

SUBSTITUTE FOR  
SENATE BILL NO. 1206

A bill to amend 1992 PA 147, entitled  
"Neighborhood enterprise zone act,"  
by amending sections 2, 3, 4, and 12 (MCL 207.772, 207.773,  
207.774, and 207.782), sections 2, 3, and 12 as amended by 2001  
PA 217 and section 4 as amended by 2004 PA 60.

**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,  
6 and established pursuant to the condominium act, 1978 PA 59,  
7 MCL 559.101 to 559.276. **Condominium units within a qualified**  
8 **historic 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  
2 facility at the time of rehabilitation for which a neighborhood  
3 enterprise zone certificate is applied for or issued.

4 (d) "Local governmental unit" means a qualified local  
5 governmental unit as that term is defined under section 2 of the  
6 obsolete property rehabilitation act, 2000 PA 146, MCL 125.2782.

7 (e) "New facility" means a new structure or a portion of a  
8 new structure that has as its primary purpose residential housing  
9 consisting of 1 or 2 units, 1 of which is or will be occupied by  
10 an owner as his or her principal residence. **New facility**  
11 **includes a model home or a model condominium unit.** New facility  
12 includes a new individual condominium unit, in a structure with 1  
13 or more condominium units, that has as its primary purpose  
14 residential housing and that is or will be occupied by an owner  
15 as his or her principal residence. New facility does not include  
16 apartments.

17 (f) "Neighborhood enterprise zone certificate" or  
18 "certificate" means a certificate issued pursuant to sections 4,  
19 5, and 6.

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

24 (h) **"Qualified historic building" means a property within a**  
25 **neighborhood enterprise zone that has been designated a historic**  
26 **resource as defined under section 266 of the income tax act of**  
27 **1967, 1967 PA 281, MCL 206.266.**

1           (i) ~~(h)~~ "Rehabilitated facility" means an existing  
2 structure or a portion of an existing structure with a current  
3 true cash value of \$80,000.00 or less per unit that has or will  
4 have as its primary purpose residential housing, consisting of 1  
5 to 8 units, the owner of which proposes improvements that if done  
6 by a licensed contractor would cost in excess of \$5,000.00 per  
7 owner-occupied unit or 50% of the true cash value, whichever is  
8 less, or \$7,500.00 per nonowner-occupied unit or 50% of the true  
9 cash value, whichever is less, or the owner proposes improvements  
10 that would be done by the owner and not a licensed contractor and  
11 the cost of the materials would be in excess of \$3,000.00 per  
12 owner-occupied unit or \$4,500.00 per nonowner-occupied unit and  
13 will bring the structure into conformance with minimum local  
14 building code standards for occupancy or improve the livability  
15 of the units while meeting minimum local building code  
16 standards. Rehabilitated facility also includes an individual  
17 condominium unit, in a structure with 1 or more condominium units  
18 that has as its primary purpose residential housing, the owner of  
19 which proposes the above described improvements. **Rehabilitated**  
20 **facility also includes existing or proposed condominium units in**  
21 **a qualified historic building with 1 or more existing or proposed**  
22 **condominium units.** Rehabilitated facility does not include a  
23 facility rehabilitated with the proceeds of an insurance policy  
24 for property or casualty loss. **A qualified historic building may**  
25 **contain multiple rehabilitated facilities.**

26           Sec. 3. (1) The governing body of a local governmental unit  
27 by resolution may designate 1 or more neighborhood enterprise

1 zones within that local governmental unit. A neighborhood  
2 enterprise zone shall contain not less than 10 platted parcels of  
3 land. All the land within a neighborhood enterprise zone shall  
4 also be compact and contiguous. **Contiguity is not broken by a**  
5 **road, right-of-way, or property purchased or taken under**  
6 **condemnation if the purchased or condemned property was a single**  
7 **parcel prior to the sale or condemnation.**

8 (2) The total acreage of the neighborhood enterprise zones  
9 designated under this act shall not exceed 15% of the total  
10 acreage contained within the boundaries of the local governmental  
11 unit.

12 (3) Not less than 60 days before the passage of a resolution  
13 designating a neighborhood enterprise zone or the repeal or  
14 amendment of a resolution under subsection (5), the clerk of the  
15 local governmental unit shall give written notice to the assessor  
16 and to the governing body of each taxing unit that levies ad  
17 valorem property taxes in the proposed neighborhood enterprise  
18 zone. Before acting upon the resolution, the governing body of  
19 the local governmental unit shall make a finding that a proposed  
20 neighborhood enterprise zone is consistent with the master plan  
21 of the local governmental unit and the neighborhood preservation  
22 and economic development goals of the local governmental unit.  
23 The governing body before acting upon the resolution shall also  
24 adopt a statement of the local governmental unit's goals,  
25 objectives, and policies relative to the maintenance,  
26 preservation, improvement, and development of housing for all  
27 persons regardless of income level living within the proposed

1 neighborhood enterprise zone. Additionally, before acting upon  
2 the resolution, the governing body **of a local governmental unit**  
3 **with a population greater than 20,000** shall pass a housing  
4 inspection ordinance. ~~that at a minimum requires that before~~ **A**  
5 **local governmental unit with a population of 20,000 or less may**  
6 **pass a housing inspection ordinance. Before** the sale of a unit  
7 in a new or rehabilitated facility for which a neighborhood  
8 enterprise zone certificate is in effect, an inspection ~~is~~  
9 **shall be** made of the unit to determine compliance with any local  
10 construction or safety codes and that a sale may not be finalized  
11 until there is compliance with those local construction or safety  
12 codes. The governing body shall hold a public hearing not later  
13 than 45 days after the date the notice is sent but before acting  
14 upon the resolution.

15 (4) Upon receipt of a notice under subsection (3), the  
16 assessor shall determine and furnish to the governing body of the  
17 local governmental unit the amount of the true cash value of the  
18 property located within the proposed neighborhood enterprise zone  
19 and any other information considered necessary by the governing  
20 body.

21 (5) A resolution designating a neighborhood enterprise zone,  
22 other than a zone designated under subsection (2), may be  
23 repealed or amended not sooner than 3 years after the date of  
24 adoption or of the most recent amendment of the resolution by the  
25 governing body of the local governmental unit. The repeal or  
26 amendment of the resolution shall take effect 6 months after  
27 adoption. However, an action taken under this subsection does

1 not invalidate a certificate that is issued or in effect and a  
2 facility for which a certificate is issued or in effect shall  
3 continue to be included in the total acreage limitations under  
4 this section until the certificate is expired or revoked.

5 (6) Upon passage, amendment, or repeal of a resolution under  
6 this section, the clerk of the local governmental unit shall  
7 notify the commission of the action taken.

8 Sec. 4. (1) The owner or developer or prospective owner or  
9 developer of a proposed new facility or an owner or developer or  
10 prospective developer proposing to rehabilitate property located  
11 in a neighborhood enterprise zone may file an application for a  
12 neighborhood enterprise zone certificate with the clerk of the  
13 local governmental unit. The application shall be filed in the  
14 manner and form prescribed by the commission. Except as provided  
15 in subsection (2), the application shall be filed before a  
16 building permit is issued for the new construction or  
17 rehabilitation of the facility.

18 (2) An application may be filed after a building permit is  
19 issued only if 1 or more of the following apply:

20 (a) For the rehabilitation of a facility if the area in which  
21 the facility is located is designated as a neighborhood  
22 enterprise zone by the governing body of the local governmental  
23 unit in the calendar year 1992 and if the building permit is  
24 issued for the rehabilitation before December 31, 1994 and after  
25 the date on which the area in which the facility is located was  
26 designated as a neighborhood enterprise zone by the governing  
27 body of the local governmental unit.

1 (b) For the construction of a new facility if the area in  
2 which the new facility is located is designated as a neighborhood  
3 enterprise zone by the governing body of the local governmental  
4 unit in calendar year 1992 or 1993 and if the building permit is  
5 issued for that new facility before December 31, 1995 and after  
6 January 1, 1993.

7 (c) For the construction of a new facility if the area in  
8 which the new facility is located is designated as a neighborhood  
9 enterprise zone by the governing body of the local governmental  
10 unit in July 1997 and if the building permit is issued for that  
11 new facility on February 3, 1998.

12 (d) For a new facility or a rehabilitated facility if the  
13 area in which the new facility or rehabilitated facility is  
14 located was designated as a neighborhood enterprise zone by the  
15 governing body of the local governmental unit in July 1996 and if  
16 the building permit was issued for that facility on or before  
17 July 3, 2001.

18 (e) For a new facility or a rehabilitated facility if the  
19 area in which the new facility or rehabilitated facility is  
20 located was designated as a neighborhood enterprise zone by the  
21 governing body of the local governmental unit in October 1994 and  
22 if the building permit was issued for that facility on or before  
23 April 25, 1997.

24 (f) For the construction of a new facility if the area in  
25 which the new facility is located is designated as a neighborhood  
26 enterprise zone by the governing body of the local governmental  
27 unit in September 2001 and if the building permit is issued for

1 that new facility on March 3, 2003.

2 (g) For a rehabilitated facility if all or a portion of the  
3 rehabilitated facility is a qualified historic building.

[(h) For the construction of a new facility if the area in which the  
new facility is located is designated as a neighborhood enterprise zone  
by the governing body of the local governmental unit in July 1993 and the  
new facility was a model home.]

4 (3) The application shall contain or be accompanied by all of  
5 the following:

6 (a) A general description of the new facility or proposed  
7 rehabilitated facility.

8 (b) The dimensions of the parcel on which the new facility or  
9 proposed rehabilitated facility is or is to be located.

10 (c) The general nature and extent of the construction to be  
11 undertaken.

12 (d) A time schedule for undertaking and completing the  
13 rehabilitation of property or the construction of the new  
14 facility.

15 (e) Any other information required by the local governmental  
16 unit.

17 (4) Notwithstanding any other provisions of this act, for any  
18 certificate issued as a result of the enactment of the amendatory  
19 act that added subsection (2)(c), the effective date of the  
20 certificate shall be the first day of the tax year following the  
21 year the certificate is approved by the commission.

22 (5) Notwithstanding any other provisions of this act, for any  
23 certificate issued as a result of the enactment of the amendatory  
24 act that added subsection (2)(d) or the amendatory act that added  
25 subsection (2)(e), the effective date of the certificate shall be  
26 January 1, 2001.

27 Sec. 12. (1) ~~Unless~~ **Except as otherwise provided in this**



1 **section, unless** earlier revoked as provided in section 11, a  
2 neighborhood enterprise zone certificate shall remain in effect  
3 ~~until~~ **for 6 to 12** years from the effective date of the  
4 certificate **as determined by the governing body of the local**  
5 **governmental unit.** If the new facility or rehabilitated facility  
6 is sold or transferred to another owner who otherwise complies  
7 with this act and, for a new facility, uses the new facility as a  
8 principal residence, the certificate shall remain in effect.

9 (2) If a rehabilitated facility was sold before December 29,  
10 1994 and a certificate was in effect for that facility at the  
11 time of the sale, and the new owner of the rehabilitated facility  
12 otherwise complies with this act, the certificate shall be  
13 reinstated and remain in effect for the remainder of the original  
14 ~~12-year~~ period **described in subsection (1),** unless earlier  
15 revoked under section 11.

16 (3) **Except as provided in subsection (4), a change in**  
17 **ownership of a rehabilitated facility constituting all or a**  
18 **portion of a qualified historic building, occurring after the**  
19 **effective date of a neighborhood enterprise zone certificate for**  
20 **that rehabilitated facility, shall not affect the validity of**  
21 **that neighborhood enterprise zone certificate, and the**  
22 **certificate shall remain in effect for the period specified in**  
23 **this section as long as the rehabilitated facility has as its**  
24 **primary purpose residential housing.**

25 (4) **Unless revoked earlier as provided in section 11, a**  
26 **neighborhood enterprise zone certificate in effect for a**  
27 **rehabilitated facility constituting all or a portion of a**

1 qualified historic building shall remain in effect for 11 to 17  
2 years from the effective date of the certificate as determined by  
3 the governing body of the local governmental unit. However, if a  
4 rehabilitated facility constituting all or a portion of a  
5 qualified historic building is not transferred or sold to a  
6 person who will own and occupy the rehabilitated facility as his  
7 or her principal residence within 6 years of the effective date  
8 of the neighborhood enterprise zone certificate, the neighborhood  
9 enterprise zone certificate is revoked.