



# SSSM Funding

Observations on the History, and An  
Alternative Funding Option

# The History

- The South Street Seaport Historic District was created in the 70's
- Stated Goals:
  - To preserve the Historic District by establishing an **area of** Historic buildings and open space as an urban retreat
  - To permit transfers of development air rights **outside** the District to other designated sites
  - Support and **assure** that The Museum receives revenues from city owned-or-controlled properties within the Historic District

# Whittling Away Museum Revenues: A Thousand Cuts

- **1973:**
  - Chase Bank forecloses on Museum ownership of properties, ending their rental revenue stream.
  - The Museum is forced instead into holding a 99-year lease with rights to sublet only 3 blocks of land and Piers 15 – 18.
- **1981 – 1995:**
  - Renegotiated lease (City, Rouse and Museum) envisions flows from developer Rouse of 13% of the generated profits from his Seaport Marketplace project and Pier 17, a subsidy that never materialized.
  - Museum tenant uses are limited to educational-only (as a non-compete with Rouse)
  - Museum is unable to monetize unused spaces (non-compete with Seaport Associates)
  - Seaport Assoc. (City and State) takes over office leasing in the Museum block with no obligation to contribute to the Museum.
- **Summary:**
  - Starting in 1973 with city and bank foreclosure on the Museum's properties through to a 1981 lease with developer Rouse who never made any money so nothing went to the Museum.
  - From 1981, museum prevented from realizing income from renting unused space
- **2003:**
  - General Growth Properties (now HHC) assumed Seaport assets from Rouse.

# **Whittling Away Museum Revenues: A Thousand Cuts (cont.)**

- **More of the same from 2008 - 2012**
  - The Museum forfeited Pier 15 and was restricted then to 300 sq. ft. on Pier 16
  - Howard Hughes was given an amended long-term lease for the Seaport properties
    - HHC was given:
      - Veto power over the Museum's ability to sublet its extra space
      - Option on any Museum space left vacant for 6 months
  - The Museum forfeited the John St. lot to the city for unpaid rent and to repay Trustee loans.

# MCNY

- **2011-2013**
  - The Museum of the City of New York (MCNY) managed the SSSM
  - In our opinion, this was a period of substantial growth and achievement
- But, in **2013**, MCNY pulled out – why?
  - EDC and HHC refused to modify the lease terms preventing the SSSM from realizing revenue from unused space
  - “With the old (1981) lease in place, the museum is effectively straight jacketed”
  - See MCNY Letter: CEO to SSSM Trustees March 27, 2013

# Whittling Away Museum Revenues: A Thousand Cuts (cont.)

- **2013: The Year of the Disaster Lease!!!**
  - NYC EDC, in a private meeting the Museum was **not invited to**, turned control of Seaport public assets over to Howard Hughes in a 60-year lease with provisions favorable to HHC and extremely detrimental to the Museum.
    - HHC also received options for the Tin, New Market and Museum buildings.
  - Instead of providing for a dependable revenue stream, **the new lease relieved HHC** of obligations to fund the Museum, allowed them to take over vacant museum spaces and limited the Museum to upper floors.
    - This also inhibited the possible fair market value of the attached public-owned air rights and HHC also received a first “look see” on the sale of the John St. Lot as well.
  - Around this time a City audit showed HHC underpaid city taxes and they refused to pay what they owed.
    - Also they refused to release ground floor space on Front and John Street, in violation of their lease.

# **Whittling Away Museum Revenues: A Thousand Cuts (cont.)**

- **In 2017 Howard Hughes Solidified its control,** exercising options over spaces in the Museum block, Schermerhorn row, the Museum annex and others.

# The Sad Conclusion

- The Museum has large expenses with its ships and several buildings.
- NYC EDC and HHC have starved the Museum for decades by pocketing income from the Piers and HHC leased sites, rather than provide an ongoing revenue stream for the Museum as originally envisioned.
- Howard Hughes sold Seaport air rights on properties first held by the Museum and assembled as part of its 80 South Development Parcel for a **profit of \$183MM, a lost profit to the Museum and the District**, that went instead to Texas.
- The city is the Museum's landlord but has not supported its inclusion into the Cultural Institutions Group, with all its benefits.

# The Solution?

- **New Principle:**
  - Revenues and asset sales from the Historic District should be returned to the Historic District, particularly the SSSM
- **First : Restore operating funding**
  - Take money the NYC EDC receives from HHC leases and return it to the Museum and the Historic District **from the private to the public good**
    - **More than \$2M per year** of recurring revenue from Pier 17/18, Tin Building and Ground Leases
    - **\$1M +** for the Hornblower docking Lease
    - Various fees and rents from other sources
  - Approach avoids changes to existing leases

# The Solution? (cont.)

- **Second: Create a Museum Reserve Fund**
  - Generate \$15 – 30M from sales of city owned air rights
- **HOW?**
  - Approx. 257,000 sq. ft. of air rights are fully controlled by the City
  - From the New Market site (approx. 212k sq. ft.) plus another approx. 45k sq. ft. can be sold for use **outside, not inside**, the District and **monetized for the Museum**
  - **And the City, not HHC, owns approx. 415,000 sq. ft. of air rights from the Tin Building/Pier 17**
    - These public assets should not be given away to HHC who is merely the underlying renter..... instead the city should sell these air rights for use **outside the District with proceeds to the Museum**

# The Solution? (cont.)

- **Third:**
  - **Reclaim the unused \$12.5M Sandy FEMA grant** for Museum Repairs, which are untouched to date
- **Fourth:**
  - **Assume museum has applied for Federal Program Grants** under COVID and other Rescue programs
    - If they haven't, they are remiss
- **Fifth:**
  - **Rebalance Public/Private equation** with inclusion into the Cultural Institutions Group
    - CB 1 has supported this since Sept 2019
- **Timing:**
  - Short term: Divert revenues; FEMA funding
  - Medium term: Sell air rights
  - Longer term: John St. lot lease and development

# How To Gain Support

- Overcoming Objections:
  - Museum:
    - CB1 Task Force to develop alternate approaches with Museum
  - How get EDC to hand over revenues
    - A: Build on existing support for museum from electeds
      - Example: Marte, Gardenhire, Nou
    - A: Enlist support of (new) electeds, especially Mayor
      - Over rule EDC
  - No receiving sites for air rights
    - A: Offer from YZK Development Group April 2020
      - Was for 270k SF at \$125/SF (worth ~\$34M)
      - This was ignored by elected officials
  - Plan not supported by outgoing electeds
    - A: Reach out to rising candidates

# HHC/SSSM Plan: The Big Bet

- HHC buys the extra city owned air rights it needs for over scale development at 250 Water St. from the city
  - EDC is left to decide how much of those funds to pass to the SSSM
  - HHC never planned to donate those funds directly to the SSSM
- \$50M??
  - More like \$25M now!

# Know the Facts

- **Fact 1:** No money is changing hands between HHC and the SSSM.
- **Fact 2:** HHC wants to buy air rights the city owns and is asking the city to give some of that money to the Museum.
- **Fact 3:** The city-owned air rights are for use **outside** the District, not for 250 Water St. and not for use inside the District.
- **Fact 4:** For the good of all New Yorkers, the public air rights should be sold to the highest bidder at public auction for use **outside** the District and not inside, and not necessarily to HHC.
- **Fact 5:** Money from the sale should be used for its original purpose when the district was set up.....for the Museum.
- **Fact 6:** This sale of air rights is the same funding mechanism that the Seaport coalition has been proposing:
  - It just eliminates HHC as a middle man
  - Protects the District from **precedent** setting zoning busting
  - Eliminates the improper use of air-rights within the District

# Conclusion

- Money is there to Save **BOTH** the Museum **AND** the Historic District
  - Is **NOT** an either/or situation!
- The Museum should get the money it deserves from the city to assure its financial future.
- Its survival should not be dependent on:
  - An ephemeral unsigned bribe to the community from a private developer who actively helped the city starve the Museum in the first place
  - A vague promise that serves to divorce the Museum from the Seaport Community it was entrusted to preserve

# Bigger Consequences

- Dangerous precedents for LPC:
  - Approving an unusually large building in a historic district
  - Transfer of air rights within a historic district
  - Approving a zoning change in return for a "bribe" paid to the community
  - All three precedents invite other similar challenges, perhaps backed by law suits, in other historic districts.
- Why can't the city simply sell air rights outside the district to fund the museum?
  - The community is being played.

# Our Recommendations

- A resolution expressing criticism of the EDC and the way it has handled the SSSM
- A resolution to set up a task force to invite the SSSM to discuss the future of the museum

# Supporting Documents

- Book: Preserving the South Street Seaport by James M. Lindgren
  - Available separately
- MCNY Letter to SSSM Trustees March 27, 2013 terminating MCNY's agreement to manage the SSSM
  - See file "MCNY-SSSM-AgrmTrm-EDC-DCA3.27.13"
- Re-arranging Public-Private Partnerships: The Case of South Street Seaport New York by Sandra Guinand. February 5, 2020
  - Available for download (search on title)
- The Alternative SSSM Funding Plan submitted by the Seaport Coalition to NYC
  - See file "21DCP084M Funding the SSSM Seaport Coalition ALTERNATIVE"
- South Street Seaport Museum: The Tale of Grand Dreams, Sad Failures and Unkept Promises
  - See file "Museum Grand Dreams-3-1" South Street Seaport Museum:
- The Seaport Historic District, South Street Seaport Museum and the Howard Hughes Mega Proposal: The Real Story aka The Squeeze Play
  - See file: File "newest The Real Story The Historic District, the Seaport Museum and HHC-3 (1)"
- NYCEDC Letter to Comptroller Stringer 09/18/2020
  - See file "NYCEDC Letter to Comptroller Stringer 09182020"