

## NYC Co-ops and Condos Weigh Benefits of J-51 Tax Incentive Program

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<b>DESCRIPTION</b>	New York City has resurrected the J-51 Reform Tax Incentive Program to encourage property owners to rehabilitate their buildings, providing a tax abatement of up to 70% of the cost of the renovation project, but there are many requirements and costs associated with applying for the program. (Print: The J-51 R Gamble: Big Savings, Bigger Strings Attached)
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Brenda Glasse recalls feeling happy after learning last year that New York City had resurrected a tax incentive program for certain residential buildings undertaking major renovation projects. She is president of a 360-unit co-op in Jamaica, Queens, that spent \$1.2 million to refurbish four elevators in its two buildings. The co-op could receive up to 70% of the amount, or \$840,000, as a tax abatement over multiple years through the J-51 Reform Tax Incentive Program (J-51 R).

Passed last December, the J-51 program is designed to encourage property owners to rehabilitate their buildings, thereby maintaining a supply of affordable housing and promoting sustainability in the City. That aim limits eligibility to only certain buildings. Co-ops and condos can only apply if the New York City Department of Finance's average assessed valuation of a unit is no greater than \$45,000. The project's total cost must be equal to or greater than \$1,500 per apartment.

But those aren't the only standards buildings must meet when applying for the tax abatement. The building must be free of all New York City Department of Buildings and Environmental Control Board violations. Not all types of renovations are included, and not all elements of a rejuvenation project qualify for the total cost. For example, the cost of the pipes is not included in the cost of replacing a boiler.

Plus, the application fee is expensive. It cost Glasse's co-op \$28,100 to apply. Yet, Glasse says that after consulting with experts, including its management company, the board decided that the co-op would likely receive the abatement. She said the building's tax bill is \$1.6 million. The abatement can never be more than 50% of the tax bill and must be doled out over a minimum of 12 years.

“We definitely were concerned about that (the application getting rejected),” Glasse said. “You just have to take a chance and see if it happens.”

Across the city, co-op and condo boards, management companies, and building owners are calculating whether applying is worth the time, energy, and money. The application fee is \$1,000 plus \$75 for every unit over six. Beyond that, there’s the cost of conferring with lawyers, consultants, and contractors to determine whether the project meets the city’s specifications.

Benjamin Williams, the leader of the property tax department at law firm Rosenberg & Estis, said there are several tasks a board should take before considering whether to apply for a J-51 R. The board should check the apartments’ valuations, and see if the work they are considering is covered by the program.

“I have two clients who spent a lot of money on brand new chillers, which are arguably a more energy efficient way to provide cooling to a building, but HPD hasn’t put it on the schedule,” Williams said.

He added that boards should look at the city’s certified reasonable cost schedule to learn how much it believes each element of a project should cost. The city will only reimburse 70% of what it believes an item should cost, not what the building paid for it. For example, if a building spends \$10,000 on a boiler but the city determines that the item should only cost \$7,000, the building will only receive a rebate of \$4,900. The \$4,900 figure is the one the building should use to determine if the project will reach the \$1,500 per apartment minimum.

“You really have to see if the economics work,” said Jeff Chanchall, managing member of Realty Program Consultants. “A lot of people come to see me, and they are all excited, and then they leave disappointed.”

To be considered, projects must have been completed after June 29, 2022, and on or before June 30, 2026. Applications for projects completed before Dec. 30, 2024 had to be filed by April 30, 2025. Other projects must be filed within four months of the completion date.

Williams said filing is a complicated process, but that boards should be aware of the timelines. He said he had clients who missed a filing deadline because they kept contemplating whether to file an application for work completed last year. “The reality of managing a building is that it isn’t easy,” Williams said. But he added that buildings don’t want to miss out on tax breaks because they don’t want to have emergency board meetings.

The program covers a wide range of capital improvements, including roof replacements, façade repairs, and upgrades to heating, plumbing, and electrical systems. It also encompasses upgrades to comply with Local Law 97, which is designed to reduce the city’s greenhouse gas emissions. Installing high-performance windows and energy-efficient hot water heaters could be eligible for the abatement.

Chanchell said that the nature of some renovation projects can complicate a building’s ability to receive the abatement. For example, it’s easy to count the number of windows installed for a project. However, Chanchell said a building could seek an abatement for a masonry project that it says covers 3,500 square feet, but the inspector insists the only work they see encompasses 2,000 square feet. If an agreement isn’t reached, and the inspector’s measurement stands, the project may not meet the \$1,500 per unit cost required to obtain the abatement.

“Some of it is clear cut, some of it is not,” Chanchell said.

Discussions with contractors about meeting the specified deadlines in the law are critical, said Mitch Unger, chief financial officer at John B. Lovett & Associates, a residential management company. Buildings may want to consider doing a project in stages rather than all at once to ensure they can reap at least part of the benefit.

“It can cost you twice as much in application fees, but you know that you’re going to get a benefit,” Unger said.

Trying to determine what will qualify for an abatement has left Susan Fraser frustrated and disappointed. The president of her 66-unit co-op in Riverdale said the board already concluded that some of the renovations it completed to comply with various city orders don't meet the \$1,500 per unit threshold. Now, it is planning to hire a consultant to help them figure out if its ongoing project to fix its façade will qualify for the abatement. Of course, that will add to the work's expense.

"It's like grabbing at Jell-O. You can't get a final answer," Fraser said.

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