

**SUMMARY OF THE NEIGHBORHOOD ENTERPRISE ZONE (NEZ) PROGRAM FOR THE  
DOWNTOWN AREA IN WYANDOTTE, MICHIGAN**



**August 10, 2009**

**PREPARED BY:**

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***“So Many Opportunities On The Horizon”***

# NEIGHBORHOOD ENTERPRISE ZONE (NEZ) PROGRAM

## I. BACKGROUND

The legislation authorizing the NEZ program was created in 1992, and is known as the Neighborhood Enterprise Zone Act, Public Act 147 of 1992 (the "Act"), as amended. The purpose of the Act is to provide a tax incentive to encourage the development and rehabilitation of residential housing. Generally, the program works by reducing the taxes a property owner pays on a residential unit from 50%-100%.

Creating residential living space in the downtown area is an important component to a vibrant downtown. Providing the NEZ tax incentive should encourage existing property owners to utilize their non-street level space for residential use. Additionally, the tax incentive may encourage the future development of high-density mixed-use projects, or the addition of floors to existing buildings.

Prior to 2009, the City of Wyandotte had created seven (7) NEZ areas. Three districts were created in 1992, and four (4) more were created in 2007. Approximately 110 NEZ exemption certificates have been issued for the construction of new single-family homes since the program's inception. In 2008, the NEZ Act was amended to allow two new types of NEZ exemptions in a downtown area: (1) Rehabilitation Projects; and (2) Mixed-Use New Construction Projects.

The creation of NEZ #8 for the majority of the downtown area was approved by the Mayor and Council on August 3, 2009. For a map of all NEZ areas, please see Exhibit 1. An application for a NEZ certificate may be filed with the Engineering and Building Department.

## II. ELIGIBLE PROJECTS

The two new types of projects eligible for an NEZ exemption are described below.

### A. Rehabilitation Projects

#### Eligibility Criteria

For a building rehabilitation project to be eligible for the NEZ tax incentive, it must meet all of the following:

1. A mixed-use building or located in a mixed-use building that contains retail business space on the street level floor
2. Must consist of 1 to 8 units (either as rental units or condominiums).
3. Be located in a qualified downtown revitalization district.
4. Be an existing structure or 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.
5. Meet minimum investment requirements on a per unit basis, e.g., \$3,000-\$7,000, depending on the type of unit, e.g., an owner occupied or non-owner occupied unit, and who performs the rehabilitation improvements, e.g., the owner or a licensed contractor.

## Tax Benefit of a NEZ Exemption for a Rehabilitation Project

1. The Mayor and Council have adopted a resolution that NEZ certificates will be issued for 15 years for rehabilitation projects. For a qualified historic building (as defined in Public Act 281 of 1967, Section 266), the Mayor and City Council may approve a NEZ certificate for up to 17 years. Generally, to qualify as an historic building, the building must be: (a) listed on the national register of historic places or the state register of historic sites; (b) a contributing resource within an historic district; or (c) subject to an historic preservation easement. During an exemption, a certificate holder will pay a specific tax known as the NEZ Tax.
2. The taxable value of all new improvements to the rehabilitated portion will be exempt from all real property taxes until the final three years of the NEZ exemption certificate, resulting in a 100% exemption of the taxable value associated with the improvements to a structure. During the final three years of the exemption, taxes on the improvements will increase to approximately 85%, 90% and 95% of the regular rate, respectively. After the exemption expires, taxes would be paid at the full millage rate. A Downtown Development Authority isn't authorized to capture the NEZ Tax, so the City will only capture its respective share of the taxes paid until the NEZ exemption expires.
3. Generally, the NEZ tax for a "rehabilitated facility" is determined by multiplying the total mills levied as ad valorem taxes by the taxable value, not including land, for the tax year immediately preceding the effective date of the certificate. In effect, the taxes on the building will generally be same as they were prior to the rehabilitation improvements, until the taxes increase in the final three years of the exemption. After the exemption expires, taxes would be paid at the full millage rate. For an example of tax savings, please see Exhibit 2.
4. In the past, the only program the City had to encourage the rehabilitation of property for residential or commercial purposes was the Obsolete Property Rehabilitation Act (OPRA). OPRA required that a property be "functionally obsolete" to qualify for the program, while the NEZ program has no such requirement. For a comparison of the tax savings available under the NEZ program and OPRA, please see Exhibit 3.

## **B. Mixed-Use New Construction Projects**

### Eligibility Criteria

For a new construction project to be eligible for the NEZ tax incentive, it must meet one or both of the following:

1. A new structure or a portion of a new structure that has as its primary purpose residential housing consisting of 1 or 2 units, 1 of which is or will be occupied by an owner as his or her principal residence. New construction includes a model home or a model condominium unit. New construction includes a new individual condominium unit, in a structure with 1 or more condominium units that has as its primary purpose residential housing and that is or will be occupied by an owner as his or her principal residence. This incentive is identical to the NEZ incentive provided for new construction in the City's other NEZ areas. Except as provided below, new construction does not include apartments.

And/Or:

2. A new structure or a portion of a new structure that meets all of the following:
  - (A) Is rented or leased or is available for rent or lease.
  - (B) Is a mixed-use building or located in a mixed-use building that contains retail business space on the street level floor.
  - (C) Is located in a qualified downtown revitalization district, e.g., a downtown development authority.

Note: There are no limits on the number of units that may be constructed. Additionally, there is no minimum amount of investment required.

### Tax Benefit of a NEZ Exemption for a Mixed-Use New Construction Project

1. The Mayor and Council have adopted a resolution that NEZ certificates will be issued for 12 years for new construction projects. During an exemption, a certificate holder will pay a specific tax known as the NEZ Tax.
2. The NEZ tax for new construction is determined by multiplying one-half the average state-wide mills levied in the immediately preceding calendar year by the taxable value of the new construction, not including land, until the final three years of the exemption certificate. The state-wide average rate for homestead and non-homestead property is set by the Michigan Department of Treasury on an annual basis. A Downtown Development Authority isn't authorized to capture the NEZ Tax, so the City will only capture its respective share of the taxes paid until the NEZ exemption expires.
3. On a homestead property, the millages paid by a property owner on a building's taxable value will be approximately 17 mills in years 1-9 of an NEZ exemption (assuming a 12-year exemption), a 65% decrease from the 48 mills typically paid by a homestead owner. For an example of tax savings, please see Exhibit 4 .
4. For a non-homestead property owner (e.g., a renter or a non-principal residence), the millages paid on a building's taxable value will be approximately 26 mills in years 1-9 of an NEZ exemption (assuming a 12-year exemption), a 61% decrease from the 66 mills typically paid. For an example of tax savings, please see Exhibit 5.
5. For both types of new construction projects, taxes on the building improvements will increase during the final three years of the exemption to approximately 85%, 90% and 95% of the regular rate, respectively. After the exemption expires, taxes would be paid at the full millage rate.

### **III. APPLICATION PROCESS**

1. An application may be submitted to the City's Engineering and Building Department. A copy of the application and related instructions are provided in Exhibit 6.
2. The application must be submitted prior to pulling any permits for the project.
3. All applications must be approved by the Mayor and Council and the State of Michigan.

#### IV. ADDITIONAL INFORMATION

1. City of Wyandotte Engineering & Building Department - 734-324-4550                      Email: [engineering1@wyan.org](mailto:engineering1@wyan.org)    Information regarding the NEZ program is also available on the City's Web site at: <http://www.wyandotte.net/>
2. NEZ Act: For the most current copy of the NEZ Act, first go to the following Web site: <http://www.legislature.mi.gov/>; then click on "Public Act MCL Search" on the left hand column and enter the Public Act number (147) and the year the Public Act was originally adopted (1992).
3. Joseph M. Voszatka, AICP  
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Revised: August 10, 2009

## Exhibit 1

# CITY OF WYANDOTTE NEIGHBORHOOD ENTERPRISE ZONE (NEZ) MAP

## SOUTHGATE



REVISED: AUGUST 6TH, 2009  
NOTE: MAP IS FOR ILLUSTRATIVE PURPOSES ONLY.

## Exhibit 2

## WYANDOTTE, MICHIGAN

### ESTIMATE OF TAX SAVINGS WITH A 15-YEAR NEZ CERTIFICATE FOR A RENTAL REHABILITATION PROJECT (12 years of a full exemption & 3 years of a reduced exemption)

Year	Estimated Amount of Construction Improvements	Estimated Taxable Value: Assumes annual increase of 1.00%	WITHOUT NEZ DESIGNATION	WITH NEZ DESIGNATION					TAX SAVINGS WITH NEZ		ACCUMULATED TAX SAVINGS WITH NEZ
			Tax Payment at Non-Homestead Millage Rate <sup>1</sup> of 65.804	Land Value <sup>2</sup> Assumes Land Value is approx. 0.00% of Taxable Value	Tax Payment on Land Value at Non-Homestead Millage Rate of 65.804	Building Value <sup>2</sup> Assumes Building Value is approx. 100.00% of Taxable Value	Tax Payment on Building Value at NEZ Non-Homestead Rehabilitation Millage Rate <sup>3</sup>	Combined Tax Payment on Land & Building Value <sup>4</sup>	Annual Amount Saved	%	Amount Saved
1	\$200,000	\$100,000	\$6,580	\$0	\$0	\$100,000	\$0	\$0	\$6,580	100%	\$6,580
2	-	\$101,000	\$6,646	\$0	\$0	\$101,000	\$0	\$0	\$6,646	100%	\$13,227
3	-	\$102,010	\$6,713	\$0	\$0	\$102,010	\$0	\$0	\$6,713	100%	\$19,939
4	-	\$103,030	\$6,780	\$0	\$0	\$103,030	\$0	\$0	\$6,780	100%	\$26,719
5	-	\$104,060	\$6,848	\$0	\$0	\$104,060	\$0	\$0	\$6,848	100%	\$33,567
6	-	\$105,101	\$6,916	\$0	\$0	\$105,101	\$0	\$0	\$6,916	100%	\$40,483
7	-	\$106,152	\$6,985	\$0	\$0	\$106,152	\$0	\$0	\$6,985	100%	\$47,468
8	-	\$107,214	\$7,055	\$0	\$0	\$107,214	\$0	\$0	\$7,055	100%	\$54,523
9	-	\$108,286	\$7,126	\$0	\$0	\$108,286	\$0	\$0	\$7,126	100%	\$61,649
10	-	\$109,369	\$7,197	\$0	\$0	\$109,369	\$0	\$0	\$7,197	100%	\$68,846
11	-	\$110,462	\$7,269	\$0	\$0	\$110,462	\$0	\$0	\$7,269	100%	\$76,114
12	-	\$111,567	\$7,342	\$0	\$0	\$111,567	\$0	\$0	\$7,342	100%	\$83,456
13	-	\$112,683	\$7,415	\$0	\$0	\$112,683	\$6,430	\$6,430	\$985	13%	\$84,441
14	-	\$113,809	\$7,489	\$0	\$0	\$113,809	\$6,753	\$6,753	\$736	10%	\$85,177
15	-	\$114,947	\$7,564	\$0	\$0	\$114,947	\$7,081	\$7,081	\$483	6%	\$85,660
Totals		-	\$105,924	\$0	\$0	-	\$20,264	\$20,264	\$85,660	81%	\$85,660

**Notes & Assumptions:**

1. The Non-Homestead millage rate is determined by millages voted and approved by voters of the city, county and state. The rate may change annually.
  2. Assumes no Land Value to simplify calculations. There may actually be a Land Value associated with a project. The normal non-homestead millage rate would apply to any Land Value.
  3. The NEZ millage rate is determined annually by the State of Michigan and is based on 1/2 of the average statewide non-homestead millage rate. The rate may change annually. For the most current rate, see final page of info at: [http://www.michigan.gov/documents/2704\\_packet\\_113571\\_7.pdf](http://www.michigan.gov/documents/2704_packet_113571_7.pdf)
  4. In addition to the amount shown in "Combined Tax Payment on Land & Building Value," a 1% Administrative Fee is charged by the City.
- For questions regarding applying for an NEZ certificate, please contact the Wyandotte Engineering & Building Dept. at 734-324-4551 or: <http://www.wyandotte.net/>  
 For questions regarding Taxable Value and Land and Building Values, please contact the Wyandotte City Assessor's office at 734-324-4511 or: <http://www.wyandotte.net/>

## Exhibit 3

**WYANDOTTE, MICHIGAN**

**COMPARISON OF OPRA AND NEZ PROGRAMS ON ESTIMATED TAXES  
ASSOCIATED WITH NONHOMESTEAD RESIDENTIAL REHABILITATION IMPROVEMENTS**

Year No.	Year	True Cash Value of Residential Rehabilitation Improvements	Taxable Value	Taxes w/out Any Exemption Taxes at regular Millage rate	Estimated Taxes Under Each Program			
			Estimated annual increase of 1.00%		12-Year OPRA	12-Year OPRA	12-Year NEZ Exemption	15-Year NEZ Exemption
					Standard Exemption	Additional Exemption		
1	2010	\$200,000	\$100,000	\$6,580	\$2,392	\$1,196	\$0	\$0
2	2011	-	\$101,000	\$6,646	\$2,416	\$1,208	\$0	\$0
3	2012	-	\$102,010	\$6,713	\$2,440	\$1,220	\$0	\$0
4	2013	-	\$103,030	\$6,780	\$2,464	\$1,232	\$0	\$0
5	2014	-	\$104,060	\$6,848	\$2,489	\$1,245	\$0	\$0
6	2015	-	\$105,101	\$6,916	\$2,514	\$1,257	\$0	\$0
7	2016	-	\$106,152	\$6,985	\$2,539	\$2,539	\$0	\$0
8	2017	-	\$107,214	\$7,055	\$2,564	\$2,564	\$0	\$0
9	2018	-	\$108,286	\$7,126	\$2,590	\$2,590	\$0	\$0
10	2019	-	\$109,369	\$7,197	\$2,616	\$2,616	\$6,430	\$0
11	2020	-	\$110,462	\$7,269	\$2,642	\$2,642	\$6,753	\$0
12	2021	-	\$111,567	\$7,342	\$2,669	\$2,669	\$7,081	\$0
			<b>12-Year Total</b>	<b>\$83,456</b>	<b>\$30,335</b>	<b>\$22,978</b>	<b>\$20,264</b>	<b>\$0</b>
13	2022	-	\$112,683	\$7,415	\$7,415	\$7,415	\$7,415	\$6,625
14	2023	-	\$113,809	\$7,489	\$7,489	\$7,489	\$7,489	\$6,957
15	2024	-	\$114,947	\$7,564	\$7,564	\$7,564	\$7,564	\$7,295
			<b>15-Year Total</b>	<b>\$105,924</b>	<b>\$52,803</b>	<b>\$45,446</b>	<b>\$42,732</b>	<b>\$20,878</b>
16	2025	-	\$116,097	\$7,640	\$7,640	\$7,640	\$7,640	\$7,640

Note: The analysis above is a preliminary estimate of the real property taxes paid under each program based on a theoretical value of only the improvements associated with rehabilitating existing space into a residential apartment unit. A more accurate estimate for a specific project may be determined once the City Assessor determines: (1) a Pre-rehabilitation Taxable Value of the specific area to be rehabilitated, e.g., a second floor area; and (2) the projected Taxable Value of improvements associated with a rehabilitated apartment unit (net of any existing improvements to the area to be rehabilitated that must be excluded from the Taxable Value).

Spreadsheet designed by: SMOOTH Development, LLC \* [www.smoothdevelopment.com](http://www.smoothdevelopment.com) \* 734-301-1282  
Last revised: June 6, 2009

## Exhibit 4

## WYANDOTTE, MICHIGAN

### ESTIMATE OF TAX SAVINGS WITH A 12-YEAR NEZ CERTIFICATE FOR A NEW CONSTRUCTION HOMESTEAD PROJECT (9 years of a full exemption & 3 years of a reduced exemption)

Year	Approximate Purchase/Sales Price	Taxable Value: Assumes annual increase of 1.00%	WITHOUT NEZ DESIGNATION	WITH NEZ DESIGNATION					TAX SAVINGS WITH NEZ		ACCUMULATED TAX SAVINGS WITH NEZ
			Tax Payment at Homestead Millage Rate <sup>1</sup> of 47.904	Land Value <sup>2</sup> Assumes Land Value is approx. 10.00% of Taxable Value	Tax Payment on Land Value at Homestead Millage Rate of 47.904	Building Value <sup>2</sup> Assumes Building Value is approx. 90.00% of Taxable Value	Tax Payment on Building Value at NEZ Millage Rate <sup>3</sup>	Combined Tax Payment on Land & Building Value <sup>4</sup>	Annual Amount Saved	%	Amount Saved
1	\$200,000	\$100,000	\$4,790	\$10,000	\$479	\$90,000	\$1,524	\$2,003	\$2,788	58%	\$2,788
2	-	\$101,000	\$4,838	\$10,100	\$484	\$90,900	\$1,539	\$2,023	\$2,816	58%	\$5,603
3	-	\$102,010	\$4,887	\$10,201	\$489	\$91,809	\$1,554	\$2,043	\$2,844	58%	\$8,447
4	-	\$103,030	\$4,936	\$10,303	\$494	\$92,727	\$1,570	\$2,063	\$2,872	58%	\$11,319
5	-	\$104,060	\$4,985	\$10,406	\$498	\$93,654	\$1,586	\$2,084	\$2,901	58%	\$14,220
6	-	\$105,101	\$5,035	\$10,510	\$503	\$94,591	\$1,601	\$2,105	\$2,930	58%	\$17,150
7	-	\$106,152	\$5,085	\$10,615	\$509	\$95,537	\$1,617	\$2,126	\$2,959	58%	\$20,109
8	-	\$107,214	\$5,136	\$10,721	\$514	\$96,492	\$1,634	\$2,147	\$2,989	58%	\$23,098
9	-	\$108,286	\$5,187	\$10,829	\$519	\$97,457	\$1,650	\$2,169	\$3,019	58%	\$26,116
10	-	\$109,369	\$5,239	\$10,937	\$524	\$98,432	\$4,025	\$4,549	\$690	13%	\$26,806
11	-	\$110,462	\$5,292	\$11,046	\$529	\$99,416	\$4,298	\$4,827	\$465	9%	\$27,271
12	-	\$111,567	\$5,344	\$11,157	\$534	\$100,410	\$4,575	\$5,110	\$235	4%	\$27,505
Totals		-	\$60,754	-	\$6,075	-	\$27,173	\$33,249	\$27,505	45%	\$27,505

**Notes & Assumptions:**

1. The Homestead millage rate is determined by millages voted and approved by voters of the city, county and state. The rate may change annually.
  2. Assumes Land Value and Building Value is a certain percentage of Taxable Value. The actual percentage varies depending on lot size and property location.
  3. The NEZ millage rate is determined annually by the State of Michigan and is based on 1/2 of the average statewide millage rate. The rate may change annually. For the most current rate, see final page of info at: [http://www.michigan.gov/documents/2704\\_packet\\_113571\\_7.pdf](http://www.michigan.gov/documents/2704_packet_113571_7.pdf)
  4. In addition to the amount shown in "Combined Tax Payment on Land & Building Value," a 1% Administrative Fee is charged by the City.
- For questions regarding applying for an NEZ certificate, please contact the Wyandotte Engineering & Building Dept. at 734-324-4551 or: <http://www.wyandotte.net/>  
 For questions regarding Taxable Value and Land and Building Values, please contact the Wyandotte City Assessor's office at 734-324-4511 or: <http://www.wyandotte.net/>

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 Last revised: June 6, 2009

## Exhibit 5

## WYANDOTTE, MICHIGAN

### ESTIMATE OF TAX SAVINGS WITH A 12-YEAR NEZ CERTIFICATE FOR A NEW CONSTRUCTION NONHOMESTEAD PROJECT (9 years of a full exemption & 3 years of a reduced exemption)

Year	Estimated Amount of Construction Improvements	Estimated Taxable Value: Assumes annual increase of 1.00%	WITHOUT NEZ DESIGNATION	WITH NEZ DESIGNATION					TAX SAVINGS WITH NEZ		ACCUMULATED TAX SAVINGS WITH NEZ
			Tax Payment at Non-Homestead Millage Rate <sup>1</sup> of 65.804	Land Value <sup>2</sup> Assumes Land Value is approx. 10.00% of Taxable Value	Tax Payment on Land Value at Non-Homestead Millage Rate of 65.804	Building Value <sup>2</sup> Assumes Building Value is approx. 90.00% of Taxable Value	Tax Payment on Building Value at NEZ Non-Homestead Rehabilitation Millage Rate <sup>3</sup>	Combined Tax Payment on Land & Building Value <sup>4</sup>	Annual Amount Saved	%	Amount Saved
1	\$200,000	\$100,000	\$6,580	\$10,000	\$658	\$90,000	\$2,334	\$2,992	\$3,589	55%	\$3,589
2	-	\$101,000	\$6,646	\$10,100	\$665	\$90,900	\$2,357	\$3,022	\$3,625	55%	\$7,213
3	-	\$102,010	\$6,713	\$10,201	\$671	\$91,809	\$2,381	\$3,052	\$3,661	55%	\$10,874
4	-	\$103,030	\$6,780	\$10,303	\$678	\$92,727	\$2,404	\$3,082	\$3,697	55%	\$14,571
5	-	\$104,060	\$6,848	\$10,406	\$685	\$93,654	\$2,428	\$3,113	\$3,734	55%	\$18,306
6	-	\$105,101	\$6,916	\$10,510	\$692	\$94,591	\$2,453	\$3,144	\$3,772	55%	\$22,077
7	-	\$106,152	\$6,985	\$10,615	\$699	\$95,537	\$2,477	\$3,176	\$3,809	55%	\$25,887
8	-	\$107,214	\$7,055	\$10,721	\$706	\$96,492	\$2,502	\$3,208	\$3,848	55%	\$29,734
9	-	\$108,286	\$7,126	\$10,829	\$713	\$97,457	\$2,527	\$3,240	\$3,886	55%	\$33,620
10	-	\$109,369	\$7,197	\$10,937	\$720	\$98,432	\$5,787	\$6,507	\$690	10%	\$34,310
11	-	\$110,462	\$7,269	\$11,046	\$727	\$99,416	\$6,077	\$6,804	\$465	6%	\$34,775
12	-	\$111,567	\$7,342	\$11,157	\$734	\$100,410	\$6,373	\$7,107	\$235	3%	\$35,010
	Totals	-	\$83,456	\$126,825	\$8,346	-	\$40,101	\$48,446	\$35,010	42%	\$35,010

**Notes & Assumptions:**

1. The Non-Homestead millage rate is determined by millages voted and approved by voters of the city, county and state. The rate may change annually.
  2. Assumes Land Value and Building Value is a certain percentage of taxable Value. The actual percentage varies depending on lot size and property location.
  3. The NEZ millage rate is determined annually by the State of Michigan and is based on 1/2 of the average statewide non-homestead millage rate. The rate may change annually. For the most current rate, see final page of info at: [http://www.michigan.gov/documents/2704\\_packet\\_113571\\_7.pdf](http://www.michigan.gov/documents/2704_packet_113571_7.pdf)
  4. In addition to the amount shown in "Combined Tax Payment on Land & Building Value," a 1% Administrative Fee is charged by the City.
- For questions regarding applying for an NEZ certificate, please contact the Wyandotte Engineering & Building Dept. at 734-324-4551 or: <http://www.wyandotte.net/>  
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 Last revised: June 6, 2009

## Exhibit 6

STC Use Only	
▶ Application No.	▶ Date Received

# Application for Neighborhood Enterprise Zone Certificate

Issued under authority of Public Act 147 of 1992, as amended.

**Instructions:** Read the instructions before completing the application. This application must be filed prior to building permit issuance and start of construction. Initially file one original application (with legal description) and two additional copies of this form with the clerk of the local governmental unit (three complete sets). The additional documents to complete the application process will be required by the State of Michigan only after the original application is filed with the clerk of the local governmental unit (LGU). This form is also used to file a request for the transfer of an existing NEZ certificate. Please see the instruction sheet.

TO BE COMPLETED BY CLERK OF LOCAL GOVERNMENTAL UNIT (LGU)	
Signature of Clerk	▶ Date received by LGU
LGU Application Number	▶ LGU Code

Part 1: Owner/Applicant Information (complete all fields)		
▶ Applicant Name	Amount of years requested for exemption	
▶ Location of Facility (Street No., City, State, ZIP Code)		
<input type="checkbox"/> City of <input type="checkbox"/> Township of <input type="checkbox"/> Village of	County	
▶ Application is  <input type="checkbox"/> New <input type="checkbox"/> Rehabilitation <input type="checkbox"/> Transfer (1 copy only)	School District where facility is located	▶ School Code
Is the building owned or rented by the occupants?  <input type="checkbox"/> Owned <input type="checkbox"/> Rented	Type of Property <input type="checkbox"/> House <input type="checkbox"/> Duplex <input type="checkbox"/> Condo <input type="checkbox"/> Loft <input type="checkbox"/> Apartment – No. of Units ___	
Name of LGU that established district	▶ Name or Number of Neighborhood Enterprise Zone	▶ Date district was established
Identify who the work was completed by  <input type="checkbox"/> Licensed Contractor <input type="checkbox"/> Other _____	Estimated Project Cost (per unit)	
Describe the general nature and extent of the rehabilitation or new construction to be undertaken. <u>Include Breakdown of Investment Cost</u> (use attachments if necessary)		
Timetable for undertaking and completing the rehabilitation or construction of the facility.		

Part 2: Applicant Certification	
I certify the information contained herein and in the attachments are true and that all are truly descriptive of the residential real property for which this application is being submitted.	
I certify I am familiar with the provisions of Public Act 147 of 1992, as amended, (MCL 207.771 to 207.787) and to the best of my knowledge, I have complied or will be able to comply with all of the requirements thereof which are prerequisite to the approval of the application by the LGU and the issuance of Neighborhood Enterprise Zone Certificate by the State Tax Commission.	
▶ Contact Name	Contact Telephone Number
Contact Fax Number	Contact E-mail Address
Owner/Applicant Name	Owner/Applicant Telephone Number
Owner/Applicant Signature	Date
▶ Owner/Applicant Mailing Address (Street No., City, State, ZIP Code)	Owner/Applicant E-mail Address

<b>Part 3: LOCAL GOVERNMENT ACTION</b>	
<b>LGU Clerk must complete this section before submitting to the State Tax Commission</b>	
Action taken by LGU: <input type="checkbox"/> Abatement Approved for _____ Years (6-15) <input type="checkbox"/> Abatement Approved for _____ Years (11-17 historical credits) <input type="checkbox"/> Denied (include Resolution Denying)	The State Tax Commission requires the following documents be filed for an administratively complete application: <input type="checkbox"/> 1. Original Application <input type="checkbox"/> 2. Legal description of the real property with parcel code number <input type="checkbox"/> 3. Resolution approving/denying application (include # of years) <input type="checkbox"/> 4. <b>REHABILITATION APPLICATIONS ONLY.</b> Statement by the assessor showing the taxable value of the rehabilitated facility not including the land, for the tax year immediately preceding the effective date of the rehabilitation.
▶ Date of Resolution Approving/Denying this application	LGU Name
<b>Part 4: LOCAL GOVERNMENT CERTIFICATION</b>	
<b>LGU Clerk must complete this section before submitting to the State Tax Commission</b>	
I certify that I have reviewed this application for complete and accurate information and determined that the subject property is located within a qualified Neighborhood Enterprise Zone.	
I certify this application meets the requirements as outlined by Public Act 147 of 1992 and hereby request the State Tax Commission issue a Neighborhood Enterprise Zone Certificate.	
Print Clerk Name	Clerk Telephone Number
Clerk Fax Number	Clerk E-mail Address
Clerk's Mailing Address (Street, City, State, ZIP Code)	
Clerk Signature	Date

LGU mail original completed application and required documents to:

State Tax Commission  
 Michigan Department of Treasury  
 P.O. Box 30471  
 Lansing, MI 48909-7971

**Note:** Additional documentation will be required for the issuance of the certificate of exemption. These documents should be sent directly to the State of Michigan only after the original application is filed with the LGU clerk and approved by the LGU. See the instruction sheet attached.

Any questions concerning the completion of this application should be directed to your LGU Clerk.

# Instructions for Form 2704A, Application for Neighborhood Enterprise Zone (NEZ) Certificate

The Neighborhood Enterprise Zone (NEZ) Facility Certificate was created by Public Act 147 of 1992, as amended. To qualify for this certificate, the subject property must be located within an established NEZ. Applications for a certificate of exemption are filed, reviewed, and approved by the local unit of government (LGU), but are also subject to review and approval/denial by the Michigan State Tax Commission.

## **Builder/Developer/Applicant**

Complete Parts 1 and 2.

**This application must be filed with the LGU clerk prior to the building permit issuance and the start of construction.** File one original and two copies (three complete sets) of the completed application (form 2704A) and the following documents:

- Legal description of the real property on which the facility is located.
- Property Identification Number
- Describe the general nature and extent of the new construction or rehabilitation to be undertaken and the breakdown (for rehabilitation only) of the investment cost.
- Outline the timetable for undertaking and completing the new construction or rehabilitation of the facility.

NOTE TO NEW OWNERS: A list of additional required documentation to complete the application/certificate issuance process is on page 2 of the instructions. This documentation is sent directly to the State of Michigan, only after the original application is filed with the LGU clerk and approved by the LGU.

Any questions concerning the completion of this application should be directed to your LGU Clerk. Additional information on the NEZ program can be found at [www.michigan.gov/treasury](http://www.michigan.gov/treasury).

## **LGU Clerk**

Complete Part 3 & 4

The LGU Clerk should review the application for complete and accurate information, to determine that the subject property is located within a qualified NEZ and certify the application meets the requirements as outlined by Public Act 147 of 1992.

Once approved, attach a certified copy of the resolution approving the application. This resolution must include the number of years the LGU is granting the abatement.

Send the complete application package to:

State Tax Commission  
Michigan Department of Treasury  
P.O. Box 30471  
Lansing, MI 48909-7971

## **Application Deadline**

Complete applications must be received by the State Tax Commission before October 31, to ensure processing and certificate issuance for the following tax year. Applications received after October 31 may not be processed in time for certificate issuance for the following tax year.

### Additional Documents Required by the State to Issue a NEZ Certificate

Some documents may be obtained from the builder/developer.

#### **Additional documents required for a New facility project:**

- A signed application completed by the new owner/occupant. Most of the information needed can be taken from the original application filed by the developer. Be sure to make a copy of both pages of the application.
- A copy of the legal description of the real property with parcel code number of the property for each house/condo being built.
- A copy of the building permit. Please make sure the copy of the permit (building/trade permit) sent to the State is clear and legible.
- A copy of the new owners Warranty Deed showing ownership with the date deed was executed and signatures.
- A copy of the Certificate of Occupancy and Compliance.

#### **Additional documents required for a Rehabilitated facility:**

- Documentation proving the cost requirements of Michigan Compiled Law (MCL) 207.772(k) is met. A breakdown of investment cost for each house, condo or unit being rehabilitated and the square footage for each.
- A copy of the legal description of the real property with parcel code number of the property for each house/condo being built or rehabilitated.
- A clear and legible copy of the building/trade permit. For a rehabilitated facility you may not have a building permit but you will have trade permits, send copies of the trade permits.
- A copy of the new owner's Warranty Deed showing ownership with date the deed was executed and signatures.
- A certificate of occupancy and compliance, or certification by the local building official that the building meets minimum building codes for the local unit. Applicant must contact the building official.
- A copy of the statement by the assessor showing taxable value of the rehabilitated facility, not including the land, for the tax year immediately preceding the effective date of the rehabilitation.

### Transfer of an existing certificate

Existing NEZ certificates may be transferred to a new owner by filing the completed application (form 2704A) and a copy of the warranty deed for the subject property with the State Tax Commission.

#### **Tax Advantage for a NEZ Facility Exemption**

The NEZ tax for a "**Rehabilitated facility**" is determined by multiplying the total mills levied as ad valorem taxes by the taxable value, not including land, for the tax year immediately preceding the effective date of the certificate, unless the effective date is adjusted by MCL 207.780(3). If the effective date is adjusted or the certificate is approved after 12/31/2005, the taxable value remains "frozen" until the last three years of the certificate and is then adjusted as described below.

The NEZ tax for a "**New facility**" is determined by multiplying one-half the average state-wide homestead mills levied in this state in the immediately preceding calendar year by the taxable value of the "New facility", not including land, until the certificate expires, unless the effective date is adjusted by MCL 207.780(2). If the effective date is adjusted or the certificate is approved after 12/31/2005, the exemption is adjusted as described below. The state-wide average homestead rate is set by the Michigan Department of Treasury, Bureau of Local Government Services on an annual basis.

**In the last three years of the exemption**, the exemption applies to only the number of mills levied for the county and LGU operating purposes (does not include debt millage); multiplied by the current taxable value. Any county or LGU debt millage and all other millages levied by all other taxing authorities would be levied at the full millage. Land is not included in this exemption.

In the tax year, two years before the certificate expires, the percentage of mills exempted for the county and LGU operating mills changes to **five-eighths** (does not include debt millage); multiplied by the current taxable value.

In the tax year, one year before the certificate expires, the percentage of mills exempted for the county and LGU operating mills changes from five-eighths to **three-fourths** (does not include debt millage); multiplied by the current taxable value.

In the year that the certificate expires, the percentage of mills exempted for the county and LGU operating mills changes from three-fourths to **seven-eighths** (does not include debt millage); multiplied by the current taxable value.

The LGU may grant an exemption for 6 to 15 years, or 11 to 17 years for a historic building.

## NEIGHBORHOOD ENTERPRISE ZONE EXEMPTION SUMMARY

1. The local unit of government must establish a Neighborhood Enterprise Zone, in order to qualify the subsequent projects for NEZ exemption. (Please see step 1 below)
2. The approval of applications for a Neighborhood Enterprise Zone Exemption Certificate (NEZ) is a two step process. Applications are filed, reviewed and approved locally, and are subject to review and approval/denial by the Michigan State Tax Commission. (Please see step 2 below)
3. Applicants must submit one signed original and two copies of a completed application and legal description to the clerk of the local unit of government where the facility is located **after** the zone is established, but **before** a building permit has been issued. The application is sent to the local governing body for approval.
4. The local unit of government will review the application, approve by resolution and forward all required documents to the Commission.
5. The staff for the State Tax Commission will review the application, request missing information, and once complete, will make recommendation to the Commission for approval or denial. The State Tax Commission is ultimately responsible for final approval and issuance of certificates. Exemptions are not effective until approved by the Commission. (Please see step 5 below)

### STEP 1 – DESIGNATION OF NEIGHBORHOOD ENTERPRISE ZONES (NEZ), PUBLIC ACT 147 OF 1992

Contact the clerk of the local unit to start the establishment of a Neighborhood Enterprise Zone. This procedure for establishing the zone may be found in Act 147, P.A. 1992, Section 207.773. A certified copy of the resolution approving the designated area as a Neighborhood Enterprise Zone will be sent to the **Michigan Department of Treasury, State Tax Commission, P.O. Box 30471, Lansing, MI 48909-7971**. Accompanying the resolution should be a master list of all the properties included in the zone (parcel code/identification number and address) provided by the Assessor, (i.e.: Ward-Item/property or parcel identification number (original and revised); Street address (original and revised); Composed of lot numbers (original and revised)).

1. Governing body of local governmental unit approves tentative boundaries for a proposed NEZ. A Zone must contain not less than 10 platted parcels of land, be compact and contiguous. Maximum area of zones set in section 3, subsection (2) of Act.
2. Not less than 60 days before designating a NEZ, provide notice to assessor and each taxing unit in proposed zone of intent to establish a NEZ.
3. Not later than 45 days after notice is sent, a public hearing must be held on establishment of the NEZ.
4. Before adopting a resolution designating a NEZ, the governing body of the local governmental unit must:
  1. Adopt housing inspection ordinance making sales of NEZ facilities dependent on code compliance
  2. Adopt finding that NEZ is consistent with the unit's master plan.
  3. Adopt statement of housing objectives and policies
5. Obtain assessor's report of the amount of true cash value of property in proposed NEZ.
6. Adopt resolution designating the NEZ. The Resolution must designate a name or number for the zone and the total acreage.
7. Notify the State Tax Commission of passage of the resolution establishing a zone. Include a copy of the resolution and a listing of each parcel located in the NEZ, showing parcel code number and address.

### STEP 2 - FILING THE NEZ APPLICATION WITH THE CLERK OF THE LOCAL UNIT

**Applicants (Builder/Developer or single family homeowner) must file the application with the clerk of the local unit before drawing permits of any kind (building permit, trade permit, etc).**

Complete all areas of the two-page Neighborhood Enterprise Zone application form. *The attachments (such as the building permit, electrical, plumbing) will be sent to the State Tax Commission at a later time, when all other attachments are sent.*

The following items are required for the initial filing with the clerk of the local unit:

1. Describe the general nature and extent of the new construction or rehabilitation to be undertaken and the breakdown of investment cost.
2. Outline the timetable for undertaking and completing the new construction or rehabilitation of the facility. Separate pages should be attached if necessary. See M.C.L. 207.774, Section 4, subsection (3)(a)(b)(c)(d)(e).
3. The Property Services Division requires one original application for each project address.
  - a. New facility project reflects each specific street address.
  - b. Rehabilitation facility projects, 1-8 units which will be rentals, require one application for the main street address.
  - c. Rehabilitation facility projects which will be sold immediately to owner/occupants require one separate application be filed for each unit/condo's address.

File one original and two copies of each application with the clerk's office. (Note: It is recommended applicants also retain a copy of the application for their records and have the clerk date stamp/sign the copy). The application will be placed before the local unit (City Council) for approval of the addresses requested. Once approved, the clerk will send the original

application/attachments to the State of Michigan, Property Services Division, Tax Exemption Section. The application will be checked for missing information or attachments that could not be included with the original application. A letter will be issued requesting the information needed to complete the application.

### STEP 3 - INFORMATION TO COMPLETE THE APPLICATION PROCESS (STATE LEVEL)

#### The following items will be required for new construction:

- The New owner/occupant completes an application, signing the back page. (Most of the information needed can be taken from the original application filed by the developer. Be sure to copy both front and back sides of the application).
- Copy of the legal description of the real property with parcel code number of the property for each house/condo being built.
- Copy of the building permit. The copy of the permit (building/trade permits) sent to the State is required to be **clear and legible**.
- Copy of the new owners Warranty Deed showing ownership, containing the date the deed was executed and signatures.
- Copy of the Certificate of Occupancy and Compliance.

#### Additional requirements for rehabilitated projects are:

- Documentation proving the cost requirements of section 2(k) has been met. A breakdown of investment cost for each house, condo or unit being rehabilitated and the square footage for each.
- Copy of the legal description of the real property with parcel code number of the property for each house/condo being built or rehabilitated.
- Building permits may or may not be available, but you will have trade permit copies. The copy of the permit (building/trade permits) sent to the State is required to be **clear and legible**.
- Copy of the new owners Warranty Deed showing ownership, containing the date the deed was executed and signatures.
- Certificate of Occupancy and Compliance or a Certification by the local building official, certifying that the building meets minimum building codes for the local unit. The Applicant must contact the building official.
- Copy of the statement by the Assessor showing taxable value of the rehabilitated facility, **not including the land**, for the tax year immediately preceding the effective date of the rehabilitation.

When all required information is received at the State level, staff will recommend to the State Tax Commission one of the following actions: approval, denial, revocation or transfer. Notification of the action will be given to the following parties:

- a. Owner/Occupant; cover letter, certificate or the denial/revocation letter by certified mail.
- b. Assessor, Clerk, Treasurer, County Equalization Department, School District, Intermediate School District and Community College by certified mail

## NEIGHBORHOOD ENTERPRIZE ZONE MILLAGE RATE

<u>NON HOMESTEAD RATE</u>	<u>LESS 18 MILLS FOR HOMESTEAD RATE</u>	<u>NEZ TAX RATE (1/2 HOMESTEAD RATE)</u>
1994 - 49.08	for 1995 = 31.08	15.54
1995 - 49.81	for 1996 = 31.81	15.91
1996 - 50.85	for 1997 = 32.85	16.43
1997 - 50.51	for 1998 = 32.51	16.26
1998 - 50.36	for 1999 = 32.36	16.18
1999 - 50.43	for 2000 = 32.43	16.22
2000 - 50.82	for 2001 = 32.82	16.41
2001 - 51.41	for 2002 = 33.41	16.71
2002 - 52.04	for 2003 = 34.04	17.02
2003 - 50.92	for 2004 = 32.92	16.46
2004 - 51.68	for 2005 = 33.68	16.84
2005 - 51.71	for 2006 = 33.71	16.86
2006 - 51.89	for 2007 = 33.89	16.95

The Current Tax Rate is based on the previous years tax levy.

The current millage rates are replaced by ½ the State Wide Average Homestead Rate as determined by the Assessment & Certification Division on an annual basis.