



# Neighborhood Enterprise Zone Act

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## OVERVIEW

The Neighborhood Enterprise Zone (NEZ) Program tax abatement encourages the development and rehabilitation of residential housing, specifically in communities in which it would not otherwise occur. The act provides a tax exemption for property of which the purpose is residential. Mixed-use developments may be eligible, but the abatement will apply only to the residential portion of the property. The advantage to the taxpayer is a savings on property taxes.

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## TAX IMPACT

For a rehabilitated facility, the tax exemption freezes the taxable value of the rehabilitated portion of the facility for up to 15 years (17 years for a rehabilitated facility in a qualified historic building), exempting from local property tax all real property improvements. For a new facility, apply either one-half of the state's principal residence exemption (PRE) millage rate or one-half of the state's non-PRE millage rate depending on the principle residence status of the facility. The taxes are adjusted the final three years of the NEZ tax abatement.

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## POLICY AND ELIGIBILITY CRITERIA

- Each NEZ must contain not less than 10 platted parcels of land which are compact and contiguous, or if located in a downtown revitalization district may contain less than 10 platted parcels if the platted parcels together contain 10 or more facilities.
- Improvements must meet the rehabilitation cost requirements as set out by PA 147 of 1992, as amended
- There is a 60 day waiting period, by statute, before City Council can vote on the resolution to establish an NEZ zone
- Applicant must demonstrate that “but for” the abatement the project is not financially feasible
- The approval of an abatement must provide a net positive revenue gain to the City
- Project is consistent with the City's comprehensive plans, applicable corridor strategies or other strategic initiatives including hiring and procurement plans

Receiving a NEZ tax abatement is a two-step process; first a NEZ zone must be established and only then can a NEZ Certificate be awarded. A developer or owner may not begin construction until a NEZ zone has been established. An application for a Certificate may be submitted after construction begins.

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## DISTRICT PROCESS

1. Project scoping, evaluation and statutory review meeting with DEGC
2. Application intake and financial review: Applicant submits project narrative and project financials to DEGC for underwriting and to determine economic and fiscal impacts
3. DEGC presents the project and recommendation to City officials for consideration
4. Applicant submits letter requesting the establishment of the NEZ to City of Detroit Clerk's Office
5. City departments draft supporting reports and documentation
6. Detroit City Council holds a public hearing and adopts a resolution establishing the NEZ zone

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## CERTIFICATE APPLICATION PROCESS

1. Owner of the qualified property within the district files an application for a NEZ Certificate with the City of Detroit Clerk's Office (State of Michigan form 4775)
2. Tax Abatement Agreement is developed and signed by the Applicant
3. City Council holds public hearing and adopts resolution to approve the Certificate