

FILING OF APPLICATION FOR NEIGHBORHOOD ENTERPRISE ZONE CERTIFICATE

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Senate Bill 459 as reported from House committee

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

Sponsor: Sen. Jeremy Moss

House Committee: Commerce and Tourism

Senate Committee: Economic and Small Business Development

Complete to 6-23-21

SUMMARY:

Senate Bill 459 would amend the Neighborhood Enterprise Zone Act to add a specific exception that would allow an application for a neighborhood enterprise zone (NEZ) certificate to be filed after a building permit has already been issued for the project.

The Neighborhood Enterprise Zone Act¹ provides for property tax abatements to encourage the development and rehabilitation of residential housing facilities in areas designated by eligible cities, villages, and townships. Generally speaking, after receiving an NEZ certificate and meeting other requirements concerning the construction or rehabilitation of the housing, a property owner is exempt from ad valorem property taxes and instead is subject to a specific tax known as the neighborhood enterprise zone tax. This abatement applies to structures and not to land. For new structures, the NEZ tax rate is half of the statewide average rate of taxation for the applicable type of property. For rehabilitated structures, the NEZ tax is the property tax that would be paid using the structure's pre-rehabilitation taxable value. The abatements are available for 6 to 15 years, although historic buildings can maintain abatements for 11 to 17 years.

The act generally requires an application for an NEZ certificate to be filed before a building permit is issued, but a number of exceptions to this requirement have been added since the statute was enacted in 1992. Many of these exceptions apply in cases where procedural errors have been made in the application or permitting process.

The bill would add a new exception. Under the bill, an application could be filed after a building permit was issued for the construction of a new or rehabilitated facility if the area where the facility is located was designated as an NEZ zone by the governing body of the local governmental unit in January 2016 and if the building permit for that facility was issued in August 2016 or August 2019.

MCL 207.774

¹ See <https://www.miplace.org/4a657a/globalassets/documents/fact-sheets/neighborhood-enterprise-zone-pa-147.pdf>

BACKGROUND:

The bill is understood to apply to a multi-unit residential rehabilitation project in the Brush Park neighborhood of Detroit whose NEZ certificate expired before project completion. Delays in project completion were, at least in part, due to disruptions caused by the COVID-19 pandemic. The bill would allow the developers to reapply for NEZ certification in completing the remaining housing units even though building permits have been issued.

FISCAL IMPACT:

The bill could reduce state and local property tax revenue by an indeterminate amount for those local units of government affected by the bill. The bill would reduce state and local property tax revenues relative to current law if it were determined that the rehabilitation of the property would have occurred even if no NEZ property tax incentive existed. The magnitude of the reduction in tax revenues would be directly related to the quantity and value of newly eligible properties. Since school operating mills would be reduced on eligible properties, costs for the School Aid Fund would increase assuming the foundation allowance were maintained. State property taxes would be reduced via the state education tax.

POSITIONS:

A representative of Brush Park Development testified in support of the bill. (6-8-21)

Legislative Analyst: Rick Yuille
Fiscal Analyst: Ben Gielczyk

■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.