

# Legislative Analysis



## NEIGHBORHOOD ENTERPRISE ZONE ACT

Phone: (517) 373-8080  
<http://www.house.mi.gov/hfa>

**House Bill 5775 as introduced**  
**Sponsor: Rep. Beau Matthew LaFave**  
**Committee: Commerce and Tourism**  
**Complete to 5-29-20**

Analysis available at  
<http://www.legislature.mi.gov>

### SUMMARY:

House Bill 5775 would amend the Neighborhood Enterprise Zone Act to remove location requirements to qualify as a *homestead facility* and low-income requirements (among others) to qualify as a *local governmental unit*. In addition, the bill would add a standard specific to the Upper Peninsula for a structure to qualify as a *rehabilitated facility*.

Under the act, a local governmental unit may submit a proposal to designate an area in need of revitalization as the site for one of three types of projects that could receive neighborhood enterprise zone benefits. One type is a *rehabilitated facility*, which the act defines as an existing structure (or portion thereof) with a current true cash value of \$120,000 or less per unit with the primary purpose of residential housing, consisting of one to eight units, to which the owner must propose improvements with costs meeting certain value thresholds.

Under the bill, the true cash value of a rehabilitated facility located in the Upper Peninsula would be \$500,000 or less per unit.

In general, and in addition to other requirements, to qualify as a *homestead facility* under the act, a structure must be located in a subdivision that was platted before 1968 or be located in a subdivision that was platted after 1998 and is located in a city and county fitting specified population ranges.

The bill would remove criteria related to the location of the structure and define homestead facility as an existing structure that has as its primary purpose residential housing consisting of one or two units, one of which is occupied by an owner as his or her principal residence.

Finally, the act currently defines *local governmental unit* as a county seat or a “qualified local governmental unit” as defined in the Obsolete Property Rehabilitation Act (which includes criteria such as a having a median family income that is 150% or less of the statewide median; being contiguous to a city with a population of 500,000 or more; containing eligible distressed areas as defined in the State Housing Development Authority Act, etc.).

The bill would remove these requirements and define local governmental unit as a city, village, or township.

MCL 207.772

## **FISCAL IMPACT:**

The bill would reduce local property tax revenue by an indeterminate amount by granting neighborhood enterprise zone eligibility to additional properties, both through an expansion of qualified local units from eligible distressed units to all cities, villages, and townships and through increased true cash value caps on certain rehabilitated facilities in the Upper Peninsula of this state. Additional homestead facilities would be eligible for neighborhood enterprise “homestead” zone qualification, which would also reduce local property tax revenues. The magnitude of the reduction in tax revenues would be directly related to the quantity and value of newly eligible properties.

Legislative Analyst: Rick Yuille  
Fiscal Analyst: Ben Gielczyk

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