

Legislative Analysis



ADDITIONAL NEIGHBORHOOD ENTERPRISE ZONE EXCEPTION

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House Bill 5101 as introduced
Sponsor: Rep. Barbara Farrah
Committee: Commerce
First Analysis (9-11-07)

BRIEF SUMMARY: The bill would grant an exception to the application process for a Neighborhood Enterprise Zone (NEZ) certificate for certain properties located in the City of Wyandotte.

FISCAL IMPACT: Based on information furnished by the City of Wyandotte, the taxable value of the abated property, excluding land, is approximately \$6.3 million. Designation as a NEZ for the properties described below would result in a reduction of local property tax revenue of less than \$100,000 per year after the properties cited below are sold to individuals. Only the operating millage for Wyandotte and Wayne County would be subject to the 50% abatement for homestead property.

THE APPARENT PROBLEM:

The Neighborhood Enterprise Zone Act was enacted in 1992 as an effort to improve the housing stock in certain "distressed" urban communities. The act offers reduced property taxes to residential property owners in certain zones designated by eligible local units of government (known as core communities). Generally speaking, owners of new construction pay taxes at the rate of one-half the statewide average property tax rate and owners of rehabilitated housing pay taxes based on the value of residential property prior to rehabilitation. The abatement applies to structures and not to land. Property owners who obtain a neighborhood enterprise zone certificate are exempt from standard property taxes and pay a specific tax instead known as the neighborhood enterprise zone tax. The abatements are available from 6 to 15 years.

Generally, the act requires an application for a certificate to be filed before a building permit is issued for the new construction or rehabilitation of the facility, but a number of exceptions to this requirement have been added to the statute since its enactment.

Legislation is being sought to create another exception, this time for four neighborhoods in the City of Wyandotte. Wyandotte, the second oldest city in Michigan, has successfully used several neighborhood revitalization programs, including the Neighborhood Enterprise Zone program, to rid the city of eyesore properties, stimulate the construction of new homes in older neighborhoods, and encourage rehabilitation of older homes in disrepair.

More recently, the city has built homes and condominiums in several neighborhoods only to experience a serious slow-down in home sales. As a result, only one home out of 29

completed has been occupied in the last year. In June of this year, the city council adopted a resolution designating the areas where these properties are located as new Neighborhood Enterprise Zones:

- Zone 4 – Labadie Park Neighborhood Project located at St. Johns, Bennett, and Labadie.
- Zone 5 – Vinewood Village Condominium Project located at Vinewood, Sixth Street, and the railroad tracks.
- Zone 6 – condominium projects at Oak & Second (southwest corner) and Oak & Fourth (northwest corner).
- Zone 7 – Proposed condominium project at Biddle and Orchard (northwest corner).

However, before the city can issue NEZ certificates to new buyers, legislation amending the Neighborhood Enterprise Zone Act to create another exception is needed since construction has already begun or been completed on the affected properties.

THE CONTENT OF THE BILL:

House Bill 5101 would amend the Neighborhood Enterprise Zone Act (MCL 207.774) to add a new exception to the application process for a NEZ certificate. It would allow an application for a NEZ certificate to be filed after a building permit for the construction of a facility, if the area in which the facility is located was designated as a neighborhood enterprise zone by the governing body of a local governmental unit in June 2007 and if the building permit was issued for that facility after November 30, 2004 and before November 1, 2006.

ARGUMENTS:

For:

The Neighborhood Enterprise Zone Act has been amended several times to allow applications for a NEZ certificate to be filed after, instead of before, new construction has begun. The bill would simply add another exception to the act to allow applications for NEZ certificates, which lower the property taxes a homeowner would pay for a period of time (12 years, in the present case), to be filed for specific properties located in four designated zones in the City of Wyandotte. The bill would adopt language specific to Wyandotte and is not expected to apply to any other properties in the state. For instance, the bill would apply to a facility if it had been constructed in an area designated as a Neighborhood Enterprise Zone in June 2007; on June 25, 2007, the Wyandotte City Council adopted their resolution designating the four areas in which the empty structures are located as Neighborhood Enterprise Zones. Reportedly, the community is aware of the impact that the tax abatement will have on it. However, it is hoped that the tax abatement will attract new people to the community and that occupation of the homes will have a positive effect on the local economy.

POSITIONS:

The Michigan Economic Development Corporation (MEDC) supports the bill. (9-4-07)

The City of Wyandotte supports the bill. (9-4-07)

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