Legislative Analysis

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ADJUST ELIGIBILITY REQUIREMENTS FOR NEIGHBORHOOD ENTERPRISE ZONES

House Bill 4091 as introduced
Sponsor: Rep. Beau Matthew LaFave
Committee: Commerce and Tourism
Complete to 3-13-19

SUMMARY:

House Bill 4091 would amend the Neighborhood Enterprise Zone (NEZ) Act to adjust the eligibility requirements to qualify as a ***rehabilitated facility***. In addition, the bill would expand the reach of the act by removing location requirements to qualify as a ***homestead facility*** and low-income requirements (among others) to qualify as a ***local governmental unit***.

Under the act, a local government may submit a proposal to designate an area in need of revitalization as the site for one of three types of projects that could receive NEZ benefits. One type is a ***rehabilitated facility***, which the act defines as an existing structure (or portion thereof) with a current true cash value of $80,000 or less per unit with the primary purpose of residential housing, consisting of one to eight units. The owner must propose improvements with costs in excess of one of the following:

- $5,000 per owner-occupied unit or 50% of the true cash value (whichever is less).
- $7,500 per nonowner-occupied unit or 50% of the true cash value.
- $3,000 and $4,500 per owner- or nonowner-occupied unit, respectively, or 50% of the true cash value if the improvements would be done by the owner instead of a licensed contractor.

The bill would increase the maximum true cash value of the property in question from $80,000 to $250,000. The minimum costs of the improvements in question would increase to one of the following:

- $10,000 per owner-occupied unit or 50% of the true cash value.
- $15,000 per nonowner-occupied unit or 50% of the true cash value.
- $6,000 and $9,000 per owner- or nonowner-occupied unit, respectively, if the improvements are made by the owner instead of a licensed contractor.

Beginning in 2020, the bill would also require the state treasurer to annually adjust the dollar amounts described according to percentage changes in the consumer price index.

In general, and in addition to other requirements, to qualify as a ***homestead facility*** under the act, a structure must be located in a subdivision that was platted before 1968 or be located in a subdivision that was platted after 1999 and is located in a city and county fitting specified population ranges.

The bill would remove criteria related to the location of the structure and define ***homestead facility*** as 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.

Finally, the act currently defines ***local governmental unit*** as a county seat or a "qualified local governmental unit" as defined in the Obsolete Property Rehabilitation Act (which includes criteria such as a having a median family income that is 150% or less of the statewide median; being contiguous to a city with a population of 500,000 or more; containing eligible distressed areas as defined in the State Housing Development Authority Act, etc.).

The bill would remove these requirements and define ***local governmental unit*** as a city, village or township.

MCL 207.772 and 207.778

FISCAL IMPACT:

The bill would reduce local property tax revenue by an indeterminate amount by granting neighborhood enterprise zone eligibility to additional properties, both through an expansion of qualified local units from eligible distressed units to all cities, villages, and townships and through increased true cash value caps on rehabilitated facilities. Additional homestead facilities would be eligible for neighborhood enterprise "homestead" zone qualification, which also would reduce local property tax revenues. The magnitude of the reduction in tax revenues would be directly related to the quantity and value of newly eligible properties.

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