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BILL ANALYSIS

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Senate Bill 1206 (as introduced 5-13-04)  
Sponsor: Senator Gerald Van Woerkom  
Committee: Commerce and Labor

Date Completed: 5-28-04

### **CONTENT**

**The bill would amend the Neighborhood Enterprise Zone Act to do both of the following:**

- Allow, rather than require, the governing body of a local unit to pass a housing inspection ordinance before acting upon a resolution proposing a neighborhood enterprise zone.**
- Provide that a neighborhood enterprise zone certificate would remain in effect for up to 12 years, rather than until 12 years, after the certificate's effective date.**

#### Housing Inspection Ordinance

The Act allows the governing body of an eligible local unit of government to designate, by resolution, one or more neighborhood enterprise zones within the local unit. Before acting upon such a resolution, a local unit's governing body must do certain things including passing a housing inspection ordinance. At a minimum, the ordinance must require that before the sale of a unit in a new or rehabilitated facility for which a neighborhood enterprise zone certificate is in effect, an inspection be done to determine compliance with any local construction or safety codes and that a sale may not be finalized until there is compliance with those codes.

The bill, instead, would allow a governing body to pass a housing inspection ordinance before acting upon the resolution. An inspection for compliance with local construction and safety codes still would have to be made before a unit in a new or rehabilitated facility was sold, but the ordinance would not have to include that requirement.

#### Duration of Certificate

Unless a neighborhood enterprise zone certificate is revoked pursuant to the Act, the certificate remains in effect until 12 years from its effective date. Under the bill, unless revoked, a certificate would remain in effect for up to 12 years from its effective date, as determined by the local governmental unit's governing body.

MCL 207.773 & 207.782

### **BACKGROUND**

The Neighborhood Enterprise Zone Act allows eligible local governmental units to designate neighborhood enterprise zones, within which the owner or developer of property may receive a neighborhood enterprise zone certificate that exempts new or rehabilitated

housing from the property tax and subjects it, instead, to a specific neighborhood enterprise zone tax.

Under the Act, "new facility" means a new structure or a portion of a new structure that has as its primary purpose residential housing consisting of one or two units, one of which is or will be occupied by an owner as his or her principal residence. The term includes a new individual condominium unit, but does not include apartments.

"Rehabilitated facility" means an existing structure or a portion of an existing structure with a current true cash value of \$80,000 or less per unit that has or will have as its primary purpose residential housing consisting of one to eight units, whose owner proposes improvements that if done by a licensed contractor would cost in excess of \$5,000 per owner-occupied unit or \$4,500 per nonowner-occupied unit and will bring the structure into conformance with minimum local building code standards for occupancy or improve the livability of the units while meeting minimum local building code standards.

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 neighborhood enterprise zone 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. However, to the extent shorter-lived certificates were issued, the lower property tax burden afforded under the certificates would be of shorter duration and property taxes to the State and local units would be greater than under the 12-year period in current law.

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 current law, depending upon the taxable values of the properties covered by the certificates. The net effect on revenues 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.

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

Fiscal Analyst: David Zin

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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.