

## REAL ESTATE

# Effort to Bring Observation Wheel to New York Nears Futility

Developers would have to sell huge parts of the wheel, and lawsuits with contractor are likely to resume



A Ferris wheel was planned as part of a retail and entertainment complex along the Staten Island waterfront. PHOTO: NYC MAYOR'S OFFICE

By Peter Grant

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The investors behind plans to develop a 630-foot high observation wheel on Staten Island say they are about to pull the plug on the partially completed project, all but ending a six-year effort to bring the attraction to New York City.

Lead partners Lloyd Goldman and Jeffrey Feil, who control separate commercial real-estate firms, said in an interview that they are close to abandoning their plans to build the wheel because the city has denied their request to support a tax-exempt bond issue.

The project resembles a giant Ferris wheel, with 36 rotating capsules that could each hold 40 passengers. The developers envisioned that it would anchor a new retail and entertainment complex just steps away from the Staten Island Ferry terminal.

Messrs. Goldman and Feil said they had been in talks for months to convince the city to support a \$380 million bond sale that would enable them to get the waterfront project, named New York Wheel, back on track. Members of the administration of Mayor Bill de Blasio gave them the bad news just before Labor Day, the developers said.

Unless the city changes its position, they said, they will sell the huge parts of the wheel that have been manufactured and are sitting in warehouses in Brooklyn and six foreign countries. There also likely would be a resumption of lawsuits between the developers and the contractor,

which were filed earlier, as well as problems with investors who have put up more than \$200 million of the financing so far through an immigration program known as EB-5, they said.



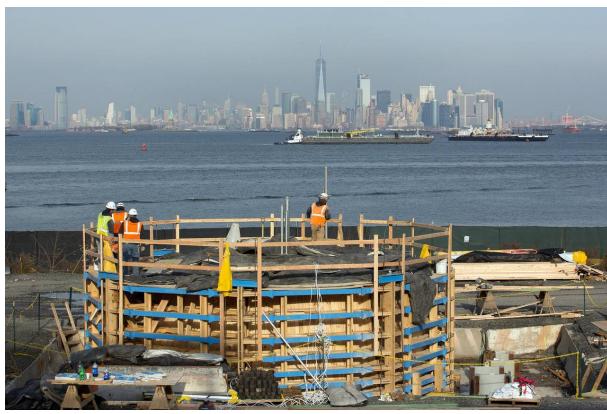
The construction site of the New York Wheel is seen in Staten Island, N.Y., on Oct. 3, 2017. PHOTO: CAITLIN OCHS FOR THE WALL STREET JOURNAL

“We have no choice,” said Mr. Feil.

A spokeswoman for the New York City Economic Development Corp. said in an email that the city “remains supportive” of the project. But she said there is no assurance a bond issue “would help them close a “significant” funding gap. “We remain convinced that public funds are too scarce to be leveraged for this venture,” she said.

In 2012, when their New York Wheel LLC venture was announced, the backers predicted that it would attract about 3.5 million visitors a year and rival the London Eye and Singapore Flyer as a high-profile tourist attraction. At that time the projected budget was about \$450 million, and the wheel was expected to be completed by 2016.

But the project suffered massive delays and cost overruns, driving the total projected cost today to about \$900 million. Work stopped last year, leading to lawsuits between New York Wheel and the lead contractor, Mammoet-Starneth LLC, in New York federal court. Last year, Mammoet-Starneth also appealed for protection in U.S. Bankruptcy Court in Delaware.



One of four pedestals that were to hold the legs of the New York Wheel under construction in Staten Island, as seen on Dec. 13, 2016. PHOTO: AGATON STROM FOR THE WALL STREET JOURNAL

Four massive pedestals, each weighing 100 tons, have already been erected on the site, which is owned by the city and leased by New York Wheel. Many of the promised amenities, including a parking garage and park, have been completed or mostly finished, the developers said.

About \$450 million has been spent so far, with \$206 million of that coming from the EB-5 investors and most of the rest coming from Messrs. Goldman and Feil.

In May, the developers and Mammoet-Starneth announced that they would put their dueling legal claims on hold, while New York Wheel found fresh financing. Since then, the developers have hired a new lead contractor: American Bridge Co., which built the 469-foot High Roller observation wheel in Las Vegas.

“We don’t understand why the city would say no,” Mr. Goldman said. “It’s basically a cake that’s been mixed and readied and prepared for them. And it’s like: Don’t take it out of the oven.”

The tax-exempt bonds that New York Wheel was hoping to sell through the city would have carried a lower interest rate and would have been longer term than conventional financing. The city wouldn’t have been on the hook financially, but would have been exposed to reputational risk if the bonds had defaulted.

The developers said that they would need 1.6 million visitors a year, paying about \$35 each for the 38 minute ride, to pay debt service on the bonds. They said that level of ridership was easily achievable given the 60 million tourists that visit New York annually and estimated 4 million leisure passengers of the Staten Island Ferry.

**Write to Peter Grant at** peter.grant@wsj.com

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