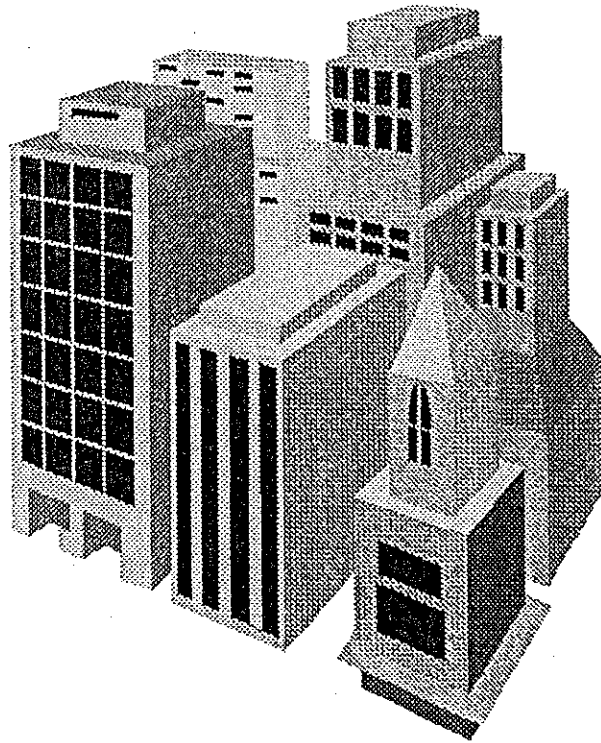


F I N A N C E
CITY OF NEW YORK

**INDUSTRIAL AND COMMERCIAL
INCENTIVE PROGRAM**

ANNUAL REPORT
MAY 30, 2001



RUDOLPH W. GIULIANI
MAYOR

ANDREW S. ERISTOFF
COMMISSIONER



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

May 30, 2001

Members of the Council
City Hall
New York, New York 10007

Dear Council Members:

I am pleased to present the Finance Department's report on the Industrial and Commercial Incentive Program (ICIP) in accordance with Administrative Code Section 11-267. This report covers fiscal years 1998 to present. It supplements the ICIP exemption information contained in the Annual Report on the NYC Real Property Tax and the Annual Report on Tax Expenditures.

Since its inception, ICIP has served as an integral part of the City's economic development and real estate tax policies. It has continued to grow in utilization and diversity – benefiting all areas of the City with both large and small projects. I trust you will find this latest report useful.

Sincerely,

A handwritten signature in black ink, appearing to read "Andrew S. Eristoff".

ANDREW S. ERISTOFF
Commissioner of Finance

Background

The Industrial and Commercial Incentive Program (ICIP) was created on November 5, 1984, by a local law adopted by the Council pursuant to State enabling legislation. The program is designed to stimulate economic development through new construction, modernization, rehabilitation or expansion of industrial and commercial structures by offering property tax exemptions and, for industrial projects only, tax abatements.

ICIP provides benefits on an "as-of-right" basis. This means that no project can be denied a tax benefit if it meets the eligibility requirements and follows the application procedures set forth in the law and published rules.

ICIP is administered by the Department of Finance, which receives and processes applications, certifies eligibility and grants the exemption and abatement benefits. The Department also reviews projects receiving benefits and ascertains continuing compliance with the rules of the program. If the Department determines that a project is not in compliance with applicable statutes and rules, it may deny, suspend or revoke the benefits.

Legislative Changes

In 1992, 1995 and 1999 the State Legislature and City Council adopted legislation extending and amending the authorization for the program. The State Legislature adopted further changes in 2000 subject to local option legislation.

The 1995 amendments reformed ICIP to reflect changes in the economic climate of the City and to meet current needs. These changes allowed for deeper benefits across the board, except in Manhattan, lowered minimum expenditure requirements and established a new abatement benefit for industrial projects. The specific changes were as follows:

- An increase in the regular area commercial benefit period from 12 to 15 years. Additionally, the minimum required expenditure was reduced from twenty percent of the initial assessed value to ten percent of the initial assessed value.
- An increase in both the special area commercial benefit and industrial benefit citywide from a 22-year to a 25-year benefit period. Additionally, the minimum required expenditure was reduced from 20 percent of the initial assessed value to ten percent
- Provision for an abatement of existing real estate taxes for the renovation or new construction of industrial projects. The program grants a 12-year tax abatement for eligible projects -- a 50 percent abatement based on the pre-existing taxes for the first four years and a phase-out in ten-percent increments every other year for the remaining eight year period. The program also requires a minimum expenditure of 25 percent of the initial assessed value.

- Provision of a new construction incentive for the development of *smart buildings* (as defined in the legislation). This benefit, up to December 31, 1996, was limited to commercial construction in Manhattan, south of the centerline of 96th Street. As of January 1, 1997, this benefit was only available in Manhattan, south of Murray, Dover and Frankfort Streets, excluding Battery Park City and the piers. The program grants an eight-year partial tax exemption, with a full exemption on the increase in assessed value due to the new construction for the first four years and a phase-out in 20-percent increments in the last four years.

The 2000 legislation would make the following additional changes if approved by local law:

- Create a commercial revitalization area, which is identical to the Commercial Expansion Areas that are the subject of enhanced benefits under other City economic development programs. These programs provide relocation assistance and tax abatements that reduce the rent expense of eligible commercial and industrial tenants. The Commercial Expansion Areas consist of all parcels zoned C4, C5, C6, M1, M2 or M3 in the boroughs of Brooklyn, the Bronx, Queens, Staten Island, and Manhattan, north of the centerline of 96th Street.
- In the Commercial Expansion Areas, elimination of the waiting period for development of former manufacturing sites. In these areas, commercial tax exemptions would no longer be denied to commercial properties in which at least fifteen percent of the square footage had been used for manufacturing activities for a period of 24 or 48 months (depending on location) prior to the date of the application for benefits.
- Provision of a pro-rated industrial abatement in buildings that contain at least 25 percent but less than 75 percent industrial use. This abatement would not be available where the industrial space after completion of the project is less than existed immediately before the commencement of the construction work.

Program Highlights

- ICIP has reached all time highs in the number of applicants, the number of properties receiving benefits and the value of benefits granted. These achievements were accelerated by the 1995 legislative changes. As the economy grew, these changes helped spur real estate renovation and new construction, particularly in industrial projects and in lower Manhattan, where the 1995 Commercial Revitalization Program also provided rent reductions through tax abatements.
- Applicants have continued to apply to the program in historically large numbers, reaching a peak of 905 preliminary applications in calendar year 1999. From 1995 through 2000, preliminary applications averaged almost 67 a month, almost double the monthly average during the first ten years of the program.

- Exemption benefits granted have continued to grow reaching nearly \$172 million in FY 2001, an increase of 108% from FY 1997. This increase was attributable to the greater number of properties receiving benefits and to the revitalized real estate market, which generated higher assessed values resulting in larger exemptions.
- Benefits for industrial abatements became available with the passage of the 1995 legislation and were granted for the first time in FY 1997. In that year, only nine parcels received abatements worth less than \$400,000 but growth has been rapid since that time. In FY 2001, 270 properties received more than \$6.7 million in abatement benefits. Since the inception of this benefit targeted to industrial properties, over \$19.1 million in abatements have been granted.
- ICIP deferral benefits for commercial projects in Manhattan required the future repayment to the City of benefits previously granted. While this benefit is no longer available, repayment of benefits previously granted has begun. In FY 2002, Finance will bill over \$28 million in deferral paybacks covering 92 properties.

ICIP Exemptions - FY 1998 - FY 2001

	Fiscal Year			
	1998		1999	
	NUMBER	\$ (million)	NUMBER	\$ (million)
	OF LOTS	ASSESSED VALUE	OF LOTS	ASSESSED VALUE
Manhattan	395	266.5	504	406.9
Bronx	396	145.2	430	156.6
Brooklyn	806	146.6	903	180.9
Queens	1,163	326.8	1,242	341.9
Staten Island	473	111.4	473	117.8
Citywide	3,233	996.5	3,552	1,204.1

	Fiscal Year			
	2000		2001	
	NUMBER	\$ (million)	NUMBER	\$ (million)
	OF LOTS	ASSESSED VALUE	OF LOTS	ASSESSED VALUE
Manhattan	509	514.2	587	715.3
Bronx	485	178.3	530	207.2
Brooklyn	1,024	224.7	1,100	335.0
Queens	1,250	339.6	1,271	380.3
Staten Island	475	120.2	452	123.0
Citywide	3,743	1,377.0	3,940	1,760.8

ICIP Industrial Abatements - FY 1998 - FY 2001

	Fiscal Year			
	1998		1999	
	NUMBER OF LOTS	\$ (THOUSANDS)	NUMBER OF LOTS	\$ (THOUSANDS)
Manhattan	3	85.7	7	826.7
Bronx	5	203.7	13	310.2
Brooklyn	43	602.8	94	1,299.6
Queens	22	561.6	49	1806.2
Staten Island	1	76.6	2	78.4
Citywide	74	1,530.4	165	4,321.1

	Fiscal Year			
	2000		2001	
	NUMBER OF LOTS	\$ (THOUSANDS)	NUMBER OF LOTS	\$ (THOUSANDS)
Manhattan	9	1,108.1	10	1,189.4
Bronx	20	574.1	22	547.0
Brooklyn	124	1,689.1	145	2,096.8
Queens	68	2,686.9	88	2,800.0
Staten Island	2	78.5	5	151.4
Citywide	223	6,136.7	270	6,784.6

ICIP Commercial Projects
 Fiscal Year 1997 - Projected Construction Costs (millions)
 Applications Approved for Benefits

	Regular Area and Manahattan South of 96th Street		Special Area	
	Number of Projects	Estimated Construction Costs	Number of Projects	Estimated Construction Costs
Manhattan	20	104.5	3	1.6
Bronx	13	7.0	34	33.6
Brooklyn	26	12.1	48	40.2
Queens	55	63.4	40	46.4
Staten Island	36	12.7	5	13.8
Citywide	150	199.7	130	135.6

ICIP Commercial Projects
 Fiscal Year 1998 - Projected Construction Costs (millions)
 Applications Approved for Benefits

	Regular Area and Manahattan South of 96th Street		Special Area	
	Number of Projects	Estimated Construction Costs	Number of Projects	Estimated Construction Costs
Manhattan	35	392.4	4	13.1
Bronx	17	18.4	29	23.5
Brooklyn	17	9.1	55	52.9
Queens	39	33.3	32	27.3
Staten Island	27	14.7	3	11.9
Citywide	135	467.9	123	128.7

ICIP Commercial Projects
 Fiscal Year 1999 - Projected Construction Costs (millions)
 Applications Approved for Benefits

	Regular Area and Manahattan South of 96th Street		Special Area	
	Number of Projects	Estimated Construction Costs	Number of Projects	Estimated Construction Costs
Manhattan	36	373.6	9	49.8
Bronx	9	3.3	45	47.6
Brooklyn	21	36.1	72	89.2
Queens	47	79.5	50	87.9
Staten Island	32	21.8	7	9.8
Citywide	145	514.3	183	284.3

ICIP Commercial Projects
 Fiscal Year 2000 - Projected Construction Costs (millions)
 Applications Approved for Benefits

	Regular Area and Manahattan South of 96th Street		Special Area	
	Number of Projects	Estimated Construction Costs	Number of Projects	Estimated Construction Costs
Manhattan	18	301.7	7	5.6
Bronx	20	12.9	41	44.8
Brooklyn	25	35.9	66	40.4
Queens	48	68.5	47	58.5
Staten Island	9	7.4	3	2.0
Citywide	120	426.4	164	151.3

ICIP Industrial Projects
 Fiscal Year 1997 - Projected Construction Costs (millions)
 Applications Approved for Benefits

	Regular Area and Manahattan South of 96th Street		Special Area	
	Number of Projects	Estimated Construction Costs	Number of Projects	Estimated Construction Costs
Manhattan	6	16.0	1	0.7
Bronx	2	0.2	3	0.6
Brooklyn	2	0.5	56	14.2
Queens	19	7.3	23	12
Staten Island	0	0	0	0
Citywide	29	24.0	83	27.5

ICIP Industrial Projects
 Fiscal Year 1998 - Projected Construction Costs (millions)
 Applications Approved for Benefits

	Regular Area and Manahattan South of 96th Street		Special Area	
	Number of Projects	Estimated Construction Costs	Number of Projects	Estimated Construction Costs
Manhattan	8	3.2	0	0
Bronx	0	0	12	1.4
Brooklyn	3	0.4	40	8.4
Queens	12	3.1	21	5.8
Staten Island	1	0.3	4	1.4
Citywide	24	7.0	77	17.0

ICIP Industrial Projects
 Fiscal Year 1999 - Projected Construction Costs (millions)
 Applications Approved for Benefits

	Regular Area and Manahattan South of 96th Street		Special Area	
	Number of Projects	Estimated Construction Costs	Number of Projects	Estimated Construction Costs
Manhattan	2	1.5	0	0
Bronx	1	0.1	13	4.6
Brooklyn	1	0.1	47	13.1
Queens	15	4.9	21	4.3
Staten Island	0	0	1	0.5
Citywide	19	6.6	82	22.5

ICIP Industrial Projects
 Fiscal Year 2000 - Projected Construction Costs (millions)
 Applications Approved for Benefits

	Regular Area and Manahattan South of 96th Street		Special Area	
	Number of Projects	Estimated Construction Costs	Number of Projects	Estimated Construction Costs
Manhattan	5	2.8	0	0
Bronx	0	0	6	19.1
Brooklyn	4	1.2	32	8.8
Queens	28	7.8	22	10.8
Staten Island	0	0	3	0.3
Citywide	37	11.8	63	39

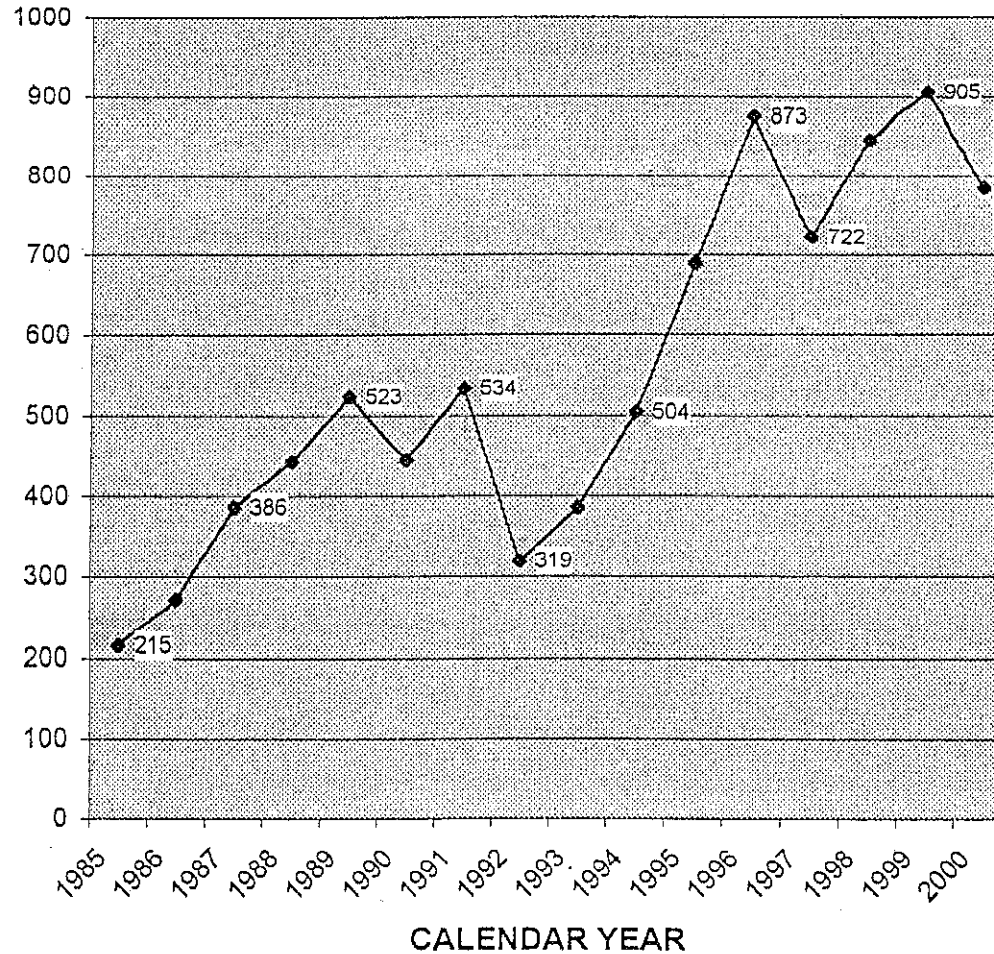
DEFERRAL REPAYMENTS

FISCAL	NUMBER OF PROPERTIES	TOTAL DEFERRAL PAYMENTS
YEAR	MAKING PAYMENTS	IN DOLLARS (MILLIONS)
1998	23	3.3
1999	45	17.6
2000	61	28.2
2001	80	28.4

ICIP PRELIMINARY APPLICATIONS

Through the years 1985 - 2000

Year	#Apps
1985	215
1986	272
1987	386
1988	443
1989	523
1990	445
1991	534
1992	319
1993	385
1994	504
1995	689
1996	873
1997	722
1998	846
1999	905
2000	783



**ICIP APPLICATIONS APPROVED FOR BENEFITS
FISCAL YEARS 1997 - 2000**

	INDUSTRIAL		COMMERCIAL		TOTAL	
	NUMBER OF	NUMBER OF	NUMBER OF	NUMBER OF	NUMBER OF	NUMBER OF
	APPLICATIONS	JOBS REPORTED	APPLICATIONS	JOBS REPORTED	APPLICATIONS	JOBS REPORTED
MANHATTAN	24	9,037	159	66,434	183	75,471
BRONX	37	2,703	201	7,897	238	10,600
BROOKLYN	162	10,990	321	9,763	483	20,753
QUEENS	182	14,958	347	21,027	529	35,985
STATEN ISLAND	9	404	122	3,198	131	3,602
CITYWIDE	414	38,092	1,150	108,319	1,564	146,411

**ICIP APPLICATIONS APPROVED FOR BENEFITS
FISCAL YEAR 1997**

	INDUSTRIAL		COMMERCIAL		TOTAL	
	NUMBER OF	NUMBER OF	NUMBER OF	NUMBER OF	NUMBER OF	NUMBER OF
	APPLICATIONS	JOBS REPORTED	APPLICATIONS	JOBS REPORTED	APPLICATIONS	JOBS REPORTED
MANHATTAN	7	6,175	23	5,520	30	11,695
BRONX	5	399	47	2,601	52	3,000
BROOKLYN	58	3,988	74	1,512	132	5,500
QUEENS	42	6,613	95	7,052	137	13,665
STATEN ISLAND	0	0	41	1,205	41	1,205
CITYWIDE	112	17,175	280	17,890	392	35,065

**ICIP APPLICATIONS APPROVED FOR BENEFITS
FISCAL YEAR 1998**

	INDUSTRIAL		COMMERCIAL		TOTAL	
	NUMBER OF	NUMBER OF	NUMBER OF	NUMBER OF	NUMBER OF	NUMBER OF
	APPLICATIONS	JOBS REPORTED	APPLICATIONS	JOBS REPORTED	APPLICATIONS	JOBS REPORTED
MANHATTAN	8	1,271	39	19,965	47	21,236
BRONX	12	527	46	1,251	58	1,778
BROOKLYN	43	2,266	72	2,308	115	4,574
QUEENS	33	2,414	71	4,457	104	6,871
STATEN ISLAND	5	270	30	819	35	1,089
CITYWIDE	101	6,748	258	28,800	359	35,548

ICIP APPLICATIONS APPROVED FOR BENEFITS
FISCAL YEAR 1999

	INDUSTRIAL		COMMERCIAL		TOTAL	
	NUMBER OF	NUMBER OF	NUMBER OF	NUMBER OF	NUMBER OF	NUMBER OF
	APPLICATIONS	JOBS REPORTED	APPLICATIONS	JOBS REPORTED	APPLICATIONS	JOBS REPORTED
MANHATTAN	2	240	45	21,007	47	21,247
BRONX	14	1,275	54	2,121	68	3,396
BROOKLYN	25	2,168	94	3,119	119	5,287
QUEENS	59	3,220	96	6,642	155	9,862
STATEN ISLAND	1	68	39	851	40	919
CITYWIDE	101	6,971	328	33,740	429	40,711

ICIP APPLICATIONS APPROVED FOR BENEFITS
FISCAL YEAR 2000

	INDUSTRIAL		COMMERCIAL		TOTAL	
	NUMBER OF	NUMBER OF	NUMBER OF	NUMBER OF	NUMBER OF	NUMBER OF
	APPLICATIONS	JOBS REPORTED	APPLICATIONS	JOBS REPORTED	APPLICATIONS	JOBS REPORTED
MANHATTAN	7	1,351	52	19,942	59	21,293
BRONX	6	502	54	1,924	60	2,426
BROOKLYN	36	2,568	81	2,824	117	5,392
QUEENS	48	2,711	85	2,876	133	5,587
STATEN ISLAND	3	66	12	323	15	389
CITYWIDE	100	7,198	284	27,889	384	35,087