



New York State
Division of Housing and Community Renewal
Office of Rent Administration

Policy Statement 2017-1 (October 12, 2017)

Eligibility of Certain Non-Construction Costs to be Included as Part of an MCI

This Policy Statement is being issued to set forth DHCR's policies regarding the inclusion of certain types of non-construction expenses in the total approved amount of a Major Capital Improvement (MCI) for the purpose of calculating MCI rent increases. In general, as with all claimed MCI costs, the approved amount of any such additional costs will be evaluated for reasonableness relative to the underlying MCI-qualifying work which has been performed. The owner should provide documentation that such non-construction expenses are within industry standards, i.e. general contractor fees, architect/engineer fees, etc.

Professional Services

DHCR recognizes that the cost of certain professional services such as architectural, engineering or consulting expenses which are directly related to an MCI-qualifying installation and which are not otherwise duplicated may qualify for a rent increase. In order for such professional services to be included as an added MCI cost, the services at issue must be both necessary and customary to the accomplishment of the underlying MCI-qualifying installation.

If the underlying MCI is a relatively commonplace installation for which the owner can generally be expected to select a contractor of sufficient capability to ensure a quality installation, then it is presumed that the services of an architect, engineer or consultant are not necessary, and any claimed costs for such services will generally be excluded from the approved MCI amount. If however, the underlying MCI-qualifying work involves a complexity substantiating the need for an architect's, engineer's or consultant's expertise (examples include: correcting significant structural defects; obtaining the Landmark Commission's approval; work required under New York City Local Law 11, or where the local building department requires plans), then the costs associated with preparatory inspections and with the drafting of plans and specifications performed by a licensed professional may be included as part of the approved MCI amount. Except when engaged professionally as noted above, construction supervision services performed by an architect, engineer or consultant do not qualify as an added MCI cost.

Municipal Filing Fees and Sales Tax

Routine administrative costs including costs associated with municipal filing fees, such as for building permit applications or municipal sign-offs on completed work, are not MCI-eligible expenses, however, proof of the cost and payment for all associated municipal fees must be included in the application. This includes the cost of municipal fees themselves, as well as any professional's or contractor's costs associated with obtaining required municipal approvals and sign-offs. Sales tax which has been included in the purchasing cost of materials is not an MCI-eligible expense and will be excluded from the approved MCI amount.

This document is being issued for informational purposes only.

The original document which contains signatures of authorization is on file at DHCR's Office of Rent Administration.

Contractor's Mobilization Costs, Profit and Overhead

Contractor's mobilization costs which are necessary to the accomplishment of a qualifying MCI installation are generally accepted as a legitimate project expense. Mobilization costs consist of the costs for the movement of materials and equipment to the job site which are necessary for the project. A reasonable amount of necessary mobilization costs may be included in the approved amount for a qualifying installation, provided these costs are not duplicative of other work performed by the contractor.

In cases involving extensive MCI work where the contracted cost includes a separate line item amount for contractor's profit and overhead, a reasonable amount of the contractor's profit and overhead may be included in the approved MCI costs for a qualifying installation.

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Deputy Commissioner
For Rent Administration