IHRSA
To Grow, Protect and Promote the Industry.

International
Health, Racquet &
Sportsclub Association

February 18, 2004

Ms. Carol J. Mitten, Chair
Zoning Commission of the District of Columbia
441 4th Street, N.W., Suite 220 South
Washington, D.C. 20001

Dear Chairwoman Mitten and Members of the Committee:

As the Executive Director for the International Health, Racquet & Sportsclub Association (IHRSA), I write to convey my strong opposition to George Washington University's (GWU) proposal (Zoning Commission Case 02-26) to change existing use and open a commercial health and fitness operations at its Lerner Health & Wellness Center.

GWU's intention to engage in direct competition with area health and fitness businesses by selling memberships to the public is incredibly disturbing. IHRSA represents more than 6,500 businesses worldwide and has been studying, monitoring, and analyzing the development of tax-exempt health and fitness clubs entering the market for approximately 20 years. Tax-exempt competition from colleges and universities is a significant problem for our industry. In fact, in1987, the U.S. General Accounting Office found that the fitness industry is the most universally effected (negatively) by tax-exempt competition and this, unfortunately, still remains true today.

IHRSA members welcome business competition, as long as the playing field is level and the game fair. However, because of the tax-exempt status of university facilities, their ability to fund construction with donated dollars, and numerous other cost savings granted to them, these centers undercut and eventually destroy the existing fitness market. Tax-paying businesses simply cannot compete with such subsidized operations.

Should GWU's request be approved, its consequences would be real and devastating. When the Texas A&M University recreation center opened to the public, Aerofit Health and Fitness Center lost over 1150 members. In addition, four out of seven taxpaying clubs in the area went out of business within 12 months of the center's opening. This is, unfortunately, just one of many examples.

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ZONING COMMISSION
District of Columbia
CASE NO.02-26
EXHIBIT NO.70

100M 2010
One Hundred Million Members by 2010

It should also be noted that GWU's desire to open its facility to the general public does not make it legal. The Internal Revenue Service (IRS) Examination Guideline for Colleges and Universities 342.31 states that since colleges and universities are exempt from state and local real property tax, the property must be "used 'exclusively' for 'educational' purposes." Property that is exempt from taxation "may be subject to tax if used for 'noneducational' purposes such as...operating a trade or business." Furthermore, the IRS has stated very clearly that use of college and university fitness centers by the general public and alumni was not related to the university's exempt purpose of education.

When the D.C. BZA approved GWU's application for a recreational fitness facility, the approval was conditioned on the fact that the facility would be operated solely for the use of students, staff, and faculty. Due to the limited scope of the project and because the IRS, under current tax regulations, deems such a facility appropriate for educational institutions, its approval and construction were unopposed at that time by IHRSA. Now that they have gotten their foot in the door they are attempting to knock it down.

I must emphasize the devastating effects this project would have on area businesses. We have seen it time and time again and plead with you that this proposal be rejected.

Sincerely,

John McCarthy
Executive Director



International
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Sportsclub Association

FAX MESSAGE

To: Mr. Alberto Bastida

Fax: 202-727-6072

From: Kevin Buckley

Date: February 18, 2004

Subject: Zoning Commission Case 02-26

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