

INDUSTRIAL COMMERCIAL ABATEMENT PROGRAM (ICAP) FACT SHEET

PROGRAM DESCRIPTION

ICAP offers an abatement of the building portion of Real Property tax which exceeds 115% of the tax in the tax year in which construction commences for new construction, modernization or rehabilitation of eligible commercial buildings.

ELIGIBILITY CONDITIONS

Geographic Eligibility – Benefit schedule varies by geography, see below table for details.

Retail – Building is apportioned into retail and non-retail by gross square feet with benefits distributed according to use. See below schedule for details.

Industrial Buildings – Industrial new construction and renovations have a 25-year abatement schedule and always receive inflation protection. They are exempt from the Benefit Schedule described below.

Utilities – No benefits are permitted for property, used by a utility in the ordinary course of business, or land and buildings owned by a utility. May apply for discretionary benefits through NYCIDA.

Expenditures – Applicants must make a minimum required expenditure equal to at least 30% of the taxable assessed value of the project in the year of the issuance of the building permit or, if no permit is required, the start of construction.

Applications – Preliminary applications must be filed before (a) receipt of the first building permit; or (b) if no permit is required, before the start of construction.

BENEFIT CALCULATION

METHODOLOGY

- Initial Tax: charged the year before improvements are made.
- Post-completion Tax: charged after improvements are made.
- Abatement Base: calculated as the difference between the Post-completion Tax and 115% of the Initial Tax.
- Phase out of the Abatement Base varies by location and use. Full phase out schedule can be found [here](#).
- Yearly ICAP Benefit, or abatement from Real Estate Taxes is the Abatement Base times the ICAP Percent.

EXAMPLE BENEFITS CALCULATION

XYZ Corporation, is a firm that owns its own building in downtown Brooklyn with an assessed value of \$1,000,000. XYZ makes renovations that result in a \$200,000 increase in a property's assessed value. The below ICAP calculation assumes a real estate tax rate of 11%.

Downtown Brooklyn is located in a Regular Area. The example company has a 15 year Benefit Schedule with a 5 year phase out. As shown to the right, ICAP would result in aggregate savings of \$71,500 in real estate taxes over 15 years.

Year	ICAP Percent	ICAP Benefit
1	100%	\$5,500
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11	100%	\$5,500
12	80%	\$4,400
13	60%	\$3,300
14	40%	\$2,200
15	20%	\$1,100
Total (Nominal)		\$71,500

Initial Tax = \$1,000,000 X 11% = \$110,000

Post Completion Tax = \$1,200,000 X 11% = \$132,000

Abatement Base = \$132,000 - (115% X \$110,000) = \$5,500

Year 1 Abatement = \$5,500

BENEFIT SCHEDULE

LOCATION	USE	ABATEMENT SCHEDULES	INFLATION PROTECTION
Manhattan South of 59th St. /North of Murray Street (Excluding Garment Center)	Less than 5% Retail	10-year benefit schedule for renovations	No
Manhattan - Garment Center	Less than 5% Retail	12-year benefit schedule for renovations	No
Manhattan - South of Murray St.	Less than 5% Retail	12-year benefit schedule for renovations 8-year benefit schedule for new construction of "Smart" Buildings	No
Special Area - High Needs Neighborhoods	Commercial space and up to 10% of building for Retail	25-year benefit schedule	Yes
	Remaining Retail portion of building above 10%	15-year benefit schedule	
Regular Areas - All areas not included above, excluding Manhattan between 59th and 96th	No retail restriction	15-year benefit schedule for renovations or new construction.	No

CONSTRUCTION COMPLIANCE REQUIREMENTS

CONTRACT VALUE	SEARCH FOR FIRMS IN THE ONLINE DIRECTORY OF CERTIFIED FIRMS	SOLICIT BIDS FROM AT LEAST 3 CERIFIED M/WBE FIRMS FOR EACH SUBCONTRACTING PROJECT	SUBMIT A COPY OF THE ICAP M/WBE COMPLIANCE REPORT TO DLS	SUBMIT EMPLOYMENT REPORT TO DLS 15 DAYS BEFORE COMMENCEMENT OF WORK	SUBMIT ICAP M/WBE COMPLIANCE REPORT & NYC SMALL BUSINESS SERVICES CERTIFICATE OF APPROVAL TO NYC DEPT. OF FINANCE
< \$750,000	✓				
\$750,000 - \$1.5M	✓	✓	✓		
\$1.5M - \$2.5M	✓	✓	✓		
> \$2.5 MILLION	✓	✓	✓	✓	✓

EXCLUSIONS

- Benefits are not eligible north of 59th St. and south of 96th St. in Manhattan.
- Existing Manhattan buildings south of 59th St. and North of Murray St. are only eligible for renovations.
- A building (tax lot) must contain less than 20% of residential square footage.
- Between Murray St. and 59th St., structures with retail uses that exceed 5% will receive a diminished benefit equal to the percentage of square footage used as retail.
- Self-Storage uses are not permitted.

FEES AND PROGRAM RENEWAL

- \$150 Preliminary Application Fee, \$500 Final Application Fee, \$1,000 Notice of Completion Fee.

The information described above does not constitute an ICAP opinion, legal advice or guaranty of Herrick, Feinstein LLP and should not be relied upon for investment, tax or real estate transaction purposes.

INDUSTRIAL COMMERCIAL ABATEMENT PROGRAM (ICAP) PROCESS

PRIOR TO ISSUANCE OF THE PERMIT

STEP 1

Filing of preliminary ICAP application with NYC DOF, \$150 filing fee, prior to March 1, 2029

Solicitation of 3 NYC certified M/WBE subcontractors and suppliers for each proposed trade

Filing of Construction Employment Report, FMLA Policy, EEO Policy, Sexual Harassment Policy for Owner, General Contractor and subcontractors with contracts greater than \$1M and attend pre-award meeting

HARD CONSTRUCTION COST

UNDER \$750,000	\$750,000-\$2.5M	OVER \$2.5M
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AFTER ISSUANCE OF ANY ALTERATION OR NEW BUILDING PERMIT WITHIN 1 YEAR

STEP 2

Filing of a Final ICAP application, \$500 filing fee

Filing of a Narrative Description to be executed by architect or engineer

Filing of a detailed cost of construction broken down by major categories of expense

NYC FDNY, ECB and DOB Violation Search

Filing of M/WBE Compliance Report with DOF and DSBS (if over \$2.5M)

Filing of M/WBE Compliance Report with DSBS and update periodically

Filing of Construction Employment Report, FMLA Policy, EEO Policy and Sexual Harassment Policy for subcontractors and suppliers with contracts greater than \$1M if identified after construction commencement

Filing "Less than \$1M Subcontractor Certificates" with DSBS for all subcontractors and suppliers with contracts less than \$1M

Provide bi-weekly payroll and workforce utilization reports for subcontractors and suppliers over \$1M

HARD CONSTRUCTION COST

UNDER \$750,000	\$750,000-\$2.5M	OVER \$2.5M
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UPON COMPLETION OF THE PROJECT

STEP 3

Filing a Notice of Completion with NYC DOF, \$1,000 filing fee

Filing of a final updated narrative description from architect or engineer with the NYC DOF

Filing of a detailed itemized final cost of construction by applicant if cost hard cost is less than \$2M and by a CPA if hard costs exceeds \$2M

Filing of proof that all NYC FDNY, ECB and DOB violations have been cleared

Request a project close-out letter from DSBS

HARD CONSTRUCTION COST

UNDER \$750,000	\$750,000-\$2.5M	OVER \$2.5M
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