THE COOPER UNION
ALUMNI PIONEER

Cooper's Strategy through 2007

by Don Toman, EE '55

Abstract
Don Toman, president of the CUAA from 2005 to 2007 and non-voting observer of Board meetings, summarizes the financial strategy, what went right, and what went wrong. Renegotiation of the Chrysler Building lease and sale of 26 and 51 Astor Place went as planned. The crash of 2008, the delayed construction at 51 Astor Place, the construction over-runs, the lackluster capital campaign, and the institutional operating expense over-runs derailed the strategy. Don believes the tuition issue is a smokescreen for a hidden agenda.

Don Toman, past president of the Alumni Association from 2005 to 2007, attended Board meetings as a non-voting member. The current Alumni Association president and the four elected alumni representatives do not necessarily get to attend subcommittee meetings, such as the Finance Subcommittee.

From 2005 through 2007, the Board was well aware of the deficit and had a strategy in place at the time of the last Board meeting I attended. The strategy did not include charging tuition. No strategy can include that, as it would be unlikely that the City and State would continue to allow Cooper to collect Payments in Lieu of Taxes (PILOT) if it were to charge tuition.

The strategy was and still is to utilize Cooper's real estate assets to produce cash flow. That involved several things:

- Renegotiate the Chrysler Building lease so that there are preset rental price resets over time.
- Monetize property owned by Cooper to take advantage of PILOT. and rental income.
- Build a new facility on City-owned land and, except for the Foundation Building, vacate all academic facilities on land owned by Cooper Union.
- Run a capital campaign to cover cost of constructing a new building.

What went right:

- The CB lease was renegotiated with Tishman-Speyer.
- Land at what is now 26 Astor Place was leased to a developer who constructed a 26-floor commercial residence building.
- Land at the site of the engineering building (51 Astor Place) was leased to a company (Minskoff) that was to build a commercial space. The 99-year lease was completed with an up-front payment.
- The new academic building was constructed successfully and occupied by The Cooper Union.
- A mortgage to cover the cost of the new academic building was completed. It's held by Met Life at favorable rates and payment schedule.

What went wrong

- The crash of 2008 has depressed assessed real estate values so that PILOT income has decreased.
- The tenant at 51 Astor Place has not constructed the expected building, so there is no income from PILOT as expected.

- NYC pressed to reduce PILOT on land other than the Chrysler Building to 50% of assessed value. They succeeded.
- Improvements to the Foundation Building cost more than planned.
- The capital campaign (which was vastly over sold by the administration) produced less than promised.
- Costs of running the institution have exceeded prudent growth rates.

I believe the issue of tuition is a smokescreen for a hidden agenda.

> You can fool some of the people all of the time, and all of the people some of the time, but you cannot fool all of the people all of the time. – Abraham Lincoln

The current version of this document can be found at <http://www.notnicemusic.com/2007_strategy.pdf>. The original version was posted on November 14, 2011.

The Alumni Pioneer, <http://www.notnicemusic.com/Cassandra/cooper.html>, is a virtual newspaper with breaking news stories and links to analyses, sources and the media. It is written and formatted in an inverted-pyramid newspaper style to facilitate quick access to what is deemed the most important information. The abstract was added on January 28, 2012.