

SENATE BILL NO. 364

April 15, 2021, Introduced by Senators MOSS, HOLLIER, BRINKS, HORN, CHANG, POLEHANKI, GEISS, VICTORY, DALEY, BAYER, ALEXANDER, BULLOCK and SCHMIDT and referred to the Committee on Economic and Small Business Development.

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

1 intended for separate ownership, intended for residential use, and
2 established under the condominium act, 1978 PA 59, MCL 559.101 to
3 559.276. Condominium units within a qualified historic building may
4 be held under common ownership.

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

9 (d) "Facility" means a homestead facility, a new facility, or
10 a rehabilitated facility.

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

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

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

29 (f) "Local governmental unit" means a ~~qualified local~~

1 ~~governmental unit as that term is defined under section 2 of the~~
2 ~~obsolete property rehabilitation act, 2000 PA 146, MCL 125.2782, or~~
3 ~~a county seat~~ **city, village, or township.**

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

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

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

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

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

20 (C) Is located in a qualified downtown revitalization
21 district.

22 (h) "Neighborhood enterprise zone certificate" or
23 "certificate" means a certificate issued pursuant to sections 4, 5,
24 and 6.

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

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

1 (i) For a facility other than a homestead facility, the
2 commission.

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

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

7 (i) The boundaries of a downtown district as defined in section
8 201 of the recodified tax increment financing act, 2018 PA 57, MCL
9 125.4201.

10 (ii) The boundaries of a principal shopping district or a
11 business improvement district as defined in section 1 of 1961 PA
12 120, MCL 125.981.

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

16 (l) "Qualified historic building" means a property within a
17 neighborhood enterprise zone that has been designated a historic
18 resource as defined under section 266 of the income tax act of
19 1967, 1967 PA 281, MCL 206.266.

20 (m) "Rehabilitated facility" means, except as otherwise
21 provided in section 2a, an existing structure or a portion of an
22 existing structure with a current true cash value of \$120,000.00 or
23 less per unit that has or will have as its primary purpose
24 residential housing, consisting of 1 to 8 units, the owner of which
25 proposes improvements that if done by a licensed contractor would
26 cost in excess of \$10,000.00 per owner-occupied unit or 50% of the
27 true cash value, whichever is less, or \$15,000.00 per nonowner-
28 occupied unit or 50% of the true cash value, whichever is less, or
29 the owner proposes improvements that would be done by the owner and

1 not a licensed contractor and the cost of the materials would be in
2 excess of \$3,000.00 per owner-occupied unit or \$4,500.00 per
3 nonowner-occupied unit and will bring the structure into
4 conformance with minimum local building code standards for
5 occupancy or improve the livability of the units while meeting
6 minimum local building code standards. Rehabilitated facility also
7 includes an individual condominium unit, in a structure with 1 or
8 more condominium units that has as its primary purpose residential
9 housing, the owner of which proposes the above described
10 improvements. Rehabilitated facility also includes existing or
11 proposed condominium units in a qualified historic building with 1
12 or more existing or proposed condominium units. Rehabilitated
13 facility does not include a facility rehabilitated with the
14 proceeds of an insurance policy for property or casualty loss. A
15 qualified historic building may contain multiple rehabilitated
16 facilities.

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

29 (2) The total acreage of the neighborhood enterprise zones

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

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

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

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

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

1 the total acreage limitations under this section until the
2 certificate is expired or revoked.

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

17 **(7) Beginning October 1, 2021, in addition to all other**
18 **requirements under this act, a local governmental unit may**
19 **designate a neighborhood enterprise zone only if the local**
20 **governmental unit determines that the designation encourages**
21 **compact development and is adjacent to existing development and can**
22 **utilize existing infrastructure.**