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## NEIGHBORHOOD ENTERPRISE ZONE EXEMPTIONS

**House Bill 4872 as introduced**  
**First Analysis (9-24-03)**  
**Sponsor: Rep. Steve Tobocman**  
**Committee: Commerce**

### ***THE APPARENT PROBLEM:***

Under the Neighborhood Enterprise Zone Act, new or rehabilitated housing in certain specially designated areas in eligible communities can receive property tax reductions. (See Background Information.) The act requires generally that an application for a tax abatement certificate be filed before a building permit is issued for new or rehabilitated housing. There are several exceptions in the statute to cover special cases where this requirement was inadvertently not met. A new special case has arisen, involving 17 residences in the Corktown neighborhood of Detroit.

As described in a letter from affected residents to the chair of the House Commerce Committee, homeowners purchased these properties with the belief that there would be significant tax abatements for 12 years. But because the building permits were issued before the applications had been submitted, the promised tax relief has not been forthcoming. The residents said, "This mistake has cost homeowners thousand of dollars resulting in double the tax burden expected." They say this mistake was common when the NEZ program was first implemented (and claim the error was due to misleading state and city instructions). The properties in question were constructed in the mid-90's and were the first new housing in Corktown in many years. Since the initial 17 residences (7 in lofts and 10 in townhouses) were built, an additional 14 homes have been constructed, all of which receive the abatement because the paperwork was done properly, and another 5 are said to be in the pipeline. These developments are bringing families and young professionals to what has been described as the city's oldest neighborhood. Similar cases in the past in other neighborhoods have been addressed through legislation.

### ***THE CONTENT OF THE BILL:***

House Bill 4872 would amend the Neighborhood Enterprise Zone Act to allow an additional exemption to the requirement that an application for a tax

abatement certificate under the act be filed before a building permit is issue. The exception would apply if the area in which the new facility or rehabilitated facility is located had been designated as a neighborhood enterprise zone by the local governing body in October 1994 and if the building permit had been issued on or before April 25, 1997. The certificate in that case would be considered effective as of January 1, 2001.

MCL 207.774

### ***BACKGROUND INFORMATION:***

The Neighborhood Enterprise Zone Act was enacted in 1992 as an effort to improve the housing stock in urban areas where little or no new construction was taking place and much housing was in need of rehabilitation. 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. Ten cities have established zones under this program, including Detroit.

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**FISCAL IMPLICATIONS:**

There is no information at present.

**ARGUMENTS:*****For:***

The bill would provide 17 homeowners in the Corktown neighborhood of Detroit the property tax reductions they were promised when they purchased property in a neighborhood enterprise zone. Administrative errors have prevented these tax abatements from being awarded. Subsequent housing units in the same area are receiving the tax reductions. These homeowners are now faced with significantly higher taxes than anticipated, which in some cases is causing substantial hardship. Similar kinds of exceptions have been made in the past to correct procedural mistakes, not only for residential abatements but also for manufacturers under Public Act 198 of 1974.

**POSITIONS:**

A representative of Corktown Citizens District Council testified in support of the bill. (9-23-03)

Analyst: C. Couch

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■ 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.