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BILL



ANALYSIS

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House Bill 5567 (Substitute H-1 as reported without amendment)

Sponsor: Representative Woodrow Stanley

House Committee: Urban Policy

Senate Committee: Local, Urban and State Affairs

Date Completed: 2-1-10

### **RATIONALE**

The Neighborhood Enterprise Zone Act allows eligible local units of government to designate neighborhood enterprise zones (NEZs), in which a homestead facility, new facility, or rehabilitated facility is subject to a specific NEZ tax instead of ad valorem property taxes. For a homestead facility, the NEZ tax generally is one-half of the local and county taxes that otherwise would be levied. It has been suggested that the Act's definition of "homestead facility" should be expanded.

In the early 2000s, the University Park Estates subdivision was constructed in the City of Flint. The subdivision was designated a renaissance zone, resulting in the abatement of most State and local taxes for individuals living there. This designation will expire in 2011. Because of the neighborhood's ties to redevelopment efforts in Flint, some people believe that the area should be designated an NEZ so residents may continue to benefit from tax relief once the renaissance zone designation expires. As a rule, however, the definition of "homestead facility" in the NEZ Act applies only to structures in neighborhoods platted before 1968.

### **CONTENT**

**The bill would amend the Neighborhood Enterprise Zone Act to include in the definition of "homestead facility" structures in neighborhoods platted in 1999 or later in the City of Flint.**

The Act defines "homestead facility" as an existing structure, purchased by or transferred to an owner after December 31, 1996, 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, and that is located within a subdivision platted pursuant to State law before January 1, 1968 (other than an existing structure for which a certificate will be or has been issued after December 31, 2006, in Detroit).

Under the bill, the term also would 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 at least 400,000 but less than 500,000 (i.e., Genesee County) and in a city with a population of more than 100,000 and less than 125,000 (i.e., Flint) according to the most recent decennial census.

MCL 207.772

### **BACKGROUND**

Under the Neighborhood Enterprise Zone Act, the governing body of a qualified local unit of government may, by resolution, designate neighborhood enterprise zones within the local unit. The owner of a homestead facility, new facility, or rehabilitated facility located in a neighborhood enterprise zone may obtain an

NEZ certificate by applying to the clerk of the local unit. The governing body must approve an application by resolution. The qualified assessing authority must determine if the facility complies with the Act's requirements and, if so, issue a certificate.

Except as otherwise provided, a specific tax, known as the NEZ tax, is levied on the owner of a facility to which a certificate is issued. A facility for which a certificate is in effect (but not the land on which the facility is located) is exempt from ad valorem real property taxes. Subject to certain exceptions, the amount of the NEZ tax on a homestead facility is the sum of all of the following:

- One-half the number of mills levied for operating purposes by the local unit multiplied by the current taxable value of the facility (not including the land).
- One-half the number of mills levied for operating purposes by the county multiplied by the current taxable value of the facility (not including the land).
- The total number of mills collected under the General Property Tax Act for the current year by all other taxing jurisdictions within which the facility is located.

## **ARGUMENTS**

*(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)*

### **Supporting Argument**

The recent economic downturn has had a significant negative impact on the City of Flint. Some area residents have lost their homes due to tax foreclosure, further burdening the city. University Park Estates is the first subdivision to be built in Flint in more than 35 years. This neighborhood is located near the downtown area and serves as an anchor for redevelopment. Once the renaissance zone designation expires, it is important to continue some type of tax relief to people in the subdivision, in order to stabilize homeownership and mitigate impediments to the city's revitalization.

Legislative Analyst: Julie Cassidy

## **FISCAL IMPACT**

The bill would have no effect on State revenue or expenditure but would reduce local unit revenue but an unknown amount, by expanding the properties eligible for an exemption certificate as a "homestead facility". The provisions of the bill would only affect property within the City of Flint. The actual amount of the reduction would depend upon the number of certificates granted and the specific characteristics of the properties affected by the bill.

Fiscal Analyst: David Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.