

# CEP (Commercial Tenants) Commercial Expansion Program

Administering Agency: NYC Department of Finance

<http://www1.nyc.gov/site/finance/benefits/benefits-commercial-expansion-program.page>

## Program Description

Real estate tax abatement for new, renewal, or expansion leases for commercial office in Manhattan north of 96th Street or in Brooklyn, Queens, the Bronx, or Staten Island.

## Benefits

### Description of Benefits

#### For leases of 3 or 4 years:

- 3-year real estate tax abatement equal in the first year to the lesser of
  - (a) actual tax liability, and
  - (b) \$2.50 PSF with a 2-year phase-out (2/3 and 1/3) thereafter.

#### For leases of 5 years or more:

- 5-year real estate tax abatement equal in the first 3 years to the lesser of
  - (a) actual tax liability, and
  - (b) \$2.50 PSF with a 2-year phase-out (2/3 and 1/3) thereafter.

### Example Benefits Calculation

XYZ Corporation, a financial services firm with 300 employees, signs a 10-year lease for 100,000 SF in Downtown Brooklyn. Without benefits, its annual real estate tax liability would be \$3.20 PSF or \$320,000.

Year	CEP Abatement Percent*	CEP Property Tax Abatement
1	100%	\$ 250,000
2	100%	\$ 250,000
3	100%	\$ 250,000
4	67%	\$ 166,667
5	33%	\$ 83,333
Total (Nominal)		\$ 1,000,000
NPV (6.25%)		\$ 857,494

As shown above, CEP would result in aggregate savings of \$1,000,000 in real estate taxes over 5 years.

## Eligibility & Tips

### Eligibility

- **Location** – The premises must be (a) in Manhattan north of 96th Street or in Brooklyn, Queens, the Bronx, or Staten Island; (b) built before January 1, 1999; (c) used as offices or industrial space; and (d) at least 25,000 SF.
- **Expenditures** - Leasehold expenditures for improvements must be at least (a) \$2.50 PSF for leases of less than 10 years and renewal leases of 10 years or more that include newly leased space; (b) \$5 PSF for renewal leases of 10 years or more involving only previously occupied space; and (c) \$25 PSF for new and expansion leases of 10 years or more.
- **Lease** - Minimum lease term must be at least (a) 3 years if 125 people or fewer will be employed in the premises; or (b) 10 years if more than 125 people will be employed in the premises.
- **Lease** - Lease must (a) start by June 30, 2016; and (b) not be a sublet or license agreement.
- **Lease** - Lease must provide that (a) any abatement of real estate taxes will be passed through to tenant; and (b) required leasehold expenditures will be made.
- **Restriction** - Tenant must not have accessed CEP previously for any space (except that, if tenant expands into new space and continues to occupy space for which CEP was accessed, tenant can receive benefits on expansion space).

### Tips

- Applications must be filed before lease is signed and/or leasehold improvements are made. Failure to file the application within 180 days of lease commencement will result in the denial of benefits.
- For a new lease, evidence of leasehold expenditures and number of employees in premises must be submitted to the Department of Finance (DOF) within 60 days of rent commencement.
- For a renewal lease, evidence of leasehold expenditures must be submitted to DOF within 14 months of lease commencement and evidence of number of employees in premises must be submitted to DOF within 60 days of rent commencement.
- Similar benefits are available in Lower Manhattan under the Commercial Revitalization Program (CRP).