

NEIGHBORHOOD ENTERPRISE ZONE EXPANSION

*Senate Bill 364 – Senator Jeremy Moss
House Bill 4646 – Representative Kyra Bolden*



SUMMARY OF BILL

Neighborhood Enterprise Zones (NEZ) provide for the development and rehabilitation of residential housing. They have been used to support investment in infill revitalization for owner-occupied housing and mixed-use buildings in certain Michigan cities since 1992. This can include condominiums and two-family homes provided that they are homestead facilities.

Originally only “eligible distressed communities” could use this tool as defined within the Obsolete Property Rehabilitation Act (PA 146, 2000) and eligible properties were required to be within a downtown revitalization district. With so many communities across Michigan facing an urgent shortage of housing, this bill would extend the opportunity to use NEZs to all Michigan cities, villages and townships.

HOW DOES IT WORK?

The governing body of a local governmental unit designates a neighborhood enterprise zone that cannot be less than 10 platted parcels of land (unless they are in a downtown revitalization district and total more than 10 facilities). The land must be compact and contiguous.

The expansion will let the local government support new (in whole or in part) residential homes and condominiums or new (in whole or in part) mixed use buildings that include residential units with ground-floor retail, and rehabilitated facilities that meet certain investment criteria.

The NEZ tax rate is equal to ½ the tax rate during the year prior to the investment. The land value is assessed and taxed at the full millage rate. The NEZ tax on the property improvements increases each of the final three years.

New and rehabilitated facilities can receive a term of exemption from 6-15 years. Rehabilitated facilities in a qualified historic building may receive a term of exemption from 11-17 years.

Language was added that the local government unit may designate an NEZ only if the local government unit determines that the designation encourages compact development and is adjacent to existing development and can utilize existing infrastructure. This is to further clarify the intent of using this tool for infill development of condo and mixed-use housing and discourage sprawl.

An application for a NEZ can be denied by the local government unit or the State Tax Commission if all requirements are not met.