NOT New York MAGAZINE

By **Barry Drogin**

It is the most boring story imaginable. Yet it is a story featuring a long list of some of the most famous people and landmarks. It is a New York story, a quintessential New York story, one that New Yorkers love to read about. And it is, in every way, a story about money, which is why it is both a boring story and a quintessential New York story.

One of Cooper Union's most famous graduates, Milton Glazer, was recently featured in a *The Village Voice* front-page story about what it means to be a New Yorker. If you don't know who Milton Glazer is, you don't deserve to be called a New Yorker. A simple phrase will suffice: I Love New York.

It was Milton Glazer who provided the opening statement in The Great Hall at an event called "Free Cooper Union: A Community Summit." The event featured students, faculty, and alumni of The Cooper Union, all uniting for the same cause: preserve free education at The Cooper Union. Milton Glazer, a trustee emeritus of the college, a specialized college that offers undergraduate degrees in art, architecture, and engineering, gave a speech that was different than all of the other speeches. His speech had been vetted by the administration of the school. He reiterated to the crowd what the newly-appointed president of the college had told the "Cooper Union Community" and the media – that charging tuition at the "full scholarship" school was truly a "last resort." Out of respect, he wasn't booed.

The speaker originally scheduled to open, the president of the alumni association, Peter Cafiero, whose day job is Chief of Operations Planning for New York City Planning, undoubtedly one of the toughest political jobs in the city, graciously agreed to close instead. The event dragged on for far too long. A clock that was supposed to let speakers know when their allotted time was up kept seizing up. A bell was rung instead and was routinely ignored by presenters. The speakers were supposed to be done by 8pm; instead, with no intermission, it dragged on until 10pm. Many in the audience had left. And when Peter Cafiero told the crowd that they shouldn't concentrate on the past, on the disastrous decisions that had brought them all to the present, but concentrate on the future, on solutions to rescue them from the precipice, he was booed.

The organizers of the Community Summit had to pay for use of The Great Hall. They sold T-shirts in the lobby, with the design of a volunteer Cooper alumna, to defray the costs. The T-shirt showed a wolf suckling Romulus and Remus, the founders of Rome, with the words "Keep Cooper Wild" emblazened at the top. To many, the pictoral reference may have been too esoteric. For others, the slogan may have reminded them of the HighLine.

Diller and Scofidio, the visionary architects of the HighLine, are Cooper Union royalty. So are Daniel Libeskind, master planner of the World Trade Center site, and Nanako Umemoto. The long-time dean of the architecture school was John Hejduk, the theoretician who has imbued in all graduates of the architectural school a Cooper Union style that is immediately recognizable – to

architects who look at architectural drawings. Hejduk's projects were primarily theoretical, but they were brilliant and world-renowned. One project he did get built was a renovation of the interior of the Foundation Building, the landmarked structure that was the original home of The Union when it opened in 1859. He ripped out its guts and installed a white, modernist interior. He shifted the axis of The Great Hall, where Abraham Lincoln made the "Might Makes Right" speech that catapulted him to the national scene and led to his presidency. He installed in a round shaft a custom elevator. Peter Cooper, who designed and built the original building, assumed that someone would eventually invent an elevator. He just presumed it would be round, which is why the shaft had stood vacant for 110 years.

It was David Gersten, a protege of John Hejduk, who could be counted as an alumnus, a faculty member, and as an administrator, as he had also served as interim dean of the architectural school after Hejduk's retirement, who delivered the most eloquent speech of the evening. Using architectural metaphors, he said, "It is not that The Cooper Union holds up free education but that free education holds up The Cooper Union."

Cooper's art school is associated with its share of big names: Hans Haacke and Lee Krasner and Alex Katz and Eric Drooker (famous for his cover art for *The New Yorker*). Augustus Saint-Gaudens, who sculpted the statue of Peter Cooper at the Foundation Building entrance, was an early Cooper grad. In the field of graphic design, there is Herbert Lubalin, Louis Dorfsman and, of course, Milton Glazer.

Half of "The Union for the Advancement of Science of Art," the original name of the school, is an engineering school, and engineers are not so famous, but can be as accomplished. Albert Nerken and Irwin Chanin, Mischa Schwartz and Stanley Lapidus.

Not all architects become starchitects. Most artists don't make it, and it is rare for a graphic designer to attain the fame of a Milton Glazer. Engineers may use engineering to rise from the lower class to the middle class, but most don't become famous inventors or entrepeneurs. Because of its specialized schools, because of the nature of the three disciplines, The Cooper Union has a 1% problem. The philanthropy of the 99% cannot meet the philanthropy of the 1%. That's all right. As Marilyn Hoffner, the retired director of development and alumni relations put it, "You get to keep your first million, Cooper gets your second million." As its founder, Peter Cooper, the inventor of things and inventor of philanthropy put it, "If now and then some of us don't give a little too much, how shall we make up for those who give too little?"

It is the rearrangement of millions of dollars that led Cooper to its current precipice. Cooper experienced a similar crisis in the recession of the seventies, just as it was carrying out Hejduk's gut job of the Foundation Building. It eliminated its graduate program. It eliminated its Physics degree program, which allowed it to lay off tenured faculty but led to the creation of a faculty union. And it sold off Green Camp, a thousand acre tract in Ringwood, New Jersey, that become a beloved site for survey classes, camping trips and reunions. Like Bronx residents and Robert Moses, there are still some alumni who will never forgive President White for selling off Green Camp to save the college.

At the millenium, Cooper faced a similar set of problems. It owned the Chrysler Building, a gift from Edward Cooper, Peter Cooper's son, and Abram Hewitt, Peter Cooper's son-in-law. Under a unique deal with New York City, The Cooper Union collected rent from the Chrysler Building, and also its property taxes, as assessed by the city's Department of Finance. Historically, half of Cooper's revenues had come from this single gift, and the rest had come from its non-real estate endowment, the "quasi-endowment." And that was the problem. Unlike other colleges, Cooper couldn't just raise tuition during tough economic times. It sold off other real estate assets. It sold off equities and depleted its quasi-endowment. When Dr. George Campbell arrived in 2000 to become president of the college, income from the quasi-endowment was at an all-time low, as was the quasi-endowment itself, about to fall below $100 million, not a desirable state for a college with an operating budget of $40 million, with only $12 million coming in from the Chrysler Building rent and PILOT (Payments In Lieu Of Taxes).

In hindsight, it may be easy to criticize what transpired between 2000 and 2006. A lot was risky, but risk was needed. Reviewers from the Middle States Association, in charge of the accreditation of the school, wrote in the summer of 2003, "Many financial plans for the college have come and gone without achieving their goal of balanced budgets and financial health. This one must and should succeed....[The financial plans] are ambitious. If successful, they will finally put the institution on a sound financial footing. If not successful, the institution is in peril."

In the same report, the reviewers wrote, "The Periodic Review Report includes a mission statement that was approved in 2000. It reconfirms the traditional picture of Cooper Union as committed to outstanding programs in its three schools, offered to gifted students without tuition, and enhanced by the urban setting. It also reaffirms the commitment to being an intellectual and cultural center for New York City. This mission is appropriate to the institution and in line with the missions of the three schools. It is not entirely clear what role, if any, the mission statement played in developing the institution's strategic plan for 2001-06. They are not inconsistent, but neither does the mission seem to strongly and explicitly guide the strategic plan. It may be that there is such strong internalization of the elements of the mission that it was not necessary to be explicit about it in the strategic plan."

In 2006, the Middle States Association was satisfied and renewed the colleges' accreditation. In 2008, President George Campbell bragged that Cooper had achieved its first balanced budget, and was given a significant performance bonus by the Board of Trustees of the college. In 2011, the new president of the college, Dr. Jamshed Bharucha, announced that the college might go bankrupt in two or three years, that the mission of the college might have to be changed, that the college needed to "reinvent" itself to survive. What happened?

The strategic plan, known as the Master Plan, had "several interconnected initiatives," in the words of Alan Halperin and Maria Vullo of Paul, Weiss, Rifkind, Wharton & Garrison, LLP, Cooper's attorneys. A capital campaign was launched to raise $250 million; by 2006, it had already raised $129 million. The administration committed to reduce operating expenses; by 2006, it could be shown that operating expenses had not risen as much as the higher education price index (HEPI), an index created in 1971 by the Commonwealth Institute to help trustees justify why it was okay to let college prices rise faster than the consumer price index (CPI). The college vowed to increase annual giving; the director of external affairs bragged that 30% of Cooper Union graduates gave back to the college in 2008, more than twice the national average for specialized colleges.

$90 million of the capital campaign was to be placed into a building fund to create a new engineering building at 41 Cooper Square, across Third Avenue to the East of the Foundation Building. Here's where the interconnection really starts. After three years of work with Community Boards 2 and 3, followed by a seven-month Uniform Land Use Review Procedure (ULURP), Cooper got permission to tear down the Abram Hewitt Building at 41 Cooper Square and build a New Academic Building (actually referred to as the NAB). The old engineering building at 51 Astor Place, across East 8th Street to the north of the Foundation Building, would be torn down and sold to a developer, who would include 40,000 square feet of space reserved for academic use, presumably to relocate the administration offices from 30 Cooper Square, on the other side of Fourth Avenue to the south of the Foundation Building. Meanwhile, in 2002, Cooper got the Related Companies to finance a 21-story luxury condominium at the site of a parking lot across Fourth Avenue to the west of the Foundation Building. The Cooper Union owned the building, but Related got a 99-year lease, paying Cooper $11 million the first year but just one dollar for the remainder of the lease period. Related also paid its property taxes to Cooper instead of to the city, just like the Chrysler Building.

This is also why the Middle States reviewers were so confused. The three schools at Cooper, art, architecture, and engineering, are individually accredited by three accrediting agencies, NASAD, NAAB, and ABET, respectively. There was criticism of the lack of individual studio spaces for the non-freshman art and architecture students, but no criticism of the engineering building facilities. In the New York City real estate market, it was understood that providing shared studio space was inevitable. How was creating a new engineering building going to serve the mission of the college?

Similarly, prior to the Master Plan, Cooper had leased space from the Kamenstein Holding Company to build student housing. Traditionally a commuter school, Cooper got the Dormitory Authority of the State of New York to issue $18 million in 1996 bonds to finance the building of the dorms, including a new space for the St. Mark's Bookshop. Whether the Residence Hall was intended to increase geographical diversity at Cooper, increase the number of applicants to make Cooper appear more exclusive in its admissions policies, or get access to a better pool of student applicants was unclear. The Residence Hall did include an AlumniSpace which was often used as a free hotel room for potential donors from out-of-town.

Cooper also got $11.5 million in 1999 DASNY bonds for a major renovation of the landmark exterior of the Foundation Building. Luckily, the college was subject to restrictions in taking on additional long-term debt. But that's where the final interconnected initiative of the Master Plan came into play.

In the words of Cooper's attorneys, the college proposed to adopt "investment strategies designed to invest prudently liquid assets to maximize returns while preserving principal." In November of 2005, the Middle States Association accepted the monitoring report and reaccredited The Cooper Union. Their next visit wasn't scheduled until the 2007-2008 academic year. On September 6, 2006, The Cooper Union, which had just convinced the Middle States Association that its Master Plan was on track, that operating expenses were under control, told a very different story to the Supreme Court of the State of New York. It filed a *cy pres* petition for relief from the New York Estates, Powers and Trusts Law. Cooper wanted to mortgage the Chrysler Building.

In the *cy pres* petition, the Cooper attorneys told the Supreme Court that Cooper was in a "grave fiscal crisis." It had an "immediate need to modernize facilities ... which may challenge its accreditation." The attorneys made a series of statements which, individually, were true, but inferred that it was the engineering building that threatened Cooper's accreditation. Certainly, reasoned Carl Distefano of the Attorney General's office, Cooper's "ability to maintain its accreditation will be seriously compromised" if they opposed the *cy pres* petition.

Back in 2003, Cooper did something else that it never told the Middle States Association or the Supreme Court of the State of New York about. In fact, it was so well hidden that it has confused *The New York Times* for a year. It "changed its accounting policy for recording the value of investments in real estate," according to audited consolidated financial statements recently released to the press. Instead of valuing its real estate at cost, it would use the "fair value" of its real estate. This added $146 million to the endowment. This also allowed The Cooper Union to invest $3 million in a hedge fund.

Investments by educational institutions in hedge funds had become very popular. But hedge fund managers know how risky these investments are, so they insist that their institutional investors have at least $100 million in their endowments before they'll allow them to invest. The Cooper Union only had $80 million in its quasi-endowment. Now it suddenly looked like it had $226 million.

Aside from providing housing for students from out-of-state, Cooper had a complex about its status. Sure, other artists, architects, and engineers had heard of the place and knew about the quality of its graduates, and it routinely was at the top of lists of prestigious undergraduate colleges, but the national and international stature of Peter Cooper, whose death in 1883 plunged the entire city into mourning, had lapsed into relative obscurity. In 2009, The Union would celebrate its sesquicentennial. Opening the NAB in 2009 would be the perfect 150th birthday present.

Construction prices were rising, and Cooper had gotten Thom Mayn of Morphosis to design the first LEED-Platinum building in New York City. There was only $40 million in the $90 million building fund, but by mortgaging the Chrysler Building, Cooper could take out a $175 million loan from MetLife. It retired the DASNY bonds. It arranged for a Guaranteed Maximum Price with Sciame for construction of the NAB. It poured $75 million, then $100 million into the hedge funds. It renegotiated a 150-year lease for the Chrysler Building struck in 1999 with Tishman Speyer Properties to lock in a $25 million hike in rent in 2018, with additional hikes every 10 years. 2018 was also the year that it would start paying down principal on the $175 million loan. It got $97 million in advance in lieu of rent from Minskoff Equities to develop the old engineering building site. The 2007-2008 budget was balanced. In January 2009, The Cooper Union would launch a year-long celebration, culminating in the opening of the NAB. The large fees it had paid to pull off all of these real estate deals and bond retirements and loan agreements and reward the investment managers were worth it. But then, between the end of the academic year in June 2008 and the start of the birthday party in January 2009, something very bad happened: the crash of October 2008.

It took only three years for everything to go wrong. Instead of $250 million, the capital campaign raised under $200 million. Somehow, despite the $115 million Guaranteed Maximum Price, the NAB ended up costing $165 million to build, going so over-budget that its LEED-certified Platinum energy-efficient design couldn't be fully implemented. Renovating the interior of the Foundation Building went over-budget, as well. The old engineering building, intended to be replaced and paying property taxes by 2012, wasn't even demolished yet.

The two last pieces of the interlocking initiatives of the Master Plan are the most disputed. How much money did the quasi-endowment lose in the hedge funds? The version told to the *Wall Street Journal* and CNBC, that Cooper did better than other colleges might be true, but other colleges had larger endowments. A new trustee told the Cooper Union Community that Cooper lost all of the gains in 2006, 2007, and 2008 in the crash. One thing is clear: the quasi-endowment, after the capital campaign, the loan, and the Minskoff deal, was only $140 million in June of 2011 - $106 million in 2000 dollars, using the CPI (much less using HEPI).

The other matter under dispute is how out-of-control the operating expenses of the college rose between 2006 and 2011, once the Middle States Association stopped their monitoring. As long as the quasi-endowment was growing, it didn't seem to matter that expenses were rising right along with them. After the crash, expenses continued to rise, and at rates well above the CPI and the HEPI. Most of the dispute centers around how much of the rise is "paper," non-cash accounting items like depreciation. The bigger part of the dispute is how much of the rise is due to the hiring of non-academic personnel, including a new development office whose job it is to compensate for the failed capital campaign and the quasi-endowment losses.

To add confusion to the mix, President Campbell announced his retirement, and *The New York Times* ran a story about how he had balanced the budget in 2008 before the crash (technically true for one year) and increased the endowment from under $100 million to over $600 million (apples and oranges, given the change in accounting policy). The work of a presidential search committee came to naught, either because no one wanted the job, or the Board of Trustees didn't like any of the candidates.

Then, in one weekend, a new president was hired. Trustee Stanley Lapidus, an alumnus, successful inventor, and teacher at Tufts, called up their provost, Dr. Jamshed Bharucha, on a Saturday morning, and met him for lunch at a Chinese restaurant in New

Hampshire on Saturday afternoon. Dr. Bharucha was flown out to New York City the next day to meet with the Board of Trustees, and offered the job that evening. The amazing story is told by Dr. Bharucha himself in a YouTube interview with someone from Tufts.

In this interview and in subsequent interviews with Education Update, trustee Daniel Okrent and WNYC's Brian Lehrer, Dr. Bharucha was less than discrete. When asked about his accomplishments at Tufts, he listed items that are echoed in his subsequent calls to implement a "reinvention strategy" at Cooper. When asked about the full scholarship for all policy at Cooper, he refers to it as a "cherished aspect" of the institution that isn't as important as "access" for the lower class. Media coverage of Cooper was fixated on the failing St Mark's Bookshop, which Cooper was subsidizing to the tune of $100 thousand a year. To stop the negative publicity, President Bharucha struck a deal with Manhattan Borough President Scott Stringer to increase the subsidy to $130 thousand for one more year.

President Bharucha also decided to teach a class. He chatted with his students about how the Deed of Trust didn't require that the day schools be free. The college historian cast doubt on whether Peter Cooper actually said that education should be "as free as air and water" (an academic exercise, as Peter Cooper did say that The Cooper Union must be "open and free to all"). Someone changed the mission statement on the college's website, somehow the students found out that the date of a Board of Trustees meeting had been moved up, and a panic ensued amongst rumors that the Board would suddenly announce that Cooper would start charging tuition. On Halloween 2011, after giving an exclusive to *The New York Times*, President Bharucha announced to the students (and some alerted alumni) that, without serious action, the college might have to close in two or three years. All attention was focused on the revenue side. President Bharucha also announced a hiring freeze, except for those positions "absolutely critical to the reinvention strategy." The students demanded a meeting with a representative of the Board of Trustees, and a week later Chair Mark Epstein, accompanied by a lawyer who was a trustee, answered questions at an open forum, blaming alumni for the crisis. The press was not allowed in, and Epstein, a former Alumni Council president, had scheduled the open forum at the same time as an Alumni Council meeting. Later, the administration would claim that they did this so that alumni attending the council meeting would be in town for the open forum. Epstein hoped to calm the students by telling them that they had a contract with Cooper, that all students currently enrolled would have a full scholarship until graduation.

A profusion of social media websites sprung up once the rumors were confirmed. The alumni were in shock. Many alumni taught at the college, and there was a multi-generational tradition as well, with alumni hoping to send their children to Cooper. The backlash was much stronger than anticipated.

Perhaps the biggest miscalculation was the most obvious. The low admissions rate meant that Cooper only accepted and graduated the best students. The students and alumni and faculty were smart and creative. The students staged a protest, mounted an art show, created a satirical website and a hilarious YouTube video. The faculty union provided financial information. Alumni performed research and published exposes. Meetings closed to the press were tweeted and posted to YouTube. The community summit in the Great Hall was front page news in *The Villager*, and an adjunct professor wrote a passionate and well-researched piece for *Brooklyn Rail*. *The Village Voice* first mocked the students, then wrote that preserving the full-tuition scholarship at The Cooper Union was "inevitable."

The alumni learned quick. By holding meetings at college facilities, they attracted faculty. By offering free food, they attracted students. They scheduled a second Community Summit in The Great Hall with a prestigious panel to announce publication of a 30-page document unifying the stakeholders of The Cooper Union called "The Way Forward."

The new president had other plans. Short-circuiting his own process, a week before the second Community Summit, he asked the Cooper Board of Trustees for permission to charge graduate students tuition. Two days before release of "The Way Forward," he announced the decision to *The New York Times* and *The Wall Street Journal*. AP picked up the story and it went national. To cover up the mismanagement of the school by his predecessor and themselves, the Board would unilaterally change the mission of the college. To divert attention away from the "reinvention strategy" language, the change at Cooper would be called a "framework."

The press assumed there was no alternative. Who has time to read a 30-page document? The new president even had the guts to claim a silent majority that didn't think charging tuition was a big deal (later, 98% of alumni voted on a resolution in favor of keeping the college free). Alumni President Peter Cafiero got his revenge by writing an e-mail to all of the alumni embracing the "framework," although he had spoken at the first community summit, watched the alumni council unanimously vote against tuition at Cooper, and knew that members of the council and of his own executive committee had created "The Way Forward."

Only in New York.

POSTSCRIPT: December 2012: eleven students lock themselves in the Cooper Clocktower, garnering national media attention. April 2013: Epstein announces that the full-tuition scholarship for all will be reduced to a 50% scholarship based on a fake sticker price of $40K. May 2013: hundreds of students stage a sit-in of the President's Office, lasting 65 days, the longest sit-in in the history of the US. The trustees allow a student to be elected to observe their meetings. To end the sit-in, a Working Group with elected representatives from all stakeholders is formed to provide an alternative to tuition. January 2014: the Working Group Report is rejected. May 2015: a petition is filed in NYS Supreme Court to stop tuition and Bharucha throws the alumni association off of the campus. August 2014: the State Attorney General launches an investigation into the trustees and presidents criticized in the petition. September 2014: the first tuition-paying undergraduate students start classes. September 2015: the AG files a cross-petition, providing findings of fact that both Campbell and Bharucha had lied to the trustees and the press, while the trustees had not exercised sufficient oversight. Bharucha, Epstein, and four more trustees resign, three more are removed by the AG. The unions gain representation on the Board of Trustees, the now independent alumni association gains the right to elect the Chair of the Board, and two new trustee committees are formed to find a path to free and prevent mismanagement in the future. The second class of tuition-paying undergraduate students start classes.