



City of Alpena

NEIGHBORHOOD ENTERPRISE ZONE TAX ABATEMENTS INSTRUCTIONS FOR FILING AN APPLICATION TO **REHABILITATE AN EXISTING STRUCTURE**

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

BASIC REQUIREMENTS:

1. Your property must be located in a Neighborhood Enterprise Zone (NEZ) as established by the City Council. To verify that your property is located within a Neighborhood Enterprise Zone contact the City Assessor's Office by calling (989) 354-1740.
2. The primary purpose of the rehabilitation must be residential housing consisting of 1 to 8 units.
3. The portion of your property being rehabilitated must have a current true cash value of \$80,000 or less per unit. If the true cash value exceeds \$80,000 per unit, the property is not eligible for an NEZ certificate. The current true cash value can be checked in the City Assessor's Office.
4. Improvements must bring the structure into compliance with minimum local building codes for occupancy or improve the livability of the units while meeting the local building codes. Information on local building codes is available from the Building Official's office in the lower level of City Hall at 208 N. First Avenue in Alpena.
5. Minimum improvement cost requirements:

| | |
|--|--|
| Owner Occupied Unit | |
| If work is performed by the homeowner: | \$3,000 per unit for the cost of materials. |
| If work is performed by licensed contractor: | \$5,000 per unit or 50% of true cash value of unit, whichever is less. |
| Non-Owner Occupied Unit: | |
| If work is performed by homeowner | \$4,500 for the cost of materials |
| If work is performed by licensed contractor | \$7,500 per unit or 50% of true cash value of unit, whichever is less |

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.

APPLICATION:

1. Applications can be obtained from the City Assessor's Office, City Hall, 208 N. First Avenue in Alpena, or by visiting the City of Alpena web site at <http://www.alpena.mi.us> and following the links to Departments and Assessor.
2. Complete the application by filling in the portions designated for "Owner/Applicant". Be sure to clearly describe your project. A set of plans and/or the project bid document will work.
3. Attach the following information to your application:
 - a. If a licensed contractor is doing the work, attach an itemized cost estimate from the contractor showing the total cost of the rehabilitation project.
 - b. If you are doing the work, attach an itemized cost estimate of all the materials you are using for the rehabilitation project.
 - c. Proof of ownership or intended ownership if 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.
4. File your application and a \$100 filing fee with the City Clerk, 208 N. First Avenue, City Hall, Alpena MI 49707.
5. If the application is complete, the Clerk records the filing date and starts the approval process. The City has 60 days for the City Council to take action and approve or deny your request.
6. After filing your application with the City Clerk, you are ready to get the necessary building permits and start construction.

APPROVAL PROCESS:

1. After filing your application, the City Clerk sends copies to the Assessor and Building Inspector for review.
2. The Assessor attaches the legal description, dimensions of the lot and the parcel identification number.
3. The Assessor checks for proof of ownership or intended ownership and checks the project costs to be sure they meet the requirements.

4. The Assessor prepares a statement showing the taxable value of the obsolete property, excluding land, for the tax year immediately preceding the start of your rehabilitation project.
5. The Building Inspector reviews the project description and the detailed cost breakdown for your project.
6. The Assessor and Building Inspector notify the City Clerk of their findings and/or recommendations.
7. The City Clerk prepares a resolution approving the application and sends it to the City Manager for placement on the City Council agenda.
8. After City Council approval, the Clerk sends you a letter and referral card with instructions to arrange for inspections and submit the final permit report and a Certificate of Compliance.
9. Upon completion of construction, the applicant contacts the Building Official's Office (989) 354-1760, to schedule an inspection. This is required because the entire structure must meet the minimum building code.

HELPFUL TIP: It is important to complete your project as soon as possible and contact the Building Official for the inspection. This step must be done before you can start receiving any tax benefits.

10. If the property meets building code requirements, the Building Official issues a Certificate of Compliance.
11. The applicant files copies of his/her building permits and Certificate of Compliance with the City Clerk's Office.
12. City Clerk forwards the application with a certified copy of the resolution and all supporting documents to the Michigan State Tax Commission in Lansing.
13. 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.

Taxes:

1. A specific tax is levied on the rehabilitated structure in a similar manner as for regular real estate taxes.
2. The land value and any portion of the property not being rehabilitated remain on the regular assessment and tax rolls where they are subject to increases or decreases in valuation.
3. 50% of the pre-improved building value is placed on a special tax roll where the value is frozen. The value will not increase or decrease during the time the certificate is in effect.
4. The taxes are computed normally for the land and portion of the property not being rehabilitated and you continue to receive summer and winter tax bills from the City Treasurer.
5. The taxes are computed separately for the frozen value on the obsolete building by multiplying the frozen value times the current total tax rate. You receive separate summer and winter tax bills for the obsolete building.
6. The improvements made to the structure will not be taxed for the time the certificate is in effect.

TAX SAVINGS EXAMPLE:

Assumptions:

- Obsolete building value of \$10,000.
- \$60,000 improvement representing \$30,000 increase in taxable value.
- Using 2011 millage rates.

| | |
|-----------------------------------|-------------|
| 2011 taxable value | \$10,000 |
| 2011 Tax Bill | \$564.93 |
| Taxable value of rehab | \$30,000 |
| 2011 tax bill w/o NEZ Certificate | \$2,259.71 |
| NEZ tax on project | \$-0- |
| 1 year tax savings | \$1,694.78 |
| 12 year tax savings | \$20,337.36 |

Upon expiration of the certificate, your property is appraised at current market value and returned to the regular assessment and tax rolls.

CERTIFICATE HOLDERS' REQUIREMENT:

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. You must send this request by certified mail to the Michigan State Tax Commission, PO Box 30471, Lansing, MI 48909-7971.
2. If you fail to complete the filing requirements within 2 years of the date the certificate was issued.
3. If you do not pay your annual Neighborhood Enterprise Zone Taxes and ad valorem taxes.
4. If the structure's primary purpose is not residential housing.
5. If the City determines your home does not comply with local building, construction or safety codes.

CONTACTS FOR ADDITIONAL INFORMATION:

Requirements:

City Assessor's Office
City Hall
208 N. First Avenue
Alpena MI 49707
Phone: (989) 354-1740
Fax: (989) 354-1709

Building Permits & Inspections

City Building Official
City Hall
208 N. First Avenue
Alpena MI 49707
Phone: (989) 354-1760
Fax: (989) 354-1709

Application Packets & Assistance:

Greg Sundin, City Plan. & Dev. Dir.
208 N. First Avenue
Alpena MI 49707
Phone: (989) 354-1771
Fax: (989) 354-1709
Or City Assessor's Office

| STATE USE ONLY | |
|-------------------|-----------------|
| ▶ Application No. | ▶ Date Received |

Application for Neighborhood Enterprise Zone Certificate

Issued under authority of Public Act 147 of 1992, as amended.

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.

PART 1: OWNER/APPLICANT INFORMATION (Applicant must complete all fields)

| | | | | | |
|---|-------|--|---|-------------------------------|--|
| Applicant Name | | | Type of Approval Requested | | |
| Facility's Street Address | | | <input type="checkbox"/> New Facility <input type="checkbox"/> Rehabilitation Facility <input type="checkbox"/> Transfer (1 copy only) | | |
| City | State | ZIP Code | Amount of years requested for exemption (6-15) | | Is the facility owned or rented by occupants? |
| Name of City, Township or Village (taxing authority) | | | Type of Property | | |
| <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village | | | <input type="checkbox"/> House <input type="checkbox"/> Duplex <input type="checkbox"/> Condo <input type="checkbox"/> Loft <input type="checkbox"/> Apartment - No. of Units _____ | | |
| County | | School District | Name of LGU that established district | | Name or Number of Neighborhood Enterprise Zone |
| Name of LGU that established district | | Name or Number of Neighborhood Enterprise Zone | | Date district was established | |
| Identify who the work was completed by | | | Estimated Project Cost (per unit) | | |
| <input type="checkbox"/> Licensed Contractor <input type="checkbox"/> Other _____ | | | | | |
| Describe the general nature and extent of the new construction or rehabilitation to be undertaken. Include Breakdown of Investment Cost. Use attachments if necessary. | | | | | |
| Timetable for undertaking and completing the rehabilitation or construction of the facility. | | | | | |

PART 2: APPLICANT CERTIFICATION

| | |
|--|----------------------------------|
| Contact Name | Contact Telephone Number |
| Contact Fax Number | Contact E-mail Address |
| Owner/Applicant Name | Owner/Applicant Telephone Number |
| Owner/Applicant Mailing Address (Street No., City, State, ZIP Code) | Owner/Applicant E-mail Address |
| <p><i>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></p> <p><i>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.</i></p> | |
| Owner/Applicant Signature | Date |

| PART 3: LGU ASSESSOR CERTIFICATION (Assessor of LGU must complete Part 3) | | | |
|---|--|--|---------------------|
| The property to be covered by this exemption may not be included on any other specific tax roll while receiving the Neighborhood Enterprise Zone Exemption. For example, property on the Eligible Tax Reverted Property (Land Bank) specific tax roll cannot be granted a Neighborhood Enterprise Zone Exemption that would also put the same property on the Neighborhood Enterprise Zone specific tax roll. | | | |
| <input type="checkbox"/> By checking this box I certify that, if approved, the property to be covered by this exemption will be on the Neighborhood Enterprise Zone Exemption specific tax roll and not on any other specific tax roll. | | | |
| Name of LGU | | | |
| Name of Assessor (First and last name) | | Telephone Number | |
| Fax Number | | E-mail Address | |
| <i>I certify that, to the best of my knowledge, the information contained in Part 3 of this application is complete and accurate.</i> | | | |
| Assessor's Signature | | | Date |
| PART 4: LGU ACTION/CERTIFICATION (LGU clerk must complete this section before submitting to the State Tax Commission) | | | |
| Action taken by LGU: | | The State Tax Commission requires the following documents be filed for an administratively complete application: | |
| <input type="checkbox"/> Exemption Approved for _____ Years (6-15) | | <input type="checkbox"/> 1. Original Application | |
| <input type="checkbox"/> Exemption Approved for _____ Years (11-17 historical credits) | | <input type="checkbox"/> 2. Legal description of the real property with parcel code # | |
| <input type="checkbox"/> Exemption Denied (include Resolution Denying) | | <input type="checkbox"/> 3. Resolution approving/denying application (include # of years) | |
| Date of resolution approving/denying this application | | <input type="checkbox"/> 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. | |
| Clerk's Name (First and Last) | | Telephone Number | |
| Fax Number | | E-mail Address | |
| Mailing Address | | City | State ZIP Code |
| <i>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> | | | |
| <i>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.</i> | | | |
| Clerk Signature | | | Date |

The LGU should mail the original completed application and required documents to the following address:

State Tax Commission
P.O. Box 30471
Lansing, MI 48909

Note: Additional documentation will be required for further processing of the application and 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 the LGU clerk.

Instructions for Completing Form 4775

Application for Neighborhood Enterprise Zone (NEZ) Certificate

The Neighborhood Enterprise Zone (NEZ) Exemption 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 governmental unit (LGU), but also are subject to review and either approval or denial by the State Tax Commission.

Builder/Developer/Applicant Instructions

1. Complete Parts 1 and 2.
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 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.
 - 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.

3. Any questions concerning the completion of this application should be directed to the LGU clerk. Additional information on the NEZ program can be found at www.michigan.gov/propertytaxexemptions.

LGU Assessor Certification

1. Complete Part 3.

LGU Action/Certification

1. Complete Part 4.
2. 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, as amended.
3. 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 exemption.
4. Submit the complete application to the following address:

State Tax Commission
P.O. Box 30471
Lansing, MI 48909

Application Deadline

The State Tax Commission must receive complete applications on or 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.

For guaranteed receipt by the State Tax Commission, send applications and attachments via certified mail. If you have questions, or need additional information or sample documents, visit our Web site at www.michigan.gov/propertytaxexemptions or call (517) 373-2408.

Additional Documents Required by the State to Issue an 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.
- 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. 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.
- A copy of your Principal Residence Exemption (PRE) Affidavit (Form 2368), filed with the LGU assessor (black out Social Security Numbers).

Additional documents required for a Rehabilitated facility:

- Documentation proving the cost requirements of Michigan Compiled Law (MCL) 207.772(m) 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 a completed application and a copy of the warranty deed for the subject property with the State Tax Commission.

Tax Advantage of an NEZ 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 Principal Residence Exemption state average tax rate 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(2). If the effective date is adjusted or the certificate is approved after 12/31/2005, the exemption is adjusted as described below. The Principal Residence Exemption state average tax rate is set by the Michigan Department of Treasury, Assessment and Certification Division, 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 county and LGU operating mills paid 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 county and LGU operating mills paid 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 county and LGU operating mills paid 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.