

HOUSE BILL No. 5405

December 12, 1991, Introduced by Reps. Emerson, Harrison, Saunders, Brackenridge, Van Singel, Hood, Hollister, Knight, Baade, Joe Young, Sr., DeMars, Kilpatrick, Hunter, Wozniak, Clack, Stallworth, Bennane, O'Neill, Hickner and Hertel and referred to the Committee on Taxation.

A bill to provide for the development and rehabilitation of residential housing in certain enterprise zones; to provide for obtaining neighborhood enterprise zone certificates for a period of time and to prescribe the contents of the certificates; to provide for the exemption of certain taxes; to provide for the levy and collection of a specific tax on the owner of certain facilities; and to prescribe the powers and duties of certain officers of the state and local governmental units.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1. This act shall be known and may be cited as the
2 "neighborhood enterprise zone act".

3 Sec. 2. As used in this act:

4 (a) "Commission" means the state tax commission created by
5 Act No. 360 of the Public Acts of 1927, being sections 209.101 to
6 209.107 of the Michigan Compiled Laws.

1 (b) "Condominium unit" means that portion of a structure
2 intended for separate ownership, intended for residential use,
3 and established pursuant to the condominium act, Act No. 59 of
4 the Public Acts of 1978, being sections 559.101 to 559.275 of the
5 Michigan Compiled Laws.

6 (c) "Developer" means a person who is the owner of a new
7 facility at the time of construction or of a rehabilitated facil-
8 ity at the time of rehabilitation for which a neighborhood enter-
9 prise zone certificate is applied for or issued.

10 (d) "Local governmental unit" means a city that meets all of
11 the following criteria at the time of certification by the
12 Michigan state housing development authority under section 15:

13 (i) Has a population of 10,000 or more according to the most
14 recent decennial census.

15 (ii) Has an average annual unemployment rate of more than
16 9.49%.

17 (iii) Had a total millage rate of 65 mills or more levied in
18 the most recent ad valorem property tax levy or levies a city
19 income tax.

20 (iv) Has a housing stock of which 45% or more of the units
21 were built before 1950 as reported in the most recent decennial
22 census.

23 (v) Had a decline in population of more than 9% between 1970
24 and 1990 according to the most recent decennial census.

25 (e) "New facility" means a new structure that has as its
26 primary purpose residential housing consisting of 1 or 2 units, 1
27 of which is or will be occupied by an owner as his or her

1 principal residence. New facility includes a new individual
2 condominium unit, in a structure with 1 or more condominium
3 units, that has as its primary purpose residential housing and
4 that is or will be occupied by an owner as his or her principal
5 residence. New facility does not include apartments.

6 (f) "Neighborhood enterprise zone certificate" or
7 "certificate" means a certificate issued pursuant to sections 4,
8 5, and 6.

9 (g) "Owner" means the record title holder of, or the vendee
10 of the original land contract pertaining to, a new facility or a
11 rehabilitated facility for which a neighborhood enterprise zone
12 certificate is applied for or issued.

13 (h) "Rehabilitated facility" means an existing structure
14 that has or will have as its primary purpose residential housing
15 consisting of 1 to 8 units, the owner of which proposes improve-
16 ments that if done by a licensed contractor would cost in excess
17 of \$3,000.00 or 50% of the true cash value, whichever is less,
18 and will bring the structure into conformance with minimum local
19 building code standards for occupancy or improve the livability
20 of the units while meeting minimum local building code
21 standards. Rehabilitated facility also includes an individual
22 condominium unit, in a structure with 1 or more condominium units
23 that has as its primary purpose residential housing and that the
24 owner of which proposes the above described improvements.

25 Sec. 3. (1) The governing body of a local governmental unit
26 by resolution may designate 1 or more neighborhood enterprise
27 zones within that local governmental unit.

1 (2) Not less than 60 days before the passage of a resolution
2 under subsection (1), the clerk of the local governmental unit
3 shall give written notice to the assessor and to the legislative
4 body of each taxing unit that levies ad valorem property taxes in
5 the proposed neighborhood enterprise zone. Before acting upon
6 the resolution, the legislative body of the local governmental
7 unit shall afford an opportunity for a hearing if one is
8 requested by the assessor or a representative of the affected
9 taxing units within 15 days of the date the notice is sent. The
10 hearing shall be held as soon as possible but not later than 45
11 days after the date the notice is sent.

12 (3) Upon receipt of a notice under subsection (2), the
13 assessor shall determine and furnish to the governing body of the
14 local governmental unit the amount of the true cash value of the
15 property located within the proposed neighborhood enterprise zone
16 and any other information considered necessary by the governing
17 body.

18 Sec. 4. The owner or developer of a proposed new facility
19 or an owner or developer proposing to rehabilitate property
20 located in a neighborhood enterprise zone may file an application
21 for a neighborhood enterprise zone certificate with the clerk of
22 the local governmental unit. The application shall be filed in
23 the manner and form prescribed by the commission before the com-
24 mencement of new construction or rehabilitation. The application
25 shall contain or be accompanied by a general description of the
26 new facility or proposed rehabilitated facility; the general
27 nature and extent of the construction to be undertaken; a time

1 schedule for undertaking and completing the rehabilitation of
2 property or the construction of the new facility; and any other
3 information required by the local governmental unit.

4 Sec. 5. Not more than 60 days after receipt by its clerk of
5 an application under section 4, the governing body of the local
6 governmental unit by resolution shall approve the application for
7 a neighborhood enterprise zone certificate. The clerk shall for-
8 ward the application to the commission.

9 Sec. 6. Not later than 60 days after receipt of an approved
10 application for a rehabilitated facility, and not later than 30
11 days, or if an approved application is received after October 31,
12 not later than 45 days after receipt of an approved application
13 for a new facility, the commission shall determine whether the
14 new facility or rehabilitated facility complies with the require-
15 ments of this act. If the commission finds compliance, it shall
16 issue a neighborhood enterprise zone certificate to the applicant
17 and send a certified copy of the certificate to the assessor of
18 the local governmental unit and each affected taxing unit. The
19 assessor shall keep the certificate filed on record in his or her
20 office. The commission shall maintain a record of all certifi-
21 cates filed. Notice of the commission's refusal to issue a cer-
22 tificate shall be sent by certified mail to the same persons.

23 Sec. 7. (1) The commission shall not issue a neighborhood
24 enterprise zone certificate for a new facility unless the new
25 facility meets the requirements of the definition in
26 section 2(e).

1 (2) The commission shall not issue a neighborhood enterprise
2 zone certificate for a rehabilitated facility unless the
3 rehabilitated facility meets the requirements of the definition
4 in section 2(h).

5 Sec. 8. A neighborhood enterprise zone certificate shall be
6 in the form prescribed by the commission and shall include the
7 following:

8 (a) A legal description of the real property on which the
9 new facility is to be located or the legal description of the
10 rehabilitated property.

11 (b) A statement that unless revoked under this act, the cer-
12 tificate shall remain in effect for the period stated in the
13 certificate.

14 Sec. 9. (1) There is levied on the owner of a new facility
15 or a rehabilitated facility to which a neighborhood enterprise
16 zone certificate is issued a specific tax known as the neighbor-
17 hood enterprise zone tax.

18 (2) A new facility or a rehabilitated facility for which a
19 neighborhood enterprise zone certificate is in effect, but not
20 the land on which the facility is located, is exempt from ad
21 valorem property taxes levied under the general property tax act,
22 Act No. 206 of the Public Acts of 1893, being sections 211.1 to
23 211.157 of the Michigan Compiled Laws.

24 (3) The amount of the neighborhood enterprise zone tax on a
25 new facility is determined each year by multiplying the state
26 equalized valuation of the facility, not including the land, by
27 1/2 of the average rate of taxation levied upon other property

1 upon which ad valorem taxes are assessed as determined by the
2 state board of assessors under section 13 of Act No. 282 of the
3 Public Acts of 1905, being section 207.13 of the Michigan
4 Compiled Laws.

5 (4) The amount of the neighborhood enterprise zone tax on a
6 rehabilitated facility is determined each year by multiplying the
7 state equalized valuation of the rehabilitated facility, not
8 including the land, for the tax year immediately preceding the
9 effective date of the neighborhood enterprise zone certificate by
10 the total mills levied under Act No. 206 of the Public Acts of
11 1893 for the current year by all taxing units within which the
12 rehabilitated facility is located.

13 (5) The neighborhood enterprise zone tax is an annual tax,
14 payable at the same times, in the same installments, and to the
15 same officer or officers as taxes imposed under Act No. 206 of
16 the Public Acts of 1893, being sections 211.1 to 211.157 of the
17 Michigan Compiled Laws, are payable. The officer or officers
18 shall disburse the neighborhood enterprise zone tax received by
19 the officer or officers each year to the same cities, townships,
20 villages, school districts, counties, and authorities at the same
21 times and in the same proportions as required for the disburse-
22 ment of taxes collected under Act No. 206 of the Public Acts of
23 1893. However, if a local or intermediate school district
24 receives state aid under sections 21(1), 56, 62, and 81 of the
25 state school aid act of 1979, Act No. 94 of the Public Acts of
26 1979, being sections 388.1621, 388.1656, 388.1662, and 388.1681
27 of the Michigan Compiled Laws, of the amount that would otherwise

1 be disbursed to a local or intermediate school district, all or a
2 portion, to be determined on the basis of the tax rates being
3 utilized to compute the amount of state aid, shall be paid to the
4 state treasury to the credit of the state school aid fund estab-
5 lished by section 11 of article IX of the state constitution of
6 1963. If the sum of any industrial facility tax levied under Act
7 No. 198 of the Public Acts of 1974, being sections 207.551 to
8 207.571 of the Michigan Compiled Laws, the commercial facilities
9 tax levied under the commercial redevelopment act, Act No. 255 of
10 the Public Acts of 1978, being sections 207.651 to 207.668 of the
11 Michigan Compiled Laws, and the neighborhood enterprise zone tax
12 paid to the state treasury to the credit of the state school aid
13 fund that would otherwise be disbursed to the local or intermedi-
14 ate school district exceeds the amount received by the local or
15 intermediate school district under sections 21(1), 56, 62, and 81
16 of Act No. 94 of the Public Acts of 1979, the department of trea-
17 sury shall allocate to each eligible local or intermediate school
18 district an amount equal to the difference between the sum of the
19 industrial facility tax, the commercial facilities tax, and the
20 neighborhood enterprise zone tax paid to the state treasury to
21 the credit of the state school aid fund and the amount the local
22 or intermediate school district received under sections 21(1),
23 56, 62, and 81 of Act No. 94 of the Public Acts of 1979. The
24 officer or officers shall send a copy of the amount of disburse-
25 ment made to each unit under this section to the commission on a
26 form provided by the commission. The neighborhood enterprise
27 zone tax is a lien on the real property upon which the new

1 facility or rehabilitated facility subject to the certificate is
2 located until paid. The continuance of a certificate is condi-
3 tional upon the annual payment of the neighborhood enterprise
4 zone tax and the ad valorem tax on the land under Act No. 206 of
5 the Public Acts of 1893.

6 Sec. 10. (1) The effective date of the neighborhood enter-
7 prise zone certificate is the first day of the tax year following
8 the year in which the new facility or rehabilitated facility is
9 substantially completed and, for a new facility, occupied by an
10 owner as a principal residence, as evidenced by the owner filing
11 with the assessor of the local assessing unit all of the
12 following:

13 (a) For a new facility, a certificate of occupancy.

14 (b) For a rehabilitated facility, a certificate that the
15 improvements meet minimum local building code standards issued by
16 the local building inspector or other authorized officer or a
17 certificate of occupancy if required by local building permits or
18 building codes.

19 (c) For a rehabilitated facility, documentation proving the
20 cost requirements of section 2(h) are met.

21 (d) For a new facility, an affidavit executed by an owner
22 affirming that the new facility is occupied by an owner as a
23 principal residence.

24 (2) The owner, or any subsequent owner, before November 1 of
25 each year the certificate is in force shall submit to the asses-
26 sor of the local assessing unit an affidavit executed by the

1 owner affirming that the new facility is occupied by the owner as
2 a principal residence.

3 Sec. 11. (1) Upon receipt of a request by certified mail to
4 the commission by the holder of a neighborhood enterprise zone
5 certificate requesting revocation of the certificate, the commis-
6 sion shall by order revoke the certificate.

7 (2) The certificate shall expire if the owner fails to com-
8 plete the filing requirements under section 10(1) within 2 years
9 of the date the certificate was issued. The holder of the cer-
10 tificate may request in writing to the commission a 1-year auto-
11 matic extension of the certificate if the owner has proceeded in
12 good faith with the construction or rehabilitation of the facil-
13 ity in a manner consistent with the purposes of this act and the
14 delay in completion or occupancy by an owner is due to circum-
15 stances beyond the control of the holder of the certificate.
16 Upon request of the local governmental unit, the commission shall
17 extend the certificate if the new facility has not been
18 occupied.

19 (3) The certificate is automatically revoked if the affida-
20 vit under section 10(2) is not provided by November 1 of each
21 year the certificate is in effect.

22 (4) The revocation shall be effective beginning the
23 December 31 following the date of the order or, if the owner
24 failed to submit to the assessor the affidavit required under
25 section 10(2), the December 31 following the failure to submit
26 the affidavit. The commission shall send by certified mail
27 copies of the order of revocation to the holder of the

1 certificate, to the local governmental unit in which the facility
2 is located, to the assessor of that local governmental unit, and
3 to the legislative body of each taxing unit that levies taxes
4 upon property in the local governmental unit in which the new
5 facility or rehabilitated facility is located.

6 (5) If the new facility or rehabilitated facility is sold
7 for delinquent property taxes due on the land, the certificate
8 automatically is revoked upon the expiration of the redemption
9 period provided for in section 74 of the general property tax
10 act, Act No. 206 of the Public Acts of 1893, being section 211.74
11 of the Michigan Compiled Laws.

12 Sec. 12. Unless earlier revoked as provided in section 11,
13 a neighborhood enterprise zone certificate shall remain in effect
14 until 12 years from the effective date of the certificate. If
15 the new facility is sold or transferred to another owner who
16 files an affidavit required by section 10(2) and who uses the new
17 facility as a principal residence, the certificate shall remain
18 in effect.

19 Sec. 13. (1) The assessor of each local governmental unit
20 in which is located a new facility or a rehabilitated facility
21 for which a neighborhood enterprise zone certificate is in effect
22 shall determine annually, with respect to each new facility or
23 rehabilitated facility, the assessed valuation of the property
24 comprising the facility having the benefit of a neighborhood
25 enterprise zone certificate and the amount of ad valorem property
26 tax that would have been paid with respect to each new facility
27 and rehabilitated facility under the general property tax act,

1 Act No. 206 of the Public Acts of 1893, being sections 211.1 to
2 211.157 of the Michigan Compiled Laws, if the certificate had not
3 been in force, and the assessed valuation on which the neighbor-
4 hood enterprise zone tax is based for a rehabilitated facility.
5 A holder of a certificate shall furnish to the assessor the
6 information necessary for the determination.

7 (2) After making the determinations under subsection (1),
8 the assessor shall annually notify the legislative body of each
9 taxing unit that levies taxes upon property in the local govern-
10 mental unit in which the new facility or rehabilitated facility
11 is located and the holder of the certificate of which the deter-
12 mination is made, separately stating the determinations for real
13 property and personal property. The notice shall be sent by cer-
14 tified mail not later than October 15 and shall be based upon the
15 valuation as of the preceding December 31.

16 Sec. 14. Not later than 30 days after the effective date of
17 this act and 30 days after receiving the data from each subse-
18 quent decennial census, the Michigan state housing development
19 authority created under the state housing development authority
20 act of 1966, Act No. 346 of the Public Acts of 1966, being sec-
21 tions 125.1401 to 125.1499c of the Michigan Compiled Laws, shall
22 publish a list of local governmental units certified as meeting
23 the criteria in section 2(d).

24 Sec. 15. Beginning October 1, 1995, and on October 1 every
25 2 years after 1995, the Michigan state housing development
26 authority and the department of treasury jointly shall prepare
27 and submit to the respective committees of the senate and house

1 of representatives responsible for matters concerning taxation
2 and housing an in-depth analysis of the costs and benefits of
3 this act and its impact on neighborhood revitalization in the
4 local governmental units where it has been utilized. This report
5 shall include specific recommendations for any changes considered
6 necessary in this act.