

Emailed comments from James D'Andrea for Keyspan Ravenswood:

07/06/04

“Please pass on to Levitan this May 2004 order from the NYPSC approving the transfer of NYC property from Con Edison to a private developer. It is another piece of information they can consider when determining what it costs to build generation in NYC.

Given the value of real estate in NYC, it might be difficult to get anyone to build generation there at the price points Levitan is projecting because there are other much more lucrative uses for the property.”



Con Edison property transfer.pdf

06/07/04

John,

I just got the attachment from our tax folks. As I suspected, the property tax rates in NYC are much higher than the 1.6% being used in the Levitan report. The attachment reflects a tax rate of 5.59% compared to the 1.6% Levitan is using. Please pass it along and share with other market participants as you see fit.

Specifically, the attached methodology (45%*12.418%) is applicable to new investment that is treated as specialty property in class 3 (utility), which would be the case for an LM6000. The attached document shows that the class 3 utility assessment ratio is 45% and that the tax rate is 12.418% through June 30, 2004. Class ratios are originally set by NY State Office of Real Property. In the past, the City Council would pass a resolution fixing the tax rate and certifying the adjusted base proportions but I do not have a copy of that document for 2003/2004.

Jim



NYC Info YE June 2004.pdf

STATE OF NEW YORK

Public Service Commission

William M. Flynn, Chairman

Three Empire State Plaza, Albany, NY 12223

Further Details: (518) 474-7080

<http://www.dps.state.ny.us>

FOR RELEASE: IMMEDIATELY

04036

NYS PSC Approves Transfer of Con Edison Properties in Manhattan

Sale Provides Benefits to Con Edison Customers and Promotes Economic Development

Rochester, NY – 5/19/04 – The New York State Public Service Commission today voted to approve Consolidated Edison of New York, Inc.'s (Con Edison) proposed sale of four properties on First Avenue in New York City to East River Realty Company, LLC (ERRC, formerly known as FSM East River Associates, LLC).

The properties, which are no longer needed to support Con Edison's utility operations, comprise approximately 9.2 acres and include the former Kips Bay Generating Station site (616 First Ave., between 35th and 36th), a parking lot (685 First Ave., between 39th and 40th), the Waterside Steam Station (700 First Ave., between 38th and 40th), and a former office building site (708 First Ave., between 40th and 41st).

"The sale will produce hundred of millions of dollars in benefits for Con Edison customers, promote economic development in New York City, provide increased tax revenues for the City, assist in providing rate stability for steam and electric customers, and could facilitate access to the waterfront now blocked by the existing Waterside structures and provide new publicly accessible open space in Midtown Manhattan," said Public Service Commission Chairman William M. Flynn. "While we acknowledge that there could be some localized impacts resulting from our approval of this transaction, on balance, we find that the benefits outweigh the impacts."

The sale price for the properties will range from approximately \$300 million to about \$680 million, depending on the level of rezoning approved by New York City. After deducting the net book costs of the properties and other costs associated with the sale transaction, the remaining net proceeds from the sale will be retained and used for the benefit of Con Edison ratepayers. The Commission deferred consideration of the accounting and rate treatment of the net proceeds until the rezoning process is completed and the transaction is consummated.

Today's decision also represents a key component of Con Edison's Steam System Plan, which was developed to maintain the viability and reliability of the company's steam system while stabilizing steam rates. One facet of the Plan, which was approved by the Commission in 1998 and 1999, was for Con Edison to seek approval under the Article X siting process to repower the East River Generating Station (East River) with modern, state-of-the-art equipment. This equipment upgrade will result in significant fuel savings for Con Edison and its customers, and significantly reduce air emissions. The new equipment at East River will replace the steam output of Waterside and add almost 300 megawatts of additional electric generating capacity within New York City. Another facet of the Steam Plan, which was the focus of today's decision, was to sell the First Avenue properties because they are no longer needed for utility operations.

"In determining whether to approve this sale, we have considered many factors, including Con Edison's need for the property, the manner in which the sale was conducted, potential environmental impacts, and the interests of ratepayers, the City, the State and the local community," Flynn said. "Today's decision represents the culmination of years of work by Department Staff, the community, Con Edison and East River Realty, and I think it's fair to say that we conducted a comprehensive and exhaustive assessment of implications of the proposed sale and subsequent redevelopment of the properties."

Today's action by the Commission relates only to the sale and actual transfer of Con Edison's properties. The Commission was not asked to approve a specific project development plan, and it did not decide zoning issues associated with the future development of the properties. While ERRC does not yet have a specific development plan for the properties, it generally intends to develop them with high-rise commercial and residential buildings. Once ERRC formulates its plan, it will apply to the appropriate New York City agencies for the requisite approvals, which will include further environmental and land use review.

Key Milestones for Section 70 and State Environmental Quality Review Act Process

March 19, 2001: Con Edison and ERRC filed a petition with the New York State Public Service Commission for the approval of the transfer of the Con Edison properties. Under State Public Service Law Section 70, the proposed sale is subject to Commission review and approval.

April 12, 2001: Con Edison and ERRC filed an environmental assessment form and draft scope of work for a Generic Environmental Impact Statement (GEIS) to be prepared in conjunction with the Commission's consideration of the proposed sale.

May 9, 2001: The Commission issued a positive declaration of significance, formally commenced the environmental review process, declared itself lead agency, and

announced a formal scoping process for the GEIS. Over the next four months, DPS solicited and analyzed parties' and the public's comments on the proposed scope of work. To facilitate public involvement, four public statement hearings were conducted and the public was able to provide comments in writing, electronically, and via our toll-free telephone opinion line.

September 6, 2001: PSC issued an Order which approved the final scope of work and directed the petitioners to prepare and file a Draft Generic Environmental Impact Statement (DGEIS).

June 17, 2002: Con Edison and ERRC file a DGEIS.

June 24, 2002: DGEIS is accepted as complete and issued for public comment. To maximize public involvement, the comment period was held open for more than three months. Two public statement hearings were held and the public was given the same options as identified above (see May 9) for providing public comments. Based on the comments received, Con Edison and ERRC determined that additional analysis of air quality and traffic impacts was necessary. They also determined that the impacts of the potential redevelopment of the properties should be reexamined in light of recently announced, large-scale projects that are proposed to be constructed at the same time and in the same area as the properties.

May 16, 2003: Con Edison and ERRC file a Supplemental DGEIS.

May 23, 2003: The Commission determined that the Supplemental DGEIS was adequate for public review and directed that it be issued for public comment. Over the subsequent two-month public comment period, the same methods described above for the DGEIS were used to maximize public involvement.

January 30, 2004: The Commission adopted and issued a Final GEIS (FGEIS). The FGEIS presented two different development scenarios: an As-of-Right Scenario and a Rezoning scenario. The As-of-Right scenario examined a development program that could reasonably be expected to occur without any additional discretionary governmental actions. The Rezoning scenario examined a range of different development programs, including: a Residential Program, which maximized the residential use reasonably expected to occur; a variation of the Residential Program in which it was assumed that 20% of the rental apartments would consist of low-income housing; a Mixed-Use Program, which maximized commercial use reasonably expected to occur; and, a variation on the Mixed-Use Program in which the office use would be sited on 708 First Avenue. The FGEIS also examined a number of alternatives to these development scenarios, including reuse of the Waterside buildings and lower density variants of the same general development plans.



FINANCE
NEW • YORK
THE CITY OF NEW YORK
DEPARTMENT OF FINANCE
nyc.gov/finance

ANNUAL REAL ESTATE NOTICE OF VALUE

WHAT IS THIS NOTICE?

Finance's Annual Real Estate Notice of Value is NOT a tax bill and does not require you to make a payment. This notice is mailed to NYC property owners in January to advise them of how much Finance estimates their property is worth -- the market value. In addition, the Notice of Value reflects any exemptions that have been granted so far for the upcoming tax year, which begins July 1st.

INSIDE

How Finance Determines Your Assessment	2
Appealing Your Property Value, Assessment & Exemption	2
Applying for Exemptions to Reduce Your Taxes	3
Calculating Your Taxes	3
Frequently Asked Questions & Answers	4
Obtaining Forms & Customer Assistance.....	4

KEY DATES

Taxable Status Date.....	Jan. 05, 2004
Tentative Assessment Roll Published.....	Jan. 15, 2004
Tax Commission Appeals Deadline For Apartments, Utilities & Commercial Properties	Mar. 01, 2004
Tax Commission Appeals Deadline For 1-, 2- & 3-Family Homes.....	Mar. 15, 2004
Senior Citizen, Disabled, & Veterans' Exemption Filing Deadline.....	Mar. 15, 2004
Absentee Landlord Surcharge Exclusion Filing Deadline	Mar. 15, 2004

HOW FINANCE ESTIMATES YOUR PROPERTY VALUE

Finance is required to estimate the value of your property as of January 5th each year. Finance uses one of three approaches to determine a property's market value: sales comparison, cost, and income capitalization.

- **Sales Comparison** -- Finance analyzes sales of similar, recently sold properties to determine the most probable selling price of the property being valued. This method is used most often to value small, residential properties (e.g., one- to three-family houses).
- **Cost** -- Finance estimates the land value and then determines the cost of reproducing or replacing the existing structure on the property being valued. This method is used for specialty properties, including utility properties.
- **Income Capitalization** -- Finance determines value based on the income that can be generated by renting the property. Finance estimates the income, expenses, and a rate of return for an investor called a capitalization rate. This approach is generally used for income-producing properties, such as office and apartment buildings.

Cooperatives and condominiums: State law requires that Finance value cooperatives and condominiums as if they are rental apartment buildings. This means that Finance's value estimate is not based on sales prices but is based on an estimate of the rent that would be charged for the units in the cooperative and/or condominium if the building were a rental.

HOW FINANCE DETERMINES YOUR ASSESSMENT

Finance's determination of your assessment is a three-step process.

- ① State law requires that Finance assign every property to one of four tax classes:

- Class 1:** Includes most residential property of up to three units (one-, two-, and three-family homes and small stores or offices with one or two apartments attached), vacant land that is zoned for residential use, and most condominiums that are not more than three stories.
- Class 2:** Includes all other property that is primarily residential, such as cooperatives.
- Class 3:** Includes property with utility company-owned equipment.
- Class 4:** Includes all commercial or industrial property that is not in the other three tax classes.

- ② State law requires that Finance assess properties in each class at the same percentage of value -- called the assessment ratio. Finance multiplies its estimated market value by the assessment ratio for your class of property:

- Class 1:** Assessment ratio is **8 percent**. For example, a property that Finance estimates to be worth \$100,000 would have an assessment of \$8,000.
- Class 2, 3 & 4:** Assessment ratio is **45 percent**. For example, a property that Finance estimates to be worth \$100,000 would have an assessment of \$45,000.

- ③ State law requires that Finance follow certain assessment rules unless the change is because of a physical increase resulting from construction, renovation, and/or demolition:

- Class 1:** We cannot increase assessments on a property more than 6 percent each year or more than 20 percent in five years.
- Class 2:** We cannot increase assessments on properties with less than 11 units more than 8 percent each year or more than 30 percent in five years.
Assessment changes on properties with more than 10 units must be phased-in over five years.
- Class 3:** No assessment limitations.
- Class 4:** Assessment changes must be phased-in over five years.

APPEALING YOUR PROPERTY VALUE, ASSESSMENT & EXEMPTION

If you believe that Finance's estimate of your property's market value and the resulting assessment is inaccurate, you can file an Application for Correction with the NYC Tax Commission, an independent review body. The Commission can adjust the assessed value or exemptions on your property and can change your tax class but you must file your appeal before the deadline because the law does not permit any extensions. You do not need an attorney, and you are not required to attend a personal hearing unless you wish to do so. The deadline for filing an application with the Tax Commission is:

- Class 1:** March 15, 2004
Class 2, 3 & 4: March 1, 2004

All applicants are encouraged to read Form TC600 – "*How to Appeal a Tentative Assessment*" before completing the application. This form, along with Applications for Correction, can be obtained via the Tax Commission website, at the offices listed below, or by calling NYC's Citizen Service Center at 311.

MANHATTAN

The Tax Commission
1 Centre Street, Room 936
New York, NY 10007

BRONX

Finance Business Center
1932 Arthur Avenue, 1st Floor
Bronx, NY 10457

BROOKLYN

Finance Business Center
210 Joralemon Street, 1st Floor
Brooklyn, NY 11201

QUEENS

Finance Business Center
144-06 94th Avenue, 1st Floor
Jamaica, NY 11435

VISIT THE TAX COMMISSION WEBSITE
nyc.gov/html/taxcomm

STATEN ISLAND

Finance Business Center
350 St. Marks Place, Main Floor
Staten Island, NY 10301

APPLYING FOR EXEMPTIONS TO REDUCE YOUR TAXES, INCLUDING SCHOOL TAX RELIEF (STAR), SENIOR CITIZEN, DISABLED AND VETERANS' EXEMPTIONS

Applications and information on eligibility for property tax reduction programs are all available at nyc.gov/propertytaxes, or you can call 311 to receive an application by mail. To have your taxes reduced starting July 1, 2004, senior citizens, people with disabilities, and veterans must apply by March 15, 2004.

The Department of Finance administers several exemption programs that encourage new construction and renovations (421-a-c and J-51). In addition, Finance administers the exemption program for nonprofit organizations (420-a) and individuals (seniors, disabled, veterans, STAR). Finally, Finance is responsible for the abatement program for cooperatives and condominiums. An exemption provides tax relief by reducing a property's taxable assessed value, the base amount to which the tax rate is applied. Abatements reduce the tax due because a credit is given against the tax.

Finance encourages all property owners to file for any tax reduction benefits they may be entitled to receive. If you are eligible for more than one exemption, you may also view a breakdown of exemption benefits on the assessment roll. Abatements are determined in June after the new tax rates are set, so they do not appear on the assessment roll.

The following exemptions are available to individual home, cooperative and condominium owners:

- **Basic STAR (School Tax Relief) Exemption** - For property owners of any age or income who own their primary residence.
- **Enhanced STAR Exemption** - For property owners who are 65 or older, own their primary residence, and have total owner income of \$63,750/year or less.
- **Senior Citizen Homeowners' Exemption (SCHE)** - For owners 65 or older, who own their primary residence and have a total income of less than \$32,400/year.
- **Veteran Homeowners' Exemption** - For veterans of US Armed Forces who served during designated periods of conflict and their family members, including a veteran's spouse, widow/er (if he/she has not remarried), or parent (if the veteran died in the line of duty during a period of war).
- **Disabled Homeowners' Exemption (DHE)** - For disabled property owners who own their primary residence and have income less than \$32,400/year.

CALCULATING YOUR TAXES

To estimate your annual tax bill, multiply the taxable assessed value of your property by the current tax rate for your property's tax class. Remember that tax rates change each year, as do other factors, such as the value of exemptions and abatements. Therefore, the actual taxes you pay in July might be different.

CALCULATING YOUR TAXES	EXAMPLE CLASS ONE PROPERTY	YOUR PROPERTY
1. Enter Taxable Assessed Value from Notice	\$16,000	
2. Enter Tax Rate for your Tax Class from Below	14.550% (or .14550)	
3. Multiply Taxable Assessed Value by Tax Rate (1 x 2)	\$2,328	

The tax rates for the current tax year, which ends on June 30, 2004, are:

- Class 1:** 14.550%
- Class 2:** 12.620%
- Class 3:** 12.418%
- Class 4:** 11.431%

Veterans Tax Rates: Homeowners with a veterans' exemption are only required to pay the school tax. The Veterans Tax Rates for the current tax year, which ends on June 30, 2004 are:

- Class 1:** 7.761%
- Class 2:** 6.764%
- Class 3:** No veteran properties
- Class 4:** 6.135%

FREQUENTLY ASKED QUESTIONS & ANSWERS

WHAT IS THE ASSESSMENT ROLL? The “roll” lists the assessment of every property, and contains the same market value, assessed value and exemption information provided in your property’s Notice of Value. Finance’s tentative roll for the upcoming tax year is made public every January 15th, and the final roll is published on May 25th. Both the tentative and final assessment rolls are published on Finance’s website at nyc.gov/propertytaxes.

HOW OFTEN ARE MARKET VALUES CHANGED? Finance is required to revalue property every year to reflect the ever-changing New York City real estate market.

BASED ON THE INFORMATION IN THIS NOTICE OF VALUE, CAN I ESTIMATE WHAT MY PROPERTY TAXES WILL BE NEXT YEAR? Yes, you can estimate your taxes by multiplying your property’s taxable assessed value by the current tax rate for your class of property (see “*Calculating Your Taxes*” on page 3).

CAN MY ASSESSMENT GO UP WHEN MY MARKET VALUE DOES NOT? Yes. For residential properties with 1-10 units, assessed values may take several years to catch up with market value growth because of the State-imposed limits on assessment increases. For other properties, assessed value increases are phased in over five years.

WHY DID MY EXEMPTION CHANGE? It depends on the kind of exemption. If your income has increased, your exemption benefits may be reduced or you may no longer be eligible to receive the exemption. In addition, the State certifies a new STAR exemption amount each year based on a formula. Senior citizen, veteran and other partial exemptions are also subject to annual adjustments.

HOW CAN I OBTAIN MORE INFORMATION ABOUT MY PROPERTY ASSESSMENT? Finance maintains information on each property for assessment purposes. Much of this information appears on the assessment roll, which may be viewed on Finance’s website at nyc.gov/propertytaxes.

WHAT SHOULD I DO IF I OWN A PROPERTY AND DID NOT RECEIVE A NOTICE OF VALUE? You can view much of the same information that appears in the Notice of Value on the tentative assessment roll, which will be posted on the Finance website at nyc.gov/propertytaxes on January 15th. You may not have received a notice because we have the wrong mailing address. If you do not receive a notice, complete Finance’s Owner Registration Form online at nyc.gov/propertytaxes.

IS THE TENTATIVE ASSESSMENT SUBJECT TO CHANGE? Yes. For example, Finance may adjust exemption benefits when we learn of changes in eligibility criteria, such as a property owner’s annual income. Finance is also authorized to increase or decrease tentative assessments during limited periods beginning January 15th if we made a mistake. If we change your assessment, Finance will mail a Revised Notice of Value.

FOR GENERAL INFORMATION, FORMS & CUSTOMER ASSISTANCE

- VISIT FINANCE’S WEBSITE NYC.GOV/FINANCE
- VISIT THE TAX COMMISSION’S WEBSITE..... NYC.GOV/HTML/TAXCOMM
- E-MAIL FINANCE NYC.GOV/CONTACTFINANCE
- CALL NYC’S CITIZEN SERVICE CENTER 311 or TTY 212-504-4115
- MAIL: NYC Department of Finance - Attn: Notice of Value
1 Centre Street, Room 500
New York, NY 10007
- OR
- The Tax Commission
1 Centre Street, Room 936
New York, NY 10007