



TO: Mayor and Council

FROM: Howard S. Lazarus, City Administrator

CC: Jacqueline Beaudry, City Clerk
Tom Crawford, CFO
Derek Delacourt, Community Services Area Administrator
Craig Hupy, Public Services Area Administrator
Matt Kulhanek, Fleet and Facilities Manager
Brett Lenart, Planning Manager
Molly Maciejewski, Public Works Manager
Gerard Markey, City Assessor
Susan Pollay, Executive Director, DDA
Marti Praschan, Chief of Staff, Public Services
Cresson Slotten, Systems Planning Manager
Missy Stults, Sustainability & Innovations Manager

SUBJECT: December 2 Council Agenda Responses

DATE: December 2, 2019

CA-5 – Resolution to Approve the Purchase of Vehicles from Berger Chevrolet (Oakland County Bid, MiDeal Bid - \$211,865.00)

Question: Q1. The city’s evaluation and scoring process for replacing vehicles is a robust data-driven process. The cover memo indicates the vehicles being replaced by the five electric vehicles do not meet the scoring criteria for replacement, but we’re replacing them anyway. Can you please explain the rationale for that (e.g., why we are violating our normal process and why we would not just wait until the vehicles meet the criteria for replacement and then replace with electric vehicles if indeed these vehicles are, as indicated in the cover memo, “excellent candidates for replacement with fully electric vehicles”)? (Councilmember Lumm)

Response: The vehicles that we are recommending to be replaced have all depreciated their full value for the City, so while they have not met the criteria for the scoring rubric because we likely could drive them for a little while longer, they are fully depreciated and in the interest of meeting the spirit of our commitment to green our City fleet as quickly as possible we opted to replace them with electric vehicles now rather than wait. The sooner we can replace vehicles, the more carbon we will prevent from being emitted into the atmosphere. That was our rationale.

Question: Q2. The normal practice has been that the Sustainability Office paid for the incremental cost of electric vehicles and their budget reflected that, but in this case the majority of the incremental cost (\$38K of \$52K) is being funded by the Construction Code Fund. Can you please elaborate on that including whether there are any requirements in the Construction Code fund regarding an obligation that the City utilize the fund efficiently/most cost-effectively? (Councilmember Lumm)

Response: The vehicles that are being paid out of the construction fund are vehicles that will be used in Community Services for building inspection and other related activity. Community Services has been planning and saving for this vehicle replacement for some time and the use of this fund is permissible because the vehicles being acquired will support the activities of the fund. While the sustainability office has supported the purchase of electric vehicles in the past and will do so in the future as needed, it is also important to preserve our sustainability funds as much as possible so we can implement wider and deeper programmatic and policy changes within the City to support our ambitious climate and sustainability goals. Charging these purchases against the construction fund is one way to do that.

Question: Q3. All of the vehicle purchase agenda items include the statements that, "The Green Fleet Committee approved the purchase...and the Sustainability and Innovations Manager has concurred with the actions of the committee." What happens if the Green Fleets Committee doesn't "approve" and the Sustainability and Innovations Manager doesn't "concur"? (Councilmember Lumm)

Response: The Green Fleet Team (GFT) does the initial review of all vehicle and motorized equipment purchases. This process includes working directly with the Service Unit to determine the greenest alternative that will meet the operational need of the Unit while also being fiscally practical. The OSI Manager would then consider the GFT recommendation and concur or provide reasoning why the Manager did not concur. Communication between the Service Unit, GFT and OSI Manager would resolve the vast majority of issues. If a Service Unit still disagreed with the recommendations of the GFT and OSI Manager, they would speak with their Service Area Administrator and City Administrator to resolve the question.

CA-6 – Resolution to Authorize the Purchase of Heavy Truck and Equipment Repair Parts for the City’s Fleet for Five Years Beginning FY2020

Question: Regarding CA-6, the cover memo indicates that it’s advantageous to obtain quotes/purchase parts at the time they are needed and that makes sense, but can you please elaborate a bit on what is meant by the phrase “using competitive quotes” in the second resolved clause (does this mean call around for 3 quotes which I understand was the process at one point)? (Councilmember Lumm)

Response: The use of competitive quotes is handled in a manner consistent with the City’s purchasing policy. Anticipated purchase amounts between \$3,000 - \$9,999 require soliciting three written or verbal quotes. Purchase amounts between \$10,000 - \$24,999 require soliciting three written quotes.

Question: How has this \$1,250,000.00 million purchase been considered in light of the A2Zero Plan, to pursue carbon neutral strategies? (Councilmember Bannister)

Response: The purchase of heavy truck and equipment repair parts over the next five years will be needed as long as the City has these assets on the road. As the City fleet transitions to more electric vehicles, the types of repair parts may change, but the need is not expected to dissipate in the near future. The proposed resolution gives us the flexibility to add qualified vendors if the types of repair parts, and their providers, transition along with the change to fleet assets. As the City Administrator develops the City’s 2030 carbon-neutrality plan, fleet will adjust our processes as needed.

CA-7 – Resolution to Approve a Services Agreement with Emterra Environmental USA Corp. for MRF Operations and Recyclables Processing (5-Year term; \$2,161,250.00 estimated for Year 1, with One Potential 5-Year Extension)

Question: What is to become of the current equipment in the MRF if it is permanently repurposed as a “transfer station”? (Councilmember Nelson)

Response: The City would have the equipment removed for scrap/salvaging with the City receiving and proceeds from the scrap/salvaging.

Question: How much money was invested in this equipment when the city first purchased it? (Councilmember Nelson)

Response: The City and the former MRF operator have made multiple investments in the building and equipment over the years. The investments that the City is currently depreciating (expensing) are as follows:

Buildings	Capitalization Date	Original Value	Book Value as of 06/30/19
Recycling Facility	7/1/2005	\$ 73,355	\$ 5,703
Recycle Facility Upgrades	7/1/2005	\$ 293,663	\$ 98,983
Material Recovery Facility Job	7/1/2005	\$ 4,290,374	\$ 2,314,740
MRF Phae 1 Improvements	6/30/2009	\$ 1,130,550	\$ 847,913
MRF PHASE II Improvements	6/30/2009	\$ 799,243	\$ 599,432
Equipment			
2010 Volvo Loader	12/1/2010	\$ 218,890	\$ 32,834
Single Stream Recycling MRF Upgrades	6/18/2014	\$ 3,680,763	\$ 1,840,381
Two Ram Baler	10/19/2016	\$ 542,835	\$ 398,079
MRF Forklift	9/26/2014	\$ 27,634	\$ 1,382
MRF Forklift	1/31/2015	\$ 27,634	\$ 3,224

Question: The RFP stated that the City determined that most existing equipment could not be put to use due to “safety concerns.” Who made the professional assessment that refurbishment (rather than replacement) was inadequate to address safety concerns? (Councilmember Nelson)

Response: The equipment was evaluated by Alexander Industrial Technologies of Londonderry, NH and CP Manufacturing who installed the equipment, as well as inspections by the City’s Safety Unit.

Question: In the memo: “while RAA’s leadership has experience in MRF operations and municipal solid waste management, the City is concerned that other key members of the RAA’s proposed team lack direct or extensive experience operating a MRF.” How was the whole of the proposed Emterra team (beyond their leadership) assessed in terms of direct and extensive experience operating a MRF? (Councilmember Nelson)

Response: Emterra’s extensive experience in processing recyclables through operating fourteen MRFs and their experience and internal materials marketing team over 550,000 tons of material annually are key factors in staff’s assessment of Emterra experience being utilized in performing the requested services, compared to RAA not having any organizational experience, other than their CEO, operating a processing MRF or marketing of commodity material from a processing MRF. Emterra’s proposal provides a clear and detailed overview of their staffing structure, as well as all responsibilities and minimum qualifications for the following positions:

- General Manager
- Contoller
- VP Materials and Marketing
- Materials Manager
- Materials Marketing Assistant Manager
- Plant Manager
- Maintenance Supervisor
- Equipment Operations for Loader and Skid Steer
- Shipper/Forklift Operator
- Baler Operator

- Tip Floor Spotter/General Laboror
- Quality Control Sorters

Question: The RFP asked that revenue share structure follow industry standards— what are those industry standards and would they provide more revenue to the city? (Councilmember Nelson)

Response: In this structure, the operator is paid a monthly Base Service Fee by the community (the City), which is made up of the operator’s Capital Cost and O&M Cost Fee components. This covers the operator’s costs to equip and operate the MRF. All revenues from the marketing of the commodity materials go to the community (the City) until the value of the revenue reaches the value of the Base Service Fee, i.e., until the community’s cost to the operator has been covered by the revenue and the community is made whole. If/when the revenue value exceeds the value of the operator’s Base Service Fee, since both parties costs have already been covered, the additional revenue is shared between the operator and the community through an agreed upon percentage split.

Yes, this standard arrangement would provide more revenue to the City.

Question: The RAA fee structure is criticized for deviating from the RFP—does this deviation represent more or less cost to the city? (Councilmember Nelson)

Response: This deviation represents less revenue (i.e., credit) to the City resulting in more net cost to the City.

Question: In the memo: “This structure eliminates RAA’s need and incentive to market the materials aggressively, and reduces the likelihood of any income stream to the City.” Since RAA has a long history in Ann Arbor, do we have any reason to believe that, without a financial incentive, they are not committed to marketing recyclable materials? (Councilmember Nelson)

Response: Under RAA’s cost structure for Option 2 (and 3) they will receive all of the initial commodity revenue up to \$45/ton and does not inherently incentivize them to identify the best market options compared to the industry standard of not receiving their revenue until its value exceeds the Base Service Fee. RAA will be guaranteed to receive their commodity revenue whether or not they pursue a higher commodity price, which may lead to the City receiving a smaller portion of the revenue.

Question: How does the Emterra fee structure provide greater incentive to market materials aggressively? (Councilmember Nelson)

Response: Under the Emterra fee structure Emterra will receive a portion of the commodity revenues only when the average commodity revenue exceeds their Base Service Fee, thus they will be motivated to have the materials receive the best market price available to increase the potential to earn their partial revenue share.

Question: Please provide copies of the full proposals received in response to RFP #19-28. (Councilmember Eaton)

Response: These documents have been attached to item CA-7 in Legistar

Question: The RFP provided two options, (1) ship materials to a remote MRF, or (2) restore and utilize the City’s MFR. How many proposals were received in response to the RFP addressed the second option, to restore operation of the City’s MRF? (Councilmember Eaton)

Response: Of the two proposals submitted, only one (RAA’s) included Option 2.

Question: Did the proposals address the potential volatility in recyclable material markets? How do the proposals address the potential volatility in the markets for material? (Councilmember Eaton)

Response: The RFP dealt with the matter of market volatility by clearly separating the costs associated with the handling and processing of the materials (the Base Service Fee) from any commodity revenue that would be realized by the City, the expenses can be reviewed and understood separate from the effects of commodity market volatility.

Question: The memo indicates that RAA’s MRF development revenue share proposal is contrary to the RFP and is not in the best interest of the city. What is the net cost to the city of each proposal, assuming current market prices? What is the net cost to the city of each proposal, assuming lower market prices, or higher market prices? (Councilmember Eaton)

Response: Below are comparisons based on 14,543 tons for the year (the actual tonnage for FY19), using today’s approximate average commodity pricing (\$20/ton), a lower average commodity pricing (\$5/ton), and a higher average commodity pricing (\$45/ton).

Average Annual Commodity Pricing = \$20/ton	Processing	Revenue	Net Cost
Emterra - Option 1	\$2,213,445	(\$290,860)	\$1,922,585
RAA - Option 1	\$2,143,347	(\$232,688)	\$1,910,659
RAA - Option 2	\$1,550,965	\$0	\$1,550,965
RAA - Option 3	\$1,463,707	\$0	\$1,463,707

Average Annual Commodity Pricing = \$5/ton	Processing	Revenue	Net Cost
Emterra - Option 1	\$2,213,445	(\$72,715)	\$2,140,730
RAA - Option 1	\$2,143,347	(\$58,172)	\$2,085,175
RAA - Option 2	\$1,550,965	\$0	\$1,550,965
RAA - Option 3	\$1,463,707	\$0	\$1,463,707

Average Annual Commodity Pricing = \$45/ton	Processing	Revenue	Net Cost
Emterra - Option 1	\$2,213,445	(\$654,435)	\$1,559,010
RAA - Option 1	\$2,143,347	(\$523,548)	\$1,619,799
RAA - Option 2	\$1,550,965	\$0	\$1,550,965
RAA - Option 3	\$1,463,707	\$0	\$1,463,707

Though the calculations for RAA's Option 2/3 result in a lower net cost than to the City, RAA does not have the operating experience to verify the processing costs presented. Additionally, the significant and unaddressed concerns about RAA's proposal to refurbish the MRF, as well as the changing and dynamic nature of the present recycling market, City staff determined RAA's proposal presented more risk and less potential benefit to the City than the alternative proposals to continue transloading leading to the staff recommendation for selecting the Emterra proposal.

Question: It is my understanding that the RFP asked for cost information (including transload, transport and processing), revenue share and host fee, but the staff memo only includes one of the three indicators - which was the gross processing per year for Emterra only. Can you provide us with the full pricing proposals (The complete Attachment A: Cost Proposal Forms from the RFP) for each proposal (3 proposals from RAA and 1 from Emterra). (Councilmember Eaton)

Response: This information is included in the proposal submission documents now attached to item CA-7 in Legistar.

Question: In what Michigan cities does Emterra run collection and transloading operations? Please identify the period during which Emterra provided such services for each of those Michigan cities. (Councilmember Eaton)

Response: Emterra provides services to over 60 municipalities in 7 counties in Michigan and over 100,000 customers. Ninety percent of the communities have been serviced by Emterra since 2012. Communities Emterra services include: Grand Blanc Township (7 years), Flint Township (7 years), Davison Township (7 years), Genesee Township (7 years), City of Marysville (7 years), Flushing Township (7 years), and Bad Axe (1 year). The majority of the Single Stream Recyclables are transloaded from their Port Huron transfer station site to Emterra's Burlington, Ontario Material Recovery Facility.

Question: When the City awarded the material recovery facility contract to Recycle Ann Arbor, the other proposal to handle those services included a process of compacting and bundling materials prior to shipment to a sorting facility in Ohio. Do any of the proposals in response to RFP #19-28 include that kind of crush and bundle processing? (Councilmember Eaton)

Response: Both Emterra and RAA's proposals include baling of OCC (Old Corrugated Cardboard). Neither of them include baling of the other single-stream materials.

Question: It is my understanding that Emterra intends to ship recyclable materials to a MRF in Lansing. Please provide an estimate of the annual carbon footprint of the shipping of materials to Lansing? In other words, what is the approximate amount of fuel and associated carbon emissions (MTCO₂e) of transloading unsorted recyclables to the proposed Emterra facility in the Lansing area from Ann Arbor. (Councilmember Eaton)

Response: The Emterra proposal will result in an estimated 12.2 MTCO₂e per month, or 146.4 MTCO₂e annually for transport between Ann Arbor and Lansing.

It is important to note, however, that transloading materials from Ann Arbor to Lansing is one step in a multi-phase journey the recovered materials take until they re-enter the manufacturing or reuse stage. Under both the Emterra and RAA proposals, materials will travel differing distances the total amount of carbon emissions depend upon where the “system” boundaries are drawn.

Question: Would a contract with Emterra include handling recyclable materials for the University of Michigan or any of the participants in the regional solid waste authority? (Councilmember Eaton)

Response: The proposed contract with Emterra allows for outside 3rd party material to be handled through the operation, which could include the University of Michigan or other communities, such as members of the Washtenaw Regional Resource Management Authority (WRRMA).

Question: The proposed contract with Emterra is for a period of five years with the potential for a five-year extension. Would a longer contract period provide a vendor better opportunity to recoup the expense of restoring the operation of the MRF? (Councilmember Eaton)

Response: A longer term contract would result in reduced annual capital payments by the City, but would not necessarily provide a better opportunity for a vendor to recoup the expense of equipping the MRF as the expenses will be spread over the term of the contract, whether longer or shorter.

Question: What assumptions were used in evaluating the cost proposals, such as the value of materials for future years and amount of tons coming from other locations? (Councilmember Eaton)

Response: The cost proposals were evaluated based on several sub-criteria as noted on the [CommitteeScores.pdf](#) attached to Legistar item CA-7, including the base service fee, material revenue credit, third party revenues credit and costs for Saturday and Sunday operations. In comparing the total costs, the average commodity values used were \$0/ton (cost only), \$25/ton, \$50/ton and \$75/ton; the tonnages used were 14,200 tons of City material, and multiple 3rd party tonnages, from 0 to 18,000 tons.

Question: How many jobs does the Emterra proposal create in Ann Arbor compared to RAA's MRF development proposals? Does Emterra have any operations in the U.S. that are union organized? Does Emterra have any history of being anti-union, such as NLRB unfair labor practices? (Councilmember Eaton)

Response: The Emterra proposal includes two staff people at the City's MRF; RAA's Option 1 includes two staff people at the MRF at all times. RAA's Option 2 includes up to 20-25 positions based on processing 20 tons/hour, which would become necessary if approximately 20,000 tons of outside/additional tonnage about the City's current tonnage (14,200 tons) is brought to the MRF. Neither proposer is legally able to stated that these jobs will be filled by local residents.

All of Emterra's collection operations in the U.S. are covered by the Teamsters Union. They do not have a history of being anti-union and recently renewed their agreement with the Teamsters Union. In the seven years of operation in the U.S. Emterra Environmental USA has not had an Unfair Labor Practice claim.

Question: Q1. The cover memo indicates that the, "the City scored Emterra's fee proposal for Option 1 slightly less than RAA's." Can you please elaborate on that (what "slightly less" means) and also provide the fee proposal themselves as well as any staff financial analysis of the fee proposals? (Councilmember Lumm)

Response: Emterra scored 18.9 points for their Option 1 fee proposal and RAA scored 23.4 points for their Option 1. Details on this scoring is included on the CommitteScores.pdf attached to item CA-7 in Legistar. The fee proposals are included in the proposal submission documents now attached to item CA-7 in Legistar.

Question: Q2. The cover memo indicates that, "RAA has failed 75% of the time to meet the variable performance measures required by the existing contract, namely, residual rate, monthly average truck weight, greenhouse gas reduction compared with the previous contract, and cleaning of all recyclables at the facility at the end of each day." What is Emterra proposing to do differently and what gives staff confidence they will deliver improved outcomes on these performance measures? (Councilmember Lumm)

Response: Emterra's extensive experience in processing recyclables through operating fourteen MRFs and their experience and internal materials marketing team over 550,000 tons of material annually are key factors in staff confidence in Emterra performing the requested services.

Question: Q3. The cover memo also mentions that RAA submitted a pricing variation of Option 2 (called Option 3). Can you please describe what that variation was and what the impact on the city's costs would be under that variation? (Councilmember Lumm)

Response: RAA's Option 3 pricing included a slightly lower Base Processing Fee (\$53.00/ton for Option 3; \$59.00/ton for Option 2) and a higher 3rd Party Processing Credit but it would not be realized below a threshold of 3rd party tonnage (\$20.00/ton for each

ton of 3rd party tonnage above 20,000 tons of total material tonnage for Option 3; \$12.50/ton for every 3rd party ton for Option 2). The net cost to the City would be slightly less (approximately 5 – 8% depending on tonnage) under RAA's Option 3. Option 3 pricing can only be attained if RAA secures multiple contracts for third party tonnage.

Question: Q4. The cover memo also mentions that under its Option 2 proposal, RAA was to rehab and re-use equipment the city had concluded needed to be replaced for safety reasons. What is the specific equipment referenced that would be rehabbed, not replaced, and what are the associated safety risks? (Councilmember Lumm)

Response: The rehabbed equipment includes the pre-sort enclosure, trash compactor, fines screen, OCC storage bunker, fiber bunker storage and two ram baler. Two evaluations were completed by third parties as well as the City Safety Unit. MRF processing areas that have been shut down have various deficiencies including concerns about general operable condition, conveyor safety and guarding, fire safety, electrical safety, and walking working surface hazards. Sorting machinery has not operated since 2016 and due to the safety hazards present, electrical power to the equipment was disconnected.

There are also additional challenges to an Option 2 proposal that relate to safe operation of the building. Lower portions of the building experience frequent flooding that would need to be mitigated and the building's fire suppression system is reaching the end of its serviceable life and may require partial or total replacement. RAA's proposal does not address these challenges. To the City's knowledge, RAA has not completed an evaluation of their own to demonstrate the feasibility of reusing existing machinery.

Question: Q5. The cover memo mentions the references for Emterra and that Emterra has, "successfully run collection and transloading in municipalities in Michigan and Canada." Did we follow up on the references (especially those in Michigan) and what did we learn? (Councilmember Lumm)

Response: Staff has reached out to both Canadian and Michigan references for Emterra. Those reached have been very positive in their interactions with by Emterra, with one particularly highlighting Emterra's commodity marketing capacities and abilities.

Question: Q6. On RAA's fee proposal, the cover memo indicates the approach deviates from the RFP and from industry standards. Can you please elaborate on that and what financial implications/risks that poses to the City? (Councilmember Lumm)

Response: Under the standard approach, the operator is paid a monthly Base Service Fee by the community (the City), which is made up of the operator's Capital Cost and O&M Cost Fee components. This covers the operator's costs to equip and operate the MRF. All revenues from the marketing of the commodity materials go to the community (the City) until the value of the revenue reaches the value of the Base Service Fee, i.e., until the community's cost to the operator has been covered by the revenue and the community is made whole. If/when the revenue value exceeds the value of the operator's

Base Service Fee, since both parties costs have already been covered, the additional revenue is shared between the operator and the community through an agreed upon percentage split.

Under RAA's proposal, RAA will receive all of the commodity revenue until the commodity's average value is above \$45/ton at which point the City will receive the value above \$45/ton. For example, if the average commodity value is \$30/ton RAA will retain all of the revenue; and if the average commodity value is \$50/ton, RAA will retain 90% of the revenue (\$45 of the \$50 per ton) and the City will receive 10% of the revenue (\$5 of the \$50 per ton). The current approximate average commodity value of the City's materials is about \$20/ton.

Question: Q7. The cover memo states that "the City considers that Emterra's Lansing MRF will use innovative technology to meet today's stricter recycling standards, and to provide flexibility to adjust for future material streams and standards. Can you please expand a bit on the 'innovative technology' of the Lansing MRF and the benefits of the "Hub and Spoke" method? (Councilmember Lumm)

Response: Emterra's proposed MRF is designed with the latest technology to provide a solution to the "evolving ton." The single stream evolving ton has lightened the weight of material in the single stream but increased the number of items that need processing. The design utilizes an extensive range of diverse mechanical and optical sorting technologies to separate and quality control each type of commodity such as optical sorters, ballistic separators, glass clean-up systems, screens, magnets, and Eddy current separators in higher quantities than early MRF's. In addition to using two news screens, the Lansing MRF will also use one optical sorter (single eject) plus another optical sorter with dual ejects, totaling 3 optical sorters to sort paper fiber, to ensure that the paper fiber quality is acceptable to all paper mills. Two additional optical sorters will be used for plastic sorting and final QC, totaling 5 optical sorters in the MRF. Emterra has indicated that the measure of efficacy/ability of manual sorting versus optical sorting is 1:5.

The facility has capacity for expansion to become a greater "hub" to handle increased volumes if/when additional volumes are gained through additional communities having their materials. Larger MRFs are designed for larger capacity to supply regional recycling processing. Single stream material can come through transfers, drop-offs, or direct hauled to a central hub. Larger MRF's can support the latest technology and more frequent upgrades as technology improves. This technology is evolving and needs updating as new systems come to the market. With a hub a spoke system these technology updates are more feasible with a larger regional MRF than several local facilities. The cost of technology is spread over a larger tonnage base of recyclable materials. In addition, marketing larger volumes (tons) of higher quality processed material drives higher competitive value for the products.

Question: Q8. My recollection is that the environmental bond provided the funding when the MRF was constructed in the mid-1990's (1995 I believe). Is that correct, and how much was the bond amount and the cost to construct the MRF? Also, how much capital has been invested in the MRF since it began operation (including investment by the City and the operator)? (Councilmember Lumm)

Response: A detailed and accurate response to this question will require research and will not be available in the time frame required for agenda responses. However, the following information can be offered. The City and the former MRF operator have made multiple investments/improvements to the MRF subsequent to its original construction. The investments/improvements that the City is still depreciating (expensing) are as follows:

Buildings	Capitalization Date	Original Value	Book Value as of 06/30/19
Recycling Facility	7/1/2005	\$ 73,355	\$ 5,703
Recycle Facility Upgrades	7/1/2005	\$ 293,663	\$ 98,983
Material Recovery Facility Job	7/1/2005	\$ 4,290,374	\$ 2,314,740
MRF Phae 1 Improvements	6/30/2009	\$ 1,130,550	\$ 847,913
MRF PHASE II Improvements	6/30/2009	\$ 799,243	\$ 599,432
Equipment			
2010 Volvo Loader	12/1/2010	\$ 218,890	\$ 32,834
Single Stream Recycling MRF Upgrades	6/18/2014	\$ 3,680,763	\$ 1,840,381
Two Ram Baler	10/19/2016	\$ 542,835	\$ 398,079
MRF Forklift	9/26/2014	\$ 27,634	\$ 1,382
MRF Forklift	1/31/2015	\$ 27,634	\$ 3,224

Question: Q9. I also recall the estimated useful life of the MRF was estimated at 20 years when it was constructed in the mid-1990's – is that correct? Also, I believe the City sought a performance bond from the operator – would RAA be providing a performance bond under their Option 2 proposal? (Councilmember Lumm)

Response: Additional research is required to address this question; therefore, a direct response to the question will not be available in the time frame required for agenda responses. Per current City Policy, #516, fixed assets are depreciated based on the following estimated useful lives:

Structures and Improvements	40-50 years
Improvements other than buildings	20-99 years
Machinery & Equipment-Light	5 years
Machinery & Equipment-Heavy	10 years
Vehicles-non-Police	5 years
Vehicles-Police	3 years
Intangible Assets	5-20 years
Infrastructure	15-25

Yes, a performance bond will be required for this contract, regardless of which option is included.

CA-10 – Resolution to Adopt the Board of Review Guidelines for Poverty Exemptions from Property Taxation of Principal Residence Pursuant to MCL 211.7u

Question: Regarding CA-10, are the income limits at 2 times the US Dept of Health level the same as the City has now? Also, can you please remind me approximately how often the taxes are exempted in Ann Arbor annually? (Councilmember Lumm)

Response: Regarding income limits on the Poverty Exemption application for the City of Ann Arbor, the income limit of 2 times the US Dept of Health is the same as 2019. However, the dollar thresholds are higher in 2020 than 2019. As an example, the 2020 Poverty Amount for one person is \$24,770. In 2019, the Poverty Amount for one person was \$24,280. The 2020 poverty income levels are 2% higher than 2019 poverty levels.

Question: Also, can you please remind me approximately how often the taxes are exempted in Ann Arbor annually? (Councilmember Lumm)

Response: Regarding how often taxes are exempted based on Poverty, a resident is allowed to apply for a poverty exemption only once during a calendar year. The resident has three opportunities to apply for a poverty exemption. The resident can apply at the March Board of Review, the July Board of Review or the December Board of Review. The resident has to own their home and also the home has to be their primary residence.

CA-11 – Resolution Regarding the Michigan Regulation and Taxation of Marihuana Act “Competitive Process” for Adult Use Retailers, Designated Consumption Establishments, and Microbusinesses

Question: Q1. The cover memo suggests that the process the city had for medical marijuana facilities *may* constitute a “competitive process” under the state statute. My understanding is that the city’s current “process” for allocating capped permits is just “first come, first served”. Is that accurate and if so, please explain how “first come-first served” constitutes a “competitive process” and what risks the City has if it turns out that our process does not meet the standard? Also, please provide the details on other Michigan cities’ competitive processes for allocating permits. (Councilmember Lumm)

Response: The State of Michigan has not defined, nor provided guidance as to what constitutes a competitive process. A competitive process can generally be established through numerous methods (e.g. a merit-based scoring system, a time-based process in which defined tasks must be completed to proceed). We are not aware of any other communities that have developed a competitive process under the MRTMA yet.

Question: Q2. The last whereas clause cover memo indicates that staff recommends we do nothing, “unless and until it becomes evident that the City’s existing process

requires supplementation to satisfy the MRTMA”. What will determine if/when “it becomes evident” our process needs to be supplemented? (Councilmember Lumm)

Response: This could happen through changes/clarifications in the State Rules framework, or in the event of legislative changes at the State level.

Question: Q3. Previously, the staff guidance we received seemed fairly clear that the City needed to adopt a new process – what changed, if anything, at the State level? Also, do we have a sense of when the State will be responding to the questions we’ve asked regarding this? (Councilmember Lumm)

Response: In initial review, City staff believed that a competitive process would be required based on the numeric cap established by the City. However, upon further investigation and consideration, staff now believes that this process would only apply when the State was in a position to decide between multiple qualifying applications when not all permits would be granted permits at the local level. The City’s method and interaction of land use and permit requirements will prevent this circumstance from occurring at the State level.

Question: Q4. Finally, regardless of whether our “first come-first served” process passes muster from a legal perspective, does staff believe that’s the optimal, most equitable, competitive process for Ann Arbor to utilize? (Councilmember Lumm)

Response: If the City Council were interested in opening up additional opportunities for retailers beyond the existing medical marijuana provisioning centers at a larger scale, then a merit and/or score based process would be preferable to a first-come, first-served approach. As the current framework emphasizes retailers to located within existing provisioning centers, as directed by state law, then the first come-first served approach is satisfactory, as no competitive process is required.

DC-5 – Resolution to Support Center of the City Interim Use and Long Term Planning for the Center of the City/Library Lot Property

Question: Q1. Is this resolution coming from the Center of the City Task Force, and if not, has the Task Force reviewed it? (Councilmember Lumm)

Response: The resolution was not generated by the Center of the City Task Force. The Task Force has not had a chance to review this draft of the resolution as a body. Several members of the Task Force are concerned that this resolution premature, bypassing the public engagement process and the resulting recommendations that the Task Force is developing for the report due in February. They request that City Council postpone consideration of the Resolution until after the Task Force has a chance to discuss it at their meeting on December 11, 2019.

Question: Q2. As I read this, I do not see any actions in this resolution that are inconsistent with the staff recommendations contained in the Administrator’s September 23rd memo. Is that accurate, and if not, please elaborate on the areas of conflict/inconsistency? (Councilmember Lumm)

Response: This resolution was not developed in coordination with the Center of the City Task Force, which works against the Administrator’s recommendation: “the plan for temporary/interim improvements should be developed in alignment with the efforts of the Center of the City Task Force.”

Question: Q3. I’m a bit confused by the 2nd resolved clause which references the November 2018 ballot date. Is the intent to deposit in the new dedicated account being created all of the surface parking revenue that’s been collected since then? Also, where does the \$875/day come from? (Councilmember Lumm)

Response: It is not possible to distinguish parking revenue from patrons parking in the surface lot atop the Library Lane garage from the total garage revenues. The figure “\$875” is a calculation using the daily meter bag rate (\$25/day X the 35 parking spaces in the surface lot). It should be noted that actual parking revenues at metered locations are much lower than meter bag rates, which are meant to discourage meters from being taken out of use for an extended period.

Question: Q4. The fifth resolved clause directs the City Administrator to include funding in the FY21 budget for, “the implementation of the Center of the City Charter Amendment.” The language “implementation of the amendment” is pretty broad and since there is not a long-term plan at this point, it’s not clear what the expectation would be for FY21 – can you please clarify what staff would view as the deliverable from this resolved clause? (Councilmember Lumm)

Response: Staff currently does not yet have specific expectations or budget deliverables in mind since the Center of the City Task Force has not completed their report. However, pedestrian connectivity, landscaping, maintenance, security, and programming are generally expected to be included in the Task Force recommendations.

Question: Q5. The sixth whereas clause references the, “creation of a staff position to oversee programming for the park.” Is it the expectation of this resolution that position is established, and if so, is the expectation that the position would be reflected in the FY21 budget proposal? (Councilmember Lumm)

Response: We are unsure. The question can best be addressed once the Task Force recommendations are received.

DB- 1- Resolution to Approve 212 S. State Street Site Plan and Development Agreement (CPC Recommendation: Approval - 6 Yeas and 0 Nays)

Question: Q1. I'm assuming that DB-2 is the "companion project" that's referenced in the staff report. Please confirm that's correct and if there are any additional projects planned in this immediate area, can you please summarize what's contemplated? (Councilmember Lumm)

Response: The assumption is correct, DB-2 is the referenced project.

Question: Q2. Obviously I'm no expert, but in reading through DB-1 and DB-2 it seems that approval of both is necessary to implement the proposed stormwater management plan – is that correct? Are there any other co-dependencies of the two projects? (Councilmember Lumm)

Response: Yes, in addition to the stormwater management plan, required bicycle parking for 212 S. State is relying upon the provision of spaces in 616 E. Washington (DB-2).

Question: Q3. Given that no parking is planned (or required) with this project, where is it expected the folks living in these new units who own vehicles will park them, or is the expectation that none/few of the residents own vehicles they need to park? (Councilmember Lumm)

Response: If residents of this proposed building chose to own vehicles, they would need to seek permits through the City Parking System or through contract with another private entity for parking. It is likely that this configuration will have an impact on potential residents' choice to forgo a vehicle based on the limited opportunity for parking, which can contribute to reliance on other forms of transportation.

Question: Q4. Have any concerns or objections been raised since the citizen participation meeting in February? (Councilmember Lumm)

Response: No, the only comments on the proposed project have been provided at the citizen participation meeting and the public hearing at Planning Commission.

DB-2 - Resolution to Approve 616 East Washington Planned Project Site Plan and Development Agreement, at 616 East Washington Street (CPC Recommendation: Approval - 6 Yeas and 0 Nays)

Question: The Planned Project would include 19 permanent affordable dwelling units, including 13 units for individuals earning 80% or less of Area Median Income and 6 units for individuals earning 60% or less of Area Median Income. This site plan is subject to the requirements in place before Council amended the downtown development premiums. Please provide information regarding how many units of affordable housing at what

income levels (AMI) would be required for this project if it had been submitted under the new premium requirements. (Councilmember Eaton)

Response: Based on the average size of proposed dwelling units in the project currently, 72 units would need to be affordable to households at or below 60% of Area Median Income (\$48,600 for a household of 2). The number of affordable units could increase or decrease depending on how the owner determined unit size configuration.

Question: Q1. Regarding the requested planned project modifications, the developer is requesting two modifications: (1) to increase the height to 208 feet which is 28 feet (15%) above the maximum allowed and (2) to increase the front setback above the maximum. Having 33% open space is certainly nice, but I'm wondering if a building design at the 180 feet max that results in a bit less open space was considered/could make sense - can you please comment on that? (Councilmember Lumm)

Response: It is difficult to speculate, however the majority of open space is already accommodated through the provision of patio space on upper floors of the structure. Additionally, it would be challenging to eliminate the approximately 1,600 square feet of mid-block walkway space, which provides connectivity to the proposed development at 212 S. State Street.

Question: Q2. Also on the planned project modifications, it appears the only public benefit to justify the modifications is the LEED Silver designation (the affordable units are used to earn the FAR premiums and the stormwater mitigation measures and parks contributions would be required anyway). Is that correct or am I missing something? (Councilmember Lumm)

Response: This is correct. The primary standard being proposed for the planned project modifications is to provide "solar orientation or energy efficient design". As stated this is being done by building the structure to LEED Silver standard (while this will be verified by a third party, it may not seek the official certification), and the provision of solar energy panels on the roof of the structure. City Council could also consider project attributes meeting the "pedestrian orientation" standard, as the petitioner has provided a 16 foot wide sidewalk along E. Washington Street and is proposing a publicly accessible, mid-block pedestrian pathway between E. Washington and Liberty Streets.

Question: Q3. While I recognize projects in the pipeline were "grandfathered" under the old residential/affordable housing premium rules, would this project qualify under the recently-adopted rules, and if not, what changes would need to be made? (Councilmember Lumm)

Response: No, an increase in the floor area dedicated to affordable units would need to be increased to provide approximately 72 affordable units, and all of these units would be reserved for households at or below 60% of Area Median Income.

Question: Q4. Can you please remind me what the calculation is to determine the parking requirement of 142 for 466 bedrooms? The staff report indicates the parking is reserved for residents only – where is it expected that visitors and office employees will park? Lastly on parking, the developer is requesting the DDA lease them 15 spaces – why 15 spaces? Is that because two parking deck floors of the building leaves them 15 spaces short of the required number of spaces? (Councilmember Lumm)

Response: Required parking is not based on the number of units or bedrooms, but is required at a rate of 1 space per 1,000 square feet of Premium Floor Area. In this case, the building includes 141,612 square feet of premium floor area divided by 1,000 square feet. This results in a total number of required spaces of 142. The petitioner is proposing to provide 115 spaces in their private parking deck on floors 2 and 3. Three of the spaces are proposed to be car-share spaces which code allows to be counted as a total 12 spaces. This leaves 15 spaces that the petitioner has received lease approval from the DDA.

Question: Q5. The traffic study essentially concludes this project will not have any adverse intersection LOS impacts and “negligible” delay impacts. How many incremental additional vehicle trips does that assume for the development and what percentage increase does that represent? Also, a new mid-block crosswalk is mentioned – where will that be located and will the developer be paying for the new crosswalk? (Councilmember Lumm)

Response: It is projected that this development will increase average daily traffic by 859 trips per day. This results in a morning peak hour increase of 65 trips per hour and afternoon peak hour of 78 trips per hour. This is anticipated to have the following impacts on nearby intersections:

Intersection	AM Peak Hour (vph)			PM Peak Hour (vph)		
	Total Entering Volume (TEV)	Site Generated Vehicle Trips	% Increase	Total Entering Volume (TEV)	Site Generated Vehicle Trips	% Increase
E. Washington St. & Division St.	1287	38	3%	1768	43	2.5%
E. Washington St. & State St.	664	27	4%	1032	35	3.5%
Division St. & State St.	353	11	3%	741	15	2%

Please see additional response to below to Councilmember Bannister’s question # Q4 regarding crosswalk.

Question: Q6. The developer has agreed to allow removal/re-location of any of the existing buildings prior to their being demolished – are any of these buildings of particular historical or architectural significance? (Councilmember Lumm)

Response: The easternmost building, 606 E. Washington is referred to as the Zenas Burd House. I was on the list of Recommended Properties from a 1994 report created by the Historic District Study Committee called, “Individual Historic Properties”. The house was never formally established as an individual historic property and was never part of

an historic district in Ann Arbor. The Italianate house was likely built in the mid to late 19 century and has been substantially modified over the years.

Question: Q7. Have any concerns or objections been raised since the citizen participation meeting in February? (Councilmember Lumm)

Response: No, the only comments on the proposed project have been provided at the citizen participation meeting and the public hearing at Planning Commission.

DB-1 - Resolution to Approve 212 S. State Street Site Plan and Development Agreement (CPC Recommendation: Approval - 6 Yeas and 0 Nays)

and

DB-2 - Resolution to Approve 616 East Washington Planned Project Site Plan and Development Agreement, at 616 East Washington Street (CPC Recommendation: Approval - 6 Yeas and 0 Nays)

Question: Q1. Please describe in further detail how the affordable housing is accounted for in the years ahead when tenants income may increase. (Councilmember Bannister)

Response: Affordable units will be governed through a housing affordability agreement. This agreement will specify details of monitoring this housing that will likely include annual reporting requirements, verification of household income with the City prior to renting, annual rent amount certification, and City verification of ongoing compliance with rental housing requirements. This work will most likely be conducted alongside the similar accounting performed by the Washtenaw County Office of Community and Economic Development currently. This agreement will identify what happens when a tenant's income increases, but this detail is not finalized yet. One example would require the owner to identify another unit in the building to replace one that no longer meets affordability requirements.

Question: Q2. In light of the A2Zero Plan, please describe how the density and carbon offsets and emissions are considered. (Councilmember Bannister)

Response: These were not considered specifically, however staff and the Planning Commission worked with the petitioner to add and expand a solar energy system on both projects. Additionally, 616 E. Washington will be constructed to LEED Silver standards, which will provide a more energy efficient building. While not incorporated into the project analysis or City code, one way to measure the impact of this site on carbon emissions would be through a transportation lens. Utilizing a very high-level method of estimating transportation impacts (i.e. using the EPA greenhouse gas emission calculator, Census Bureau American Community Survey data, and driving/mileage assumptions) an individual living and working in this development would create up to 995 lbs of carbon dioxide per year if they drove to work in the City each day, where an individual who resides outside the City but works in the City would create an estimated 8,757 lbs of carbon

dioxide per year. This represents a difference of 3.9 tons of Carbon Dioxide, per year, per individual.

Question: Q3. Please provide more detail regarding the two parking spaces for the loading zone, and specifically how this will be monitored and possibly re-assessed in the future. (Councilmember Bannister)

Response: The developer proposes a loading and delivery area on E. Washington Street, in front of the project, which may result in some parking spaces being removed. The petitioner is working with the DDA on the location and compensation for the loss of the space(s). Two spaces are currently being contemplated to be used as a loading zone. The loading zone will be re-assessed in the future. The site plan identifies this area as, "Loading and service area to be coordinated with the DDA". While the loading zone will not be monitored on a regular basis, it's size, location, and configuration will be considered as the City and/or DDA evaluate appropriate methods to address loading in the downtown, particularly in the light of evolving on-demand transportation and delivery services.

Question: Q4. Please describe the conversations around a mid-block cross walk, similar two the two along Liberty. East Washington is a long block between Division and State, with only one crosswalk at Varsity. Please describe how pedestrian safety was considered. (Councilmember Bannister)

Response: In general the downtown, or central business district (CBD), of Ann Arbor has ample access through the tight grid system. It is atypical to find mid-block crossings in the downtown unless these crossings serve a non-localized transportation function. The mid-block crossing located on Washington Street, 290 feet from Division Street and 500 feet from State Street, provides pedestrian access from Huron Street to Liberty Street. The crossing also serves the adjacent transit stops and the parking structure.

An additional mid-block crossing is not recommended for this block as there are no additional public walkways to connect. Additionally, the developer's transportation engineer has not demonstrated that the pedestrian trips generated by the development will be destined for locations immediately to the north. Travel will be easily accommodated by the existing infrastructure.

Please note that staff were made aware of a request for an additional mid-block crosswalk was made during the developer's community meeting. Staff reviewed the possibility to accommodate this request; the evaluation among included minimizing driveway conflicts for the crosswalk. The most logical place for a crosswalk would be between the new building's main resident entrance and the outdoor terrace, approximately 180 feet west of the State Street crosswalk. Installing a crosswalk at this location would necessitate the removal of 2-3 street trees, a minimum of 8 on-street parking spaces, and would require an similar amount of "backtracking" for individuals intending to access the United Methodist Church from the parking structure (stated source of request according to the

developer) as the existing mid-block crosswalk requires. On the balance staff did not find a compelling public benefit to adding a second mid-block crosswalk on this block.