

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.

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.