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NEIGHBORHOOD ENTERPRISE ZONES: ELIGIBLE COMMUNITIES

House Bill 4621

Sponsor: Rep. Randy Richardville

Committee: Commerce

Complete to 4-20-01

A SUMMARY OF HOUSE BILL 4621 AS INTRODUCED 4-18-01

The bill would amend the Neighborhood Enterprise Zone Act to revise the definition of “local governmental unit”, which determines which communities are eligible to participate. The bill would eliminate the existing criteria for participating local units and instead adopt the eligibility criteria currently found in the Obsolete Property Rehabilitation Act, Public Act 146 of 2000. The bill also would eliminate the provision that does not allow a new certificate to be issued under the act after December 31, 2002.

(The Neighborhood Enterprise Zone Act was enacted in 1992 as an effort to improve the housing stock in certain “distressed” urban communities. The act offers reduced property taxes to residential property owners in certain zones designated by local units. Generally speaking, owners of new construction pay taxes at the rate of one-half of the statewide average property tax rate and owners of rehabilitated housing pay taxes based on the value of the property prior to rehabilitation. The abatement applies to structures and not to land. Property owners who obtain a neighborhood enterprise zone certificate are exempt from property taxes and pay a specific tax instead. This is similar to the tax abatement program available for manufacturing facilities under Public Act 198 of 1974. Approval of the local unit and the State Tax Commission is required to obtain a certificate, which is good for 12 years. A new facility must be owner-occupied housing of one or two units, and can include an individual condominium unit. Apartments don’t qualify. A rehabilitated facility can consist of up to eight units and must meet certain specified rehabilitation expenditure requirements.)

New Definition. Under the definition found in the Obsolete Property Rehabilitation Act, which is used in various statutes relating to “brownfields”, a qualified local governmental unit includes a city with a median family income of 150 percent or less of the statewide median family income as of the 1990 federal decennial census that meets one or more of the following conditions: 1) is contiguous to a city with a population of 500,000 or more; 2) has a population of 10,000 or more and was located outside an urbanized area; 3) has a population of 100,000 or more within a county of 2 million or more as of the 1990 census; 4) contains an eligible distressed area under the Michigan State Housing Development Authority Act; or 5) is the central city of a metropolitan area designated by the federal census bureau. The definition also includes a township with a median family income of 150 percent or less of the statewide median family income that is either 1) contiguous to a city with a population of 500,000 or 2) that has a population of more than 10,000 and contains an eligible distressed area. It also includes a city with a population of more than 20,000 or less than 5,000 located in a county with a population of 2 million or more that as of January 1, 2000, had an overall increase in state equalized valuation of real and personal property of less than 65 percent of the statewide average increase since

House Bill 4621 (4-20-01)

1972; and a village with a population of 500 or more as the 1990 census located in an area designated as a rural enterprise community.

Eligible Communities. The following cities are said to qualify under the above definition: Adrian, Albion, Alma, Alpena, Ann Arbor, Bangor, Battle Creek, Bay City, Benton Harbor, Big Rapids, Bronson, Burton, Cadillac, Carson City, Caspian, Cheboygan, Coleman, Dearborn, Dearborn Heights, Detroit, Dowagiac, East Lansing, Eastpointe, Ecorse, Escanaba, Ferndale, Flint, Gibraltar, Gladstone, Grand Haven, Grand Rapids, Grayling, Hamtramck, Harbor Beach, Harper Woods, Hazel Park, Highland Park, Holland, Inkster, Ionia, Iron River, Ironwood, Ishpeming, Jackson, Kalamazoo, Lansing, Lincoln Park, Livonia, Ludington, Manistee, Manistique, Marquette, Melvindale, Midland, Monroe, Mt. Morris, Mt. Pleasant, Muskegon, Muskegon Heights, Oak Park, Onaway, Owosso, Pinconning, Pontiac, Port Huron, River Rouge, Saginaw, Saint Louis, Sault Ste. Marie, Southfield, Stambaugh, Sturgis, Taylor, Trenton, Traverse City, Vassar, Wakefield, Warren, Wayne, Wyandotte, and Ypsilanti. The following townships are included: Benton Charter Township, Buena Vista Charter Township, Genesee Township, Mt. Morris Charter Township, Redford Charter Township, and Royal Oak Charter Township. Also Baldwin Village is included.

Original Definition. The Neighborhood Enterprise Zone Act's existing definition of "local governmental unit" requires that a city have: 1) a population of 10,000 or more; 2) an average unemployment rate of eight percent or more in the most recent calendar year for which information is available or a total millage rate of 84 or more mills levied in the most recent ad valorem property tax levy; 3) a total millage rate of 63.3 mills or more levied in the most recent levy or a city income tax; 4) a housing stock of which 60 percent or more of the units were build before 1960; 5) a percentage increase in state equalized valuation between 1970 and 1990 below 140 percent; and 6) a decline in population of more than 5 percent between 1970 and 1990. A city that had the largest population of the cities within a metropolitan statistical area would have to meet three of the criteria; other cities would have to meet all of the criteria. For a village or township the mandatory criteria would be: 1) a population of 5,000 or more; 2) an average unemployment rate of 17 percent or more during the most recent calendar year; 3) a total millage rate of 65 mills levied in the most recent tax levy; and 4) a decline in population of more than 20 percent between 1970 and 1990.

Original Eligible Communities. When enacted, the definition was said to apply to Albion, Alpena, Battle Creek, Bay City, Benton Harbor, Detroit, Ecorse, Ferndale, Flint, Grand Rapids, Hamtramck, Hazel Park, Highland Park, Inkster, Jackson, Kalamazoo, Lansing, Lincoln Park, Melvindale, Muskegon, Muskegon Heights, Oak Park, Pontiac, Port Huron, River Rouge, Royal Oak Township, Saginaw, Wayne, Wyandotte, and Ypsilanti. Under the 1992 act, the Michigan Enterprise Zone Authority was to publish a list of the local units that met the criteria within 30 days after the act's effective date and add any additional local units meeting the criteria one year later, but no new determinations were to be made after December 31, 1993.

Analyst: C. Couch

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.