New York City Independent Budget Office

Director Louisa Chafee

Taxes and Revenues

Housing and Buildings

Understanding Payments In Lieu of Taxes

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Executive Summary

Payments in Lieu of Taxes, or PILOTs, are payments made by private property owners to the City or a public authority for properties that are not subject to the City's real property tax. Public authorities are granted the ability to enter PILOT agreements in City and State law for three main purposes:

- Providing private property owners a discount (PILOT benefit) on what their property tax liability would otherwise be as a financial incentive to bolster economic development
- Facilitating project-specific PILOT arrangements granted under unique financing structures, such as PILOTs for Battery Park City, the Chrysler Building, and several sports stadiums
- Equalizing the use of public land (which is tax-exempt) for private purposes to the property tax treatment of privately-owned land

In this report, IBO illustrates the variety of circumstances under which public authorities have entered into PILOT agreements with privately owned commercial properties. Using 2024 data from the Mayor's Office of Management and Budget, IBO also analyzes the difference between PILOT payments and what the property would have paid if it were subject to the City's real property tax.

In cases where property tax would otherwise have been collected—if not for the PILOT agreement— PILOT benefits represent a net loss of revenue to the City, termed a tax expenditure. Not all PILOT benefits, however, reflect how much the City would otherwise have collected in tax revenues, as some PILOTs provide revenue in circumstances where property taxes may never otherwise have been collected. IBO's report is intended to be explanatory, and IBO does not analyze the economic impact or return on investment the City may experience from the use of PILOT agreements as an economic development incentive for commercial properties.

IBO's findings include:

- Incentivizing economic development is the most common reason the City enters into PILOT agreements—accounting for $442 million, or 64%, of the City's revenue from commercial PILOTs.
- The largest aggregate benefits are among PILOTs managed by the Hudson Yards Infrastructure Corporation (which receives $207 million from PILOTs, providing a benefit of $86 million compared to what properties would owe if they were fully taxed as private property) and the New York City Economic Development Corporation (which receives $68 million from PILOTs, providing a $75 million benefit).

- The New York City Industrial Development Agency manages the most PILOT agreements, with 206 of 274 total, yet the average PILOT is relatively small. These properties receive an aggregate benefit of $57 million, or 65% less than the full tax liability.
- Most PILOT properties are in Queens (91 properties) and Brooklyn (82 properties). Properties in the Bronx receive the largest aggregate percent benefit at 85%. Manhattan properties receive the smallest aggregate percent benefit at 37%

What Are Payments in Lieu of Taxes Agreements?

Payments in Lieu of Taxes agreements (PILOT agreements) allow private property owners to make payments to the City or a public authority rather than paying real property taxes to the City. Public authorities' power to grant PILOTs stems from State and City law and is further codified through the City's economic development programs and inter-agency memoranda of understanding. Some PILOT agreements are entered into because publicly owned land (which is exempt from property taxes) is being used for private purposes. In these circumstances, the PILOT payments may equalize the treatment of *privately* owned land used for private purposes (subject to property tax) with *public* land used for private purposes (exempt from property tax but subject to equivalent PILOTs instead).

PILOTs vs. PILOT Agreements

Payments in Lieu of Taxes (**PILOTs**) refer to the actual payments made between the property owner and either the City or public benefit corporation. **PILOT agreements** define the terms between the parties. Outside of this paper, the term PILOT is often used interchangeably to mean the payments or the agreements; IBO separates the terms to avoid confusion.

PILOT agreements more often serve to reduce the amount a property owner pays to the City relative to the City's real property tax for a specified duration.[1] PILOT agreements are generally negotiated by the mayoral administration either directly or through a mayor-controlled public authority. PILOT benefits (the difference between the PILOT and what the property would have owed in property taxes if privately owned) are a common economic development incentive used by states and local governments, usually to encourage certain business sectors to relocate to or invest in a local area.

When the City gives private property owners a discount—via a PILOT agreement—the City forgoes property tax. In such instances, it is the accounting equivalent of the City paying the PILOT benefit directly to the property owner. When the City forgoes revenue by granting PILOT benefits, it collects less revenue, and the difference between full tax liability and the amount of PILOT paid is reported by the Department of Finance (DOF) as a tax expenditure.

Because PILOT agreements are negotiated outside of the City's regular budget process, they are not subject to the same level of transparency and oversight as other revenues. PILOT agreements can be a mechanism by which the mayor can indirectly spend City resources without approval from City Council.[2]

Tax Expenditure

Tax expenditures are revenue losses that result from special carve-outs in tax law. Examples include exemptions, deductions, special credits, preferential tax rates, abatements, and deferrals of tax liability. Although tax expenditures do not appear as planned spending in the City's budget, they represent an intentional foregoing of revenue, making them a form of government spending.

In this report, IBO explains the different ways the City utilizes PILOT agreements and describes prominent examples of PILOT-paying commercial properties in New York City over the past several decades.[3] PILOTs are calculated through some basis of the building's assessed value and what the property would have owed if it were subject to full property tax liability. PILOT payments do not necessarily come to the City's general fund as revenue.

IBO also presents the total amount of forgone City revenue relative to what would be collected if properties were subject to the City's real property tax—a measure of the PILOT benefit tax expenditure used by DOF and the Mayor's Office of Management and Budget (OMB).[4] PILOT benefits, however, do not in all circumstances reflect how much the City would otherwise have collected in tax revenues. As this report discusses, there are many unique circumstances where PILOTs are paid by private entities that operate buildings on tax-exempt land where the City would not otherwise have collected property taxes. IBO's report is intended to be explanatory, and IBO does not analyze the economic impact or return on investment the City may experience from the use of PILOT agreements as an economic development incentive for commercial properties.

What Are Prominent Examples of PILOT Agreements?

Many iconic buildings in New York City benefit from PILOT agreements, including the World Trade Center complex, the Chrysler Building, the New York Times Building, the Museum of Modern Art, and the Bank of America Tower. Additionally, there are entire developments that benefit from PILOT agreements, such as Hudson Yards and Battery Park City. Both developments are home to major companies—such as Meta, Deloitte, Warner Brothers/Discovery, Wells Fargo, BlackRock, and Pfizer—that indirectly benefit through these tax breaks, which lower the operating costs of the properties. In this report, IBO presents illustrative examples of properties with PILOT agreements. It is not intended to present an exhaustive list of all types of buildings, companies, or scenarios under which PILOT agreements are granted. Accompanying this report, IBO compiled a dataset on New York City PILOT agreements, available for download on its website.

What Is the History Behind PILOTs in New York City?

PILOT agreements first started at the federal level in the 1970s, designed to compensate state and local governments for some or all of the property tax revenue lost due to specific circumstances of tax-exempt ownership or uses of real property. PILOT agreements gained prominence in New York City when the National Broadcasting Company (NBC) in 1988 and Chase Manhattan Bank in 1989 struck agreements with the Koch administration.[5] This started a trend of the City using PILOT agreements to incentivize businesses to relocate, stay, or increase their footprint in New York City.

Until the early 2000s, mayoral administrations granted PILOT agreements with little attention or pushback from other elected officials. A shift occurred in 2004, when the Bloomberg administration announced plans to build the West Side Stadium as a part of the plans for developing over the Hudson Yards train yard. The stadium would host the New York Jets professional football team and would also be the centerpiece of the City's bid to host the

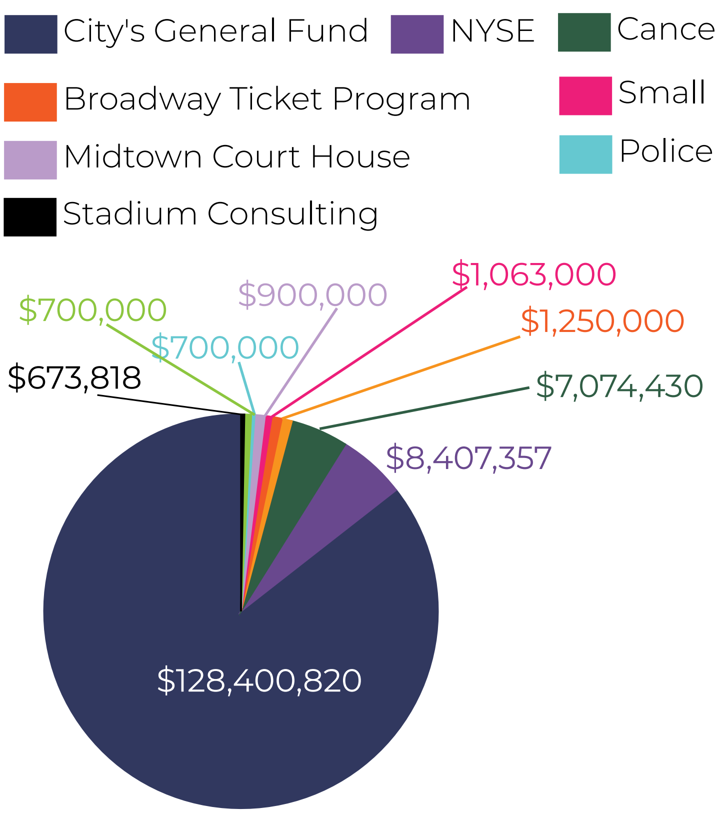
2012 Summer Olympics. To finance the construction of the new stadium, the Bloomberg Administration announced the City would contribute $300 million to its construction, with a State match, for a total public contribution of $600 million.

The City Council questioned how the Bloomberg administration identified $300 million for the stadium outside of the budget process. The promised funds were from PILOT agreements that would exempt the stadium from property taxes and redirect PILOT payments to finance the stadium's construction instead of entering the City's general fund. At the time, the City Council pushed back against PILOTs, and Council Speaker Gifford Miller branded them a mayoral "slush fund."[6] (The West Side Stadium proposal was ultimately rejected by State representatives and never constructed.)

In 2005, the Office of the City Comptroller audited PILOT revenues. The audit revealed that PILOTs were being used to fund businesses, properties, nonprofits, and cultural programs outside of the purview of the City's budgetary process. A major finding of the audit was that PILOT revenues had been disbursed by the New York City Economic Development Corporation (EDC) to fund various EDC-led projects, rather than delivered to the City

FIGURE 1

PILOT Disbursements Through the City's Industrial Development Agency Fiscal Years 2002-2004



***Others Includes**
- Bay Ridge/Bensonhurst - $174,517
- NYC Airport Matters - $113,003
- Sidley Austin - $14,300
- The Ctr. For Govt. Research - $77,250
- Anti Jay Walking - $340,241
- Environmental Asst. Study - $320,000
- Watershed LOC - $302,988

SOURCE: Audit Report: Audit of The Administration of Payments in Lieu of Taxes Under Economic Development Corporation And Industrial Development Agency Leases, Comptroller William C. Thompson, August 2, 2005

New York City Independent Budget Office treasury (as legally required). Some examples of these disbursements included a remodel and expansion of the New York Stock Exchange (a plan that later was abandoned), a post-9/11 Broadway ticket promotion program, the redevelopment of the Midtown Community Court building, the Police Museum, a cancer research program, and consulting for a sports stadium.[7] Figure 1 presents data from the 2005 Comptroller audit, showing the breakdown of PILOT payment funding that the New York City Industrial Development Agency (NYCIDA) disbursed to programs. (NYCIDA is run by the staff and management of EDC in practice.)

The revelation of these hidden revenues frustrated the City Council and resulted in a months-long conflict between City Council and the Bloomberg administration. The City Council sought to gain approval power over PILOT agreements and to assume authority over the allocation of the revenues from PILOTs. Ultimately, a compromise was struck and City Council passed and Mayor Bloomberg signed Local Law 73 of 2005 (LL73), which requires the mayor to obtain approval from City Council for PILOT agreements where PILOT revenue would not flow to the City's general fund.

Additionally, LL73 requires that OMB compile quarterly PILOT reports for the City Council. These reports must detail who collects and spends funds from PILOT agreements and the benefit the property owner receives compared to their full property tax bill without the PILOT agreement. IBO compiled a dataset of the fourth quarter reports from fiscal years 2020 through 2024 for this report; this dataset is available on IBO's website.

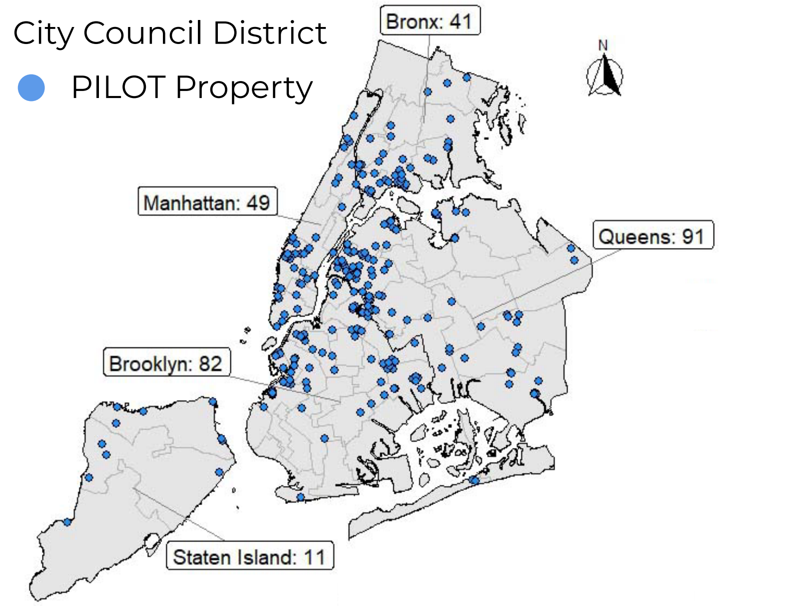
Where Are PILOT Agreements in the City?

PILOT agreements for commercial real estate in the City are detailed in the quarterly PILOT reports prepared by OMB under LL73. These reports list each project's name, payment due, full property tax liability, and the resulting benefit from the PILOT payment. According to the 2024 Quarter 4 report, Queens and Brooklyn contain the most properties with PILOT agreements. Staten Island has the fewest, with its properties representing just 4% of the PILOT agreements. (See Figure 2 for a map of all PILOT-paying properties.)

Queens has a high concentration of PILOT properties along the East River waterfront and Newtown Creek. In Brooklyn, buildings with PILOT agreements are concentrated along the Brooklyn riverfront and the East

FIGURE 2

Queens and Brooklyn Have The Most PILOT Agreements, While Staten Island Has The Least



SOURCE: Office of Management and Budget Quarterly Report on PILOTs and Department of City Planning data

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New York neighborhood. Properties with PILOT agreements in Manhattan tend to be in Midtown and Lower Manhattan. In the Bronx, most PILOT agreements are concentrated in the southern part of the borough. PILOT properties in Staten Island are concentrated on the waterfront edges. Each PILOT agreement has its own backstory, purpose, and magnitude, making it difficult to interpret these patterns. PILOT agreement start and end dates are not included in OMB's reports. IBO identifies these PILOT concentration areas to serve potential future research.

How Much Do Property Owners Benefit From PILOT Agreements?

There is wide variation in the overall benefit, payment structure, and duration of PILOT agreements. For example, in 2024, properties with PILOT agreements managed by NYCIDA paid, in the aggregate, 35% of their estimated full property tax liability. Meanwhile, properties with PILOT agreements managed by the Hudson Yards Infrastructure Corporation (HYIC) paid 71% of their estimated full property tax liability. PILOT managers, like NYCIDA and HYIC, are sponsor agencies that serve as intermediaries between the City and the property owners. (See the Appendix to this report for more information on the entities that manage PILOTs for the City.) Figure 3 illustrates how PILOT agreement benefits differ across the managers included in OMB's reports to City Council.

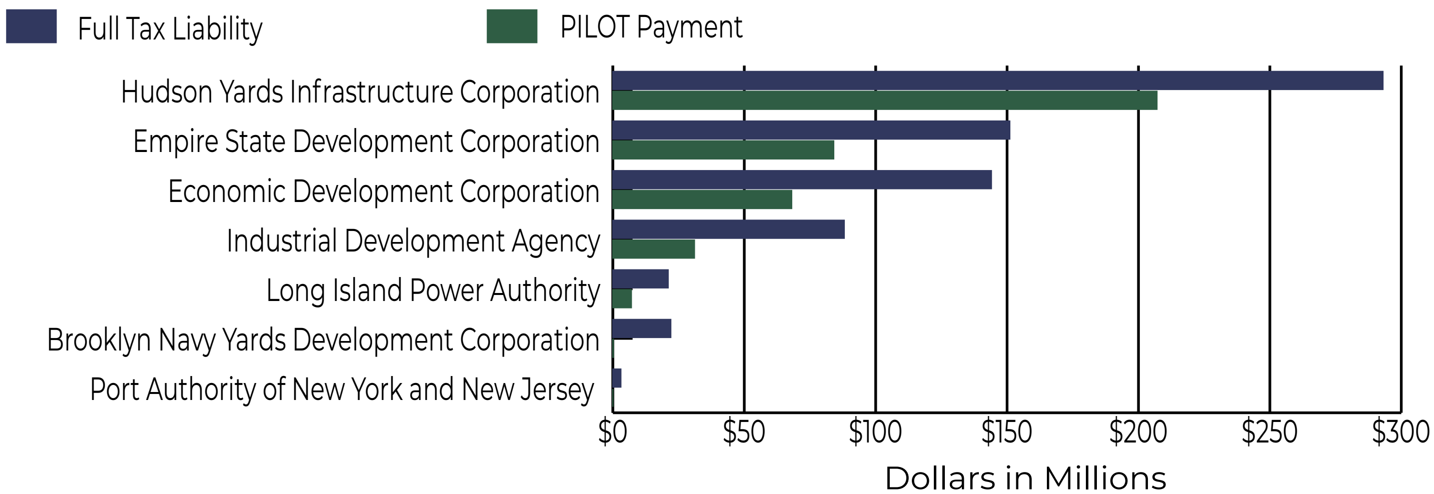
The number of PILOT agreements and average PILOT payments also differ between PILOT managers, in part a reflection of the manager's function. For example, NYCIDA may enter into PILOT agreements to incentivize development and property improvement projects, often of fairly modest size, that it deems would otherwise be financially unfeasible, particularly those expected to generate economic benefits for the surrounding area. Similarly, EDC may authorize PILOTs to attract business investment and improve the financial viability of larger-scale projects. In 2024, NYCIDA's average annual PILOT for its 206 PILOT properties was $150,000, while EDC's 44 PILOT properties paid an average of $1.6 million. In contrast, HYIC initially granted notable PILOT benefits to the first developments in the Hudson Yards area, but as the area was built out, the benefits were reduced, and PILOTs were instead viewed as a revenue generator for HYIC.

The Empire State Development Corporation (ESD), an economic development agency for New York State, provides PILOT agreements for similar purposes to NYCIDA and EDC. As a State entity, however, ESD is not subject to local land use regulations, allowing for a greater degree of flexibility in its economic development pursuits. ESD had the largest average PILOT of $16.8 million among five managed properties in 2024.

PILOT benefits—the difference between the PILOT payment and the property's full tax liability—also vary across managing agencies. As shown in Figure 3, properties managed by HYIC receive the largest aggregate PILOT benefit while also having the largest PILOT payments (shown in grey) and forgoing the largest total tax liability (shown in blue). However, HYIC's PILOT agreements are the least generous of all managers, providing a 29% average benefit. On the other hand, ESD and EDC agreements provide greater percentage benefits of 44% and 52% respectively to their managed properties, despite smaller dollar benefits.

FIGURE 3

PILOT Payments Compared to Full Tax Liability by PILOT Manager



SOURCE: Office of Management and Budget Quarterly Report on PILOTs
NOTES: The bars in green represent the total PILOT payments made by each manager in 2024. The bars in blue show the full property tax that would be owed if properties were subject to the City's real property tax.

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Similarly, some individual PILOT agreements result in the City receiving tens of millions of dollars less than would have resulted with full property taxes, while others offer negligible financial benefits. The largest PILOT benefit in OMB's 2024 Q4 PILOT report was received by the Queens West Project, a mixed-use community redevelopment project located along the Long Island City shoreline consisting of apartments, parks, and retail space managed by ESD. Queens West secured $48.3 million in tax relief—72% of the $67.4 million that would otherwise be due in property taxes—through its $19.1 million PILOT (see Figure 4). In contrast, the NYCIDA-managed PILOT property that hosts the Greenpoint Manufacturing and Design Center (GMDC)—a nonprofit developer of industrial space that leases and sub-leases to manufacturing and industrial tenants—receives no financial benefit; its $179,000 payment is $18,000 more than the full property tax liability (see Figure 5; the quarterly report states that "PILOT benefits negative due to fixed annual PILOT payment due to City").

The wide range of PILOT benefits stems from various factors, including their purpose and duration. PILOTs can have different reasons for being used: to incentivize economic development, to cover construction costs, or to treat private uses of public land the same as if they were on private land. Furthermore, changes in neighborhoods, industries, and the City's own economic development priorities and financial circumstances may, in part, explain why PILOTs were granted when and where they were, and how they can vary so much across properties.

Figures 4 and 5 reflect the largest and smallest PILOT benefits for properties where the PILOT payment and the full tax liability if the property were taxed is known. Cases where OMB's report does not detail what the property would owe if subject to the full tax liability mainly include PILOTs granted for special cases or under unique circumstances, such as the World

FIGURE 4

Projects or Properties Receiving the Largest PILOT Benefits in 2024

Manager	PILOT Project	PILOT Payment	Full Tax	PILOT Benefit	Benefit Percent of Full Tax
ESDC	Queens West	$19,083,153	$67,364,030	$48,280,877	72%
BNYDC	First Jeffersonian	$155,245	$22,071,587	$21,916,342	99%
EDC	East River Science Park	$1,989,588	$17,986,096	$15,996,508	89%
ESDC	One Bryant Park, LLC	$54,589,055	$69,426,917	$14,837,862	21%
LIPA	LIPA	$6,675,453	$20,978,885	$14,303,432	68%

SOURCE: Office of Management and Budget Quarterly Report on PILOTs

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FIGURE 5

Projects or Properties Receiving the Smallest PILOT Benefits in 2024

Manager	PILOT Project	PILOT Payment	Full Tax	PILOT Benefit	Benefit Percent of Full Tax
IDA	GMDC 2014 Atlantic	$179,062	$160,675	($18,387)	(11%)
EDC	Studio Street	$44,533	$43,888	($645)	(1%)
EDC	Muss Development (Bklyn Renaissance)	$13,614,508	$13,614,508	$-	0%
EDC	Forest City Jay St. Associates	$8,740,418	$8,740,418	$-	0%
EDC	Atlantic Center Fort Greene	$5,484,265	$5,484,265	$-	0%

SOURCE: Office of Management and Budget Quarterly Report on PILOTs

NOTE: 14 projects received $0 benefits, according to OMB's 2024 Q4 PILOT report. IBO chose to present the three such projects with the largest PILOT payments (equivalent to their full tax).

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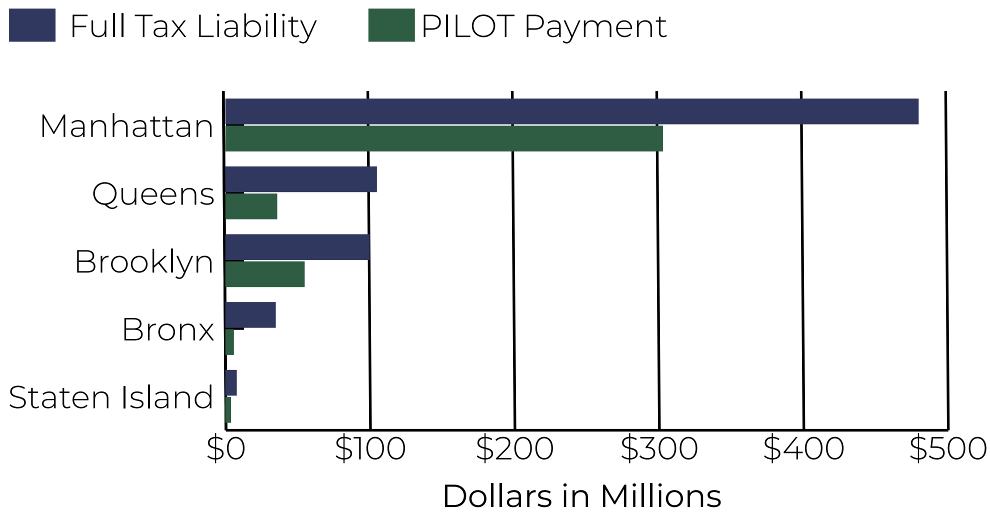
Trade Center (PILOT of $52 million in 2024) and the Battery Park City Authority (PILOT of $174 million). IBO discusses special-case PILOTs later in this report. (See "Why Does the City Enter Into PILOT Agreements?")

How Do PILOT Benefits Compare Between Boroughs?

As discussed previously, the number of PILOT agreements varies widely by borough, and this disparity extends to the benefits received in each borough, which is shown in Figure 6. Manhattan projects received the least generous total benefit across their PILOT properties, paying 63% of what they would otherwise owe. Conversely, properties in the Bronx pay only 15% of what they otherwise would have paid in taxes, the most generous benefit of any borough. This may, in part, reflect historical economic development strategies to incentivize businesses to locate or remain in lower-demand commercial areas of the City. This topic is discussed further in the next section of this report.

FIGURE 6

PILOT Payments and Full Tax Liability by Borough FY2024



SOURCE: Office of Management and Budget Quarterly Report on PILOTs
NOTES: Graph contains all PILOTs for which the OMB report lists what the full property tax liability for the property would be if the property were subject to the City's real property tax, allowing IBO to calculate the PILOT benefit. Properties like the World Trade Center and Battery Park City Authority make substantial PILOTs but OMB does not list the full property tax liability.

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Why Does the City Enter Into PILOT Agreements?

IBO identified three main types of PILOT agreements used by the City:

- Economic development
- Special-case
- Land management

As shown in Figure 7, PILOTs intended to incentivize economic development comprise almost two-thirds of the City's PILOT revenue, while special-case land use projects make up most of the balance. (Note that some PILOTs, like those for stadiums, do not flow through the City's general fund and therefore are not included in the OMB reports.) PILOTs for land management of City-owned property represent only 2% of PILOT revenue. IBO discusses each of these three categories for issuing PILOTs in the following sections.

Economic Development

The City, at the direction of the Mayor, often uses PILOT agreements to provide tax breaks to commercial property owners to spur economic development and create or retain jobs within the City. In some cases, the City establishes PILOT agreements to incentivize investment in a proactive manner. In other cases, the City will provide PILOTs to property owners upon request when those property owners are planning to renovate, expand, or considering relocation in absence of the benefit provided by a PILOT agreement. Under this model, an economic development authority will legally become the landowner, making the property exempt from property tax. The original commercial property owner then leases the land back and agrees to PILOTs at a discount, often with the land reverting back to private hands at the end of the agreed-upon PILOT period.

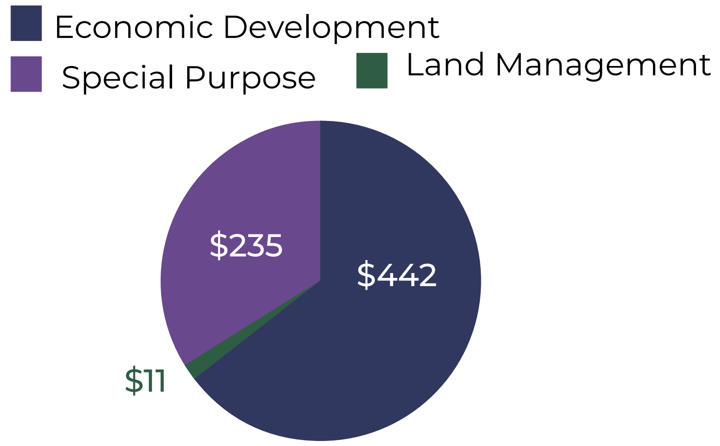
These tax expenditures are granted through economic development public authorities, such as EDC and NYCIDA, which are administered by appointees of the mayor. ESD is likewise administered by appointees of the governor. These entities are then tasked with managing the terms of the PILOT agreement. To learn more about the major PILOT managers in New York City, see the Appendix.

Some public authorities have prescribed terms for PILOTs. For example, NYCIDA has several programs with prescribed benefits that must align with the Uniform Tax Exemption Policy unless the NYCIDA board approves a different benefit structure. If these City requirements are not met, NYCIDA can implement claw backs on the tax break and force the company to repay the lost property tax revenue to the City.[8] In practice, claw backs are rare.

FIGURE 7

PILOT Revenue to the City by Agreement Category in 2024

Dollars in Millions



SOURCE: Office of Management and Budget Quarterly Report on PILOTs
NOTES: This figure presents all PILOT agreements in the Quarterly Reports OMB prepares for City Council. In instances where PILOTs do not flow through the City's general fund, they are not included in the OMB reports.

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However, a 2024 audit by the New York State Office of the Comptroller found that NYCIDA did not perform accurate financial feasibility analysis for its projects and did not keep detailed records on applications or prospective projects. For example, some PILOTs issued through NYCIDA have job-creation and maintenance requirements. If the terms of the PILOT are not met the benefits can be recaptured by the City. The State Comptroller's

FIGURE 8

Median NYCIDA PILOT Benefit

TALAS Bookbinding Technical Library in Williamsburg, Brooklyn, received $85,000 tax break in 2024

FIGURE 9

Median EDC PILOT Benefit

Kaufman Studios in Astoria, Queens, received $407,000 tax break in 2024

SOURCE FOR FIGURES 8 and 9: Google Earth audit determined that lack of data collection and errors led to inaccurate calculations to recapture tax-break funds.[9]

Generally, properties managed by EDC are of higher value and pay a higher percentage of overall property taxes than PILOTs managed by NYCIDA. To illustrate this difference, Figures 8 and 9 are pictures of properties receiving the median PILOT benefit in 2024 under NYCIDA and EDC, respectively. These median tax breaks were $85,000 for NYCIDA and $403,000 for EDC. While the dollar amount was larger, on average, PILOT agreements facilitated by EDC were sightly less generous as a percentage, providing an average benefit of 52% compared 65% under NYCIDA PILOT agreements. Notably, the greatest amount of Economic Development PILOTs come from HYIC properties, paying $207 million in 2024.

Special Cases

There is a wide variety of funding structures, benefits, and purposes for special-case PILOT agreements. Some of these PILOTs flow to the City's general fund, and are therefore included in the quarterly OMB reports, while in other cases, PILOT agreements result in payments that do not flow to the City's general fund, or do not flow to the City at all. Instead, such PILOT revenues are captured by bondholders, public authorities, or cultural institutions. For example, Barclays Center, Citi Field, and Yankee Stadium do not pay property taxes, and although they have PILOT agreements, their payments do not come to the City as revenue flowing into the general fund. Instead, the sports stadiums' PILOT payments are directed to pay off the stadiums' construction debt. The payments were never anticipated to generate revenue for the City but were labelled as PILOTs to allow the stadiums to tap into triple tax-exempt bond financing on a technicality. Because no stadium PILOTs come to the City as revenue, they are not included in the OMB Quarterly PILOT reports or in this report. For more detailed information on stadium PILOTs, read IBO's 2023 report on stadium subsidies.

The Chrysler Building is another example of a highly unusual special-case PILOT agreement. The building is privately owned but operates on a land lease, with the land owned by Cooper Union, a private college. Higher education institutions are exempt from property taxes, meaning the Chrysler Building itself is not subject to property taxes. The owners of the Chrysler Building make PILOT payments equivalent to its property taxes directly to Cooper Union. Cooper Union keeps the PILOT payments to fund its own operations. This arrangement is codified in State law. Additionally, Cooper Union has similar agreements for two additional properties in the East Village, a market-rate apartment building and an office building. While the City does not receive PILOTs related to the Chrysler building, DOF does receive PILOT payments for the office and apartment building. The estimated payment from Cooper Union to the City related to PILOT agreements was $6.7 million for 2024.

In the cases of PILOTs managed by BPCA and the Port Authority, these public authorities are permitted as part of their agreements to use a portion of the PILOT payments to support their own financial standing. The remainder of the payment becomes revenue to the City through the general fund.

Land Management and Intergovernmental Relations

PILOT agreements are also used by the City to manage its real estate assets when City property is used for private purposes, such as renting out a ground floor to retail or leasing office space to businesses. The City may enter into a PILOT agreement if a City-owned property is being used by a private entity, but the City wishes to maintain long-term ownership of the asset. Land management PILOTs represent the smallest amount of City PILOT revenue —$11 million, or 1%— of the three categories.

Under land management PILOTs, the tenant of the City-owned property pays an amount that is equal to what the property tax liability would otherwise be under private ownership, as calculated by DOF. The PILOT goes directly to the City's general fund, so there is no tax break or economic development benefit intended for the tenant as a part of the agreement. Rather, these PILOTs are specifically intended to generate revenue for the City. This practice also puts private uses of building space on tax-free public land on an equal footing to businesses operating on private taxable land.

All revenue from land management PILOTs is managed by the Department of Citywide Administrative Services (DCAS). In fiscal year 2024, DCAS received $10.8 million to the general fund from land management PILOTs. (IBO does not have data on DCAS-related PILOTs at the individual property level). The State also pays PILOTs to the City in cases when State-led economic development projects would result in lost property tax revenue for the City. IBO recently explored an example of State PILOTs in a report on the proposal for a new Penn Station, financed through large-scale development in the surrounding neighborhood. The plan, which has since fallen out of favor, included New York State taking ownership of land currently paying City property taxes. The State had agreed to then make PILOT payments to the City to make up for lost property tax revenue.

Appendix: Payments In Lieu Of Taxes Agreement Managers

What are PILOT Managers?

Accompanying its report on Payment in Lieu of Taxes (PILOT) agreements and payments, IBO presents here a brief discussion on the public authorities and public benefit corporations that negotiate and manage PILOT agreements. PILOT agreements are managed by sponsor agencies that serve as intermediaries between the City and the property owners. According to the Mayor's Office of Management and Budget (OMB), there are 5 primary sponsor agencies:

- New York City Economic Development Corporation
- New York City Industrial Development Agency
- Battery Park City Authority
- Hudson Yards Infrastructure Corporation
- Port Authority of New York and New Jersey[10]

OMB also identifies several other organizations that serve as PILOT managers but in a more limited capacity, including:

- Department of Citywide Administrative Services
- Empire State Development Corporation
- Long Island Power Authority
- Queens West Development Corporation
- Trust for Cultural Resources

The Department of Finance (DOF) assesses properties—the basis for calculating PILOT amounts—and bills and collects most PILOT payments. The mechanics of structuring the PILOT, negotiating the agreements, and arranging for payment transfer, however, are handled by the PILOT managers. This appendix provides details on New York City's PILOT managers as authorized under State and City law.

Primary PILOT Managers

Economic Development Corporation

Formed in 1991, the New York City Economic Development Corporation (EDC) is a not-for-profit corporation controlled by the Mayor.[11] EDC is the City's economic development arm, and both receives direct subsidy from the City budget and generates its own revenue from EDC-controlled real estate holdings. EDC manages PILOT payments for the 42nd Street Redevelopment which includes two office buildings for the New York Times and two other commercial office buildings on 42nd Street. Through its own contracts with the City, each year EDC can take a portion of PILOT payments it collects from EDC-managed projects to fund EDC's operations.[12] Additionally, several long-standing programs are partially funded through revenue from PILOT agreements held with EDC. Examples include the Industrial Business Zones and the Midtown Community Justice Center.[13]

New York City Industrial Development Agency

Each county in New York State has its own Industrial Development Agency, local authorities created to stimulate economic growth. Formed in 1974, the New York City Industrial Development Agency (NYCIDA) serves New York City in this capacity.[14] NYCIDA provides tax-exempt financing for properties seeking to do renovations or new construction. NYCIDA is controlled by the Mayor and does not have any salaried employees. In practice NYCIDA is run by the staff and management of EDC, which uses NYCIDA to provide benefits like PILOTs, sales tax exemptions, and tax-exempt financing. Most of NYCIDA's operating revenue comes from application fees paid by businesses and property owners seeking tax breaks.

The PILOTs managed by NYCIDA, and the property tax breaks provided, are set by the Uniform Tax Exemption Policy (UTEP), a document outlining how IDA benefits are to be distributed. NYCIDA's UTEP set the PILOT benefit structures for numerous programs, including the Industrial Program, Commercial Office Program, and the Food Retail Expansion to Support Health Program. The UTEP can be overridden to provide customized benefits through PILOTs if NYCIDA's mayor-controlled board votes to do so. NYCIDA also provides sales tax exemptions and mortgage recording tax exemptions.

Battery Park City Authority

The Battery Park City Authority (BPCA) was created by the State in 1968 as a not-for-profit organization to develop and maintain the Battery Park City site on the west side of lower Manhattan.[15] BPCA's board is appointed by the governor and approved by consent of the State Senate. The creation of Battery Park City stemmed from a land expansion of Manhattan using landfill deposits, including from the excavation of the original World Trade Center complex. The land is owned by BPCA, which is exempt from City property taxes. Building owners in Battery Park City—mainly consisting of condominiums and commercial spaces—pay ground rent and PILOTs to BPCA. Under the terms of its agreement, BPCA first applies revenue to cover its own operating and maintenance expenses. BPCA then remits the remaining PILOT funds to the City's general fund.[16] In fiscal year 2024, the City received $174 million in PILOT payments from BPCA. IBO estimates that if BPCA properties were put on the City's property tax rolls, the City could receive an additional $110 million each year.[17]

Hudson Yards Infrastructure Corporation

The Hudson Yards Infrastructure Corporation (HYIC) was created in 2005 as a not-for-profit organization and is charged with financing the infrastructure improvements in the Hudson Yards Financing District on the West Side of Manhattan.[18] A platform and new development was built through a long-term land lease and air rights agreement over an existing train yard owned by the Metropolitan Transportation Authority, which is tax exempt. These properties pay PILOTs as part of a larger economic development financing scheme known as value capture tax increment financing. HYIC first uses PILOT and other recurring revenue to fund debt service related to financing the extension of the Number 7 subway line and neighborhood infrastructure projects; HYIC remits any excess funds to the City.[19] In 2024, the City received $207.5 million in PILOTs from HYIC, which represented 70% of what the City would have collected were the properties subject to full property taxes.[20] In June 2025, a new PILOT agreement was entered into to facilitate the development of the western railyards portion, expanding both the footprint and the PILOTs paid to HYIC following a similar structure to the existing HYIC PILOTs.

Port Authority of New York and New Jersey

The Port Authority of New York and New Jersey is a not-for-profit public authority founded in 1921 and jointly controlled by the States of New York and New Jersey.[21] The Port Authority manages PILOTs for the World Trade Center complex, the Brooklyn Marine Terminal, and the Port Authority Bus Terminal. For fiscal year 2024, the Port Authority paid the City $52 million in PILOTs. In 2024, the City, State, and Port Authority negotiated the use of PILOTs to help finance the planned overhaul of the Port Authority Bus Terminal.

For the World Trade Center complex, the Port Authority owns the land and holds long-term leases with private developers of the buildings. The Port Authority is tax exempt but the privately owned buildings pay PILOTs. Port Authority is also entitled to credits (reductions) on its PILOTs for Tower 3 of the World Trade Center per an agreement with the City from 2010. Additionally, the City provided credits to Port Authority in an additional contract in 2006. Port Authority uses the credits to further reduce what they owe in PILOTs from their managed properties.

Other PILOT Managers

Department of Citywide Administrative Services

The Department of Citywide Administrative Services (DCAS) is a City agency which is tasked with workforce, land, and facility management.[22] All DCAS PILOT agreements make payments equivalent to their full property taxes to the City general fund. In 2024, DCAS collected $10.8 million in PILOT payments. DCAS reporting on PILOTs is opaque as the reports to City Council do not specify the number or location of properties involved in DCAS managed PILOT agreements.

Empire State Development Corporation

The Empire State Development Corporation (ESD) is comprised of two economic development not-for-profit corporations: the Job Development Authority and the Urban Development Corporation. ESD is the State public authority doing work similar to that of the City's EDC. ESD was created in 1995 and manages PILOT agreements and payments for many of its projects within the City.[23] When ESD projects involve using land that was previously on the City's property tax rolls, ESD will make arrangements with the City to provide PILOTs to either fully or partially offset that lost revenue. Examples include One Bryant Park, Atlantic Yards, and 120 Wall Street. ESD also manages PILOT payments for The Chrystie, an apartment building on the Lower East Side to which ESD provided tax breaks during the initial development.

Brooklyn Navy Yard Development Corporation

Formed in 1981, the Brooklyn Navy Yard Development Corporation (BNYDC) is a not-for-profit corporation, controlled by the City, that acts as the developer and property manager of the Brooklyn Navy Yard on behalf of the City.[24] The City owns the land that is leased to BNYDC for a 99-year term, all of which is exempt from City property taxes. The PILOT payments managed by BNYDC affect a single building within that development and are paid by First Jeffersonian, a real estate company that leases its building to Brinks Security Company. First Jeffersonian and Brinks pay around $150,000 annually. Brinks was one of the first companies to locate in the Navy Yard during the initial push to redevelop the area into a business hub in the early 1980s. The relocation deal was facilitated through NYCIDA and resulted in PILOT payments. No other companies in the Brooklyn Navy Yard pay PILOTs, and therefore reap the full benefits of the Navy Yard's property tax exemption, which is granted as a business incentive.

Queens West Development Corporation

Queens West Development Corporation (QWDC) is a not-for-profit public authority which manages PILOTs for several commercial properties in Hunter's Point, Queens.[25] In 1983, ESD led the redevelopment of Hunter's Point and created QWDC in partnership with the Port Authority of New York and New Jersey. Like Battery Park City, this development included land extensions that added to the City's footprint. In fiscal year 2024, the City collected $19 million in total PILOTs for several residential and commercial buildings in Hunter's Point. This sum represented 28% of what properties in QWDC would otherwise owe in full property taxes.

Long Island Power Authority

Formed in 1986, the Long Island Power Authority (LIPA) is a not-for-profit public utility that provides power to Long Island and the Rockaways neighborhood in Queens.[26] LIPA makes PILOTs to the City for properties it owns on which generation plants have been built. While LIPA does not own generation plants or retail natural gas assets on Long Island, LIPA contracts with the operators of the plants and manages PILOT payments on behalf of these utility facilities to municipalities, including New York City.[27] In 2024, LIPA managed PILOTs to the City totaling $6.7 million. This payment represented 30% of what LIPA-managed PILOT properties would have otherwise paid in regular property taxes.

Trust for Cultural Resources of the City of New York

The Trust for Cultural Resources of the City of New York (TCR) is a not-for-profit corporation created in 1976 by the New York State Legislature.[28] TCR is currently a 'component unit' of EDC, meaning that though it is separate for business purposes, the board is controlled by EDC and the City and the day-to-day business of the Trust is carried out by EDC employees. TCR was created primarily to issue debt for the development of market-rate condominiums and the expansion of the Museum of Modern Art (MoMA) gallery space. TCR collects PILOT payments equivalent to full property tax for the residential portion of the MoMA building, which contains 278 market-rate condominium units. The TCR also issued the tax-exempt debt to build the units in 1980, when MoMA underwent redevelopment.[29]

Endnotes

1 According to Local Law 73 of 2005, "'payments in lieu of taxes' shall mean all payments that are due pursuant to actions of the New York City Industrial Development Agency or the New York City Economic Development Corporation or any City agency with respect to any project when such payments are made in lieu of real property taxes or other taxes which would have been levied by or on behalf of the City if the project were not thereby exempted from the payment of such taxes."

2 If a property owner is seeking a zoning variance through the City's Uniform Land Use Review Procedure, PILOTs may also be discussed as part of the review process. This may provide a limited point of review, but in the context of land use and zoning rather than City budget and fiscal policy.

3 Available data on PILOT agreements are limited to commercial real estate. In this report, IBO focuses on commercial properties covered by PILOT agreements, which are typically granted to encourage economic development. Separately, PILOT agreements are also arranged for affordable housing developments and the New York City Housing Authority for the purposes of lowering operating costs for below-market housing.

4 IBO presents PILOT payments in comparison with what the property owner would have paid if the parcel was subject to the City's real property tax. There are instances where private development is on public land—owned by the City, State, or public authority—which is exempt from real property tax. If the land was used for public purposes or left undeveloped, no taxes or PILOT revenue would be generated. In these circumstances, the use of public land for private purposes may be seen as generating net positive revenue. IBO, in this report, uses the same comparison as the Department of Finance and Mayor's Office of Management and Budget where the alternative scenario to PILOT payments made by private interests using public land was sold to a private owner and added to the real property tax rolls.

5 The Public Authorities Reporting Information System (PARIS) lists the approval dates for projects. See: New York City Economic Development Corporation (2022, October). 2022 PARIS Annual Report for NYC Industrial Development Agency.

6 As reported in: Purnick, Joyce (2025, March 10). Pilots that Fly Under the Radar. New York Times.

7 New York City Office of the Comptroller Bureau of Financial Audit (2005, August). Audit of The Administration of Payments in Lieu of Taxes Under Economic Development Corporation and Industrial Development Agency Leases.

8 New York City Industrial Development Agency (2017, June). New York City Industrial Development Agency Program Proposal: Approval of the Amendment and Restatement of the Agency's Uniform Tax Exemption Policy

9 New York Office of the State Comptroller Division of State Government Accountability (2024, June). Administration and Monitoring of Financial Assistance to New York City Businesses.

10 New York City Office of Management and Budget (2024, October). Tax Revenue Forecasting Documentation, p. 173.

11 Clark, Greg, Joe Huxley, and Debra Mountford (2010, April). Organizing Local Economic Development: The Role of Development Agencies and Companies. Local Economic and Employment Development (LEED), OECD Publishing, p. 114. The Mayor appoints all 26 Members of NYCEDC: 16 directly, five nominated by the Borough Presidents, five nominated by the City Council Speaker, and one—who serves as Chair—appointed in consultation with the Partnership for New York City. Members annually elect themselves to serve on the Board of Directors. See EDC Bylaws.

12 EDC has two main agreements with the City that govern its relationship with the City, the Master Contract and the Maritime Contract.

13 Industrial Business Zones were previously known as In-Place Industrial Parks and are referred to as IPIP's in the OMB report on PILOTs. Likewise, the Midtown Justice Center was previously known as the Midtown Community Court and is referred to as such in the NYC OMB PILOT reports.

14 New York City Office of the Comptroller Bureau of Financial Audit (2025, August). Audit Report: Audit of The Administration of Payments in Lieu of Taxes Under Economic Development Corporation and Industrial Development Agency Leases. The NYCIDA Board of Directors consists of 15 members, with representatives from each borough. Most board members are Mayoral appointees, and others are automatically assigned based on their primary title. See NYCIDA Board Structure.

15 Battery Park City Authority (accessed 2025, March 31). "Who We Are." The BPCA board consists of seven members who are nominated by the Governor of New York and confirmed by the State Senate. See BPCA Enabling Legislation.

16 While "excess revenues" (as termed by BPCA's agreement) from PILOTs go the City's general fund, excess revenue from ground rent goes to support the "Joint Purpose Fund." This fund is set up specifically to further the City's affordable housing programs. Funds can be used by joint agreement between the mayor, City comptroller, and BPCA.

17 This number reflects IBO's 2025 update to the original 2020 estimate of $70 million.

18 Hudson Yard Infrastructure Corporation (2024, September). HYIC Financial Statements 2024. p.5. The HYIC board consists of five Members who are assigned based on their public office position. The Chair of the Board is the Director of OMB. See HYIC By-Laws.

19 Besides building on a platform over the eastern trainyard, the City created the Hudson Yards Financing District, a roughly sixty-block area in the Hudson Yards area. Any increases in real estate value stemming from investment and new development in the Financing District (as measured by DOF) is captured not through traditional property taxes but via tax equivalency payments (TEPs) directed to HYIC. PILOTs and TEPs make up the majority of HYIC's recurring revenue that covers its debt service. See IBO reports on the tax increment financing and HYIC: Hudson Yards Financing, City Interest Subsidies, Refinancing of Debt.

20 New York City OMB (2024, July). Report to the City Council: Payment in Lieu of Taxes Payment Report: Quarter 4 of Fiscal Year 2024, p. 11.

21 Port Authority of New York and New Jersey (accessed 2025, March 31). "History of the Port Authority Information | Port Authority of New York and New Jersey." The Governors of the States of New York and New Jersey each appoint six members to the Board of Commissioners, who must be confirmed by their respective State Senates. See Port Authority Governance.

22 New York City Department of Citywide Administrative Services (accessed 2025, June 24). "Who We Are." The DCAS commissioner is appointed by the Mayor.

23 Empire State Development Corporation (accessed 2025, March 31). "About Us & Our History." ESD is governed by a board of directors consisting of two ex-officio members and seven others who are appointed by the Governor upon approval by the State Sente. The Chair is chosen by the Governor. See ESD Leadership.

24 BNYDC has up to 33 members, consisting of up to 29 Mayoral appointees and the four Founding Members. Each member is permanent, and Founding Members are not succeeded. Up to 25 of the members appointed by the Mayor serve at the pleasure of the Mayor as Discretionary Appointees. Three Mayoral appointees are nominated by the City Council Members that represent the districts adjoining the Brooklyn Navy Yard. One member is appointed upon nomination by the Brooklyn Borough President. See By-Laws of Brooklyn Navy Yard Development Corporationg, as amended July 1, 2015.

25 New York State Empire State Development (accessed 2025, June 23). "Queens West Development Corporation." QWDC's Board of Directors consists of four members, two of which are chosen by ESD and two by the Port Authority. The Borough President of Queens may designate one person to represent them at all Board meetings. See QWDC By-Laws.

26 Long Island Power Authority (accessed March 31, 2025). "About Us." LIPA's Board of Trustees consists of nine Trustees: five appointed by the Governor, two by the Temporary President of the State Senate, and two by the State Assembly Speaker. See LIPA Board of Trustees.

27 Long Island Power Authority. (2023, March). Long Island Power Authority Basic Financial Statements and Required Supplementary Information, p. 33., p. 33.

28 Trust for Cultural Resources of the City of New York (2022). Annual Report for 2022. TCR's Board of Trustees is composed of nine trustees, including the Deputy Mayor of Finance and Economic Development of the City, the Chairperson of the NYCIDA, the Commissioner of the Department of Cultural Affairs, and six Mayoral appointees. See TCR Bylaws.

29 New York City Department of Cultural Affairs (accessed June 25, 2025). The Trust for Cultural Resources of the City of New York. TCR also issues debt for several other cultural institutions in the City, but none of them involves PILOT agreements.

IBO's mission is to enhance understanding of New York City's budget, public policy, and economy through independent analysis.

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