
Subject: NEIGHBORHOOD ENTERPRISE ZONE (NEZ) POLICY**No. 30.10****Date: August 21, 2023****page: 1 of: 8**

PURPOSE:

1. This policy guides the City in the creation and management of a Neighborhood Enterprise Zone (NEZ) consistent with the provisions of Michigan Public Act 147 of 1992, as amended. The purpose of the policy is to:
 - A. Establish an efficient, effective, supportive, and accountable program.
 - B. Encourage the development and rehabilitation of residential units.
 - C. Provide incentives to encourage home ownership in neighborhoods.
 - D. Align the use of NEZs and the development of housing with the goals in the Strategic Vision, Master Plan, and Housing Strategy.

SCOPE:

2. This policy establishes the following:
 - A. Process for the consideration and establishment of NEZ.
 - B. Standards for projects within an NEZ to support housing development in alignment with City vision and policy.
 - C. Establishes the terms of the tax benefits a project within the NEZ that may be awarded.
 - D. Establish guidance for staff and department management in processing the potential creation of an NEZ zone and processing of Certificates.

POLICY:

The City of Kalamazoo will consider the creation of NEZs and the approval of certificates for properties and projects within NEZs as detailed in this policy document.

- A. Applicability. This policy applies to all properties being considered for inclusion in an NEZ and in an NEZ established by the City of Kalamazoo City Commission.
- B. Criteria for Establishing a NEZ. The establishment of any NEZ must meet the following criteria. This policy outlines additional criteria specific to each type of Zone.
 - 1) State Statute. All provisions of P.A. 147 of 1992, as amended, must be met.
 - 2) Sunset of Zone. City staff will recommend the sunset of NEZs as follows:
 - a. New and/or Rehabilitated NEZ. City staff will recommend the City Commission act to sunset New and/or Rehabilitated NEZs five (5) years after approval.

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- i. At the City's discretion, considering likely future market conditions, ability to meet the goals of the NEZ, and pace of development the City may delay its action to sunset the NEZ for up to ten (10) years after approval.
 - b. Homestead NEZ. City staff will recommend the City Commission act to sunset Homestead NEZs ten (10) years after approval. The City may delay its action to sunset the NEZ for up to ten (10) years after approval if the NEZ is still actively meeting the intent of the Zone.
 - 3) The application is complete.
- C. Goals to Consider when Establishing a NEZ. The City Commission will consider the following when creating an NEZ.
- 1) NEZ is consistent with the City's Master Plan.
 - 2) NEZ is consistent with City policies for neighborhoods and economic development.
 - 3) NEZ will support housing development consistent with the needs outlined in the City's housing strategy.
 - 4) The City's capacity to administer and monitor the NEZ.
 - 5) The NEZ's ability to meet the goals of the Act and this policy is based on the proposed size, location, and characteristics such as land use, income levels, rental or sales rates, market, etc.
- D. Homestead NEZ. A Neighborhood Enterprise Homestead Zone can be established in an area of existing residential properties platted before January 1, 1968. Homestead Zones can provide qualified properties with a partial tax reduction when a minimum amount of money has been spent on improvements to the structure.
- 1) Criteria for Establishing a Homestead Zone.
 - a. Owner Occupied. The area must be shown to have an imbalance of owner-occupied and rental units.
 - b. Organizational Support. A neighborhood association or other neighborhood or housing-focused organization must agree to support the NEZ and the properties within it both during its creation and throughout the term of its existence. This specifically includes:
 - i. Serving as the Applicant to the City for creating the NEZ.
 - ii. Marketing the NEZ and its benefits to current and potential owners.
 - iii. Supporting individual property owner certificate applications to the City.

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- 2) Homestead Certificates Eligibility. Homestead certificates are active for ten (10) years. The following applies to the application of a certificate.
 - a. Owner Occupied. Certificate applicant owns the property, and the property includes their primary residence.
 - b. Investment. A minimum investment of \$500 is made or is committed to be made within three (3) years.
 - c. Application. The application is complete.

- E. New and/or Rehabilitated NEZ. Neighborhood Enterprise New and/or Rehabilitated Zones allow for the construction of new owner-occupied or rental housing units and/or the rehabilitation of existing structures for new owner-occupied or rental housing units. In this NEZ, certificates can be requested for the development of new units, rehabilitated units, or a combination of both.
 - 1) Criteria for Establishing a New or Rehabilitated Zone.
 - a. Good Standing. Applicants requesting the creation of an NEZ must be in good standing with the City, meaning all real and personal property taxes, fees, assessments, or other obligations to the City of Kalamazoo.
 - b. Gap in Financing. A gap in financing for a project(s) can be demonstrated.

 - 2) New and/or Rehabilitated NEZ Certificate Eligibility. Certificates can be applied for by the property owner as follows:
 - a. Work Not Yet Started. The new and/or rehabilitated project was not started with an issued building permit prior to the City Commission's establishment of the NEZ District and filing an NEZ Certificate application.
 - b. Third Party Verification. City may require a third-party verification of financial need when requesting the approval of a certificate; the third party must be approved by the City and the cost of analysis will be borne by the applicant.
 - c. Application. The application is complete.
 - d. Good Standing. Applicants requesting the creation of an NEZ must be in good standing with the City, meaning all real and personal property taxes, fees, assessments, or other obligations to the City of Kalamazoo.

 - 3) Certificate Terms. Each certificate is approved for a period of 9 to 15 years based on the evaluation criteria in Table E: New and Rehabilitated NEZ Terms and Map E: Housing Strategy Map Areas attached.
 - a. NEZs with Rental Units. Rent and income-restricted units remain in effect for ten (10) years.
 - b. Table E: New and Rehabilitated NEZ Terms. The following are found in Table E.

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- i. Units 80% Area Median Income (AMI). Units for persons or households with an income level of eighty (80) percent of AMI and fair market rents as defined on an annual basis by the United States Department of Housing and Urban Development (HUD).
 - ii. Housing Types. Housing types in Table E refer to single-family detached; single-family attached; mid-size multiple-family (5-25 units); low and mid-rise apartments (25+ units); and accessory dwelling units (ADU).
 - iii. Parking Spaces. Refer to Chapter 50 Zoning Code, Article 7 Parking & Loading. This project criteria is intended to limit the construction of new vehicle parking spaces or facilities for a project; it does not prevent the use of existing parking spaces.
 - c. Location Overlap. When a NEZ or a project within an NEZ straddles more than one (1) location, as defined in Map E: Housing Strategy Map Area, City staff will determine which area's terms for certificates will apply.
- F. Process to Establish an NEZ. The following outlines the process for the establishment of a NEZ.
 - 1) Pre-Application. A pre-application meeting must be scheduled by the applicant prior to making an application. The purpose of this meeting is for staff to gather information and intent of the proposed NEZ and information to determine if it aligns with this policy.
 - a. Meeting Staff. The meeting will include the City Assessor and staff from Community Planning and Economic Development (CPED).
 - b. Project Proposal. Applicant(s) should be prepared to discuss the proposed NEZ and its purpose.
 - c. Project Feedback. City staff will provide feedback on the proposed NEZ within fifteen (15) business days.
 - 2) Application. Applications must be submitted electronically to the City Clerk's office, which will share the application with the City Assessor and CPED staff. Staff will review the application and verify it is complete within ten (10) business days.
 - 3) Notice Letters. Letters notifying taxing jurisdictions of the proposed NEZ shall be sent per the Act and a public hearing date scheduled. CPED staff will prepare the notice letters for the City Clerk's office within five (5) business days of verifying the application is complete. The public hearing will be scheduled in compliance with the timing detailed in the Act.
 - 4) Public Hearing. At the Public Hearing by the City Commission, both CPED staff and the applicant will present background information on the requested NEZ.

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- 5) City Commission Action. The City Commission will act on the request to create an NEZ in compliance with the timing detailed in the Act. CPED, working with the City Attorney's office, will prepare the resolution to create the NEZ.

G. Process to Request a Certificate within a NEZ.

- 1) Homestead Certificate Process.
 - a. Role of Supporting Organization. Supporting organization provides support as is needed by the property owners.
 - b. Application. The property owner submits an application to the City Clerk.
 - i. Applications must be submitted by October 10th for processing in the same calendar year.
 - c. Application Review. The City Clerk provides copies to the City Assessor and CPED staff for review for completeness, providing verification of completeness within fifteen (15) business days.
 - d. City Assessor Review. Annually in November, the City Assessor prepares memos stating estimated lost revenue for all pending certificates for the City Clerk.
 - e. City Commission Review. Annually in December, the City Commission will review and take action(s) on the pending certificates.
 - i. CPED staff prepares the agendas, using the information provided by the City Assessor and property owner.
 - ii. The City Clerk notifies the City Assessor of the action(s) taken.
 - f. Approval. Annually in January, the City Assessor prepares letters and certificates for each approved NEZ Homestead.
- 2) New or Rehabilitated Certificate Process.
 - a. Application. The property owner and/or developer submits the application to City Clerk.
 - b. Application Review. The City Clerk provides copies to the City Assessor and CPED staff for review for completeness and alignment with E2 and E3 above, providing verification of completeness and alignment within fifteen (15) business days.
 - c. City Assessor Review. City Assessor prepares memos stating estimated lost revenue for all pending certificates for the City Clerk.
 - d. City Commission Review. The City Commission will review and take action(s) on the pending certificate(s) at the next available meeting date after the application has been determined to be complete and in alignment with this policy.
 - i. CPED staff prepares the agendas, using the information provided by the City Assessor and property owner.
 - ii. The City Clerk notifies the City Assessor of the action(s) taken.
 - iii. The City Clerk sends the completed application packet(s) to the State Tax Commission for approval.

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1. Packets must be received by State Tax Commission no later than October 31 to ensure action prior to December 31st.
 - e. New Certificates Additional Steps.
 - i. The State Tax Commission reviews the application(s) and if approved, the application and the certificate are held in abeyance until the construction is complete.
 - ii. To release the certificate(s) from abeyance the follow must occur:
 1. The City has granted a certificate of occupancy or deemed the project substantially complete. The developer and/or property owner petition the State Tax Commission to release the certificate.
 - a) The State Tax Commission should review the request prior to December 31, if petitioned before October 31st.
 - b) If approved, the State Tax Commission sends notice of a certificate to the developer and/or property owner and the City Assessor with a start date and approved certificate terms.
 - f. Rehabilitated Certificates Additional Steps.
 - i. The State Tax Commission reviews the application and takes action.
 1. The application will be reviewed prior to December 31, if petitioned before October 31st.
 2. If approved, the State Tax Commission sends notice of a certificate to the developer and/or property owner and the City Assessor with a start date and approved certificate terms.
- H. Monitoring Established Certificates. Certificates will be monitored annually by the City Assessor's Office and CPED staff.
- 1) Homestead NEZ. The City Assessor reviews parcels with NEZ homestead certificates on an annual basis to ensure compliance with the Act and this policy, including determining the following are met:
 - a. The property owner does not owe taxes on the parcels associated with the certificate.
 - b. The property owner has a principal residence exemption of at least fifty (50) percent on the property.
 - c. The property owner has provided proof of a \$500 investment within the first three (3) years of the certificate.
 - i. This may be verified by filed permits or receipts for the materials and labor.
 - 2) New and Rehabilitation NEZ. The City Assessor and CPED staff review the certificates to ensure compliance with the Act and this policy on an annual basis.
 - a. The City Assessor reviews to ensure there are no owed taxes on the parcels associated with the certificate.

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- b. CPED staff reviews the data provided by the developer and/or property owner demonstrating the terms of the certificate at met, this may include occupant incomes and rental rates or sale price documentation.

I. Revocation of Certificate. NEZ certificates will be revoked as follows:

- 1) Any reason listed in MCL 207.781 of the Act.
- 2) NEZ Homestead Certificate Revocation.
 - a. Termination. The following circumstances will result in the termination of the certificate.
 - i. The property owner fails to make the annual payment of the NEZ tax and the ad valorem property tax on the land.
 - ii. The property is no longer the primary residence of the property owner.
 - iii. The property is sold to a new owner. A new owner may apply for a homestead certificate provided they meet the eligibility requirements.
 - iv. The property owner, upon request of the City Assessor, fails to provide proof of the \$500 minimum investment within three (3) years.
 - b. City Assessor Action. The City Assessor will notify the property owner and the supporting organization of the non-compliance with the Act and this policy.
 - c. Removal of Tax Exemption. The City Assessor will remove the tax exemption from the property for the subsequent assessment year.
 - d. Reapplication. The applicant may reapply for the continuation of the certificate if the item causing the termination has been resolved.
- 3) NEZ New or Rehabilitated Certificates.
 - a. Termination. The following circumstances result in a recommendation to the City Commission of the termination of the certificate.
 - i. The developer and/or property owner is not in compliance with the certificate terms, this policy, or the Act.
 - ii. The developer and/or property owner is in violation of any City code or ordinance related to the property.
 - iii. The developer and/or property owner fails to provide the required annual monitoring data as outlined in H2 above.
 - iv. For rehabilitated certificates specifically, termination is recommended when:
 1. If the work is not completed within the time frame agreed upon by the applicant and City.
 2. The operation of the facility is not in compliance with the original intent of the Act.
 - b. City Assessor Action. The City Assessor or CPED notifies the property owner of the non-compliance and provides a thirty (30) day period to remedy the non-compliance.

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- c. Requesting Revocation. If the non-compliance is not or cannot be remedied, the City shall submit the letter requesting revocation of the certificate to the State Tax Commission.
- J. Evaluation of NEZs. Established NEZs are reviewed annually by City staff and provided to the City Commission.
 - 1) The City Assessor creates an annual report for the State Treasury and State Tax Commission.
 - 2) CPED reviews and collects the data from H Monitoring above.

SIGNATURE:

David F. Anderson, Mayor

EFFECTIVE DATE: August 21, 2023

SEE ALSO:

Table E: New and Rehabilitated NEZ Terms

Map E: Housing Strategy Map Areas

HISTORY:

August 21, 2023	The City Commission adopted Resolution 23-47, A RESOLUITON TO ADOPT POLICIES AND PROCEDURES FOR THE ESTABLISHMENT AND ADMINISTRATION OF NEIGHBORHOOD ENTERPRISE ZONES
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