

**SUBSTITUTE FOR
SENATE BILL NO. 530**

A bill to amend 1992 PA 147, entitled
"Neighborhood enterprise zone act,"
by amending sections 2, 3, 4, 8, 10, 11, 12, and 13 (MCL 207.772,
207.773, 207.774, 207.778, 207.780, 207.781, 207.782, and 207.783),
sections 2, 3, and 12 as amended by 2004 PA 396, section 4 as
amended by 2004 PA 566, and sections 10 and 11 as amended by 2001
PA 217.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 2. As used in this act:

2 (a) "Commission" means the state tax commission created by
3 1927 PA 360, MCL 209.101 to 209.107.

4 (b) "Condominium unit" means that portion of a structure
5 intended for separate ownership, intended for residential use, and

1 established pursuant to the condominium act, 1978 PA 59, MCL
2 559.101 to 559.276. Condominium units within a qualified historic
3 building may be held under common ownership.

4 (c) "Developer" means a person who is the owner of a new
5 facility at the time of construction or of a rehabilitated facility
6 at the time of rehabilitation for which a neighborhood enterprise
7 zone certificate is applied for or issued.

8 (D) "FACILITY" MEANS A HOMESTEAD FACILITY, A NEW FACILITY, OR
9 A REHABILITATED FACILITY.

10 (E) "HOMESTEAD FACILITY" MEANS AN EXISTING STRUCTURE,
11 PURCHASED BY OR TRANSFERRED TO AN OWNER AFTER DECEMBER 31, 1997,
12 THAT HAS AS ITS PRIMARY PURPOSE RESIDENTIAL HOUSING CONSISTING OF 1
13 OR 2 UNITS, 1 OF WHICH IS OCCUPIED BY AN OWNER AS HIS OR HER
14 PRINCIPAL RESIDENCE AND THAT IS LOCATED WITHIN A SUBDIVISION
15 PLATTED PURSUANT TO STATE LAW BEFORE JANUARY 1, 1968.

16 (F) ~~(d)~~ "Local governmental unit" means a qualified local
17 governmental unit as that term is defined under section 2 of the
18 obsolete property rehabilitation act, 2000 PA 146, MCL 125.2782, OR
19 A COUNTY SEAT.

20 (G) ~~(e)~~ "New facility" means a new structure or a portion of
21 a new structure that has as its primary purpose residential housing
22 consisting of 1 or 2 units, 1 of which is or will be occupied by an
23 owner as his or her principal residence. New facility includes a
24 model home or a model condominium unit. New facility includes a new
25 individual condominium unit, in a structure with 1 or more
26 condominium units, that has as its primary purpose residential
27 housing and that is or will be occupied by an owner as his or her

1 principal residence. New facility does not include apartments.

2 (H) ~~—(f)—~~ "Neighborhood enterprise zone certificate" or
3 "certificate" means a certificate issued pursuant to sections 4, 5,
4 and 6.

5 (I) ~~—(g)—~~ "Owner" means the record title holder of, or the
6 vendee of the original land contract pertaining to, a new facility,
7 **A HOMESTEAD FACILITY**, or a rehabilitated facility for which a
8 neighborhood enterprise zone certificate is applied for or issued.

9 (J) ~~—(h)—~~ "Qualified historic building" means a property
10 within a neighborhood enterprise zone that has been designated a
11 historic resource as defined under section 266 of the income tax
12 act of 1967, 1967 PA 281, MCL 206.266.

13 (K) ~~—(i)—~~ "Rehabilitated facility" means an existing structure
14 or a portion of an existing structure with a current true cash
15 value of \$80,000.00 or less per unit that has or will have as its
16 primary purpose residential housing, consisting of 1 to 8 units,
17 the owner of which proposes improvements that if done by a licensed
18 contractor would cost in excess of \$5,000.00 per owner-occupied
19 unit or 50% of the true cash value, whichever is less, or \$7,500.00
20 per nonowner-occupied unit or 50% of the true cash value, whichever
21 is less, or the owner proposes improvements that would be done by
22 the owner and not a licensed contractor and the cost of the
23 materials would be in excess of \$3,000.00 per owner-occupied unit
24 or \$4,500.00 per nonowner-occupied unit and will bring the
25 structure into conformance with minimum local building code
26 standards for occupancy or improve the livability of the units
27 while meeting minimum local building code standards. Rehabilitated

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1 facility also includes an individual condominium unit, in a
 2 structure with 1 or more condominium units that has as its primary
 3 purpose residential housing, the owner of which proposes the above
 4 described improvements. Rehabilitated facility also includes
 5 existing or proposed condominium units in a qualified historic
 6 building with 1 or more existing or proposed condominium units.
 7 Rehabilitated facility does not include a facility rehabilitated
 8 with the proceeds of an insurance policy for property or casualty
 9 loss. A qualified historic building may contain multiple
 10 rehabilitated facilities.

11 Sec. 3. (1) The governing body of a local governmental unit by
 12 resolution may designate 1 or more neighborhood enterprise zones
 13 within that local governmental unit. A neighborhood enterprise zone
 14 shall contain not less than 10 platted parcels of land. All the
 15 land within a neighborhood enterprise zone shall also be compact
 16 and contiguous. Contiguity is not broken by a road, right-of-way,
 17 or property purchased or taken under condemnation if the purchased
 18 or condemned property was a single parcel prior to the sale or
 19 condemnation.

20 (2) The total acreage of the neighborhood enterprise zones
 21 **CONTAINING ONLY NEW FACILITIES OR REHABILITATED FACILITIES OR ANY**
 22 **COMBINATION OF NEW FACILITIES OR REHABILITATED FACILITIES**
 23 designated under this act shall not exceed 15% of the total acreage
 24 contained within the boundaries of the local governmental unit. **THE**
 25 **TOTAL ACREAGE OF THE NEIGHBORHOOD ENTERPRISE ZONES CONTAINING ONLY**
 26 **HOMESTEAD FACILITIES DESIGNATED UNDER THIS ACT SHALL NOT EXCEED <<10% OF**
THE TOTAL ACREAGE CONTAINED WITHIN THE BOUNDARIES OF THE LOCAL
GOVERNMENTAL UNIT OR, WITH THE APPROVAL OF THE BOARD OF COMMISSIONERS OF
THE COUNTY IN WHICH THE NEIGHBORHOOD ENTERPRISE ZONE IS LOCATED IF THE
COUNTY DOES NOT HAVE AN ELECTED OR APPOINTED COUNTY EXECUTIVE OR WITH THE
APPROVAL OF THE BOARD OF COMMISSIONERS AND THE COUNTY EXECUTIVE OF THE
COUNTY IN WHICH THE NEIGHBORHOOD ENTERPRISE ZONE IS LOCATED IF THE COUNTY
HAS AN ELECTED OR APPOINTED COUNTY EXECUTIVE,>> 15%
 27 **OF THE TOTAL ACREAGE CONTAINED WITHIN THE BOUNDARIES OF THE LOCAL**

1 **GOVERNMENTAL UNIT.**

2 (3) Not less than 60 days before the passage of a resolution
3 designating a neighborhood enterprise zone or the repeal or
4 amendment of a resolution under subsection (5), the clerk of the
5 local governmental unit shall give written notice to the assessor
6 and to the governing body of each taxing unit that levies ad
7 valorem property taxes in the proposed neighborhood enterprise
8 zone. Before acting upon the resolution, the governing body of the
9 local governmental unit shall make a finding that a proposed
10 neighborhood enterprise zone is consistent with the master plan of
11 the local governmental unit and the neighborhood preservation and
12 economic development goals of the local governmental unit. The
13 governing body before acting upon the resolution shall also adopt a
14 statement of the local governmental unit's goals, objectives, and
15 policies relative to the maintenance, preservation, improvement,
16 and development of housing for all persons regardless of income
17 level living within the proposed neighborhood enterprise zone.
18 Additionally, before acting upon the resolution, the governing body
19 of a local governmental unit with a population greater than 20,000
20 shall pass a housing inspection ordinance. A local governmental
21 unit with a population of 20,000 or less may pass a housing
22 inspection ordinance. Before the sale of a unit in a new or
23 rehabilitated facility for which a neighborhood enterprise zone
24 certificate is in effect, an inspection shall be made of the unit
25 to determine compliance with any local construction or safety codes
26 and that a sale may not be finalized until there is compliance with
27 those local construction or safety codes. The governing body shall

1 hold a public hearing not later than 45 days after the date the
2 notice is sent but before acting upon the resolution.

3 (4) Upon receipt of a notice under subsection (3), the
4 assessor shall determine and furnish to the governing body of the
5 local governmental unit the amount of the true cash value of the
6 property located within the proposed neighborhood enterprise zone
7 and any other information considered necessary by the governing
8 body.

9 (5) A resolution designating a neighborhood enterprise zone,
10 other than a zone designated under subsection (2), may be repealed
11 or amended not sooner than 3 years after the date of adoption or of
12 the most recent amendment of the resolution by the governing body
13 of the local governmental unit. The repeal or amendment of the
14 resolution shall take effect 6 months after adoption. However, an
15 action taken under this subsection does not invalidate a
16 certificate that is issued or in effect and a facility for which a
17 certificate is issued or in effect shall continue to be included in
18 the total acreage limitations under this section until the
19 certificate is expired or revoked.

20 (6) Upon passage, amendment, or repeal of a resolution under
21 this section, the clerk of the local governmental unit shall notify
22 the commission of the action taken.

23 Sec. 4. (1) The **OWNER OF A HOMESTEAD FACILITY OR** owner or
24 developer or prospective owner or developer of a proposed new
25 facility or an owner or developer or prospective developer
26 proposing to rehabilitate property located in a neighborhood
27 enterprise zone may file an application for a neighborhood

1 enterprise zone certificate with the clerk of the local
2 governmental unit. The application shall be filed in the manner and
3 form prescribed by the commission. **THE CLERK OF THE LOCAL**
4 **GOVERNMENTAL UNIT SHALL PROVIDE A COPY OF EACH HOMESTEAD FACILITY**
5 **APPLICATION TO THE ASSESSOR FOR THE LOCAL GOVERNMENTAL UNIT.** Except
6 as provided in subsection (2), the application shall be filed
7 before a building permit is issued for the new construction or
8 rehabilitation of the facility.

9 (2) An application may be filed after a building permit is
10 issued only if 1 or more of the following apply:

11 (a) For the rehabilitation of a facility if the area in which
12 the facility is located is designated as a neighborhood enterprise
13 zone by the governing body of the local governmental unit in the
14 calendar year 1992 and if the building permit is issued for the
15 rehabilitation before December 31, 1994 and after the date on which
16 the area in which the facility is located was designated as a
17 neighborhood enterprise zone by the governing body of the local
18 governmental unit.

19 (b) For the construction of a new facility if the area in
20 which the new facility is located is designated as a neighborhood
21 enterprise zone by the governing body of the local governmental
22 unit in calendar year 1992 or 1993 and if the building permit is
23 issued for that new facility before December 31, 1995 and after
24 January 1, 1993.

25 (c) For the construction of a new facility if the area in
26 which the new facility is located is designated as a neighborhood
27 enterprise zone by the governing body of the local governmental

1 unit in July 1997 and if the building permit is issued for that new
2 facility on February 3, 1998.

3 (d) For a new facility or a rehabilitated facility if the area
4 in which the new facility or rehabilitated facility is located was
5 designated as a neighborhood enterprise zone by the governing body
6 of the local governmental unit in July 1996 and if the building
7 permit was issued for that facility on or before July 3, 2001.

8 (e) For a new facility or a rehabilitated facility if the area
9 in which the new facility or rehabilitated facility is located was
10 designated as a neighborhood enterprise zone by the governing body
11 of the local governmental unit in October 1994 and if the building
12 permit was issued for that facility on or before April 25, 1997.

13 (f) For the construction of a new facility if the area in
14 which the new facility is located is designated as a neighborhood
15 enterprise zone by the governing body of the local governmental
16 unit in September 2001 and if the building permit is issued for
17 that new facility on March 3, 2003.

18 (g) For a rehabilitated facility if all or a portion of the
19 rehabilitated facility is a qualified historic building.

20 (h) For the construction of a new facility if the area in
21 which the new facility is located is designated as a neighborhood
22 enterprise zone by the governing body of the local governmental
23 unit in July 1993 and the new facility was a model home.

24 (i) For the construction of a new facility if the area in
25 which the new facility is located is designated as a neighborhood
26 enterprise zone by the governing body of the local governmental
27 unit in August 2004 and if building permits were issued for that

1 facility beginning November 5, 2002 through December 23, 2003.

2 **(J) FOR A HOMESTEAD FACILITY.**

3 (3) The application shall contain or be accompanied by all of
4 the following:

5 (a) A general description of the **HOMESTEAD FACILITY**, new
6 facility, or proposed rehabilitated facility.

7 (b) The dimensions of the parcel on which the **HOMESTEAD**
8 **FACILITY**, new facility, or proposed rehabilitated facility is or is
9 to be located.

10 (c) The general nature and extent of the construction to be
11 undertaken.

12 (d) A time schedule for undertaking and completing the
13 rehabilitation of property or the construction of the new facility.

14 **(E) A STATEMENT BY THE OWNER OF A HOMESTEAD FACILITY THAT THE**
15 **OWNER IS COMMITTED TO INVESTING A MINIMUM OF \$500.00 IN THE FIRST 3**
16 **YEARS THAT THE CERTIFICATE FOR A HOMESTEAD FACILITY IS IN EFFECT**
17 **AND COMMITTED TO DOCUMENTING THE MINIMUM INVESTMENT IF REQUIRED TO**
18 **DO SO BY THE ASSESSOR OF THE LOCAL GOVERNMENTAL UNIT.**

19 **(F) —(e)—** Any other information required by the local
20 governmental unit.

21 (4) Notwithstanding any other provisions of this act, for any
22 certificate issued as a result of the enactment of the amendatory
23 act that added subsection (2)(c), the effective date of the
24 certificate shall be the first day of the tax year following the
25 year the certificate is approved by the commission.

26 (5) Notwithstanding any other provisions of this act, for any
27 certificate issued as a result of the enactment of the amendatory

1 act that added subsection (2)(d) or the amendatory act that added
2 subsection (2)(e), the effective date of the certificate shall be
3 January 1, 2001.

4 (6) NOTWITHSTANDING ANY OTHER PROVISIONS OF THIS ACT, FOR ANY
5 CERTIFICATE ISSUED AS A RESULT OF THE ENACTMENT OF THE AMENDATORY
6 ACT THAT ADDED SUBSECTION (2)(J), THE EFFECTIVE DATE OF THE
7 CERTIFICATE SHALL BE THE FIRST DAY OF THE TAX YEAR FOLLOWING THE
8 YEAR THE CERTIFICATE IS APPROVED BY THE COMMISSION.

9 Sec. 8. A neighborhood enterprise zone certificate shall be in
10 the form prescribed and provided by the commission and shall
11 include the following:

12 (a) A legal description of the real property on which the new
13 facility is to be located or the legal description of the **HOMESTEAD**
14 **FACILITY OR THE** rehabilitated property.

15 (b) A statement that unless revoked under this act, the
16 certificate shall remain in effect for the period stated in the
17 certificate.

18 Sec. 10. (1) Except as provided in subsections (2) and (3),
19 the effective date of the neighborhood enterprise zone certificate
20 is December 31 in the year in which the new facility or
21 rehabilitated facility is substantially completed and, for a new
22 facility, occupied by an owner as a principal residence, as
23 evidenced by the owner filing with the assessor of the local
24 assessing unit all of the following:

25 (a) For a new facility, a certificate of occupancy.

26 (b) For a rehabilitated facility, a certificate that the
27 improvements meet minimum local building code standards issued by

1 the local building inspector or other authorized officer or a
2 certificate of occupancy if required by local building permits or
3 building codes.

4 (c) For a rehabilitated facility, documentation proving the
5 cost requirements of section ~~2(h)~~ 2(K) are met.

6 (d) For a **HOMESTEAD FACILITY OR A** new facility, an affidavit
7 executed by an owner affirming that the **HOMESTEAD FACILITY OR** new
8 facility is occupied by an owner as a principal residence.

9 (2) If a new facility is substantially completed in a year but
10 is not occupied by an owner as a principal residence until the
11 following year, upon the request of the owner, the effective date
12 of the neighborhood enterprise zone certificate shall be December
13 31 in the year immediately preceding the date of occupancy by the
14 owner as a principal residence.

15 (3) Upon the request of the owner, the effective date of the
16 neighborhood enterprise zone certificate for a rehabilitated
17 facility shall be December 31 in the year immediately preceding the
18 date on which the rehabilitated facility is substantially
19 completed.

20 Sec. 11. (1) Upon receipt of a request by certified mail to
21 the commission by the holder of a neighborhood enterprise zone
22 certificate requesting revocation of the certificate, the
23 commission by order shall revoke the certificate.

24 (2) The certificate shall expire if the owner fails to
25 complete the filing requirements under section 10 within 2 years of
26 the date the certificate was issued. The holder of the certificate
27 may request in writing to the commission a 1-year automatic

1 extension of the certificate if the owner has proceeded in good
2 faith with the construction or rehabilitation of the facility in a
3 manner consistent with the purposes of this act and the delay in
4 completion or occupancy by an owner is due to circumstances beyond
5 the control of the holder of the certificate. Upon request of the
6 local governmental unit, the commission shall extend the
7 certificate if the new facility has not been occupied.

8 (3) The certificate for a **HOMESTEAD FACILITY OR** new facility
9 is automatically revoked if the **HOMESTEAD FACILITY OR** new facility
10 is no longer a homestead as that term is defined in section 7a of
11 the general property tax act, 1893 PA 206, MCL 211.7a. However, if
12 the owner or any subsequent owner submits a certificate before the
13 revocation is effective, the commission, upon application of the
14 owner, shall rescind the order of revocation. If the certificate is
15 submitted after revocation of the certificate, the commission, upon
16 application of the owner, shall reinstate the certificate for the
17 remaining period of time for which the original certificate would
18 have been in effect.

19 (4) If the owner of the facility fails to make the annual
20 payment of the neighborhood enterprise zone tax and the ad valorem
21 property tax on the land under the general property tax act, 1893
22 PA 206, MCL 211.1 to 211.157, the commission by order shall revoke
23 the certificate. However, if payment of these taxes is made before
24 the revocation is effective, the commission, upon application of
25 the owner, shall rescind the order of revocation. If payment of
26 these taxes and any subsequent ad valorem property tax due on the
27 facility is made after revocation of the certificate, the

1 commission, upon application of the owner, shall reinstate the
2 certificate for the remaining period of time for which the original
3 certificate would have been in effect.

4 (5) If a **HOMESTEAD FACILITY, A** new facility, or a
5 rehabilitated facility ceases to have as its primary purpose
6 residential housing, the commission by order shall revoke the
7 certificate for that facility. A new or rehabilitated facility does
8 not cease to be used for its primary purpose if it is temporarily
9 damaged or destroyed in whole or in part.

10 (6) If the governing body of a local governmental unit
11 determines that a **HOMESTEAD FACILITY, A** new facility, or a
12 rehabilitated facility is not in compliance with any local
13 construction, building, or safety codes and notifies the commission
14 by certified mail of the noncompliance, the commission by order
15 shall revoke the certificate.

16 (7) The revocation shall be effective beginning the December
17 31 following the date of the order or, if the certificate is
18 automatically revoked under subsection (3), the December 31
19 following the automatic revocation. The commission shall send by
20 certified mail copies of the order of revocation to the holder of
21 the certificate, to the local governmental unit in which the
22 facility is located, to the assessor of that local governmental
23 unit, and to the legislative body of each taxing unit that levies
24 taxes upon property in the local governmental unit in which the new
25 facility or rehabilitated facility is located.

26 Sec. 12. (1) Except as otherwise provided in this section,
27 unless earlier revoked as provided in section 11, a neighborhood

1 enterprise zone certificate **ISSUED BEFORE JANUARY 1, 2006** shall
2 remain in effect for 6 to 12 years **AND A NEIGHBORHOOD ENTERPRISE**
3 **ZONE CERTIFICATE ISSUED AFTER DECEMBER 31, 2005 SHALL REMAIN IN**
4 **EFFECT FOR 6 TO 15 YEARS** from the effective date of the certificate
5 as determined by the governing body of the local governmental unit.
6 **THE GOVERNING BODY OF A LOCAL GOVERNMENTAL UNIT THAT ISSUED A**
7 **NEIGHBORHOOD ENTERPRISE ZONE CERTIFICATE FOR A NEW FACILITY OR A**
8 **REHABILITATED FACILITY BEFORE JANUARY 1, 2006 MAY EXTEND THE**
9 **CERTIFICATE FOR AN ADDITIONAL 3 YEARS IF THE EXTENSION IS APPROVED**
10 **BY RESOLUTION BEFORE THE ORIGINAL NEIGHBORHOOD ENTERPRISE ZONE**
11 **CERTIFICATE EXPIRES.** If the **HOMESTEAD FACILITY**, new facility, or
12 rehabilitated facility is sold or transferred to another owner who
13 otherwise complies with this act and, for a **HOMESTEAD FACILITY OR A**
14 new facility, uses the **HOMESTEAD FACILITY OR THE** new facility as a
15 principal residence, the certificate shall remain in effect.

16 (2) If a rehabilitated facility was sold before December 29,
17 1994 and a certificate was in effect for that facility at the time
18 of the sale, and the new owner of the rehabilitated facility
19 otherwise complies with this act, the certificate shall be
20 reinstated and remain in effect for the remainder of the original
21 period described in subsection (1), unless earlier revoked under
22 section 11.

23 (3) Except as provided in subsection (4), a change in
24 ownership of a rehabilitated facility constituting all or a portion
25 of a qualified historic building, occurring after the effective
26 date of a neighborhood enterprise zone certificate for that
27 rehabilitated facility, shall not affect the validity of that

1 neighborhood enterprise zone certificate, and the certificate shall
2 remain in effect for the period specified in this section as long
3 as the rehabilitated facility has as its primary purpose
4 residential housing.

5 (4) Unless revoked earlier as provided in section 11, a
6 neighborhood enterprise zone certificate in effect for a
7 rehabilitated facility constituting all or a portion of a qualified
8 historic building shall remain in effect for 11 to 17 years from
9 the effective date of the certificate as determined by the
10 governing body of the local governmental unit. However, if a
11 rehabilitated facility constituting all or a portion of a qualified
12 historic building is not transferred or sold to a person who will
13 own and occupy the rehabilitated facility as his or her principal
14 residence within 6 years of the effective date of the neighborhood
15 enterprise zone certificate, the neighborhood enterprise zone
16 certificate is revoked.

17 Sec. 13. (1) The assessor of each local governmental unit in
18 which is located a **HOMESTEAD FACILITY**, A new facility, or a
19 rehabilitated facility for which a neighborhood enterprise zone
20 certificate is in effect shall determine annually, with respect to
21 each **HOMESTEAD FACILITY**, new facility, or rehabilitated facility,
22 the assessed valuation of the property comprising the facility
23 having the benefit of a neighborhood enterprise zone certificate
24 and the amount of ad valorem property tax that would have been paid
25 with respect to each **HOMESTEAD FACILITY**, new facility, and
26 rehabilitated facility under the general property tax act, ~~Act No.~~
27 ~~206 of the Public Acts of 1893, being sections 211.1 to 211.157 of~~

1 ~~the Michigan Compiled Laws 1893 PA 206, MCL 211.1 TO 211.157~~, if
2 the certificate had not been in force, and the assessed valuation
3 on which the neighborhood enterprise zone tax is based for a
4 **HOMESTEAD FACILITY OR A** rehabilitated facility. A holder of a
5 certificate shall furnish to the assessor the information necessary
6 for the determination.

7 (2) After making the determinations under subsection (1), the
8 assessor shall send annually notification of those determinations
9 to the Michigan enterprise zone authority and the governing body of
10 each taxing unit that levies taxes upon property in the local
11 governmental unit in which the new facility or rehabilitated
12 facility is located and the holder of the certificate for which the
13 determination is made. The notice shall be sent by certified mail
14 not later than October 15 and shall be based upon the valuation as
15 of the immediately preceding December 31.