

**CITY OF ADRIAN, MICHIGAN
SOUTHEAST NEIGHBORHOOD ENTERPRISE ZONES
APPLICATION REQUIREMENTS & REVIEW CRITERIA**

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REQUIREMENTS FOR ALL CERTIFICATE APPLICATIONS

1. Projects shall be in compliance at all times with the Adrian City Code.
2. Projects shall be subject to pre-application and post-completion City inspections.
3. Projects shall be consistent with the City of Adrian Comprehensive Plan.

REQUIREMENTS FOR REHABILITATION CERTIFICATE APPLICATIONS

1. The maximum SEV for any home/unit shall be \$80,000 (Statutory Requirement).
2. Life-Safety improvements must be included if known or found during inspection or work.
3. Houses built prior to 1978 must have a lead risk assessment done. Lead work must be completed by a certified lead professional and a clearance report presented before an NEZ certificate will be issued.
4. Additions which are part of a Rehabilitation Project shall be consistent with the architecture style of the existing residential unit.
5. Housing structures which have converted from owner-occupancy to tenant-occupancy after August 1, 2007 shall be ineligible for a rehabilitation certificate.

REQUIREMENTS FOR NEW CONSTRUCTION CERTIFICATE APPLICATIONS

1. Projects shall utilize traditional urban building types which are consistent in façades, elevations, and materials with adjacent and existing street and neighborhood design patterns.
2. Projects shall be of either site-built or modular-unit construction.
3. New-construction tenant-occupied units may only be part of a two-unit structure owned by a party who is the homestead occupant of the second unit for the term of the certificate.

Investment & Term Review Criteria

Minimum Investment

Rehabilitation Projects

\$10,000 per unit (if work is performed by a contractor)
\$ 5,000 per unit (if work is performed by the applicant)
Applicable expenses must represent taxable improvements

New Construction Projects

\$75,000 per unit

Base Exemption Certificate Term (in years)

Rehabilitation Projects

Tenant-Occupied Residential Unit	6 years
Owner-Occupied Residential Unit	10 years
Qualified Historic Building *	17 years

New Construction Projects

Tenant-Occupied**	6 years
Owner- Occupied	15 years

*As defined in PA 147 of 1992

** Refer to New Construction Requirement #3 above

Rehabilitation Certificate terms may be extended by one additional year from the base term if the project includes any of the following:

1. Exterior Lot Improvements (\$3,000 or more) – includes landscaping and/or driveways.
2. Multi-Family Unit reduction to Single Family occupancy or maximum of two (2) units.
3. Major Life-Safety improvements.

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 GOVERNMENT 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)			
☐ City of ☐ Township of ☐ Village of		County	
▶ Application is ☐ New ☐ Rehabilitation ☐ Transfer (1 copy only)		School District where facility is located	▶ School Code
Is the building owned or rented by the occupants? ☐ Owned ☐ Rented		Type of Property ☐ House ☐ Duplex ☐ Condo ☐ Loft ☐ 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 ☐ Licensed Contractor ☐ 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	

Part 3: LOCAL GOVERNMENT ACTION**LGU Clerk must complete this section before submitting to the State Tax Commission**

Action taken by LGU:

- ☐ Abatement Approved for ____ Years (6-15)
☐ Abatement Approved for ____ Years (11-17 historical credits)
☐ Denied (include Resolution Denying)

The State Tax Commission requires the following documents be filed for an administratively complete application:

- ☐ 1. Original Application
☐ 2. Legal description of the real property with parcel code number
☐ 3. Resolution approving/denying application (include # of years)
☐ 4. **REHABILITATION APPLICATIONS ONLY.** 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

Part 4: LOCAL GOVERNMENT CERTIFICATION**LGU Clerk must complete this section before submitting to the State Tax Commission**

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.

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(3). 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 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

The Current Tax Rate is based on previous years data on what was levied

The current millage rates are replaced by $\frac{1}{2}$ the State Wide Average Homestead Rate as determined by the Assessment & Certification Division on an annual basis.



CITY OF ADRIAN, MICHIGAN

SOUTHEAST NEIGHBORHOOD ENTERPRISE ZONE PROGRAM

The City of Adrian welcomes your interest in the Southeast Neighborhood Enterprise Zone Program!

This Program is designed to provide a tax incentive to owners of owner-occupied and certain renter-occupied residential units, in exchange for investing money in either rehabilitation or new construction. In brief, the tax incentives are defined as follows:

1. Owners approved for unit rehabilitation certificates will have their property value frozen at the assessed dollar value prior to the rehabilitation work – meaning the value of rehabilitation work is exempt from property taxes.
2. Owners approved for new construction certificates will pay a property tax equal to one-half (1/2) of the statewide homestead millage.

Depending upon circumstances of the property or the project, exemptions may be approved for a period ranging from six (6) to seventeen (17) years.

Attached to this cover are the necessary Program instructions and applications. If you have questions, please contact the City of Adrian Housing Rehabilitation Office at 517-264-4897.

Thank you for your interest in investing in our Adrian neighborhoods!

INSTRUCTIONS FOR FILING AN NEZ APPLICATION NEW CONSTRUCTION UNITS

BASIC REQUIREMENTS

1. Your property must be located in a Neighborhood Enterprise Zone. Maps of the four (4) Adrian Southeast Neighborhood Enterprise Zones are included in this packet. You may call the Adrian Housing Rehabilitation Office at 517-264-4897 or visit us at City Hall, 100 East Church Street, 2nd Floor, with any questions.
2. The primary purpose of your property must be residential housing consisting of 1 or 2 units, one of which you will occupy as your principal residence.
3. A “new facility” also includes a new individual condominium unit, in a structure with one or more condominium units, which you will occupy as your principal residence.
4. Applications must be filed before any building permits are issued for new construction.
5. Projects shall be in compliance at all times with the Adrian City Code.
6. Projects shall be subject to pre-application and post-completion City inspections.
7. Projects shall be consistent with the City of Adrian Comprehensive Plan, which may be found on the City's website (www.ci.adrian.mi.us).
8. Projects shall utilize traditional urban building types which are consistent in façades, elevations, and materials with adjacent and existing street and neighborhood design patterns.
9. Projects shall be of either site-built or modular-unit construction.
10. New-construction tenant-occupied units may only be part of a two-unit structure owned by a party who is the homestead occupant of the second unit for the term of the certificate.

INSTRUCTIONS FOR FILING AN NEZ APPLICATION REHABILITATION UNITS

BASIC REQUIREMENTS

1. Your property must be located in a Neighborhood Enterprise Zone. Maps of the four (4) Adrian Southeast Neighborhood Enterprise Zones are included in this packet. You may call the Adrian Housing Rehabilitation Office at 517-264-4897 or visit us at City Hall, 100 East Church Street, 2nd Floor.
2. The primary purpose of your property must be residential housing consisting of 1 to 8 dwelling units.
3. Your property must have a current true cash value (TCV) of \$80,000 per unit or less. If the TCV exceeds \$80,000 per unit, the property is not eligible for a Neighborhood Enterprise Zone certificate. The current TCV can be checked in the Assessor's Office.
4. Improvements must bring the structure into conformance with minimum local building codes for occupancy or improve the livability of the units while meeting the local building codes. Information on minimum building codes is available in the City of Adrian Inspection Department, City Hall, 100 East Church Street.
5. Minimum improvement cost requirements:
 - a. If work is performed by homeowner \$5,000 for the cost of materials
 - b. If work is performed by licensed contractor \$10,000 per unit.

IMPORTANT: Applications must be filed before any building permits are issued for rehabilitation of the structure.

Contact the Inspection Department BEFORE filing your application: Projects shall be subject to pre-application and post-completion City inspections.

6. A rehabilitated facility does not include a facility rehabilitated with the proceeds of an insurance policy for property or casualty loss.
7. Applications must be filed before any building permits are issued for rehabilitation.
8. Projects shall be in compliance at all times with the Adrian City Code.
9. Projects shall be subject to pre-application and post-completion City inspections.

10. Projects shall be consistent with the City of Adrian Comprehensive Plan.
11. Life-Safety improvements must be included if known or found during inspection or work.
12. Houses built before 1978 may contain lead. Combination risk assessment/lead paint assessment must be done and a passing lead clearance report must be presented before issuance of an NEZ certificate. All lead work must be completed by a certified lead professional.
13. Additions which are part of a Rehabilitation Project shall be consistent with the architecture style of the existing residential unit.
14. Housing structures which converted from owner-occupancy to tenant-occupancy after August 1, 2007 shall be ineligible.
15. When CDBG or other public- financed sources are used there shall be a one-to-one match for the total cost.

APPLICATION

1. The application form and instructions are included with this packet. They may also be found electronically at the City of Adrian Website, www.ci.adrian.mi.us.
2. Complete the application by filling in the portions designated for "Applicant." Be sure to clearly describe your project on line 17 of the application.
3. Attach a detailed breakdown of your project cost.
4. Attach proof of ownership or intended ownership if it's different from the current owner shown on the City Assessor's records. Proof is a copy of an executed deed, land contract, or sales agreement.
5. File your application and filing fee with the Adrian City Clerk, 100 East Church Street.

Filing fees:

- Homeowner application \$25
- Developer or non-owner applicant fee \$100 p/unit

IMPORTANT: Applications must be filed before any building permits are issued for new construction.

6. If the application is complete, the Clerk records the filing date and starts the approval process. The City has 60 days for the City Commission to take action to approve or deny the request.
7. After filing your application with the City Clerk, you are ready to get the necessary building permits and start construction.

REVIEW & APPROVAL PROCESS

1. After receiving your application, the City Clerk forwards copies to the City Community Development Department for review.
2. City Inspection Department reviews the project description and the detailed breakdown of your project costs, and will contact you to schedule and conduct a pre-project inspection of the unit(s).
3. The Assessor attaches the legal description, dimensions of the lot and the parcel identification number and checks for proof of ownership or intended ownership.
4. The City NEZ Committee will meet to review finding and make a recommendation in accordance with the City's Application Review Criteria.

The Committee may recommend approval with conditions, or denial of the application.

5. Community Development prepares a resolution and sends it to the City Administrator for placement on the City Commission's Meeting Agenda.
6. If and after City Commission approval, Community Development sends you a letter with instructions for proceeding with permitting, construction, inspections, final permit and a Certificate of Occupancy.
7. Upon completion of construction and final inspection, the Inspection Department issues a Certificate of Occupancy.
8. You submit a copy of the Certificate of Occupancy AND an affidavit affirming you are occupying the new facility as your principal residence to Community Development.
9. City forwards the application with a certified copy of the resolution and all supporting documents to the Michigan State Tax Commission in Lansing.
10. The Michigan State Tax Commission reviews your application and determines if your structure complies with the requirements of the law. If your structure and application meet the requirements, the Tax Commission issues a Neighborhood Enterprise Zone certificate. Copies of the certificate are sent to the applicant, the Assessor and to each affected taxing unit.

HELPFUL TIP: It's your responsibility to file a copy of your Certificate of Occupancy with the City. Delays in filing this document impact the start date of your tax benefits.

TAXES

1. A specific tax is levied on the new facility in a similar manner as for ad valorem taxes.
2. The land value remains on the ad valorem assessment and tax rolls where it is subject to increases or decreases in valuation.
3. 50% of the new building value is placed on a special tax roll where the value is subject to increases or decreases in valuation.
4. The taxes are computed normally for the land value and you continue to receive summer and winter tax bills from the City Treasurer.
5. The taxes are computed separately for the new building value by multiplying this value by $\frac{1}{2}$ of the average statewide tax rate. The State

Board of Assessors determines this rate each year. You receive separate summer and winter tax bills for the obsolete building.

6. Unless revoked, the new facility receives reduced taxes for the period the certificate is in effect. In the last three years of the term, taxes are gradually increased by XX%, XX%, and XX% to transition to the year in which the exemption is no longer in effect.
7. Upon expiration of the certificate, your property is appraised at current market value and returned to the ad valorem assessment and tax rolls.

TAX SAVINGS EXAMPLE - for a homestead property

Taxes without Neighborhood Enterprise Zone Certificate

Taxable Value Times Tax Rate Equals Tax Estimate
 $\$50,000 \times .038 = \$1,900$

Taxes with a Neighborhood Enterprise Zone Certificate

Taxable Value Times Tax Rate Equals Tax Estimate
 $\$50,000 \times .017 = \850

Tax savings for one year

Taxes without Neighborhood Enterprise Zone Certificate \$1,900
Taxes with Neighborhood Enterprise Zone Certificate \$850
ESTIMATED TAX SAVINGS \$1,050

CERTIFICATE HOLDERS' REQUIREMENTS

1. Each year the certificate is in effect, you or any subsequent owner must file an affidavit before November 1st. This affidavit affirms you are the owner of the property and occupy it as your principal residence.
2. The Assessor is required by this law to file certain information annually with the Michigan State Tax Commission. This includes maintaining a current market value of your property. You may be contacted periodically to arrange for inspections to keep our records up-to-date.

REVOCATION

The Michigan State Tax Commission may revoke certificates for the following reasons:

1. Upon receipt of a written request from you. This request must be sent by Certified mail to the Michigan State Tax Commission, PO Box 30471, Lansing, Michigan 48909-7971.

2. If you fail to complete the filing requirements within two (2) years of the date the certificate was issued.
3. If you fail to file the annual affidavit affirming that you occupy the property as your principal residence before November 1 of each year.
4. If you fail to pay your annual Neighborhood Enterprise Zone and ad valorem property taxes.
5. If the structure's primary purpose is not residential housing.
6. If the City determines your property does not comply with any local construction, building or safety codes.

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CONTACTS FOR ADDITIONAL INFORMATION

Requirements: Application Filing & Fee

City of Adrian Housing Rehabilitation Office
Community Development Department
Adrian City Hall, 100 East Church Street, 2nd Floor
Phone: 517-264-4897 Fax: 517-265-8798

Building Permits: Inspection & Certification

City of Adrian Inspection Department
Adrian City Hall, 100 East Church Street, 2nd Floor
Phone: 517-264-4814 Fax: 517-265-8798



Division St

Logan St

S Center St

French St

Tabor St

Treat Hwy

E Michigan St

Frank St

Clay St

E Church St

S Locust St

Park Pl E

Park Pl E

S Tecumseh St

Erie St

S McVicar St

Ann St

Sarah St

S Dean St

Gulf St

N Center St

N Tecumseh St

E Maumee St

N McVicar St

S Broad St

Clinton St

N Locust St

Comstock St

Finch St

Ormsby St

Elm St

E Butler St

Croswell St

Chestnut St

Addison St

N Dean St

E Hunt St

E Maple Ave

E Front St

Toledo St

Bristol St



Legend

 Zone 1 = ±160 Acres







