



NEIGHBORHOOD ENTERPRISE ZONES

WHY?

Neighborhood Enterprise Zone Exemption, 2022 Public Act 238 (Effective March 28, 2023). 2022 Public Act 238 amended 1992 Public Act 147, creating the Workforce Housing NEZ. Prior to 2022 PA 238, the Neighborhood Enterprise Zone (NEZ) Act provided tax exemptions for the development and rehabilitation of residential housing located within a qualified local government as defined in the Obsolete Property Rehabilitation Act (2000 PA 146).

WHAT?

The local governmental unit (LGU) in these qualified local governments can designate areas as NEZs. Under 2022 PA 238, all townships, cities, and villages can designate an NEZ if the zone meets certain criteria. A Workforce Housing NEZ covers new facilities and/or rehabilitated facility projects designated by a township, city or village that is not on the current list of OPRA-qualified LGUs.

HOW?

For a Workforce Housing NEZ and for a Homestead NEZ not located in an OPRA-qualified LGU, the LGU must determine that both of the following are met:

1. The NEZ designation encourages compact development, and the neighborhood enterprise zone contains 5 or more existing residential units per acre at the time of designation.
2. The NEZ is adjacent to existing development, can utilize existing infrastructure, and has access to municipal water and sewer services on at least 1 frontage.

CRITERIA

“Workforce housing” means rental units or other housing options that are reasonably affordable to, and occupied by, a household whose total household income is not greater than 120% of the area median income and published by the United States Department of Housing and Urban Development.

The governing body of a local governmental unit by resolution may designate 1 or more neighborhood enterprise zones within that local governmental unit.

The NEZ cannot be less than 10 platted parcels of land. A NEZ located in a qualified downtown revitalization district may contain less than 10 platted parcels if the platted parcels together contain 10 or more facilities. All the land within a neighborhood enterprise zone shall also be compact and contiguous.



Contiguity is not broken by a road, right-of-way, or property purchased or taken under condemnation if the purchased or condemned property was a single parcel prior to the sale or condemnation.

The total acreage of the neighborhood enterprise zones shall not exceed 15% of the total acreage contained within the boundaries of the local governmental unit. The total acreage of the neighborhood enterprise zones containing only homestead facilities designated under this act shall not exceed 10% of the total acreage contained within the boundaries of the local governmental unit or, with the approval of the board of commissioners of the county in which the neighborhood enterprise zone is located 15% of the total acreage contained within the boundaries of the local governmental unit.

PROCESS

When a Workforce Housing NEZ is created by the LGU, a resolution approving the creation of the Workforce Housing NEZ must be approved by the LGU in concordance with statutory requirements. The resolution should include:

1. Language outlining the requirement that the certificate holder for a Workforce Housing NEZ provide information each year to the LGU on which portion of the facility is occupied by "an individual, couple, family, or group of unrelated individuals with a combined adjusted household income in excess of 120% of the countywide area median income as posted by the Michigan state housing development authority (MCL 207.773(7))."
 2. Language affirming the LGU will use the annual reporting described in (1) to adjust the specific tax for those units that exceed the income limit to "the full amount of the taxes that would be paid on that portion of the facility if the facility were not tax exempt (MCL 207.773(7))."
- [Neighborhood Enterprise Zone Certificate Form 4775](#)
 - [Neighborhood Enterprise Zone Certificate Frequently Asked Questions](#)

CRITERIA

- The proposed neighborhood enterprise zone must be consistent with the master plan of the local governmental unit and the neighborhood preservation and economic development goals of the local governmental unit.
- The governing body before acting upon the resolution shall also adopt a statement of the local governmental unit's goals, objectives, and policies relative to the maintenance, preservation, improvement, and development of housing for all persons regardless of income level living within the proposed neighborhood enterprise zone.



- Before the sale of a unit in a new or rehabilitated facility for which a neighborhood enterprise zone certificate is in effect, an inspection shall be made of the unit to determine compliance with any local construction or safety codes and that a sale may not be finalized until there is compliance with those local construction or safety codes.
- The NEZ encourages compact development and the neighborhood enterprise zone contains 5 or more existing residential units per acre at the time of designation.
- The NEZ is adjacent to existing development, can utilize existing infrastructure, and has access to municipal water and sewer services

The effective date of the neighborhood enterprise zone certificate is December 31 in the year in which the new facility or rehabilitated facility is substantially completed.