



TO: Mayor and Council

FROM: Howard S. Lazarus, City Administrator

CC: Kayla Coleman, Systems Planning Analyst
Derek Delacourt, Community Services Area Administrator
Nick Hutchinson, City Engineer
Jeff Kahan, City Planner

SUBJECT: Council Agenda Responses – Part 2 – Responses to DS-1

DATE: October 1, 2018

DS-1 - Resolution to Petition the State of Michigan Boundary Commission to Annex Various Parcels from the Charter Township of Ann Arbor, the Charter Township of Pittsfield, and Scio Township

Question: Q1. I'm assuming that Council is just being asked to approve the petition to the state for annexations tonight and not approving the specific assessment amounts or assessment terms. Is that correct? If not, please explain what exactly we are approving/committing to by passing this resolution tonight? (Councilmember Lumm)

Response: That is correct. City Council is being asked only to approve petitions to the State Boundary Commission.

Question: Q2. With regard to extending the payback period for the assessments related to these annexations, I am confused on staff's recommendation. In the AC-4 communication (P.2) it states that:

- for Capital recovery Charges "Per city code, City Council can use its authority, as it has on occasion in the past, to extend the payback period for individual properties"
- for previously connected properties "Staff recommend that all properties that connect to city utilities be treated consistently and in accordance with city code"

On page 5 of that same memo, it states that “historically, Council has adhered to the payment requirements established by city code, except by rare exception” and also states that, “A suggestion or request has been 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 period. If they had, it would have been forwarded to City Council to consider. Staff recommends that all properties be treated consistently, and in accordance with city code” (Councilmember Lumm)

Question: Q2A. How many times over the last 20 years or so has the City approved payback extensions and please provide details? (Councilmember Lumm)

Response: The computer system used to track improvement charges and recovery charges was originally installed in 1999 when Council modified the installment guidelines of Sec. 1:275(2). In the limited time for research in the system on the topic today, staff located the following extensions granted by City Council, in addition to the instances identified in Legistar (identified below):

- In 2000, there was a parcel that was given 15 installments to pay. According to the table, they would have been given 14. The property owner actually ended up paying in only 4 installments by 2003.
- In 2000, one parcel that was given 15 installments to pay. According to the table, they would have been given 11. The property owner actually ended up paying in only 13 installments by 2012.
- In 2010, a water service agreement granted a property owner 15 installments to pay. According to the table, they would have been given 13. This is still an active agreement with ongoing payments.

Additional time would be necessary to research the system to identify other examples that fit into this category.

As a matter of procedure of bringing these items to council, the number of installments is always included in the council resolution and is set in accordance with City Code Chapter 12, Section 1:275 (2). Any modification of the schedule is done by the Council's resolution.

In addition to the above search, from a quick search and review of resolutions in Legistar focused on Improvement or Capital Recovery Charges for water and/or sewer—so limited to 2007 to the present—City Council has approved extensions of the payment schedule for a total of 12 properties, and has approved payments according to the schedule for 37 properties. Only one of the 12 was an extension beyond 15 years.

Five properties in the Westover Subdivision received an extension of the normal payment schedule in 2007 due to a number of factors, including that the subdivision consists of modest properties, and most of the properties had changed hands since the connections were made so the current owners bought without knowing the charges had

not been levied. In 2008, Council approved an extended period for repayment of sewer improvement charges for six other properties in the Westover Subdivision that had been forced to annex and connect because of the Gelman plume, although Gelman had covered the water improvement charges.

In April 2011, one property on Override with both water and sewer improvement charges totaling more than \$31,000 requested, and City Council granted, an extension from 15 to 20 years due to “unfortunate circumstances” that are not detailed in the Council resolution.

Additional time would be necessary to research Council records prior to 2007, but would be time intensive because every resolution that levied such a charge would have to be identified and then reviewed to see if it did or did not modify the default repayment schedule.

Question: Q2B Is staff recommending that these properties have an extended payback period and if so, how does that equate to “all properties being treated consistently” (Councilmember Lumm)

Response: City Code allows City Council to approve different payback periods for individual parcels. Staff is not recommending an extended payback period for these parcels, either any individually or all as a group.

As a procedural matter, Capital Recovery Charges and Improvement Charges will be levied in the future after the annexation is complete. Capital Recovery Charges are not levied until the time of connection to water or sanitary sewer. Payback periods are set at the time of levy.

Question: Please prepare a one-page chart/list of addresses being annexed, including their proposed new Ward, their current taxable value, the proposed impact on their property tax and fees after annexation, the estimated range of financial cost to be annexed, the impact on trees and shrubbery that may need to be removed or their roots impacted (death of tree with in a few years of installation of water/sewer), any applicable exceptions, and any other relevant details from the questions the township residents submitted via email and public comment. I would also like City staff assistance in preparing a resolution to form a task force or committee of residents (township or city) to prepare a range of recommendations on how the City might be able to make annexation more affordable. (Councilmember Bannister)

Response: In response to the request for a one-page chart/list of addresses being annexed, a [listing of parcel addresses](#) included in Round 2 of the City-initiated annexation process is available on the project website: a2gov.org/annexation.

In response to the request for information as to which Ward these properties will be in:

- First Ward – the properties in the Newport Road corridor including Hampstead Lane

- Second Ward – None
- Third Ward – the Platt Road parcel, and the Stone School Road parcel
- Fourth Ward – the properties in the State Street corridor, the Scio Church parcel, and the Eisenhower parcel
- Fifth Ward – all of the Scio Township parcels and the Thaler Avenue parcel

In response to the request for information regarding the properties' current taxable value, property taxable value can be searched by parcel on the [Washtenaw County Property/Parcel Lookup](#) website. Publication of the taxable values in an easily accessible list with property addresses and property owner names raises privacy concerns for the individual property owners.

In response to the request for information regarding the proposed impact on their property tax and fees after annexation, the estimated City of Ann Arbor tax revenue for the 88 Pittsfield, Scio and Ann Arbor Township island parcels in the proposed round 2 annexation list is approximately \$136,000, based on 2018 taxable values and the tentative 2018 millage rate. That calculation includes consideration of the following:

- 43 of 88 parcels are vacant land.
- Average township taxable value = \$97,750.

Jurisdiction	Total # of Improved Parcels in 2018	Total # of Unimproved Parcels in 2018	Total # of Parcels	Total 2018 Taxable Value /3	Total 2017 Homestead Millage Rate /1 /2
City of Ann Arbor					49.0725
Ann Arbor Township	40	11	51	7,200,072	37.6656
Pittsfield Township	5	5	10	1,200,623	38.7362
Scio Township		27	27	200,272	34.9472
	45	43	88	8,600,967	

NOTES:

/1 Due to the 2018 total millage rate not known until November/December 2018, this table uses final 2017 total millage rate for comparison purposes.

/2 The Washtenaw County, Ann Arbor School District, WCC, AAATA, etc., amounts will remain the same for all the properties regardless of whether they are in a township or in the City.

/3 Parcels will not be subject to revaluation if annexed into the City, and will not be revalued until such time as there has been a change-in-ownership.

The municipal (city vs. townships) portion of taxes, based on best information available is as follows:

Ann Arbor Township 2017 millage rate: 5.4181
Scio Township 2017 millage rate: 1.7997
Pittsfield Township 2017 millage rate: 6.5472
City of Ann Arbor tentative 2018 millage rate: 15.8885 (including 1.9802 mills for AATA)

In response to the request for the estimated range of financial cost to be annexed, customized letters were provided to each property owner that included Capital Recovery Charges, Improvement Charges, and resources to determine other specific costs related to annexation and utility connection. That information also was provided to City Council in August.

In response to the request for information on the impact on trees and shrubbery that may need to be removed or their roots impacted (death of tree within a few years of installation of water/sewer), staff does not have this information.

In response to the request whether there are any applicable exceptions, staff responds that all parcels need to be treated consistent with City Code; exceptions are not suggested.

Regarding the request for a resolution for a task force or committee, the limited general fund budget approved for this project would not cover the time necessary to staff and administer a committee or task force. If Council wishes that a committee or task force should be established, that request should be made to the City Administrator, but will need to take into account that additional resources and a potential budget amendment will be needed.