



RE: **ARP Funding Recommendation**
TO: Mayor Taylor and Members of Ann Arbor City Council
CC: Marti Praschan, CFO; Sara Higgins, Strategic Planning Coordinator;
Stephen Postema, City Attorney
FROM: John Fournier, Assistant City Administrator
DATE: 10/01/21

This memo is provided to the Council in response to resolution R-21-215 which directed the city administrator to do the following:

Return to City Council by October 1, 2021, to recommend and prioritize the allocation of the State and Local Fiscal Recovery Funds;

At this point the City has only received programmable discretionary funds through the American Recue Plan (ARP). We also have pending infrastructure requests to the federal and state governments that, if awarded, would be designated for specific purposes. There are other opportunities for additional funding, such as the State of Michigan's allocation of ARP funds which may include some funding to local governments. However, at this point those funds have not been allocated. For this reason, the memo is limited exclusively to a recommendation for how to prioritize and allocate the funds the City has and will receive from the ARP program.

Ann Arbor's ARP Funding

The City has received half of its ARP funding so far, and will receive the remainder during this fiscal year. The Funds must be encumbered by December 31, 2024, and totally spent by December 31, 2026. We will receive a total of \$24,182,630 once all funds are received.

The use of the funds is dictated by federal regulations that have been issued by the Department of Treasury. You may view [the interim rule here](#). Generally, the ARP funds may be put into two buckets. First, municipalities may estimate the total amount of revenue that they are estimated to lose over a four fiscal year period beginning in FY2020 and set those funds aside to be used for any general governmental purpose—it is intended to be lost revenue replacement. Second, any remaining ARP funds may only be spent on economic aid or public health programs that provide a direct benefit to individuals or communities that have been or are likely to have been most impacted by the pandemic.

After reviewing our budget and financial projections, we are estimating that we will be able to spend \$18,376,457 in the revenue loss category, allowing us to spend those funds on any general governmental purpose. The remaining amount of our ARP funds, \$5,806,173, must be spend on economic aid or public health programs.

Prioritization and Public Engagement

In prioritizing recommendations for use of these funds, we favored proposals that:

1. Met the requirements of the ARP interim rule use guidelines;
2. Would be completely spent by the end of 2026;
3. Solved an important public policy priority of the City Council;
4. Provided an opportunity for the City to pursue new or transformative initiatives;
5. Have a magnifying effect on city resources in that they free up funds from other sources and allow us to accelerate investment in other critical city programs or infrastructure.

Additionally, given the historic nature of this funding from the federal government, and the opportunity it represents to make needed investments in our community, it is staff's



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recommendation that members of the public should be able to weigh in on the final selection of projects and initiatives. Notably, Washtenaw County conducted ten town hall meetings over the course of a month, created an online survey, and dealt with the allocation of these funds over several board meetings. We recommend that the City carry out an outreach campaign of similar effect that is scaled to the size of our community.

Therefore, we are proposing a list of projects and initiatives that we believe would constitute high-value use of the ARP funds, but the total cost of these projects at this point exceeds the \$24.2 million amount of funds awarded by the federal government and we recommend that they be prioritized through public and council engagement before the Council adopts a final ARP plan.

There is a resolution attached to this memo that directs this public engagement process and requires staff to bring a final recommendation back to Council by December 6, 2021.

Proposed Projects and Initiatives

The following projects and initiatives are recommended by staff for consideration in the city's ARP program:

Galvanized Pipe Replacement	\$5,806,173
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The State of Michigan approved new lead and copper rule changes in 2018 that require water utilities to identify all addresses where there are publicly or privately owned lead or galvanized steel service lines that are now or were at some point connected to lead parts and replace them. The City has identified that list and is working to replace them now. However, this is estimated to be a \$14 million project in total, and we are only able to program \$1 million annually to pay for the cost of replacement because of resource limitations. Therefore, we are proposing to use the entirety of the ARP funds at our disposal for public health measures on accelerating this program.

This will provide an important benefit to residents because it will ensure the total removal of any known lead issues in our water system years earlier than originally planned. It also will free up resources in our utility related funds in later years for investment in other important water infrastructure. Therefore, we recommend this project for the secondary financial and capital benefits it will have in addition to the important public health benefits. This project is scalable.

Miller-Catherine Bike Facility	\$4,000,000
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This project proposes to extend a high comfort, low stress bicycle facility along Miller Avenue and Catherine Street from the West end of the City limits to the University of Michigan. This project is meant to address several aspects of the "Moving Together Towards Vision Zero" Transportation Plan in which safety and multi-modal access will be improved along roughly 3 miles of "calmed" roadway and the addition of an all ages and abilities bicycle facility. Destinations and attractors along the corridor include but are not limited to a park-and-ride lot, affordable housing complexes, parks, schools, neighborhoods, businesses, downtown, Kerry Town, the Farmer's Market, the University, and the Medical Campus. The bike lane itself is estimated to cost \$2.5 million, and an additional \$1.5 million would provide other important traffic calming measures along the roadway. This project is not scalable.



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Fire Station 4	\$3,000,000
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This project would build the city's first carbon-neutral facility, a net-zero fire station at the current Fire Station 4 location. This facility will produce energy through geothermal heating and cooling, solar panels, and an architectural design that encourages energy efficiency. The facility will also be gender-neutral to accommodate fire fighters of all genders. The total cost is estimated to be \$5 million, and the City needs an additional \$3 million to fully fund the project. The funding for this project is likely not scalable, in that we need the entire \$3 million to complete the project before the 2026 deadline in ARPA.

Solar on City Facilities	\$7,000,000
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This project supports the installation of over 4 MW of solar arrays on and directly adjacent to 19 city facilities, saving the City an estimated \$380,000 on energy bills and reducing annual greenhouse gas emissions by over 3,500 metric tons of carbon dioxide equivalent annually (equal to the emissions produced by 800 passenger vehicles in one year or from powering 400 homes). As reference, the City's entire fleet was responsible for 2,700 metric tons of carbon dioxide equivalent last year. This project also makes a significant step toward achieving Council Resolution R-17-442, which charged the City with powering municipal operations with 100% renewable energy.

Savings from the General Fund, estimated at \$100,000 annually, could be used to fund other Council priorities. Savings to the rate-based funds (e.g., water and sewer), estimated at around \$120,000, could be used to help fund priority projects as identified in the CIP. Savings to the Airport and Wheeler funds would exceed \$160,000, and could be used to support facility upgrades, building and vehicle electrification, and deep energy waste reduction improvements. This project is scalable.

Vision Zero Plan Implementation	\$9,500,000
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This project includes funding to implement the City's Vision Zero initiative, and includes elements to reduce speed, enhance system design and develop educational materials. Elements include: Improve the Eisenhower Park Path; Fill missing Border-to-Border trail linkages along and under Fuller Rd; Install a citywide bike network sign program; Conduct and implement a citywide speed study; Lane reconfigurations on S. Main, Packard, Earhart, and Green roads; Install curb bump-outs at five locations; Create and execute public education plan with enforcement; Install protected bike lanes via buffers or physical separation; Install bike blvd. treatments along Washington and Elmwood Sts; Install green pavement markings enhancing visibility of bikes at intersections; Expand bike parking; Add ADA accessible call buttons and pedestrian signal heads; Upgrade traffic signals to detect bicycles; Install safety street lighting along 3 planned corridors; Upgrade uncontrolled crosswalks. This project is scalable.

Community Policing/Unarmed Response	\$2,000,000
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This project would include funding for new data systems in the police department, outside training and resources to build officer capacity, and funds to engage with third party service providers and non-profits in service of the city's unarmed response program. Specific program details would be



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designed following the city's work on its unarmed response program and with input from civilian oversight and through community engagement activities. This project is scalable, but we recommend at least \$2 million in funding for it.

Homeless Transitional Housing	\$1,000,000
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This proposal is for the AAHC to acquire, and renovate if needed, a 4+ unit rental property. We can then align this property acquisition with HUD homeless resources. A property has not been identified yet. If funds are awarded and a mechanism is established to quickly access the funds for acquisition, then offers can be made on properties for sale in the marketplace.

Tenants will be referred by Housing Access of Washtenaw County. Avalon Housing will provide on-site, voluntary services such as housing-based case management, peer recovery support and community building which includes: advocacy and recovery supports; assistance with benefits and entitlements; provision of basic needs; community building and engagement activities; as well as on-site management and staffing of the community space to provide support activities. As a housing-first program, all services focus first on housing stabilization which include independent living skills, food access, financial literacy, conflict resolution, and then on additional needs such as support and management of physical, mental health, and substance use disorders as well as benefits and employment. All residents will have access to on-site support as well as 24/7 on-call crisis response. This project is not scalable.

Property Acquisition for Affordable Housing	\$3,500,000
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The AAHC and the City are currently in the process of developing ten properties under city ownership for affordable housing. However, the affordable housing needs of the City far outstrip the supply of properties and the number of units that could be developed on them. The AAHC is proposing to acquire additional properties to facilitate further development of affordable housing in our City. These funds include a proposal for a needs assessment of city facility space for the potential development of a property at 2000 S. Industrial. This project is not scalable.

Election Center	\$2,000,000
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Due to significantly increased utilization of absentee ballots as a result of the pandemic, the City Clerk has new needs to store, process, and count absentee ballots and other voting equipment that cannot be met in current city facilities. We are proposing to allocate \$2 million for the acquisition/renovation of a new city facility to meet our election needs. This project is scalable, but likely cannot be completed for less than \$2 million.

Universal Basic Income Pilot	\$2,300,000
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The City will conduct a universal basic income pilot based on the program administered by Stockton, CA. The City will select 100 families in Ann Arbor based on financial need and provide them with a \$500 monthly basic income for three years. We will seek to partner with researchers to determine the impact of the program on the recipients and the community. The proposal's cost includes three years of salary for a program administrator and administrative costs. This project is scalable.



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Coordinated Funding Support

\$1,000,000

The City would invest an additional \$1,000,000 in coordinated funding support to bolster important social service programs that have been in higher demand because of the pandemic. This additional funding will also help past funding recipients who may be transitioning their focus as a result of changes being implemented in the coordinated funding model. This project is scalable.

Recommendations

The total dollar amount of recommended projects in \$41,106,173, or \$16.9 million more than what we have been allocated by the federal government. Staff recommend that the City Council take these recommendations, plus any preliminary additions, and conduct a public engagement process whereby the public may express their interest in how the funds should be prioritized. The Council should also provide feedback on prioritization. Staff should be directed to bring a final recommendation back to Council no later than December 6, 2021. A draft resolution is attached to this memo that would provide this direction to staff.



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Resolution

Title

Resolution to Direct Public Engagement and Final Recommendation for the use of Federal ARP Funds

Body

WHEREAS, On March 11, 2021 the American Rescue Plan was enacted, creating a program for state and local government relief related to the economic conditions created by the COVID-19 Pandemic;

WHEREAS, The City of Ann Arbor will receive \$24,182,630 from the federal government related to this program;

WHEREAS, On June 7, 2021 the Ann Arbor City Council adopted resolution R-21-215 which directed the City Administrator to provide a recommendation for prioritizing the allocation of the ARP funds;

WHEREAS, Throughout the summer staff reviewed the federal regulations that guide this program, evaluated city needs and priorities as set by the Council, and considered which initiatives would be the best fit for these funds;

WHEREAS, Given the historic nature of this funding from the federal government, and the opportunity it represents to make needed investments in our community, a robust public engagement process is essential to finally prioritize these funds.

RESOLVED, The City Council accepts the report from the City Administrator in response to resolution R-21-215;

RESOLVED, That the City Council directs the City Administrator to carry out a public engagement strategy to aid in the prioritization of the ARP funds;

RESOLVED, That the City Council directs the City Administrator to provide a final report on the prioritization and spending plan for the ARP dollars to the City Council not later than December 6, 2021.