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New York City Takes Over Governors Island

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After more than a year of negotiations, New York City has reached a deal to take control of Governors Island from the state, moving a prime 172-acre piece of waterfront real estate into the hands of a land-starved city and closer to an ambitious redevelopment, city and state officials announced on Sunday.

The agreement would allow the city to convert much of the former military outpost into a public park. The city also plans to add a high school, some commercial development and potentially a satellite campus for [New York University](#) on Governors Island, which sits a half mile off the southern tip of Manhattan.

Over the years, government efforts at redeveloping the island, long viewed as a rough, underused gem in New York Harbor, have been frustrated by jurisdictional battles, lack of money and unique development constraints.

The acquisition of Governors Island would be a major contribution to the physical legacy of Mayor [Michael R. Bloomberg](#)'s administration, which has made the development of public parks a priority.

The deal also highlights how an expansionist mayor has positioned the city, whose budget problems are less severe than the state's, to wrest control of coveted properties from the state portfolio.

Last month, the city reached a similar deal with the state to take over Brooklyn Bridge Park.

Other prospective deals being discussed in the Bloomberg administration include exercising the city's right to buy Battery Park City from the state and negotiating a takeover of the state-run [City University of New York](#) system, according to city officials.

These agreements represent a reversal from 35 years ago, when a city on the verge of bankruptcy parted with a number of its assets and relied on the state to shore up its finances.

Raymond Horton, a professor at Columbia Business School who ran a commission that studied New York City's finances during the fiscal crisis of the 1970s, said that by taking over properties like Governors Island, Mr. Bloomberg achieved a milestone that had eluded many of his predecessors.

"What tips the balance here is the state's fiscal crisis," Mr. Horton said. "The state is in a dire situation. The city is much better managed at this moment. That makes possible something that was not when the two governments' finances were in similar condition."

The city and the state have jointly operated Governors Island since 2003, when the federal government handed over the shuttered military base there after years of lobbying from local leaders.

The island, which still features the historic houses used by officers and more recently built barracks for enlisted men from its years as an Army and a Coast Guard base, has since received more than \$150 million for redevelopment as it was reopened for public use.

Last summer, more than 275,000 visitors took the free ferry service to the island to attend concerts and art festivals, and take advantage of sweeping views of the downtown skyline and the Statue of Liberty. The island also includes a [22-acre national monument](#) centered on two historic fortresses.

The joint operating deal has been strained, however, by disputes between the city and the state over plans for redevelopment of the island, and by a near shutdown last year after the state refused to contribute its share of operating funds. At a news conference at City Hall on Sunday night, Mr. Bloomberg called it "a less than optimal arrangement."

Gov. [David A. Paterson](#), who also attended the news conference, said that the state had simply been unable to match the city's financial commitment, undermining the development push.

“New York City will probably be quicker to realize the potential of the island and develop it,” the governor said, “and so it was really our honor to assist them, and we know they’ll do it well.”

Under the [arrangement announced Sunday](#), the mayor will appoint 9 of the 13 members of a new Governors Island Operating Entity. The city, which will now bear the full cost of the estimated \$200 million project, said it had already committed \$41.5 million. The city will also be solely responsible for the operating costs of the island, except for the national monument, which will remain under the control of the [National Park Service](#).

The city’s acquisitions could put a strain on its budget, which faces a \$5 billion deficit next year. Operating Governors Island is expected to cost about \$20 million over the next five years, officials said, on top of the \$40 million the city has already set aside. And should the city try to buy Battery Park City, for example, it would have to assume debts that run in the hundreds of millions of dollars. But city officials said that they were eager, when possible, to exploit “fire sale prices” to seize control over prime land within their borders.

The city, which has set aside about 33 acres on the southern half of the island for new construction, is looking for other tenants. New York University recently proposed building a satellite campus on Governors Island, complete with dorms and faculty housing. City officials did announce on Sunday that they have secured the first tenants for the refurbished buildings on the island, including artists’ studios and a 400-student public high school set to relocate there this summer.

The city and the state were prohibited from developing housing or a casino under the transfer agreement with the federal government.

Peter W. Davidson, executive director of the Empire State Development, who oversaw the state negotiations in the two recent agreements, said the state saw the deals as ways to reduce spending in noncrucial areas and found that the city was eager to take the properties off the state’s hands.

“They not only have the resources to make sure the projects go to completion,” he said, “but more importantly, they have the vision and the commitment under Mayor Bloomberg to execute the plans that were laid down.”

Mitchell L. Moss, an informal adviser to Mr. Bloomberg and a professor at N.Y.U., said there was a “recognition that if anything is going to be done, it’s got to be done in City Hall.”

“There wasn’t a constituency for Governors Island in Albany,” Mr. Moss said, “but in New York there’s an appetite for it. This is really going to be the catalyst for getting the park built.”