Rec'd.
SEP 26 2000

George Washington University's

Ten-Year Foggy Bottom Campus Plan

-- Comment

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by

Sol S. Shalit

September 24, 2000

BZA
Case No. 16553
Exhibit No. 214

Submitted to:
DC Board of Zoning Adjustment
Hearing of September 26, 2000
BZA Application No. 16553

Board of Zoning Adjustment
District of Columbia
CASE NO.16553
EXHIBIT NO.214

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September 24, 2000

Ms. Sheila Cross-Reid, Chairperson
Board of Zoning Adjustment
441 Fourth Street, NW, Rm. 210
Washington, DC 20001

RE: GWU's Ten-Year Foggy Bottom Campus Plan
BZA Application No. 16553

Dear Chairperson Reid:

My name is Sol S. Shalit. I am an Emeritus Professor of Economics at University of Wisconsin. A few months ago, my wife and I decided to make Washington our permanent home. Our address is: 2500 Virginia Avenue, NW, Washington DC 20037.

Having read The George Washington University Foggy Bottom Campus Plan Years 2000 through 2010 [Plan], and Stephen Fuller's The Economic Impact of George Washington University on the Washington Metropolitan Area, Interim Report [Report]-- both dated April 2000, and submitted as exhibits to this Board -- I would like to offer the following observations:

1. The Fuller Report provides data on past University spending as a measure of its economic impact on the Washington area. The Report does not address the University Plan, or even refer to it in any way whatever. Thus, the Report's findings cannot be construed as offering any substantiation for the Plan. The Report is as relevant to the Board's current deliberations as would be a Firestone report detailing the company's total contribution to the U.S. economy -- in the midst of the current tire recall.

2. In deciding what weight or authority to accord the Fuller Report, it is useful to bear in mind that the Report was commissioned and funded by GWU itself, and did not undergo the scrutiny of research published in an independent academic or professional journal.

3. Even if the Report had succeeded in measuring perfectly the total economic impact of GWU on the Washington area, it

would be entirely irrelevant for evaluating the merits of the University Plan. What is needed is not the total economic impact, but the marginal (incremental) impact of the new proposed expansion. Even if one is prepared to concede that the total (past) economic impact of the University is positive, one can still question, and closely scrutinize, the future impact of the proposed changes. In the world of economics it is not unheard of that while the total contribution (to revenue, profits, productivity, etc.,) is positive, the marginal contribution may well be negative.

4. But the Fuller Report does not quite measure the University's economic impact on the District. It tabulates the benefits to the Washington Metro area (with only rough interpolated estimates for the District) by detailing the University's expenditures, employment, etc., leaving out entirely the costs side of the equation. While the benefits largely flow to the Washington Metro area and beyond, the costs are imposed on the District's taxpayer at large, and specifically on University adjacent neighborhoods:

   (a) The cost of providing public services (police, fire, traffic, street work and lights, utilities, etc.).

   (b) The cost of University-owned properties removed from the District's tax base.

   (c) The costs imposed by changing the character of stable residential neighborhoods affected by "student life" and their impact on the perceived desirability of living there, on property values and population shifts, on loss of income tax revenue, and on preserving a healthy mix of institutional v. residential housing in a city already dominated by the former.

Indeed, the general disparity between the placement of costs and the distribution of benefits is at the core of the District's economic and political predicament: A classical case of what we call in economics "Concentrated Costs and Diffused Benefits". Labeling these costs as "fiscal" is merely an exercise in semantics, without changing their nature. They are all "real" and they all have real economic (not just fiscal) consequences for the District. Yet the Board has not been provided with the information necessary to evaluate them and, I believe, is

therefore in no position to pass an informed ruling on the merits of the Plan without access to further data on the benefits, as well as the costs. Such data need not be costly, nor take a long time to prepare. Although we are all eager to 'get things done', I think the Board should insist on having this information before it rules.

* * *

Allow me to conclude with two, more general, issues:

A. The University and its Neighborhood. The expansion of urban universities into the surrounding neighborhoods generally falls into one of two very different categories; one welcome, the other resisted. When located near a blighted neighborhood, a university expansion is invariably well-received and appreciated. The reasons are obvious: The acquisition and rehabilitation of properties entail a large investment and considerable risk. It often succeeds in changing the neighborhood for the better (example: The University of Chicago's efforts in Hyde Park). The other category is when a university is located in the midst of a well-functioning, stable residential neighborhood -- for example Northwestern University in Evanston, Illinois. It is in the latter cases that, once the university has reached an optimum size, further expansion is invariably -- and rightfully -- viewed first with concern, and eventually with alarm. Restrictions are soon placed on any further encroachments. Here in our District, GWU has certainly not undertaken a pioneering project in a blighted area, but has been aggressively acquiring properties in quiet and stable neighborhoods of peaceful, tax-paying families. Is it in the District's interest to reduce the tax base and replace these families with short-term student residents who have no permanent stake in it and generally pay no District income tax? The character of this neighborhood is already changing, and not for the better.

B. The University's Optimum Size. What is the optimum size of GWU? What are the limits to its expansion? Who should decide? It is tempting to think that university officials are in the best position to settle these issues, much as General Motors' own management decides what's good for GM. Yet one must recognize that, unlike the case of a business corporation -- where the optimum is determined in the market place (the consumer, the capital market) -- there are no limits or constraints on the size of a university, so long as it is free to attract students. Most of what the so-called "urban

universities" do is teach, launch appealing programs, and -- capitalizing on their advantageous urban location -- get the students. Top universities can resist these entrepreneurial growth pressures by a set of self-imposed quality constraints of research and scholarship, but most others need constraints imposed on them.

It is a common misconception to view a university's growth plan as a "project" akin to a military campaign, which ends when the objective has been reached. In contrast, the growth of a university is an unremitting, endless process, a way of life, with "growth" itself as a goal. From its own point of view, there is literally no upper limit to the size of such a university. Unlike a business, for which growth is often a "Do or Die" proposition, the growth of a university is highly optional, with many opting not to grow, but consolidate instead. However, university officials generally love size, they love expansion; the bigger the better (salary, media impact, prestige, etc.) In GWU's particular case, the University has justified its "must grow" campaign before this body (Hearing of 4-26-00) by professing a small endowment and claiming that it must, therefore, increase student enrollment. This argument is both interesting and revealing for two reasons:

(a) It justifies the quest for enrollment growth not by programmatic need, educational philosophy, or institutional mission, but bluntly as fiscal expediency.

(b) It assumes that a university endowment is an exogenous "given" -- just happened to be so. But we all know that the well-endowed college or university attracts money in direct proportion to its national reputation and alumni appreciation of the degrees it grants. If officials wish to increase the University's endowment fund, they could raise the money from private foundations, as well as from its large body of alumni. Why have they opted, instead, for the "easy way" of increasing enrollment? Are we to conclude that, after all these years, there isn't out there any residual goodwill or recognition of GWU's national contribution? If true, this would be a sad admission for one of the oldest universities in the country, and may even suggest that its chief attraction has not been the University itself, but the city of Washington.

Ordinarily, it isn't the District's business to concern itself with university finances. However, the District cannot be indifferent to GWU's choice: Fund-raising imposes costs on the

University, while enrollment-raising imposes the costs on the District and the community, while the university is run as an enterprise -- not as an educational institution. Even if one accepts the University's position that it faces fiscal problems, is it sound policy to allow it to solve them by exporting its problems to the District?

In the University Plan submitted to this Board, its stated first goal was to elevate GWU to the ranks of the first-tier universities (Pages ii, and 15). It is pertinent to point out that enrollment-raising as a substitute for fund-raising clearly contradicts this goal. The road to first-tier status is one of raising standards and lowering enrollment, not the other way around. If GWU is indeed serious about its stated goal of attaining first-tier status (not necessarily limited to US News & World Report's popular ranking), it must know that it would need to change its priorities and redirect its resources: Invest in research & development, library and laboratory facilities -- not in real estate, raise admission standards, reduce student enrollment and class size -- not increase them. In short, growth in stature rather than in physical size, quality rather than quantity, consolidation rather than sprawl. I believe the University owes the Board an explanation of this contradiction.

Anyone looking at GWU's spectacular growth, whether measured by square footage or enrollment, cannot escape the conclusion that this community has been very attentive, indeed quite generous, in responding to the University's requests. While it is true that both the University and the city have benefited from each other's presence, it is also true that GWU's growth fortunes and high student appeal would have been very different had it been located, say, in Peoria, Illinois instead of in a peaceful and stable neighborhood of an exciting city, at the heart of the nation's capital, with a Metro station right in the middle of campus. While the University's contribution to Washington's economy has been widely publicized, the city's benevolence and its pivotal impact on the University's economic well-being have not been similarly recognized or acknowledged. It is an open question whether, on balance, GWU has done more for the District than the District has done for GWU. Nevertheless, while justifying it as necessity and, at the same time, as of benefit to the local economy, GWU has embarked on a systematic acquisitive and expansionist campaign, both inside and outside its prescribed Campus Plan, and in violation of stipulations and commitments of prior planning documents.

What I believe is sorely needed, and long-overdue, is a definitive and independent study of what GWU's optimum size ought to be, given all the costs and benefits. This optimum should be not from University's viewpoint, but from the District's -- the host. A determination would then follow, stipulating maximum student enrollment. This enrollment figure would then serve as the basic parameter of a Master-Plan, Zero-Base approach, and would guide all planning and zoning decisions.

It is rather inefficient, and ultimately futile, to regulate incrementally, in piecemeal fashion, the conduct of an institution by focusing on its behavior (community service, student noise, etc.) A far better approach is to regulate its structure (campus boundaries, enrollments, square footage, etc.), monitor compliance, and enforce it by a system of rewards and punishments. The City's planning authorities, including this Board, will ultimately have no choice but to confront the long-overdue and hard question of GWU's proper size. With a new and highly competent City administration well in place, they have now an exceptional opportunity, and I believe a responsibility, to make a clear break with the past. The time has never been better.

The main point is: Constraints on growth and expansion are never going to originate from within the University, but must come only from the regulatory bodies set up for that very purpose. Growth is surely not a university right; it is a privilege. Zoning boards and planning commissions evince no hostility to higher education -- and need not feel guilty -- when they curb the appetite of urban universities and impose strict limits on their expansion. They are just doing their job.

Thank you for giving me an opportunity to register my views. I hope they are helpful in your deliberations.

Sincerely yours,

S. Shalit

Sol S. Shalit
Emeritus Professor of Economics

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WORD/DOC/7864