



Senate Fiscal Agency  
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BILL ANALYSIS

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Senate Bill 975 (Substitute S-1 as reported)  
Senate Bill 976 (Substitute S-1 as reported)  
Sponsor: Senator Roger Kahn, M.D. (S.B. 975)  
          Senator Jud Gilbert, II (S.B. 976)  
Committee: Commerce and Tourism

### **CONTENT**

Senate Bill 975 (S-1) would amend the Neighborhood Enterprise Zone (NEZ) Act to allow a neighborhood enterprise zone located in a "qualified downtown revitalization district" to contain fewer than 10 platted parcels if the platted parcels together contained 10 or more facilities. Under the Act, a NEZ must contain at least 10 platted parcels of land. The bill would make an exception to that requirement.

Senate Bill 976 (S-1) would amend the NEZ Act to include in the definition of "new facility" a new structure or a portion of a new structure that is rented or leased or is available for rent or lease, is a mixed use building or located in a mixed use building that contains retail business space on the street level floor, and is located in a qualified downtown revitalization district. Currently, "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. "New facility" also includes a new individual condominium unit, in a structure whose primary purpose residential housing and that is or will be occupied by an owner as his or her principal residence. The term does not include apartments. Under the bill, "new facility" would not include apartments except as provided above.

The bill would define "qualified downtown revitalization district" as an area located within the boundaries of one or more of the following:

- A downtown district, as defined in the downtown development authority Act.
- A principal shopping district or a business improvement district as defined in the principal shopping district Act.
- An area of the local unit zoned and primarily used for business, as determined by the local governmental unit.

(The NEZ Act allows the governing body of a local governmental unit to designate one or more neighborhood enterprise zones, within which the owner of a homestead facility, the owner or developer of a proposed new facility, or an owner or developer wishing to rehabilitate property may receive an NEZ certificate. A certificate exempts new or rehabilitated housing from the property tax and subjects it, instead, to a specific neighborhood enterprise zone tax.)

MCL 207.773 (S.B. 975)  
207.772 (S.B. 976)

Legislative Analyst: Patrick Affholter

## **FISCAL IMPACT**

The bills would reduce State and local property tax revenue by an unknown amount, depending upon the specific characteristics of the property affected by the bills. The bills would expand the conditions under which a zone may be created, and the types of property that may be included in a zone. The bills also would increase State School Aid Fund expenditures by an unknown amount because any reduction in local school operating taxes would be offset by higher expenditures in order to maintain per-pupil funding guarantees. Neighborhood enterprise zones are expected to reduce property taxes on affected property by \$12.7 million in fiscal year 2007-08. During 2007, 13 cities participated in the program, although additional communities were eligible.

Date Completed: 5-14-08

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.