

NEZ: DEFINITION OF HOMESTEAD FACILITY

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House Bill 5567 (Substitute H-1)
Sponsor: Rep. Woodrow Stanley
Committee: Urban Policy

Complete to 12-3-09

A SUMMARY OF HOUSE BILL 5567 AS REPORTED FROM COMMITTEE

The bill would amend the Neighborhood Enterprise Zone Act (MCL 207.772) by expanding the definition of the term "Homestead Facility." Generally, the homestead facility property tax abatement is aimed at residences in subdivisions over 40 years old. The bill would, in certain locations, allow the abatements for subdivisions ten years old or younger.

There are three kinds of residential "facilities" eligible for the NEZ program: new facilities (new owner-occupied construction, including condominiums), rehabilitated facilities (subject to limits on market value and to minimum rehabilitation expenditures), and **homestead facilities**. House Bill 5567 addresses this third kind of residence, **homestead facilities**, by amending the definition to expand eligibility.

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. Owners of homestead property pay taxes equal to one-half the rate of local and county taxes and the full rate for other taxes (including schools). 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 instead pay a specific tax known as the neighborhood enterprise zone tax. The abatements are available from 6 to 15 years. (Specifically, these properties are exempt from general property taxes and subject instead to a lower specific tax.)

The **homestead** category was added by legislation enacted in 2005. It currently refers, with some exceptions, to *existing* structures of one or two units purchased in 1997 or after, and located within a subdivision platted before January 1, 1968. One of the units must be occupied by the property owner.

House Bill 5567 would define the term "homestead facility" to also include: *An existing structure that has as its primary purpose residential housing consisting of one or two units, one of which is occupied by an owner as his or her principal residence that is*

located in a subdivision platted after January 1, 1999, and is located in a county with a population of more than 400,000 and less than 500,000 according to the most recent decennial census and is located in a city with a population of more than 100,000 and less than 125,000 according to the most recent decennial census. (This appears to apply to Flint in Genesee County.)

FISCAL IMPACT:

The bill would potentially reduce local property tax revenue by an indeterminate amount by granting eligibility to additional residential properties. The actual amount of reduction in tax revenues would depend upon the characteristics of the specific affected property. Residences in homestead NEZ's pay one-half the rate levied in the local unit and the county; they pay the full rate for taxes levied for other taxing units, including schools.

BACKGROUND INFORMATION:

According to a letter from the Mayor of Flint submitted to the House Urban Affairs Committee, the bill will provide property tax relief and long-term stability for the University Park Estates residential area in Flint. This relatively new subdivision is located near the downtown commercial district and is said to be the first platted subdivision in the city in more than 30 years. The bill would allow the city to designate the area a homestead neighborhood enterprise zone. This designation currently is restricted to older residential areas (platted before 1968.)

POSITIONS:

The Office of Mayor, City of Flint, indicated support for the bill. (12-1-09)

The Department of Treasury is neutral on the bill. (12-1-09)

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