

NEW INCENTIVES FOR DOWNTOWN NEW YORK



- 1 Commercial Rent Tax Exemption**
- 2 Exemption from Sales and Use Taxes**
- 3 World Trade Center and 7 World Trade Incentives**
- 4 Lower Manhattan Relocation Employment Assistance Program (LMREAP)**
- 5 421g Tax Exemption**

For centuries, Lower Manhattan has served as a hub of world commerce and an economic engine for the entire New York region. Recognizing that it is critical for Downtown to maintain its historic status as a premier business district, Governor George Pataki, Mayor Michael Bloomberg, Assembly Speaker Sheldon Silver and Senate Majority Leader Joseph Bruno have worked together to create a new incentive package that encourages commercial and retail tenancy and development in Lower Manhattan. The plan modifies existing tenant and developer benefits, and introduces exciting new incentives that offer significant cost savings to businesses seeking to remain in, or relocate to, Lower Manhattan.

The summary below provides a comprehensive guide to the various incentives now available.

1 Commercial Rent Tax Exemption

Provides an exemption to the commercial rent tax as follows:

- Permanently eliminates the tax for all tenants at the World Trade Center site (area bounded by Church, Liberty, Vesey and West Streets), plus 7 World Trade and 130 Liberty Street
- Permanently eliminates the tax for all retail tenants in the area generally south of Murray Street between South and West Streets
- Five-year tax exemption for businesses elsewhere south of Canal Street, up to an amount tied to your base rent
- Leases must be at least five years and be a direct lease (no subleases) commencing between 7/1/05 and 6/30/09

[continued >](#)

2 Exemption from Sales and Use Taxes

- Provides sales-tax exemptions for office furniture, equipment and build-out costs for commercial businesses that lease space at the World Trade Center site, 7 World Trade and Battery Park City (including the World Financial Center) for all direct leases of at least ten years commencing between 9/1/05 and 9/1/11
- Provides sales-tax exemption for build-out costs to businesses in the area south of Murray Street between South and West Streets for all direct leases of at least ten years commencing between 9/1/05 and 9/1/09
- Build out costs defined as property purchased by tenant or landlord for improving commercial premises; property sold to a contractor for use in improving commercial premises; and service of installing property
- Exemption for purchases of goods or services from beginning of lease through first year of lease, with property delivered & services rendered within 90 days of the first year of the lease

3 World Trade Center and 7 World Trade Incentives

- Provides a \$5-per-sf annual incentive and a \$3.80-per-sf annual incentive for the first 750,000 sf of commercial space leased at the World Trade Center site and 7 World Trade, respectively

4 Lower Manhattan Relocation Employment Assistance Program (LMREAP)

Amends the program as follows:

- Businesses with operations in Manhattan that relocate employees from locations outside of New York City to Lower Manhattan (south of Houston St) will now be eligible for the 12-year \$3,000 per employee tax credit for those relocated employees
- Leases of three years or more must commence and leasehold improvements of at least \$25 per square foot must be completed after 6/30/05; or building-wide improvements equal in cost to 50% or more of the building assessed value must be completed
- The job increase attributable to new employees from outside New York City must be at least 25% of the existing New York City job base or 250, whichever is less
- Firms may also receive tax credits for additional jobs created in Lower Manhattan during the first five years of their lease that are either new hires or relocated from outside New York City
- To be eligible the relocated employee must work for at least ten weeks in the location outside of New York City and for at least ten weeks in Lower Manhattan
- For businesses moving from Lower Manhattan to the outer boroughs, they will continue to receive REAP benefits at the discretion of the Mayor

5 421g Tax Exemption

- Tax incentives for converting commercial buildings to residential or mixed use expire on June 30, 2006, one year earlier than originally scheduled. To be eligible, owners must secure building permits by that date.

WHERE THEY APPLY



World Trade Center

- \$5/sf annual incentive for 1st 750k sf leased
- Permanent elimination of commercial rent tax on 12/1/05
- Sales-tax exemptions for office furniture, equipment and build-out purchases for all leases of at least ten years commencing between 9/1/05 and 9/1/11 from the lease commencement through the first year of the lease

7 World Trade

- \$3.80/sf annual incentive for 1st 750k sf leased
- Permanent elimination of commercial rent tax on 12/1/05
- Sales-tax exemptions for office furniture, equipment and build-out purchases for all leases of at least ten years commencing between 9/1/05 and 9/1/11 from the lease commencement through the first year of the lease

Office in Battery Park City (including the World Financial Center)

- Sales-tax exemptions for office furniture, equipment and build-out purchases for all leases of at least ten years commencing between 9/1/05 and 9/1/11 from the lease commencement through the first year of the lease
- Five-year exemption from the commercial rent tax for direct new or renewal leases of five years or more commencing between 7/1/05 and 6/30/09, with the maximum amount established in the base year of the lease

Office south of Murray (between West and South Streets)

- Five-year exemption from the commercial rent tax for direct new or renewal leases of five years or more commencing between 7/1/05 and 6/30/09, with the maximum amount established in the base year of the lease
- Sales-tax exemptions for build-out purchases for all leases of at least ten years commencing between 9/1/05 and 9/1/09 from the lease commencement through the first year of the lease

Retail south of Murray (between West and South Streets)

- 12/1/05 Permanent elimination of commercial rent tax

Office and Retail between Murray and Canal Streets; Retail in Battery Park City

- Five-year exemption from the commercial rent tax for direct new or renewal leases of five years or more commencing between 7/1/05 and 6/30/09, with the maximum amount established in the base year of the lease

Firms that relocate employees to Lower Manhattan from locations outside NYC and meet the requirements as described in the amendments to the REAP program will also be eligible for a \$3,000 per employee tax credit per year for twelve years.

Pre- Existing Lower Manhattan Incentives

In addition to the new incentives and incentive modifications discussed above, the following pre-existing Lower Manhattan benefits, some originating in the mid-90's and others put into place as a result of 9-11, are still available to eligible applicants:

\$2.50 per square foot Real Estate Tax Abatement

Reduces real estate taxes in pre-1975 buildings in Lower Manhattan (below Murray Street, City Hall and Brooklyn Bridge) for five years by up to \$2.50 per square foot and requires the landlord to pass this savings directly through to tenants via reduced rents.

Expires: March 31, 2007

Lower Manhattan Energy Program

Electricity costs reduced by up to 45% of regulated transmission and distribution of electrical costs for 12 years. A tenant** is eligible for savings only if its building's owner* has, since 1995, improved the building by 20% of the assessed value. Overall savings translates to \$1 per square foot annually.

*Deadline for application (submitted by building owner): June 30, 2007

**Government agencies, hotels, personal-service providers, public-benefit corporations and retailers are not eligible for this program

Industrial and Commercial Incentive Program (ICIP) (developer benefit)

Partial exemptions from or abatement of real estate taxes for varying periods of up to 25 years are provided for eligible industrial or commercial buildings which are constructed, modernized, rehabilitated, expanded, or otherwise physically improved. A Certificate of Eligibility is issued for projects which meet the program requirements.

The ICIP program is due to expire on June 30, 2007.

To Get Assistance

The Downtown Alliance has introduced a technical assistance program to help guide you through this new incentive package. If you are a retail or commercial business considering relocation to, or renewal of your existing lease in Lower Manhattan, **OR** if you are an agent (i.e. real estate broker, lawyer, accountant) of any of the aforementioned, please call the **Downtown Alliance Incentives Hotline** at **(212) 732-2407** or email us at **incentives@downtownny.com** with your questions.