

Practice Update

Pre-Applications for NYC's New M-CORE Program Available on June 8, 2023

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The New York City Economic Development Corporation (NYCEDC) and the New York City Industrial Development Agency (IDA) created the New Manhattan Commercial Revitalization (M-CORE) Program with the goal of supporting transformative renovations of aging commercial office buildings in Midtown and Lower Manhattan by providing substantial tax benefits to property owners meeting the program's eligibility and selection criteria.

This competitive initiative offers discretionary incentives for the renovation of commercial office buildings below 59th Street, except for buildings located in the Hudson Yards Financing Area and the Penn Station General Project Plan. Buildings must be at least 250,000 gross square feet and built before the year 2000. The program requires a minimum capital construction investment of 75 percent of the current fiscal year billable assessed value as determined by the NYC Department of Finance.

Selection criteria includes the scope and budget of the improvements that will transform the building, the plan for tenant attraction and project readiness. Proposals must show significant renovations that will introduce new layouts, building systems, infrastructure, energy efficiency improvements including Local Law 97, common areas, health and

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wellness measures, and amenities for tenants. Strategies for ground floor use that will bring pedestrian traffic and activate the immediate commercial corridor will also be considered.

M-CORE discretionary incentives include:

- (1) A real estate tax abatement for up to 20 years (including a 100 percent for the first 16 years and a phase out of 20 percent per year over the final four years) on the increase in the assessed value of the property due to new improvements to the building plus a stabilization of the current land and building real estate taxes;
- (2) a waiver of 2.5 percent of the mortgage recording tax reducing the 2.8 percent tax to 0.3 percent; and
- (3) a full sales tax exemption on the 8.875 percent sales tax on construction materials and eligible purchases.

The M-CORE program will be subject to the IDA's procedures and practices relating to Minority Women Business Enterprises (M/WBE), Living Wages, Prevailing Wages, Sales Tax Procedures and Annual Reporting.

Pre-applications are available on June 8, 2023. This program can provide benefits for up to 10 million square feet of commercial office space.

M-CORE provides significantly more benefit when compared to the as-of-right Industrial and Commercial Abatement Program (ICAP). ICAP provides as-of-right real estate tax abatement between 8 and 12 years south of 59th Street and for up to 25 years for projects in locations designated in "special areas" north of 96th Street in Manhattan. However, ICAP only provides a partial abatement on the improvements to the building. Mortgage recording tax exemption and sales tax exemption available under M-CORE are not available under ICAP.

Akerman can assist you on assessing eligibility, the application process and compliance for all NYCEDC and IDA programs including M-CORE. Contact: Steven Polivy, e-mail: steven.polivy@akerman.com, telephone: (212) 822-2245; or Beth Zafonte, e-mail: beth.zafonte@akerman.com, telephone: (212) 822-2266.

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