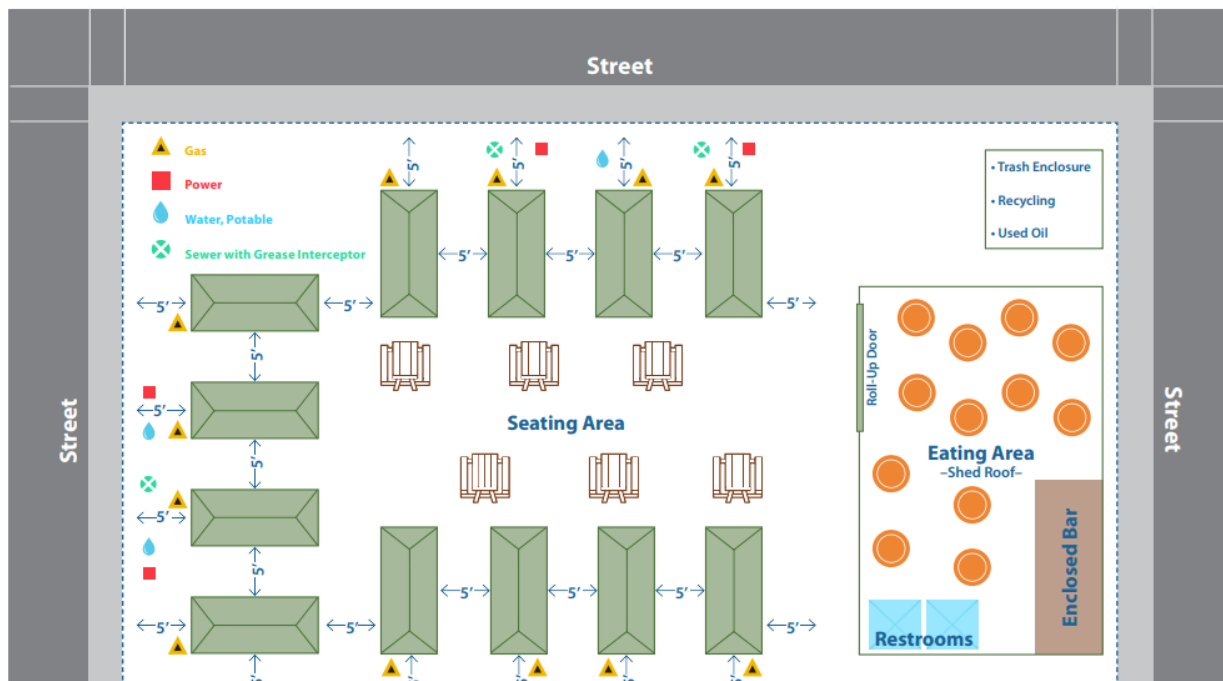


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The Library Lot surface parking lot property has none of those advantages. The property borders the alley way behind the businesses that affront Liberty Street, the backside of underoccupied historic structures along Division, the Library Lane service drive which itself mostly affronts off-street parking lots, and the back of the federal building and its associated parking lot. The only activated use along this street is the library, however its immediate impact on activities in the Library Lot surface parking lot is limited. There are no bathrooms that are publicly accessible on the property, there are no staff members currently present who could help manage the food truck operation, and there are no other activated uses on the space that could help draw patrons. If a food truck rally or installment were to be placed here, all of these amenities would need to be created to support it because without them it is unlikely that enough pedestrians or customers could be driven to the property to make it a worthwhile investment of time by food truck operators, who—since they are mobile—have their pick of locations where they can operate their business and would likely be enticed by more compelling and lucrative events and community spaces in and around the greater Ann Arbor area and the nearby Metro Detroit region.

The City of Portland, Oregon has pursued a strategy of creating food truck installations, or “food cart pods” as they are known locally, in vacant and abandoned lots with much success. These are probably the most applicable examples to the Library Lot surface parking lot, and there are important lessons for Ann Arbor to draw from in terms of the intensity of regulation, city engagement, and investment that each of these pods require.

In these arrangements, vacant or abandoned lots are populated with semi-permanent food trucks or carts, and amenities are built around them to create a dynamic and entertaining environment for patrons. The food cart pods are regulated by [Multnomah County through the Health Department](#), and by the [City of Portland through their planning and zoning powers](#). Food



Sample Site Plan for a food cart pod from Multnomah County, Oregon



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cart pods are generally on private property and are privately operated. Pod managers apply to the Multnomah County Health Department to operate a pod, and as part of the application they must provide a site plan that indicates where they are getting safe drinking water, a wastewater control plan, solid waste management plans, rat and pest control plans, utility connections, and other important issues. There must also be dining areas, restrooms available, and other requirements that can be site specific. Multnomah County provides a sample site plan on their website for the benefit of applicants, and it is instructive to understand how extensive of a build these food cart pods are, reflecting the idea that a successful food cart installation requires a good deal of infrastructure and amenities to be around it. When you are starting with a vacant lot, those amenities and that infrastructure must be built from scratch.

Applying the concepts and requirements of the Portland program, and lessons learned from The Little Fleet in Traverse City and our own food cart rallies at the Farmers Market, to the Library Lot surface parking lot we arrive at several important conclusions detailed below.

Any food cart rallies or installations would necessitate meaningful infrastructure and amenity upgrades to the property for the endeavor to be successful. These upgrades would include at least the addition of bathrooms (even if just porta-potties), durable furniture for a seating area, a pavilion or higher-end dining fly for a covered seating area, potable water and wastewater systems, and minor recreational and entertainment amenities such as a play area with lawn games and/or a performance space for musicians. Many of these upgrades would have to be permanent fixtures on the property, some of them would be considered structures under the building code.

A food truck installation, or food cart pod, similar to a Portland arrangement or The Little Fleet would likely also require extensive site work to provide utility hookups and grease traps. Further, a solid waste plan and pest control plans would be required and the associated costs with these operations would be meaningful. Notably, however, this type of installation would allow food trucks or carts to operate from utility power, potentially all-electric power, preventing the idling of food trucks and creating impactful environmental benefits in terms of carbon emission reductions from the site.



A food cart pod in Multnomah County, Oregon

Managing any version of a food truck program on this site will require the addition of a staff member, likely full-time, which will create additional significant costs on the city's operating budget. If we opt for regular food truck rallies, rather than a permanent installation, there will be additional costs

for hauling and storing the removable features of the installation, which we would likely have to contract out just as we have contracted the removal and storage of street barricades for the summer street closure program downtown. If we operated all year, once a week, that would cost approximately \$72,000. Once a month would cost approximately \$16,800.



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Taking these parking spaces out of commission will necessitate payments to the DDA to compensate for the removal of structured parking spaces. There are 33 spaces on the ground level of the parking deck, if they are taken out of the parking system permanently it will cost \$79,200 annually at current parking rates assuming a monthly lease rate for the spaces (which is significantly more cost effective than the hourly meter rate). A semi-regular rally may cost less depending on the frequency; however, we would likely be charged the hourly rate for parking so we would lose some economy of scale. Additionally, some spaces would need to be removed permanently to accommodate site plan changes for the rallies and all remaining spaces would be removed intermittently. Without a specific site plan or other planning decisions it is difficult to estimate the overall cost, however it would still be significant. Assuming 1/3 of spaces would be removed permanently, and the remaining 2/3 would be removed two days a week, for example, the cost would be \$65,894.40 for the intermittent removals, and \$26,400 for the permanent removals, or \$92,294.40 total. Also, based on these assumptions, one day a week would cost \$59,347.20, and one day a month would cost \$32,110.85.

Discussion of Costs

We have assumed throughout this analysis that the city would have to directly subsidize the costs of the food truck rally or food truck installation, and this assumption deserves some explanation. In the examples of The Little Fleet and the Ann Arbor Farmers Market, there are existing amenities, infrastructure, and programming that help to defray the cost impact of the food trucks. There is existing staff, existing amenities, existing utilities, and essentially an existing business operation to help share the cost of operating the space with the food truck operators. In the instance of the Library Lot surface parking lot, however, those conditions do not exist and there is no other activity that can share or subsidize costs. Therefore, the entire cost of the operation will have to be born either by the business activity of the food trucks, or subsidized by the city's general fund.

The Portland food cart pods program is a better corollary to look at cost sharing. This business model relies upon permanent installations of food trucks who pay rent to occupy the property and are managed directly by a property manager. In a market that is saturated with food trucks—there are estimated to be between 500 and 600 operating in the city—there is robust market competition for space, and so this arrangement might be attractive to food cart operators who are looking for a foothold. However, in Ann Arbor where there are significantly fewer food trucks licensed to operate, competition for space is not as intense and it is not clear that rents would be attractive enough for operators to park permanently or semi-permanently in the space for the benefit of the market.

Further, if we operated a regular food truck rally rather than a food truck installation, the amount we could charge in fees to participate would be a small fraction of the overall operating expense. According to the NLC, an arrangement like this would usually cost no more than \$1,000 a year in the most expensive cities, and so we may be pricing ourselves out of the price point to encourage food truck operators to participate if we charged more than that. There are 33 spaces in the surface lot at the Library Lane garage. Let's assume we could get 11 food trucks in the lot



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comfortably, with room for other activities. That is a revenue potential of \$11,000 annually. It will not come remotely close to satisfying the costs of operating such a facility.

We have refrained from providing a more concrete estimate of costs related to a regular food truck rally or a permanent food truck installation because there are too many uncertain cost variables to provide an accurate forecast. However, given what we do know for the costs of staff, lost parking revenue, the potential hauling of non-permanent fixtures, and the costs of porta-potties, the annual cost estimate for this program would likely start at approximately \$130,000 annually and as further costs were investigated would increase from there by a not-insignificant margin. To clarify, that is not to say that the cost could be as low as \$130,000 annually, but that our known costs at this point total roughly \$130,000 annually and will with certainty increase by a meaningful amount from this baseline figure as the program would be further defined. These basic cost parameters would exist whether the city managed the program directly or whether we delegated the program to a non-profit, and so the legal structure of a potential operation is somewhat irrelevant to its viability.

It is also likely true that pursuing a permanent food truck installation, or food cart pod, would be a more economically viable option for the program. While costs in terms of lost parking revenue could be marginally higher, costs for labor would be higher, and costs for site preparation and improvements would be higher, it is also true that costs for hauling and storing non-permanent fixtures would be significantly lower, revenue opportunities would be greater, and this arrangement could be more environmentally sustainable because of the ability to offer utility hookups for food trucks or carts (rather than making them idle for power) that are parked on the property on a permanent or semi-permanent basis.

Discussion on allowable uses for the property

The charter dictates the uses allowable on the property and states that the land in question shall be “developed as an urban central park and civic center commons.” Dedicating the use of the land instead to private business activity in the form of permanent or semi-permanent commercial restaurant space may not be allowable under the charter language, especially if this is the primary use of the property—as it would have to be to make a successful food truck installation or regular food truck rally feasible. A formal opinion from the City Attorney’s office should be sought to clarify this issue should the Council wish to proceed.

Conclusion

City Council asked the City Administrator to evaluate the feasibility of activating the Library Lane surface parking lot with food trucks and mobile vendors, and specifically asked for an evaluation of the costs, operational needs, and sustainability of such an operation. In summary, we have found:



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Costs

Costs would likely start at a baseline of approximately \$130,000 annually and would increase by a meaningful margin from there as details of the program were determined. In addition, there would be significant up-front capitol and equipment costs to add structural elements to the property including a performance space—even a relatively low-impact space—covered dining, a source of potable water available to the vendors and patrons, tables and chairs for outdoor dining, porta-potties or permanent bathrooms, outdoor yard games and other features for outdoor recreation, and solid waste receptacles. A more permanent installation would also likely require utility upgrades, including gas and electrical hookups, grease traps, water and wastewater management, rodent control, a more detailed solid waste plan, and other needs. While we are unable to provide a specific dollar figure, the up-front and operating costs would be significant because of the limitations that currently exist on the property. We do not recommend trying to create a food truck program of any variety without these infrastructure improvements and amenities because it is very likely to fail without them.

Operational Needs

As mentioned in the cost analysis, there are significant operational needs for a program like this to be successful. Managing these varied and important needs would require the addition of a staff person, either seasonal part-time or full-time depending on the configuration of the program. There are no existing staff resources that could be dedicated to this program, and the Parks department is unable to dedicate resources to this program since this is not a parks property. A new position will have to be created elsewhere in the government to oversee the implementation of this initiative. The basic cost parameters would remain unchanged whether the city managed the program directly or whether we delegated the program to a non-profit, and so the legal structure of a potential operation is somewhat irrelevant to its viability.

Sustainability

It is difficult to score the sustainability of this program without setting forth greater details of who will be participating and how the program will be structured. For instance, we could favor food truck operators who source food locally or who have a commitment to vegetarian or vegan food options. It is true that permanently stationing food carts at the property is a more environmentally friendly option than asking food trucks to come to the property on a weekly or monthly basis, and that allowing food carts to hookup to utilities—potentially all electric connections—is a more sustainable option than allowing vehicles to idle to power their food production equipment. We could also require only compostable or recyclable utensils and dining accoutrement to be used, which would help support the solid waste and circular economy goals outlined in the A2 Zero plan. In any configuration, reducing the number of parking spaces and installing an activity on the property that is walkable and encourages an active lifestyle would be a more sustainable use of the property. However, it is too early to commit to any of these strategies and to make a definitive rendering of the sustainability of a food truck program in the Library Lot surface parking lot.



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Overall Feasibility

It is staff's recommendation that this site is not well-suited for use as a food truck rally or food truck installation and that it will require significant capital investment to bring the site up to a standard that would be safe, convenient, and attractive as a community event space. Further, the fundamental economics of this property likely mean that the city would have to heavily subsidize the operation of the program totaling in the low to low-moderate six figures annually. These judgments hold true when considering any kind of activation of the space, not just an activation for food trucks. The serious limitations of the site and its disconnection from any other activity in the downtown make it unsuitable for passive activities and programming of nearly any variety. If Council is committed to activating this space in some way without it becoming a burden on the general fund, then there must be a fundamental reimagining of the future uses of this site and how it can best be developed to fit the character and needs of Ann Arbor's downtown. Finally, there is a real question as to whether a permanent or semi-permanent restaurant space in the form of food trucks is a permissible use of the property under the City Charter, which requires that the space be held in public ownership in perpetuity and developed into an "urban central park and civic center commons." A formal opinion from the City Attorney should be sought to clarify what uses are allowable on the property.