



**FINANCE**  
**NEW • YORK**  
THE CITY OF NEW YORK  
DEPARTMENT OF FINANCE

# DEPARTMENT OF FINANCE

## PROPERTY DIVISION

**STATEMENT OF ASSESSMENT PROCEDURE – 05/31/06**

### **COST OF ALTERATIONS**

#### **Background**

This Statement of Assessment Procedure outlines how Finance will value alterations to determine a property's value for real property tax purposes.

Our goal is to assess all properties fairly and consistently, and for our methodologies to be transparent and easy for the public to understand. Furthermore, properties should be valued using the same data and methodology regardless of whether the owner will apply for a construction-related exemption.

We believe that if an owner has already provided the City of New York with certified cost information that we should be able to rely on that information, rather than to ask owners to provide the information yet again, to another agency in yet another format.

For alteration permits, fees paid to the Department of Buildings are based on a percentage of the proposed construction costs. It is unfair for owners to submit lower costs to the Department of Buildings for purposes of obtaining a permit, and then to present Finance with higher costs for the exact same project in order to be eligible for a larger exemption.

#### **Procedure**

- 1. Finance will use cost information provided to the Department of Buildings to value alterations to properties.**

Generally, alteration work that would result in an increase in the property's assessed value requires a permit from the Department of Buildings. In connection with alteration permit applications, owners or their representatives are required to provide a Cost Affidavit to certify to the Department of Buildings the estimated and/or actual costs for alteration type construction jobs.

By this Statement of Assessment Procedure, Finance is informing property owners that we will use the information provided in these certifications to the Department of Buildings to value the alterations for property tax purposes, to the extent that the costs provided to Buildings represent eligible costs that would result in an increase in value.

This will ensure that we are consistent in how we get the information that we use to determine value. It will also promote transparency, as owners will know what information we will use to arrive at our values.

2. **Finance is not limited to the Department of Buildings costs.**

In determining the value of an alteration, while Finance will use the information provided to the Department of Buildings, Finance may also use a different value to more accurately reflect the market costs for the alteration. The information provided to Buildings will not be a limitation on our ability to properly determine a property's assessed value.

3. **Finance will use construction cost information provided to the Department of Buildings in calculating the initial maximum exemption based on cost of construction.**

To determine the exemption base for construction-related exemption programs such as the Industrial and Commercial Incentive Program (ICIP) and the J-51 program, Finance will use the cost information certified to the Department of Buildings. In no event will Finance grant an initial exemption resulting from a physical change to a property that exceeds the costs reported to the Department of Buildings for this work. Where the statute permits, however, later increases in value (equalization) may be added to the exemption.

If the cost of an alteration project does change and an owner believes that the additional costs should be entitled to an exemption, the owner should report this to the Department of Buildings and pay any additional applicable fees. Finance will then consider the new costs.

4. **Examples: Owner applies for a Buildings permit for renovation work, reporting a project cost of \$100,000 to the Department of Buildings and paying a permit fee based on that amount. This is work that is eligible for an ICIP exemption. Owner then applies to Finance for the ICIP exemption, and the result is as follows:**

- a. Owner reports construction costs of \$90,000 to Finance when applying for the exemption.  
**RESULT:** Finance will exempt a maximum of \$100,000.
- b. Owner reports construction costs of \$125,000 when applying to Finance for the exemption.  
**RESULT:** Finance will exempt a maximum of \$100,000.
- c. Owner reports construction costs of \$125,000 when applying to Finance for the exemption. Owner submits revised information to the Department of Buildings reflecting their increased costs of \$125,000 and pays any applicable fees. **RESULT:** Finance will exempt a maximum of \$125,000.