

AUG 20 2025

August 18, 2025

RECEIVED

By Certified Mail – Return Receipt Requested

New York State Comptroller  
110 State Street  
Albany, New York 12236

Director, Division of Budget  
State Capitol Building  
Albany, New York 12210

Commissioner  
Office of General Services  
Corning Tower  
Empire State Plaza  
Albany, New York 12242

Speaker  
New York State Assembly  
State Capitol  
Albany, New York 12248

10 South Street, Slip 7  
New York, NY 10004  
212.440.2200  
govisland.org

President  
New York State Senate  
State Capitol  
Albany, New York 12247

State of New York  
Authorities Budget Office  
P.O. Box 2076  
Albany, New York 12220

**Re: Lease of Building 1 with Option for Building 2, Building 3, and Building 25 on Governors Island** – Lease by Governors Island Corporation d/b/a The Trust for Governors Island (the “Trust”) – Explanatory Statement

To the Addressees:

Reference is made to Sections 2897(6)(d)(i) and (ii) of the New York State Public Authorities Law (the “Public Authorities Law”) and the requirements set forth therein to prepare and transmit an explanatory statement of the circumstances of disposals by negotiation of certain property of any public authority (as the term “disposal” is defined in Section 2895(2) of the Public Authorities Law). Section 2897(6)(d)(ii) of the Public Authorities Law requires that such explanatory statement be transmitted not less than 90 days prior to the disposal of such property. Please accept this explanatory statement in satisfaction of the applicable requirements of the Public Authorities Law.

The Trust, a New York not-for-profit corporation, intends to enter into a lease (“Lease”) with an entity to be created by a development team led by 62J Associates LLC (“Tenant”), for the adaptive reuse and operation of a restaurant, event space, catering kitchen, and hospitality accommodations (“Permitted Uses”) in Nolan Park within the Governors Island Historic District. The initial premises will consist of approximately 10,000 rentable square feet within Building 1 (also known as Admiral’s House) 1 and approximately 8,000 square feet of adjacent outdoor space (“Initial Premises”). Additionally, the Lease grants Tenant a one-time option (“Phase 2 Option”), exercisable within 10 years of the commencement of the Lease, to expand into Building 2, Building 3, and Building 25 in Nolan Park, for a revised total of approximately 34,000 rentable square feet within such buildings and approximately 25,000 square feet of adjacent outdoor space (“Phase 2 Premises”). The Lease will have a term of 30 years. If Tenant exercises the Phase 2 Option, the

term of the lease would be extended for an additional 19 years (to a total of 49 years), with a further option to renew for an additional 49 years.

The Trust obtained an appraisal of the Initial Premises and the Phase 2 Premises by an independent appraiser taking the Permitted Uses into consideration. The appraisal determined the Initial Premises to have a fair market value of \$178,621 per year and the expanded Phase 2 Premises to have a fair market value of \$468,973 per year, in both instances inclusive of a proportional contribution to actual costs incurred by the Trust for common area maintenance ("CAM") of the Island campus. Under the proposed Lease Terms, Tenant would pay its proportionate share of CAM charges, and the Trust would additionally receive a participation rent of 3% of Tenant's gross revenues between \$1,500,000 and \$3,000,000 annually and 8% of gross revenues above \$3,000,000. If Tenant exercises the Phase 2 Option, the participation rent would be revised to 5% of Tenant's gross revenues between \$5,000,000 and \$10,000,000 annually and 8% of gross revenues above \$10,000,000. Total compensation to the Trust over the term of the Lease exceeds the appraised fair market value for both the Initial Premises and the Phase 2 Premises.

The Trust selected Tenant for the Lease following a competitive Request for Proposals process, and this negotiated lease transaction will further the enjoyment and benefit of the public using Governors Island thereby furthering the mission of the Trust. The Lease is anticipated to commence in the fall of 2025, but in any event after the 90-day period specified by Section 2897(6)(d)(ii) of Public Authority Law.

We appreciate this opportunity to provide you with an explanatory statement regarding the Lease.

Very truly yours,



Alex Brady  
Chief Real Estate Officer  
Governors Island Corporation d/b/a The Trust for Governors Island