THE COOPER UNION
ALUMNI PIONEER

Exit Through the Gift Shop

by Barry Drogin, EE '83

Abstract
The author rambles on about how funding Cooper is different from generating revenue. Cooper is characterized as "a portfolio of Manhattan real estate holdings with a college attached." After Cooper loses its PILOT, the author suggests selling off all of the remaining real estate holdings except for the Foundation Building, which will continue to house the Great Hall, the Library, the Gallery, and be devoted to providing paid internships to local college students. He pledges future financial support to the Library.

In late 2012 in *The American Conservative*, Ron Unz wrote an article about Harvard University, "Paying Tuition to a Giant Hedge Fund," in which he claimed that Harvard had transformed itself "into one of the world's largest hedge funds, with some sort of school or college or something attached off to one side for tax reasons." The author went on to cite "Internet gossip" that a $5M donation would gain Harvard admittance for a reasonably competitive applicant, and $10M for anyone. The author cynically concluded by suggesting that Harvard instead auction off a single spot to an under-qualified student and let the remaining "few thousand deserving students" attend "as a minor community service."

In 2008, Brad DeLong had a similar criticism of Harvard, and an anonymous Internet commenter with the tag Bloix wrote, "Harvard is an investment bank with a mom-and-pop non-profit enterprise attached to it for tax purposes. Of course it should be taxed. And what happened when the tax idea first came out? The admin couldn't move fast enough to cut tuition, so as to garner some sympathy for its tax exempt status. Even the recent cuts are painless. Harvard could reduce tuition for every undergrad to zero - like Cooper Union - and its endowment would continue to grow."

In 2013, Felix Salmon on his Reuters blog picked up on the theme, leading to the implication that Cooper was, in fact, a portfolio of Manhattan real estate holdings with a tax-free not-for-profit college attached. Cooper had additional concerns, because, in addition to not having to pay property taxes on the buildings in which its educational enterprises operated, Cooper was granted the right to collect the property taxes on properties it owned where no educational enterprises were occurring. It has been a strange arrangement, whereby the NYC Department of Finance assesses taxable properties, and then those assessed payments are provided to The Cooper Union as "payment in lieu of taxes" (or PILOT). This PILOT – which is a significant source of yearly income for the college – came under serious legislative threat under the Lindsay administration. The PILOT principle extended beyond the Chrysler Building to 26 Astor Place, and was so tenuous that Cooper lawyers negotiated an agreement with New York City that when 51 Astor Place receives its Certificate of Occupancy, the college will split the property taxes on both 26 Astor Place and 51 Astor Place with the city, 50/50.

With the decision to start charging tuition to students in September 2014, the PILOT on the Chrysler Building and Cooper's other properties is again under legislative threat. A plan to institute austerity measures at the college was rejected as too risky compared to the guaranteed revenue flow from student tuition.

The series of real estate blunders – with hedge funds thrown in to make it just that much worse – has been documented elsewhere. But words act as frames, and "revenue generation" has been the language of the trustees and its psychologist Chief Operating Officer for two years.

It is a fundamental difference between charitable not-for-profit institutions and institutions that exist for cultural and educational reasons. The Red Cross and the Jewish Federation do not seek revenues, they seek funding. On their Form 990s, they have to account for how much of each dollar raised goes toward their mission, and how much goes to pay exorbitant management salaries and towards elaborate fundraising campaigns. In addition to gift shops, large cultural institutions like the Metropolitan Opera and the Metropolitan Museum seek revenue streams from recordings, art sales, and space rentals. Universities seek revenues from research grants and patents and, of course, students.

Funding, by its very nature, is not "financially sustainable," to use the trustee logic, and is therefore inherently risky.

The Cooper Union was certainly not founded as a financially sustainable institution. First, Peter Cooper slowly acquired the land under the plot that contains the Foundation Building. Then he paid to build the Foundation Building, also donating railroad tracks from his foundry as steel beams. Then, until the day of his death, he continued to plow money into The Cooper Union, funding it each year as needed. It is estimated he may have contributed as much as one million dollars towards its founding and continued operation.

It is true that, in addition to that one million dollars, The Cooper Union had other sources of funding, although they were dwarfed in size. There was retail space on the ground floor, and the top floors were occupied by a printing business. There may have been some minor fees relating to infractions of the use of the Reading Room. Some wealthy parents paid to have their daughters audit the drawing and painting classes, although those women stayed away from the typewriters and telegraphs that were used to train the "industrial" students. A telegraph company even paid some teacher salaries.

The early trustees never confused these minor revenue sources with the mission of the institution, which consisted of an extremely popular Free Reading Room, a Great Hall which featured constant well-attended lectures, and a day and night school for which the demand was always greater than the supply. There was also an exhibit space, a collection that eventually would be sold to the Cooper-Hewitt Museum, even a large whale which was eventually sold or donated to the Museum of Natural History (not the specimen currently on display). The early trustees took particular pride in enumerating the earnings each year of the female day school students, who were paid for their work in class.

After his death, Peter Cooper's son and son-in-law, Edward Cooper and Abram Hewitt, partners in a business funded by Peter Cooper, became the institution's primary benefactors, along with Andrew Carnegie. In the early twentieth century, Cooper's heirs and Carnegie's heirs fought with each other over who would be the most generous benefactors of The Cooper Union. After Abram Hewitt's death, at the end of the gilded age, robber barons similarly competed to fund the institution.

This largess led to the growth of the institution. Two stories were added to the Foundation Building, and the retail and commercial tenants were moved out to make room for more students and classes. The land under the Hewitt Building was acquired and a structure built in honor of the deceased Mr. Hewitt to house more students and classes. A day school of engineering was established to supplement the engineering night school. Land in midtown was donated to the institution, and when the Chrysler Building was built on its land, the tax revenues on the property went to the college, not the city (the afore-mentioned PILOT).

Other properties adjacent to the Foundation Building and Hewitt Building, including the afore-mentioned 26 Astor Place and 51 Astor Place, as well as a donation from the Green family that came to be known as Green

Camp, were acquired. 26 Astor Place provided revenue as a parking lot. 51 Astor Place became the site of an engineering building, and Green Camp was used for land surveying and landscape painting classes.

Over time, various assets were sold, including the art collection, Green Camp, and development rights at 26 Astor Place and 51 Astor Place. The government became a source of additional funding. In addition to PILOT, Cooper started to seek scholarship money awarded to its students, started to charge students minimal fees, and got cheap financing from DASNY for various construction projects. There were large donations from benefactors named Nerken and Chanin, whose names are emblazoned on Cooper diplomas. Unfortunately, Cooper also started to treat its employees badly, so badly that by the twenty-first century the college had three unions, one for the full-time faculty, one for the part-time faculty, and one for the staff. Although this was the norm in under-funded public colleges, this was highly unusual in a private college.

More and more, The Cooper Union did come to resemble a portfolio of Manhattan real estate holdings with a college attached. In 1998, the Middle States Association criticized the college for not having an over-all mission statement that guided all of its decisions and plans. At that time, the Master Plan was presented to the MSA representatives by the President and CFO in the President's office. In 2000, a mission statement was ratified, and in 2003, the MSA wondered what the link was between the mission statement and the Master Plan. They needn't have wondered – there was no link.

Similarly, the Capital Campaign of 2000 had little connection to the mission of the college. The primary gist of the Capital Campaign was naming opportunities, starting with the Rose Auditorium, continuing to the CV Starr Research Foundation (formerly the Cooper Union Research Foundation), through to numerous classrooms, staircases, galleries, and other spaces in the New Academic Building, including an Alumni Terrace where visitors could step on the names of donors, the larger the font size, the larger the donation. A notable exception was the Cooper Union Institute for Sustainable Design – real estate developer Jack Rudin chose to keep his name off of that one.

Lots of people made money off of The Cooper Union during the Capital Campaign – lawyers, bankers, hedge fund managers, real estate developers and managers and builders and architects, as well as non-union Cooper staff. These payments blossomed to over 50% of the Cooper Union budget, although you wouldn't know it from the Cooper Union Consolidated Financial Statements or the Form 990s. The portfolio of Manhattan real estate holdings with a college attached did an excellent job of hiding its cash flows from most of its trustees, the Attorney General, the Middle States Association, and the federal government. The Cooper heir sitting on the board is a senior asset manager in the Real Estate Investment group of J.P. Morgan with degrees in economics.

It was only later that the hostility of the funders to the mission became known. Originally, in the words of its founder, Cooper was to be "open and free to all." In the words of the first annual report, "no applicants will be rejected, unless the rooms are crowded, in which cases the preference will be given to the working classes." The open door policy immediately led to difficulties – demand was overwhelming, and only a fraction of the students were able to complete the course of study. Decades later, the problem was solved by instituting an admissions process where only the applicants most likely to succeed were admitted. This logical step led to the creation of the meritocracy, and, in the evolving terminology of the times, the "scholarship." In the mission statement of 2000, the scholarship remained, but all reference to preference for the needy disappeared.

It isn't that needy students didn't apply and weren't accepted, but Cooper got money from the government for those students, and provided additional funding of its own, some from restricted endowment funds. But as public schools were defunded in New York City (by both the city and the state), the quality of applicants shifted from needy students to students from New York's middle class. To keep it selective, the trustees even brought "geographic diversity" to Cooper by building a Residence Hall, although most New Yorkers know that "geographic diversity" is a policy used by out-of-state colleges to keep the number of students from New York and other diverse cities limited. The hostility of funders to middle class students was palpable. Gifted needy students from New York could get better "packages" elsewhere (and live the middle class teenage dream of moving out of their parents' apartment).

These realities led to the death of the funding model and the establishment of the revenue model. An arbitrary tuition sticker price was attached to the college (it tripled in 2003), and an arbitrary 50% scholarship was applied to that sticker price (an even bigger joke, because, on average, students nationwide are charged 45% of the published tuition price). Guaranteed student loans would become the revenue source with the least risk – to Cooper.

Or so it is assumed. Despite being offered a bailout by the Cooper Union community, the trustees affirmed their decision to start charging tuition to students in September 2014.

The reactions are various. Art alumni are encouraging students to come to Cooper not to learn how to create art but to learn how to organize student protests. There are calls to remove Peter Cooper's name from the institution. Legal action against the trustees is threatened. A new Capital Campaign is being launched, not to fund the "mission" – no one even knows what the mission is, anymore – but for new naming opportunities for the new "revenue generating" for-pay educational programs that the Cooper Union hopes to launch. Maybe, like the CUISD, some will have their start-up costs funded by groups of donors, or by donors who don't want their names so emblazoned. Who will fund the new Cooper Union Computer Science undergraduate degree?

This could all come crashing down very quickly. If it does, some assets cannot be sold, such as 26 Astor Place and 51 Astor Place, since their only value is the lost PILOT. The Chrysler Building (without its PILOT) and the Residence Hall could be sold. Although it is hard to imagine a buyer for a building so festooned with names, the New Academic Building could also be sold. What, then, is a vision for a Cooper Union stripped back to the Foundation Building?

Given the malfeasance and deception, it is most likely not a college. With no degree-granting programs, the tenured faculty and most of the part-time faculty, as well as everyone at 30 Cooper Square, would be gone. The portfolio of Manhattan real estate holdings, and the trustees who enjoyed playing games with them, would be gone. There would be a landmarked Foundation Building and an endowment from the sale of the other real estate assets. That endowment could be used as follows:

- The Great Hall would continue to provide free lectures, perhaps supplemented by offerings from an Associates of The Cooper Union, which would be provided with office space.
- The Library would remain as a free reading room, open to the public like a Barnes & Noble café, as well as digitizing its holdings for on-line access.
- The Houghton Gallery would remain as a free exhibit space for engineering, architecture, and art shows.
- The remaining spaces of the Foundation Building would be devoted to providing paid internships to students attending other New York City colleges. In agreement with the founders, these internships would be provided on a first-come first-served basis, with preference for the working classes.

I was elected by the engineering alumni of The Cooper Union to represent them on a Working Group that provided a plan, report, and presentation on how to preserve the mission of the institution, a mission that no longer exists. The "college" plans on creating a new mission statement and a new strategic plan – it hopes to remain a portfolio of Manhattan real estate holdings with a college attached. A college needs students, faculty, staff, and a reputation. The college has already decided it does not need its alumni.

You may not find it surprising that, at some time, all of Cooper's constituencies turned against the Library. Rip it out and put retail on the first floor again; rely on the "consortium" to provide any Library resources. The Expense Reduction Task Force, The Way Forward, and the initial proposals from trustees Lincer and

Borkowsky all recommended killing the Library. After the sit-in ended, the Alumni Office refused to issue any more alumni IDs, and tried to make access to the Library by appointment only (this policy has been massaged; supposedly, alumni who don't have IDs can have the guard call the Library and they will confirm, on-line, whether the visitor is an alumnus). The Working Group was the only group of stakeholders to stand up for the Library.

The administration relies on the laziness of groups, on how people accept "truthiness" when it comes from an authority figure. "I've been reading Peter Cooper's memoirs," stated the new President, although such a document barely exists, is written in barely decipherable long-hand, and rambles on while revealing nothing. "Prior to 1902, the college did charge tuition," a meme which various news outlets (and activist students) interpreted as literally meaning that in 1901 the college wasn't free (the Free Since 1859 campaign and statements from the Cooper historian, librarians, and other Cooper researchers has tried to kill that meme). The Library, under The Cooper Archives, has published the Annual Reports of the Trustees of the Cooper Union, but hardly anybody has read even the first one. Similarly, the Business Office posts the Consolidated Financial Statements and the Form 990s, confident that no one will read them. Who has the time?

As a final show of good faith – with the uncertainty of large unreimbursed surgical bills still hanging over my head – I gave a large sum of money to the Annual Fund under the Free Since 1859 campaign, and I did everything I could to urge others to do so. I will remain proud of being a Cooper Union alumnus, as someone who attended the college "when it was free." I will be sponsoring an annual trip to Peter Cooper's grave, on the third Sunday of every April, to watch him spin. I am not going to direct funding to the engineering school, the art school, or the architecture school, or give money to the Annual Fund or the Capital Campaign. But I am going to find some way to keep the Library, its librarians, and the digitization of the Cooper Archives alive. The trustees have killed off Peter Cooper's legacy, but I will not let them kill off the truth about who Peter Cooper was and what The Cooper Union was. That is my exit pledge.

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