

**SUBSTITUTE FOR
SENATE BILL NO. 364**

A bill to amend 1992 PA 147, entitled
"Neighborhood enterprise zone act,"
by amending sections 2 and 3 (MCL 207.772 and 207.773), section 2
as amended by 2020 PA 3 and section 3 as amended by 2008 PA 204.

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
6 established under the condominium act, 1978 PA 59, MCL 559.101 to
7 559.276. Condominium units within a qualified historic building may
8 be held under common ownership.

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

5 (d) "Facility" means a homestead facility, a new facility, or
 6 a rehabilitated facility.

7 (e) "Homestead facility" means 1 of the following:

8 (i) An existing structure, purchased by or transferred to an
 9 owner after December 31, 1996, that has as its primary purpose
 10 residential housing consisting of 1 or 2 units, 1 of which is
 11 occupied by an owner as his or her principal residence and that is
 12 located within a subdivision platted pursuant to state law before
 13 January 1, 1968 other than an existing structure for which a
 14 certificate will or has been issued after December 31, 2006 in a
 15 city with a population of 750,000 or more, is located within a
 16 subdivision platted pursuant to state law before January 1, 1968.

17 (ii) An existing structure that has as its primary purpose
 18 residential housing consisting of 1 or 2 units, 1 of which is
 19 occupied by an owner as his or her principal residence that is
 20 located in a subdivision platted after January 1, 1999 and is
 21 located in a county with a population of more than 400,000 and less
 22 than 500,000 according to the most recent decennial census and is
 23 located in a city with a population of more than 100,000 and less
 24 than 125,000 according to the most recent decennial census.

25 (f) "Local governmental unit" means a ~~qualified local~~
 26 ~~governmental unit as that term is defined under section 2 of the~~
 27 ~~obsolete property rehabilitation act, 2000 PA 146, MCL 125.2782, or~~
 28 ~~a county seat.~~ **city, village, or township.**

29 (g) "New facility" means 1 or both of the following:

1 (i) A new structure or a portion of a new structure that has as
2 its primary purpose residential housing consisting of 1 or 2 units,
3 1 of which is or will be occupied by an owner as his or her
4 principal residence. New facility includes a model home or a model
5 condominium unit. New facility includes a new individual
6 condominium unit, in a structure with 1 or more condominium units,
7 that has as its primary purpose residential housing and that is or
8 will be occupied by an owner as his or her principal residence.
9 Except as provided in subparagraph (ii), new facility does not
10 include apartments.

11 (ii) A new structure or a portion of a new structure that meets
12 all of the following:

13 (A) Is rented or leased or is available for rent or lease.

14 (B) Is a mixed use building or located in a mixed use building
15 that contains retail business space on the street level floor.

16 (C) Is located in a qualified downtown revitalization
17 district.

18 (h) "Neighborhood enterprise zone certificate" or
19 "certificate" means a certificate issued pursuant to sections 4, 5,
20 and 6.

21 (i) "Owner" means the record title holder of, or the vendee of
22 the original land contract pertaining to, a new facility, a
23 homestead facility, or a rehabilitated facility for which a
24 neighborhood enterprise zone certificate is applied for or issued.

25 (j) "Qualified assessing authority" means 1 of the following:

26 (i) For a facility other than a homestead facility, the
27 commission.

28 (ii) For a homestead facility, the assessor of the local
29 governmental unit in which the homestead facility is located.

1 (k) "Qualified downtown revitalization district" means an area
2 located within 1 or more of the following:

3 (i) The boundaries of a downtown district as defined in section
4 201 of the recodified tax increment financing act, 2018 PA 57, MCL
5 125.4201.

6 (ii) The boundaries of a principal shopping district or a
7 business improvement district as defined in section 1 of 1961 PA
8 120, MCL 125.981.

9 (iii) The boundaries of the local governmental unit in an area
10 that is zoned and primarily used for business as determined by the
11 local governmental unit.

12 (l) "Qualified historic building" means a property within a
13 neighborhood enterprise zone that has been designated a historic
14 resource as defined under section 266 of the income tax act of
15 1967, 1967 PA 281, MCL 206.266.

16 (m) "Rehabilitated facility" means, except as otherwise
17 provided in section 2a, an existing structure or a portion of an
18 existing structure with a current true cash value of \$120,000.00 or
19 less per unit that has or will have as its primary purpose
20 residential housing, consisting of 1 to 8 units, the owner of which
21 proposes improvements that if done by a licensed contractor would
22 cost in excess of \$10,000.00 per owner-occupied unit or 50% of the
23 true cash value, whichever is less, or \$15,000.00 per nonowner-
24 occupied unit or 50% of the true cash value, whichever is less, or
25 the owner proposes improvements that would be done by the owner and
26 not a licensed contractor and the cost of the materials would be in
27 excess of \$3,000.00 per owner-occupied unit or \$4,500.00 per
28 nonowner-occupied unit and will bring the structure into
29 conformance with minimum local building code standards for

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

13 Sec. 3. (1) The governing body of a local governmental unit by
14 resolution may designate 1 or more neighborhood enterprise zones
15 within that local governmental unit. Except as otherwise provided
16 in this subsection, a neighborhood enterprise zone shall contain
17 not less than 10 platted parcels of land. A neighborhood enterprise
18 zone located in a qualified downtown revitalization district may
19 contain less than 10 platted parcels if the platted parcels
20 together contain 10 or more facilities. All the land within a
21 neighborhood enterprise zone shall also be compact and contiguous.
22 Contiguity is not broken by a road, right-of-way, or property
23 purchased or taken under condemnation if the purchased or condemned
24 property was a single parcel prior to the sale or condemnation.

25 (2) The total acreage of the neighborhood enterprise zones
26 containing only new facilities or rehabilitated facilities or any
27 combination of new facilities or rehabilitated facilities
28 designated under this act shall not exceed 15% of the total acreage
29 contained within the boundaries of the local governmental unit. The

1 total acreage of the neighborhood enterprise zones containing only
2 homestead facilities designated under this act shall not exceed 10%
3 of the total acreage contained within the boundaries of the local
4 governmental unit or, with the approval of the board of
5 commissioners of the county in which the neighborhood enterprise
6 zone is located if the county does not have an elected or appointed
7 county executive or with the approval of the board of commissioners
8 and the county executive of the county in which the neighborhood
9 enterprise zone is located if the county has an elected or
10 appointed county executive, 15% of the total acreage contained
11 within the boundaries of the local governmental unit.

12 (3) Not less than 60 days before the passage of a resolution
13 designating a neighborhood enterprise zone or the repeal or
14 amendment of a resolution under subsection (5), the clerk of the
15 local governmental unit shall give written notice to the assessor
16 and to the governing body of each taxing unit that levies ad
17 valorem property taxes in the proposed neighborhood enterprise
18 zone. Before acting upon the resolution, the governing body of the
19 local governmental unit shall make a finding that a proposed
20 neighborhood enterprise zone is consistent with the master plan of
21 the local governmental unit and the neighborhood preservation and
22 economic development goals of the local governmental unit. The
23 governing body before acting upon the resolution shall also adopt a
24 statement of the local governmental unit's goals, objectives, and
25 policies relative to the maintenance, preservation, improvement,
26 and development of housing for all persons regardless of income
27 level living within the proposed neighborhood enterprise zone.
28 Additionally, before acting upon the resolution, the governing body
29 of a local governmental unit with a population greater than 20,000

1 shall pass a housing inspection ordinance. A local governmental
2 unit with a population of 20,000 or less may pass a housing
3 inspection ordinance. Before the sale of a unit in a new or
4 rehabilitated facility for which a neighborhood enterprise zone
5 certificate is in effect, an inspection shall be made of the unit
6 to determine compliance with any local construction or safety codes
7 and that a sale may not be finalized until there is compliance with
8 those local construction or safety codes. The governing body shall
9 hold a public hearing not later than 45 days after the date the
10 notice is sent but before acting upon the resolution.

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

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

28 (6) A resolution designating a neighborhood enterprise zone in
29 an obsolete property rehabilitation district that was created by a

1 local unit of government on June 6, 2003, and for which the state
2 tax commission issued obsolete property rehabilitation certificates
3 on August 26, 2003, and September 24, 2003 will cause any previous
4 certificate to expire on the December 30 immediately preceding the
5 December 31 on which the first neighborhood enterprise zone
6 certificate is effective. The taxable value of the parcel shall be
7 calculated using the value of the parcel before the building permit
8 was issued. This subdivision authorizes an amended obsolete
9 property rehabilitation certificate approved by the state tax
10 commission for the portion of the parcel contained in the original
11 certificate for which an application for a neighborhood enterprise
12 zone certificate was not submitted.

13 **(7) Beginning October 1, 2021, in addition to all other**
14 **requirements under this act, a local governmental unit may**
15 **designate a neighborhood enterprise zone only if the local**
16 **governmental unit determines that both of the following are met:**

17 **(a) The designation encourages compact development and**
18 **contains 5 or more existing residential units per acre at the time**
19 **of designation.**

20 **(b) The neighborhood enterprise zone is adjacent to existing**
21 **development, can utilize existing infrastructure, and has access to**
22 **municipal water and sewer services on at least 1 frontage.**