



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536



BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 1206 (Substitute S-4 as reported by the Committee of the Whole)

Sponsor: Senator Gerald Van Woerkom

Committee: Commerce and Labor

CONTENT

The bill would amend the Neighborhood Enterprise Zone (NEZ) Act to do all of the following:

- Allow, rather than require, a local governmental unit with a population of 20,000 or less to pass a housing inspection ordinance before acting upon a resolution proposing a NEZ. (Larger local units still would be required to pass an ordinance.)
- Provide for a NEZ certificate generally to remain in effect for six to 12 years, as determined by the local unit's governing body, rather than for 12 years.
- Provide that a NEZ certificate for a rehabilitated facility constituting all or part of a "qualified historic building" would remain in effect for 11 to 17 years, as determined by the local unit's governing body. (If, however, the rehabilitated facility were not transferred or sold within six years of the certificate's effective date to a person who would own and occupy the facility as his or her principal residence, the certificate would be revoked.)
- Specify that condominium units within a qualified historic building could be held under common ownership.
- Provide that "new facility" would include a model home or a model condominium unit.
- Specify that "rehabilitated facility" would include existing or proposed condominium units in a qualified historic building with one or more units, and that a qualified historic building could contain multiple rehabilitated facilities.
- Allow an owner or developer to apply for a NEZ certificate after a building permit was issued for a rehabilitated facility, if all or part of it were a qualified historic building.
- Specify that contiguity of a NEZ would not be broken by a road, right-of-way, or property purchased or taken under condemnation if the property were a single parcel before the sale or condemnation.

"Qualified historic building" would mean a property within a NEZ that has been designated a "historic resource" as defined in Section 266 of the Income Tax Act (which provides for an income tax credit for certain expenditures associated with the rehabilitation of a historic resource).

MCL 207.772 et al.

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill could increase or decrease State School Aid Fund revenue and local property tax revenue by an unknown amount. The fiscal impact of the bill primarily reflects the provisions allowing a local unit to issue NEZ certificates that would be effective for less than the current period of 12 years. It is unknown how many local units would choose to issue certificates with shorter effective period, or the properties for which those certificates would be issued. To the extent shorter-lived certificates were issued, the lower property tax burden afforded under them would be of shorter duration and property taxes to the State and local units would be greater than under the current 12-year period.

The revenue increase could be offset because the bill essentially would allow a local unit to issue more certificates, but at the same cost as under current law. For example, instead of issuing one certificate for one property for 12 years, the local unit could issue one certificate on one property for six years and when it expired issue another certificate on another property for six years. The total reduction in property taxes over the 12-year period could be less than, the same as, or greater than under current law, depending upon the taxable values of the properties covered by the certificates. The net effect on revenue of this offset is also unknown.

While the bill would revise certain requirements regarding the passage of a housing inspection ordinance by the local unit of government, inspections still would be required before the sale of any new or rehabilitated facility for which an enterprise zone is in effect and local units still would be able to pass a housing inspection ordinance.

The bill's provisions regarding condominium units in qualified historic buildings would likely reduce State School Aid Fund revenue and local property tax revenue by an unknown amount. Certificates issued on these properties generally would be in effect for a longer period of time, compared with certificates for other facilities, and would remain effective when the property was sold. The amount of the reduction depends upon the number of properties that would receive certificates under the bill as well as the taxable value of those properties.

This analysis is preliminary and will be revised as new information becomes available.

Date Completed: 7-9-04

Fiscal Analyst: David Zin

Floor\sb1206

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.