

# **CITY POLICY AND PROCEDURES REGARDING APPROVAL OF NEIGHBORHOOD ENTERPRISE ZONE CERTIFICATES**

## **A. Eligibility**

Under the Neighborhood Enterprise Zone (NEZ) Act, Public Act 147 of 1992, the city has identified an area South of Michigan Avenue Area (SOMA) as a NEZ (see attached map). Under this Act, the city may grant NEZ exemption certificates to “new” and/or “rehabilitated” structures.

## **B. Reason for NEZ**

In 2011 a community needs assessment for the SOMA area was completed identifying the need for increased investment in this area. Currently home ownership is around 47% and only 2% of all houses in the zone have a true cash value over \$80,000. In order to increase home ownership, increase the quality of life in the neighborhood, and increase home values, the NEZ tax incentive is essential.

## **C. Homestead Properties**

The city council will consider NEZ Certificates for property owners within the zone who are making significant home improvements that increase the value of the home or property owners constructing new homes that hold or will be obtaining a Principal Residence Exemption certificate.

## **D. Conditions to Qualify for a NEZ Certificate**

Property owners looking to apply for a NEZ Certificate will need to meet the following conditions:

1. The property must be located in the SOMA NEZ area (attached).
2. The property is vacant or the structure has a true cash value less than \$80,000.
3. The primary use of the property is owner occupied residential (PRE Exemption).
4. No building permits for the improvements may be pulled prior to the time for which the certificate being applied.
5. All property taxes must be current and stay current throughout the length of the certificate.
6. Home improvement projects for homestead properties that are adding assessable value to the property need to exceed \$3,500 if being completed by the property owner or \$5,000 if being completed by a contractor.
7. Home must be brought into conformance with minimum local building code standards for occupancy.
8. The certificate is approved by the Ypsilanti City Council.

## **E. NEZ Certificate Terms for Homestead Properties**

Each certificate requires approval of the City Council and has to be submitted to the State of Michigan to be filed with the City Tax Assessor. Each certificate is approved and evaluated independently. Mitigating circumstances may apply and impact the

recommendation based on the location of the property, the impact of the improvements on the surrounding properties, and the history of the property.

New owner-occupied structures that will hold a homestead exemption will receive the highest consideration and will be eligible for the full 15 year NEZ certificate. New structure certificates will be considered if the unit is an owner occupied duplex.

Improvements to existing structures that hold a homestead exemption will be considered by the following criteria:

\$3,500 - \$7,500 in new investment –	6 YEAR NEZ CERTIFICATE
\$7,501 - \$11,500 in new investment –	12 YEAR NEZ CERTIFICATE
\$11,501 and above in new investment –	15 YEAR NEZ CERTIFICATE

#### **F. Historic District Structures**

Public Act 147 of 1992 has different standards for issuing NEZ Improvement Certificates in Historic Districts. The time frame to issue certificates for Qualified Historic Buildings range from 11 years to 17 years and improvements to the existing structures will be considered by the following criteria:

\$3,500 - \$7,500 in new investment –	11 YEAR NEZ CERTIFICATE
\$7,501 - \$11,500 in new investment –	14 YEAR NEZ CERTIFICATE
\$11,501 and above in new investment –	17 YEAR NEZ CERTIFICATE

Changes to the exterior of the structure must be made in compliance with the Ypsilanti Historic District Commission (HDC) ordinance and with the approval of the HDC.

Mitigating circumstances may apply and impact the recommendation based on the location of the property, the impact of the improvements on the surrounding properties, and the history of the property.

#### **G. Land Value vs. Structure Value for NEZ Certificates**

Property taxes are made up of two parts; land value and structure value. Land value is a set price based on size and location. The structure value is based on the size of the home, number of bathrooms, decks, garages, decks, etc. A home with a NEZ certificate will have two separate assessments; one for land value which will be assessed at the annual set tax rate, and one with the special NEZ assessment for the house value.

#### **H. Starting Date of NEZ Certificate**

The NEZ certificate starts on December 31 of the year in which the new or rehabilitated structure is substantially completed. In some circumstances, a new home can request the NEZ start in the following year when it becomes a principal residence.

#### **I. Calculating NEZ Tax for New Home**

The NEZ tax for a new home is determined by multiplying one-half (1/2) of the average state homestead mileage rate levied in the state in the immediately preceding calendar

year by the taxable value of the new home, until three years before the certificate expires.

During the last three years of the term of the extended certificate, the tax calculation changes to the following:

In the tax year, two years before the certificate expires, the NEZ tax is the sum of the current taxable value of the home, excluding land, multiplied by five-eighths (5/8) the number of mills levied by the city and the county for operating purposes (excluding debt).

In the tax year one year before the certificate expires, the NEZ tax is the sum of the current taxable value of the home, excluding land, multiplied by three-fourths (3/4) the number of mills levied by the city and the county for operating purposes (excluding debt).

In the tax year the certificate expires, the NEZ tax is the sum of the current taxable value of the home, excluding land, multiplied by seven-eighths (7/8) the number of mills levied by the city and the county for operating purposes (excluding debt).

#### **J. Calculating NEZ Tax for Rehabilitated Structure**

The NEZ tax for a rehabilitated structure is the sum of the current taxable value of the new and/or rehabilitated structure, excluding land, multiplied by 1/2 the number of mills levied by the city and the county for operating purposes (excluding debt) and the current taxable value of the existing structure multiplied by the total number of mills levied by the city except for the last three years in which the certificate is in effect.

During the last three years of the certificate, the tax calculation changes to the following:

In the tax year, two years before the certificate expires, the NEZ tax is the sum of the current taxable value of the structure, excluding land, multiplied by five-eighths (5/8) the number of mills levied by the city and the county for operating purposes (excluding debt), plus the taxable value of the existing structure, excluding land, multiplied by the remaining total mills levied as ad valorem taxes.

In the tax year, one year before the certificate expires, the NEZ tax is the sum of the current taxable value of the structure, excluding land, multiplied by three-fourths (3/4) the number of mills levied by the city and the county for operating purposes (excluding debt), plus the taxable value of the existing structure, excluding land, multiplied by the remaining total mills levied as ad valorem taxes.

In the tax year the certificate expires, the NEZ tax is the sum of the current taxable value of the structure, excluding land, multiplied by seven-eighths (7/8) the number of mills levied by the city and the county for operating purposes (excluding debt), plus the taxable value of the existing structure, excluding land, multiplied by the remaining total mills levied as ad valorem taxes.

**For More Information Contact:  
Community Development Department  
City of Ypsilanti**

1 S. Huron St  
Ypsilanti, MI 48197  
Phone: 734-483-1100  
[jmeyers@cityofypsianti.com](mailto:jmeyers@cityofypsianti.com)  
[www.cityofypsilanti.com/NEZ](http://www.cityofypsilanti.com/NEZ)