

Status of NYC Tax Abatement Treatment in the Demand Curve Reset

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Background

- ◆ In the previous demand curve reset cycle, new generating facilities in NYC were eligible for property tax abatement per the Industrial and Commercial Incentive Program (ICIP).
- ◆ In June 2008, the Governor signed into law a replacement tax abatement program that prospectively excluded “utility property” from the ICIP.
- ◆ In responding to MP comments, the NYISO Board of Directors determined that the repeal of the ICIP did not present an exigent circumstance that would warrant an off-cycle redetermination of the NYC Demand Curve.
- ◆ The Board further stated that “the effects of the repeal of the ICIP, along with the availability of any other development incentives and other CONE factors should and will be considered in the next Demand Curves reset process.”

Currently Available NYC Tax Abatement Programs

- ◆ The New York City Industrial Development Association (NYCIDA), under its Industrial Incentive Program (IIP), identifies three areas that potentially provide tax relief at various levels:
 - *Building tax reduction*
 - *Sales tax exemption*
 - *Mortgage recording tax waiver*
- ◆ Information available at NYCIDA website:

<http://www.nycedc.com/FinancingIncentives/Financing/IndustrialIncentProg/Pages/IndustrialIncentiveProgram.aspx>

Building Tax Reduction

- ◆ Building taxes may be stabilized at the pre-improvement assessed value for 25 years. A phase-out of the benefit begins in year 22 and continues through year 25 at 20 percent each year. In year 26, building taxes increase to full amounts.
 - *Buildings assessed typically at 45% of market value.*
 - *Nominal 10% tax rate can be reduced to zero, resulting in an annual tax reduction of 4.5% (e.g., a \$200M installed cost project would receive \$9M in annual tax reductions for the period noted above).*

Sales Tax Exemption / Mortgage Recording Tax Waiver

- ◆ The 8.875 percent sales tax on materials used to construct, renovate or equip facilities may be waived.
- ◆ Mortgage recording tax relating to the project's financing, equal to 2.05 percent of the mortgage amount for mortgages of \$500,000 or less, and 2.80 percent for mortgages greater than \$500,000, may be waived.

Selection Considerations

- ◆ All NYCIDA benefits are discretionary. Selection considerations include need for financial assistance and the impact of the proposed project on New York City's economy.
- ◆ Companies must request NYCIDA assistance prior to entering into any facility lease, or acquisition or renovation contracts, unless such contracts are contingent upon NYCIDA assistance.
- ◆ Applicants must demonstrate the ability to pay for their proposed projects either through commitment letters for loans obtained from a commercial lender of their selection or through the availability of company funds.
- ◆ The environmental condition of the project site and the company's liability and other insurance coverages must be satisfactory to NYCIDA prior to closing.

Historical Awards Under IIP

- Details can be found on the NYC Economic Development Corporation's (NYCEDC) website at:

http://www.nycedc.com/AboutUs/FinStatementsPubReports/Documents/LL48_FY09_Vol1.pdf

	FY 2009	Present Value, All Awards to Date
Total Projects:		105
Total Project Amount:		\$ 1,949,054,000
<i>PILOT Savings:</i>	\$ 12,782,000	\$ 145,407,000
<i>Mortgage Recording Tax Exemption:</i>	\$ 340,000	\$ 20,954,000
<i>Sales Tax Exemption:</i>	\$ 418,000	\$ 11,391,000
<i>Energy Tax Savings:</i>	\$ 53,000	\$ 335,000
<i>Tax Exempt Bond Savings:</i>	\$ -	\$ 23,000
Total Awards:	\$ 13,593,000	\$ 178,110,000
Adjustments:	\$ (124,000)	\$ (159,000)
Total IIP Assistance Awarded:	\$ 13,469,000	\$ 177,951,000

Source: Annual Investment Projects Report Pursuant to Local Law 48, FY 2009, p.33

NYISO View on NYC Tax Abatement

- ◆ The IIP program includes tax relief elements that would apply to new supply entry.
- ◆ Because the program is discretionary, any modeling of IIP impacts for the current demand curve reset process will need to establish:
 - *Probability of award at or near equilibrium conditions*
 - *Dollar level of award to new entry compared to historic award levels*
 - *Impact of projected economic climate over the demand curve reset period*

The New York Independent System Operator (NYISO) is a not-for-profit corporation that began operations in 1999. The NYISO operates New York's bulk electricity grid, administers the state's wholesale electricity markets, and provides comprehensive reliability planning for the state's bulk electricity system.

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