

Legislative Analysis



NEIGHBORHOOD ENTERPRISE ZONE: DETROIT POPULATION REFERENCE

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House Bill 4641(Substitute H-1)
Sponsor: Rep. Jimmy Womack
Committee: Commerce

Complete to 11-4-11

A SUMMARY OF HOUSE BILL 4641 AS REPORTED FROM COMMITTEE

The bill would amend the Neighborhood Enterprise Zone Act to lower the population requirement that, generally speaking, allows a tax abatement for a specific kind of residential property in older neighborhoods in Detroit. The population requirement would be reduced from 750,000 to 600,000. The population of the city of Detroit fell below 750,000 in the most recent decennial census. *Other than the change to the population requirement, the bill makes no substantive change to the act.*

The Neighborhood Enterprise Zone Act provides for tax abatements to residential property in certain core communities. 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 4641 addresses the homestead category.

The homestead category was added by legislation enacted in 2005. That legislation allowed abatements for recently purchased older homes; specifically, owner-occupied residences of one or two units purchased in 1997 or after, and located in a subdivision platted before January 1, 1968. The act was later amended to provide an exception in this category for multiple-unit residences in Detroit if they were located in a pre-1968 subdivision. House Bill 4641 applies to that multi-unit portion of the definition of "homestead facility."

MCL 207.772

BACKGROUND INFORMATION:

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.)

FISCAL IMPACT:

This bill would have no state or fiscal impact, but would allow the City of Detroit to participate in the Neighborhood Enterprise Zone Act in the same manner as they currently do.

POSITIONS:

The City of Detroit and the Michigan Economic Development Corporation indicated support of the bill. (9-27-11)

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