



## MEMORANDUM

**From:** University Space Priorities Working Group

**To:** Faculty Senators Council

**Re:** Answers to Questions from FSC

**Date:** November 6, 2013

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Note: All questions from the FSC have been reproduced as received. The Working Group has added thematic sub-headers to the questions.

### **Question: NYU Real Estate Holding**

Did you (the USPWG) ever ask for, and receive a complete list of NYU's real estate holdings in the 5 boroughs? The answer I got was that they got "a list of available properties," but that's not the same. It seems to me that all the properties should have been on the table, with some removed subsequently, for good reasons.

*The Working Group has not asked for a complete list of NYU's real estate holdings in the five boroughs. Early on, the Working Group determined that our focus should be the area in and around Washington Square, what we refer to as the Core. As indicated in the Interim Report, we view the Core as the nucleus of University life, "a precious and irreplaceable asset," especially with respect to undergraduate education.*

*We have examined all the NYU properties in the Core, those that NYU owns, those NYU will soon own (like the Forbes building), and those NYU leases. We have also looked at properties available for purchase near the Core, including one with just over 100,000 gross square feet listed at over \$40 million, and one with over 180,000 gross square feet listed at over \$140 million. Leaving aside financial considerations (i.e., the cost of acquisition plus extensive renovations), we concluded that neither building would suit NYU's needs: the former because it was too small to accommodate large-footprint space needs; the latter because zoning regulations would prohibit its use for undergraduate teaching. We revisited real estate opportunities in the neighborhood of the Core at our second meeting this fall. The same two buildings are still on the market. There are no new options.*

### **Question: Availability of Information**

Why has it taken so long for the USPWG to obtain the information that it needed to issue their report? The assumption is that the administration had all the info necessary to formulate a plan and study alternatives, and therefore could turn it over to the USPWG quickly and easily. So what new information did they need? And why didn't the administration consider this information in their original planning?

***While much of the data reviewed by the Working Group were available from the very beginning, some data had to be compiled anew, refreshed, or provided in a different form, such as information on classroom inventory and scheduling, student spaces, fundraising, and details regarding building operations and management, in some cases in order to address specific issues raised by faculty.***

***Crucially, the WG decided not to draw its data from the documentary material and final report submitted by NYU to the New York City Council, but instead chose to assemble its own data set and related information. We continue to ask for updates on budgetary and financial variables, real estate opportunities in the Core, academic space, fundraising, residential needs, and University operations.***

***The University has responded to every request for data fully and promptly. We quickly received basic data on the University's Capital and Financing Plan, which we reviewed and posted to the public in November 2012, just a month after we first convened. Because we were interested in both quantitative and qualitative data, we also carried out interviews with deans, faculty, students, and university administrators.***

***The University presumably did consider the same type of information during the original planning, but again, we considered it part of our charge to gather our own data set and not work off the submitted material, and to respond, in particular, to concerns raised by our faculty members and by those we interviewed.***

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### **Question: Assessment of Alternatives**

What alternatives to those presented in the USPWG's interim report were considered? The report presents no comparison of alternatives, so the reader gets the impression that only one alternative is possible. That is implausible, and unconvincing. The result is that the report reads like a promotional piece, not a study by academics, who would certainly consider several alternatives.

***The Interim Report was intended to provide the community with a summary of our findings as of June 2013. It is not our final word. The findings and recommendations in***

***the Interim Report are based on the Working Group's consideration of the following alternatives, most of which are referenced in the Interim Report.***

- i. Moving general classrooms and academic units involved in undergraduate teaching to locations beyond the Core (i.e. the financial district or midtown) (p.6);***
- ii. Purchase and renovation of available real estate options in or near the Core, as well as real estate opportunities outside the Core (see "Real Estate Opportunities in the Core");***
- iii. Changes to classroom scheduling to include starting classes earlier in the day, and running more classes on Fridays and weekends (p. 8);***
- iv. Converting administrative office space in the Core to general classroom space and/or student study space (p.7);***
- v. Consideration of leased space vs. owned space for academic, administrative, and residential uses;***
- vi. Reduction in the overall size of the University (number of students and faculty, as well as the range of academic programs) to reduce the demand for space, deciding that any strategic analysis of such a significant change to the University was beyond our purview.***

***The Final Report will include a more detailed discussion of each of these alternatives, as well as an Executive Summary.***

#### **Question: Long-Term Space Planning at NYU**

One of the first questions I had when looking over this report involves the current state of long-range planning and project management at the university level.

This space shortage problem did not happen overnight.

According to footnote 8 in the report, NYU undergraduate enrollment has increased from 15,000 to 22,000 students over the last 10 years (i.e., an approximately 46% increase). Footnote 10 reveals an astonishing 300% growth in the number of enrolled students at the Tisch Institute for the Performing Arts since 1983. Meanwhile there has been little or no corresponding increase in the NYU general classroom pool?

If, as John Sexton has been saying for many years, NYU is a tuition-driven school and growth is predicated on increasing the number of students paying tuition, then why wasn't there someone in the Administration ten years ago planning for this large growth in the student population?

This kind of underlying "big picture" problem at the university administration level concerns me because it appears quite common at NYU. This poor university space planning represents yet another example of past large-scale projects and initiatives that were not thought through completely and have gone wrong (e.g., NYU-Abu Dhabi, etc.).

What projects and initiatives is the administration planning for the university today without the proper faculty and project management input and long-term planning? How long will New York University be paying for (and cleaning up) the mistakes of this autocratic, top-down management and administrative structure?

***We cannot comment in detail on how the University has conducted its strategic planning over the past decade. But we can offer some insights.***

***The documents we have examined, which have been available to the University community since they were published, indicate that concerns about adequate space date back to the start of President Sexton's time in office (see, for example, "Academic Space Committee, Transition Team Report (2002), and NYU Framework 2031 (2008). Over the past decade the University has relocated administrative units to create more academic space in the Core, and added new space, or renovated old spaces for academic units such as, Genomics (the first new science building at NYU since Meyer Hall was built in the 1970s), Linguistics, Politics, Social and Cultural Analysis, English, Philosophy, Journalism, and Economics. Some 1,600 beds for students were converted from leased to owned residence halls. Classrooms were added to the lower levels of Bobst. (This is a partial list).***

***It is our expectation that the process we have adopted – availability of all documents and meeting summaries to the whole community – will become one of the standard mechanisms by which the faculty and other NYU stakeholders play a role in long-term planning.***

**Question: Salvage Value of Coles Site in the Event of a MOOC takeoff or other Major Disruption**

If MOOCs were to suddenly take off and threaten the existing form of the university, what would be the salvage value of the buildings? For example, are they zoned for educational purposes or can they be converted into apartments or offices and sold? How much of a loss would result if the projects had to be abandoned at some point?

***If the future of the University were threatened in a substantial way, whether by MOOCs or some other major changes in undergraduate education leading to significant reduction in enrolment or revenue, a variety of options are imaginable.***

***First, it's important to remember that if capital projects had to be curtailed or postponed, south block construction is only one of many projects that might take place over the next 10 years. The Interim Report includes a recommendation that the University schedule construction with flexibility to scale back or postpone projects in the event of unforeseen or unexpected developments.***

***The south block is zoned to allow for housing, community activity, as well as retail/commercial. Based on current market assumptions, at roughly \$300 per square foot, the***

***Coles Site would sell “as-is” for a little more than \$300 million. However, in order to sell the land to a private developer, the University would need to obtain permission from the City. As a result, it would be more likely that the University would consider selling other properties first, such as the Mews, 730 Broadway, or Silver Towers, buildings that might yield a more substantial return, and that those present the University with landmark or zoning restrictions limiting conversion to other uses.***

***The Working Group provides this answer only to point out that in the event of major changes in enrollment and undergraduate education patterns, the University would consider a number of options. We don’t plan on making any detailed recommendations with respect to how the University should respond to major disruptions, except to say that academic space should always take priority.***

***It’s worth pointing out too that if MOOCs became a real alternative to in-class instruction, they would be unlikely to have the same impact on performance-based academic programs, one of the priority academic needs for construction on the south block.***

#### **Question: Classroom Size & Pedagogical Models**

Why are the projected classrooms for the Coles site so large? Why is NYU acceding to the worst practices of teaching: impersonal, huge classes in which liberal arts are poorly conveyed, where there is little professor-student interaction, and where there is endless possibility for students to just get lost in the shuffle?

***The question implies that large instructional spaces necessarily translate into the “worst practices of teaching,” and that the Working Group is endorsing a shift to such a model. We have made no such recommendation. We have based our calculations on an assessment of the prevailing pedagogical practices at NYU.***

***The Interim Report identifies priority needs that require a large footprint. NYU faces a shortage of large lecture-style classrooms for current needs, and some of the spaces now being used – Skirball, for one – are less than ideal. There is a shortage of both large and small classrooms. The Final Report is likely to include a recommendation for the addition of smaller classrooms.***

***The question focuses on the “liberal arts,” but the Working Group is charged with considering the space needs across the University as a whole. The performing arts especially need larger and more variable space for performance and teaching. Undergraduate and graduate classes in acting and dance, for example, have been poorly served by being held in spaces designed for other purposes.***

***As our work has progressed, we have developed a better understanding of the relationship between classroom size and pedagogical practices. Even in the case of***

***smaller classrooms, there are tradeoffs to consider. Seating configuration, in particular, substantially changes the average square footage per student. A 20 seat, fixed-seat, lecture style classroom requires 350 assigned square feet, whereas a 20 seat movable-chair discussion classroom requires 500 assigned square feet. A group work classroom for the same number of students requires over 700 assigned square feet. In other words, fixed-seat, lecture style classrooms, as opposed to classrooms with movable chairs or group discussion tables, offer the most efficient use of space per student. If pedagogical practices were not a factor in calculating academic space, we would likely recommend fixed-seat, lecture style classrooms as the best and only classroom configuration.***

**Question: Space Planning: Overview, Role of Schools, and Assessment of Priorities**

In what capacity did School Deans contribute to the original space needs assessment that formed the basis for the proposed building plan?

According to the original needs assessment, what is the current available square footage of academic space available per school, and at what capacity (days per week/hours per day) is the space currently being used?

What were the specific space requests submitted by each School, for what purposes were the requested space designated, and what proportion of space needs would be fulfilled given the request?

What was the sum total of the space requests (square footage), and what proportion of that space was allocated for each purpose (classroom spaces, performance space, meeting space, etc.)?

Under the proposed building plan, what proportion of space needs will be met for each school, which space requests are given priority and why?

***Planning for space needs takes place at the School and University level simultaneously, with Deans making specific requests for new or renovated space that reflect school priorities. Internally, Deans work with faculty representatives and department heads to develop these requests, with the process differing significantly from school to school.***

***At any given time, the number of proposed school and University projects exceeds the space and financial capacity of the University. The Working Group has not reviewed the annual school plans showing the full list of space requests submitted since we are not charged with reviewing the specific decisions to prioritize certain academic programs over others. What follows is a brief account of how these requests are handled within the structures that exist at the University.***

***The starting point for these reviews are the schools' annual Strategic Academic Plans, in which each school presents its aspirations and plans for academic development. Each plan focuses on the school's academic dimensions and objectives, how proposed***

*academic initiatives fit within the school's long-term plan, and how they advance teaching and research excellence. Internally, Deans work with faculty representatives and department heads to develop these requests, with the process differing significantly from school to school. In addition to plans from the schools, the University administration identifies University-wide needs, such as those for library, IT, classrooms and student spaces.*

*School plans are reviewed by the Provost (and by the Executive Vice President for Health for the schools of medicine, dentistry, nursing) in consultation with the senior leadership of the University. The University leadership is responsible for coordinating and prioritizing academic development across the University, for aligning academic initiatives with overarching University values and strategies, and for prioritizing associated capital projects with respect to their claim on University and school resources. The financial envelope for each project typically consists of a combination of school resources, University resources, philanthropy and University borrowing, assessed against competing priorities and the University's overall financial capacity.*

*Once a project is approved, it is reviewed by the Space Planning Working Group (SPWG), an advisory committee co-chaired by the offices of the Provost and the Executive Vice President for Operations (not to be confused with the University Space Priorities Working Group (USPWG)!). SPWG conducts detailed planning, working with the school, University space designers and engineers, and school and University budget offices to develop space needs, consider alternate locations, timetables, and design parameters, and fine-tune cost estimates.*

*Despite a certain similarity in our initials, the University Space Priorities Working Group has not undertaken any analysis of the relative merits of many of the projects proposed at these different levels. Instead, we have based our assessment of current space needs on the projects that have passed through the phase of University review. The best summary of those projects is the document entitled "[Academic Needs in Washington Square Campus Core \(New and Incremental\)](#)" (see website).*

*We cannot provide a breakdown of space use or space needs by school for a number of reasons. The majority of the classroom space - arguably the most important type of academic space - is managed centrally and shared between the schools. Our recommendation that the University make academic space the highest priority for construction on the south block is meant to address this University-wide need. But the relationship of general classroom space to school need varies substantially. Some schools have virtually no classroom space of their own, while others can service much of their teaching needs with proprietary space. One of the Working Group's interim recommendations is that the amount of proprietary classroom space should be reduced, a measure that might be considered a burden to those schools with proprietary classroom space and a benefit to those without such space.*

***To determine whether the proposed building plans satisfy each school's needs for space, we would presumably be required to review each school's original request for space. We can safely assume that the proposed building projects – by which we mean all the capital projects proposed for the next ten years and not just construction on the south block – will not satisfy all school needs.***

**Question: Space Shortages, Needs, and Recommendations, as well other Options**

Everyone seems to agree that there is a shortage of space at NYU, but of what size and what sort? What is the current shortage (square feet) of classroom space? Performing arts space? Lab space? Faculty office space? Space for student studying, research, and activities? Others? (Can you please also tell us how this data was obtained---e.g., comparison with peer institutions, survey of faculty/deans/students, etc.?)

What is the projected future shortage of space over the next 10-15 years? Under what assumptions on the growth of the student body and the faculty body have these numbers been arrived at?

In light of the space shortages identified above, what is the proposed allocation of the new space that will be built (in square feet)? How much will go towards classrooms (and of what sorts)? Performing spaces? Faculty offices? Faculty meeting rooms? Student dorms? Other student spaces? Administration offices?

Apart from building on the Coles site, what were the alternatives considered by the USPWG? For example, was the possibility of taking over an existing large building in the neighborhood like St Vincent's envisioned? Why or why not? Was the possibility of constructing in multiple smaller-scale sites considered?

***The calculations with respect to space were based on current need, as opposed to on estimated need in the event of growth in the student body or the faculty. The current shortage of classroom space reflects a need for both large and small classrooms, as well as different classroom configurations (for example, a 20 person fixed-seat, lecture-style classroom requires 350 square feet, while a 20 person seminar style classroom with movable chairs and tables may require as much as double the amount of space).***

***We have based our calculations on data from the University, including the document entitled "[Academic Needs in Washington Square Campus Core \(New and Incremental\)](#)", as well as documents on current utilization rates for general classrooms, and information from the Registrar's Office on classroom assignment. Our assessment continues and we will have more to say about small classrooms needs in the Final Report. The Interim Report highlighted space needs for the following:***

- ***325,000 gross square feet ("GSF") for classroom/academic needs;***
- ***130,000 GSF for large multi-use classrooms;***



- *195,000 GSF for studio, production, and performance space;*
- *40,000 GSF for student study and student life spaces;*
- *150,000 GSF for a new, multi-purpose replacement for the Coles Sports Center.*

*The need for studio, production, and performance space has been a top priority for Tisch, as well as other schools, for more than a decade. The data on student study space are derived from a variety of sources, including a report from Bobst Library which shows that NYU has 3,000 study spaces for students, roughly 6,000 fewer than the standard benchmark of 0.25% per student. Our interim recommendation does address the whole of the shortfall. A single, reliable figure for the shortage of faculty office space poses a different challenge: do we include those academic departments that are currently in leased space, such as Sociology and Wagner, for example? The view of the University's Space Planning Group is that academic departments should be housed in owned space whenever possible. The Working Group agrees with that principle.*

*At present, our recommendations for the south block do not include space for faculty offices or faculty meeting rooms, unless one considers general classrooms suitable for the latter. We have not recommended any space for administrative offices on the south block, nor are we likely to do so in the Final Report. The Working Group concurs with the University's on-going effort to replace Core administrative space with academic space, such as classroom space and department space. Of all the space needs, administrative space has the lowest priority, both in terms of location near the Core, and in terms of owned vs. leased space.*

*The Working Group has considered all properties available for purchase near the Core, including one with just over 100,000 gross square feet listed for more than \$40 million, and one with over 180,000 gross square feet listed at over \$140 million. Leaving aside financial considerations (i.e., the cost of acquisition plus extensive renovations), we concluded that neither building would suit NYU's needs: the former because it was too small to accommodate large-footprint space needs; the latter because zoning regulations would prohibit its use for undergraduate teaching. Of the other alternatives referred to in the question, such as small-scale sites, none is available in the Core, nor could they accommodate large footprint needs. The St. Vincent's Hospital site sold for \$260 million in bankruptcy court in 2011 and will be converted into luxury condominiums.*

#### **Question: Fulfillment of Current Space Needs**

Will all current need for space be met by construction on the south block? If not, why would you recommend construction? Will additional construction be required?

*Construction on the south block – even at maximum density – will not address the current list of University space needs, though much depends on how that list is defined. For example, the Wagner Graduate School of Public Service and the Department of Sociology are currently located in leased space in the Puck building, who's lease is unlikely to be*

*renewed. The expansion of academic space within the Core is also dependent on the relocation of administrative offices to space outside the Core. There are also new construction projects outside the Core to serve current academic programs. The south block could not accommodate all of these needs for space, and was never intended to do so.*

*If the recommendations of the Interim Report are adopted, construction on the south block would address a critical need for academic space, as well as student study space and meeting space within the Core. New construction will also dramatically improve the quality of NYU's main athletic facility and provide the University with the means better to serve the broader community during local emergencies. But the Interim Report's recommendations do not address whole categories of space, such as student housing or faculty housing.*

#### **Question: Student Residence**

Why can't a student dorm be located someplace other than Manhattan where land may be cheaper? Example: Williamsburg.

*Williamsburg offers one possible location for a student dorm someplace other than in Manhattan. There may be other places within the five boroughs that are even less expensive than Williamsburg, which also provide reliable access to public transit.*

*We haven't investigated in detail the cost differences between locating student residence halls inside or outside the Core for two reasons: first, because from the perspective of acquiring land, nothing is cheaper than the superblocks since they are already owned by the University; and second, because the literature on student residence life suggests that distance from campus is a significant variable in the quality of a undergraduate's college experience, a point that NYU students have emphasized repeatedly in meetings and discussions with the Working Group.*

*The NYU residential experience consists mostly of freshman and sophomores. Just over 90% of the students in each freshman class live in residence halls, some 4,500 of the roughly 11,000 residential students overall. Third North, one of the dorms furthest from the Core, houses roughly 1000 freshman. Third North also features apartment-style units, regarded by student life professionals as less well-suited for freshman.*

*There is also recent evidence that a residence hall in the outer boroughs is not an attractive option to students. This past August, one week from the beginning of Welcome Week, 300 undergraduates (mostly new transfer students) whose housing requests could not be accommodated at any of NYU's Manhattan residential halls were offered guaranteed housing at Poly's Othmer residence hall in Brooklyn. The average price per semester of a double room at Othmer is about \$2,000 less than the average price of a double-room at NYU's Manhattan residential halls. None of the students took the offer.*

### **Question: Morton Williams Site and School Partnership**

It is notable that the entire discussion of the possible K-12 public school on the Morton Williams site occurs in Part I of the report regarding space needs and is not mentioned at all in Part II regarding stewardship. Was this a conscious decision? In Part I the report states that the “SCA has until the end of 2014 to decide if it wants to partner with NYU to construct a building with 170,000 square feet of usable space.” What is the nature of the contemplated partnership? Is the idea simply that the University would make available the relevant space or has a more active role been considered? I would have thought that the University’s stance on this question relates crucially both to stewardship issues with respect to the broader community as well as quality of life issues for University students and employees. For example, has there been any discussion or consideration of whether the University might step forward and voice an affirmative desire to take a leading role in designing a genuine partner school with the Department of Education? At its best one could imagine a K-12 public school to which the University contributed meaningful educational resources (e.g., through student teachers, curriculum development, enrollment in NYU classes for qualified high school students, etc.), which alleviated school overcrowding in the broader community and also served as a zoned school (at least at the elementary level, possibly beyond) for children of University affiliates. In this regard it seems the report might consider discussion of the nature and impact of the relationship between the School of Medicine and the highly desired Salk School. This may not have been the intent but at present the report reads as if the SCA is operating on a completely independent decision track and it would be in the best interest of the University if the SCA chooses not to exercise its option (in which case the University would need only to devote 25,000 sq. ft. rather than 100,000 sq. ft. to broader community uses). To ask the question most bluntly, what is the bottom line view of the Working Group on whether it is in the University’s interest to have a public school constructed on the Morton Williams site? If the answer is that it is not in the University’s best interest, how does this relate to the broader discussion of stewardship?

***The City of New York’s approval for construction on the superblocks requires NYU to enter into a construction partnership with the School Construction Authority, if that agency decides to build a public school on the Bleecker Street (i.e., the Morton Williams site). The School Construction Authority has until the end of December 2014 to make that decision. NYU would take possession of the below-grade space should construction proceed at the request of the SCA. A decision concerning a full-scale partnership in the operation of a public school on the Morton Williams site is separate matter, and would be undertaken in cooperation with the Board of Education. Children of University employees would not be given preference, however, even if NYU did assist in the operations.***

***The Working Group does not have the requisite competency to recommend a full and formal NYU-NYC partnership for the ongoing operation of a K-9 public school. Such a***

***significant and long-term commitment of institutional resources and institutional focus should emerge from the faculty with the expertise to undertake such an initiative.***

***At present, and primarily through faculty in its Department of Teaching and Learning, the Steinhardt School of Culture, Education, operates programs and partnerships in about 25 schools, mostly for teacher preparation, but also for the training of school administrators, as well as health professionals in speech, nutrition, occupational therapy, physical therapy, and counseling. Undoubtedly, a new public school at Bleecker and La Guardia Place would provide Steinhardt faculty and students with yet another opportunity for collaboration in the neighborhood, as is currently the case with a number of public schools in the same school district as the superblocks.***

**Question: Loans: Source and Type**

Where are the funds being borrowed from? How are the loans to be structured -- ARM or in what ways?

***The University would borrow by selling bonds to be issued by either the Dormitory Authority of the State of New York (DASNY), or the New York Economic Development Corporation (NYEDC). Interest on these bonds is tax-exempt, which results in a substantial cost savings to the University. (Note that the Dormitory Authority can sell bonds for any type of post-secondary construction, as opposed to dormitory construction only as its name implies).***

***The University is considered a strong credit risk, with a credit rating of AA-/Aa3 from Standard and Poor's and Moody's, respectively. If the University follows past practice, these bonds would be structured as 30-year fixed rated debt, with equal annual debt service payments, backed by NYU's promise to pay, and with no mortgage on the property. The current borrowing rate is below the 6% rate used in the 10-year Capital Plan to estimate annual debt.***

**Question: Financial Priorities: Tradeoffs**

I found the financial analysis helpful and illuminating, as far as it goes. It is certainly reassuring to know that even under fairly conservative assumptions the University predicts substantial surpluses going forward, even with the extensive capital projects that are currently contemplated. I had three remaining questions and comments. First, to the extent the information is publicly available it would be helpful to have some indication of debt levels (esp., debt service as percentage of operating budget) for peer institutions. Second, what happens as a budgetary matter when the University runs a surplus? Do surplus funds automatically go to the endowment? What is the Board's view on what constitutes a fiscally prudent amount of surplus to budget for? It is not clear that it is optimal for the University to greatly expand its debt burden, only to run a large surplus. Third, and more fundamentally, I am not convinced that the key finding that the proposed Capital Finance and Spending Plan is "unlikely to impair the financial status of NYU" really speaks to the

central concerns of constituents who worry about the financial ramifications of the proposed capital projects. It is good to know that NYU is unlikely to default on its debt but I think only the most cynical and pessimistic critics take that to be a serious prospect. The central concern, rather, is how the capital projects, and associated debt service, will squeeze and put pressure on a range of Core issues: overall enrollment, proportion of non-tenure track faculty to tenure track faculty, financial aid, tuition costs, employee compensation/benefits and dependency on charitable donations, to name the most important. Methodologically, the financial analysis concludes financial stability based on budgeted operating margins which *embed* the administrations' views and assumptions on all of these controversial matters. There may be no other way to conduct the analysis. But what would be nice is more detail on those embedded assumptions. This is related to the point raised in our meeting last week, where one of my colleagues suggested the report had an "all or nothing" cast. From the standpoint of financial analysis, the point is that it would be helpful to have a sense of the magnitude of relative tradeoffs, as opposed to simply a conclusion that the capital spending as proposed is unlikely to lead to default. For example, the single largest item of proposed new construction between now and 2021 is the \$725 million for the Coles site. What does that number mean in terms of tradeoffs with some of the Core issues mentioned above? Presumably the \$725 million is not set in stone. One can build relatively nicer gyms and relatively less nice gyms. To pick a random number, how would shrinking that number to, say, \$500 million, impact budgeting assumptions on issues like projected (required) tuition revenues. Ideally, if the information were available one would like to see various alternate scenarios played out, which balance different visions and levels of capital spending with different visions of spending resources on other, also essential, financial commitments of the University. Is that possible? I think the central issue comes down to this. The stance of the current report is to accept the financial soundness of the current proposed capital spending levels but to reserve the possibility of shifting funds away from capital projects to preserve current salary and tuition assumptions in the case of unpredicted financial shocks. How does one make a comparative assessment of the merits of that approach versus one which scales back projected capital spending at the outset, in exchange for a different set of initial assumptions about projected salary and tuition?

***There is no single standard for debt service as a percentage of operating budget. Our understanding is that NYU's benchmarks fall within the norm.***

***Surplus does not get added to endowment. Instead it is used for capital investment purposes to reduce the amount of debt needed to fund projects, or held in reserve as working capital to protect the University against unexpected financial shocks. Working capital is kept in short-term investments for liquidity purposes, compared to the endowment, which consists of long-term investments and is therefore less liquid.***

***The \$750 million for construction on the Coles site is the University's estimate. The Working Group has not tried to calculate construction costs for the amount of space we recommended in the Interim Report. Presumably a smaller building would cost less to build, though total square footage is only one variable in determining cost. For example,***

***a low-carbon or carbon-neutral building may cost more to build per square foot, but may also save the University money in the long run; and even if a carbon-neutral building didn't save the University money, there are those who would recommend paying the extra price. Moreover, if a smaller building is constructed on the south block, the University would likely need to find space somewhere else, which might require the purchase of a building, or a lease arrangement. (Recall that construction on the Coles site does not satisfy all the University's space needs for the next decade). In other words, the comparative assessment and tradeoff begins even before other budgetary items are considered, such as tuition, salary, and financial aid.***

***The Working Group is not the appropriate body to revisit the University's overall budget plan. Initial assumptions about salary, tuition, or financial aid, for example, are presumably items to be reviewed and discussed by the University Senate Financial Affairs Committee. The Interim Report, as well as documents on the University's capital plan that have been available to senators since last year, may contribute to a more informed conversation about the University's overall budget.***

**Question: Capital Spending: Last Ten Years**

In section III, bullet 2 on page 14 of the report, the university proposes to spend approximately \$3 billion dollars over the next 10 years (2012-2021) – a figure that is heralded because it is roughly equivalent to what the university spent during the last 10 years (2002-2012).

Believe me, I have no background or experience in Finance or Budgeting, but even on the surface this appears illogical.

Given that: the spending power of \$3 billion 2012-2021 dollars is less than the spending power of \$3 billion 2002-2012 dollars; and, New York University did NOT, to our knowledge, have a similar large-scale project requiring billions of dollars in capital spending during the 2002-2012 period ... then presumably, New York University spent approximately \$3 billion dollars during the 2002-2012 period because that is how much it cost to operate, maintain, and “grow” the university.

Similarly, and again because of the eroding spending power of money over time, isn't it reasonable to presume that the university will need to spend a somewhat larger amount for the same things over the 2012-2021 time period? Because if we don't, then I would think a whole lot of things around the Core campus will break and fall apart while the University is focused on this new space planning construction.

It seems to me that the cost of this NYU 2031 construction must be considered in addition to the ongoing operating costs of the university. It makes little sense that the university can suddenly add this huge, capital-intensive construction project to the budget and yet still somehow spend the same amount of money we spent over the last 10 years.

Again, this makes me wonder whether anyone in the administration is qualified to perform long – term planning and project management.

[With the NYU Board of Trustees currently loaded with real estate developers, magnates & captains of industry, I feel certain they are thrilled with the idea of a 20+ year construction project in New York City. I'm not certain such a Board can consider a project like NYU 2031 objectively. This lack of diversity & representation on the Board represents another big concern for the long-term health of this university.]

***Contrary to the question's premise, the University did spend close to \$3 billion on capital projects during the previous ten-year period. A partial list of major projects would include: Kimmel Student Center (\$79 million); Gramercy Green Dorm (\$295 million); Global Center for Academic and Spiritual Life (\$95 million); Cogeneration Plant (\$137 million); purchase of 730 Broadway (\$212 million); Stern, Shimkin Hall and the Concourse Project (\$70 million); 715 Broadway Gallatin renovation (\$24 million); Genomics Building (\$92 million); FAS Partners Plan Science (\$111 million), and FAS Partners Plan Non-Science (\$151 million).***

***The capital plan includes provisions to ensure that buildings around the Core campus won't "break and fall apart." As Table 1 of the Interim Report indicates: of the \$2.975 billion for capital projects over 2012-2021, \$654 million is earmarked for capital maintenance (only the proposed budget for the Coles Site (i.e. \$725 million) represents a higher proportion of the 10-year capital budget). A similar amount was allocated for capital maintenance during the period from 2002-2011.***

***So, the statement we've made is true: NYU plans to spend almost exactly the same amount of money on capital projects during this ten-year budget period (2012-2021) as it did during the last ten-year budget period (2002-2011).***

#### **Question: Capital Plan: Details on Financing**

A lot of concern has been raised about the extent to which 2031 plans will put strain on the university's finances. The assumptions concerning the financing costs are fairly well explained in the UPSWG interim report but here are some additional questions.

The report says that NYU spent about \$3 billion over the last 10 years on construction/building acquisition, and projects the total cost of 2031 over the next 10 years as also being around \$3 billion (including \$725 million of the Zipper building). This gives the impression that the new construction involves roughly the same scale of activity as in the past.

How was the \$3 billion expenditure of the preceding 10 years financed? How does it differ from the proposed financing structure for the next 10 years? In particular, how much did NYU's debt increase by over the past 10 years compared to the projected increase in debt over the next 10? What fraction of overall revenues of the university (and of tuition revenues) went to meeting past debt service versus projected debt service?

The report notes that the university retains options to expand the scale of construction. Assuming just one of these options were exercised (say, the Morton Williams site), how much could this adversely affect the financial situation of the university?

***For the preceding 10 years (2002-2011), approximately 40% of the \$2.95 billion in capital expenditures was funded through an increase in debt of \$1.165 billion (from \$996 million in debt in 2001 to \$2.161 billion in debt in 2011); the remainder was funded through other sources, such as operating surpluses and fundraising. For the next 10 years (2012-2021) additional long-term borrowing is projected to aggregate \$1.4 billion, which will provide the funding for 47% of the \$2.975 billion in projected capital expenditures; because of repayment of some (earlier issued) long-term debt, the net amount of long-term debt is projected to rise by \$976 million (from \$2.161 billion in 2011 to \$3.137 in 2021) (IR, pp. 14, 17). For the next 10 years (2012-2021), debt is projected to rise by \$976 million (from \$2.161 billion in 2011 to \$3.137 billion in 2021), which will provide the funding for 33% of the \$2.975 billion in projected capital expenditures (pp. 16-17).***

***Construction on the Morton-Williams site is projected to cost NYU \$133 million if built in partnership with the School Construction Authority, or \$243 million if the SCA decides against a partnership and NYU chooses to build at capacity on that site. Because neither of these figures are included in NYU's 10-year capital spending and financing plan for 2012-2021, the Interim report explicitly states that "further analysis will be required to assess the impact of any MW site construction on the overall Plan or explore elimination of other construction or renovation projects in the Plan" (p. 18). Because no financial information was provided to the Working Group about any potential North Block buildings (and no figures with respect to any potential North Block buildings were included in the 10-year capital spending and financing plan), the Interim Report also states that any such construction "requires substantial further analysis to assess its impact on NYU finances" (p. 18).***

**Question: Tuition Increases with or without a Capital Plan**

The Interim Report vaguely mentions tuition increases. Does the Working Group have information on projected tuition increases with and without 2031?

***Our understanding is that projected tuition increases would be the same regardless of whether any construction takes place on the south block, estimated to require roughly 25% of the \$3 billion budgeted for capital projects between 2012-2021. Of all University expenses, faculty salaries have the largest positive correlation with tuition increases. We assume that the appropriate committee of University Senate will continue to review and monitor all tuition increases.***

**Question: Board of Trustees: self-dealing**

Are members of the Board of Trustees in any way or in any possible position to enrich themselves or their firms or their families' firms with the loan deals? With the construction contracts? With



the insurance? With any aspect of this process? What safeguards are in place so that there is neither actual self-dealing nor the appearance there-of?

***NYU already owns the land on the south block, and the Working Group would recommend that Trustees have no interests in the construction or related commercial activities. There is no evidence of any such relationships in existence, or of any such relationships being contemplated. NYU's Facilities and Construction Management group has a standard process for fully vetting any prospective firm, including ownership and management of the firm, potential conflicts of interest, and financial solvency. This vetting process includes independent verification of the data supplied, and several layers of review and approval up to and including the Executive Vice President and General Counsel.***

***The Working Group has concentrated on scrutinizing the University's space priorities, not the possibility of individual malfeasance.***

**Question: Trustee Involvement in Project**

Without Trustee involvement, is this possible at all, or is the whole project dependent upon some Trustee members making small, medium or huge sums off of the dealings, in whichever ways that could be possible (and surely, they are more creative in this regard than am I)?

***NYU's Capital and Financing Plan in whole, and any construction on the Coles Sports Center site in particular, are in no way dependent on the NYU Trustees making any sums from any dealings, small, medium or large.***

**Question: Unionized labor**

Construction: will it be done with unionized labor?

***The Working Group will recommend that any new construction is consistent with current University policy to utilize unionized labor to the greatest extent possible, with the only exceptions being those services, skills or trades which are not represented by a union.***

**Question: Quality of Life: Monitoring**

What controls for quality of life, and not just sealing people into their apartments, but rodents, pests, dust, mess, density, street closings, etc.? What monitoring systems will be in place for all of this? How will complaints be dealt with and by whom and which offices? Responsible to what and whom?

***The Quality of Life and Stewardship section of the Interim Report answers these questions in considerable detail. Above and beyond the construction mitigation measures required by the City of New York (specifically detailed in the Restrictive Declaration, July 24, 2012 (pp. 24-70)), the Working Group has recommended the creation of a construction oversight committee to work with an independent consultant***

***with expertise in the area of construction mitigation. Known as an industrial hygienist (and subject to OSHA training and qualifications), this monitor would be outside of NYU's employ and purview. In addition, the city, the community board, and NYU have representation on the Open Space Oversight Organization (OSOO), which has already been formed. NYU has committed to mitigation measures for noise and dust that go beyond those required by the City. The agreement with the City also includes an extensive list of controlling measures covering: air emissions, fugitive dust, noise, vibration, dewatering, pests and vermin, hazardous material remediation and protection, historical and cultural resource protection measures, a traffic plan, use of NYU's central heating plant (Cogen), special provisions to protect the Willow Oaks on the south block, and measures to support the LaGuardia Corner Garden in the event that construction is undertaken by the University alone (and not in partnership with the School Construction Authority), as well as the City-appointed construction monitor.***

***The details of these measures are far too numerous to list in full. For example, they include the maximum speed of vehicles in the work area, the trimming and maintenance of vegetation near the work, the time of day for construction, and the type of equipment that can be used.***

#### **Question: Compliance and Complaints During Construction**

To what extent has the Working Group looked into what apparatus the university has in place for dealing with complaints during the construction process and making sure that construction work is done at legal times and always by legal means? Has the Working Group looked into the history of past complaints about NYU construction, whether it be through the city via 311 calls (EPA or police) or the relevant offices within the university? What is the university's record in following its own rules and the law? The GVSHP, though perhaps partisan, would possibly have useful information on this. It would be a mistake if the Working Group assumes that the university has a successful system in place for dealing with, for example, noise from both construction and university operations. Some would say that the system is flawed and that it will have to be fixed and improved immensely if it is going to be successful with such a large project. Is there evidence to the contrary? Does it seem to the Working Group that the university has had a successful history of dealing with complaints and compliance?

***The Working Group is under no illusions about NYU's history with construction and stewardship of the neighborhood and the superblocks in particular. Our main recommendation is that NYU work to improve its stewardship before, during, and after any construction. Specifically, we have recommended several oversight recommendations including a broad-based advisory committee to serve as the point of contact for relevant concerns, and to provide regular reports to the University, the Open Space Oversight Organization (OSOO), and the neighborhood regarding superblock and construction-related activities in the Core, and the appointment of an independent consultant to work with the advisory committee on Core project construction to ensure transparency in mitigation choices and accountability of the environmental effects of construction.***

**Question: Recent Construction Around the Core: community feedback**

Has the Working Group solicited information from the occupants of 14 Washington Place, who have lived next to university construction for years, most recently continuous work for over a year and half (Steinhart across the street, the new English building, work in the Brown building, work at Philosophy, and other work)? Many longtime residents of 14 Washington Place could provide feedback about their experience of construction noise and other potential problems. It would be worth talking to them.

The residents of 14 Washington Place could also offer a useful perspective on living next to university operations (maintenance, trash collection, sidewalk pedestrian density, among other things). One of the complaints about 2031 has been that it puts faculty residences right in the middle of things, among students and university operations. 14 Washington Place is like this already and therefore much could be learned from contacting the tenants association president Howard Negrin <[prohen99@yahoo.com](mailto:prohen99@yahoo.com)> to hear feedback about living next to the university. The Working Group has had an open forum for discussion, but has it had targeted questioning about these specific issues? This is an accessible control group for questions. They all live in one building next to university construction and operations.

***The Quality of Life and Stewardship Subcommittee has met with several tenant associations on the superblocks, and held numerous public forums. Mr. Negrin did attend one of the Working Group's September open houses, where he had an opportunity to present his views and ask a number of questions. There are also a number of NYU faculty who live in and around 14 Washington Place, as well other locations where NYU has undertaken construction in recent years. Last spring, before publication of our Interim Report, the Working Group held a Open House on the Quality of Life considerations before, during and after any construction. Our stewardship and quality of life recommendations reflect the Working Group's broad consultations. The subcommittee continues to meet with community members and tenants' associations on the superblock.***

**Question: Time of Construction: Worst-Case**

Considering delays, will construction really end in 2031? What is the projected worst-case scenario?

***Until the lawsuit is settled and specific plans are drawn up for the Coles site, there is no way to determine the end date for construction. Construction time would vary based on square footage and design. A reasonable benchmark is that exterior construction would take roughly two years.***

**Question: Building Details and Construction Time**

Can't you provide greater detail, such as "how long construction will take," and "where the shadows will fall"?

***We cannot provide details on where the shadows will fall, and we will not be able to do so even when we submit our Final Report. We are not designing a building. The work of designing a building will be undertaken only after specific needs are identified and prioritized. The Working Group has recommended that establishment of a new advisory committee to participate in the design process should the University choose to proceed with construction.***

***Construction time would vary based on square footage and design. A reasonable benchmark is that exterior construction would take roughly two years.***

### **Question: Financial Forecasting**

As some background, the FAS economics department had its own meeting with several administrators including Marty Dorph last spring about the financing of 2031. One of the things we asked for was a specific breakdown with numbers on how the flow costs would be financed. These are the sources of financing listed in item 4 on page 14 of the report, and the revenue and cost assumptions (item 9, page 15). It's a step in the right direction that they have now given estimates of the projected costs (in specific dollar terms) and that they give general categories of funding sources for meeting the projected expenses. What's missing from this is a spread sheet showing exactly how this all adds up to the required funds. In other words, we have a projected 100 million in debt service plus X amount in cash reserve that will be drawn down plus Y amount of reinvestment of operating surpluses. This totals to some number greater than 100 million. Now this will be financed by increases in undergraduate tuition "somewhat" above the rate of inflation (by how much above?), by holding faculty salaries increases "slightly" below the rate of inflation (by how much?), by increasing enrollments 0.27% (how many extra students and dollar revenue does this bring in?) by some assumption on energy costs (why is this and by how much?) and so on. We'd like to see that this actually adds up; so a simple balance sheet would be great. Do you have any further information on this? Have you asked for it? We in the economics department have not been successful in obtaining this information; in fact I was told by Marty Dorph that they would not provide it. As a result, I'm surprised that the USPWG interim report report says that "all requested data and modeling were provided" by the administration because last fall when David Pearce and I spoke with Rajeev Dehajia about this (he was then serving on the USPWG as an FSC representative), he indicated that the finance subcommittee was committed to getting this information. Since I didn't see it in the report, I wonder what happened. Surely the administration has formed expectations and this information exists. I'm concerned that the devil is in the details here and we have less than full transparency on this.

Relatedly, have you considered whether this project would be affordable without any further growth in the student body? I understand that the 0.27% rate of growth is much lower than in the past, but it is unclear whether even that amount is in the long-run interests of the university and, in addition, whether that amount accounts for the potential impact of higher rates of growth in the GNU given the existing model of having students from the GNU circulating through to NYU-NY. Do you have any sense of how the growth in the GNU will impact the numbers here in NY? More generally, do you have a sense of how perpetual growth is sustainable? Are we not destined to run

out of space again in 30-40 (50 or 80?) years with this growth? It seems axiomatic that this expansion cannot permanently solve our space problems if we are projected to grow indefinitely. Do you have a sense of how the administration has come to the conclusion that perpetual growth is optimal (especially given that we are already the largest private university in the country)? Do they have some reason to believe that University education is an increasing returns to scale industry? My concern is that corporate executives tend to apply very heavy discounting to the future so that anything out past 20 years is not considered. You may have a better sense of what they are thinking here.

By the way, do you know where the debt service level limit of 7% of annual operating expenses comes from? Why this number? Since this budget puts us ranging above that limit for 8 years or so, how is this "limit" applicable or relevant?

***The question asks us to seek definitive answers to future decisions that are made on an annual basis, such as tuition rates and faculty salaries, which we are not able to do. Nor can we predict future energy costs. As we note in our Interim Report, we did ask the University to conduct a stress test to determine the impact of zero growth in enrollment. The figures do not include the growth in enrollment at Abu Dhabi or Shanghai. As for the University's optimal growth rate, we are not the body to make that determination. Of course the current need for space could be addressed by deciding significantly to reduce the size of the student body and, correspondingly, the size of the faculty and the array of academic programs. The 7% target for debt service comes from the Board. There are no standard, external benchmarks for debt service.***

***It is worth noting that an increase of 0.27%, compounded over 10 years, would mean that a 40-student class would have 41 students 10 years later. And, even over 40 years of compounding, that 40-student class would have grown to only 45 students. But, also, 40 years is a long time, and it is hard to predict the technologies, instructional methods, etc., that would be appropriate 40 years from now. We do not interpret the forecast of 0.27% for the next 10 years to mean that NYU is committed to growth forever, and we would expect that future NYU administrations would periodically make re-assessments as to appropriate paths (at that point) for the (then) near-term future.***