

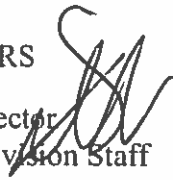
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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director  
Legislative Policy Division Staff 

DATE: June 26, 2019

RE: **Resolution in Support of Extending Expiring NEZ Certificates and a Report on Pending NEZ Legislation (Preliminary Report)**

In the Budget Finance and Audit Committee, Council President Pro-Tem Mary Sheffield requested that the Legislative Policy Division draft a resolution in support of the Michigan Legislature enacting legislation that would extend the life of expiring new a rehab Neighborhood Enterprise Zone<sup>1</sup> certificates. In addition, LPD has been requested to reference any pending legislation in the resolution which supports extending expiring new and rehab NEZs as well.

In regard to this request, upon our research, we discovered one pending piece of legislation, **Senate Bill 0319 (2019)**, which may actually prove to be detrimental to Detroit residents that are seeking NEZs, since it seeks to raise the thresholds for NEZ qualification. If passed, the bill would amend the Neighborhood Enterprise Zone Act to modify the definition of "rehabilitated facility" and require the State Treasurer to adjust the amounts prescribed in the definition annually beginning in 2020.

*Currently, "rehabilitated facility" means an existing structure or a portion of an existing structure with a current true cash value of \$80,000 or less per unit that has or will have as its primary purpose residential housing, consisting of one to eight units, the owner of which proposes improvements that if done by a licensed contractor would cost in excess of \$5,000 per owner-occupied unit or 50% of the true cash value, whichever is less, or \$7,500 per nonowner-occupied unit or 50% of the true cash value, whichever is less, or the owner proposes improvements that would be done by the owner and not a licensed contractor and the cost of the materials would be in excess of \$3,000 per owner-occupied unit or \$4,500 per nonowner-*

<sup>1</sup> NEIGHBORHOOD ENTERPRISE ZONE ACT, Public Act 147 of 1992, MCL 207.771 et seq.

*occupied unit and will bring the structure into conformance with minimum local building code standards for occupancy or improve the livability of the units while meeting minimum local building code standards.*

*Under the bill, instead, "rehabilitated facility" would mean, except as otherwise provided, an existing structure or a portion of an existing structure with a current true cash value of \$120,000 or less per unit that has or will have as its primary purpose residential housing, consisting of one to eight units, the owner of which proposes improvements that if done by a licensed contractor would cost in excess of \$10,000 per owner-occupied unit or 50% of the true cash value, whichever is less, or \$15,000 per nonowner-occupied unit or 50% of the true cash value, whichever is less, or the owner proposes improvements that would be done by the owner and not a licensed contractor and the cost of the materials would be in excess of \$3,000 per owner-occupied unit or \$4,500 per nonowner-occupied unit and will bring the structure into conformance with minimum local building code standards for occupancy or improve the livability of the units while meeting minimum local building code standards.<sup>2</sup>*

To summarize, the proposed Senate Bill 0319 (2019), seeks to adjust the valuation thresholds to qualify for a NEZ upward, to account for the increased values of residential properties in Michigan. However, the values of homes in the city of Detroit are somewhat lower than those in many Michigan communities, so the passing of this legislation may disqualify many Detroit residential households. *Therefore, Council may want LPD to address this issue in a resolution as well.*

We are currently working cooperatively with the Assessors Office to determine the most effective way to convey the City's position regarding this issue (S.B. 0319) and for the extension of NEZs. Therefore, we plan to finalize the resolution and this report in two weeks.

### Bill Summary

Document	Description
S.B. 0319 of 2019	Economic development; neighborhood enterprise zones; definition of rehabilitated facility; modify. Amends sec. 2 of 1992 PA 147 (MCL 207.772) & adds sec. 2a.
Impact	"Raising the value of an existing structure or a portion of an existing structure with a current true cash value from \$80,000.00 to \$120,000.00 or less per unit that has or will have as its primary purpose residential housing, consisting of 1 to 8 units, the owner of which proposes improvements that if done by a licensed contractor would raise the cost from in excess of \$5,000.00 to a new minimum in excess of \$10,000.00 per owner occupied unit or 50% of the true cash value, whichever is less, or from \$7,500.00 to \$15,000.00 per nonowner-occupied unit or 50% of the true cash value.

Please contact us if we can be of any further assistance.

Attachment: **Senate Bill 0319 (2019)**

<sup>2</sup> Senate Fiscal Agency Report Senate Bill 319 (as introduced 5-14-19), Sponsor: Senator Jeremy Moss, 6-10-19

# SENATE BILL No. 319

May 14, 2019, Introduced by Senator MOSS 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 section 2 (MCL 207.772), as amended by 2010 PA 9, and by adding section 2a.

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

9 (c) "Developer" means a person who is the owner of a new

1 facility at the time of construction or of a rehabilitated facility  
2 at the time of rehabilitation for which a neighborhood enterprise  
3 zone certificate is applied for or issued.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 commission.

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

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

6 (i) The boundaries of a downtown district as defined in  
7 ~~section 1 of 1975 PA 197, MCL 125.1651.~~ SECTION 201 OF THE  
8 RECODIFIED TAX INCREMENT FINANCING ACT, 2018 PA 57, MCL 125.4201.

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

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

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

19 (m) "Rehabilitated facility" means, **EXCEPT AS OTHERWISE**  
20 **PROVIDED IN SECTION 2A**, an existing structure or a portion of an  
21 existing structure with a current true cash value of ~~\$80,000.00~~  
22 ~~\$120,000.00~~ or less per unit that has or will have as its primary  
23 purpose residential housing, consisting of 1 to 8 units, the owner  
24 of which proposes improvements that if done by a licensed  
25 contractor would cost in excess of ~~\$5,000.00~~ ~~\$10,000.00~~ per owner-  
26 occupied unit or 50% of the true cash value, whichever is less, or  
27 ~~\$7,500.00~~ ~~\$15,000.00~~ per nonowner-occupied unit or 50% of the true

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

18       **SEC. 2A. (1) BEGINNING IN 2020 AND EACH YEAR THEREAFTER, THE**  
19 **STATE TREASURER SHALL ADJUST THE DOLLAR AMOUNTS DESCRIBED IN**  
20 **SECTION 2(M) BY AN AMOUNT DETERMINED BY THE STATE TREASURER AT THE**  
21 **END OF EACH CALENDAR YEAR TO REFLECT THE CUMULATIVE ANNUAL**  
22 **PERCENTAGE CHANGE IN THE CONSUMER PRICE INDEX.**

23       **(2) AS USED IN THIS SECTION, "CONSUMER PRICE INDEX" MEANS THE**  
24 **MOST COMPREHENSIVE INDEX OF CONSUMER PRICES AVAILABLE FOR THIS**  
25 **STATE FROM THE BUREAU OF LABOR STATISTICS OF THE UNITED STATES**  
26 **DEPARTMENT OF LABOR.**