



MEMORANDUM

TO: City Council

FROM: Howard S. Lazarus, City Administrator

DATE: September 28, 2018

SUBJECT: Utility Connection Requirements related to City-initiated Annexation

Please see the responses to questions raised about utility connection requirements related to City-initiated annexations. Additional background and details about the City-initiated annexations are available in the [August 2018 memo to City Council](#).

Summary of responses:

- **Utility Availability and Connection Requirements** – Staff must and will continue to follow the definition of utility availability in City code. Property owners that believe they have unique circumstances hindering utility connection can request staff review.
- **Timeframe for utility connection** – Although a 90-day notice of connection will be issued to property owners after the annexation process is complete, per City code, property owners affected by the proposed City-initiated annexation will have received advance notice of the requirement to connect of close to 12-18 months, which far exceeds 90 days, even if the formal notice to connect is still only 90 days.
- **Capital Recovery Charges** – Staff has provided Round 2 property-owners with information about the Capital Recovery Charges due for utility connections for their properties. The maximum amount of the Capital Recovery Charges for the residential properties is just under \$12,000 for connections to both the water and sanitary sewer systems.
- **Private Contractor Costs** - Private contractor costs to construct the lead from the main to the building are site specific and vary considerably depending on the physical characteristics of each property. Property owners are strongly encouraged to seek multiple quotes directly from experienced, licensed plumbing contractors.

- **Payback period for Capital Recovery Charges** – Per City code, City Council can use its authority, as it has on occasion in the past, to extend the payment period for individual properties.
- **Extension of Payback Period for Previously Connected Properties** – Staff recommend that all properties that connect to City utilities be treated consistently and in accordance with City Code.

Utility Availability and Connection Requirements

Where existing utility service is available, but a parcel is not yet connected to City utilities, the property owner will be required to connect to City utilities.

Per Ann Arbor City Code, utility availability is defined as utilities existing within 200 feet of the property line. Chapter 27, Sec. 2:22a (water) and Chapter 28, Sec. 2:42.2(7)A (sanitary sewer). Neither staff nor City council can alter that requirement without an amendment to City code.

Property owners that believe they have unique circumstances hindering utility connection that would justify staff review, can contact and have already contacted Troy Baughman (tbaughman@a2gov.org). Final determinations about utility availability will be made by the Public Services Area Administrator, Craig Hupy.

To date, two properties from Round 2 of City-initiated annexations have requested review and have been notified that they will not be required to connect to City utilities under the City code provisions at this time¹, due to unique physical constraints of their property. The properties that have been provided an exception at this time are 2477 Newport and 2453 Newport.

Vacant properties will not need to connect to City utilities until the property is developed and a structure exists for which water and/or sanitary sewer utilities are required.

Properties where utility lines are not available and/or utility lines are not planned will be addressed if and when utilities are constructed.

Timeframe for Utility Connection

City code requires that property owners connect to City water and sanitary sewer utilities within 90 days after date of official notice to do so. Chapter 27, Sec. 2:22a (water) and Chapter 28, Sec. 2:42.2(7)A (sanitary sewer). Unless City code is amended to change the requirements, staff and City council must follow these requirements.

Property owners potentially facing a utility connection requirement through Round 2 of the City-initiated annexation process were notified of the connection requirement and

¹ In the event of a future well or septic failure, as determined by Washtenaw County, the County may require these properties to connect.

associated Capital Recovery Charges in a letter mailed on August 3, 2018. An estimated timeline of project milestones for the annexation process is provided below. This timeline illustrates that property owners included in the City-initiated annexation will have gotten advance notice of the utility connection requirement that far exceeds 90 days².

Estimated timeline³ of City-initiated Annexation Round 2 Process:

- August 3, 2018 – Notification to property owners: utility connection requirements and associated costs.
- August 20, 2018 – Public information meeting including discussion of utility impacts.
- October 1, 2018 – City Council meeting and public hearing
- October 31, 2018 – Target submittal to State Boundary Commission (SBC)⁴
- SBC Legal Sufficiency Meeting (Lansing) – estimated December 2018, or later
- SBC Public Hearing (Ann Arbor) – estimated January-March 2019, or later
- SBC Recommendations Meeting (Lansing) – estimated April 2019, or later
- Notice of final approval from SBC – estimated May 2019, or later
- City of Ann Arbor issues 90-day notices for connection – estimated June 2019, or later (connection deadline: estimated September 2019, or later)

After issuing the notice to connect, City staff will monitor progress toward completion of utility connection. If the deadline falls during winter months (i.e., when construction of the lead would be challenging), it is the City's practice to allow a grace period until physical conditions allow for the utility connection to be made. The City has never had to pursue legal action because a property has failed to proceed with due diligence to make a utility connection in a timely manner.

Capital Recovery Charges

Capital Recovery Charges and tap charges, as well as meter set fees must be paid to the city when a property physically connects to the City utility lines. Copies of the City's current fee schedules are available at a2gov.org/utilityconnection. Capital Recovery

² Although the City code's 90-day requirement could be amended, the State of Michigan Public Health Code, Act 368 of 1978, Part 127, Section 333.12753 has an 18-month maximum time limit for connection to a sanitary sewer after a published notice or after a structure requiring sanitary sewer service is built. This provision of the Public Health Code explicitly allows local jurisdictions to impose a shorter timeframe, but not a longer timeframe.

³ Estimated timeline subject to change at the discretion of the State Boundary Commission.

⁴ If City Council takes action on October 1 to approve the City-initiated Annexation petitions for submittal to the State Boundary Commission (SBC), staff is targeting the October 31 submittal deadline to the SBC. Although staff can submit petitions to the SBC for a subsequent review cycle, staff recommends that petition submittal be completed in a timely manner because the petition materials have been prepared based on the current standards and expectations.

Charges for parcels in Round 2 City-initiated annexation⁵ are at most \$5,274 for water connection and \$6,707 for sanitary sewer connection (total of \$11,981 per parcel).

Private Contractor Costs

The property owner must hire a licensed plumbing contractor that is registered with the City’s Planning and Development Services Unit to install the service leads to complete the physical connection from the structure to the City utility line. Other than through the issuance of required permits and related inspections, the City is not involved in this work. Costs can vary considerably depending on the physical characteristics of a property. Property owners are strongly encouraged to seek multiple quotes from different plumbing contractors.

Payback period for Capital Recovery Charges

Existing City Code (Chapter 12, Sec. 1:275) provides for Capital Recovery Charges to be paid over a period of up to 15 years depending on the total amount due. The schedule of installment payments provided in City Code is:

Total amount of special and single lot assessment(s)	Number of years for installments
Up to \$1,200.00	1 year
Greater than \$1,200.00 up to \$2,400.00	2 years
Greater than \$2,400.00 up to \$3,600.00	3 years
Greater than \$3,600.00 up to \$4,800.00	4 years
Greater than \$4,800.00 up to \$6,000.00	5 years
Greater than \$6,000.00 up to \$7,200.00	6 years
Greater than \$7,200.00 up to \$8,400.00	7 years
Greater than \$8,400.00 up to \$9,600.00	8 years
Greater than \$9,600.00 up to \$10,800.00	9 years
Greater than \$10,800.00 up to \$12,000.00	10 years
Greater than \$12,000.00 up to \$13,200.00	11 years

⁵ Estimated Capital Recovery Charges provided are based on 2018 figures; these estimates are subject to change depending on the year that the utility connection is completed. The City anticipates updating these charges in 2-3 years.

Total amount of special and single lot assessment(s)	Number of years for installments
Greater than \$13,200.00 up to \$14,400.00	12 years
Greater than \$14,400.00 up to \$15,600.00	13 years
Greater than \$15,600.00 up to \$16,800.00	14 years
Greater than \$16,800.00	15 years

City Code states that the number of installments allowable for payment will be determined by the schedule provided, unless otherwise specified by City Council. Historically, Council has adhered to the payment requirements established by City Code except by rare exception for an individual property when decided by Council (in accordance with Chapter 12, Sec.1:275).

Extension of Payback Period for Previously Connected Properties

A suggestion or request was made to extend the payback period for properties that have recently connected to City water or sewer, outside of the City-initiated Annexation Project. None of those property owners requested an extension of the payback time period. If they had, the request would have been forwarded to City Council to consider under Sec. 1:275 of City Code. Staff recommends that all properties be treated consistently, and in accordance with City Code.