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STATEN ISLAND RISING

Will the \$590 million New York Wheel project ever pay off?

The tallest Ferris wheel in the Western Hemisphere might need 3 million visitors a year to break even



By

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PICTURE PERFECT The actual construction site is much less inspiring than the renderings (below).

Photo: Buck Ennis

The website for the 630-foot-tall Ferris wheel in the works on the North Shore of Staten Island allows visitors to check its progress 24 hours a day. But since a July dispute with the original contractor led to a construction shutdown, the only action the cameras have captured are container ships chugging through the harbor.

Work has ground to a halt at the New York Wheel, a massive attraction that developers say will help turn the St. George Ferry Terminal into a bustling tourist destination. The latest projections put the [wheel's price tag at \\$590 million](#), more than twice initial estimates. The developers concede there have been setbacks, but they say they are still on firm financial footing and expect the project to succeed.

Other giant wheels around the world have faced similar obstacles. Projects in Beijing, Berlin, Dubai, Dublin, Melbourne, Orlando and Singapore have faced funding or construction issues or were scrapped altogether.

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"Frankly," tourism consultant Dennis Spiegel said, "not many of them make money."

And the bigger the project, the riskier the bet. Smaller wheels are cheaper and can be taken down and sold to another city. Chicago's Navy Pier, for example, upgraded to a bigger wheel last year and sold its old one to Branson, Mo., where its operators say it "boasts spectacular views of the famed entertainment corridor." But large-scale wheels such as the one planned for St. George cost hundreds of millions of dollars, can't easily be moved or sold and require a huge number of riders to justify the investment.

"Any one-off attraction can be a very risky venture," said Robert Hunden, head of Hunden Strategic Partners of Chicago. "Whether it's the world's largest Noah's Ark or the world's largest wheel, there's just not a lot of comps out there for a developer to say: 'Hey, this did really well in 10 other places.'"

The surest way to secure riders is to siphon them from an existing pool of tourists. Approximately 10 million people visit Chicago's Navy Pier entertainment complex every year, for example. The 200-foot wheel there attracts about 10% of them, an equation that also applies to observation decks atop skyscrapers.

The much riskier proposition is to carve a new tourist destination from whole cloth. About 2.5 million tourists ride the Staten Island Ferry each year, many just to get a free glimpse of the Statute of Liberty. New York Wheel's operators are projecting 4 million riders annually.

"That would be more than Six Flags Magic Mountain in California, more than Six Flags Over Texas, Six Flags Over Georgia," said Spiegel, whose firm, International Theme Park Services, did an analysis of the Singapore Flyer wheel after it went bankrupt in 2013. "I mean, 4 million people? No way."

Step right up

Big wheels can turn profits, Spiegel added, but they perform best when they are part of a larger suite of attractions in a concentrated area. The 440-foot-tall London Eye, for example, is able to draw nearly 4 million riders each year because it sits in the heart of a city visited by 30 million tourists and is right next to several world-famous landmarks.

The city Economic Development Corp. remains confident that the mix of attractions it is cooking up 5 miles south of Lower Manhattan will draw similar crowds. Not only are there existing museums and parks nearby—including Snug Harbor and the Staten Island Yankees' stadium—but the city's first outlet mall is also set to open in the spring on an adjacent city-owned parcel. Plus, the wheel site itself will feature a restaurant, a shop, a playground and a theater, projects that have pressed ahead despite stalled construction on the wheel.

"In this case, the whole is greater than the sum of the parts," Kyle Kimball, former head of the EDC, testified at a 2013 City Council hearing, pressing lawmakers to pass the plan.

Despite the delays, many are hoping the developers can overcome the complexities of the job and finish the project.

"You can't go to Home Depot and buy a new spoke for the wheel," said Nicholas Siclari, chair of the St. George community board. He and other local representatives are anxiously waiting for the developers to ink a contract with the project's new engineering and construction firm, American Bridge, and finish what they consider the linchpin of the North Shore's redevelopment.

Investors have poured \$80 million in equity into the wheel and scored two construction loans, including one for \$200 million from Highbridge Capital Management that comes with a hefty 10.25% interest rate. Each of the observation wheel's 36 cars



can carry approximately 40 passengers—about 1,400 riders per 38-minute rotation.

To break even, the wheel likely needs to attract closer to 3 million visitors annually at \$35 per head, judging from the developers' previous comments and information from Hunden Stratetgic Partners.

New York Wheel's chief executive, Rich Marin, who declined to be interviewed, has insisted that the project is still solvent. "The developer's forecasted income stream and financing details have been carefully considered," a spokesperson said. "Although increased costs bring challenges, they are being addressed and resolved."

The whole borough is counting on it.

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