The failed promise of a festival marketplace: South Street Seaport in lower Manhattan

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This article examines the history of urban renewal planning for the South Street Seaport in lower Manhattan, the largest and most subsidized festival retail marketplace in the United States. Festival marketplaces were a leading downtown revitalization strategy in American cities during the 1970s and 1980s. The Seaport marketplace was planned and developed over a 20-year period as a joint venture between the non-profit South Street Seaport Museum, the city and state of New York, and the Rouse Company. The Seaport became a popular Manhattan destination, relying upon an expanding banking and financial sector for political support and as a source of demand for retail shops, restaurants and offices. But its marginal profitability eroded with the Wall Street downturn of the late 1980s, and the Museum withdrew from its joint venture with Rouse, unable to realize financial returns to support its operations. This case study illustrates the tension between historic preservation and real estate development, the changing politics of city planning and urban renewal in New York and the economic problems of the festival marketplace.

Introduction

On a cold November day in 1976, the developer, James Rouse, toured the South Street Seaport on the East River waterfront of lower Manhattan. The Seaport was an area of decaying piers, ageing historical buildings, warehouses, fish markets and maritime-related commerce and culture located on the edge of the Wall Street financial district. The Rouse Company was one of the leading suburban shopping mall developers in the United States and also the sponsor of Columbia, Maryland, the planned new town. Three months before, the developer opened the renovated Quincy Market buildings of Faneuil Hall in downtown Boston to huge crowds. This pioneering, European-style festival marketplace project was viewed as a model of historic urban renewal by the South Street Seaport Museum, who invited Rouse to New York. The Rouse tour was the culmination of 10 years of citizen and philanthropic activism, municipal planning actions and land assembly to preserve the Seaport area for historic reuse. Nearly another 10 years passed before the final phase of the project, a controversial new shopping pavilion built on reconstructed piers, was completed and open to the public.

The Rouse Company and James Rouse’s Enterprise Development Company replicated the
festival marketplace concept in several American cities after 1976 [1]. Festival marketplaces were distinguished from other shopping centres by the absence of ‘anchor’ department stores, their unique locational advantages (such as urban waterfronts) and the distinct and colourful shopping environments, comprised of a critical mass of food vendors and restaurants, a creative mix of tenants, attractions for tourists and special events. The South Street Seaport was the largest (measured by the total square footage of retail space) and most subsidized of these projects which, by the late 1980s, were also planned overseas in cities such as Sydney, Australia [2]. According to one observer, the Seaport festival marketplace ‘was the most ambitious urban mall project developed by the Rouse Company’ [3]. Mayor Andrew Young of Atlanta described these heavily subsidized public–private partnerships as ‘public interest capitalism’. But the festival marketplace failed as a source of revenue for the non-profit South Street Seaport Museum, which eventually withdrew from its troubled joint venture with the Rouse Company and the city of New York. The history of urban renewal planning for the South Street Seaport illustrates the tension between historic preservation and real estate development, the changing politics of city planning and urban renewal in New York, and the financial problems of the festival marketplace, a leading downtown revitalization strategy in American cities during the 1970s and 1980s [4].

The history of the South Street Seaport

The economic growth of New York in the first half of the nineteenth century was driven by the Port of New York’s position as an import–export exchange and cargo centre for emerging American and global markets [5]. The Seaport district on the East River in lower Manhattan became a gateway and entry point for international shipping, maritime activities and the wholesale fish trade. South Street became known as the ‘Street of Ships’. While much of this commerce began to decline by the end of the nineteenth century, several historic structures remained in the area, exhibiting Georgian, Federal and Greek Revival mercantile architecture styles. Other buildings reflected nineteenth century Italianate and Romanesque Revival designs. Conditions in the Seaport deteriorated as the new steamships abandoned the piers for the deep-water ports of the Hudson River. By the mid-twentieth century, only the Fulton Street Fish market (operating since the 1820s) remained active, and it relied more on trucking routes than boat deliveries. The fish market was allegedly controlled by the Genovese crime organization, reputedly one of the largest in the country, with close ties to the Democratic political machines of New York [6]. In 1953, the Victorian-style Market Building (at one time a key structural anchor for the district) was demolished, and municipal officials began to study the feasibility of relocating the city-owned fish market to a new regional food centre at Hunts Point in the Bronx.

The office market in lower Manhattan, dormant since the Great Depression of the 1930s, received a boost when Chase Manhattan Bank decided to build its new headquarters building there in 1957. Shortly thereafter, Chase chairman David Rockefeller and other corporate leaders and large property owners formed the Downtown–Lower Manhattan Association to plan for the economic renewal of this business district [7]. With the support of the Downtown–Lower Manhattan Association, the administration of Mayor Robert
Wagner commissioned the Lower Manhattan Plan, which was completed in 1965. The plan did not place much emphasis on the Seaport, proposing new housing and back-office space to replace the relocated fish market and closed piers. But it called for greater use of the entire waterfront for parks, housing and commercial development, acknowledging the potential of the Seaport area for recreation and maritime-related retail uses and restaurants [8]. By the time the Lower Manhattan Plan was released, the historical value and coherence of the old, run-down buildings in the Seaport were being studied and recognized by the Landmarks Preservation Commission (also created in 1965) and architectural critics, such as Ada Louise Huxtable of the New York Times. Schermerhorn Row, a block of Georgian- and Federal-style commercial structures built in 1811 on Fulton Street from South to Front Streets, was considered particularly significant. In 1966, at the urging of a growing cadre of preservationists and maritime enthusiasts, the state of New York passed enabling legislation for a state-sponsored South Street Maritime Museum, to be located in Schermerhorn Row. Fundraising for the museum, however, was stalled by the opposition of the Downtown–Lower Manhattan Association to the landmarking of any structures. The following year, Friends of South Street Seaport (a membership-based citizens’ organization) banded together to form the South Street Seaport Museum, which would plan for the preservation and revitalization of a larger five-block area in the district that included buildings on Fulton, South, Front and Beekman Streets. The private museum established an office on Fulton Street and won the support of Mayor John Lindsay, elected in 1965 as a liberal-reform Republican. Lindsay created the Mayor’s Office of Lower Manhattan Development to streamline the urban renewal process, reduce delays for developers and implement the Lower Manhattan Plan.

Preserving the South Street Seaport

The Seaport area was experiencing strong development pressure from the booming New York office market of the 1960s. Between 1950 and 1971, lower Manhattan re-established its dominance as an international business centre with the completion of over 27 million square feet of office space, including the construction of 12 new buildings on Water Street after 1968. During 1967, developers started to purchase the buildings in Schermerhorn Row for clearance and commercial redevelopment, but the Landmarks Preservation Commission intervened to stop these plans in 1968 by designating this block as a historic landmark, preventing its demolition. The City Planning Commission certified the designation and denied a request to close Front Street for the construction of a large office building. The developers threatened to sue the city for an unlawful ‘taking’ of private property, but after an outpouring of public support for the landmarking decision, including endorsements from the Downtown–Lower Manhattan Association and the New York Times, it was unanimously upheld by the Board of Estimate.

Meanwhile, the Planning Commission created the Brooklyn Bridge Southeast urban renewal area as a large waterfront site encompassing the Seaport that reached from Dover Street below the Brooklyn Bridge south to Pine Street and Pier 9 on the East River, and west to Pearl and Water Streets (see Fig. 1). In 1969, the Commission adopted an urban renewal plan for this area that changed the purpose clause from ‘demolition and
redevelopment’ to ‘restoration and rehabilitation’. This action provided additional support to the landmarking of Schermerhorn Row. The plan outlined a four-and-a-half block Seaport restoration area bounded by the East River, Peck Slip, John, Water and Front Streets, where a commercial district of restaurants and waterfront shops would be developed. The Seaport Museum would use its storefront offices, shops and collection of historic ships docked on the waterfront piers as a base to acquire land. The Museum sponsored a planning conference during 1968, producing a preliminary plan for the preservation of all existing buildings in the immediate Seaport district; the restoration of pedestrian movement; the unspecified reuse of the Market Block, which had contained the Fulton Market building and was the historic centre of the neighbourhood; the occupancy of Schermerhorn Row by the South Street Maritime Museum (as originally planned in the 1966 state-enabling legislation), joining an existing group of artisans and two popular

Figure 1. Map of Brooklyn Bridge Southeast urban renewal area. (Source: City of New York, op cit. [11], p. 115; Avery Architectural and Fine Arts Library, Columbia University in the City of New York.)
seafood restaurants already housed in the block; and the adaptive reuse of the buildings north of the Seaport for residential and commercial development [9]. The original site plan of the Seaport Museum is illustrated in Fig. 2. The city of New York endorsed this vision in the urban renewal plan (approved by the Board of Estimate in 1969) but offered no direct public subsidies for development. Instead, the city would use its eminent domain powers and special appropriations to condemn and acquire land, with the money refunded by the private sponsors of projects within the area. The city also permitted the sale of unused air rights from low-rise Seaport buildings. Developers of office skyscrapers adjacent to the Seaport could then acquire these air rights to exceed the building height and bulk limits established by zoning [10].

The South Street Seaport Museum formed a subsidiary, Seaport Holdings Inc., and began a land acquisition programme financed largely by the personal wealth of Jakob Isbrandtsen, the Museum chairman and also the president of one of the largest shipping companies in the United States. The wealthy sailor and entrepreneur pledged the stock portfolio from his family trust as collateral for a line of credit from the major New York banks, and invested $9 million to buy property in the Seaport, particularly in the Market Block located near the fish market. This arrangement collapsed in 1972 when the real estate market slumped, and the value of Isbrandtsen’s stocks fell. The outstanding bank debt grew to $12 million, and the lenders took steps to call the loan and foreclose on the Seaport properties. For the city, the default of Isbrandtsen was an opportunity to gain control and assemble several key parcels in the Seaport to advance the development plan of the Museum. The banks agreed to co-operate to avoid the bad public relations of a foreclosure. The Downtown–Lower Manhattan Association was now supportive of the Museum proposal for historic reuse of the Seaport. Leaders of this business group, such as Edmund Wagner, the chairman of Seamen’s Bank for Savings, joined the board of the Museum. In 1972, David Rockefeller of Chase Manhattan (the chairman of the Downtown–Lower Manhattan Association) joined Mayor Lindsay to announce the Manhattan Landing plan, an ambitious collection of development projects for lower Manhattan that included waterfront revitalization from the Brooklyn Bridge to Battery Park. The Seaport was a cornerstone in the plan’s vision for creating a 24-hour community in lower Manhattan.

The Brooklyn Bridge Southeast urban renewal area became part of the Manhattan Landing plan approved by the Board of Estimate that year. Within the urban renewal area, the plan created a special South Street Seaport zoning district [11]. This district essentially limited building heights in the blocks bounded by Burling Slip, South, Beekman, Water and Front Streets to a floor area ratio of five, which conformed to the size of the existing structures but was lower than the high density commercial floor area ratios of 10–12 and 15–18 permitted before in the Seaport. These three parcels became ‘granting lots’ where the owners could sell the air rights over their buildings and adjacent streets (which the city closed under the new special district rules) to six ‘receiving lots’ within the urban renewal area, located north of Peck Slip, west of Front Street and south of Burling Slip (see Fig. 1). The special district also established urban design controls that forbade construction along the Seaport waterfront above the cornice line of Schermerhorn Row. This created pedestrian space and preserved clear views from the ground of docked shipping vessels and the Brooklyn Bridge. The National Register of Historic Places listed Schermerhorn Row in
Figure 2. Original site plan of South Street Seaport Museum. (Source: John V. Lindsay Mayoral Administration papers, Office of the Mayor: Subject Files 1966–1973, box 15, folder 237, Municipal Archives of the City of New York.)
1971 and the entire Seaport district in 1972, strengthening the position of the city on the historical significance of the area.

With these new land-use regulations in place, the city entered into negotiations with the banks, as well as the developers who still owned Schermerhorn Row. While the banks were willing to sell the blocks they acquired through the Isbrandtsen default, the developers held out for a higher sale price. In 1973, the city issued $8 million in bonds to purchase land in the Seaport. The developers sold Schermerhorn Row and an adjacent block on the southeast corner of Fulton and Water to the city for $4.5 million, while the balance was used to compensate the banks, which kept the valuable air rights over the parcels. These unused air rights could then be sold to high-rise office developers within the urban renewal area. The city leased Schermerhorn Row, the Market Block, what was known later as the Museum Block, scattered parcels north of Beekman Street and the piers back to the Seaport Museum, which was designated as the sponsor of commercial projects in the district. The goal of the Lindsay administration was to help the Museum generate revenue through real estate development to support its operations and activities. For the city, the key parcel was the block adjacent to Schermerhorn Row. This was leased to the New York Telephone Company, which had just built an equipment building near the Brooklyn Bridge. The telephone company planned to erect a high-rise structure that would include a sidewalk retail arcade, a department store and an entrance within the store into the proposed Second Avenue subway. The Downtown–Lower Manhattan Association convinced transit planners to extend the proposed subway line down Water Street into the financial district. The telephone company signed a 10-year lease with an option to purchase the site for $8 million, which would retire the municipal bond issue. The annual lease payments of $580 000 for what was named the ‘Telco’ site could cover the city’s debt service and carrying costs.

This complicated transaction capped five years of actions taken by the Lindsay administration to preserve Schermerhorn Row, assemble land for a historic and maritime-orientated commercial district on the East River waterfront, strengthen the Seaport Museum and maintain the economic viability of the whole endeavour without direct public subsidies. The real estate downturn of the early 1970s worsened, however, with the onset of the recession and the New York fiscal crisis; the Seaport development plan floundered. The Seaport Museum lacked the capacity to carry out the plan, envisaging small-scale, parcel-by-parcel construction by individual developers as well as interested artisans who occupied loft space in some of the existing buildings. Fundraising was difficult, as the populist, private Seaport Museum competed for grants with the more scholarly, state-sponsored Maritime Museum. In addition, the Seaport Museum had lost its ownership claim (through Jakob Isbrandtsen) on the Seaport properties in the deal to avoid real estate foreclosure by the banks, and therefore could no longer expect any money from the sale of valuable air rights over the buildings. During 1974, Lindsay’s successor, Abraham Beame, sold Schermerhorn Row to the Seaport Museum, which then immediately sold it back to the state of New York to house the Maritime Museum. This transfer produced a $300 000 profit for the Seaport Museum that was kept in a fund to cover the anticipated future relocation costs of Schermerhorn Row tenants. Meanwhile, Beame cancelled spending for the Second Avenue subway proposal, and was under increasing pressure to eliminate the Mayor’s Office of Lower Manhattan Development to save money and avoid duplication with other municipal agencies. In 1976, it was combined with the other development offices
in the various business centres of the city to create a new Mayor’s Office of Development based in Manhattan.

From historic reuse to Pier 17: planning the festival marketplace

By the mid-1970s, the Seaport Museum changed its course for developing the site, abandoning the proposals to relocate the Fulton Fish Market and co-ordinate building-by-building rehabilitation with multiple developers, which was considered unworkable. Instead, a master developer would be used to implement the entire Seaport plan. For the Museum, this would simplify management of the project and provide greater control over design features. In 1975, a $5 million capital campaign was launched to rehabilitate buildings and piers in the district, based upon a 1973 Museum-sponsored site plan funded by Laurence Rockefeller (the brother of David Rockefeller). Foundation grants and private donations financed the creation of a paved park at Fulton and Water Streets, surrounding the restored Titanic Memorial Lighthouse, the renovation of shops in the Museum Block and repairs to Pier 16 for Operation Sail, a Bicentennial celebration of tall ships.

The Museum searched for a master developer, first contacting Van Arkel & Moss, a Philadelphia historic preservation firm that had previously advised the Museum and was nearly hired by the city of Boston to create the Faneuil Hall marketplace. However, this firm was unable to assemble a financial package for the Seaport project. The Museum then pursued the Rouse Company, the developer of the Fanueil Hall festival marketplace in Boston. Fanueil Hall was a huge success, opening in 1976 to an overflow crowd of 100,000 people, and drawing more than 10 million visitors in its first year (simultaneously with the Bicentennial celebration). Boston Mayor Kevin White was a key supporter of the project and the city of Boston gained a percentage of the profitable cash flow. Fanueil Hall attracted the white collar workers employed in Boston’s growing service economy, and catalysed subsequent waterfront revitalization and downtown development.

After contacting the Rouse Company, the Seaport Museum faltered again, and was forced to lay off staff and reduce its programming at the end of 1976, after running out of money. The Mayor’s Office of Development worked with the Museum to obtain $5.3 million in federal public works grants to continue the rehabilitation of the Museum Block and Pier 16. To consolidate the control of the city over the site, the South Street Seaport historic district was established. This protected all structures in the eleven-block Seaport area (including Piers 15, 16 and 17) from any alterations without the prior approval of the Landmarks Preservation Commission [12] (Fig. 3). Despite these accomplishments, tensions between the city and the private Seaport Museum increased. A 1977 municipal audit criticized the financial management practices of the Museum, in particular the failure to make rent payments to the city, and the use of the Schermerhorn Row relocation fund to cover operating expenses. Building code violations were a growing problem in the old and deteriorating structures, and some preservationists also found fault with the quality of the renovation work already completed by the Museum on the site. To move the project forward, the Museum relied on the leadership of several high-profile corporate executives who joined the board during the 1970s, such as James Shepley, the president of Time Inc. and a sailing enthusiast, and Virgil Conway of Seamen’s Bank for Savings. The deputy
The director of the Mayor’s Office of Development was hired as vice president of the Museum in charge of real estate development, helping to mediate relations with the city, allowing the Museum to focus on cultural activities.

The election of Edward Koch as mayor of New York in 1977 accelerated the implementation of the South Street Seaport plan. Koch was a strong supporter of preserving the Seaport throughout his political career, endorsing the landmarking of Schermerhorn Row during his election to Congress in 1968. Economic development was an important issue during the 1977 mayoral campaign, and the new mayor made the Seaport project a priority. During the New York fiscal crisis, the city was usurped in Manhattan redevelopment planning by the Port Authority of New York and New Jersey, which built the World Trade Center, and the New York State Urban Development Corporation, which was sponsoring Battery Park City and the New Convention Center in midtown [13].
Implementing the Seaport plan would be a highly visible accomplishment for the city that would create jobs, establish a new tourist attraction and revitalize the waterfront. In his first month in office, Koch visited Faneuil Hall in Boston and met with James Rouse. The city committed $100,000 to join the Rouse Company and the Seaport Museum in funding a feasibility study for the project.

Rouse asked Benjamin Thompson & Associates, the architect for the Faneuil Hall marketplace, to prepare a master plan for the Seaport. The architectural firm made three key recommendations: use Fulton Street as the pedestrian centre of the district, connecting the Wall Street area to the East River; build a new Fulton Market building at the corner of Fulton and South Streets; and reconstruct Piers 17 and 18 to hold a shopping pavilion on the edge of the river. The design of the two new glass-enclosed buildings would be historically compatible with the rest of the Seaport. Together with the other commercial and museum activities on Fulton Street in Schermerhorn Row and the Museum Block, this would replicate the synergy achieved by the three adjacent Quincy Market buildings of Faneuil Hall. The plan would produce approximately 250,000 square feet of leasable retail space in a contiguous commercial–cultural–entertainment complex. The initial scheme also called for a walkway over South Street and the Fulton Fish Market to connect the new Fulton Market to the Pier 17 pavilion. This ambitious emphasis on commercial development far exceeded the earlier visions of the Seaport Museum and the Lindsay administration planners, but the financial feasibility study predicted a strong market potential [14]. The expanding workforce of lower Manhattan, the increasing number of tourists to New York and area residents would generate demand. The strategic location of South Street Seaport in lower Manhattan is indicated in Fig. 4.

In 1978, after the feasibility study was completed, the Koch administration took two important steps to advance the Seaport plan. First, the city applied for a federal Urban Development Action Grant for the Seaport. This new programme was initiated by President Jimmy Carter to leverage private investment in older central cities. Important advocates for this grant application were Peter Solomon, an early Wall Street supporter of the 1976 Carter campaign whom Koch named deputy mayor for economic policy and development, and New York Senator Daniel Patrick Moynihan (elected in 1976), who was a keynote speaker at the 1968 Seaport planning conference. Second, Koch and Solomon began to reorganize and create a strategic framework for municipal economic development. The Mayor’s Office of Development was merged into the Office of Economic Development, and then was eventually superseded by the Public Development Corporation as the lead agency for the Seaport project. The Public Development Corporation (created by Lindsay in 1966 to manage city-owned industrial parks in Queens and Staten Island) became the focal point for the real estate development initiatives of the Koch administration. The city was still constrained by the fiscal crisis, however, so Solomon pursued a strategy of using municipal ownership of the Seaport properties to maintain a prominent role in leading and coordinating the project while relying upon other public funding, such as the federal urban development grant, infrastructure grants from the federal Economic Development Administration and financing from the New York State Urban Development Corporation, which owned Schermerhorn Row [15].

On September 27, 1979, Mayor Koch signed a development agreement with the Rouse Company, the Seaport Museum, and the New York State Urban Development Corporation,
Figure 4. Location of South Street Seaport in lower Manhattan. (Source: Edward I. Koch Mayoral Administration papers, Robert F. Wagner Jr. box, South Street Seaport file, Municipal Archives of the City of New York.)
outlining responsibilities for the redevelopment of the Seaport. By then, Mathias Devito had succeeded James Rouse as chief executive officer of the Rouse Company, while Rouse remained as chairman. The Seaport agreement called for the developer to build a new Fulton Market to replace the garage–warehouse facility that occupied the historic Market Block, a commercial pavilion on the reconstructed Pier 17, and a small retail building known as the Pilot House below FDR Drive and opposite Pier 16. Benjamin Thompson & Associates would design all three structures. Rouse would sublet from the Museum approximately 180,500 square feet of gross leasable retail space in these buildings, along with 42,000 square feet of new and existing retail space in the Museum Block and Schermerhorn Row and 19,500 square feet of retail space in an office/hotel tower projected for the undeveloped Telco block at Fulton and Water Streets.

The Seaport Museum would improve and expand its own space in the Museum Block and Schermerhorn Row, complete the physical restoration of the Museum Block, demolish the existing building on the Market Block and prepare the site for the construction of the new Fulton Market. The work in the Museum Block included the creation of Cannon’s Walk as an interior alley of shops and the erection of the cast-iron Bogardus building at the corner of Fulton and Front Streets. The Bogardus building was an infill replica of another historic structure formerly located in the Washington Market urban renewal area on the lower west side of Manhattan. This rehabilitation of the Museum Block was supervised by the architectural firm of Beyer Blinder Belle and James Marston Fitch, who founded the first university programme in historic preservation at Columbia University in 1965 [16].

The city would execute a new master lease with the Museum for the Seaport, apply for federal monies, make necessary street closings, fund public improvements and landscaping, adopt traffic control measures and construct a new Pier 17. It would also repair FDR Drive and the city-owned Fish Market stalls in the Tin building east of South Street and in the Market Block, and work with the Museum to minimize interference with Fish Market activities during construction. To protect the fish merchants and reduce costs, the architectural conception of an overhead walkway between the Fulton Market and the Pier 17 pavilion was dropped. The city would help to create the atmosphere of a festival marketplace by permitting the Museum to grant commercial concessions for pushcarts and street vendors on the closed sections of Fulton and Front Streets. The state of New York was responsible for renovating Schermerhorn Row and executing a new lease with the Museum for these buildings. The Urban Development Corporation gained title to Schermerhorn Row from the New York State Office of Parks and Recreation in 1979. Preservation architect Jan Hird Pokorny, another Columbia University professor, would direct renovation work. Pokorny was originally hired by the state-sponsored South Street Maritime Museum, which folded after this property transfer, unable to compete with the private Seaport Museum and its commercial plan for the area.

The next step for the Rouse Company, the Seaport Museum and the public agencies was to secure land-use approval for the plan. This complicated process involved:

- the preparation of an environmental impact statement to comply with New York City executive order 91 and the regulations of the New York State Environmental Quality Review Act and the National Environmental Policy Act;
• amendments to the Brooklyn Bridge Southeast urban renewal plan to reflect the changes made since 1973;
• amendments to the zoning ordinance that would allow the Museum to berth historic ships on the southern side of Pier 15, create a new category of permitted Fulton Fish Market uses and make additions and changes to the pedestrian improvements, building design and site controls contained in the special South Street Seaport zoning district;
• revisions to the city map of streets to create a pedestrian precinct and enhance the festival marketplace concept;
• the negotiation of a lease and public land disposition needed to develop the Telco block and preserve the Fulton Fish Market;
• and the designation of a consent area for the operation of city-regulated pushcarts, street vendors and sidewalk cafes.

Community Board One, the City Planning Commission, and the Board of Estimate reviewed these actions under the Uniform Land Use Review Procedure of New York. The citywide system of community planning boards enhanced local influence over land-use decisions [17]. In addition, the Landmarks Preservation Commission would regulate all building renovations, site improvements and new construction as the administrator of the South Street Seaport historic district.

Opposition to the Seaport plan came from four groups: artists living in Schermerhorn Row loft space, fish merchants and other businesses on the site, historic preservationists and area residents (mostly from Southbridge Towers adjacent to the Seaport). The Schermerhorn Row Artists and Residents Association argued for the development of an ‘urban cultural park’ of artist and related museum space within the block of historic buildings. After the artists gained political support through Community Board One and City Councilwoman Miriam Friedlander, the Seaport developers agreed to this general concept but rejected their proposal for a new contemporary art museum. Instead, the Urban Development Corporation agreed to create residential space within Schermerhorn Row and lease apartments to all of the existing artisan tenants at below-market rents. Small businesses within the construction area feared displacement, and the fish merchants in particular were wary of the intrusion of new commercial development. In response, the city arranged for changes in the zoning regulations and the development plan to preserve and rehabilitate the municipal-owned Fulton Fish Market. The designs for the Fulton Market building and Pier 17 pavilion were altered to incorporate existing fish commerce into both structures. Rouse also committed to either re-lease renovated space to several popular restaurants and shops in their existing Seaport locations, or provide new equivalent space.

Historic preservationists questioned the scale of the Rouse plan, arguing that it violated the intent and provisions of the 1973 special zoning district for the Seaport [18]. While the new construction complied with the building height regulations in the special district, the new Pier 17 pavilion was not contemplated. This tension over design was played out within the board of the Seaport Museum itself, which included architectural preservationists interested in the historic buildings, maritime preservationists focused on the historic ships, programmatic advocates who emphasized education and those with downtown interests who agreed to preserve a unique gathering place through adaptive reuse. Benjamin Thompson & Associates guided the rehabilitation of Faneuil Hall using the concept of adaptive reuse,
reflected in techniques such as modern windows and openings between buildings. But many Seaport advocates were interested in a more rigorous preservation approach, which the architects for Schermerhorn Row and the Museum Block strived to achieve. In the end, the real estate goals of the Museum prevailed over these internal conflicts.

To secure approval for the Seaport project through the Uniform Land Use Review Procedure and from the Landmarks Commission, compromises were made in the site plan and structural designs to accommodate the desire of preservation and civic groups to improve pedestrian access and views and retain historic character and integrity. The Municipal Art Society and the Parks Council criticized the glass sheds proposed for Fulton Street and the Pilot House for obstructing waterfront views and damaging the historical atmosphere. The compromise negotiated through the Uniform Land Use Review Procedure limited the height of glass sheds to one storey and moved the Pilot House south of Fulton Street. The City Planning Commission, unlike Community Board One, found the walking space in the proposed Fulton Street pedestrian mall to be adequate, but required the Rouse Company to create pedestrian corridors on the north and south side of the Pier 17 pavilion to guarantee alternative access to the eastern waterfront edge of the pier without entering the retail space. The Community Board succeeded in eliminating the south side of Schermerhorn Row from the consent area of pushcarts, street vendors and sidewalk cafes, reducing the total square footage for these activities from 18,790 to 14,860. The size of the pavilion and the bulk of the proposed tower on the Telco block were also criticized in the review process. Ed Koch had built working relationships with some of the civic organizations (such as the Municipal Art Society), which helped to bring about agreement on many of these issues. The concerns of local residents about traffic congestion in the Seaport area were addressed by promises of mini-bus routes, park-and-ride facilities and sites for tour bus layovers.

By November 1980, the city, state and federal environmental impact statement was complete and the project was approved by the Board of Estimate to conclude the Uniform Land Use Review Procedure, after Community Board One and the City Planning Commission made recommendations. The review process continued for nearly another two years, however, at the Landmarks Preservation Commission. The commission was chaired by Kent Barwick, a Koch appointee and former director of the Municipal Art Society who was involved in Seaport planning during the early 1970s as a Seaport Museum trustee. An important issue was the plan of the Rouse Company to build glass-enclosed retail space. These negotiations occurred as the federal Urban Development Action Grant application for the Seaport was jeopardized by budget cuts proposed by President Reagan (elected in 1980) [19]. The Landmarks Commission struck a deal to preserve the glass sheds on the new Fulton Market building in exchange for eliminating them on the Market Block. It overruled the Planning Commission to void tree planting on Fulton Street. The proposed changes to Fulton Street involved lengthy negotiations. Rouse wanted the streets and sidewalks at the same level, but the Landmarks Preservation Commission stipulated that the historic difference between the curb and the street should be maintained. The Landmarks Commission endorsed the design of the Pier 17 pavilion, however, and streamlined the approval process for exterior signage by certifying an overall signage plan and then delegating case-by-case review powers to the Museum and Rouse as space was leased. The Seaport plan received final public approval when the Landmarks Preservation

During 1981, the Telco block (located outside of the historic district) was sold to the developer Jack Resnick & Sons for $13 million. This transaction retired the 1973 city bond issue that bailed out Jakob Isbrandtsen and the Museum subsidiary, Seaport Holdings Inc. The Rouse Company decided not to acquire the site, and city officials recruited Resnick, who proposed to build a 35-storey office tower with ground level retail space leased and managed by Rouse. The building would be known as One Seaport Plaza.

The politics of public interest capitalism

The South Street Seaport Museum anticipated a stream of revenue from the waterfront festival marketplace to support its activities and programmes. The 1979 Seaport development agreement established general leasing provisions between the Rouse Company, the Seaport Museum and the city and state of New York, but these terms were renegotiated before the Board of Estimate approved a final lease in October 1981. The position of the Seaport Museum was weakened in 1980, when another municipal audit revealed that it was still not making any rent payments under its original city lease, nor was it repaying a $2.5 million loan made in 1976 by Chase Manhattan Bank, although this was apparently with the consent of the bank. The Public Development Corporation represented the city of New York in these negotiations. The Koch administration concluded that, in the past, the Public Development Corporation had offered modest rents and generous subsidies without receiving an adequate financial return. Its goal in the Seaport lease negotiations was to receive a return equal to the real property taxes and also obtain a significant share of the rent collected by the Museum from Rouse. The city was still wary of working with the Museum and would have preferred leasing the project directly to Rouse, as the Boston Redevelopment Authority did for Faneuil Hall. The failure of the Museum to honour the original city lease reflected its perception of itself as the ‘owner’ of the Seaport properties. The Museum fought hard to prevent a foreclosure and insert itself between the city and Rouse in the leasing and development of the festival marketplace. In doing this, the Seaport Museum relied upon three sources of political leverage.

First, the private Museum had accumulated community support since its formation in 1967, including the participation of corporate leaders on its board. In particular, James Shepley, the president of Time Inc., was a key figure in moving the project forward and preserving the Museum and the Seaport concept. Shepley played an important role in mobilizing assistance for the Seaport from Governors Nelson Rockefeller and Hugh Carey and the state legislature in Albany, when the city was ambivalent about working with the Museum. Second, the Museum exploited the competitive tension between the New York State Urban Development Corporation, which was sponsoring large Manhattan projects such as Battery Park City and the new Convention Center, and the up-and-coming Public Development Corporation, which sought to expand the role of the city in encouraging real estate development. The Museum supported the acquisition and renovation of Schermerhorn Row by the Urban Development Corporation to control the power of the city and reassert its own position as an intermediary in the project. Third, the Museum extended the
original invitation to James Rouse to develop the Seaport and worked closely with officials of the Rouse Company to design the plan and obtain the necessary approvals.

Under the final lease, the Museum created a subsidiary (South Street Seaport Corporation) to co-ordinate site development, lease the festival marketplace properties from the city, sublet the retail space to Rouse, and manage the project on an ongoing basis at the end of construction. The goal was to generate revenues from the Rouse sublease to pay for the operations of the subsidiary and help underwrite the budget of the non-profit Museum. But under this new lease, the city of New York would receive approximately two-thirds of the rents collected by the Museum from Seaport Marketplace Inc. (a subsidiary of the Rouse Company), plus 20% of other revenues generated by Museum activities. Also, the city took title to Schermerhorn Row from the New York State Urban Development Corporation and included these buildings in the final master lease with the Museum. As compensation, the state of New York would receive 20% of the city’s rents from the project until their acquisition and rehabilitation costs for Schermerhorn Row were paid off. This transaction gave the city of New York complete site control of the festival marketplace, fulfilling the desire of Ed Koch to package and present the Seaport as a municipal economic development project. The Rouse Company agreed to distribute one-half of its net cash flow (defined as gross receipts less debt service and operating expenses) to the non-profit Museum, but 20% of the Museum’s cash flow was earmarked for the city of New York. Also, the renegotiated lease allowed Rouse to deduct its base rent payments, operating losses and amortized equity from the net cash flow distribution to the non-profit Museum. Despite these new financial restrictions, the Seaport Museum projected that the proportion of their operating budget supported by real estate would double from 40% in 1981 to 80% by 1991, due to the sales potential of the festival marketplace.

With the approval of the master lease, public and private funding commitments were finalized. Jack Resnick & Sons would build the $176 million office tower on the Telco block with private funds. This completed the federal Urban Development Action Grant requirement to leverage private investment. All of the public subsidies for the Seaport were then used to develop the retail festival marketplace. The federal urban development grant would pay for the $15 million construction of the new Pier 17 to hold the retail pavilion of the Rouse Company. The remaining $5 million of this grant funded a loan to the Seaport Museum to renovate facilities on the site. Public works grants from the federal Economic Development Administration amounted to $4.3 million for Museum Block construction and $3.3 million for Fulton Fish Market repairs. The city of New York allocated $23 million of its own capital funds to improve waterfront pedestrian areas, South Street and sewer and water works in the Seaport. Finally, the state of New York committed $10 million for the rehabilitation of Schermerhorn Row.

The Rouse Company obtained a $90 million construction loan to build the new Fulton Market and Pier 17 pavilion, along with retail space in the Museum Block, Schermerhorn Row and One Seaport Plaza. Chase Manhattan (the lender for Fanueil Hall in Boston) and Citibank financed half of that amount at conventional interest rates, which at the time of the 1981 loan closing had soared to 17%. The other half of the loan was financed at a floating rate by a consortium of private pension fund investors. The Rouse Company would have no equity investment in the Seaport, instead using the construction loan proceeds to reimburse its predevelopment costs. This highly leveraged investment became
attractive for real estate syndication after the Economic Recovery and Tax Act of 1981, which expanded the federal tax shelter for syndicated limited partnerships through accelerated depreciation. But the operating costs for the project increased when the developer decided to use unionized operating employees, instead of non-union, under an agreement negotiated when Rouse purchased the Staten Island Mall in 1980.

Other private investment in the Seaport project included a $3 million multi-screen theatre in the Museum Block that was built by the Rouse Company and the Trans-Lux Corporation, $12 million in construction by Rouse subtenants and $8 million borrowed by the South Street Seaport Corporation (the Museum subsidiary) to develop office space in Schermerhorn Row and the Museum Block. Lloyds Bank International, one of the largest foreign banks in New York, agreed to lease 230,000 square feet of office space in One Seaport Plaza. A tax abatement request for this building was denied by the Koch administration, but the developer successfully leased the one million square feet of office space, securing an equity investment from a major tenant, Prudential-Bache Securities (the office tower was then renamed the Prudential-Bache Building). The plans for this office structure featured two building facades: an historic design facing the Seaport on the northeast, and an office design facing Wall Street on the southwest.

The Seaport was a $350 million development that was projected to create 1700 construction jobs and 4600 permanent jobs (1000 in retailing). The city expected to receive $8.5 million in annual lease payments and taxes by 1985, when the project was in full operation. This was less than the $10 million predicted by city officials when the Board of Estimate approved the project in 1980, but future lease payments were expected to increase the sum to that amount. Most public revenues would come from sales taxes, which the city and state predicted as $7 million per year, and Rouse projected as $8.5 million. The city would also collect a 6% commercial occupancy tax.

The first phase of the Seaport project opened to a huge public ceremony on July 28, 1983. Over 70 shops and street vendors occupied the new three-storey brick and granite Fulton Market building, the rehabilitated Museum Block and Schermerhorn Row, and the Fulton Street pedestrian mall. The tenant mix included small local stores that blended with the historic theme and identity of the area and selected national outlets. The new restaurants in the Seaport would draw Wall Street workers. The Trans-Lux Seaport Theater in the Museum Block opened in September 1983, presenting a multimedia introduction to the maritime history and activities of the area, such as the 70-year old Peking (the second largest sailing ship in the world, docked at nearby Pier 16). The controversial Pilot House, which critics believed would block waterfront views, was moved south of Fulton Street and reconstituted with a maritime rather than a retail image.

One Seaport Plaza was completed during 1984. This office building marked the entrance to the Fulton Street pedestrian mall, and trees were planted here (this was prohibited within the Seaport historic district). Because of the proximity to the historic Seaport, the office developer was required by landmark regulations to undertake an archeological excavation of the site. The large Pier 17 pavilion (extending 400 feet into the East River) finally opened in September 1985, after construction was delayed for a year by the need for deep piling into the riverbed (while simultaneously avoiding damage to subway tubes underneath). The three-storey glass and steel-framed commercial structure of the Rouse Company was modelled on the design of its Harborplace project in Baltimore, housing 120 stores and
eating establishments in an arcade environment that included national retailers. The pavilion scheme was criticized during construction for not adhering to the open space requirements of the original 1980 plan. The City Planning Commission recertified the design when Rouse created public promenades leading to open waterfront views.

During the Uniform Land Use Review Procedure, the Rouse Company committed to using minorities in the construction of the Seaport and later worked with city officials to recruit and assist minority-owned shops, such as the Beekman Street Bakery in the Fulton Street Market. Municipal legislation was enacted to permit the designation of special vending areas to encourage the formation of pushcart enterprises and sidewalk cafés in the Seaport festival marketplace. These areas would be regulated by the city, but were exempt from municipal vending requirements.

When James Rouse retired as chairman of the Rouse Company in 1984, the South Street Seaport was finally nearing completion. This festival marketplace contained 257,000 square feet of retail space on a 13-acre site: 125,000 square feet in the new Pier 17 pavilion, 60,000 square feet in the new Fulton Market and 72,000 square feet in Schermerhorn Row, the Museum Block and One Seaport Plaza. The final building site plan of the Seaport is displayed in Fig. 5.

The failed promise of the festival marketplace

By 1985, South Street Seaport led all urban and suburban Rouse Company retail centres in sales per square foot. The Wall Street boom of the mid-1980s strengthened its position as a lunchtime and afterwork destination for Manhattan office workers. According to a 1991 New York Newsday poll, South Street Seaport edged Central Park as the most popular summer tourist destination in New York. An estimated twelve million people were visiting this waterfront festival marketplace each year (one-third tourists, one-fifth local residents, with the balance from Wall Street). But the profitability of the Seaport marketplace was only marginal, and this eroded with the downturn in the New York economy between 1988 and 1992, when Wall Street lost approximately 100,000 jobs. Tenant turnover accelerated, some popular restaurants closed and the opening of the World Financial Center in 1988 (part of the massive mixed-use Battery Park City project along the Hudson River) created a competing retail node in lower Manhattan, with a larger residential population than the Seaport area. The Seaport project was generating $6 million in annual rental revenues and sales taxes for the city of New York, less than the $8.5 million projected in 1985 and $10 million when the Board of Estimate approved the project in 1980. The Seaport employed 3,500, also less than the expected 4,600 permanent jobs.

Its commercial emphasis and lack of profitability caused political conflict within the Seaport Museum, leading to a change in the philosophy of the institution after its long and ultimately unsuccessful struggle to use the festival marketplace to supply long-term operating revenues. The Museum decided to sever its ties with the Rouse Company and relinquish economic control of the project. Unable to capitalize itself through profits from the Seaport that were never realized, the Museum began to pursue a traditional philanthropic strategy of relying on private and individual sources of wealth. During 1993–4, it defaulted on the Seaport lease. The Museum subsidiary, South Street Seaport
Corporation, transferred the leasing and management of the festival marketplace to the New York City Economic Development Corporation and the leasing of the Fulton Fish Market to the New York City Department of Ports and Terminals. The Economic Development Corporation assumed the functions of the Public Development Corporation, under a reorganization of city agencies by Mayor David Dinkins (elected in 1989). These changes fulfilled the original city objective of structuring the development and management of the Seaport similar to Faneuil Hall in Boston, where the Boston Redevelopment Authority directly leased the city-owned historic buildings to the Rouse Company.

The Downtown–Lower Manhattan Association funded a new *Plan for lower Manhattan*, released by the City Planning Commission in 1993 [20]. This plan outlined public works expenditures within and around the Seaport district to improve access from Wall Street and recommended the commercial reuse of other city-owned piers on the East River south of the festival marketplace [21]. By then, the Rouse Company retenant and released much of its space at higher rents to mitigate cash flow problems caused by higher...
than expected development, financing and operating costs, and the economic downturn after 1988. High-end retailers affiliated with national chains that could absorb the higher rents increasingly replaced food vendors and some of the original historic theme tenants. By 1996, the entire Fulton Market building was vacated for renovations and new tenants. These changes gradually shifted the identity of the Seaport from a specialty historic marketplace to a suburban-style shopping mall. This upward pressure on rents intensified in 1998 when the Rouse Company converted from a publicly held firm to a real estate investment trust, a form of ownership that depends on annual operating returns (instead of tax shelters) to generate profits from real estate.

The South Street Seaport and other festival marketplaces developed by Rouse were heavily subsidized and demanded strong political and planning support from local governments. The federal Urban Development Action Grant programme became the most important source of financial assistance. When this programme was phased out by the late 1980s, 12 projects developed by the Rouse Company and James Rouse’s Enterprise Development Company had received $110 million in these federal grants, with the Seaport grant as the largest. Other government funds in these 12 projects totalled $168 million and, again, the Seaport was the most subsidized [22]. In Chicago, Oakland and other cities, local planners rejected proposals by Rouse and Enterprise. These planners were unable or unwilling to finance the public improvements and development costs through revenue bonds, tax abatements and capital funds [23].

Mayors, such as Ed Koch in New York, Kevin White in Boston (before the federal urban development grant was created), William Schaefer in Baltimore and Andrew Young in Atlanta, assembled land and financing for Rouse projects, defended these plans from opposition and agreed to provide ongoing maintenance, transit, infrastructure and marketing assistance [24]. In return for this support, Rouse gave the cities subordinated claims to any positive cash flow from the projects, which was consistent with the intent and design of the Urban Development Action Grant. Instead of selling land to the developer, which was the common practice in municipal urban renewal of the 1950s and 1960s, cities retained ownership and acted as the landlord, collecting rents from Rouse or through a third party such as the Seaport Museum in New York. Where African American or Hispanic mayors controlled local governments (such as Atlanta, Miami and New Orleans) and in Baltimore (where black voters were key in the public referendum on Harborplace), Rouse made pledges and established goals and targets for using minority contractors, hiring minorities during construction and upon completion and leasing space to minority-owned businesses. Rouse operated Underground Atlanta as a joint venture with two African American entrepreneurs and committed $500,000 to a venture capital fund established to finance Hispanic and African American merchants at Bayside in Miami.

Over time, the economic performance of the festival marketplace concept was weak, as profits were diminished by high operating and development costs. These projects struggled in smaller cities and where downtown office space was vacant. Festival marketplaces built by the Enterprise Development Company in manufacturing cities such as Toledo and Flint failed and closed, while the Sixth Street Market in Richmond removed Enterprise as manager after early troubles. In 1988, the Rouse Company formally abandoned construction of festival marketplaces, while Enterprise Development pursued projects overseas, where municipal urban renewal subsidies were more forthcoming.
The pioneering festival marketplaces in cities such as Boston and New York relied upon an expanding banking and financial sector for political support and as a source of demand for retail shops, restaurants and offices. Where there was political controversy over the use of public funds for these and similar downtown projects, local planners were forced to explore alternatives to the heavily subsidized downtown development model exemplified by the festival marketplace [25]. But the economic and political power of the finance and real estate sector continued to prevail in most situations, even during periods of economic downturn [26]. By the 1990s, publicly financed sports stadiums and arenas (and, in some cities, waterfront gambling casinos and other recreational facilities) became the newest symbols of American downtown development, fuelled by the powerful entertainment and tourism industries [27].

Notes and references

4. This account is based upon interviews conducted by the author during 1993 with city planners and officials of the South Street Seaport Museum and the Rouse Company, as well as newspaper articles about the project, planning documents and materials from the Municipal Archives of the City of New York, the annual reports of the Rouse Company, and other sources cited in the article. The author presented a paper based upon this article at the 1995 conference of the Society for American City and Regional Planning History.
12. The Seaport historic district was expanded in 1989 to include a parcel that the Board of Estimate had removed from the original historic district approved by the Landmarks Preservation

13. S. S. Fainstein and N. Fainstein, *op. cit.* [7].


15. The New York State Urban Development Corporation was established (with the strong backing of Nelson Rockefeller, the governor of New York) after the assassination of Reverend Martin Luther King Jr. in 1968. The Urban Development Corporation was empowered to implement urban renewal projects and build lower income housing in the suburbs, with the authority to override local zoning.


21. Municipal budget cuts under Mayor Rudolph Giuliani (elected in 1993) delayed the implementation of this plan. Giuliani (previously a federal prosecutor) launched another investigation of organized crime in the Fulton Fish Market.


