



MEMORANDUM

.TO: City Council
.FROM: Tom Crawford, Interim City Administrator
.DATE: July 6, 2020
.SUBJECT: Options for the Street, Bridge, and Sidewalk Millage and New Sidewalk Millage

At the June 1, 2020 Council meeting, City Council approved Resolution [R-20-189](#) and requested that staff provide various options to City Council regarding the Street, Bridge, and Sidewalk Millage and the proposed New Sidewalk Millage. The following memo provides various options and perspectives.

Background

Background on the millages being proposed for the November ballot can be found in the memo accompanying Resolution R-20-189.

Based on discussions at the June 1, 2020 Council meeting and further consideration by staff, it is currently being proposed that these items be two completely separate and independent millages:

- The Street, Bridge and Sidewalk Millage for 2.125 mils
- A New Sidewalk Millage for 0.20 mils

Staff originally proposed that the 0.20 mils for new sidewalks, if approved by voters, would be rolled into the Street, Bridge, and Sidewalk Millage. However, separating the two provides several advantages, including:

- The ability for the New Sidewalk millage to begin in 2021, thus collecting revenue for addressing sidewalk gaps sooner
- Independent accounting of the expenditures on new sidewalks

Resolutions to approve the ballot language for both millages will be presented to City Council at the July 20, 2020 meeting. In addition to these Resolutions, separate Resolutions will be presented that describe in further detail how the funds from these millages could be spent. These have been referred to as the “Use Resolutions” in the past.

Street, Bridge, and Sidewalk Millage

The majority of the interest from Council in receiving different options from staff appeared to be centered around the New Sidewalk Millage. Thus, staff is not proposing any changes to the Street, Bridge, and

Sidewalk Millage, and plans to use the same basic ballot language that was used in 2016. This millage would be a five-year millage proposed at the same rate (2.125 mils) as in 2016 and would take effect in 2022 upon the expiration of the current millage.

Following this thought process, the proposed ballot language for the Street, Bridge, and Sidewalk Millage would be as follows:

**ANN ARBOR CITY CHARTER AMENDMENT
TAX FOR STREET, BRIDGE, AND SIDEWALK REPAIR
AND REPLACEMENT**

Shall the Charter be amended to authorize a new tax up to 2.125 mills for street and bridge repair and for sidewalk repair and construction for 2022 through 2026 to replace the previously authorized tax up to 2.125 mills for street and bridge repair and for sidewalk repair and construction for 2017 through 2021, which will raise in the first year of levy the estimated revenue of \$13,816,870. In accordance with State law, a portion of the millage may be subject to capture by the Ann Arbor Downtown Development Authority and the Washtenaw County Brownfield Redevelopment Authority.

Yes No

Staff also proposes that the accompanying Use Resolution for the Street, Bridge, and Sidewalk Millage remain essentially the same as the version that was used in 2016. A copy of the proposed language is attached.

New Sidewalk Millage

As referenced in the Background section above, staff is proposing that the New Sidewalk Millage be both a separate ballot item, and a separate millage from, the Street, Bridge, and Sidewalk Millage. This new millage is proposed to be set at a level of 0.20 mils, which would generate approximately \$1.3M in revenue to be dedicated solely to sidewalk gap filling projects. This millage would be a six-year millage, starting in 2021. By making this a six-year millage, it would then line up with the expiration of the Street, Bridge, and Sidewalk Millage in 2026.

As per Council's request, staff is presenting several options on how the New Sidewalk Millage would be used, along with the recommended way(s) to implement the various options.

Non-Taxable Parcels: Similar to how such parcels are currently handled for sidewalk repairs, staff is proposing that the New Sidewalk Millage not apply to non-taxable parcels. This would mean that non-taxable parcels (such as University of Michigan, Ann Arbor Public Schools, and various other non-profit entities) would still be responsible for paying for sidewalks constructed adjacent to their parcels. Language to this effect is included in the accompanying Use Resolution, a draft of which is attached to this Memo. If Council wishes such parcels to be covered by the millage, this language can be struck from the Use Resolution.

Private Development: The New Sidewalk Millage will not change the obligation of developers to install sidewalks along a parcel's right-of-way frontages when those parcels are developed or redeveloped. Staff has included language to clarify this in the Use Resolution. Furthermore, if the

New Sidewalk Millage is approved by voters, some revisions to City Code would be required. When this effort is undertaken, it will be done in such a way as to not remove this obligation from development projects.

Full Replacement vs. Partial Replacement of Special Assessments: There are several ways by which the New Sidewalk Millage could impact property owners that would be included in sidewalk special assessments districts (SADs).

Option A – Full Replacement of Sidewalk Special Assessments. This option would completely eliminate special assessments for new sidewalk construction for all taxable parcels. Benefits of this option would include a simpler administrative process and less resistance from adjacent property owners. Negatives would include the potential for it to be viewed as historically inequitable when considering that special assessments were levied for previous sidewalk gap projects.

Option B – Partial Replacement of Sidewalk Special Assessments. The most straightforward way to accomplish this option would be to set a cap on the dollar figure that could be assessed to any single parcel. Under this option, special assessments would be calculated on a per frontage foot basis as they are now, but be capped at a maximum dollar figure. If Option B is selected, staff recommends a cap of \$2,500 per parcel as a starting point for consideration. Under current City Code, this would translate to the three year payback period for parcels that hit that cap amount. Council may change this figure as they see fit. As a point of reference, staff analyzed the last five years of sidewalk special assessment data and found that the average special assessment amount per parcel was between \$6,500 and \$7,000.

Staff also evaluated a variation on this method of partial replacement of assessments, by which instead of placing a cap on the overall dollar amount per parcel, a cap was set on the cost per frontage foot. However, this option was discarded as it would result in larger parcels still paying more than smaller parcels for what is often seen as the same benefit.

Staff presented and update on the millages to the Transportation Commission on June 17th to obtain their feedback. One of the things suggested by some members of the Commission was to implement a system by which a capped figure is gradually rolled back over time, eventually to zero. In considering this option, staff determined that such a system would be too complicated and confusing to implement over the life of a single millage. However, if Option B is selected, once the millage expired in 2026, it could be reevaluated in terms of lowering the cap amount for the next millage.

Benefits of Option B would include some financial relief for residents included in SADs, while still maintaining some measure of historical equity. Negatives include the need to still go through the four-resolution SAD process, and the potential challenges in setting the dollar figure of the cap. Also, considering that many of the City's sidewalk gap projects in recent years already contained outside funding (such as Federal aid money) to help offset the cost to property owners, and many residents still voiced objections based on cost; it is reasonable to expect that anything less than a full replacement of assessment costs would still be protested by many property owners.

Regardless of whether Option A or B is chosen, the language to reflect this decision should be captured in the Use Resolution (see draft attached to this memo).

Retroactivity of Millage Funds: A desire has been expressed to evaluate whether a New Sidewalk Millage approved by voters in November 2020 could be applied to SADs previously approved by Council. Given the difficulties in pursuing retroactive payments from the millage, staff recommends applying millage funds only to sidewalk projects approved in 2021 or later.

The proposed ballot language for the New Sidewalk Millage would be as follows:

**ANN ARBOR CITY CHARTER AMENDMENT
TAX FOR THE CONSTRUCTION OF NEW SIDEWALKS**

Shall the Charter be amended to authorize a tax up to 0.20 mills for the construction of new sidewalks for 2021 through 2026, which will raise in the first year of levy the estimated revenue of \$1,300,411. In accordance with State law, a portion of the millage may be subject to capture by the Ann Arbor Downtown Development Authority and the Washtenaw County Brownfield Redevelopment Authority.

Yes No

Schedule

The timeline for various items related to these millages is as follows:

- Approval of Ballot Language – this will be presented to City Council at the July 20, 2020 meeting. Final ballot language must be approved no later than the August 6th Council meeting in order to appear on the November 2020 ballot.
- Use Resolutions – these will also be presented to Council at the July 20, 2020 meeting; a separate Resolution for each millage. These resolutions do not have a specific deadline for approval. However, final versions of them should be approved prior to the communication phase.
- Communications – City staff will produce literature and background information on the ballot items for the purposes of providing information to the voting public. This effort will consist of information sharing only; not advocacy. This effort will begin following Council’s approval of the ballot language and Use Resolutions and continue in some form through October. The content will be dependent on the final resolutions approved by Council.

ATTACHMENT A

NEW SIDEWALK FUND USE AND ADMINISTRATION GUIDELINES

If the millage is approved, providing up to 0.20 mills for the construction of new sidewalks (the “2021 New Sidewalk Millage”):

1. The 2021 New Sidewalk Millage may be used for the design and construction of new sidewalks at locations where none previously existed. This includes all administrative and ancillary costs required to complete such projects.
2. The 2021 New Sidewalk Millage local share contributions to the City’s federally funded transportation improvement projects will be used to assist the City in securing Federal and State transportation grants for the construction of new sidewalks.
3. To the extent the 2021 New Sidewalk Millage is used for the construction of new sidewalks, it will be used only for sidewalks adjacent to properties outside the Downtown Development District (“DDD”) against which the City levies property taxes and adjacent to single- and two-family houses within the DDD against which the City levies property taxes.
4. The approval of the 2021 New Sidewalk Millage will not change the obligation of developers to install sidewalks at their cost along a parcel's right-of-way frontages when those parcels are developed or redeveloped.
5. The 2021 New Sidewalk Millage funds may be used only for projects that are approved starting in 2021 and throughout the life of the millage.

NOTE: Either #6 **OR** #7 below should remain in this document. The selected option should remain and the other deleted.

6. **{Option A}** The New Sidewalk Millage will be used to fully fund new sidewalk construction projects and will replace special assessments for the construction of new sidewalks. Amendments to the City Code will need to be made to reflect this change.
7. **{Option B}** The New Sidewalk Millage will be used to partially offset the cost of sidewalk special assessments to property owners included in such special assessment districts. Special assessment costs will be calculated on a per frontage foot basis but will be capped at \$2,500 per parcel. Otherwise, these projects would follow the established process for creating and approving special assessment districts. Amendments to the City Code will need to be made to reflect this change.

ATTACHMENT A

STREET, BRIDGE, AND SIDEWALK FUND USE AND ADMINISTRATION GUIDELINES

If the millage is approved, providing up to 2.125 mills for street and bridge repair, and for sidewalk repair and construction (the “2022 Street, Bridge, and Sidewalk Millage”):

1. The 2022 Street, Bridge, and Sidewalk Millage may be used for the following, including without limitation:
 - Resurfacing or reconstruction of existing paved City streets and bridges, including on-street bicycle lanes and other non-motorized facilities;
 - Construction, reconstruction, or enhancement of pedestrian crosswalks;
 - Reconstruction and construction of accessible street crossings and corner ramps;
 - Capital Preventative Maintenance (CPM) measures for existing paved streets and bridges;
 - Repair and/or replacement of sidewalks within the public right-of-way adjacent to properties against which the City levies property taxes
2. If the 2021 New Sidewalk Millage is not approved by voters, then the 2022 Street, Bridge, and Sidewalk Millage could be used for the construction of new sidewalks, but only to the extent the funded portion would not otherwise be funded by special assessment. This would be consistent with past practice and with the language that was in the 2017 Street, Bridge, and Sidewalk Millage.
3. The 2022 Street, Bridge, and Sidewalk Millage local share contributions to the City’s federally funded transportation improvement projects will be used to assist the City in securing Federal and State transportation grants.
4. To the extent the 2022 Street, Bridge, and Sidewalk Millage is used for the repair of sidewalks, it will be used only for sidewalks adjacent to properties outside the Downtown Development District (“DDD”) against which the City levies property taxes and adjacent to single- and two-family houses within the DDD against which the City levies property taxes.
5. Notwithstanding the provisions of Paragraph 4, provisions were amended in Section 4:58 of City Code for the 2022 Street, Bridge, and Sidewalk millage to allow the City and the Downtown Development Authority (“DDA”) to enter into agreements governing the obligations of each to fund or to perform sidewalk repairs. The City and DDA have entered into agreements for all four years of the 2017-2021 millage under which the DDA has provided funding to the City and the City has done sidewalk repairs within the DDD. Section 4:58 of City Code will need to be amended to extend the existing or similar provisions for the duration of the 2022 Street, Bridge, and Sidewalk Millage.

6. Provisions also were amended in Section 4:58 of City Code for the 2017 Street, Bridge, and Sidewalk millage to remove the obligation of property owners outside the DDD to maintain the sidewalks adjacent to their properties for the duration of that millage. This section of City Code will need to be amended to extend that provision for the duration of the 2022 Street, Bridge, and Sidewalk Millage.
7. Funds from the 2022 Street, Bridge, and Sidewalk Millage that are used for street and/or bridge repair will be tracked and accounted for separately from the millage funds used for sidewalk repairs.

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