Sol S. Shalit
2500 Virginia Avenue, N.W.
Washington, DC 20037-1901
202-338-7468
sss.sol@gte.net

October 9, 2000

Mr. Andrew Altman, Director
Office of Planning
District of Columbia
801 North Capitol Street, NW
Fourth Floor
Washington, DC 20002

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

Dear Mr. Altman:

Further to my testimony at the hearing of September 26th, I would like to address in detail GWU's revised commitments as given in Mr. Barber's crucial letter (9-29-00) to you. Since GWU has requested to enter it as part of the record, I have, separately, requested that my present comment be similarly entered into the record.

A. GWU's Commitments:

A careful reading of Mr. Barber's letter shows that his proposals, labeled "commitments", do not address the concerns raised by your office, let alone those raised by the Foggy Bottom community. Furthermore, these are no commitments, just toothless conditional goals and hypothetical conjectures. It is the kind of phraseology that helped turn GWU's previous Plan into a fifteen-year term "hunting license" for virtually unregulated expansion, and is responsible for the present predicament.

It is evident that GWU is not giving anything; it is asking for help and cooperation to secure the necessary permits and approvals for further construction. There are no provision for non-performance; indeed, there is no conceivable set of circumstances under which GWU can be found in default of these amorphous goals. In short, the University commits itself to nothing beyond that which it would do in any event. By his own admission, Mr. Barber is apparently more concerned with "unduly

BZA
Case No. 16553
Exhibit No. 237

ZONING COMMISSION
CASE No. 99-10
EXHIBIT No. 52

ZONING COMMISSION
District of Columbia
CASE NO.99-10
EXHIBIT NO.52

restrict[ing] GWU's financial and operational needs" than addressing the critical concerns raised during the hearings.

I shall explicate the nature of these "financial and operational needs" in Section C below , but first let me put the University Plan in a context relevant to your Office's mission. OP's basic ground rule is, correctly, to weigh the need for neighborhood protection against the benefit of economic development. The fundamental question is: Does GWU's Plan constitute "economic development"? This has always been implicitly assumed, but never addressed, until my written testimony of September 26th. The answer is a clear NO. I ask for your indulgence in following the reasoning developed below.

B. GWU's Growth as Economic Development:

Without quibbling about a precise definition of economic development, the latter usually connotes a synergistic sustained growth of multiple lines of enterprises out of a seminal investment in a firm or industry. In its narrowest sense, economic development is an undertaking that leaves the economy (neighborhood, city) better off because the project's long-run benefits exceed its costs. Now, the only document submitted for the record in support of GWU's presumed economic development is the Fuller Report. This report has been entirely debunked in a document entitled GWU's Ten-Year Foggy Bottom Campus Plan -- Comment submitted for the record during my Sept. 26th testimony (Pages 1-4). You'll find an excerpt in Appendix A below. This is such a clear-cut case that I honestly, perhaps immodestly, doubt whether any one of the top fifty economists in the nation would disagree with my conclusions. The University itself carries the burden of showing that its growth is economic development, but so far, it has failed to make its case.

Thus, there is no factual basis for deeming GWU's expansion as economic development, if one takes it to mean economic development for the District, not for the University. To be sure, this is not to say that the entire existence of GWU's has been devoid of any economic development, which is a separate issue altogether. The question before the Board, and your Office, is not whether GWU should continue to exist, or be eliminated ("Total") -- obviously, it is here to stay -- but whether it has already reached a stage where growth ("marginal") is to be condoned or scaled back. In other words, the central issue is the University's optimum size. Again, optimal not for the University, but for the District. There is strong evidence

that the University has surpassed its optimal size some time ago, and that the damage of its unrestrained, and largely unregulated, expansion far from generating economic development, has actually contributed to the decline of specific city neighborhoods. Thus far, economic development and prosperity have been confined to the University itself.

Therefore, GWU's Ten Year Campus Plan is very unlike the traditional zoning case, where an indignant neighborhood is stubbornly fighting against the forces of change and progress. This is no shopping center, or a condo development -- just a displacement of permanent residents, who pay taxes, by new transitory ones who pay little or none. On the one hand there is clear and demonstrable evidence of damage, and on the other hand there is no economic development to balance against. This is the fundamental rationale for rejecting, not just amending, the Plan. One can only hope that GWU's attempt, during the last hearing, to manipulate OP's grounds for rejection into conditions for acceptance -- are not successful.

C. GWU Financial and Operational Needs:

Let's return to University's "financial and operational needs". The "must grow" campaign of expansion and increased enrollment was represented to the Board (BZA hearing of 4-26-00) as driven by the University's professed modest endowment. The serious implications of this rationale, and their consequences for the District, have been analyzed in great detail in my written testimony (4-26-00) for the record, an excerpt of which you'll find in Appendix B below. Briefly:

1. GWU's "must grow" philosophy isn't an imperative. Like other Urban Universities, it loves to grow (if permitted) because of an inherent, built-in, administration bias for "growth".

2. Unlike a business, this growth bias has no boundaries and knows no limits, unless stopped by external constraints imposed from without.

3. GWU's enrollment growth is defended not by programmatic need, educational philosophy, or institutional mission, but bluntly as fiscal expediency. Ordinarily, university financing is left as an internal matter and does not come under external scrutiny. However, in GWU's case the university is asking for the District's cooperation and

assistance to allow growth for its own financial reasons. But growth has an impact on the District. Thus, the University financing becomes a matter of interest to the District.

4. GWU owes some explanations: (i) Does it, in fact, have a small endowment and why? (ii) Why does it want now a large endowment? (iii) Why does it not raise funds from foundations and alumni, as other universities do? and (iv) Why it has relied, and continues to rely, instead, on increased enrollment? Part of the answer is already in the record: While the currently enrolled students GWU had presented have uniformly extolled its virtues, the graduated alumni apparently remember mainly the overcrowded classes and living conditions. They endow the University with all the pride and loyalty a tourist shows for his hotel, and may, indeed, be forlorn prospects for fund-raising. This obviously should be of some concern to the University.

5. The other part of the answer is of obvious concern to the District: Fund-raising imposes costs on the University, while enrollment-raising imposes the costs on the District and the community. The university is then 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?

6. The first stated goal of GWU's Plan was to elevate it to the ranks of the first-tier universities (Pages ii, and 15). But 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. To achieve this goal, GWU needs to change its priorities and redirect its resources: Invest to provide on-campus student housing, faculty research & development, library and laboratory facilities, -- not real estate; raise admission standards, reduce student enrollment, class size, and student/faculty ratios -- not increase them. In short, growth in stature rather than in physical size, quality rather than quantity, consolidation rather than sprawl. As the hearings have amply documented, such a policy change would be most welcome by everyone: Students, faculty, the community, and

the District. The University never explained this contradiction.

7. The District has been very attentive, indeed quite generous, in responding to the University's expansion requests. While the University's contribution to Washington's economy has been widely publicized, the city's benevolence -- at considerable opportunity cost to itself -- and its pivotal impact on the University's economic well-being have not been similarly recognized or acknowledged.

   Is GWU's attractiveness to students based largely on its own national reputation, or is it chiefly due to the appeal of Washington as a city? Perhaps a clue is provided in the University's Web Home Page, which as its icon features not a campus building, but the Capitol Dome. Or, as one of its alumni testified, less delicately, the two reasons why students go to GWU are, first, their desire to be in Washington, DC and, second, having been rejected by Georgetown. [BZA Hearings 9-13-00, PP. 352-353]. It is an open question whether, on balance, the District has done more for GWU than GWU has done for the District.

   During the past fifteen years the University has shown little gratitude, or sensitivity, when it relentlessly pursued a systematic acquisitive and expansionist drive, both inside and outside the prescribed Campus Plan. Its violations of stipulations and commitments of the BZA's generous order governing the 1985-2000 Campus Plan are a matter of record. Also in conflict are the mandate of DC's Comprehensive Plan and its zoning regulations.

D. The Problem:

As OP's Report to the BZA so aptly asserted, the only viable solution is not to deal with "behavior", but to address the "structure". And this means enrollment, not in ratios, but in absolute numbers. In this regards, the University has not been exactly forthcoming in providing clear and meaningful data in a timely fashion, and ample confusion remains. But as nearly as I can tell (based on GWU's April figures and Ms. Dwyer's latest

9-29 submission), the combined student impact on the neighborhood can be gauged by the number of full-time undergraduates:

> (a) living in University housing within Campus boundaries (3,519), (b) living in Foggy Bottom/West End in University-purchased housing, outside Campus boundaries (947), and (c) living in Foggy Bottom, not in University housing, (1103).

This gives a total of 5,569. To which one must add the 4,619 full-time graduate students, the majority of whom live in Foggy Bottom/West End, but let's conservatively assume just a third of them, 1540, which brings the total to 7,109 full-time students.

Given the small geographical area under consideration, and its population base of about 12,000 (including students; 1990 census), one is immediately struck by the enormity of the impact. 60% is a huge number! Even if every full-time undergraduate would be living in University housing within campus boundaries, it will still be a huge number. There will never be relief unless and until the damage already done is not only stopped, but reversed. And the only way to do that is by an appropriate cap on enrollment.

E. The Remedy:

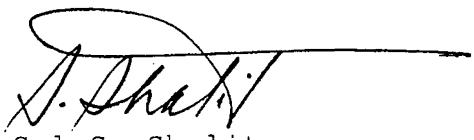
Many believe, myself included, that GWU has already achieved all of its rosy expansion objectives by having staked out the territory, and is fully aware that times have changed. Its present Plan is merely an end-run attempt to legitimize the fruit of its aggressive and improper grab and to negotiate the best deal for its future consolidation. Any OP recommendation which calls for freezing the status quo ("to stop the damage") -- even with severe constraints -- while "providing the University with flexibility" is not a remedy, but a total victory for the University (its protestations notwithstanding). Such a recommendation would not only reward the university for its past transgressions and legitimize them, but would also permanently sentence the community to live with the damage already done, day in and day out, with no hope of ever reclaiming the neighborhood. While the District is trying so hard to preserve and revitalize residential communities, the University is gradually, but systematically, destroying a most desirable and historic residential neighborhood of this city. This is certainly not their intent, but this is the effect.

The University's violations have given the OP and the BZA the opportunity, the responsibility, and the grounds for fully exercising their statutory authority to regulate GWU's enrollments and, over a reasonable period of time, to reverse the damage. The Plan should be rejected, not tinkered with. Instead, GWU should be asked to submit a new Ten Year Plan containing not just promises of good behavior, but a meaningful roll-back to its strict prescribed boundaries, coupled with a set of gradually decreasing enrollment caps to restore Foggy Bottom and welcome GWU back as a good neighbor.

As the community's ultimate protector, the OP and the BZA must do the right thing and not be unduly concerned about hampering GWU's operations. Do not underestimate its resiliency; the University will just pick itself up and, for once, do the right thing too.

Thank you for your consideration.

Sincerely yours,



Sol S. Shalit
Emeritus Professor of Economics
University of Wisconsin-Milwaukee
School of Business

Enclosures: 2

CC: Mayor Anthony A. Williams
Sheila Cross Reid, Chair, Board of Zoning Adjustment
Anthony J. Hood, Chair, Zoning Commission
Barbara Spillinger, Chair, ANC 2A
Michael Thomas, President, Foggy Bottom Association

SSS/mn
Word/Doc/8365

A P P E N D I X - A

RE: The Fuller Report

SOURCE: Sol S. Shalit, George Washington University's Ten-Year Foggy Bottom Campus Plan -- Comment. Washington, DC; Testimony, Hearing of September 26, 2000; DC Board of Zoning Adjustment; BZA Application No. 16553.

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.

A P P E N D I X - B

RE: University Growth and Financing

SOURCE: Sol S. Shalit, George Washington University's Ten-Year Foggy Bottom Campus Plan -- Comment. Washington, DC; Testimony, Hearing of September 26, 2000; DC Board of Zoning Adjustment; BZA Application No. 16553.

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, one 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 only come 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.