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Senate Hearin
Before the Committee on Appropriations

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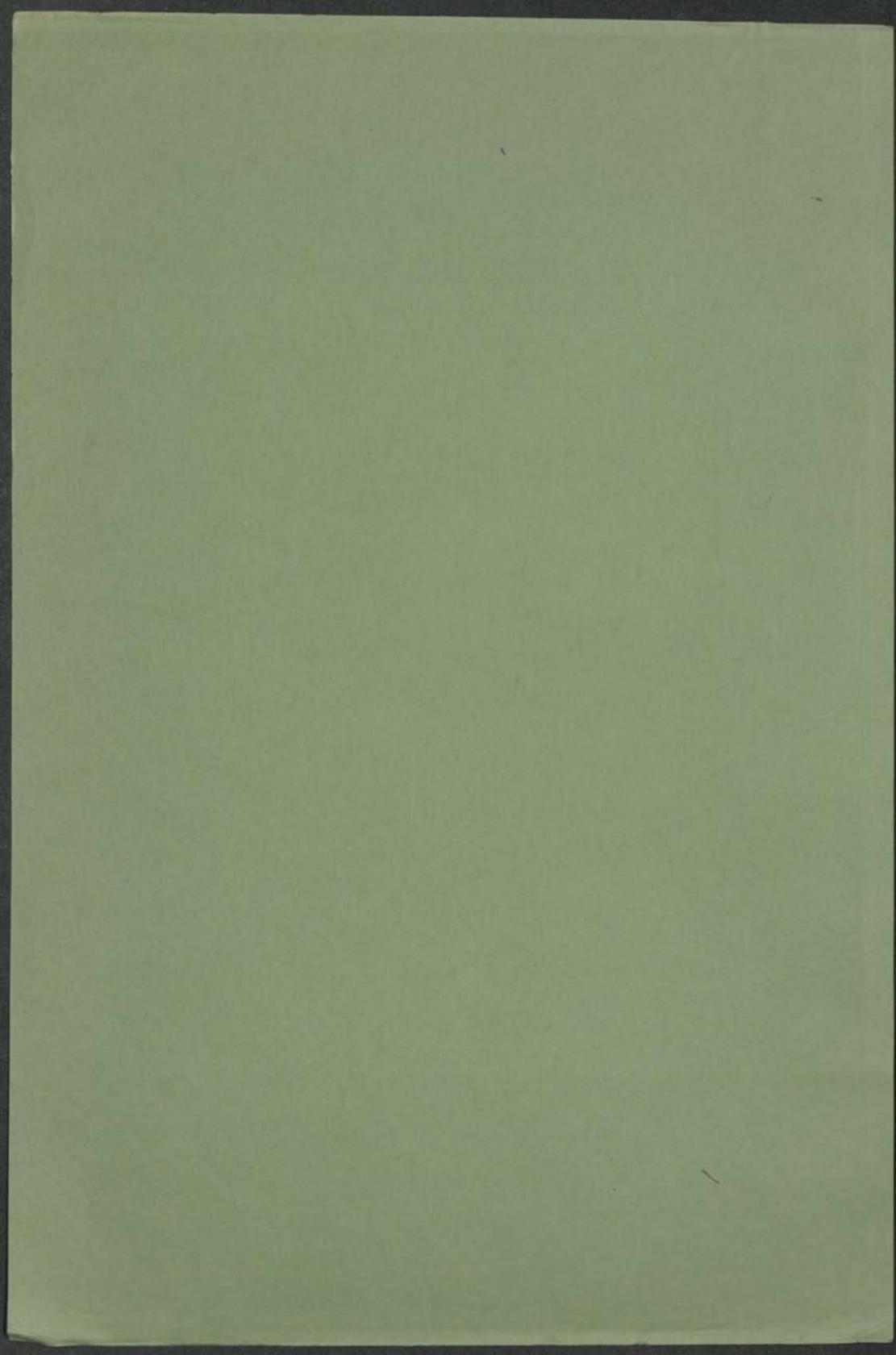
PART 3 (Pages 2301-2753)

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DISTRICT OF COLUMBIA APPROPRIATIONS FOR
FISCAL YEAR 1978

HEARINGS
BEFORE A
SUBCOMMITTEE OF THE
COMMITTEE ON APPROPRIATIONS
UNITED STATES SENATE

NINETY-FIFTH CONGRESS

FIRST SESSION

ON

H.R. 9005

AN ACT MAKING APPROPRIATIONS FOR THE DISTRICT OF
COLUMBIA FOR THE FISCAL YEAR ENDING SEPTEMBER 30,
1978, AND FOR OTHER PURPOSES

Printed for the use of the Committee on Appropriations

PART 3 (Pages 2301-2753)

District of Columbia
General Accounting Office
National Capitol Planning Commission
Nondepartmental Witnesses



U.S. GOVERNMENT PRINTING OFFICE

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DISTRICT OF COLUMBIA APPROPRIATIONS FOR FISCAL YEAR 1978

WEDNESDAY, JUNE 29, 1977

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 2 p.m., in room 1114, Everett McKinley Dirksen Office Building, Hon. Patrick J. Leahy (chairman) presiding.
Present: Senators Leahy, Mathias, and DeConcini.

DISTRICT OF COLUMBIA

OFFICE OF THE MAYOR

STATEMENT OF MAYOR WALTER E. WASHINGTON

ACCOMPANIED BY:

CHAIRMAN STERLING TUCKER, COUNCIL OF THE DISTRICT
OF COLUMBIA

COMER S. COPPIE, SPECIAL ASSISTANT TO THE MAYOR FOR
BUDGET AND MANAGEMENT SYSTEMS

JIM DURBIN, PRESIDENT, MARRIOTT HOTELS

OPENING REMARKS

Senator LEAHY. The subcommittee will come to order.

This afternoon, the subcommittee will hear testimony on the city's second fiscal year 1977 supplemental and a fiscal year 1978 budget amendment.

The city's request for the second supplemental is for \$11,226,800. The request for the fiscal year 1978 budget amendment is for \$7,572,700 and 76 positions. In addition, the fiscal year 1978 budget amendment includes \$27,082,100 for various capital improvements.

The request for capital improvements includes \$27,700,000 for the startup costs for a civic center in downtown Washington. The total cost of the center is now estimated to be \$109,690,000, which makes the center the largest single capital item ever requested by the city as a single jurisdiction.

With the additional positions requested for fiscal year 1978, the city's requested personnel ceiling is now 1,000 more than the ceiling for fiscal year 1977. It is of some concern, not only to me, but to the other members of the subcommittee, that the personnel level is going up again. The ceiling has little effect if we continue to move it up to accommodate every new item that comes along.

In preparation for today's hearing, I spent some time walking around the four-block area that is the site for the proposed civic center.

I went down with Mr. Hall and others. We walked around the proposed center site, talked to a number of people who would be dislocated by it, and to a number of people who are residents in the area. Since then, I have gone back and walked through the area again. As I mentioned, in earlier hearings, when we have subjects that are going to be coming up before this committee involving different areas in the city, it would be my intention to go and visit them personally.

I can understand and appreciate the city's interest in revitalizing that part of the downtown area. I am quite familiar with it from the time I was here in law school. However, on the strictly economic side of the question, I continue to have serious questions and feel that we are being asked to make a great leap on faith alone.

I am sure that all of you who share my interest and affection for this city would not like to see it stuck with a marginal investment. Hopefully, the hearings today will help answer the large number of questions that I still have regarding the economic feasibility of the civic center.

I scheduled today's hearings on the supplemental and amendment request before the subcommittee received the official request from the White House. The subcommittee still has not received the request from the White House, but we understand that it will arrive in a matter of days. I have scheduled these hearings before receiving the request in an effort to meet the statutory due date for completing the Congressional processing of the D.C. bill.

There is some doubt now that we will be able to meet the due date because of the lateness of the city's budget submission. This fact reemphasizes the need to establish a statutory due date for the transmittal of the city budget to the Congress.

The first part of today's hearings will be devoted entirely to the proposed civic center and then we will hear from the city on the several other new requests that they have made for both fiscal year 1977 and fiscal year 1978. Finally, the subcommittee will hear testimony from the several outside witnesses that have requested to appear on the matters now pending before us.

We have the Mayor, the Honorable Walter E. Washington, and Sterling Tucker, Chairman of the City Council here to discuss these matters with us. It is always an honor to have the Mayor and Mr. Tucker with us. The subcommittee also wishes to express our appreciation to Mr. Coppie and his staff for their very fine assistance in helping to prepare for these hearings.

As I mentioned earlier, I would like to focus the first part of these hearings on the civic center proposal.

PREPARED STATEMENT OF MAYOR WASHINGTON ON CIVIC CENTER

Mr. Mayor, do you have an opening statement that you would like to make on the question of the civic center?

Mayor WASHINGTON. Yes, I do.

Senator LEAHY. I will insert your full statement in the record and then you may proceed.

[The statement follows:]

STATEMENT OF MAYOR WALTER E. WASHINGTON

Mr. Chairman -- Members of the Subcommittee:

It is my privilege today to present the request of the District of Columbia for a capital budget appropriation of \$27.7 million to start work on our downtown Civic Center.

Construction of this Washington Civic Center is a municipal investment of great importance to the future of this City to assure its healthy growth and development. With it, we propose to use our own tax dollars, to help ourselves solve our problems.

We consider the Civic Center proposal as a key aspect of the City's strategy to renew the central downtown area and combat the forces of urban blight and decay that have eroded our tax base. We view the center as an economic development machine, a working public enterprise to bring additional business opportunity, increase employment, and greater tax revenues to this City.

Revitalization Strategy

The Civic Center would have these benefits for the City.

- * To enable the District to compete in the major convention market, thus assuring the viability and growth of this important private sector activity.
- * To provide a facility for citywide conferences, meetings, exhibits and other local events.
- * To revitalize the shopping area of our downtown and produce development of stores, hotels, and office buildings.

- * To create additional jobs and business development opportunities for our citizens -- for all our citizens .
- * To broaden and increase the revenue base of this City to pay for city services and reduce the overall tax burden on our citizens.

We are designing a facility where we can host large national, international and regional conventions, trade shows, and meetings. Such gatherings do not meet here now with great frequency. They will not meet here in the future unless the City builds this center.

Feasibility Studies

We have made extensive studies of feasibility in preparing this project. I offer these studies to the Committee for its records. We have looked at such issues as location and design, and the crucial one of economic feasibility. We see the center as a sound and prudent investment in the future of this City. I fully support that conclusion as does the D.C. Council.

A Municipal Public Works Project

The funds requested will provide the District Government with the resources needed to acquire the chosen site, to provide for relocation of residents and businesses, to prepare the final design and to prepare the site for construction. The funds would be obtained through Treasury borrowing and repaid in accordance with existing debt service arrangements. Total cost of the project which is scheduled for completion in late 1981 would be \$109.6 million. It will be built by the District Government as a municipal public works project. Actual construction

will start in the Spring of 1979 following completion of relocation work for which \$1.8 million is budgeted.

We propose to pay for this center over 30 years. When the private bond market becomes more favorable, we would re-finance it with tax-exempt general obligation bonds to reduce the annual debt service cost substantially. The spin-off benefits envisaged for this project will cover the debt service costs with an ample margin to spare.

The Selected Site

The chosen site in the vicinity of Mt. Vernon Square South lies between Ninth and Eleventh Streets Northwest and between H Street and New York Avenue. The selection came after a careful study of thirteen possible sites. The more technical document that I have prepared and ask to be included in the record of this hearing goes into the site selection process and the details of the facility.

Delegate Spending

The basic feasibility equation for the center rests on the market analysis by Gladstone Associates. That analysis suggests that we will attract about 350,000 (310,000 to 390,000) additional delegates to Washington, D.C. each year. These delegates will spend approximately \$100 million a year. That spending should stimulate the construction of 3000 additional hotel rooms while increasing the occupancy of existing hotel rooms from the present 70 percent level to 75 percent. It will create 4000 additional year round jobs.

The various tax benefits that will accrue to the City from delegate spending, jobs and private investment will pay for the center including its debt service and yield a significant fiscal profit. That fiscal profit will escalate with expected continued inflation; the debt service payments remain constant and do not escalate. In fact, there is the potential for a reduction of debt service costs through refinancing in the private bond market at an appropriate time. The spin-off benefits, not the direct operations of the center, produce the fiscal profit.

We expect that the center itself will incur a relatively small annual cost to the City to keep rates competitive. Typically, that is the way such centers customarily function. They can yield a direct profit through higher rates and inducement of increased local activities, but that does not produce out-of-town visitors or the desired spin-off benefits.

The consultants stress that economic feasibility depends on location, design, and management. We have suggested a choice location, and have moved to create an appropriate design, and a strong management.

Questions have been raised about some of the numbers in the studies. We think they are sound and carefully calculated. They demonstrate that the needed margin of feasibility is present. Staff and the consultants are here to respond to questions on specifics.

I would call on Mr. Ben W. Gilbert, the Director of Municipal Planning, to provide a brief chart presentation of the center program. Mr. Sam D. Starobin, Director of General Services, is available to discuss cost estimating

and construction processes. Mr. Comer S. Coppie will provide details about the debt service and other financing questions. Also present to assist in responding to any questions are representatives of the consultants including the architects-engineers and cost consultants on the design team.

A Major Commitment

The Washington Civic Center represents a major commitment by the District of Columbia Government and its citizens to help ourselves to improve the economic climate of this City, which is not only the Nation's Capital, but also our City where we live and work and raise and educate our children.

We have reviewed this proposal with representatives of Washington business, with community groups including the leaders of the Chinese community and with the Advisory Neighborhood Commission covering the site. We did special studies to address the concerns of the Chinese community. This review process has helped us refine and strengthen the proposal to bring it to this point.

The project represents our determination to strengthen the economy of this City, to create investment opportunities and jobs. We accept the responsibility under Home Rule to take this initiative. This request to the Congress today is in that context. We ask that you give us the opportunity we seek to help ourselves.

A CIVIC CENTER FOR WASHINGTON, D.C.

Technical Supplement

to

Statement of Mayor Walter E. Washington

Downtown Civic Center Proposal

The District Government is proposing to build a downtown civic center for Washington, D.C.. That proposal, for the total cost of nearly \$110 million, has been approved by the District of Columbia Council for funding as part of the capital works program. The Civic Center, in the vicinity of Mount Vernon Square South, would be convenient to Metro, the downtown shopping area, the monumental core, important government buildings, and a number of potential downtown development sites.

If approved by the Congress, the center will be built on a nearly 10-acre site bounded on the north by New York Avenue, on the west by Eleventh Street, N.W., on the south by H Street, N.W., and on the east by Ninth Street, N.W. Funds for site acquisition will be available on October 1, 1977, with actual construction to start early in 1979 and completion scheduled for late 1981.

The new delegate spending to result will stimulate economic development and downtown revitalization, create many new jobs in supporting activities and enhance municipal revenue collections.

Primary Purpose: Attract Major Meetings

The primary purpose of the center is to attract large national, international and regional conventions, trade shows and large meetings which do not now come to Washington because of the lack of an adequate facility for their sessions.

It will also provide an important new civic resource for local meetings, community activities and events.

When completed and fully occupied, the center will generate a total of \$100 million a year in new spending (estimated in 1976 dollars) by convention delegates and exhibitors. A net tax profit of at least \$12 million a year will result after debt service and operating expenses are taken into account.

The center will stimulate the creation of 4,000 new permanent jobs including those required for the direct operation of the center, for basic support activities, and for the hotels and restaurants and other activities stemming from

operation of the center. A market will develop for an estimated 3,000 additional hotel rooms. Existing hotels will benefit from greater annual room occupancy.

The center is an essential element in the City's program to revitalize its downtown section and to expand its tax base. Major new development is expected to occur to the west, south and east of the center site as a direct outgrowth of the center location, thereby pumping new vitality into the north side of downtown.

The center will cost a total of \$109,690,000 for the entire project, including land acquisition, building construction and furnishing. Initially financed through Treasury borrowing, refinancing through the lower cost tax-exempt municipal bond market is contemplated. The sum of \$27,700,000 would be borrowed from the United States Treasury in Fiscal Year 1978 which starts on October 1, 1977. The funds would pay for site acquisition and relocation, site preparation and design. The sum of \$600,000 borrowed from local banks for work on the 1973 Eisenhower Center proposal would be repaid. That work was used in current feasibility studies. It will be built by the District as a Municipal Public Works Project.

A Major Convention City

The proposal to build a civic center in Washington, D.C. capitalizes on the identification of Washington, D.C. as a major convention city which has available to it 15,000 hotel rooms and is already one of the nation's best convention locations. In 1976, an estimated 635,000 delegates came to Washington, D.C. to attend 750 conventions, but the nation's biggest convention sessions did not come to the Capital because suitable facilities were lacking.

A survey of major organizations that do not now come to the Nation's Capital revealed that an overwhelming number of them would do so if a suitable facility is constructed. Furthermore certain growing organizations that have included Washington, D.C. in their rotation plans have indicated that they will not be able to do so any longer unless a large enough facility is provided for their meetings.

Washington's basic attractiveness as a convention city goes beyond the ability to assemble a large stock of hotel rooms. It is an attractive City that many Americans desire to visit -- to see the monuments and galleries and to observe the Congress and the executive departments at work. With a suitable civic center, the City will be able to present strong arguments to major national organizations to include the Capital on their regular rotation schedules.

The proposed center would be expected to book at least 40 major conventions a year with an average of 9,000 delegates each, thereby assuring its feasibility. These bookings would come from the more than 300 large organizations which represent the center's primary market. That is the target market, a growing market that we desire to serve. It is separate and apart from the market now using existing in-town convention facilities.

We also distinguish it from the market that the Sheraton Park expansion is designed to handle. Our proposed facility provides 300,000 square feet in one hall that can be subdivided into two or three halls to handle that many meetings or conventions simultaneously. The Sheraton's expanded facility will provide a maximum of 118,000 in four inter-connecting spaces. It will complement the Civic Center, but does not compete with it, in our view. We are delighted by the Sheraton's decision to modernize both its convention and hotel facilities and appreciate that statement of confidence in the future of the City.

The Civic Center can accommodate local gatherings, but that must not become its primary purpose. Such uses should occur only in periods of low convention bookings.

Large Exhibit Hall: A Central Feature

A 300,000 square foot exhibition hall on one floor is the main feature of the center. Large enough to accommodate the major conventions, trade shows and meetings that desire to come to Washington, this hall will be the largest such facility in a major American city north of Atlanta and east of Chicago. Divisible into two or three major spaces, the hall will have fold-back seating for 10,000 persons. The hall can thus be used for local shows and civic events.

Forty meeting rooms totaling 80,000 square feet of space will provide for committees, workshops and other gatherings which typically occur in large conventions and meetings. They will be designed to accommodate the most modern equipment for sound and visual aids.

Other support facilities include kitchen space to serve a catered meal to an entire convention, and a restaurant. With lobby, administrative space, mechanical equipment and storage, and one level of parking for 750 automobiles, the structure will contain a grand total of 890,500 square feet of floor area.

The center building will rise 65 feet with entrances from 11th Street and H Street. The main exhibit hall will occupy the ground floor to permit convenient and direct truck access onto the floor for exhibit unloading and reloading. The meeting rooms will be located on the second and mezzanine floors.

This design places the main spine of the civic center - the lobby and meeting rooms, parallel to H Street, and within one block of the downtown retail core and the Metro Center.

Design Process

The design, of course, will be perfected during the continuing design review process.

This proposal has been reviewed with representatives of Washington business, with community groups including the leaders of the Chinese community and with the Advisory Neighborhood Commission covering the site. We did special studies to address the concerns of the Chinese community. This review process has helped us refine and strengthen the proposal to bring it to this point. As we complete the design, the project will also undergo the required environmental reviews and other mandated approvals. These reviews will include opportunities for further community comment. The final design will be perfected in this process.

We have outlined a design process to address fully the various design issues in a project of this magnitude, and to secure the required approvals, most particularly those of the Fine Arts Commission and the National Capital Planning Commission. We want excellence in design and a building that relates to its surroundings. We propose to build a center that will add to the beauty of our City and one that will carry out its purpose effectively.

Center Proposal Examined in Depth

Extensive feasibility, site location and design studies preceded the decision to request funding for the proposed center at Mt. Vernon Square South. An inter-disciplinary team composed of economists, architects, engineers, cost consultants, city planners, construction specialists, and others worked on this project which drew on resources of the private sector and the City Government.

With the assistance of the Economic Development Administration of the U.S. Department of Commerce, the Municipal Planning Office arranged for detailed examinations of economic feasibility including a thorough market analysis and a review of the operation of centers in other major convention cities, and an analysis of the program proposed for the Washington, D.C. center. The District Government contracted with Gladstone Associates, an independent economics consulting firm of Washington, D.C. to do this work.

Other consultants retained included E.C. Park & Company for special studies of the Chinese Community and Ofield Dukes & Associates for public information assistance.

The Municipal Planning Office investigated and evaluated thirteen alternative site locations. When it appeared that the best location would be in the vicinity of Mt. Vernon Square South, the architectural engineering joint venture that worked on the former Eisenhower Center project explored design alternatives at that general location.

That group was Welton Becket Associates, Gray & West, Architects, and H.D. Nottingham Associates. Construction

cost estimates were then developed by the General Services Department of the municipal government and separately checked by Fuller-Griffin. Budget, tax, environmental, transportation, site acquisition and relocation issues were reviewed by the appropriate agencies of the City Government.

Fiscal Profit for D. C.

The consultant's feasibility analysis concluded that the proposed center is indeed feasible and would pay for itself in 15 years. Citing the experience of other cities, Gladstone stated that a major convention-oriented civic center "can be an enormous generator of new development, jobs, personal income and tax revenue." A net fiscal profit of \$12 million a year would occur. From that standpoint the center must be viewed as a business enterprise, albeit a public one.

The market analysis performed for the proposed Washington, D. C. center concluded that there is a "high probability" that non-local delegate and exhibitor attendance would occur as follows:

- 31 to 38 conventions with an average delegate and exhibitor attendance of about 8,000.
- Four to five trade shows with an average delegate and exhibitor attendance of about 13,000.
- Six to eight major meetings with an average delegate and exhibitor attendance of about 8,000

There would be a net gain of 310,000 to 390,000 attendees for this City. Assuming an average convention delegate stay of 4.4 nights, (with exhibitors staying longer for arrangements) the center would generate between 1.5 and 1.9 million additional delegate/exhibitor nights at area hotels, primarily in the District of Columbia.

Various methods of financing the center were evaluated by the consultants. It was concluded that financing the center as a capital budget project is the most practical for the District. The initial source of funds would be Treasury borrowing. When the District is ready to enter the commercial bond market, the center would be refinanced to benefit from the lower interest rates of tax-exempt bonds.

Key to Feasibility: Delegate Spending

A careful estimate of delegate spending placed the total in the \$100 million a year magnitude for delegates and exhibitors. That spending is the key ingredient of the feasibility equation. This was based on the delegate night totals multiplied by \$67.36 in daily average delegate spending as follows:

Hotel Rooms	\$28.96
Restaurants (including beverages)	\$27.15
Retail Stores	\$ 3.43
Transportation, including Automobile	\$ 3.24
Entertainment	\$ 2.49
Other Spending	\$ 2.09
<hr/>	<hr/>
Total	\$67.36 (1976 dollars)

Derived thereby are projected delegate expenditures of between \$91 million and \$115 million a year (1976 dollars). It is readily evident that expenditures of this scale (over and above presently existing convention delegate spending) will generate business activity, employment and tax benefits of substantial magnitudes.

Indicators of the significance to the District of this new business and commercial activity:

- New Payroll in the District of Columbia: \$33 to \$42 million a year.
- Prospective new restaurant space: 156,000 to 200,000 square feet (40 to 50 new establishments).
- New retail shops: 15 to 20 new shops (or the equivalent in existing stores).
- Additional taxi trips: one million-plus per year.

3,500 to 4,500 New Jobs

The Gladstone studies suggest that 3,500 to 4,500 new full-time jobs would result from the operation of the center. The estimates include the direct jobs at the center, those that result from delegate and exhibitor spending, and the further or "multiplier effect" of new job creation as follows:

	<u>New Center-Generated Jobs</u>
At the Center	85 to 100
Retail/Service/Transportation	1,540 to 1,930
Hotel Section	1,100 to 1,480
Multiplier Effect	820 to 1,050
<hr/>	<hr/>
TOTAL	3,545 to 4,560

The building of the center itself will be an important source of construction industry employment. Additional such employment will result from the building of hotels and other physical developments by the private sector. Gladstone's estimates are as follows:

	<u>Construction Jobs</u> <u>(Full Time Person Years)</u>
Center Construction	935 to 1,115
Hotel Construction	1,235 to 1,660
TOTAL	2,170 to 2,775

Tax Profit Figured

It is useful to "walk through" the calculations of the tax receipt benefits or "profit" that is estimated will occur.

Using present tax rates and 1976 dollar values (no new taxes), and the 310,000 to 390,000 range of delegates and exhibitors each year, a fully operational center could produce these revenues for the city:

Tax Revenue Range

1. Direct Revenues

Real Property (Hotels Only)	\$ 1.7 to \$ 2.3
Hotel Occupancy Tax	\$ 3.1 to \$ 4.0
Retail Sales Tax	\$ 3.4 to \$ 4.1
Less: Present Real Property Taxes from Land and Buildings at the Mt. Vernon Square Site	\$ 0.2 to \$ 0.2
Subtotal - Direct Revenues	\$ 8.0 to \$10.2

2. Indirect Revenues

Income Taxes	\$ 0.8 to \$ 1.1
Real Property (Other Than Hotels)	\$ 0.8 to \$ 1.1
Subtotal-Indirect Revenues	\$ 1.6 to \$ 2.2

3. Induced Revenues

Multiplier Effect	\$ 2.9 to \$ 3.7
Total	\$12.5 to \$16.1

4. Total \$12.5 to \$16.1

The financial mechanisms chosen -- direct Treasury borrowing to get the project underway with general obligation borrowing as soon as practicable -- is a convenient and less costly approach than other methods because of the prospect of its availability by October 1, 1977. Other methods of financing have uncertain timetables. The cost of delay is considerable -- about \$2 million for every three months or \$8 million a year. Furthermore, general obligation borrowing (tax-exempt municipal bonds) would be substantially cheaper than other methods.

Summary of Financial Return

In capsule summary form Gladstone calculates the fiscal profit to be produced by the center as follows:

- A. Additional delegates - 310,000 to 390,000 a year.
- B. Average delegate stay - 4.4 days.
- C. Average delegate spending in D.C. - \$67.36 a day in 1976 dollars.
- D. Total delegate spending - \$103 million a year in 1976 dollars.
- E. Debt service in 1984 and thereafter - \$8.4 million.
- F. Net operation cost in 1984 - \$0.5 million.
- G. Tax revenues to city in 1984 in then current dollars - \$21.1 million.
- H. Net fiscal profit to city in 1984 - \$12.2 million (+ 21.1 million - 8.4 million - \$0.5 million = 12.2 million). The amount of this fiscal profit will increase annually thereafter according to the Gladstone calculations.

Allowance for Inflation

It is important to understand that the estimates are in 1976 dollars. To convert these amounts into actual (then year current) expenditures and receipts, continued inflation of construction costs of 8 per cent a year was assumed while revenues were assumed to escalate by only 5 per cent annually, a basically conservative approach. It should also be pointed out that debt service is not subject to any escalation. That is a significant advantage of the proposed method of financing.

Applying this arithmetic to the proposed \$110 million center, Gladstone concludes that a profit of \$12 million in then current year dollars would accrue to the City two years into full operation. The amount, Gladstone states, would increase annually thereafter.

Minority Employment and Business Opportunities

As a major construction project, the civic center will provide substantial potential for minority business involvement and construction jobs.

Once built and operating, new jobs and business opportunities will be created in the private sector by the center.

Minority employment opportunities encompass an extensive array of new jobs, ranging from managerial and support employment at the center to new retailing and hotel enterprises created by delegate and exhibitor spending as well as the development of center support and maintenance concessions.

A challenge for the District of Columbia will be to assure that this potential is converted into a reality. Minority hiring practices during the construction phase, consistent with present District policies and laws, is the first step. Thereafter, a substantial participation in new employment and business opportunities would be available to local residents. A special effort for local minority enterprises in new business opportunities arising from the civic center, including minority employment and entrepreneurial participation in services provided to the civic center (such as transportation, catering, exhibit design and construction and center maintenance), will be part of the management program for the center.

Temporary Taxes for Start-Up Costs

A fiscal "gap" totaling \$16.7 million in then current dollars between 1978 and 1982 is projected by Gladstone. To cover that "gap", a special temporary tax program to be levied on activities that would expect to benefit from the center has been submitted to the Council. A hearing on it is scheduled for Thursday, June 30, 1977. The program includes these two taxes:

- o Retention of half of the temporary corporate and unincorporated business surtax, now scheduled to expire.
- o A new 80 cent a room hotel tax.

Together, the two proposed taxes would yield \$6 million a year or \$18 million in three years. The Gladstone report commented that the gap would be covered with three years of these taxes.

The Site Study: 13 Sites Evaluated

The Municipal Planning Office, working closely with the feasibility and design consultants, studied thirteen different sites that had been suggested for the civic center, including the original Eisenhower Center site at Mt. Vernon Square South which had been considered in 1973.

The full list of thirteen sites reviewed follows:

1. Mt. Vernon Square South (3 design alternatives)
2. Wax Museum Site (5th and K Streets, N.W.)
3. Massachusetts Avenue (and New Jersey Avenue, N.W.)
4. Union Station - Visitor Center (F to H Streets, N.E.)
5. Center Leg Freeway (2nd to 3rd Streets, E to G Streets, N.W.)
6. Gallery Place (7th and G Streets, N.W.)
7. Great Plaza (13-1/2 and D Streets, N.W.)
8. Portal Site (12th to 14th, D Streets, S.W.)
9. Thomas Circle (Vermont Avenue, N.W.)
10. Ninth and L Streets
11. New York and Florida Avenues
12. Stadium-Armory Site
13. FCC Site (Mt. Vernon Square North)

Each site was examined with respect to its site potential, site acquisition issues, area impacts, and area benefits. The sites were scored on the basis of 29 specific criteria dealing with such important details as size and shape of the site, and transportation access by Metro, bus, taxi, automobile, truck and pedestrians.

Cost, land assembly and relocation issues were examined and impacts on air, water, noise and traffic levels were rated. Physical, social and economic benefits to the neighborhood, the downtown and the City as a whole were also considered.

A number of sites soon dropped out as too small, inconveniently located, or otherwise unsuitable.

It became evident that the Mount Vernon Square South location remained superior to the others on many counts, but primarily because of its strategic location within the downtown area.

Access to it by Metro, bus, taxi and pedestrians is superior to other sites. It is near to museums and galleries, to the monumental core, to government office buildings, and to existing hotels and restaurants.

Most important in terms of economic feasibility, it promises the greatest benefit to the revitalization of downtown and promises to have the greatest potential for spin-off development of any of the sites. Thirty acres of developable sites are within a short distance, including the City's downtown renewal sites at 12th and G Streets and 7th and G Streets.

Design Alternatives

The original 1973 Eisenhower Center site was to occupy four squares south of Mt. Vernon Square between 8th and 10th Streets. It involved the bridging of 9th Street which must remain open to traffic and the construction of truck ramps to the main exhibit floor 20 feet above ground level. Clearly, this was a less convenient arrangement than a site where the main exhibit floor with the required 300,000 square feet of exhibit space could be at ground level.

Several design alternatives at Mt. Vernon Square South were studied to solve this problem. The solution that emerged called for a shift of the center site one street westward, since 10th Street could be closed. Although involving the acquisition of less land, the exhibit hall would fit into the site at ground level, allowing savings in construction and site acquisition costs. The new site between 9th and 11th Streets covered three privately held blocks and a small triangle of park land.

Relocation, A Project Cost

The smaller site will require less relocation: the latest survey indicates 31 families and 49 single individuals for a total of 170 residents. There are 56 business establishments. The cost of relocation is included as a project cost and a public obligation.

The greatest number of residents to be relocated are Chinese, 109 individuals. The objective will be to locate the Chinese residents as near to Chinatown as possible. Chinese community organizations will be called upon for advice and assistance to make the required moves as smooth as possible.

Downtown Revitalization

The civic center at Mt. Vernon Square is a key part of the downtown revitalization program. The south edge of downtown is moving ahead with the Pennsylvania Avenue program. The central portion of downtown -- the retail core along F and G Streets -- will benefit from Metro related development at Metro Center and Gallery Place, and from the "Streets for People" program. The northern part of downtown between H and M Streets continues to need attention. The civic center will help spur new development there.

The area around Mt. Vernon Square will serve a number of existing and new activities.

Cultural facilities will include the downtown campus of the University of the District of Columbia (Federal City College) north of the Square, the Martin Luther King Library at 9th and G Streets and the old Patent Office housing the National Collection of Fine Arts and the National Portrait Gallery between F, G, 7th and 9th Streets, N.W. Chinatown, with additional shops, restaurants, housing, and a Chinese Community Center, will be an interesting and significant part of the area. New hotels, restaurants, and shops around the civic center will generate new activity.

New housing will be located on the edge of the area, especially north of Massachusetts Avenue.

In summary, this City Activity Area -- the blocks around the civic center -- will be an area with many activities that will attract both local residents and out-of-town visitors.

Chinatown Vitality, An Objective

Washington, D.C.'s Chinatown is a cultural and commercial asset to the City. The core of Chinatown, located adjacent to and southeast of the civic center site, generally includes 6th Street from G to I, 7th Street from G to I, H Street from 5th to 8th, and I Street from 6th to 7th Streets.

The civic center will bring hundreds of thousands of additional persons per year to the edge of Chinatown. It will stimulate spin-off development in the area around the civic center, including the Chinatown area. Civic center planning has recognized the needs of the Chinese community for a more viable and visible Chinatown area.

The identification of Chinatown as a special place in the downtown area is recognized by the District Government as a civic asset. Street signs in English and Chinese are now in place, thereby establishing the boundaries of this section. A proposal to provide housing and a social center in Chinatown is being supported through the City's community development block grant program. It is expected that a number of the relocatees will be able to occupy the new housing when it is completed.

Traffic and Access

Tenth and I Streets within the site will be closed. Ninth Street will remain open and become the southbound one-way pair to 12th Street. Both 9th and 12th Streets underpass the Mall and connect to the Southwest Freeway.

From a traffic circulation standpoint, the site has the advantage of closeness to New York Avenue and 9th and 12th

Streets. Most vehicles would reach the center via one of those three streets. Trucks would be brought onto the site by radio control to avoid congestion. Twelve loading docks inside the building are provided. In addition, there is provision for trucks to drive onto the exhibit hall floor to unload.

Parking on the site would be primarily for convention support needs. Most convention goers will come to the site by Metro, by special busses, by taxi, or on foot. Two major Metro junction stations are within two blocks of the site.

For local events, the parking supply in the vicinity would serve the center, probably by special arrangements. City policy calling for the maximum use of mass transit for such events would be encouraged.

The one level of parking proposed would provide 750 spaces. There are now approximately 725 spaces in the site area including the public streets that would be closed. There are at least 3,000 additional spaces in structures in the vicinity of the site plus perhaps 3,000 spaces in lots.

Strong Management Essential

The central conclusion of the feasibility study is that a well-located, well-designed and well-managed center will be a powerful generator of revenue for the District.

The management of the center will have the task of actually operating it and marketing and promoting it, both to out-of-town and local interests. It is essential that a qualified manager be retained at a competitive salary which is likely to be above District of Columbia pay scales.

Gladstone strongly recommends that responsibility for management of the center be vested in a "highly qualified board of directors" rather than an operating department of the City Government. The board would be appointed by the Mayor and be accountable for the center's success.

This recommendation recognizes the essential nature of the center - a business enterprise established for the purpose of producing a fiscal profit for the City.

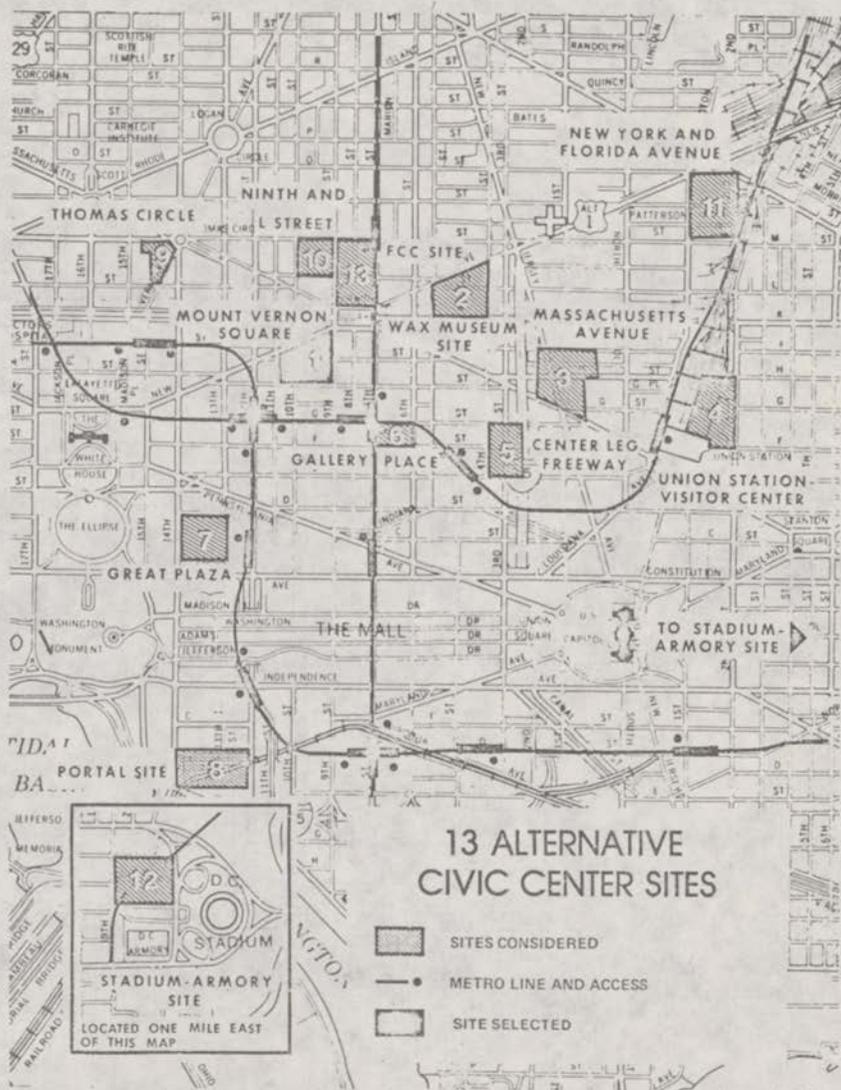
The management program as envisaged in the Gladstone feasibility report:

- The manager would be hired by the Board.
- The Board's area of responsibility would be limited to the center.
- The Board and Manager would be brought on during the design and construction stage.
- Development of the adjacent areas would be conducted with the support of the Board.

- The center management would establish close and coordinated relationships with the City's Convention and Visitors Bureau.
- Coordinated booking arrangements would be established with the Armory, although the two facilities would be operated independently of each other.

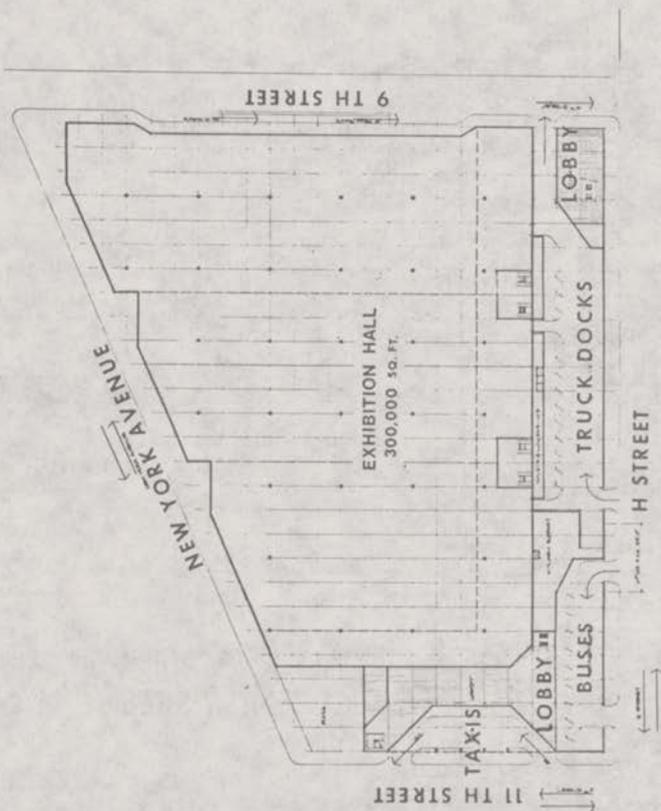
Legislation to provide for the strong management proposed has been developed for submission to the D.C. Council shortly.





PRELIMINARY BUILDING DESIGN

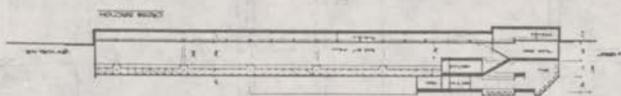
Exhibition Hall Level



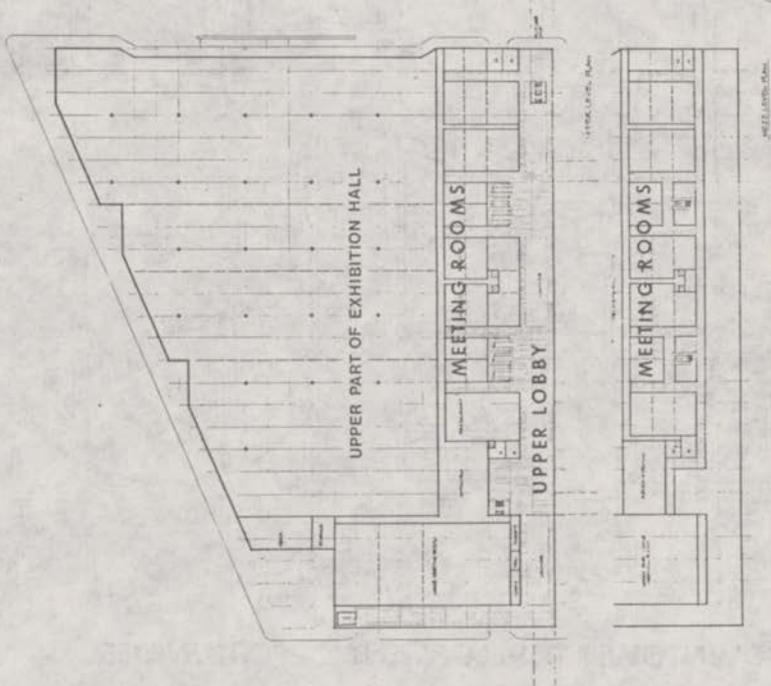
LOWER LEVEL PLAN
OF
WASHINGTON CIVIC CENTER
WASHINGTON, D.C.
ARCHITECTURAL ARCHITECTS
AND INTERNATIONAL ASSOCIATES
NEW YORK, N.Y. MAY 16, 1967



PRELIMINARY BUILDING DESIGN

Meeting Room Level

UPPER MEETING ROOM LEVEL
 WASHINGTON CIVIC CENTER
 WASHINGTON, D.C.
 ARCHITECT: JAMES H. HARRIS
 1000 PENNSYLVANIA AVENUE, N.W.
 WASHINGTON, D.C. 20004





DOWNTOWN DEVELOPMENT OPPORTUNITIES

OPENING REMARKS OF MAYOR WASHINGTON

Mayor WASHINGTON. Mr. Chairman. I appreciate it very much and I also appreciate the manner in which you have approached this matter. You have indicated to me personally and otherwise that you had some concerns and I think this is an opportunity which you afforded us to address those concerns. I think we are prepared in all of the areas that have been expressed to us, including the GAO report, to present to you not only the justifications, but strong belief in the viability of this particular area.

I know that you have observed that this is a substantive project for us. Of course I assume that you were eliminating Metro and the colleges and that sort of thing.

Senator LEAHY. Single jurisdiction.

Mayor WASHINGTON. From the jurisdiction standpoint, this is again an item that we believe with the nature of our capital improvements that we have addressed many of the problems that come before us for addressing. If you wanted, I could place in the record along with the technical supplement, Mr. Chairman, a summary of the facilities and capital improvements that we have built that have taken into account the great number of needs for this city. The projects are itemized in a highlight fashion, the schools, the colleges, the recreation facilities, which means that as I begin, I want to make sure that you understand as well as others that to the extent that the last 10 years has provided the opportunity and the resources, we have addressed, most of our basic facilities.

We are, I think, in excellent shape to proceed with this very vital proposal, which means so much to the viability of not only downtown, but I think ultimately the entire metropolitan area because if this city is not sound, certainly you cannot expect the metropolitan area to be sound.

I believe that its soundness depends upon the viability and the vitality of its center core, the business section of the city. This has been true throughout major cities of this Nation, from Los Angeles to Baltimore.

I come today, Mr. Chairman, with that parenthetical statement because I am committed to this proposal. The government of the District of Columbia from the executive branch to the legislative branch are committed to this proposition and we come with that kind of unity. A broad cross-section of people are also committed to it. There are problems obviously, some in design, some in other areas which I believe indeed you have.

But we are prepared to discuss those in the constructive way so that hopefully we may go forward to realize not what has been characterized as a dream, but something solid in terms of action.

Senator LEAHY. Mr. Mayor, I understand all of that. Design problems can be corrected easily enough. But I am more concerned about the economics of the situation.

Mayor WASHINGTON. Mr. Chairman, we will get to that with the technicians that we have here.

ATTRACTION OF VISITORS TO CENTER

Senator LEAHY. There is one thing that occurs to me based on what you have said; that is, that you have estimated in past statements I understand that the center will attract 310,000 to 390,000 net additional visitors each year, but the overall feasibility of the proposal depends upon them staying in District hotels and spending money in the District.

That is assuming about 90 percent of the people who come here are going to stay in the District and not in the suburbs. Is it really a realistic appraisal that 90 percent of the delegates are going to do that?

Mayor WASHINGTON. We believe it is and we will have further testimony on the point and some documentation on our feasibility. We have the people here that are prepared to produce that.

Senator LEAHY. Will they be able to say how much of a margin of error there is? Because if you go 7 or 8 percent over your construction costs, you are likely to be losing money on it. I would like attention to be given in the testimony today regarding to what extent you can have a margin of error. For example, to what extent can you have a dropoff of people and to what extent can you be sure that all of these additional people, assuming they are going to be here in the first place, will stay in the city and won't be attracted out to the suburbs.

If we go off just a tiny bit on any one of a number of these estimates, this becomes sort of like the B-1 bomber convention center.

Mayor WASHINGTON. I don't know what the B-1 is, Mr. Chairman.

Senator LEAHY. The B-1 is a little airplane that the Air Force was going to build for about \$25 million a copy, and now they are up to \$117 million a copy and still climbing.

Mayor WASHINGTON. I understand one of them is more than my budget, my total budget. [Laughter.]

Senator LEAHY. I tell you, Mr. Mayor. If I am successful with the B-1 bomber, there is going to be extra money in the budget.

Mayor WASHINGTON. That is not going to help me whatever you do with the B-1. I am trying to deal with a problem that is within our boundaries, we believe, Mr. Chairman. I would like to let you and the President deal with the B-1.

Let me deal with the city.

Senator LEAHY. Ask the President to give you just one B-1 bomber, it probably would be as expensive as the civic center.

Mayor WASHINGTON. The civic center could be as much as the budget for one B-1, from what I understand.

Senator LEAHY. If you get it.

Mayor WASHINGTON. I know that. That is what I am up here for, to make sure that all of us get our minds and our eyes focused on the major proposition, which is the civic center. I will get off the B-1 and on this.

Senator LEAHY. I think that the two of them generate certain basic reactions in me. That is all. But I will keep my mind solely on this.

Mayor WASHINGTON. That is all I can ask.

Senator LEAHY. The B-1 at least flies. [Laughter.]

Mayor WASHINGTON. We think if you listen, Mr. Chairman, to this one carefully, it will fly, too. We believe we have got the answers and we seek an opportunity to be heard.

Senator LEAHY. Mr. Mayor, having said that, I do have one problem. I apologize greatly. One of the reasons why we normally have these hearings at 7:30 or 8 in the morning is so this won't happen. But I am also on another Appropriations Committee. They are having a House/Senate conference down in the committee on the State, Justice, Commerce bill. They are about to go to a vote on one item, which needs my attention. I do apologize most sincerely. I am going to that conference. I will be back. I do apologize.

Mayor WASHINGTON. We will be here, Mr. Chairman. We won't be flying.

Senator LEAHY. I promise not to spend any of your money over there.

Mayor WASHINGTON. That is all I can ask. Come back and spend ours in the room.

[Brief recess.]

SIGNIFICANCE OF HAVING EARLY MORNING HEARINGS

Senator LEAHY. I apologize to all of you for the delay. We had scheduled this hearing some time ago and picked this particular time because there were no other Appropriations Committee meetings going on. Unfortunately, in the last 48 hours, a conflicting one was set up. I guess it goes back to my original program of having these hearings either starting at 7:30 or 8 in the morning or on Saturdays so we could be sure you could have uninterrupted times.

We will go back to that schedule. We kept you here an inordinate amount of time, Mr. Mayor. I apologize to you, also to Mr. Tucker and to the rest of the witnesses who are standing by. Please go ahead, sir.

Mayor WASHINGTON. Mr. Chairman, with your concurrence, I will simply try to briefly summarize my opening statement and submit the technical supplement for the record. That will enable the chairman to follow a similar pattern in the interest of everyone's time.

BENEFITS OF BUILDING CIVIC CENTER

I would say again that we consider the civic center proposal as a key aspect of the city's strategy to renew the central downtown area to combat the forces of urban blight and decay that have eroded our tax base. We believe, Mr. Chairman, that the civic center would have enormous benefits for the city, enable the District to compete in the major convention market.

That is not simply the tourist market, but the basic market involving conventions to provide also a facility for citywide conferences, meetings, exhibits and other local events. We are surely in need of such a facility as far as our local constituency is concerned. We want to revitalize the shopping area downtown, produce the development of stores, hotels, and office buildings, and most importantly, of course, as a by-product to create additional jobs and business-development opportunities for our citizens.

UNIFYING EFFECT OF CIVIC CENTER

Mr. Chairman, I would call your attention to the fact that this is a major commitment of the city, a commitment such as I have not seen unifying the city as this does.

The unifying effect, of course, starts with the government itself, the executive branch and the legislative branch, the business community, the cross-section of citizens in the community and our own effort to develop our own economy. I think the salient feature of that is, Mr. Chairman, in the spirit of home rule we have had many oversights and many second guesses by many, many people. The unifying effect here of this proposition has brought us to the position within the home rule context. We would like to move forward with an effort to develop our economy and provide the benefits which I outlined.

Mr. Chairman, if I might now yield to the Chairman of the Council, I will submit my remarks and the technical supplement for the record.

Senator LEAHY. Thank you.

COUNCIL CHAIRMAN TUCKER

Mr. TUCKER. Mr. Chairman, thank you very much. I would just make a few comments and I would summarize as did the Mayor and make a few additional comments.

Mr. Chairman, I believe that we are on the brink of economic takeoff in this city. I believe there is potential here. There are signs of it that suggest we take some bold, imaginative moves now, so that this potential can be realized. If we sit back and take the easy way out, if we do nothing, we are going to guarantee failure.

That is the posture we are in in this city right now, as I see it. The question is therefore do we take reasonable risks and have the government share with the private sector some of the risks of the development of this city?

This center is being proposed in an area of the city which is admittedly decaying. Revitalization that the center will bring to that part of the city will not occur unless there is some generating activity where the government itself is willing to take some of the load.

This is what the center will do.

Mr. Chairman, I have been in this government for 6 or 8 years now as Vice Chairman of the former government, of the Council, and now as the elected Chairman of this Council, and I have seen that we are faced with a number of problems.

Each time the city gets ready to make some move, in its own interest, using its own funds, we have been stopped at the path too often. We are faced with a situation right now as we try to find new sources of revenue and support for our efforts; we are fighting hard for an increased Federal payment, fighting hard to get support for pension bills—bills we are paying now; fighting hard to get an opportunity to have a nonresident tax, as all types of jurisdictions have; fighting hard to get a chance to get the Metro built, to secure Federal participation in that; and now, trying to get a civic center which would give us the generation of revenues and development that we need in order to revitalize our city.

It is clear to me that in spite of the optimistic signs, Mr. Chairman, the vision which we hold for our Capital is a self-fulfilling prophecy and I think that unless we take some of those risks we may well be contributing to the economic strangulation of the city.

For that reason, I would urge that we move and move boldly here to take this step that I think is essential.

I would say, finally, Mr. Chairman, that there are those who feel that there will automatically be convention business here because we are the Nation's Capital. It is true that people will want to come, but they can only go where facilities are available.

If tourism, if convention business is a major business for us—and it is—we have got to come out of the horse-and-buggy period. We have got to be able to provide those who come with the kind of modern facilities, and the kind of resources, that are being made available in large numbers of cities across the country. If we are going to compete, we have to provide those facilities.

I would urge, therefore, that we move forward, if we can identify the hard issues, not the general ones such as: "How do we know that it will succeed?" We don't know that, but the margin of error can be reduced. If we identify the right issues, we can find ways to reduce the risks further. We must do that, if that is the case.

The issue, it seems to me, ought not to be where we proceed, but how and when. It seems to me that "the when" must be now.

Thank you, Mr. Chairman.

Senator LEAHY. Thank you, Mr. Tucker.

[The statement follows:]

STATEMENT OF STERLING TUCKER

Mr. Chairman and Members of the Subcommittee, I welcome this opportunity to join with Mayor Washington in presenting the Fiscal Year 1978 Budget Amendment. The Council conducted a thorough analysis of this request as evidenced by the fact that it is almost \$6 million dollars or 43% less than originally presented to the Council. Included within the budget is a \$4 million dollar base reduction in public assistance funds based upon the steps the Department of Human Resources is taking and plans to take to reduce the high rate of ineligibility for, or overpayments of, public assistance; funds to continue twice-a-week trash pickup in all wards of the city; resources to strengthen security in District of Columbia buildings; provisions to assure funding of the Teacher's Retirement Fund at the statutory level; and the District's share of the Metrorail deficit and operating subsidy.

The Capital Budget request includes \$27.7 million for the Washington Civic Center. It is this item which I sense the Committee is most interested in today.

The Acting Comptroller General of the United States, at the request of the Chairman of this Subcommittee, reviewed the economic feasibility of the Washington Civic Center and identified areas which were felt to be vulnerable. I have reviewed that report as well as the comments relating to it made by Mr. Ben Gilbert, Director of the City's Municipal Planning Office. Mr. Gilbert, it should be noted, does not share the Comptroller General's concern about the "vulnerability" of the project, nor do I.

I think we are all aware of the fact that the District of Columbia -- the Capital of our nation and home of over 700,000 people -- seems to stand at the brink of economic take-off. There are indicators of potential new prosperity all about us -- in a renewed interest in the District by families and singles of middle and upper income; in the influx of trade associations and the demand for office space; in development and housing construction on under-utilized land stretching from the West End to the City's Southeast, in the proliferation of cultural activities and in new cultural centers. Herein lie the ingredients -- if properly exploited -- for the emergence of the District of Columbia as a great international city and magnet for world tourism; as a national economic and cultural center. Above all, I believe with proper planning, a once "decaying" city can mobilize its assets to meet the needs and improve the quality of life of both existing and new residents.

It is clear to me, however, that in spite of the optimistic signs, the vision which we hold for our capital is far from a self-fulfilling prophecy. Its realization will require a conscious and coordinated effort by the federal and local governments, and by the public and private sectors, to remove the impediments in the way. For our part, in the city government, we must begin by fostering public recognition that properly channeled economic development is, in its broadest sense, the basis for well-being of any community. In the District of Columbia, this truism is more easily stated than accepted. The one-sided business interests which for many years previous to Home Rule propelled District affairs left a residue of suspicion and overreaction to any economic development project. Our first job is to make the point that economic development is

not pro-business, but pro-payroll. Our second job is to make sure that this, indeed, becomes the case. This will require, as a new start:

-- A new focus in the way we approach the problem of jobs for District residents.

-- An innovative and aggressive business attraction and retention program geared to the private sector, which will generate up to 75% of all new jobs in the next few years.

-- Creation of the Office of Business and Economic Development.

-- A comprehensive land utilization program, compatible with environmental considerations to assure that underutilized land is put to work to create employment and generate tax dollars.

-- The development of public vehicles and incentives to attract private development which is needed but not otherwise attainable.

-- Concentration on our number two industry - tourism. As a city government, we have tended to take tourism for granted, to the extent that most growth in the restaurant and hotel industry has taken place outside our boundaries.

Construction of the Washington Civic Center is an important element in this new start and it is for that reason that I support it.

Most of the people who visit our city travel east of Fourteenth Street only to visit the national museums and monuments or the Congress. Rarely do they remain in the area after sunset. They either return to their hotels generally west of Sixteenth Street or to cultural activities in that section of the city or they leave the city entirely.

The Washington Civic Center is proposed to be located consciously in a "decaying" area which will be revitalized through the activities of the Pennsylvania Avenue Development Corporation, and the midtown campus of the University of the District of Columbia. Its very presence I believe will serve as a catalyst for the area - creating jobs for District residents, not only in the Center itself but as a result of a "spin-off" effect - new hotels and restaurants supported by private funds to house and feed the many conventioners who will visit the city.

Located at the heart of the new Metrorail system, the Convention Center will be convenient to visitors arriving by train and plane as well as by car. It will serve as a focal point and a new base for visitors.

You have the many documents prepared on the center which give extensive details concerning the economic feasibility of the project. I would comment that there are no "guarantees" in any of them either for success or for failure. I think that the evidence supports the City's decision to go ahead with it. Delay will certainly increase the cost of the project and then perhaps make it economically impossible. Delay by the City of an earlier planned construction benefitted Prince George's County which lost no time in supporting the Capital Sports Center. This city must, if it is to survive and become a national economic and cultural center, take some calculated "risk." To do nothing will certainly guarantee failure. I urge your support of this concept of the city of Washington and for the Washington Civic Center.

MARGIN OF ERROR

Mayor WASHINGTON. Mr. Chairman, I have the technicians here who are prepared to address some of the questions, all of them, really. I think this will probably be the most effective way to move in terms of our timeframe. I would like the opportunity to ask Mr. Ben Gilbert here, who has worked closely with this project, to at least comment on this area of feasibility and margin of error since that question has already been raised.

Senator LEAHY. It has. We talked about the question of the margin of error. As I recall, the GAO study said that if we are off about 6 or 7 percent in this, we may be talking about a losing proposition. I am not so sure that it is possible in the construction projects to be that close anywhere.

So I would be very interested in hearing your comments on this question.

Mayor WASHINGTON. We have two problems in the margin of error. One is in construction. I think Mr. Starobin will speak to the question of contingency there. The other is the margin of error with respect to delegates.

I think we have got to distinguish here between delegates to a convention to stay at a convention in the hotels, use the hotels, and the facility for exhibit space, as against the tourists who come into the city to see the museums, see the statues and then move into the satellites around the area. These are two very different things that we want to distinguish between.

Senator LEAHY. In bringing those delegates in, Mr. Mayor, we are talking about where they are going to stay and so on. We are talking about increased development. How much do we have in the way of actual commitments, dollar and cents commitments from area merchants, area hotelowners and so forth, to provide the extra facilities, to provide the extra eating facilities and so forth so that we can tell conventioners that they will be able to stay near the convention center and not out in the suburbs, not out away in other hotels because if they are going to be staying away from the area they might as well have their convention there?

Mayor WASHINGTON. We think we can develop that. We are starting with 15,000 hotel rooms initially.

Senator LEAHY. Do we have commitments for any extra hotel rooms?

Mayor WASHINGTON. Other than Sheraton Park, of course, which has a building.

Senator LEAHY. They are going to build that whether we have a convention center or not.

Mayor WASHINGTON. I don't think that was your point. I thought your point was whether or not we have the capacity. The problem that we have addressed with the civic center has not been altogether the capacity of the room space. It has been the exhibit space and the other facilities necessary for conventions to come in and have a location, sufficient size, to do their exhibits, and to bring the convention.

For instance, the American Bankers told me, Mr. Chairman, that they weren't coming back. They brought 12,000 people in here. I

addressed them at Constitution Hall. They can only get 3,000 or 4,000 in there. They did not have any exhibit space potential there, in that space. It was spread out all over the city.

They said they are not going to come back under those conditions. Educators that bring in 12,000 and 14,000.

Senator LEAHY. We had all 12,000 of them up in my office building at one point or another. [Laughter.]

I don't mean that facetiously, fully, Mr. Mayor. There is a certain attraction for anyone who is lobbying to come to Washington no matter what.

Mayor WASHINGTON. That may be. I am reporting what they are saying to us and what our experience is. If the question is what is the margin of error, if the question is what do we have, I think we have the hotel representatives here, we have the bankers, the business people, citizens and our own technicians. We are prepared.

NEED FOR SPACE FOR CONVENTIONS

Senator LEAHY. I am going to ask each group the same question. I would like to know this: One reason we are building or you are asking to build the convention center is because you need space for an increased number of people coming here for conventions. Is that right?

Mayor WASHINGTON. Yes. Let me say it another way.

Senator LEAHY. In other words, you estimate that there are more people interested in coming than are presently able to be accommodated in the facilities within the city?

Mayor WASHINGTON. Obviously, that is a part of the question. The other part is to provide for conventions, what conventions of certain sizes require which means also attracting additional conventions to come in because you have a facility which they would use and rather than going to San Francisco, or Atlanta, and so forth.

Senator LEAHY. Precisely. As I have said before, I realize it is more than the city of Washington's weather in the summer that attracts people here. But on this particular point—

Mayor WASHINGTON. I might argue about that. There are a lot of people who like the weather.

Senator LEAHY. I love it dearly, even more than sitting in Vermont thinking about it.

Mayor WASHINGTON. Mr. Chairman, you lived here. You liked it here. You came back. [Laughter.]

Senator LEAHY. Touche! I fought like hell to do that, too.

Mayor WASHINGTON. That is what you told me.

CIVIC CENTER—A PAYING PROPOSITION?

Senator LEAHY. I did, and I am not encouraging moving the Capitol. Let me get back to this point. You know that I do have the greatest fondness for the city of Washington. I mean that most sincerely. But when we are talking about this, let's get down to the basic question. One of the things that you are using to sell it, at least for the economics, is that it is going to be a paying proposition at some point down the line. Is that right?

Mayor WASHINGTON. Absolutely.

Senator LEAHY. I am looking at it from that point of view. Otherwise, we should lay the cards out on the table and say fine, we decided we are going to go ahead with it on a subsidized basis. But for it to be a paying concern, does that not mean that we have to have an increased number of people who will stay in the city of Washington while they are here attending conventions. I mean an increase over the number of people who presently stay now over any given period of time in the city.

Mayor WASHINGTON. Delegates, not tourists.

Senator LEAHY. Delegates, and does that not mean an increased number of hotel rooms?

Mayor WASHINGTON. We are talking about 3,000 more.

Senator LEAHY. This publication says the market will develop for an estimated 3,000 additional hotel rooms. Creation of 4,000 new permanent jobs and so forth.

Mayor WASHINGTON. Right.

COMMITMENTS FOR ADDITIONAL HOTEL ROOMS

Senator LEAHY. Do we have commitments from private enterprise for any of those additional hotel rooms?

Mr. GILBERT. Mr. Chairman, I would like to respond to that. We don't have any signed contractual commitments.

Senator LEAHY. Not even for one room?

Mr. GILBERT. But we have had a number of overtures from major hotel chains and hotel operators who are very interested in what is happening here. I was told only in the last 2 days when the civic center is in place, they will come back and look at the area in the vicinity of the civic center.

Senator LEAHY. Sir, aren't they going to do that in any city in the country? I could talk about putting a civic center—in fact, we had this happen—in Burlington, Vt., with 40,000 people and there will be hotels. We will call up the hotels and see what their interest is on what is going on. It is only good business for them to say they are interested. What I want to know, is anybody—other than the public sector—is there any group other than the public sector who is willing to put money into this project at this time?

Mr. GILBERT. There has been a substantial public commitment made by the Woodward & Lothrop Department Store that said if the civic center flies, they will invest \$6 million in the refurbishing of the downtown store. I think Mr. Hoffman is here. He probably can confirm that. If the civic center does not fly—excuse me for using the aeronautical analogy—that they would be interested in doing that.

Senator LEAHY. You say if it doesn't go, they will not refurbish the store?

Mr. GILBERT. I don't want to be speaking for Mr. Hoffman. He is here. But this is my understanding of their position.

Senator LEAHY. I will ask them. In the book, you have given out, you say, indicators of the significance of the District of this new business and commercial activity, new payroll is \$33 million to \$42 million a year. Is that private or public payroll?

Mr. GILBERT. That will be private sector payroll.

Senator LEAHY. But no commitments at this point?

FEASIBILITY EQUATION

Mr. GILBERT. I think, Mr. Chairman, it might be useful to quickly go over the feasibility equation that we have. We have made these estimates of delegate appearances in Washington. The midpoint number is 350,000, which is a convenient number. We believe that is a conservative number.

That does not include the wives of the delegates. We understand that 50 percent of delegates to a major convention customarily bring their wives.

Senator LEAHY. Or some delegates might even bring their husbands. [Laughter.]

Mr. GILBERT. In any event, we feel that the number of visitors would be within the half-million range as a result. On the question of margin of error, which is very important to this feasibility equation, we believe we have a more than adequate margin of error, both against the eventuality that the delegate count should be sought because of economic reverses in the country or if inflation were to escalate further and the construction costs were to rise above the levels that we have set.

Senator LEAHY. What is the margin of error?

Mr. GILBERT. We have this report that I would like permission to submit. But let me read from it, the highlight of it.

If the costs remain at \$110 million, but attendance varies, when it drops down to 250,000, feasibility would be, the fiscal profit would be \$6.2 million. If it dropped down as low as 150,000, which we think is inconceivable, that would be a break-even point on the delegate count.

This study was made at our request by our economic consultant. I would be glad to submit that detail.

SURVEY OF NATIONAL USES OF CONVENTION FACILITIES

Senator LEAHY. Is that the survey of the 325 national users of convention facilities? I know you did one survey that I saw here, a survey of approximately 325 national users of convention facilities. That is included in the Gladstone report.

For example, 45 were asked whether they would come back and so on. You got affirmative answers from 38 out of a total of 325. I am just wondering if everybody is satisfied if that is a large enough sample. Why don't you survey the whole 325? I am not suggesting an answer one way or the other.

Mr. GILBERT. I would like to respond to it, if I may, Mr. Chairman. First of all, our conclusions were not based on the survey. The survey was taken as the last phase of a much more complicated process to confirm the conclusions that have been developed.

We identified the 325 specific groups that you referred to by name. Those are groups that have strong potential to meet in the District of Columbia based on their size, national membership, and present rotation pattern. That was confirmed by our discussions with other center managers. It was taken as an illustrative list only because we believe the actual total for the District of Columbia center would be in the 400 to 700 range. A sample was taken after those testing of 15 percent of the group which is an adequate sample of that group to confirm the rotation frequency assumed in the report.

Typically, a major national convention has a 6-year program. They move geographically from one section of the country to another.

We are looking to those conventions for some of them to hit Washington once every 6 years. Some of them have a shorter rotation plan. Some of the conventions, the kind that you are referring to that want to be in Washington for lobbying reasons, they try to hit the city once in each new administration.

ANALYSIS OF EXPERIENCE OF ATLANTA, GA.

Other sources of evidence that were utilized to buttress our conclusions, to confirm our conclusions was the experience of Atlanta. Atlanta made their records and books available to us. We studied them in some depth. They have booked 313,000 delegates for calendar year 1978. They project a stabilized annual, nonlocal attendance at over 360,000 per year; which their manager confirmed with an additional check that was made with them this past week.

COMMITMENT OF HOTELOWNERS

Mayor WASHINGTON. Mr. Chairman, I think if you would permit me to talk about some of the experience—I want to say two things here in connection with the feasibility.

One is during the Eisenhower civic center period, we lost 250 million in potential hotel construction. Plant assembly was going on for one of them off of New York Avenue south. The Hyatt Regency came in during that time on the theory that we were going to build that center. They hardly have space for exhibits.

They were dependent upon that and the Metro in order to move the people back and forth. The Marriott had talked to us. The question always is: "Are you going to build it?" Nobody is going to come up and give you a commitment any more after that experience, saying we are going to do this if you build it.

I mean, they are not doing it that way. At one time, Sheraton Park had one plan. They have another plan based on the uncertainties of the building. Business people in my opinion, as I have known, don't do that.

Senator LEAHY. They are not even willing to make a commitment based on whether you build or not?

Mr. GILBERT. They want to know that we are going to do it.

Senator LEAHY. That is what I am saying.

Mayor WASHINGTON. They begin to talk about it. That is what Ben is saying. They begin to say we would like to see this, that, or the other. But they are not going to commit as clearly as they could. Let's hear from Mr. Durbin, from Marriott, and it might give us some indication of how you get into these things in terms of their projection.

If you just have a couple of minutes.

JIM DURBIN, PRESIDENT, MARRIOTT HOTELS

Mr. DURBIN. My name is Jim Durbin. I am the president of the Marriott hotels. I have been the chief executive officer of Marriott hotels since 1963. At that time, we had four motor hotels, two of them located in the Washington area. Noticeably not in D.C., but outside of the District of Columbia.

Since that time, we have built and are operating 47 motels. This is our 50th year in business. By the end of this year, we will be operating 50 hotels. Very shortly, we will break grounds on our fifth hotel in the Washington metropolitan area.

We have a reputation for running the highest occupancies in the industry. All our hotels are profitable. We have no interest whatsoever in entering into a hotel location or operation that cannot meet our standards as far as occupancy and profitability are concerned.

We are not the largest hotel chain, but I think we have among the largest and most professional marketing organization.

We went into Atlanta in 1965, Mayor, before the convention center was built. We have enlarged that hotel on two occasions. We certainly know what the area looked like when we went in and we know what Atlanta has meant to Marriott and what Marriott has meant to Atlanta.

My marketing people in 47 hotels and 12 regional sales offices and international sales offices feel that this facility gives the dimension of appeal that decision makers we do business with in all of our locations would find Washington, D.C. among the 8 most attractive locations that they could headquarter their conventions and their trade shows.

I have had my marketing people last month verifying the number of people and the number of times that their group would come here. We find this survey that we made on our own sufficiently attractive that Marriott being able to make the right business deal, the project has to be economically feasible. We do not let our hearts make our business decisions.

But we feel granted the project could be financially feasible, Marriott would be very interested in approaching the D.C. area for the first time with a hotel for the 20 years we have been in business.

Senator LEAHY. How many rooms?

Mr. DURBIN. It is difficult to say, possibly 600 rooms on the outside. We have height restrictions as you know. We have density restrictions. Those things have to be dealt with. But we think that as in the case of Atlanta where we went in with 500 rooms, we have enlarged it to 800 rooms. As we have gone into many cities with an economic feasible package that we have built in expansion, that we could see a 600-room facility that would be expandable depending upon the advanced bookings for the center, the quality of the center and the results of the catalytic action that we feel the center will create.

Senator LEAHY. Let me see if I understand this. You say you would be interested in "approaching the D.C. area" which is really not to be construed in any way whatsoever as a commitment?

Mr. DURBIN. I am not here to raise the real estate taxes for Marriott in areas that we would like to have sites.

Senator LEAHY. Sir, obviously, if the civic center goes in there, it doesn't take much of an urban planner to have some idea where they are going to go, assuming extra hotels are going to be built. Either they are going to be in the area, or they are going to be at Metro stops. There is a certain realistic fixed area they are going to be in.

IMPACT OF CIVIC CENTERS IN ATLANTA AND CHICAGO

Mr. DURBIN. A close study of the area reveals to us that there are three possible locations that we would have to do further studies on, three locations that would have some interest to us. We know what the community center did in the city of Atlanta.

We know what appreciation rapidly occurred from the building of the Marriott in Atlanta, and the convention center that was reasonably close by. We know the impacts that the international center is making at this time.

I might say one more thing. We entered the Chicago market on the perimeter and are presently building a multimillion-dollar, 1,200-room hotel that we feel will become a convention headquarters hotel in the city of Chicago. That hotel will be opening in May of next year.

LEVEL OF COMMITMENT BY HOTELOWNERS

Senator LEAHY. I understand you are going to be on the panel later on with the board of trade, so I won't pursue this any longer. But let me ask one question on this. What you are saying in effect, sir, is this: That if the civic center goes in and if it looks like a good business deal, that at that point, Marriott would be glad to go in there? Is anybody going to say otherwise?

Mr. DURBIN. Let me say this: I am saying that we have operated four hotels and are about to operate five looking across the lines at the District of Columbia. We have not been able to see the 80 percent occupancy goals. That is a basic criteria of Marriott hotel locations. We feel this facility brings in and fills a void that has been missing in the 20 years we have been operating hotels on the perimeter of the city.

Senator LEAHY. What percentage of the sites that Marriott has looked at in the last 10 years have you built in?

Mr. DURBIN. That is a difficult thing. I would say we are building on 80 percent of our sites until zoning—

Senator LEAHY. But you see the point of my question. Simply looking at a site doesn't mean you are going to build.

Mr. DURBIN. I haven't even looked seriously in the District of Columbia for 10 years and with the projected convention center this is coming into focus for the first time in that number of years.

Senator LEAHY. I don't mean to be antagonistic. But if we spend \$110 million, build the civic center and make it appear to be a viable, going concern in such a way that a hotel, yours or anybody else's, would be able to make money, then you would seriously consider going in there.

Mr. DURBIN. With our own capital.

Senator LEAHY. I hope so. [Laughter.]

Even the Mayor wouldn't dare come and ask us to put up capital on that.

Mayor WASHINGTON. I am not sure about that.

Senator LEAHY. Even as I said, I began to have questions.

Mayor WASHINGTON. You asked the question about what kinds of commitments. What I am trying to demonstrate to you is that you have got some live pigeons out here. When you first raised it, I

don't think you were aware that anybody was even talking about commitments. What else could a person say; other than to say, I am looking at some sites in the general area. At the state that this is in, which has not even moved further than the committee structure here, what I wanted you to do was to let me present—

Senator LEAHY. And may not.

Mayor WASHINGTON. That is always the case.

Senator LEAHY. Emphasizing again that I am only one person on the committee.

Mayor WASHINGTON. I don't think you have made a decision, I was told. I understood you were having a hearing.

Senator LEAHY. I wouldn't be having a hearing if we had.

Mayor WASHINGTON. Mr. Chairman, may I do one thing—

Senator LEAHY. Then we have to go to GAO.

Mayor WASHINGTON. Well, sir, you asked a question. You asked about commitments. We have John Norlander of the Radisson Hotel Corp. If he could give you a couple of minutes at what he is looking at—another hotel chain—then it will respond specifically to your question.

I was trying to get it in the context of your question.

Senator LEAHY. I am going to be asking questions of a lot of different groups. He will be on the panel from the board of trade.

Mayor WASHINGTON. I didn't want to lose the opportunity to respond to your question.

Senator LEAHY. Mr. Mayor, I know you never want to lose an opportunity to answer one of my questions.

Mayor WASHINGTON. You know I do, Mr. Chairman.

Senator LEAHY. I understand the difficulty you have in helping this country poke along.

Mayor WASHINGTON. I don't buy that one anymore. You have been here 6 months.

START OF ACTIVITY BY HOTEL COMPANIES

Mr. DURBIN. Senator, I think I would like to make one last remark. I was reticent to come up, being an old bomber pilot, and now I am referred to as a pigeon. I would like to say that hotel companies will not wait until that facility is completed in order to start their activities.

Senator LEAHY. I hope not.

Mr. DURBIN. Because the \$100 million that is going to bring to the city, those commitments have to be made at the time that convention center is started. In other words, those commitments will start coming in with 4, 5, 6, 8, 9, and 10 years leadtime.

We as a hotel company want to be well-positioned when that hotel opens to serve the people that we know will be coming in that center.

Senator LEAHY. Thank you.

Mayor WASHINGTON. Mr. Chairman, may I now call for a couple of minutes, Mr. Norlander?

Senator LEAHY. Mr. Mayor, he is going to be on a panel from the Board of Trade. Before I go on to these next ones, just to put this in context in my own mind, I would like to call on the Director of the General Government Division from the GAO.

Mayor WASHINGTON. I didn't mean to use the word pigeon in any untoward way. But you introduced that flying subject. It seemed to go up in the air.

Senator LEAHY. Probably with all the talk we are having about this, when you figure it costs less than the B-1 bomber, you might put that item in perspective, too. I would call Mr. Lowe.

Mayor WASHINGTON. Do you want us to stay, too?

SUBMITTED QUESTIONS

Senator LEAHY. I think it might be wise. I also have some additional questions which I will submit to you to answer for the record.

Mayor WASHINGTON. I will be happy to answer them, Mr. Chairman. I would also like to expand on the questions that you asked this morning and have them inserted in the record.

[The following questions were not asked at the hearing, but were submitted to the Mayor's Office for response subsequent to the hearing:]

TRENDS IN NATIONAL AND LOCAL
DEMAND FOR CONVENTION SPACE

QUESTION: As the consultant's report repeatedly emphasizes, the proposed center will be beneficial to the City only to the extent that it attracts out-of-town visitors who would not have come here without the center. That is, in order for the center to be successful, it must draw on a national, rather than a local, market. One measure of the strength of the market for large convention facilities such as the one proposed for the District is the annual percentage of the available space in existing facilities around the country that are rented to out-of-town conventions, trade shows, and the like. An increasing percentage over the past few years could indicate a strong market for these facilities, with demand increasing faster than supply. A declining demand might indicate the opposite. Do you have any information on the recent experience of convention facilities in other cities in this regard? Has this percentage been increasing or decreasing?

ANSWER: Of the major competitive centers surveyed, 55.8 percent of exhibit space users were non-local (Dallas: 68.4 percent, Atlanta: 73.8 percent). However, during peak convention months, out-of-town users comprised the overwhelming majority. As to the trend, center managers report that non-local events represent an increasing share of their business.

QUESTION: How many convention centers are there nationwide?

ANSWER: Perhaps 12 to 15 cities in the United States, including Washington, D.C., have an adequate hotel room inventory to compete for the national market for major conventions, meetings and trade shows. There are no more than a dozen such cities with convention facilities which can accommodate this market. These include Anaheim, Dallas, Atlanta (Georgia World Congress Center), Las Vegas, Chicago, Miami Beach, Los Angeles, Philadelphia, Boston and St. Louis. Also listed among those cities with an

adequate inventory of hotels are New York, Washington and San Francisco. All three lack adequate modern major convention facilities. There are, of course, hundreds of cities throughout the country with meeting facilities of lesser size.

QUESTION: How many additional centers are currently planned for construction? (In 1973, there were 18 new centers planned for construction).

ANSWER: Numerous cities across the country are planning or building "civic" centers, but only a few are competing for the major convention market to which the Washington Civic Center is focused. San Francisco expects to begin construction of a convention center with 290,000 square feet of exhibit space in January, 1978. New York City is in the planning stage now, but has not determined the size of their facility.

MARGIN FOR ERROR IN THE ESTIMATES

QUESTION: It is apparent from the consultant's analysis that the feasibility of the proposed center depends upon the number of tax paying visitors that it draws to the District, as well as upon its total operating and construction costs. While estimates of these values are provided, we are not given any clue as to how big a margin of error is allowed. That is, if the actual number of visitors turns out to be about 25 percent less than the number projected, will the center still be beneficial to the City? Alternatively, will it still be beneficial if construction costs rise to \$130 million or more? Do you have any feel for how far off your cost and attendance estimates could be without the center actually being a loss to the District?

ANSWER: A further analysis of the feasibility of the civic center, prepared for the District by Gladstone Associates, confirms the existence of a substantial feasibility margin. In fact, the Washington delegate count could drop from the projected 350,000 figure to 150,000 and the civic center would still break even. If costs should rise from the estimated

\$109.6 million figure to \$130 million, the fiscal profit would still be \$10 million a year, a drop of only \$2.2 million. Please note that the 350,000 delegate figure on which the feasibility estimates are based (310,000 to 390,000 range) does not include spouses, and about 50 percent of all delegates come to a convention with their spouses.

QUESTION: The City has estimated that the center will attract 310,000 to 390,000 net additional visitors each year and the overall feasibility of the proposal depends on these visitors staying in District hotels and spending their money in the District. Is that correct?

ANSWER: Yes. Note that the 310,000 to 390,000 projection is a conservatively-based calculation. First, allowance has been made for delegates attending other new convention facilities such as the Sheraton Park expansion. Second, historical evidence indicates that 10 percent of the new delegates attracted by the civic center will stay in hotels outside the District. Third, in estimating new hotel rooms, allowance has been made for an increase in overall occupancy in existing major hotels from 70 to 75 percent. The range was used to provide a defensible lower as well as upper limit. Finally, as indicated above, the 310,000 to 390,000 projection does not include spouses.

QUESTION: To the extent that these delegates stay in the suburbs and spend their money in the suburbs, the economic feasibility of the center for the District is reduced. Is that correct? Do you feel that it's fair to assume that 90 percent of the delegates will stay in the District instead of the suburbs?

ANSWER: Yes. Typically, the overwhelming number of convention delegates desire to book space as close as possible to the center of convention activity. That is the nature of the convention business. The 90 percent capture rate for delegates is confirmed by empirical evidence. The City confidently expects that the projected new hotels and other visitor facilities will respond to this demand and be built

in the District. The City will reinforce the market by taking action to ensure that the Downtown is an attractive, exciting and safe area where delegates will want to stay. Any drop off in the 90 percent rate would, of course, affect the feasibility calculations.

TIMETABLE

QUESTION: How much slack time does the District's timetable allow should any phases of the project be delayed?

ANSWER: The established timetable does not provide for "slack time", as such. We believe that we can and will meet the projected schedule for the project using the construction manager to ensure that overall schedules are met. With funding authorization, we can proceed with preliminary design work, site acquisition, relocation and site preparation, looking ahead to actual construction. Many tasks in a project of this size will be accomplished concurrently.

QUESTION: What is the District's record for acquiring property and relocating residents and businesses on time to meet a project deadline?

ANSWER: Historically, the District has been successful in completing its project acquisitions within scheduled target dates. The District has also been successful in completing the relocation of families and businesses within the scheduled target dates in at least 90 to 95 percent of all projects. In the remaining 5 to 10 percent, relocation has been accomplished in a manner which did not impede or compromise the development project. This applies to District projects as well as urban renewal projects. The last large District project for which a similar sized property was acquired under similar time pressure was the "H" Street, N.E. grade separation between North Capitol Street and Third Street. The first appraisals were ordered on April 2, 1973 and the last acquisition and relocation was completed by May 4, 1974.

QUESTION: According to the City's past experience, how long would legal action delay a project if a property-owner mounts a court challenge to the seizure of his land by eminent domain?

ANSWER: There would be no delay. Properties that are not acquired by negotiation are packaged for condemnation in groups of five or more and are delivered to the Office of the Corporation Counsel. This action takes about five working days. The Corporation Counsel files the Declaration of Taking promptly, and the title passes to the acquiring Agency or Department at that time. After the property has been photographed and viewed by a jury, demolition can proceed with the court action coming later.

SPIN-OFF DEVELOPMENT

QUESTION: Does the District have any commitments from business to build spin-off development?

ANSWER: Four major hotel chains and hotel developers have recently expressed a strong interest in new hotel development in the area, and Woodward and Lothrop plans to invest \$6 million in a major remodeling of the Downtown store, if the civic center moves forward. The Office of Business and Economic Development will serve as the entity that seeks out potential developers. Housing production north and east of the site will be spurred by the center. Developers who are about to construct 300 housing units on the nearby Wax Museum site have indicated that the civic center will improve market prospects for the other 700 units they plan. And finally, existing investment activity in the Downtown area will serve to reinforce spin-off development generated by the center. For example, the Pennsylvania Avenue Development Corporation is about to begin renovation of the Willard Hotel. Development of a major office building at 13th and E Streets, N.W., has just been approved, and development potential exists in other PADC locations. Interest has been

indicated in the two urban renewal sites in City ownership, and the civic center will help in the marketing of those properties.

QUESTION: When will the projected spin-off development be in place?

ANSWER: We expect that about half of the new hotel rooms, 1,200 to 1,500, will be in place by the time the center opens in 1981. Another 1,200 to 1,500 will be in place in 1984. The build up of new restaurant and retail space will follow about the same schedule.

QUESTION: How many days out of each year do you estimate that the center will be filled with out-of-town delegates?

ANSWER: It is estimated that 65 to 75 percent of total business (event days) will consist of non-local events, or a total of 248 to 320 event days. In calendar days, the center is likely to have non-local events booked 175 to 200 days per year. Local events will be scheduled so as to avoid conflict with non-local events. The center's flexible design makes it possible to book two or even three major meetings simultaneously, depending on size and other requirements.

COMPETITION FROM OTHER CENTERS

QUESTION: The extent of national competition posed by other convention facilities across the country is a key with regard to the economic feasibility of the City's proposed center. The extent of national competition that the City can expect to encounter obviously depends upon the number of similar centers that currently exist and are expected to be built in other cities across the country. While the consultant's report discusses the recent experience of certain existing centers, it does not mention any current plans in other cities to build centers that would be competitive with the District's. Have any

projections been made of the number of centers that might be built in other cities over the next 5 or 10 years?

ANSWER: No projection has been made. However, the question has been researched. The likelihood of many major new convention centers being built within the next 5 to 10 years that would be directly competitive with the Washington Civic Center is remote because of the long lead time in planning, design and construction. As mentioned earlier, San Francisco expects to begin construction of a major center in early 1978 and New York City is in the planning stage now. However, possible new centers have been fully taken into account in the occupancy estimates for the Washington Civic Center. For these calculations, the District's projected delegate count was held constant in an increasing national delegate market.

ESTIMATED NUMBER OF DELEGATES

QUESTION: The estimated number of delegates, as presented by the City analysis, was based on a survey of approximately 325 national users of convention facilities. Estimating the likely market for the District's center was accomplished by asking a random sample of 45 of these organizations whether they would come to the District if a center were built, and if so, how often. Eighty-five percent of those sampled answered "yes" to the first part of the question. Thus, all of the estimates of visitors to be drawn to the District each year by the center, the tax revenues they will generate, and the jobs they will create are based on the affirmative answers of 38 organizations out of a total of 325. This seems like rather a small number on which to base a \$110 million investment. Why was such a small sample relied upon? Wouldn't it have been worth the District's time and money to contact a larger number, maybe even all, of the 325 potential users?

ANSWER: The question suggests that there has been a misunderstanding about the purpose of the survey. It was NOT used to provide the delegate estimates

which were based on a number of factors including the experience of other cities and other convention - market data that the consultant collected. The survey served as a check on these estimates. The sample was adequate for that purpose.

CONSTRUCTION COSTS

QUESTION: Prince Georges County, Maryland, planned to build a regional convention center with 545,000 square feet (excluding parking) for \$35 million. The Trump Corporation said that last year it could build 1.8 million square feet of convention space in Washington for \$125 million. Why will it cost the District about \$110 million to build a center with 886,500 square feet?

ANSWER: We do not know the details of the plans for the Prince Georges County or the Trump Corporation proposed convention centers. Assuming that the figures cited cover only construction costs in current dollars, the Prince Georges County facility comes to \$65 a square foot and the Trump Convention Center to \$70 a square foot. The District's proposed civic center has an estimated construction cost of \$84 a square foot based on start of construction in 1979. The costs are essentially comparable, allowing for continued inflation during the next two to three years.

QUESTION: How do you explain the District's method of estimating construction costs? For example, why did the Department of General Services escalate the 1973 cost of the Old Eisenhower Center on the basis of \$41.5 million when it had already determined that, that estimate omitted several items and should have been \$45.8 million?

ANSWER: In 1973, the Department of General Services and the Architect-Engineer estimates for construction cost did differ materially. However, when the estimate was brought up-to-date in January, 1975, DGS and the Architect-Engineer reconciled these differences and agreed on a 1975 figure of \$49.9

million (which reflected inflation from \$41.5 million). The figures of \$49.9 million was then used as the base for the current construction estimate which has also been reviewed and accepted by our cost estimating consultant.

QUESTION: What portion of the project will be set-aside exclusively for minority constructors? Does this set-aside cost more or incur more time than a non-restricted solicitation of bids? What is the District's experience with regard to these questions?

ANSWER: The Mayor has submitted a plan to the D.C. City Council to carry out a Council directive that a majority of the work be performed by minority or city based firms. Also applicable is recently passed legislation providing for a sheltered market allowance of 25 percent for minorities. We intend to make a vigorous good faith effort to reach this goal within cost ceilings.

The Mayor's plan calls for a dual bidding process where required. If bids under the restricted market exceed the funds allocated in the construction budget, the project will be readvertised on the open market. We, therefore, feel that this provision will enable us to accomplish the work within the allocated funds. The Department of General Services has had no previous experience with set-aside programs since this legislation is new.

QUESTION: Why didn't the District use the actual rate of inflation instead of higher indexes when it updated November 1973 construction costs to January 1977?

ANSWER: The District did use historic inflation rates in bringing the previous construction estimates to the January 1977 level. Because various indexes differ, the District uses a composite rate that more accurately reflects our experience.

QUESTION: Cost consultants to the District believe that the "Construction cost estimates, by the very nature of their preparation, are probably at the high end of a possible range, which is to say, conservative". How much "cushion" have the consultants worked into the estimates?

ANSWER: We agree that our estimates are "conservative", or careful and prudent. We do not agree that a "cushion" has been built into the cost estimates, however. The estimates reflect a realistic appraisal of potential construction costs, in our judgment.

QUESTION: Since costs for construction services were estimated at 10 percent of building costs, then wouldn't any fat in the building costs cause fat in the construction services? How much?

ANSWER: We similarly do not believe there is any "fat" in the construction services budget.

MANAGEMENT

QUESTION: What steps are being taken now to assure that a convention center manager and professional staff are on-board and functioning early in the initial design stage?

ANSWER: Legislation to provide for a Civic Center Board was sent to the D.C. City Council on June 30. A copy of this legislation has been provided to the Committee. The Council is expected to hold hearings on the proposal in July. After passage, the 30-day Congressional review period will begin. When that is completed, the Civic Center Board will be appointed. Their first act will be to undertake a selection process for a civic center manager. The manager will, in turn, bring on additional staff.

QUESTION: What will be the additional cost of this management function?

ANSWER: Funding for the management function will be included in the FY 1978 Supplemental Budget request. Gladstone estimated a cost of \$400,000 for FY 1978. The amount will be covered by early collections of the Special Civic Center Taxes. It will be critical to spend this front-end money in order to obtain early bookings.

ALTERNATIVE PROPOSALS TO DEVELOP THE DOWNTOWN AREA

QUESTION: What alternative proposals of the same \$110 million magnitude has the City considered to help redevelop the Downtown area?

ANSWER: The key need is for certain catalytic actions to spur additional development and enhance or add new functions to Downtown. Although a variety of public actions are required (more renewal sites, retail/office/housing complex, beautification, educational facilities, international center, etc.), the civic center has by far the most potential to spur spin-off development and yield a significant return to the City. It should be understood that the civic center is an economic development project, not a proposal for the delivery of social or other public services.

CITY COUNCIL REQUIREMENTS

QUESTION: Is the City Council requiring a roof structure to support the possible addition of tennis courts that would increase the cost of construction beyond the \$109.7 million mark?

ANSWER: We intend to stay within the \$109.7 million budget figure. If additional roof work is required in response to the Council's request that we "allow for the maximum feasible use of the roof space", we intend to accomplish it within the \$109.7 million figure.

QUESTION: Is the D.C. City Council requiring that a certain portion of the construction be awarded to

local and/or minority contractors? If yes, what percentage? What effect will this have on the timing and cost of the center?

ANSWER: This question is answered in the third question and answer set under "CONSTRUCTION COSTS" above.

ENVIRONMENTAL IMPACT/
PARKING, CONGESTION, ETC.

QUESTION: There are approximately 6,400 open lot parking spaces within a 3-block radius of the proposed site and many of these parking spaces are likely to be lost as the area becomes developed. Also, based on a 1973 survey by the International Association of Convention and Visitors Bureau, 51 percent of all delegates arrived at conventions by car, up from 42 percent in 1966. Don't these facts suggest that there may be a great deal of parking and traffic congestion in Downtown Washington, if the center is built and draws the large number of delegates now projected?

ANSWER: The D.C. Department of Transportation believes that increased travel resulting from the civic center can be handled with existing facilities because of the favorable modal split attributable to Metro, and the fact that peak use of the center will not coincide with normal rush hour peaks.

The percentages cited above are averages based on the 35 cities in the 1973 survey mentioned above. The 1973 survey figures for Washington, D.C. indicate that most delegates arrive by plane (75 percent) with only 22.4 percent coming here by private automobile. Those arriving by automobile will park at their hotel and travel to the civic center by Metro, special shuttle bus or taxi. Those staying in hotels near the center will walk.

With regards to parking, out studies indicate that the existing spaces lost through new development are replaced within the new buildings. Because local

events, which draw people from the Metropolitan Area (many of whom will drive), occur primarily in the evenings and on weekends, parking spaces will be available for use by the attendees.

RELOCATION

QUESTION: Your budget submission shows that you will be relocating 24 families and your feasibility study states that it will be accomplished within 18 months under a stringent timetable. The Subcommittee has been told that the Department of General Services has recently counted as many as 76 families to be moved -- three times the number in the budget submission. If the higher number is correct, how much longer than 18 months will it take to relocate the people on the site?

ANSWER: The current relocation figures include 35 families and 53 individuals, adjusted for units originally not responding to the survey. The new timetable for relocation outlines the period October, 1977 through January, 1979, a 15 month period.

QUESTION: What data did you use to estimate the cost for relocation? In other words, how many families, individuals and businesses will the requested relocation funds provide for? Please provide the Subcommittee with both an up-to-date, accurate census of how many residents and businesses must be relocated from the civic center site and a reliable cost estimate for these relocations?

ANSWER: The relocation cost estimate of \$1.8 million was calculated on a higher number of families and individuals than now appear to be located on the site, based on the survey numbers indicated above. The exact number will be determined when relocation begins, and residents and businesses are certified for relocation. It may also be necessary to undertake some special interim relocation procedures, especially with respect to the Chinese residents to be moved.

QUESTION: According to the District's timetable, everyone occupying the Mount Vernon site must be relocated by March 30, 1979. When will you have the housing and other resources to take care of these relocations? A large number of the people to be relocated are Chinese who want to stay in Chinatown. How soon after dislocating these people from their homes can you provide them a place to live in Chinatown?

ANSWER: The District recognizes the importance of maintaining the residential quality of Chinatown, and the need to provide permanent relocation housing in and near Chinatown for Chinese residents from the civic center site. Significant new housing resources are being developed in the Chinatown area, including 1,000 units on the Wax Museum site (300 units subsidized) and approximately 125 to 150 units in the housing complex proposed at 6th and H Streets, N.W., in Chinatown. However, this new housing will not be available for 2 to 3 years. The District is, therefore, working with the Chinese community, and with the real estate community, to identify relocation housing in existing and suitable structures close to the Chinatown area.

QUESTION: What will you do to encourage businesses relocated from the civic center site to stay in the City? Based on the District's past experience, how many businesses are expected to relocate outside the City?

ANSWER: The District will undertake a major effort to assist businesses on the civic center site to move to suitable locations inside the District and ideally, within the civic center area. An on-site relocation office will be opened on the site. The real estate community will aid in identifying appropriate resources. Past experience would indicate that about 15 of the businesses would relocate out of the City. However, considering the service nature of the businesses and the District's efforts, we believe that a larger proportion of these businesses would remain in the District.

\$600,000 LOAN FROM BANKS

QUESTION: Current cost estimates include repayment by the District of \$600,000 which was provided by a consortium of Washington banks so that an Eisenhower Center feasibility study could be made. As the banks have already absorbed the loss and as the banks are expected to benefit from the overall project, is it necessary to repay them? Are the banks still requesting repayment?

ANSWER: The District Government regards the repayment of the \$600,000 loan as a moral obligation. The original loan for the Eisenhower Civic Center Study was removed from the loan portfolio of area banks when it appeared that there would be no assets to repay the loan. However, the liability of the loan remains active and the banks continue to request repayment.

The original \$600,000 borrowed from the D.C. banks was used for purposes that are directly related to the facility currently proposed in the FY 1978 Capital Budget. The two largest expenses under the \$600,000 amount were for design concepts and cost estimating. The design of the present proposed building is derived from the original design, and the present construction cost estimate used the previous work as its cost base. The \$600,000 loan was, therefore, used to develop the base information for the current plan, and can be considered a legitimate expense of the current civic center proposal.

LAND SWAP

QUESTION: Why has DGS included over \$700,000 to purchase National Park Service land on the site when the feasibility study states that this land will be swapped for two Georgetown properties belonging to the District? Wouldn't this overstate your estimated land acquisition costs?

ANSWER: At the time the budget was prepared, the conditions for acquisition of the park land had not

been established. Since then, the National Park Service has advised us that the agency is prepared to make a direct land swap without cost to the District. The total amount that will be required for the land acquisition has been estimated for budget purposes. The precise amount required for all land acquisition will be determined once the acquisition process is completed.

GENERAL ACCOUNTING OFFICE

GENERAL GOVERNMENT DIVISION

STATEMENT OF VICTOR L. LOWE, DIRECTOR, GENERAL GOVERNMENT DIVISION

ACCOMPANIED BY:

ALBERT HAIR, ASSOCIATE DIRECTOR, GENERAL GOVERNMENT DIVISION

KEN BROWN, ASSISTANT DIRECTOR, PROGRAM ANALYSIS DIVISION

INTRODUCTION OF ASSOCIATES

Senator LEAHY. Mr. Lowe, who are you accompanied by?

Mr. LOWE. Albert Hair, who is the associate director in our division, and Mr. Ken Brown who is assistant director of one of our other divisions. He is an economist and he is helping us on this study.

[The statement follows:]

STATEMENT OF VICTOR L. LOWE

Mr. Chairman and members of the committee, we are here at your request to present the highlights of our analysis of the District of Columbia's civic center proposal, which was covered in our letter of May 18, 1977, to the subcommittee. We could not arrive at definitive views on the feasibility of the center, because there are several significant areas of uncertainty. These are:

Can the center attract the additional visitors and related private development to produce a profit to the city as predicted?

Can the District control construction schedules and relocate the people on the site in a timely manner that avoids costly delays?

Can the District provide for the effective management of the center which is vital to its successful operation?

What effect will the lack of adequate parking spaces and direct subway connections have on expected delegate business and costs of operating the center?

BACKGROUND

As proposed by the District of Columbia, its new civic center will cost approximately \$110 million and be completed about mid-1981.

According to a consultant's study the civic center and related private development would produce a new economic profit to the city of about \$5.3 million per year after all costs for the center, including debt service.

To realize the profit, the consultant emphasized that the center must be well-designed, well-managed, and well-located. Specifically, tight control must be exercised over construction costs; the center's manager must be highly qualified; the board of directors should be independent of the District's operating agencies and report to the Mayor; board members and the manager should be onboard early in the development stages of the project; and a strong commitment should be made by the District to assure projected spin-off development. We agree with these conditions.

ADDITIONAL VISITORS

The economic feasibility of the center depends heavily upon the number of additional visitors it attracts to Washington. If the number of visitors falls short of the estimates, then the benefits to the city will be reduced in about the same proportion.

The consultant estimated that the center would attract an additional 310,000 to 390,000 visitors. Although the methodology used appears reasonable, these numbers should not be viewed as totally firm for a number of reasons:

The forecasts are based on a survey of a sample of national organizations, and with any survey there is some degree of uncertainty.

The national organizations surveyed made no commitments to book meetings in the center.

The number of new centers to be built around the country in the next 10 to 20 years and their effect on market demand is unknown.

Local competition for medium-sized conventions will probably be greater than assumed by the consultant.

It is assumed that the percentage of the center's space that will be used by nonlocal meetings will be higher than the average convention center nationwide.

A future energy shortage could reduce attendance at national conventions.

Many other assumptions—such as the number of days that a delegate stays in the city and how much money he spends are crucial to the estimates of benefits.

CONSTRUCTION COSTS

The final cost of the center may not be \$110 million, because we question the accuracy of the estimate and the ability of the District to prevent construction delays that escalate costs. According to the consultant, even a year's delay will increase construction costs by \$6 to \$8 million and if the total cost rises above \$120 million or more then the economic feasibility of the center decreases.

Cost data provided to the GAO contain differences, causing us to doubt the reliability of the total project estimate. Depending on which cost figures one accepts, the estimate for the civic center could be either \$12.6 million less or \$7.9 million more than the \$110 million estimated by the District.

The likelihood that the District can build the civic center to begin operating by mid-1981 depends on how effectively it can minimize delays. Setbacks in some preconstruction steps could carry over to other project steps. For example, a delay in the District's filing of an environmental impact statement would detain the city from buying property on the site because, by determination of the Corporation Counsel, the District cannot take any irretrievable action until the environmental statement is filed. The filing on the Government Printing Office building statement, considered by the National Capital Planning Commission to be the most analogous statement to that needed for the civic center, took 19½ months.

Costly delays could also occur during the city's relocation of occupants from the site. The District has scheduled an 18-month period for site acquisition and relocation of residents which District officials say is "very tight" and requires "ideal conditions."

MANAGEMENT

Realizing the size of the capital commitment, competitiveness of the convention market, and necessity of the center to create a profit for the District, the consultant recommended that the:

Management of the center be vested in a highly qualified board of directors to be directly responsible to the Mayor.

Board members be experienced in management and capable of fulfilling their business and public responsibility.

Board of directors secure the services of a highly qualified and competitively compensated manager.

Board and manager be involved at the beginning of the project to assure that the facility meets operational specifications.

The consultant also stressed the desirability of the board coordinating the development of adjacent and nearby hotels, commercial facilities and parking.

The management scheme proposed by the consultant seems to contain the essential elements of an effective management team. Because of the importance of spin-off development to the center's economic feasibility we would suggest that the board be limited in size—five to seven members who are knowledgeable about the economy of the District, and experienced in drawing private development to Washington. The manager should be an experienced and efficient promoter, salesman and administrator.

PARKING

Based upon additional preliminary analysis performed after submission of our letter to the subcommittee, we raise the following two items.

It is uncertain whether the 750 parking spaces to be built for the civic center will be adequate. The consultant advised that center must be located adjacent to

an area where there will continue to be an extensive supply of parking—at least 3,000 within walking distance of the center. Although over 6,400 public parking spaces are located within three blocks of the civic center site, many of these spaces are already fully utilized and others will be displaced by area development.

The District should take steps to assure that the spinoff development generated by the civic center does not eliminate the recommended minimum of 3,000 nearby parking spaces which should be available to center users.

We question whether the center would be used exclusively for national events. This may be the current plan, but it may well turn out that the pressures to increase revenues will lead the management into booking shows and exhibitions that would appeal to a local or regional audience. If this occurs, the existing parking facilities may not be adequate, and traffic into the city would increase congestion.

LACK OF CONNECTIONS TO METRO SUBWAY

An additional question, one which we have not had time to pursue, is the lack of direct connections to the metro subway; while 2 metro stations are on the perimeter of the proposed site, no direct connections are planned. Thousands of attendees attempting to walk across H Street to arrive at the center from metro stations suggests the potential for traffic safety and congestion problems. Perhaps the additional cost of a direct connection should be considered as a part of the center construction.

CONVENTION CENTER COST

Senator LEAHY. How likely is it that the center would be completed for a total of \$109.7 million?

Mr. LOWE. There are a lot of factors that enter into the answer to that, Mr. Chairman. But I would say this: We have closeted ourselves now for several days to consider just these types of things. If they stick to the schedule that they have, which is very tight, and it is properly managed, there is a chance they can come in within that \$110 million range.

Senator LEAHY. If it is well managed, and if the schedule doesn't vary at all? Is that a fair statement?

Mr. LOWE. That is right, yes.

Senator LEAHY. How likely is that?

Mr. LOWE. In looking at the track record, and obviously we haven't gone into this in a lot of depth, but in looking at the track record they have had on school construction, a courthouse and a jail facility, they have done a fairly good job of estimating. I say they have a fairly good track record. Some slip and some don't, but the track record is pretty good.

There is one point I would like to make, since we submitted our report to you several weeks ago, we have done some analysis of the various factors on what would happen if some of those went sour. If the capital cost of the project increased to \$120 million, I am talking now in constant dollars, the annual profit would be reduced about \$700,000. Based on our calculations, an annual profit of about \$5 million would be reduced by about \$700,000, something like a 16-percent decrease.

So, \$120 million by itself would not necessarily be the breaking point. It would have to be combined with some other factors.

Senator LEAHY. What would the breaking point be?

Mr. LOWE. I don't think I can really answer that because it would have to be a combination of factors. I think probably the most crucial factors in the whole formula are the number of visitors and the percentage of their expenditures that you could capture.

And that ties down to how many additional visitors you could get as probably being the most significant figure in the whole formula.

ESTIMATED DRAW OF NEW VISITORS

Senator LEAHY. What about the estimate that the center will generate 310,000 to 390,000 new visitors a year? Do you get any feeling for that estimate?

Mr. BROWN. That is the estimate, of course, that comes basically from the survey taken by the consultant of a lot of organizations that could potentially come to the District. What do we really know about that? We do know that Washington is a good convention center. We do know that there are some large conventions right now that cannot come to the District because there are no facilities large enough.

We do know that the national market is growing. But what we also know is that the supply of convention centers elsewhere is growing. We also know that—

Senator LEAHY. What was that last point?

Mr. BROWN. I say the number of convention centers in other cities is probably growing. There have been quite a few built and there are some more on the drawing board.

Senator LEAHY. Are these convention centers all basically the same size?

Mr. BROWN. Some of them are small and admittedly not competing with the proposed Washington center. But there are a few large ones like the one they are talking about in New York. These are things that can't be foreseen with any degree of accuracy. But they are somewhat offsetting figures or offsetting considerations to the basically positive things that we see for Washington as a national center.

But then you get down to the real figures, the 310,000 or the 350,000 estimated visitors. I think our conclusion on that is that the survey taken of the 45 organizations is perhaps indicative of what might happen. But it is far from a very firm estimate.

Certainly, there are no commitments, not that you would expect commitments this far in advance. But this is very much of a kind of ballpark estimate. So I think where we come out of all of this is perhaps characterized best by an earlier witness who said that this kind of venture is really a risk.

You can estimate what might happen. But there is just no firm way of compiling statistics, figures and surveys right now to tell what is going to happen 5, 10, 15 years from now.

SPINOFF DEVELOPMENT

Senator LEAHY. One of the things the city has forecasted is to generate spinoff development of 3,000 hotel rooms or 40 to 50 new restaurants, 15 to 20 new retail shops. It has been estimated between \$100 and \$115 million investment of private investment in new construction. How realistic is that? Or is it impossible to calculate?

Mr. LOWE. I think it is realistic to estimate that there would have to be some spinoff development. Exactly when that would occur and how much is the real question. The consultants seem to have made a reasonable prediction, and as far as we can see, it's in the ballpark. These kind of things will attract spinoff development. I think a lot of that depends on how well the city of Washington is able to coordinate its various agencies to get permits, approvals and get

zoning regulations and that sort of thing. I think they are going to need an expediter of the first magnitude.

TIMETABLE FOR COMPLETION

Senator LEAHY. Do you think it can be completed by 1981, fully operational by 1983?

Mr. LOWE. I have no way of knowing, Mr. Chairman. It depends on when they start it, obviously.

Senator LEAHY. What do you feel is their ability to have construction completed by 1981 and fully operational by 1983? Your testimony indicated there was a certain amount of room for slippage and the project still could break even.

Suppose we go beyond those target figures, how much trouble would we get into?

Mr. LOWE. Based on the estimate, we put together, let's assume there were no property taxes at all from any spinoff development, let's assume there were none, which would not be true under any condition. We estimate the annual so-called profit to the city in constant dollars would be reduced to about \$2 million a year.

That is just based on that factor alone and not considering any other risk factors.

Senator LEAHY. How much a delay would it be if this did not go through in this particular budget process, would it simply be the delay in the number of months that the next budget process takes or are there other factors that come into play here?

Mr. LOWE. I am not sure, Mr. Chairman.

Mr. HAIR. Mr. Chairman, may I add one thing?

On that previous one, with regard to the spinoff development, we do view the hotel and restaurant spinoff development as being critical to the project.

The real problem there, if you had no spinoff development, is, in the presence of that situation, would the District be able to hold the capture rate of 90 percent. It seems reasonable to assume if the center were built and successfully operated and attracting a lot of people to the area, without successful spinoff development, the capture rate would fall. Those revenues would then go to the suburbs.

So the spinoff development is critical.

ATTRACTION OF VISITORS TO SUBURBS

Senator LEAHY. The city is going on the assumption that 90 percent of the traffic stays in the city the conventioners and their spouses or whoever is involved. Do you think that is realistic to say that 90 percent will stay down there and only 10 percent will go out into the suburbs?

Mr. HAIR. We think that is reasonable if the spinoff development projected by the consultant is built where and as he projected it to be built: attractive, well located, and in the immediate vicinity of the center. If those 3,000 hotel rooms come in an integrated, well coordinated plan, reasonably simultaneously with the center, not delayed over a long period of time, the capture rate seems to us to be reasonable.

Senator LEAHY. There is one word you keep using and I don't understand it.

Mr. HAIR. Capture rate, that is that 90-percent rate.

Senator LEAHY. I never heard the word "capture rate," I am sorry.

Mr. HAIR. Well, it is capture of the market, the ability to capture 90 percent of expenditures coming from people coming into the center.

Senator LEAHY. OK. I appreciate it.

Mr. LOWE. We did not use the term "pigeon rate," though.

Senator LEAHY. I am learning all kinds of new terms since I got down here. Some are repeatable and some aren't.

Thank you very much, gentlemen. I appreciate the work the GAO has done. I suspect before we reach a final conclusion we will be back asking you more, and certainly if there is pertinent material you wanted to add for my use or other members of the committee, don't hesitate to do so.

Mr. LOWE. Thank you.

DISTRICT OF COLUMBIA

NONDEPARTMENTAL WITNESSES

WASHINGTON SHERATON CORP.

STATEMENT OF NORD SCHWIEBERT, VICE PRESIDENT AND
GENERAL MANAGER

ACCOMPANIED BY WILLIE ARMSTRONG

Senator LEAHY. The next witness will be Mr. Nord Schwiebert of the Sheraton Corp.

Mr. Schwiebert, I will put your overall statement in the record. Obviously, you have been quite concerned about this whole thing. You have invested more than \$60 million in building a 1,550-room hotel, convention center.

What I would like is, if you could summarize for us, sir—your whole statement will appear in the record—but summarize for us the basic points in your statement, if you could, please.

Mr. SCHWIEBERT. Fine. I would like to introduce first, Mr. Chairman, Mr. Willie Armstrong, manager of our hotel.

Senator LEAHY. I ask the people in the room and I realize it is getting late but the acoustics in these rooms are terrible and I would like everybody who is here to be able to hear. I would ask once the Mayor leaves, if the door could be closed. Then I would ask if anybody has a conversation they have to carry on, I understand it may be necessary, but if they would kindly do it outside.

Go ahead, sir.

Mr. SCHWIEBERT. As you know, we started construction in our new Sheraton Park downtown. It is hoped that our research and experience over the past 5 years that we have developed will be helpful to you in your decision and deliberations over a convention center in this city.

In making our market researches, we found that 115,000 square feet of exhibit space on one floor with the capability of operating in excess of 160,000 square feet by using the Sheraton Park foyer was the optimum size for our needs. This was based on a survey in which we determined that there were approximately 193 conventions that indicate interest in Washington, which normally use more exhibit space in connection with their meetings than is available in Washington at the present time. Sixty-seven of these have booked with Sheraton on a definite or tentative basis, and another 69 have indicated an interest in using our facilities.

We consider ourselves experts in the field of serving the traveling public. But we do not, however, profess to have any great knowledge concerning city planning and development. But we are confident in the good judgment of our Mayor and City Council. If it is their

considered opinion that a convention center would be good for the city, we certainly would support their opinion and would be willing to contribute our fair share of any broad-based tax that would make construction of such a facility possible.

However, direct room taxes to the hospitality industry have proven detrimental. We would ask that this method of financing not be used as it would be counterproductive to their goal of increased delegates for Washington.

This city does not have a large corporate industrial State or regional base to attract group business. We must depend almost entirely on national associations which can book their conventions in any city. We must remain competitive with all of these cities.

At the present time, we are charging more in these add-on taxes than any major city except New York and Chicago. We believe that any deficits of the center should be supported on an across-the-board basis or out of the general fund to which all who benefit have contributed.

There is a financial consideration which must be of some concern in this decision. The Gladstone study makes an estimate of a \$16 million shortfall in operating costs in the civic center in the first 3 years. As I understand it, this estimate was made prior to the Sheraton commitment to expand in order to handle large exhibit-oriented conventions.

In all honesty, I feel that Sheraton will have some impact on the amount of business the convention center can book. We will be competitive for a vast majority of the conventions that they attempt to interest. The fiscal gap in these first 3 years may in fact prove larger than the study now estimates.

We have been partners with the city of Washington for 37 years and are building a facility which we hope will keep us in partnership for the next 50 years. We would not wish to take any action here that might alter this relationship.

We are not against a convention center for the city of Washington. We stand willing to be supportive of any broad-based tax that would be helpful to this city, whether it be for a convention center or any other worthwhile project that our Mayor and City Council feel is necessary for the city's future development and progress.

I believe that summarizes my statement, sir.

Senator LEAHY. Thank you, sir.

How many convention delegates come to Washington each year?

Mr. SCHWIEBERT. I would say between 600,000 and 700,000.

Senator LEAHY. What percentage of the conventional delegate business does Washington presently have?

Mr. SCHWIEBERT. Of convention delegate business, I would say we accommodate at least 85 percent of that total.

Senator LEAHY. Do you know what percentage of the convention delegate business does the City of Washington itself currently get of the annual delegate convention business nationwide, what percentage do those 600,000 or 700,000 who come here represent of the total market?

Mr. SCHWIEBERT. Of the total national convention delegate business, how much can we accommodate in this city today?

Senator LEAHY. Yes.

Mr. SCHWIEBERT. I would put it somewhere around 85 percent. If you are talking about conventions as in number of conventions, it would be considerably less than that. I would put it closer to 5 to 7 percent. But since we can't accommodate the largest conventions, the number of convention delegates that we could not accommodate would be about 15 percent.

Senator LEAHY. What kind of impact would the civic center have on the Sheraton Park and other convention facilities that are currently existing in Washington? Won't this be competition for you?

Mr. SCHWIEBERT. Certainly there is competition. But we do not consider either a negative or a positive impact on the Sheraton Park alone by the existence of a convention center in this town. We would undoubtedly lose some conventions to them that we might have had if they weren't in existence, but we also would probably share in accommodating some of those that would come to the city that the city couldn't accommodate otherwise.

So for the Sheraton Park, probably a split—neither positive nor negative. So far as other existing hotels are concerned, I don't see an appreciable increase in their occupancies. My reason for making that statement is that in the great majority of conventions that are still available or that cannot meet here in this city today, they follow pretty well the same—they would request the same dates that we now have our heavy business cycled. In other words, they would probably increase their peak business, and we would have more business in the peak seasons of the year.

But I don't see it appreciably changing the lower times of the year. So I feel that the new delegates that they bring in would have to go into new construction.

Senator LEAHY. Let me see if I understand this. You are saying that without the convention center—correct me if I am wrong—but without the convention center we are neither adding nor detracting the number of conventioners who would be coming to Washington; is that correct, basically?

Mr. SCHWIEBERT. We would not increase the number of convention delegates appreciably that stay in existing hotels because we are already operating at peaks during the time that they would be here, basically.

Senator LEAHY. Assuming you put the convention center in, assuming it basically is successful, which we would all hope, you would not be able to accommodate those additional delegates within the hotels, even hotels as large as yours, presently in the city; is that correct?

Mr. SCHWIEBERT. That is correct.

Senator LEAHY. So would you say we would have to build more hotels?

Mr. SCHWIEBERT. Could I illustrate something here in that regard?

Senator LEAHY. Sure.

Mr. SCHWIEBERT. In the peak seasons of the year, I have very little exhibit space available. In the nonpeak seasons of the year—

Senator LEAHY. Let me interject, what are the peak seasons?

Mr. SCHWIEBERT. Basically March through May, and September through October, November. But insofar as my exhibit space is concerned, my own, I have a lot of space available in the nonpeak

times of the year. So there isn't a pent-up demand for exhibit-oriented conventions for this city in our slow time. I can take care of a lot more than I have got now.

Senator LEAHY. I understand, if you could even it out.

Well, let me ask you, Mr. Schwiebert, why these peaks and valleys? We joked a little bit about the weather in Washington. Is that it? Is it because the Congress isn't here? I know what a lovable group we are as a body, but does that affect the cycle?

Mr. SCHWIEBERT. Basically, the convention delegates don't want to be out of town in December, and they don't want to get going too soon after Christmas, so January is bad.

Senator LEAHY. So that would be the same anywhere.

Mr. SCHWIEBERT. That is the bad season. They don't want to do it and mess up with their regular vacations in June, July and August. That is really the reason the conventions book in our peak seasons.

Senator LEAHY. That would be the same whether it was New York or Chicago or Atlanta?

Mr. SCHWIEBERT. Anywhere, it is pretty much the same.

Senator LEAHY. Or Houston?

Mr. SCHWIEBERT. Of course, we followed the progress in Atlanta. I followed Atlanta very carefully because, hopefully, I can learn something from them. You will find the same thing there in July; they have got a lot of space.

One thing I would like to see the center provide is a larger auditorium than I understand they are presently planning.

Senator LEAHY. Just for one more second, I realize I got you off the point you were on, but if we have this up and sort of in operation, and I can understand the reasons for it, is the spinoff development, the restaurants, the shops, the other things that are going to be necessary to make it an attractive area—are they going to be willing to build for that kind of up and down business? Because that is critical to this being an economically feasible project.

One of the things in everybody's studies is that a certain amount of expansion in the tax base. Not because of the civic center but because of all the surrounding shops, jobs created by it and, the amount of traffic that it generates. The thing a lot of us would like to see, is the downtown area being utilized the way it used to be, and should be, as the Nation's Capital.

But are we going to have the restaurants, the small specialty stores, the kinds of businesses projected willing to come in when you are going to have such an up and down business cycle?

Mr. SCHWIEBERT. I don't feel qualified to make that statement. I can relate it to the hotel industry possibly a little bit.

Mr. Durbin of Marriott mentioned the fact he has an 80 percent occupancy in his hotels and basically—I think that they are not basically convention-oriented, but he certainly has many convention hotels. But in our convention hotel, for instance, as opposed to his or any other companies, a hotel which is basically not convention-oriented, they will run about 80 percent.

We are right now fortunate to get 60; I hope to get into the low 70's. But to get an 80 percent or better, never, because of this extreme fluctuation in season-type business.

I would just like to carry that one step further because I do think if the center would provide a little more in assembly capability, large assembly capability, I think it would be very helpful because there are large groups that do meet in the summer that basically don't need exhibit space but they need massive assembly areas for their activities. That would be helpful in leveling out those cycles.

PREPARED STATEMENT

Senator LEAHY. Thank you very much. I appreciate that. I appreciate your taking the time. I find your firsthand experience very interesting. I will insert your full statement in the record at this point.

[The statement follows:]

STATEMENT OF L. N. SCHWIEBERT

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

In response to your request, Mr. Chairman, I am here to submit information to your Committee about the new Sheraton-Park Hotel that we have under construction at the site of the present Sheraton-Park and Wardman Tower complex on Connecticut Avenue. It is hoped that our research and experience over the past five years which finally led to our decision to build what will be one of the largest combination convention, exhibit, and hotel complexes under one ownership in the United States will be helpful in your deliberations concerning the proposed civic center facility for the District of Columbia. We have had to make some basic profit and loss estimates on projections of the convention and hotel business before we decided to invest more than \$60 million in building this 1550 room hotel convention center. This information is available to you if desired.

I am L. N. Schwiebert, Vice President and Managing Director of the Washington Sheraton Corporation. I have been in the hotel business since 1941 with time out for WW II service. I have been with The Sheraton Corporation for 20 years, 18 of them in Washington, D. C. Of these 18 years, I was resident manager of the Sheraton-Park for 2 years and have been the Managing Director here in Washington for the past 9 years. For more than 5 of these years, we have been working on the plans to modernize and enlarge the Sheraton-Park facilities with a new 10-story hotel.

Our plans call for 115,000 square feet of exhibit space on one floor with the capability of offering in excess of 160,000 square feet by using our Sheraton-Park Ballroom and foyer. There will be 30 meeting rooms, the largest of which will seat more people than any other meeting room in the District of Columbia and will rank among the largest in any hotel

in the world. A feature of the lobby will be a large atrium surrounded by 4 new restaurants, 2 new cocktail lounges and a nightclub. There will be 2 swimming pools and a health club, membership to which will be available to local residents. The largest privately owned parking facility in the District of Columbia. When our project is completed, our hotel will be surrounded by approximately 8 acres of gardens and park vistas.

Perhaps some of our research and its results concerning convention needs will be of interest to your Committee. We learned that among the conventions and trade shows that generate appreciable room sales, there are approximately 193 that would like to come to Washington which normally use more exhibit space in connection with their meetings than is available in Washington at the present time. I should note that some of these conventions restrict their exhibit space to enable them to come to Washington now. 67 of the 193 have booked with the Sheraton-Park on a definite or a tentative basis. Another 69 have indicated they are interested in using our facilities. Of the 193, there are 57 conventions who still cannot come to Washington because of lack of exhibit space. (Some of these require up to 600,000 square feet of space.) Even among the 57 who need more exhibit space than Washington can provide, there are 7 who have indicated they will continue their "legislative conferences" here in Washington as long as enough exhibit space is not available for annual meetings.

Let me point out that the 193 conventions would not be potential Washington, D.C. business every year. Very few of them would be annual customers as most of them like to hold their meetings at various places around the country. Our estimate of the rotation to Washington of those who would book into our city would be only once in 6 years. The potential convention business for this city may not be as great as some optimistic

studies indicate. Further, inducing these conventions to become guests in Washington is a highly competitive business, requiring marketing expertise as well as skill and experience in operating a hotel and convention facility. First they must be induced to come, and secondly, their accommodations must be expertly handled if we expect them to return another time.

Sheraton has been a part of the hospitality industry in Washington longer than any major hotel company. Since our entry in 1940, we have been a leader in providing convention and exhibition space for Washington's visitors. In 1955 we built one of the largest ballrooms and exhibit halls in any hotel in the world, at that time. When other cities began the rush to build convention centers, we added to our already large space in 1964 to remain competitive. Now, in 1977, we are again expanding our facilities to answer the needs of the market. We still have unused Free Area Ratio (FAR) in the event conditions warrant additional commitments to stay competitive with other cities.

Here is an interesting experience factor from our own hotel. During the past year of 1976, 320,000 room nights were sold by the Sheraton-Park and other hotels due to the existence of the facilities of the Sheraton-Park. We are projecting that 593,000 will be sold in 1980 due to our expanded hotel and convention center. Delegates, because of our hotel-convention center, will be using nearly 200,000 room nights in other hotels in our city. These sales will be achieved without costing the benefiting hotels or the delegates one cent in added taxes. Using estimates of visitor spending developed in the Gladstone Study, \$49,600,000 (in 1976 dollars) will be spent in the year 1980 by visitors brought to this city because the Sheraton-Park is in existence. As a matter of fact, in the year 1980, while providing this opportunity for increased hotel occupancy in Washington,

we will also be contributing approximately \$3,635,000 in Sales, Corporate, Real Estate and other taxes to support our city government.

The start of our current construction marks the end of 6 years of frustration, broken plans and hopes. It has been one of the prime goals of our company for many years but in spite of all of our recognized expertise in this field, we could not put all of the necessary ingredients together to move forward on this very complicated task of creating a convention center-hotel of this magnitude. Years of man hours were spent by our staff in researching the market to determine the optimum size of our facility. All elements seemed to be in place 3 years ago and we had complete architectural drawings when a change in the investment market made our projections invalid and we had to start all over.

We have spent almost four years working with neighborhood organizations to ensure that our economic needs did not run counter to their aspirations for the neighborhood. The exterior of the building, its position on our property and addition of recreational facilities are but a few of the changes that were made as a result of these many meetings. It is no simple task to build a convention center hotel.

We consider ourselves experts in the field of serving the traveling public. We do not, however, profess to have any great knowledge concerning city planning and development, but we are confident of the good judgment of our Mayor and City Council. If it is their considered opinion that a convention center would be good for the city, we certainly would support their opinion and would be willing to contribute our fair share of any broad-based tax that would make construction of such a facility possible. However, direct room taxes to the hospitality industry have proven detrimental and we would ask that this method of financing not be used as it would be counter productive to our city's goal of

increased convention delegates for Washington. This city does not have a large corporate, industrial, state or regional base to attract group business. We must depend almost entirely on national associations which can book their convention in any city. We must remain competitive with all of these cities. At the present time we are slightly under New York in these add-on taxes and practically the same as Chicago which has an 8.1% tax to our 8% tax. Other major cities throughout the country are considerably below us in this area. Our major competitors in the Eastern half of the U.S. for this type of business are Atlantic City, which has 5%, Boston which has 5.7%, Atlanta which has 7%, (of which a large portion goes to the Convention Bureau) and Detroit which has 4%.

We believe that any deficits should be supported on an across-the-board basis, or out of the general fund, to which all who benefit have contributed.

There is another financial consideration which must be of some concern in this decision. The Gladstone Study makes an estimate of a \$16 million shortfall in operating costs in the civic center in the first 3 years. As I understand it, this estimate was made prior to the Sheraton commitment to expand in order to handle large exhibit-oriented conventions. In all honesty, I feel that the Sheraton will have some impact on the amount of business the convention center can book. We will be highly competitive for the vast majority of the conventions they will attempt to interest. Therefore, the fiscal gap in the first 3 years may in fact prove larger than the Study now estimates.

We have been partners with the city of Washington for 37 years and are building a facility which we hope will keep us in partnership for the next 50 years. We do not wish in any way to take any action here that might alter this relationship. We stand willing to be supportive of any broad-based tax that would prove helpful to our city, whether it be for a convention center or any other worthwhile project that our Mayor and City Council feel is necessary for the city's future development and progress.

Thank you for the opportunity to present my comments.

ADDITIONAL COMMENTS FROM L. N. SCHWEIBERT


Sheraton-Park Hotel & Wardman Tower

2660 WOODLEY ROAD, N.W., WASHINGTON, D.C. 20008, TELEPHONE (202) 265-2000

 L. N. SCHWEIBERT
 VICE PRESIDENT AND
 MANAGING DIRECTOR

July 18, 1977

 The Honorable
 Patrick Leahy
 Senate Committee on Appropriations
 U. S. Senate
 Washington, D. C. 20510

Dear Senator Leahy:

On behalf of the Sheraton-Park Hotel, I would like to enter these additional comments into the official record of the June 29 hearing of the Senate Appropriations Committee Sub-Committee on the District of Columbia.

I feel a clarification is needed on comments made by Mr. Joseph Danzansky of the Metropolitan Washington Board of Trade during his testimony before your Committee. He stated that the Hotel Association of Washington, D. C. had "unanimously approved an 80¢ per night room tax" as a method of shortfall financing for the proposed civic center. His further comments implied that the Sheraton-Park Hotel had been part of that unanimous vote and was now "changing its mind" and "running scared."

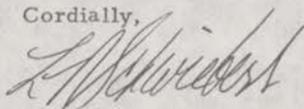
At a Special Membership Meeting of the Hotel Association of Washington, D. C. on November 24, 1976, we voted to (1) continue the Corporate and Unincorporated income surtax at 50% of its current 1% rate and (2) a tax of 80¢ per night on each occupied transient hotel room. This proposal was passed with the stipulation (understood by all present) that "neither of these taxes are to be placed into effect until and at such time as... the Association has the opportunity to review and approve the report being prepared by Gladstone Associates for the District of Columbia."

As far as I know, no further vote was taken after the Gladstone feasibility study was released, and hence, there still is no unanimous vote by the Hotel Association to support these proposed taxes. At this time, there still remain some serious doubts as to whether or not these taxes, if passed, will cover the anticipated deficit of the civic center. Mr. Danzansky's statement in regard to the unconditional unanimous vote of the Hotel Association is inaccurate.

May I summarize by saying we (at the Sheraton-Park Hotel) support any broad-based tax to underwrite the operation of the proposed convention center. However, a direct room tax supporting this facility on top of our present sales tax (which is one of the highest in the country) could make it difficult for Washington, D. C. hotels to compete with hotels in other cities, and thereby this tax could become counter productive for the D. C. convention center.

Thank you again for the opportunity to appear before your Committee.

Cordially,



L. N. Schwiebert

METROPOLITAN WASHINGTON BOARD OF TRADE

STATEMENT OF FOSTER SHANNON, PRESIDENT

ACCOMPANIED BY:

JOSEPH DANZANSKY, GIANT FOOD CO.

JOHN NORLANDER, RADISSON CORP.

JAMES DURBIN, MARRIOTT CORP.

ED HOFFMAN, WOODWARD AND LOTHROP

INTRODUCTION OF ASSOCIATES

Senator LEAHY. We have a group from the Board of Trade. Mr. Shannon is the president of the Metropolitan Washington Board of Trade. He will be joined by Mr. Norlander, Mr. Hoffman, Mr. Danzansky, Mr. Durbin, and Mr. Wiles.

Mr. DANZANSKY. Mr. Chairman, my name is Joseph Danzansky.

Senator LEAHY. Could we have all the names, please?

Mr. DANZANSKY. Mr. Durbin is here, Mr. Shannon, President of the Metropolitan Board of Trade, Mr. Ed Hoffman is the past president of the Metropolitan Washington Board of Trade, and Mr. Norlander is with the Radisson Corp., a major hotel chain in the United States.

Senator LEAHY. They have a new hotel in my home town.

Mr. NORLANDER. Yes, sir, we do.

Senator LEAHY. Probably one of the nicest views from a hotel anywhere.

Mr. NORLANDER. A delightful place.

Mr. DANZANSKY. Would you like to try for two?

Senator LEAHY. In Burlington, or Washington?

Mr. DANZANSKY. In your other home town, Washington.

Senator LEAHY. OK. Go ahead.

Mr. DANZANSKY. Mr. Chairman, if we could ask your indulgence, we have what we think is a structured presentation. This is a very important matter. I know the clock is extremely important, but we worked for some time, for 10 years, on this subject. We would like to get through it in a structured way. I think it will do you the most good that way.

Senator LEAHY. Very good.

Mr. DANZANSKY. Thank you.

Since 1969 this city has been looking into, the Board of Trade has been looking into the possibility of a civic center for the District of Columbia. That is when we had the first of our studies of a civic center made by Booz, Allen, and Hamilton at which time they strongly recommended the erection of a civic center.

We have lived with this subject ever since and are more strongly convinced than ever that a civic center should be built in downtown Washington. I think it is very important that you recognize that in these hearings, we are coming here in not necessarily a rare united front, but in a united front.

We have the Mayor, the City Council, the business and professional segment of our city, which includes the hotel association, incidentally, and parenthetically I might add—and I hope this comes out right because Mr. Schwiebert is a dear friend of mine and I want him

to be such at the end of this hearing—but it is almost like having the fox guarding the chicken coop.

Senator LEAHY. That sure is a friendly statement. Go ahead.

Mr. DANZANSKY. I intend it to be so. I wish he were standing in front of me so I could look him in the eye and smile when I was saying it. It would be like the Giant Food Co., of which I happen to be the president, being able to express itself on whether Safeway should have a store next door to it or across the street from it or indeed, whether or not there should be a commissary run by the Army when I think that we could take care of it just as well.

I was present at the hotel association meeting. As a matter of fact, I addressed it. I happened to be president of the Board of Trade at that time, when we asked them whether or not they would be willing to agree to an 80 cents per room tax. They did agree. It was a unanimous vote.

My best recollection tells me that the ITT-Sheraton people were represented at that meeting and voted in favor of it, although today they are indicating that they do not favor it. I give them the right to change their mind, but this was done on a unanimous basis at that time.

Senator LEAHY. There is something in the air up here that allows people to change their minds.

Mr. DANZANSKY. And I may change my mind about what I just said about Nord.

Senator LEAHY. I think we are going to put this show on the road. Go ahead.

Mr. DANZANSKY. You, sir, represent and vote in Congress for your community and do it very well, I am sure. So does the Mayor and City Council. I know you give them credit for doing that.

I speak for all of the citizens of our community. We sitting here at this table think that we also speak, and we checked it out and tested it, for the entire business and professional community of this city.

We also know and we have to realize that if these projects that we are talking about don't work out to the penny, that we here who are citizens of this community, we here who have our businesses and our guts and our lives in this community are going to have to pay for it. So we don't take this recommendation that we are giving you, sir, lightly.

Convention and visitor business in this city, next to Government, is recognized as our most important revenue producer. In urging that the Washington civic center be approved, we are following an established axiom in business, that we accentuate the positive, we accentuate our strengths and build on these and thus minimize our risks in the future. That is what we are doing here.

This is one of the only—if there ever was another one, I don't know what it is—request that has been made for capital investment which produces its revenue in a city. We think that this produces the right kind of revenue. It isn't important whether it is \$100 million or 110 or even 120 or 80. The important thing is whether or not there is a return on that investment.

Our studies have proven to us that it is worth the risk to accept the fact that there is such a return. The Gladstone report very appropriately points out that due to the increase in their size, conventions formerly available to us can no longer come to Washington because of the lack of adequate convention facilities.

We have with us today representatives of the Convention and Visitors Bureau—incidentally, I think maybe you ought to pull up a chair for questions, if you don't mind—who can testify better to that?

Our collective aim is to put this city back on its feet economically. We hear constantly about the vast number of citizens that are on welfare. Similarly, we are reminded daily of the large numbers who are forced into accepting unemployment compensation. We know about the demand for housing and we recognize that these drains and these deficiencies place a great strain on our city budget. There is a simple and achievable answer, put more people back into meaningful and gainful employment. The civic center won't put all of our unemployed back to work, but I can assure you that it will take a giant step in the right direction by triggering a great deal more economic activity in this town. It will reduce our welfare and unemployment figure to a level which the city can more readily accommodate.

I would like to repeat just what the center would generate. Construction of the center would provide over 1,000 jobs, spinoff development during construction, which we will deal with later, would create another 1,500 jobs, and even more interesting and encouraging is that there will be between 3,500 and 4,600 permanent jobs after the project is completed, with a total annual payroll of approximately \$40 million. That is a fact and an answer that cannot be ignored.

We would like to address also the question of the site of the center. We mentioned we have been encouraging a convention center for Washington since 1969. Even back that far, after considering the site at Union Station, everyone, all the experts agreed that the best location would be in the Mount Vernon Square area. It has every positive attribute above any other site in downtown.

I have to stress downtown because from every bit of research we have done, the users of a convention center—those who determine the sites for conventions and exhibits—have strongly stated that of all possible locations in Washington, they would select the Mount Vernon location.

We are very fortunate because the National Association of Association Executives is headquartered here in Washington. We have been able to use their brains and thinking in connection with these surveys.

In addition, Mount Vernon Square is adjacent to two major Metro stops. Maybe there should be some moving sidewalks or something to get them even closer.

Senator LEAHY. Have you considered including the cost of each sidewalk in the total convention center cost?

Mr. DANZANSKY. I hadn't thought about it until Mr. Lowe mentioned it. I don't care. We are going to have to pay for it, so I don't care whether it is a part of the cost or not. If it is right to have, we should have it.

Senator LEAHY. You and all the taxpayers will have to pay for it.

Mr. DANZANSKY. Yes, sir. I am all for that.

Senator LEAHY. You are talking about paying maybe \$5 to \$10 million.

Mr. DANZANSKY. I happen to be a native Washingtonian; never moved out of the 10-mile square, been paying my taxes here and loved every minute of it. The center is midway between the Capitol and the White House, plus being close to the city's other major points of interest and most importantly, it is convenient to existing hotels and those which will come as a result of the center being built.

Mr. Chairman, there are several other matters which are of vital concern and I will touch on those very briefly. The first is the manner in which this project will be managed. We agree wholeheartedly with the testimony of Mr. Lowe.

Very early in our discussions with the Mayor and the Chairman of the City Council, we recognized and strongly recommended that the management of the center be placed in the hands of an independent body, separated completely from any existing board, commission, or agency now functioning within the Government.

Such a newly created body or board of directors must have complete authority in the entire management of the center and be responsive and responsible to the Mayor who, in turn, would consult with the City Council. The duties and responsibilities of this body could be clearly defined by action of the Council with endorsement of the Mayor.

We further recommended that the board be business-oriented and be small, as Mr. Lowe indicated, so that its important activities can be handled efficiently and expeditiously. Furthermore, we recommend that the board be empowered to employ the most competent director available and that such director be an employee of the board, not the District government.

We have been pleased to learn that these recommendations are being largely accepted and appropriate legislation is being forwarded by the Mayor to the Council. Our point in stressing them here is to be certain that our position on the subject is part of this record.

The clearest demonstration possible of the complete confidence in our business and professional community in the civic center was demonstrated recently when we agreed to put our money where our mouths are, so to speak.

In the Gladstone report, attention is called to the fact that in the startup years of the center, there may be an initial gap of a total of \$16.7 million. Upon the opening of the center in 1981, convention revenues and spinoff spending will become sufficient to pay the debt, service, and operating costs with a surplus of \$4 million in the first year, \$6 in the next, \$12 million in the third operational year, and increasing annually thereafter.

Our offer and that of the hotel association of Washington, again by unanimous vote, to the city is to insure that sufficient funds are available to cover the \$16.7 million shortfall in the fiscal years between 1978 and 1981.

The District has an income tax of 9 percent on corporate and unincorporated businesses. In addition, there is a 1-percent surtax on those businesses which is due to expire on January 1, 1978. This surtax currently yields about \$6 million per year.

Our offer is that one-half of this surtax continue for 3 more years beyond January 1, 1978. This would yield \$3 million per year.

Further, the hotel association, as indicated, in concert with our proposal, did agree to the imposition of an additional room tax, over the current 8-percent tax, of 80 cents per occupied room per night, which is estimated to yield conservatively another \$3 million a year, again limited to the next 3 years.

You can see that the business sector has agreed to additional taxes of approximately \$18 million over the next 3-year period to fill the gap estimated at \$16.7 million prior to the opening of the center.

There are a few conditions from which we made this offer. I think we ought to let you know what those are for the record. Two of them we already covered.

Senator LEAHY. It wasn't done out of a sense of pure altruism?

Mr. DANZANSKY. I think most good things are done out of enlightened selfishness. I don't know if it is pure altruism, but I do think it is enlightened, sir.

Senator LEAHY. Go ahead.

Mr. DANZANSKY. The remaining three are that the taxes so received be clearly identified for civic center purposes only and that the tax collections be levied only for 3 years or less if the yield exceeds the need, and, of course, that the taxes not begin until there is final favorable action to proceed with the center.

We understand that all of these provisions have the tacit approval of the City Council and are now beginning to wend their way through legislation of the Mayor's office.

Mr. Chairman, I think I have given you some of our basic reasons for the support of the civic center and to answer the first of your specific questions to us. Your second question, asking us to provide any additional evidence that the Board of Trade may have regarding the timing and the extent of the spinoff development forecast in the Gladstone report, I will leave in the capable hands of Foster Shannon who is not only the president of the board of trade, but who is also president of the Washington real estate firm of Shannon and Luchs, which has been in this area for over 70 years.

Senator LEAHY. When I first arrived here as a law student, I thought Shannon and Luchs must be a subdivision of the city of Washington because I saw signs in so many places.

I would like to direct your testimony, sir, to a few points. The city has projected that the center would generate spinoff development of 3,000 new rooms, 40 to 50 restaurants, all to be essentially in place by 1983.

Spinoff development is the key to generating any dividends to the city. Without that spinoff development, the civic center is certainly not going to result in a profit—in fact, it is going to result in a loss which we all are going to have to pick up.

In your testimony, I would like you to address some of these points, both the timing and extent of the spinoff development projected by the city, and do you know of any actual commitments in the business community to proceed with any of this development if the center does go forth?

Mr. SHANNON. What I have to use is what I call a classic example, which is Atlanta, Ga. Within 2 years time Atlanta, Ga., from the

announcement of the placement of the civic center, there were 3,000 hotel rooms built. I believe firmly that that number can be achieved within a 3-year period at this time.

Senator LEAHY. Atlanta in itself was enjoying a boom, with or without the civic center—a boom as a fast-growing city, one in an area that was fast attracting new people. Everything was working well for it.

Mr. SHANNON. As a matter of fact, it was overbuilt for a short while, but the 3,000 rooms were, I believe, and the experts there believe it, was a direct result of the anticipated world center that they—

Senator LEAHY. The building was in anticipation of a successful convention center.

Mr. SHANNON. And has been successful.

Senator LEAHY. But for a number of reasons. What I am suggesting is that the Atlanta experience is one certainly that we should consider and the subcommittee will consider it; but there are still a lot of differences.

We have certain attractions here in the District of Columbia that no other city in the country can have because it is the seat of Government. On the other hand, Atlanta definitely has attractions in the way that the whole sun belt does, one of the attractions being it is one of the fastest growing areas in the country.

Certainly, Atlanta as a city, with or without the center, is much faster growing than the city of Washington, D.C. Is that a fact?

Mr. SHANNON. Well, I can't equate Atlanta, Ga., even being on the same par with the District of Columbia, the Nation's Capital, as a visitor center. It is an attractive city. I know, I have friends down there and I sell real estate there, too, but I may not sell any more after what I am about to say. But if Atlanta, Ga., can attract 400,000—and that is the figure that I am given by the experts—new delegates to their city and have 3,000 hotel rooms in place within a 2- to 2½-year period of time as a result of a convention center, then we certainly can also. I might add, incidentally, that they are in the process of doubling the size of the present site.

Senator LEAHY. I understand. I don't want to leave the impression in the record that the reason Atlanta suddenly expanded was because of the convention center, any more than the booming real estate up here is because of the unbelievable success of Union Station Visitor Center. That was voted on before I got here.

Mr. SHANNON. That is all right.

I have a prepared statement which I would like to enter into the record. I would like to make a few more comments, if I might.

Senator LEAHY. Please do.

Mr. SHANNON. Chicago is another city which I happen to be reasonably familiar with. They have 750,000 foot McCormick Place. It is interesting that—Nord just mentioned a little while ago that we might take away from it. In Chicago they not only have 750,000 feet of McCormick Place, but they have 200,000 feet at O'Hare Airport. They have another 100,000-foot center called Expo Center, in the city.

The city itself estimates that they get \$1 billion a year from visitors and delegates and trade shows to that city. They also estimate that

as a direct result of that type of business, there are 100,000 jobs in Chicago.

I would say, to backtrack a little bit and tell you what can happen, we have, and the Mayor mentioned it earlier, but maybe I should enlarge on it a little bit.

When the Eisenhower Center was proposed for the District of Columbia, within a short period of time, we had two major developers who proposed to build two \$50 million complexes within a few short blocks of that proposed site. Both of those complexes were based on the center going in and would have gone ahead had that center been put in. They were in areas immediately adjacent to where they planned to put this particular center.

I can only tell you after years in the real estate business, and as a real estate man that has dealt with real estate for a length of time, I would be absolutely and utterly astounded that you would not get more than the projected number of hotel rooms and commercial development in this town as a direct result of the center going in that location.

I can appreciate the concern of GAO. They should be concerned, but this has been literally studied to death by two of the biggest—Booz-Allen and Gladstone. In both instances, everything comes up positive.

I wonder how far Marriott would have been today if he sent his experts into the field to determine that there would be maybe a 75-percent occupancy in a hotel, but somebody always said what would happen if it doesn't, I doubt seriously if anybody would build a hotel. There is a certain amount of risk—

Senator LEAHY. I suppose there is a certain amount of risk. I suppose Mr. Marriott was risking his own private capital and tax capital—but primarily private capital. We are asked to risk \$110 million at today's prices. At least where I come from that is considered a fair amount of change.

We are asked to devote that much in public funds, No. 1. We are asked to determine in doing that whether we are going to have something that is going to pay for itself, or is it something that is going to be a continuous drain on the taxpayers. Everybody says that fact has to be established before it is built.

Then we have to consider another factor which so far hasn't been touched on in these deliberations. That is the effect it has on a fairly substantial part of the population; that is the people who have their businesses there, have their backgrounds there, who have either worked, lived, otherwise operated in that area for, in some instances, generations.

I talked with a number of these people when I walked around there. I went back again the other day, walking around again. I don't pretend that is a scientific survey of it, by any means. I don't mean to suggest that; but it is another concern that needs to be addressed.

I know it has been studied and studied a number of times. I can point to an awful lot of things we put money in that have been studied and studied and studied, and then we put the funding to it, and it doesn't work.

I am sure you have had your own pet dislikes of governmental projects that have probably been studied very well and passed and

haven't worked. So I would ask your forbearance while we at least complete this hearing process. The committee has the responsibility of making up its mind to report to the full Senate Committee on Appropriations.

That committee itself has a responsibility to report, with recommendations, to the U.S. Senate. The U.S. Senate then has to exercise its collective wisdom on this particular subject.

I suppose in the overall order of things, it is a fairly small amount of change. We are talking about a \$440 billion budget. But it is the Nation's Capital. It is something that will reflect on this city if it goes through, certainly throughout the rest of this century, and into the next. It is something that affects an awful lot of people who are presently living or working there.

As I say, I ask your forbearance while we complete this process.

Mr. SHANNON. You mentioned originally that you were very concerned, and justifiably so, that you were spending the taxpayers' money. What the business community tries so hard to do is to prove to Congress that what we are trying to do is get off of the hat-in-hand attitude of having to come and having Congress bail out everything that happens in the District of Columbia.

We are trying to foster and perpetuate economic development to build it up enough so that we can get to the point where we can accept a reasonable payment from Congress for their responsibilities to the District.

That is the reason why we are trying to give you, Congress, the kind of thing that will produce, we believe, the revenues that will stop us from having to come every single year and say let us have another \$100 million. That is one of the reasons we are here.

The second thing I would like to mention is we are very concerned, and everybody should be, about the relocation of people because of that particular project. There is a law and regulation which will stop the project from going unless we can get everybody relocated properly.

I believe that the people that are there will be protected in some fashion. The property owners will be justly compensated for their property. The relocation of the people is probably even more important. We are working very hard with the city, the real estate industry is working very hard with the city, to see that the relocations are done properly and fairly throughout the entire project.

Senator LEAHY. You realize no matter how hard you work on that, there is certainly not going to be unanimity among people in regard to fairness.

Mr. SHANNON. When they built the Federal buildings on Capitol Hill, they had to do the same thing.

Senator LEAHY. I understand. That is one of the reasons I voted against a number of the Federal buildings up here, just for that reason.

Mr. SHANNON. We have another gentleman—you heard earlier from Jim Durbin. I think we have two more very important gentlemen here that I would like to have say a few words to you. Jim Durbin spoke for Marriott Corp.

We have the No. 1 retailer in Washington in Ed Hoffman, president of Woodward & Lothrop. Ed, I think you have a few comments you would like to make.

Mr. DANZANSKY. I don't think he is the No. 1 retailer here in Washington. [Laughter.]

Senator LEAHY. You guys haven't tried the seniority system?

Mr. HOFFMAN. Whatever he said, I am against it.

Senator LEAHY. Why don't you proceed, sir, if you could summarize your statement because it was my absolute intention to stop these hearings at 4:30. We are now beyond that.

Mr. HOFFMAN. I will compress mine a bit. I am here for one reason. In Atlanta, we are hooked up with a store in Atlanta. Statistically, Atlanta has been at the bottom for the last 4 or 5 years compared to Washington, D.C. It wasn't the boomtown it was in the sixties, at least not in our kind of business.

When I first got involved in thinking and talking about a convention center, I guess being a retailer, I thought if every other city has one, they must make sense and how do we go about getting one built here in our city.

Woodie's is Washington based, and we have been here for 97 years. Our downtown business since 1968 is just beginning to get back to where it was before the riots. Downtown has not been a healthy thing for us.

We are aware of the fact that the civic center downtown will bring added competition from other merchants, but it also will bring in many convention delegates. We also know this influx of people will liven the city, will bring a new vitality, will bring new tax dollars to the community, and will bring increased benefits to the entire city.

At our annual stockholders' meeting on the 16th of May, I was asked about our downtown store. I mentioned we planned to put about \$6 million into the building to remodel and refurbish it.

I said at that time, and the papers did pick it up, that if the convention center does not materialize, we will not spend the money; and it is true. We couldn't afford—

Senator LEAHY. Woodie's would not do any refurbishing at all if the center doesn't go in?

Mr. HOFFMAN. I don't believe I said that. We will not spend the \$6 million to refurbish the downtown store.

Senator LEAHY. How much would you spend?

Mr. HOFFMAN. What we spend normally, maybe \$150,000 a year for general upkeep. We feel we need a more vibrant downtown to spend that kind of money. Others share that view.

One retailer announced his decision to take his shop from the downtown area to the suburbs, stating at the time that had the convention center been assured, he would have stayed in the city. Two large department stores in the last few years closed their downtown stores for lack of a healthy downtown.

I feel that if the center had been in operation, they might still be in business. The impact of hundreds of thousands of new convention delegates meeting at a convention located at the downtown site would bring to the downtown business district new life, new customers, new dollars and new hope for the entire city.

I appreciate your letting me state my views, sir.

Senator LEAHY. Thank you.

Mr. SHANNON. Mr. Chairman, we have another gentleman here who has been waiting patiently, also.

Senator LEAHY. As have about 75 others. I don't mean that in a flippant way but there are a lot of people waiting. Go ahead.

Mr. NORLANDER. I am John Norlander of the Radisson Hotel Corp. I am not a member of the Board of Trade, but I am participating with them. We are a hotel corporation that operates 15 hotels in 12 cities, one of which is Burlington, Vt.

We are very interested in the Washington market. We spent a considerable amount of time talking about potential sites during the time when the Eisenhower Center was being discussed. Now that the site location has been changed and there is a new potential convention center, we are also again actively looking at some sites, two or three sites here in the city of Washington.

I think just to keep my comments as brief as possible, I would answer any questions you have in your mind about what we would do if this convention center were to be built.

We would very seriously hope that we could put together an operation of about 500-600 rooms in downtown Washington.

Senator LEAHY. How many other hotels would you anticipate would be built in downtown Washington?

Mr. NORLANDER. I guess I really can't—

Senator LEAHY. Obviously, you don't expect that the Radisson would be the only one that would be considering building downtown. At what point would you consider it not feasible? How many other hotel rooms would have to be on the drawing board before you would consider that it was no longer feasible?

Mr. NORLANDER. I don't know that I could respond to that with an honest answer right now, Senator. Let me say that we do feel as a company, and certainly I do personally, that Washington is a continually growing city. Business isn't going to get smaller here.

This kind of an operation with a convention center is going to generate a large volume of a different kind of business than what is the continuing flow of business here. I think Washington will always be a good hotel town.

I would think the number of 3,000 rooms is probably a reasonable figure. I would think anything over and above that would make us think twice, but I guess we would like to be the first and not the last.

Senator LEAHY. Thank you.

Mr. DANZANSKY. We thank you, Senator. You have been very patient and very kind. We want to assure you that while we have appeared to be adversary in some of our statements here, we are merely trying to answer your questions. We respect what you are trying to do for our town.

PREPARED STATEMENTS

Senator LEAHY. All right, sir. I will insert in the record at this point the prepared statements of the Board of Trade representatives.
[The statements follow:]

STATEMENT OF JOSEPH B. DANZANSKY

Mr. Chairman and members of the Subcommittee on Appropriations for the District of Columbia of the United States Senate. My name is Joseph B. Danzansky, and I am President of Giant Food Inc., a former President of the Metropolitan Washington Board of Trade, and Chairman of the Board of Trade's Civic Center Committee. The President of the Board of Trade and I have agreed that with your permission I will give the opening statement for the Board of Trade and Mr. Shannon will present our concluding remarks.

We welcome this first opportunity to appear before you as Chairman of this Subcommittee. And, at the same time, to congratulate you on the initiative you have shown in getting from the General Accounting Office a separate report on the matter of the proposed Civic Center for downtown Washington. Like many others interested in this project, we have thoroughly reviewed the studies prepared by Gladstone Associates, the city, and, of course, the GAO report.

I might add, parenthetically, that we ourselves have had previous studies made on this subject originally in 1969 by Booz, Allen and Hamilton and collaborated on further studies made in 1971 and 1972. So, I guess we can say that this is a fairly well-studied subject.

Out of all this consideration, we have been and remain convinced that this project is one of the highest priority and merits your favorable consideration. So strongly do we feel on the subject of a Civic Center for Washington that it has received more of our time and attention since 1969 than any other single budget item on the District's agenda before Congress.

Just two and one half years ago this city placed in office its first elected mayor and city council in over 100 years. These elected officials have faced all the same fiscal problems which are troubling cities throughout the country. Within that limited time these officials, together with the business and professional community, have faced up to the hard fact that the basic answers to the problems of our city lay largely in the improvement of the economic status of our citizens. Consequently, together we have been searching for the means to provide sufficient stimulus to economic growth.

It is important that it be recognized that in these hearings we are coming here in a united front - the Mayor, the City Council, and the business and professional segment of our city. Just as you represent and vote in Congress in the best interests of the citizens of your states, so do the Mayor and City

Council come before you to speak in the best interests of the citizens of the District of Columbia.

For many years it has been accepted that after government, tourism and, hence, convention business is the principal mainstay of our local economy. The mere fact that there exists in this metropolitan area approximately 30,000 hotel and motel rooms is evidence that our visitor industry has been at a high level. In addition, the existence of so many service establishments catering to visitors proves that so many of our businessmen and employees rely on this source of income.

In urging that the Washington Civic Center be approved, we are following an axiom in business - that we make every effort to accentuate our strengths.

The report by Gladstone Associates, which the GAO study complimented highly, demonstrates conclusively the great potential to increase our convention delegates by over 50% annually, if the Civic Center becomes a reality.

Stated in terms of new dollar income, these new and additional delegates would leave a minimum of \$100 million in this city each year - based on current dollars.

I'd like to point out that these are new dollars, earned elsewhere but spent here in our city. These dollars are left with us without any increase in some of our basic municipal costs such as schools, welfare, libraries and the like. In fact, as the Gladstone report states, the Civic Center is the only capital project which, by virtue of the revenues it will produce, will add to our tax revenues instead of placing an additional expense in the District's budget.

Others more knowledgeable than we about convention activity will testify to the market for conventions which exists for this city if only we would make available facilities these major conventions and exhibits require. We would like to cite, as examples, just a few which have met here in the past and which will not return unless and until we have a Center of sufficient size and in the proper location - the American Dental Association, the National Automobile Dealers Association, the National Soft Drink Association, the Tire Dealers Association, and so on. Then add to these examples those associations which have never been able to come here because we lacked the facilities and we reach into the hundreds which are potentials for Washington. Since it is possible to accommodate between 30 and 40 of these meetings per year, it is most logical this city would attract at least that number annually.

Mr. Chairman and gentlemen, we mentioned previously our collective aim to get this city back on its feet economically. We hear constantly about the vast number of our citizens who rely on welfare. Similarly, we are reminded daily of the large numbers who are forced into accepting Unemployment Compensation. We all know of the great demand for more housing which our citizens can afford. And, of course, we recognize the drains such deficiencies place on our city's budget.

There's a simple and achievable answer - put more of our people back into meaningful and gainful employment!

The Civic Center won't put all our unemployed back to work, but I can assure you that it will take a giant step in the right direction by triggering a great deal more economic activity in this city. It will reduce our unemployed and welfare figure to a level which the city can more readily accommodate.

Let me recite - or even repeat - just what the Center would generate. Construction of the Center would provide over 1,000 jobs. Spin-off development - which we will deal with - would create another 1,500 jobs. And even more interesting and encouraging is that there will be between 3,500 and 4,600 permanent jobs available after the project is completed - with a total annual payroll of approximately \$40 million.

That's a fact and an answer which cannot be ignored.

We would like next to address the question of the site for the Center. We have mentioned that we have been encouraging a convention center for Washington since 1969. Even back then, after first considering a site at Union Station, we supported our study's recommendation that the best location would be in the Mt. Vernon Square area. It has every positive attribute above any other site in downtown.

I must stress downtown. From every bit of research we have done, the users of a convention center - those who determine the sites for conventions and exhibits - have strongly stated that of all possible locations in Washington, they would select the Mt. Vernon location.

In addition, Mt. Vernon Square is adjacent to two major METRO stops; it is most convenient to the city's largest shopping area; it is midway between the Capitol and the White House, plus being close to most of the city's other major points of interest; and most importantly it is convenient to existing hotels and those which will come as a result of the Center being built.

Further, just recently Congress gave approval to the beginning phases of the development of the Pennsylvania Avenue Plan. For this we will be eternally grateful. The big plus to this project will come when we have the Center in place. In combination, these two projects - along with the completion of METRO - will provide every conceivable incentive for an extremely healthy economic base for this nation's capital. This latter comment responds partially to one of the specific questions you posed to us, Mr. Chairman, dealing with the expected impact the Center would have on the downtown business community.

The close proximity of the Pennsylvania Avenue project to Mt. Vernon Square makes the two completely complementary in emphasizing 'round-the-clock activity in terms of shopping, permanent and transient housing, dining, sightseeing and the rest of the amenities attractive to residents and visitors alike.

Already the city is recognizing the attractiveness of a virile Chinese community by placing Chinese-lettering designations on the streets and by the planning of a new community center and housing for our Chinese citizens. One has only to look at Chinatown in San Francisco to realize that out-of-town visitors are a mainstay of its Chinese restaurants and shops. Therefore, our Chinatown will develop into a major attraction on its own, producing more jobs and more income for these residents.

Recently the city in collaboration with merchants have invested a modest amount of funds to repaint and re-furbish the shops in the downtown area. This is a commendable beginning. But just imagine what a shot in the arm the Center would give to these same merchants and the others who would move into the area to take advantage of the traffic which would be generated by the Center! Downtown would reclaim its place as perhaps the principal shopping mall of all.

Again, this means more jobs and greater tax benefits for the city.

Mr. Chairman and gentlemen, there are several other matters on this subject in which we have a very vital concern and which we will touch on briefly.

The first is the manner in which this project will be managed. Very early in our discussions with the Mayor and the Chairman of the City Council we recognized and strongly recommended that management of the Center be placed in the hands of an independent body, separate completely from any existing board, commission or agency now functioning within the government of the District of Columbia. Such a newly-created body-- or Board of Directors - must have complete authority in the entire management of the Center and be responsive and responsible to the Mayor who in turn would consult with the City Council.

The duties and responsibilities of this body could be clearly defined by action of the Council with the endorsement of the Mayor.

We have further recommended that the governing board be business-oriented and be small so that its important activities can be handled efficiently and expeditiously.

Further, we have recommended that this Board be empowered to employ the most competent director available - that such director be in the employ of the Board and not the District government - and that the director's compensation be fixed without regard to any existing grade level or present civil service requirements.

We have been pleased to learn that these recommendations are being largely accepted and appropriate legislation is being forwarded by the Mayor to the City Council. Our point in stressing them here is to be certain that our position on this subject is definitely part of your official record.

The next item we wish to discuss with you is, in our opinion, the clearest demonstration possible of the complete confidence our business and professional community has in the Civic Center. We have agreed to put our money on the line.

In the Gladstone report attention is called to the fact that in the start-up years of the Center there may be an initial "gap" of a total of \$16.7 million. Upon the opening of the Center in 1981, convention revenues and spin-off spending will become sufficient to pay the debt service and operating costs with a surplus of \$4 million in the first year, \$6 million in the next year, \$12 million in the third operational year and increase annually thereafter.

Our offer and that of the Hotel Association of Washington to the city is to assure that sufficient funds are available to cover the \$16.7 million "shortfall" in the fiscal years between '78 and '81.

The District has an income tax of 9% on corporate and unincorporated businesses. In addition, there is a 1% surtax on those businesses which is due to expire on January 1, 1978. This surtax currently yields about \$6 million per year. Our offer is that one-half of this surtax continue for three more years beyond January 1, 1978. This would yield \$3 million per year.

Further, the Hotel Association, in concert with our proposal, has agreed to the imposition of an additional room tax (over the current 8% tax) of 80¢ per occupied room per night which is estimated to yield, conservatively, another \$3 million per year, again limited to the next three years.

So, you can see that the business sector has agreed to additional taxes of approximately \$18 million over the next 3-year period to fill the "gap" created prior to the opening of the Center.

There are only a few "conditions" under which these offers are made. Two of them we have already covered: the appointment of an independent governing board and the authority of the board to name its own managing director. The remaining three are:

1. That the taxes so received be clearly identified for Civic Center purposes only; and
2. That the tax collections be levied only for three years - or less if the yield exceeds the need.
3. And, of course, that these taxes not begin until there is final favorable action to proceed with the Civic Center.

We understand that these latter provisos have proceeded to the stage of hearings before the City Council, and at those hearings we will re-state this offer and stand solidly behind it.

Mr. Chairman, I have attempted to give you some of our broad basic reasons for our support of the Washington Civic Center and to answer the first of your specific questions to us. Your second question asking us to provide any additional evidence the Board of Trade may have regarding the timing and the extent of the spin-off development forecast by the Gladstone report I will leave in the very capable hands of Foster Shannon, President of the Metropolitan Washington Board of Trade. Mr. Shannon is not only President of the Board of Trade but he is also President of the prestigious Washington real estate firm of Shannon and Luchs. He has spent 35 years in this 70 year old firm and in the real estate business in the District of Columbia area. He has bought and sold real estate and has developed major commercial and residential properties in this community and around the country - in short, he is perhaps the most knowledgeable realtor in our community.

He has some very pertinent information on what we may expect in terms of that development from which the city may benefit when the Civic Center is put in place.

Mr. Shannon.

STATEMENT OF FOSTER SHANNON

Mr. Chairman and members of the Committee, I, too, wish to thank you for this opportunity to contribute to this discussion on the desirability of placing a Civic Center in downtown Washington. Initially I would like to quote from a June 10, 1977, Associated Press story which originated in St. Louis. "Downtown St. Louis, once considered near death, is coming dramatically back to life with the biggest building boom in the city's history...more than \$170 million worth of new redevelopment and public improvements since 1975...the Downtown construction splurge of the past two years has been highlighted by a new convention center to be opened this June..."

Since receiving the Chairman's letter requesting additional evidence on spin-offs, we have checked with two specific cities which have had recent experiences in building major convention centers. My comments will deal with the cities of Atlanta and Chicago. The results have ranged from excellent to spectacular!

I have personal knowledge of these specific cities, having been engaged in real estate activities in them - along with other cities as well. But I want to pinpoint the experiences in each.

In Atlanta we checked our information with officials of the Adams-Cates Real Estate Firm - one of that city's largest. As we all know, Atlanta recently completed construction of its World Congress Center. I have been advised that during the two years required to build the Congress Center, 3,000 hotel rooms were added in downtown Atlanta. The Adams-Cates firm related to me that it was the convention center alone which caused them to build these additional facilities.

The Atlanta Congress Center opened as recently as last September and it contains an exhibition area of 350,000 square feet on one level. In addition, it has some 40 meeting rooms plus a fixed-seat auditorium holding 2,000 persons.

Just prior to and since its opening, the Center has booked conventions for Atlanta for the year 1978 which will bring in an attendance in that year alone of over 400,000 additional delegates.

Even more pertinent is the fact that the city is well along in its plans to double the size of the existing exhibit facility.

Chicago is well known to all of us as a major convention city. However, again I checked with a major real estate and real estate development firm in Chicago - Romanek and Golub - to get from them their appraisal of what conventions in McCormick Place mean to that city.

The original McCormick Place, as we all know, burned down completely within a few years after its completion. Immediately Mayor Daly and the city fathers proceeded not only to rebuild the facility but to increase its size appreciably. It is now a convention center with some 750,000 square feet of exhibit space. The Romanek and Golub firm assured me that all the recent major hotel development in downtown Chicago has taken place because of the existence of McCormick Place, pointing out also that there are several other facilities in the Chicago area of 100,000 and 220,000 square foot capacity. Further, they estimate that there are 100,000 jobs in Chicago identifiable as a result of convention and trade show activities.

Mr. Chairman, in our initial study for the proposed Eisenhower Center, testimony was given by the firm of Clapp and Poliak - the nation's foremost exhibit management organization - that we should think in terms of nothing less than a 300,000 square foot exhibit building with all the meeting rooms necessary to complement such space. With the convention and trade show industry growing in numbers and in size of individual conventions and exhibits, we can certainly do with no less at this time.

I could give you further testimony indicating interest in developing downtown Washington when the Convention Center comes in place, but I would rather have you hear from several persons whose firms will indicate more directly to you their interest in this project.

One of the truly great retail establishments in this country is Washington's own Woodward & Lothrop. Its President is Edwin K. Hoffman, a past President of the Board of Trade and an active and avid supporter of the Washington Civic Center. Mr. Hoffman has a statement which he would like to present to you at this time. Mr. Hoffman.

All of us in this town know of the great success story of the Marriott Corporation. While they have many installations in this city and in the surrounding communities, they have not up to this point shown any interest in building a hotel in downtown Washington. I am most pleased, therefore, to have the opportunity to introduce to you Mr. James Durbin, President of the Hotel Division of Marriott Corporation. Mr. Durbin.

As further concrete evidence of interest in developing downtown Washington, we have with us today a man who has had long experience in managing major hotels in this country. In fact he was, for several years, managing director of our own Washington Hilton.

John Norlander represents the Radisson Hotel Corporation of Minneapolis, Minnesota. His corporation is recognized as one of the most astute and successful chain hotel developers and operators. Their experience in cities with convention centers will be of interest to this Committee. I would like to present now Mr. John Norlander, Vice President of the Radisson Corporation.

The final witness we have is a planning consultant of national reputation. He has advised and consulted for many of the country's major development projects. Among other facilities, he was involved in the initial planning of the Atlanta World Congress Center, a project which is quite similar to the one we are discussing today.

Mr. Chairman, with your permission I would like to ask Mr. W. Anthony Wiles to discuss with you briefly his concept of the Washington Civic Center and what it will mean to this city.

Mr. Wiles.

Mr. Chairman, we appreciate your courtesy in permitting us to give you our reasons for the Civic Center, and naturally any or all of us would be more than happy to answer any questions you wish to ask.

STATEMENT OF EDWIN K. HOFFMAN

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE ON APPROPRIATIONS FOR THE DISTRICT OF COLUMBIA OF THE UNITED STATES SENATE. MY NAME IS EDWIN K. HOFFMAN AND I AM PRESIDENT OF WOODWARD & LOTHROP.

I HAVE SPENT MOST OF MY ADULT LIFE IN THE RETAIL BUSINESS IN THIS AND SEVERAL OTHER MAJOR CITIES IN THE COUNTRY. IT IS MY BUSINESS TO WATCH MARKET TRENDS AND TO MAKE RECOMMENDATIONS FOR SALES EFFORTS, EMPLOYMENT ASSIGNMENTS, AND OUR COMPANY'S DECISIONS TO EXPAND AND RE-MODEL. OUR EXPANSION PROGRAM IS DETERMINED, NATURALLY, BY WHERE THE MARKET DEMAND EXISTS,

WOODWARD & LOTHROP IS A WASHINGTON-BASED COMPANY. WE ARE PROUD AND HAPPY TO BE HERE AND IN OUR TOTAL OPERATION WE EMPLOY MORE THAN 7,000 PEOPLE.

WHILE IT IS TRUE THAT WE, LIKE ALL THE OTHER BIG RETAIL FIRMS, HAVE LOOKED TO THE SUBURBS FOR ENLARGEMENT OF OUR SALES, WE STILL CONSIDER OUR DOWNTOWN STORE, WHICH IS OUR LARGEST STORE, AS THE FLAGSHIP OF OUR OPERATION. WE BEGAN THERE AND INTEND TO STAY THERE.

I MUST TELL YOU, THOUGH, THAT ANY PLANS FOR RE-MODELING OUR DOWNTOWN STORE ARE TOTALLY CONTINGENT UPON THE GENERATION OF ADDITIONAL SALES.

IT HAS BEEN MY GOOD FORTUNE TO HAVE BEEN ASSOCIATED WITH THE BOARD OF TRADE IN ITS EFFORTS TO GET A CIVIC CENTER DOWNTOWN. MY INTEREST IN THE CENTER HAS BEEN SOLELY FOR THE BENEFIT OF THE ENTIRE CITY. OUR COMPANY GLADLY PARTICIPATED IN THE AGREEMENT TO IMPOSE ADDITIONAL CORPORATE TAXES DESCRIBED BY JOE DANZANSKY IN ORDER TO GET THE CENTER UNDERWAY. WE HAVE BEEN AND ARE WILLING TO CONTINUE TO BEAR OUR SHARE OF THAT RESPONSIBILITY.

WOODIES IS AWARE OF THE FACT THAT A CIVIC CENTER IN DOWNTOWN WILL BRING ADDED COMPETITION FROM OTHER MERCHANTS WHO WILL BENEFIT FROM THE MANY THOUSANDS OF NEW CONVENTION DELEGATES. BUT WE ALSO KNOW THAT THIS INFUX OF PEOPLE WILL ENLIVEN THE CITY, WILL BRING IT NEW VITALITY, WILL BRING NEW DOLLARS TO THE COMMUNITY AND WILL, AS A RESULT, INCREASE THE TAX REVENUES TO THE BENEFIT OF THE CITY.

MR. CHAIRMAN, YOU ASKED OF FOSTER SHANNON THE IMPACT THIS CENTER WOULD HAVE ON DOWNTOWN BUSINESSES. FROM MY STANDPOINT, THE RESULTS WOULD BE TERRIFIC. IN MY TRAVELS TO OTHER CITIES IN THIS COUNTRY AND OVERSEAS - ATTENDING COMPANY CONFERENCES AND CONVENTIONS OF VARIOUS TYPES - I HAVE SEEN THE BENEFITS OF CONVENTION SPENDING IN THESE AREAS.

I'M SURE YOU KNOW THAT EVEN WITHOUT A CONVENTION CENTER WASHINGTON IS DOING WELL AS A MEETING SITE. YET WE WILL NEVER GET INTO THE POSITION BEFITTING THE NATION'S CAPITAL AS A MAJOR CONVENTION SITE UNTIL AND UNLESS THIS LEGISLATION IS PASSED AND WE ARE ABLE TO TAKE OUR PLACE AS ONE OF THE PRINCIPAL CONVENTION CITIES IN THE WORLD.

RECENT NEWSPAPER ARTICLES HAVE CARRIED STATEMENTS ON THE EXPANSION PLANS OF WOODWARD & LOTHROP. INCLUDED IN THESE STORIES WERE COMMENTS THAT WE PLAN A \$6 MILLION REFURBISHING PLAN FOR OUR DOWNTOWN STORE. THIS IS TRUE, BUT I CAN ASSURE YOU THAT WE WILL NOT EMBARK ON THAT PROGRAM IF THE CIVIC CENTER DOES NOT MATERIALIZE. IT WILL TAKE A MUCH MORE VIBRANT DOWNTOWN THAN WE HAVE TODAY TO ENCOURAGE US TO SPEND THAT KIND OF MONEY.

OTHERS HOLD TO THE SAME VIEW. WITHIN THE PAST FEW MONTHS ONE OF WASHINGTON'S OLD TIME AND OLD LINE JEWELERS ANNOUNCED HIS DECISION TO TAKE HIS SHOP FROM DOWNTOWN TO THE SUBURBS, STATING AT THE TIME THAT HAD THE CONVENTION CENTER BEEN ASSURED, HE WOULD HAVE STAYED IN THE CITY.

TWO LARGE DEPARTMENT STORES IN THE LAST FEW YEARS CLOSED THEIR DOWNTOWN STORES FOR LACK OF A HEALTHY DOWNTOWN. I FEEL THAT HAD THE CENTER BEEN IN OPERATION THEY WOULD STILL BE IN BUSINESS.

THE IMPACT OF HUNDREDS OF THOUSANDS OF NEW CONVENTION DELEGATES, MEETING IN A CONVENIENTLY-LOCATED DOWNTOWN SITE, WILL BRING TO THE DOWNTOWN BUSINESS DISTRICT NEW LIFE, NEW CUSTOMERS, NEW DOLLARS AND A NEW HOPE FOR THE ENTIRE CITY.

I THANK YOU FOR LETTING ME SHARE THESE VIEWS WITH YOU.

STATEMENT OF RICHARD HANSON

Mr. Chairman and Members of the Committee:

I am Richard Hanson, Vice President of Gerald D. Hines Interests. I am very pleased to be afforded the opportunity to appear before the Subcommittee today. I appear in strong support of the proposed Civic Center in downtown Washington.

The Gerald Hines Interests have developed over 216 projects, totaling approximately twenty-six million square feet of construction, in major cities throughout the United States. Its projects include the fifty-one story One Shell Square in New Orleans, the TWA headquarters complex in Kansas City and One Shell Plaza, Pennzoil Place and the internationally recognized Galleria mixed-use project in Houston.

In the District of Columbia, as the Subcommittee may be aware, the Hines Interests has been awarded an exclusive right to submit a redevelopment proposal for several large parcels of urban renewal property located in downtown Washington, D.C. This land, consisting of 160,954 square feet, is located immediately adjacent to the key downtown hub of the METRO rapid rail transit system (Metro Center). As part of this project, the Hines Interests plans to submit to the District of Columbia Government a proposal for an innovative and distinctive development, consisting of high quality retail, office, service, entertainment and other mixed uses.

The Hines Interests, having studied the Washington, D.C. market for several years, is optimistic about the prospects for quality development in the Nation's Capital. Moreover, Hines hopes to be an active partner in the revitalization of downtown Washington. For these reasons, I am please to lend my full support to funding of the proposed Convention and Civic Center at Mount Vernon Square, Washington, D.C.

The Civic Center is the critically needed catalyst for the revitalization of the "older" downtown section of the Nation's Capital. It will stimulate economic development, create many needed jobs (both construction and permanent) and raise necessary tax dollars for the City's treasury. The Civic Center will attract large national, international and regional conventions, trade shows and other large meetings which currently are not held in Washington because of the absence of an adequate facility.

Mr. Chairman, development in the downtown cores of major American cities is an extremely difficult undertaking. For a whole host of reasons, developers and others who stimulate economic growth have left urban centers in favor of surrounding jurisdictions. This process has resulted in economic decay in the center of our cities, eliminated vitally needed jobs and depleted resources necessary for these cities to generate tax revenues.

The proposed Civic Center at Mount Vernon Square will, in my judgment, help reverse this trend and

lead to the economic revitalization of a large core area of Washington, D.C. The Civic Center will enhance the City's attractiveness as a place in which to work and live, as well as a place to visit.

Mr. Chairman, it is also clear that there is a correlation between the development of the Civic Center and the feasibility of the kind of undertaking proposed by the Hines Interests at 12th and G Streets, N.W. While either project can stand on its own feet, the feasibility of both--and the economic well-being of the entire downtown area of the Nation's Capital--will be greatly enhanced if both projects move forward at the same time. The Civic Center, which is estimated to attract 310,000 to 390,000 new delegates to the city, will generate an additional demand for the kind of retail, service, entertainment and other facilities which make the Convention and Civic Center more attractive to both residents and visitors alike, thereby helping to assure its economic viability. When coupled with other developments which would occur as a result of both the 12th and G and Civic Center projects, these two undertakings of downtown Washington and a resultant increase in city revenue.

The projected cost of \$109.6 million dollars for the Center may seem high, but the benefits of economic development and downtown revitalization will far outweigh any such costs. Further, I am convinced that the Civic Center proposed for Mount Vernon Square will generate an amount of tax revenues for the city (in

both direct and indirect taxes) which will equal or exceed the costs required to be spent in construction and operation of the Center.

Mr. Chairman, I was frankly amazed to learn several years ago that Washington--the Nation's Capital and center of the seventh largest metropolitan area in the country--was one of the very few major U.S. cities with no full-scale convention or civic center. It is now time to correct this deficiency. The City of Washington needs a civic and convention center.

Thank you very much.

DEPARTMENT OF THE INTERIOR

NATIONAL CAPITAL PLANNING COMMISSION

STATEMENT OF DAVID M. CHILDS, CHAIRMAN

ACCOMPANIED BY:

GEORGE OBERLANDER, DIRECTOR, FEDERAL REVIEW DIVISION

DANIEL SHEAR, GENERAL COUNSEL

CHARLES H. CONRAD, EXECUTIVE DIRECTOR

Senator LEAHY. Next is Mr. David Childs, Chairman of the National Capital Planning Commission. I would like Mr. Childs and Mr. Watson, the D.C. Auditor to make their statements. We will then go to our outside witnesses. Anybody who is in between Mr. Watson and Mr. Childs and the outside witnesses, please feel free to leave if you want; feel free to stay if you would like, too; but we are running far enough over that we will have to go back to the other witnesses tomorrow.

We will take a short recess at this point. After the vote, either Senator DeConcini or I will be returning here.

[Brief recess.]

Senator DECONCINI [presiding]. The subcommittee will come to order, please.

I am Senator DeConcini, filling in for Senator Leahy. He will be back later. The next witness is Mr. David Childs. Mr. Childs, would you please proceed?

OPENING REMARKS OF DAVID CHILDS, CHAIRMAN, NCPC

Mr. CHILDS. Thank you very much, Senator.

I appreciate the opportunity to be here today. At your request, I have asked the Commission staff members to be with me, Charles Conrad, Executive Director, George Oberlander, and Daniel Shear.

I have a statement which I would like to submit for the record, if I may. I will summarize a few of the points that I have been asked to comment on. While the testimony today is centered around the economic aspects of the proposal, your questions have been in terms of our role.

Senator DECONCINI. Your statement will appear in the record in full.

Mr. CHILDS. Thank you.

[The statement follows:]

STATEMENT OF DAVID M. CHILDS

Mr. Chairman and members of the Committee, I am David M. Childs, Chairman of the National Capital Planning Commission. I appreciate this opportunity to testify on the District of Columbia's proposal to construct and operate a Civic Center in downtown Washington, D.C. Chairman Leahy's invitation suggested that I address:

- (1) the role of the Planning Commission in reviewing the proposal in accordance with the Commission's statutory responsibilities;
- (2) the expected time frame for the Commission's review;
- (3) the extent of related civic center costs, such as pollution, congestion and dislocation; and
- (4) the extent to which the center, as proposed, would have architectural and esthetic significance and compatibility with the downtown area of the city.

Before responding specifically to each of these subject areas, I would like to highlight some of the history of this proposal as it involved the Planning Commission.

In October 1973, the Commission issued a final environmental impact statement for the proposed Dwight D. Eisenhower Memorial Bicentennial Civic Center and on related modifications to the Comprehensive Plan for the National Capital. The Eisenhower Center was to be located on a 10.31 acres site bounded by Eighth Street, H Street, Tenth Street, New York Avenue, and K Street, N.W. The statement dealt with the environmental impact and adverse environmental effects of a Center proposed to contain 640,000 gross square feet of floor space.

The new proposal involves a site west of the Eisenhower Center site, bounded on the north by New York Avenue, on the east by Ninth Street, on the south by H Street, and on the west by Eleventh Street. This 9.7 acre site can provide for a building containing a 300,000 square foot exhibition hall and a total floor area of 700,000 square feet in the building.

The studies and various proposed plans of the Commission have shown for some time the need for a large auditorium - civic center accommodating between 10,000 and 15,000 persons. In the Proposed Comprehensive Plan for the National Capital, published in 1967, the Commission suggested a convention hall along the north side of Massachusetts Avenue, between North Capitol Street and New Jersey Avenue.

In July 1971, the Commission issued a report entitled "Convention/Sports Arena Complex" which suggested that "Downtown Washington is ripe for encountering a new image, a new vitality. An opportune stimulator to inspire and initiate this change is the convention/sports arena complex sited just south of Mount Vernon Square, serving as the portal to the commercial retail center and monumental areas at the east, west and south, providing the gateway to the residential areas to the north".

It is evident that the Commission has had among its long range plans a convention or civic center to assist the city in rehabilitating the downtown area and attracting economic, cultural, and social activities to the center of our City.

Pursuant to the National Capital Planning Act of 1952, as amended, and section 5-428 of the District of Columbia Code, the location, program, and plans for the proposed Civic Center will require review and approval by the Commission. Accordingly, on May 13, 1977, Mayor Washington initiated Commission review of the project by submitting for Commission approval its location and program.

After reviewing available studies, including the earlier environmental impact statement on the proposed Eisenhower Center, the Commission has determined that Commission approval of the location and program would constitute major Federal action significantly affecting the quality of the human environment so as to require the preparation of a new impact statement pursuant to the National Environmental Policy Act of 1969 and the guidelines of the Council on Environmental Quality. The Commission staff

is now working closely with the staff of the District of Columbia and its consultant in the preparation of the environmental material necessary to complete the impact statement. The District Government is expected to complete its work on the environmental material by the end of July. Because of the close coordination between the Commission and District Government staffs, we expect to be in a position to file the required Draft Environmental Impact Statement with CEQ as early as the middle of August.

After the draft statement has been filed and has circulated for at least 45 days, we will receive comments from interested parties and prepare and file a Final Environmental Impact Statement. The final statement must circulate for at least 30 days before the Commission may act on the location and program for the Center. Assuming that the environmental process proceeds as efficiently as the early work with the District Government staff suggests, the circulation and review process can be completed as early as the end of November, and the Commission may act shortly thereafter. Commission review of the preliminary and final site and building plans would follow in successive stages when such plans are submitted by the District Government.

Commission action on District of Columbia projects in the central area of the District is also subject to the National Historic Preservation Act of 1966. The Commission has determined that the provisions of the Act are applicable to Commission action on the Civic Center project. Accordingly, the Commission will initiate the review required under Section 106 of that Act and we anticipate completing this process simultaneously with the filing and circulation of the Draft Environmental Impact Statement to keep the overall review time required to a minimum.

The project's impact on buildings on the National Register of Historic Plans, such as the old Central Public Library at Mt. Vernon Square and the National Collection of Fine Arts and National Portrait Gallery, will need to be examined as part of this historic preservation process.

It is anticipated that the work now underway in connection with the preparation of the environmental impact statement will produce information on possible adverse air pollution and traffic congestion resulting from construction of the center. The District government is presently compiling definitive data on residential and business displacement and no conclusive cost figures are yet available on these subjects. Its preliminary estimates are that 24 families, 30 individuals, and 69 businesses would be displaced from the site.

It is not possible at this stage to determine the esthetic or architectural impact of the proposed project on the historic character and environment of this area. This can only be done as more architectural design work is performed. All that can be stated now is the need for great sensitivity in designing the Civic Center to adapt it to its historic surroundings and the need for a total urban design framework for the vicinity around the Civic Center site.

Mt. Vernon Square is a major landmark in the urban identity of the downtown and a prominent feature of the L'Enfant Plan. It is clear that the framework of special streets and places is the strong point of the existing environment. Because of their scale and despite their present condition, these streets and places are the initial environmental force. Special attention must be given to the treatment of New York Avenue and of 9th Street, both of which are major elements in the original plans of the Capital city.

The earlier Eisenhower Civic Center, which was proposed for a site one block to the east, provided the opportunity to arrange two significant planned developments around the Eighth Street axis, forming a specially planned frame for the south side of Mt. Vernon Square. The shift in the site one block to the west places the center off this axis and in the southwest corner of the precinct joined by Mt. Vernon Square and the satellite square at 11th Street and New York Avenue. This creates a need to reconcile the center aesthetically to the open space of the two squares. This shift in the location makes it important that future

development along both sides of the Eighth Street axis, whether under public or private control, be responsive to the objective of framing the axis and its views with respect to design quality, scale and uses.

The shift in the site also places special attention on New York Avenue and other bounding streets and on the satellite square (U.S. Reservations 173 and 174) at New York Avenue and 11th Street. While this emphasis on the surrounding streets and spaces raises the need for particular responses from the Civic Center and adjacent development in terms of quality and scale, it clearly provides an opportunity to develop an aesthetically pleasing environment in the area through sensitive design.

In the case of the center, the response will require careful modulation of walls, careful entrance orientation and active ground level uses to make a positive contribution to the aesthetic character and quality of the area.

The Civic Center roof will probably have an area of nine or more acres. There likely will be many taller buildings overlooking the Center. The impact of a roof of this size could be undesirable from an aesthetic standpoint. On the other hand, the large roof space can be viewed as an opportunity to provide special articulation and integrations of forms and spaces to create an exciting and pleasing visual effect as viewed from above.

Mr. Chairman, we have presented some initial--and admittedly incomplete--thoughts on the architectural and esthetic aspects of the project. No definitive conclusions can be drawn until the design of the center is much further advanced. At that time both the Planning and Fine Arts Commissions undoubtedly will have much more to say. But I am grateful to you for the opportunity to describe the Planning Commission's role in this undertaking and I would be pleased to answer your questions.

Thank you.

ROLE OF PLANNING COMMISSION

Mr. CHILDS. The Planning Commission's role is defined under the Planning Act of 1952, as amended. The act requires the Planning Commission's review and approval of the project. We have determined that approval of the project would be a major Federal action and, significantly affecting the environment therefore, we are preparing an environmental impact statement.

I would like to indicate that it is our intention, working closely with the District, to be able to issue the draft statement by mid-August. With the statutory requirement of 90 days, and of course, a period of time of probably at least 2 weeks for modifications and insertions of comments within that period, we believe that from the submission date of the District of the Planning Commission, which was at the end of May, that we will be able to act on the location and program for the project at the beginning of December.

Until that process is complete, it would not be proper for the Planning Commission to comment on its position while the study is going on. We are looking forward to working both at the staff level and with you and with the District of Columbia and hope to complete by the end of the year the study.

The questions of the other related costs in terms of the environment which you have asked about, the pollution, congestion and dislocations are in essence the main portion of that study and are being looked at now.

ESTHETIC AND ARCHITECTURAL COMPATIBILITY OF CENTER

The question as to the esthetic and architectural compatibility with the downtown area will center around the historic site that is being proposed as well as the impact on the alternative sites that are being looked at.

I am afraid we are not in a position at this time to make specific recommendations since we are in the process required by both the Historic Preservation Act and the NEPA Act to proceed through this study before reaching any conclusions.

I would be happy to answer any questions that you may have.

COMPLETION OF IMPACT STATEMENT

Senator DECONCINI. Mr. Childs, do you anticipate having the environmental impact statement within 10 months?

Mr. CHILDS. I believe it will be approximately 6 months before that statement will be finally complete.

Senator DECONCINI. Is that completed or complete and approved?

Mr. CHILDS. The approval process could take any amount of time. The statement itself would be complete at that time. The Commission would be able to act upon the project at that time.

Mr. SHEAR. Mr. Chairman, the Commission does not, of course, act on the environmental impact statement. It acts on the request of the District of Columbia government for approval of the location and program for the civic center. Since the Commission has determined that Commission action on the undertaking would constitute major Federal action significantly affecting the environment, it is in the process of preparing an environmental impact statement which

will provide an input into the decisionmaking process; but the action of the Commission will be taken on the location and program for the center itself.

Senator DECONCINI. Would you identify yourself, please?

Mr. SHEAR. I am Daniel Shear, the General Counsel for the Commission.

Senator DECONCINI. Mr. Childs, we would like to submit a couple of questions to you which you may find a little difficult to answer until the environmental impact statement is finished. You could advise us when you might answer them. We would appreciate it.

Mr. CHILDS. We would be happy to answer them at the time that the statement is complete. As Mr. Shear indicated, that study will provide us with background information upon which we will be able to determine as to the suitability of the location of the proposed project.

Senator DECONCINI. Thank you.

That is all the questions I have. We appreciate your time.

DISTRICT OF COLUMBIA

OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR

STATEMENT OF MATTHEW S. WATSON, DISTRICT OF COLUMBIA
AUDITOR

ACCOMPANIED BY CARL BERGMAN, DEPUTY AUDITOR

PREPARED STATEMENT

Senator DECONCINI. The next witness is Mr. Matthew Watson. I know that you have a statement. We will print that in the record in toto. You may proceed with highlighting it, please.

Mr. WATSON. Thank you.

[The statement follows:]

(2413)

STATEMENT OF MATTHEW S. WATSON

Mr. Chairman and Members of the Subcommittee, my name is Matthew S. Watson. I am the District of Columbia Auditor. With me is Carl Bergman, Deputy Auditor.

In a letter dated June 9, 1977, the Chairman requested my testimony concerning the proposed convention center.

First, let me respond to the technical question as to whether the center can be financed within the debt service limit of the Home Rule Act. P.L. 93-198, Sec. 603 (b)(1). I have reviewed the City's projections of revenue for the period over which convention center borrowing will likely take place. I believe that the projections are reasonable. Based on these projections, the City's existing debt service obligations, an assumption of the availability of funds at 8% and the currently planned Capital Improvement Program through FY 1983, I believe that the City will continue in compliance with the 14% limitation. I concur in the City's estimate that debt service will reach 12.2% by 1983, including a \$110 million Convention Center.

Cost of Other Facilities

In your request you asked that we survey the capital costs of other convention centers. The two most recently built centers are in Atlanta and St. Louis. Since land costs cannot be reasonably compared, we considered only construction costs.

The Atlanta facility opened last Fall. The center is slightly larger than that proposed for the District. It cost \$36 million to build. We understand that the center was built with rigid cost controls using fast track construction.

The St. Louis Center will open soon. It is about twenty-five percent smaller than that proposed for the District. It also cost \$36 million to construct.

San Francisco has recently announced construction of an underground convention center comparable in size to the proposed Washington center at an estimated construction cost of \$70 million. Construction is scheduled to begin in January 1978.

It is hazardous to compare costs of construction of unique facilities such as convention centers, since topography, access, and other circumstances dictate the size and shape of a center and may result in substantially different costs. While we do note that the Atlanta and St. Louis costs were approximately one-third to one-half of the proposed District costs, we do not believe that the District's cost estimates are unreasonable. The District's experience in pre-

dicting costs for recent large facilities such as the new Court House and the new jail has been good. The higher cost of the District's proposed center does, however, make control of any additional increases a cause for concern, since the profitability of the center is largely determined by the cost of borrowed funds. It should be noted that the full cost of the center will be borne by the City, while in Atlanta and St. Louis private contributions accounted for a substantial portion of the expenditures.

Desirability of the Proposed Size and Location

In considering the proposed size and location of the center, we have attempted to establish a framework to judge the monetary advantages and disadvantages of alternative centers.

In order to do this, we have made a number of assumptions regarding the proposed center, and other alternatives. These assumptions concern expected delegate attendance, revenue generation, and competition from other cities.

Estimating the impact of a convention center on a city is not a science. Indeed, we know of no study which rigorously assesses the impact of a center on local economic or land development patterns. The market analysis performed for the city by the consultant is apparently the first of its kind, although the methodologies used were neither unique nor exotic.

Rather than total cost, the annual net profit or loss to the City is the factor upon which the wisdom of the center should be judged.

We believe the comparison of dollar performance of the various centers during moderately good and moderately poor years, is a good indication of projected performance. The dollar performance includes total value received by the City from direct revenue, as well as indirect tax gains to the City from overall increased sales and income.

In order to evaluate the consultant's conclusions as to the proposed center, we have used out-of-town delegate attendance to the center as the sole generator of additional revenues to the City even though spending by local residents at the center could also be expected. Based upon actual experience of other convention centers, and local studies by the consultant, the House District Committee staff, and others, we have projected delegate attendance. We believe that in a moderately good year, 300,000 delegates who would not otherwise come to the City would come to a convention center here. In a moderately poor year, we believe there would be a net gain of 200,000 visitors to the City. Our estimate is lower than the consultants estimate of 310,000 to 390,000 for several reasons.

First, it is based on more recent data from other centers which is now available. And second, we have adjusted for competition from New York City and San Francisco, which are also considering centers, increasing energy related costs of inter-city travel, potential management problems, price competition by other centers, and fluctuations in the economy.

In our analysis, we assume that a refinancing of Treasury borrowing for any center through general obligation bonds will not occur. Should such a favorable refinancing occur, it could save the City one to two million dollars a year in interest expenses. All of our computations are in constant 1976 dollars.

We considered two different center sizes, one with a main exhibit hall of 300,000 gross square feet, as proposed, and one with a smaller, 200,000 gross square foot exhibit hall. A center smaller than 200,000 gross square feet would not be nationally competitive.

We reviewed the potential sites in the feasibility proposal. Three sites are too small for any consideration. Of the remaining ten sites, two cannot accommodate a center of 300,000 GSF, and one can only accommodate a center of 250,000 GSF. Chart I shows the sites and respective costs.

The lowest cost center would be a 200,000 GSF center on land already publicly owned. To assess this lowest cost possibility we compared the cost of a 200,000 GSF center on a publicly owned site (Great Plaza) with the proposed center.

Our analysis of the two center sizes and sites indicates a maximum reasonable potential annual profit of \$5.1 million and a maximum reasonable potential loss of \$2.2 million, based on a delegate attendance of 300,000 in a good year and 200,000 in a poor year. We believe that the City's risk in terms of maximum potential loss is small, especially in comparison of the number of jobs and development that the center would create.

Our analysis is summarized in Chart II. Three alternative centers are shown.

1. A 300,000 GSF center as proposed at Mount Vernon Square
2. A 200,000 GSF center at Mount Vernon Square
3. A 200,000 GSF center at Great Plaza

We have estimated the City's total profit or loss for each alternative based on assumptions for moderately good and moderately poor attendance and average operating costs. We estimate that a 300,000 GSF center will require an operating subsidy, exclusive of debt service, of \$500,000 per year and a 200,000 GSF

center will require an operating subsidy of \$200,000 per year, based on data from existing centers. (See Appendicies I and II)

In short, we found that a large center at Mt. Vernon Square has a reasonable potential profit of as much as \$1.9 million and a reasonable potential loss of \$2.2 million annually.

A small center at Mt. Vernon Square has a reasonable potential profit of 3.1 million and a reasonable potential loss of \$1 million.

If our good year attendance estimate is low and the attendance of 390,000 estimated by the consultant is actually reached, there could be an annual profit of \$5.5 million for a large center. A small center could not reach an attendance of 390,000, but might reach a maximum of 325,000, producing a profit of \$4.1 million. We do not believe that reaching these levels is likely.

Building a small center on publicly-owned land would give a reasonable potential profit of \$5.1 million in a moderately good year, and a reasonable potential profit of \$1.0 million in a moderately poor year. Attendance would have to drop below 175,000 to experience any loss.

I should emphasize that we have not examined the city planning aspects of any center location, however, we believe that development possibilities should be balanced against the cost factors discussed.

Impact of the Maximum Yearly Risk

In order to give the Committee perspective on the absolute maximum risk to the City we made computations using an assumption with even more unfavorable circumstances than we believe possible. We computed the possible loss if a large center generated only 100,000 delegates annually. This situation would result in a \$6.4 million loss to the City per year.

Given this very low attendance, we estimate that 1,000 new jobs would still be created by the center. This represents a 2/3 reduction from the consultant's projection of jobs created by a 300,000 annual attendance. The cost to the City per job would thus be \$6,400. It can reasonably be expected that these jobs would pay an average of \$10,000 per year, making the City better off than if it funded the jobs directly. The cost is also substantially less than the cost to the Federal government for CETA public service jobs and cheaper than any other job programs.

Therefore, even given circumstances worse than we believe possible, the risk to the City government is low in terms of the dollar cost of jobs created.

While the possibility of a profit to the City is desirable, even a breakeven operation would mean the generation of jobs that would not otherwise exist. We expect that the new jobs would provide long-term stable employment. We have, however, not attempted to analyze a convention center's benefits against other forms of municipal investment.

Tax Considerations

Since it is possible for the center to run at a loss, we believe that any potential loss should be covered by the continuation of the proposed hotel occupancy tax. Therefore, we believe that an automatic repeal of the tax as proposed is not advisable. Rather, an independent analysis taking into account revenues generated, jobs created, and tax revenues to the City from sources other than the tax should be made each year of the center's operation. Only after substantial experience, for example, three years of consecutive profits, should the tax be repealed.

If the tax is continued, the risk to the District's other taxpayers is further minimized.

Competition with other Local Centers

There has been concern that a convention center would compete with other City owned or private facilities. We do not expect this to occur. A small number of local shows might be attracted from the Armory. The Armory and the center, however, are so different in purpose and use that we do not expect that there would be significant detrimental effects on either from simultaneous operation. They both should be able to stand alone.

With respect to the Sheraton Park's new facility, here again, we do not believe that there will be any significant overlap. The convention center and the Sheraton Park will both be delegate oriented. Our estimate of potential new delegates to be drawn by the convention center has been discounted for the operation of the Sheraton. While the two facilities are similar in nature,

CHART I
SITE SIZES AND LAND COSTS

Site	Size/Sq.Ft.	Cost/Sq.Ft.	Total Land Acquisition ^{1/} Cost (in Millions)	Size of Main Hall
1. Mount Vernon Square (as proposed)	422,500	\$57	\$19.2	300,000 GSF
2. Wax Museum	380,714	\$34	None ^{2/}	250,000
3. Massachusetts Avenue	557,000	\$50	\$14.8	300,000
4. Union Station	461,350	NA	Not available ^{2/}	300,000
5. Center Leg Freeway	301,000	NA	\$50 ^{2/}	200,000
6. Gallery Place	120,000	NA	None ^{2/}	too small
7. Great Plaza	297,000	None	None ^{2/}	200,000
8. Fortel	550,000	None	None ^{2/}	300,000
9. Thomas Circle	150,000	NA	Not available ^{2/}	too small
10. 5th and L Streets	227,700	NA	Not available ^{2/}	too small
11. New York, and Fla. Ave.	534,000	\$5	\$2.3	300,000
12. Stadium - Armory	481,600	None	None ^{2/}	300,000
13. FCC	445,000	None	None ^{2/}	300,000

^{1/} Cost of acquisition does not include relocation and demolition costs. In addition, the publicly owned (no-cost) sites would be available immediately saving inflation cost in construction.

^{2/} Lease would have to be negotiated.

^{3/} Cost of deck over freeway, city owns space.

^{4/} Owned by Federal Government, transfer would be required to D.C.

^{5/} Owned by RLA, HUD reimbursement might be required for Wax Museum, est. at 6-10 million, other sites cost unknown.

^{6/} Due to small size, no estimate made.

^{7/} Relocation of proposed FCC campus would be required; either site for FCC could cost between \$5-75 million.

CHART II
PROFITABILITY OF ALTERNATIVE CONVENTION CENTERS IN MODERATELY GOOD AND MODERATELY POOR YEARS
 (Costs expressed in constant 1976 dollars)

	Taxes Generated to City/ (in millions)	Center Operating Subsidy (in millions)	Debt Service ^{2/} (in millions)	Net City Position (in millions)
ALTERNATE 1 - Mount Vernon Sq., 300,000 GSF Exhibit Hall (as proposed)				
Total Cost (including land and construction) \$110 million				
Good Year (300,000 delegates)	\$12.3	\$.5	\$9.9	\$1.9 Profit
Poor Year (200,000 delegates)	\$ 8.2	\$.5	\$9.9	\$2.2 Loss
ALTERNATE 2 - Mount Vernon Sq., 200,000 GSF Exhibit Hall				
Total Cost (including land and construction) \$100 million				
Good Year (300,000 delegates)	\$12.3	\$.2	\$9.0	\$3.1 Profit
Poor Year (200,000 delegates)	\$ 8.2	\$.2	\$9.0	\$1.0 Loss
ALTERNATE 3 - Great Plaza, 200,000 GSF Exhibit Hall				
Total Cost (construction cost, land publicly owned) \$78 million				
Good Year (300,000 delegates)	\$12.3	\$.2	\$7.0	\$5.1 Profit
Poor Year (200,000 delegates)	\$ 8.2	\$.2	\$7.0	\$1.8 Profit

^{1/} Assumes tax generation of \$40.85 per delegate based on Gladstone estimate in letter to Municipal Planning Office, May 2, 1977

^{2/} Assumes interest rate of 8.25% as used in Gladstone projections for Treasury borrowing. City debt service projections are based on a more current 8% rate. If Treasury borrowing were refinanced with General Obligation Bonds at 6.5%, the Net City Position would be as follows:

ALTERNATE 1		ALTERNATE 2		ALTERNATE 3	
Good Year -	\$3.4 Profit	Good Year -	\$4.5 Profit	Good Year -	\$6.1 Profit
Poor Year -	.7 Profit	Poor Year -	.4 Profit	Poor Year -	2.0 Profit

they are different enough in design and purpose to develop their own markets.

We believe that the market for additional delegates is sufficient for the City to proceed with planning of a facility of its own.

Management Incentives

While we have not been asked to directly comment on the subject of the management of the center, this is a great consideration in the success or failure of the operation. The profitability of the center to the City is dependent on delegate attendance, not just renting space. The space rented by a convention is not directly related to delegate attendance. Some conventions use large amounts of space for exhibits, but have low attendance. On the other hand, very large professional or fraternal societies may bring large numbers of delegates and benefit to the City, but use only modest space for meetings. Given the fact that the value to the City of any center will be dependent on delegate attendance, the City should use a management structure that can heavily weigh in this direction. In particular, we suggest that management be paid a minimum amount with bonus payments based on actual delegate attendance. While we know of no center where this is used, we believe that such an arrangement would create an incentive to make any center cost effective.

APPENDIX I

CONVENTION CENTER OPERATING PROFITS OR LOSSES*

(exclusive of Parking)

<u>Year Opened</u>	<u>City</u>	<u>Gross Square Feet</u>	<u>Profit or (Loss)</u> <u>(\$ in thousands)</u>
1959	Las Vegas	476,320	(841.3)
1960	Portland	200,000	464.0
1961	Detroit	400,000	(1,200.0)
1965	Boston	150,000	(18.5)
1967	Anaheim	301,000	(447.2) ^{1/}
1967	Cincinnati	156,000	(150.0)
1968	Miami Beach	238,500	50.0
1971	Chicago (reopening)	700,000	714.3 ^{2/3/}
1971	Los Angeles	234,977	(769.1)
1972	Dallas	562,982	(791.0) ^{4/}
1976	Atlanta	350,000	(600.0) ^{5/}
1977	St. Louis	243,000	(100.0) ^{5/}

* Based on Gladstone surveys updated by Office of the D.C. Auditor

^{1/} FY 1975

^{2/} FY 1976

^{3/} Includes parking revenues which could not be separated

^{4/} FY 1976

^{5/} FY 1977 Budget

APPENDIX II

OPERATING LOSSES OF CIVIC CENTERS BY SIZE OF CENTER

<u>Size</u>	<u>Number</u>	<u>Average Loss</u> <u>(in thousands)</u>
150 - 250 GSF	6	\$ 87.2
300 + GSF ^{1/}	6	527.5

^{1/} No centers in 250 - 300 GSF Class

MAXIMUM RISK IN BUILDING CIVIC CENTER

Mr. WATSON. With me is Carl Bergman of my office. I think what I would like to do is respond more or less directly to one of Senator Leahy's questions to earlier witnesses. That is the question as to what basically is the maximum risk for the city in terms of going ahead with the convention center process.

We have presented in our testimony, as is shown in chart 2, what we believe are the potential profits and losses in a moderately good year, and a moderately poor year.

I think one thing that has been missed in earlier testimony and discussion of the center, is what the total risk is to the city in the event that the center does not come anywhere close to its projected attendance.

We don't think this is a possibility, but we think that to proceed in a businesslike way, you must make a determination as to what your maximum liability is—and our finding is that this is a very reasonable risk to the city and one we should take—what we attempted to do is make a computation as to what the position of the city would be if instead of the 310,000 to 390,000 delegates which the consultant has estimated, that we get only 100,000 of these delegates.

Our computation is if we got only 100,000 delegates a year, the city would have a maximum loss of a little under \$6.5 million per year. In the process, though, even with only 100,000 attendants, we would still create in the neighborhood of at least 1,000 jobs in the city.

The city government then has to look at this in a total sense of what the Government is doing. We then would be in a position that if everything went wrong with the center, having created 1,000 stable, long-term jobs at a cost of about \$6.5 million a year, this is a cost of about \$6,500 per job.

This would make it one of the most cost-effective methods of creating new employment in the city that we have. It would come out something of just over half of what the Federal Government spends for creating the CETA public service employment jobs here.

For this reason, it is our view with regard to the center, that the city takes very little risk. The only risk involved is if we had a loss, and it would be fully compensated by increased employment.

On the other hand, the city has a substantial potential for development of the downtown area and for development of considerably larger employment bases. For this reason, even if the convention center merely broke even which is less than projected, and we think there is a good chance of making a profit, we still will be in the position of breaking even and creating several thousand new jobs in the city, which is certainly a valuable part of any city program.

COMPARATIVE COSTS OF OTHER CIVIC CENTERS

Senator DECONCINI. Mr. Watson, based on your survey of the cost of other convention facilities, assuming that you have done that around the Nation, how does the city's proposal for \$109.7 million compare to the cost of building other centers?

Mr. WATSON. We do at the beginning of our testimony have some discussion of this. The first thing we have to say is we did not include the cost of land, since land costs are going to vary by all sorts of factors around the country.

There are two recently constructed centers. They are the center in Atlanta and the center in St. Louis. The Atlanta center, which is slightly larger than ours, cost \$36 million to build. The St. Louis center, which is about 25 percent smaller, also cost that same \$36 million. There is planned construction of a further center which is in San Francisco which is expected to start in January. That center is about the same size as the Washington center and will be built underground at a cost of \$70 million, which is roughly equivalent to the Washington center projection.

We think that the estimate of \$110 million, including land, is reasonable in that one can't directly compare costs since it will vary pretty much by the topography of the site, what access has to be provided, what shape the center has to be in, what the size is. What we can see from these three other centers, two of which construction was begun several years ago when prices would have been less and the one center which is planned for construction now, is that we are operating roughly in the same ball park as other centers of similar size.

ALTERNATIVE SITE LOCATIONS AND COST BENEFIT ANALYSIS

Senator DECONCINI. In your statement, do you make any reference to other alternative sites and compare the cost-benefit considerations?

Mr. WATSON. Yes, we do. We tried to do this in chart 2. We give three alternatives. The chart is contained in the prepared statement just after page 4. We price out three alternatives.

Alternate 1 is the Mount Vernon Square location with a convention center having a 300,000 gross square foot exhibit hall, which is what has been proposed. Alternate 2 is the same Mount Vernon Square location, but with building a slightly smaller center with a 200,000 gross square foot exhibit hall. Alternate 3, which is really the other extreme in terms of costs, is building the small center, a 200,000 gross square foot center on publicly owned land, which would not have any land cost.

What we have chosen for alternative 3, is the Great Plaza location, which is that large plaza behind the District Building. That is what we basically think are the extremes. There are several other sites that would not accommodate 200,000 square foot centers, the smallest size for a nationally competitive center, and there would be several sites in the middle, but these three alternatives basically would give the extremes.

What we then did in the chart is to take a good year, which we estimate as about 300,000 delegates, and also take a poor year, which we estimate is about 200,000 delegates, and look at the profit and loss figures.

What we come to is that the large center, built at the Mount Vernon Square location, would in a moderately good year have a \$1.9 million profit, and in a poor year would suffer a loss to the city of \$2.2 million; but I emphasize, we would be receiving value for that in terms of new jobs.

The other alternatives give a profit range of up to \$5.1 million and with the Great Plaza site, there is potential even in a poorer year, to make a profit.

I should say, however, that this analysis only considers monetary cost and profit, and doesn't take into account the city planning aspects of the development.

Senator DECONCINI. Thank you, Mr. Watson.

I have no further questions. We appreciate your testimony and will review your statement carefully.

NONDEPARTMENTAL WITNESSES

CONVENTION CENTER COMMITTEE, EASTERN WINDS, INC.

STATEMENTS OF:

SAMUEL R. CACAS, CHAIRMAN, CONVENTION CENTER COMMITTEE, EASTERN WINDS, INC.,

JOHN D. KELLY, PROJECTS DIRECTOR, UPPER NORTHEAST COORDINATING COUNCIL,

MARGARET TESSIER, NORTH DUPONT COMMUNITY ASSOCIATION

Senator DeCONCINI. Next we have scheduled outside witnesses. Senator Leahy hopes to complete hearings from these witnesses. We have upwards of 25. There are votes pending on the floor and I am going to have to leave shortly. I would like to suggest that the statements of the witnesses will be printed in the record and that each witness come forward four or five at a time and occupy the table.

Please limit your remarks to 1 or 2 minutes, if possible. The time restraints just won't permit us to go over this ground this evening with all the various witnesses.

The first witness will be Samuel Cacas, then John Kelly, and Margaret Tessier, and George Frain. Would you please come forward and identify yourselves? We will be glad to print your statement in the record.

Mr. CACAS. My name is Samuel Cacas. I am here representing a group called Eastern Winds, Inc., an Asian-American organization in Washington, D.C., that has sponsored many community services and events. I would like to say that our testimony is in complete opposition to the proposed civic center as planned, for three reasons.

No. 1, the D.C. government has failed to inform the residents about plans for a civic center. No. 2, the D.C. government failed to provide any provisions for relocating the Chinese residents who would be displaced by construction of the civic center. Lastly and probably the most important one is that the construction of a civic center would ultimately lead to the complete destruction of China Town, a community with which Chinese and Americans have had close ties.

Before going on to briefly explain all these reasons, I would just like to say that the D.C. government as well as the news media have discussed the civic center from various economic, political, and architectural viewpoints, but they have failed to consider the concerns of the residents who would be directly impacted by the construction of this center.

I feel that this reflects the insensitivity of the city government and maybe the American society also for the concerns and needs of Chinese-Americans, in particular, and Asian-Americans in general.

Senator DECONCINI. Thank you, Mr. Cacas.

I will be glad to receive the rest of your statement in the record and view it with other members of the committee. I have to go on to the next witness.

Mr. Kelly?

UPPER NORTHEAST COORDINATING COUNCIL

Mr. KELLY. Mr. Chairman, I am John Kelly, project director of the Upper Northeast Coordinating Council. We are a federation of 40 civic associations, a large number of whom are homeowners, tax-paying residents of the city. We look on the proposed center as one of the major problems for District taxpayers.

I should like to say in converse to Mayor Washington's statement about the unity of the citizens in this program, that at least six, that I can think of, major coalitions of citizens organizations have voted in opposition to this convention center. That should be in the record.

I believe that there has been sufficient substantive statistics submitted both to the District officials and the Congress to warrant that as a minimum this proposed center at this site at this time is ill-advised.

There are three principal areas of vulnerability that give rise to the uncertainty that the proposal will generate sufficient revenues. Dr. John Phelan's excellent analysis, which this committee has, further supports the argument that the center and its spinoff businesses are not economically feasible.

Therefore, I would like to address another issue in the matter, that is the relevancy of the center to this city. It has been repeated loud and often that Washington is a convention city and that the management of this city would be derelict if it would not skim off the cream of the Nation's business for the welfare and security of the District.

It is not a convention city by design. To claim it as such is to create a massive disservice to this city, its residents, and to the citizens of the United States who see this city as a great example and who want to visit it because it is a great Capital of a great Nation.

Senator DECONCINI. I am going to have to terminate your oral statement at this time. I will be glad to receive that in the record.

Mr. KELLY. I regret that very much. The Board of Trade people had all the time they needed. I feel badly that the citizens are not going to get that time.

Senator DECONCINI. The next witness is Ms. Tessier.

NORTH DUPONT COMMUNITY ASSOCIATION

Ms. TESSIER. My name is Margaret Tessier. I represent actually three groups—

Senator DECONCINI. Excuse me, we will be very happy, Mr. Kelly, to receive your statement.

Mr. KELLY. That statement has been submitted.

Senator DECONCINI. Thank you.

Ms. TESSIER. In their absence now, I am also speaking on behalf of the Advisory Neighborhood Commission 2-B who couldn't be here. My testimony, which I have submitted copies of, addresses three points. The first is the hasty way in which this project was pushed through the local government processes.

There is appended to my testimony a letter from George Wheeler, pointing out the way in which the law with regard to advisory neighborhood commissions was not complied with. No proper notice was given, if notice at all.

Also, the next point is the very shaky financial underpinnings of this convention center. The citizens are going to bear the burden of a bond issue if and when it is voted. Very few alternatives have been considered. We feel the citizens have a right to speak their minds on what other uses, \$110 million could be put to for the good of this city.

That is all.

Senator DECONCINI. Thank you very much.

Mr. Frain? Will the next witnesses please come up? Mr. Phelan, Mr. Riley, Mr. Williams, and Mr. Rowe? Please proceed, Mr. Frain.

KALORAMA CITIZENS ASSOCIATION

STATEMENT OF MR. GEORGE FRAIN, VICE PRESIDENT

Mr. FRAIN. I am George Frain. I have submitted 10 copies of my statement. I ask that it be included in the record.

Senator DECONCINI. So ordered.

Mr. FRAIN. The problem that we have, Senator, as you can see, there was 3½ hours given to one side, and we have got 25 minutes. Twenty-five witnesses get 1 minute a piece. I feel this is the way the whole project is going. I am wondering if we couldn't perhaps have a larger citizen input perhaps for a second hearing or something like that because the citizens are being asked to pay for the thing.

The Board of Trade is asking the Congress, the Senate to approve this thing so that the citizens can pay for it. Giving them 1 minute a piece is scarcely an equal shot at the game.

Senator DECONCINI. Mr. Frain, I am putting a call into the chairman now to see if he wants to hold these hearings tomorrow for those who did not get enough time this evening. I am going to have to leave for the next vote. So I will not be able to chair the committee any further this evening. For that reason, I thought it was better to at least let them express themselves so they are on the record and I know their faces.

I intend to review those records before voting on this particular matter in this subcommittee. So, please proceed.

Mr. FRAIN. Chairman Leahy was very concerned about whether this could be brought in at \$110 million. I suggest, as the Washington Post said editorially, in "Gambling with Convention Centers" that it could be put on donated land. They suggest that the backers, the board of trade and so on, who are backing this, could assemble the site. Since this is not necessary at all for civic use in the city of Washington, it is going to be a national convention center, it is going to bring people from all of the nations primarily to see

the Congress and White House and so on, that it be put on a government site.

I think the Congress made a good beginning with the Eisenhower center. I think their sites along Pennsylvania Avenue, for instance, near the Willard Hotel, which is going to be revised and rebuilt under the Pennsylvania Avenue plan, which Congress has just funded for about \$50 million.

There is a site across the U.S. Department of Commerce on 15th Street. There is a place on Constitution Avenue between 7th and 9th, south of the Archives. But the thing that disturbs me most, Senator, a great deal, is the fact that I heard Senator Proxmire, now Chairman of Senate Banking Committee, say some years ago when Governor Romney was being considered for a position as Secretary to HUD, that urban renewal was not to be used to build office buildings and convention centers and hotels and so on.

This is to be in the heart of an urban renewal project. I don't think that the Congress ought to be funding this kind of thing. In other words, what is happening is that the Congress sets up an urban renewal area with certain provisions that it is to do what the original job of urban renewal was, which is to house the poor.

Urban renewal has spent \$50 million and housed only 2,236 low-income families. I think it should not be put in an urban renewal area. Money should not be used, Congress should not try to get around the requirements of urban renewal. Therefore, I suggest that to be legal, and to carry out the spirit of urban renewal, which is a very costly Federal program, that this thing could be put on a Government site with Government donating the land and that we take the old Eisenhower center thing which all of the proponents have backed anyway, put this on a Government site and have the Government help finance it. I think that way we can make it a success. There is certainly no reason for Congress or this committee to put this cost and this burden on District citizens since they are not going to use it.

Senator DECONCINI. Your position is well noted. Thank you.

At this point I will insert the full statements of the previous four witnesses, Mr. Cacas, Mr. Kelly, Ms. Tessier, and Mr. Frain.

[The statements follow:]

STATEMENT OF EASTERN WIND, INC.

Senator Leahy and other members of the Senate Appropriations Subcommittee of the District of Columbia, my name is Samuel Cacas and I am very honored to present testimony here today concerning the proposed civic center for Washington, D.C. I am presenting this testimony on behalf of Eastern Wind, Inc., an Asian American organization in Washington, D.C. which has sponsored many community-oriented services and events.

One of the main purposes of Eastern Wind, Inc. is to voice the concerns of Asian American people such as those who reside in Washington, D.C.'s Chinatown community. We are here today to voice our opposition to the construction of a civic center in the Mount Vernon Square area of downtown Washington, an area occupied by many Chinese American residents.

We are against the civic center as planned because:

- (1) the D.C. government failed to inform the residents about plans for a civic center;
- (2) the D.C. government failed to provide any provisions for relocating the Chinese residents who would be displaced; and
- (3) the construction of the civic center would ultimately lead to the complete destruction of Chinatown, a community with which Chinese Americans have close ties.

The D.C. city government as well as the news media have discussed the civic center from various economic, political and architectural viewpoints. However, they have failed to consider the concerns of residents who will be directly impacted by the construction of this center. In particular, in the case of the Chinatown community, a distinctive and unique heritage as well as a cohesive ethnic community will be severely threatened by the proposed center.

Paramount among our concerns is the lack of communication that there has been between the D.C. city government and the local Chinatown community. What communication that existed has been poor, and reflects the insensitivity of the city government to the problems and concerns of the Chinese American residents. The D.C. city government did not attempt to inform the residents, who after all are D.C. taxpayers, directly of the civic center plans.

Instead they chose to inform one group as a representative of the entire Chinese community. The group they chose is the Chinese Consolidated Benevolent Association (CCBA), which represents the business and real estate elements of the community and whose members themselves do not reside in the community. CCBA itself failed to inform the community of meetings and hearings on the plans and of the possible relocation ahead, but the real responsibility for the lack of information rests with the D.C. city government.

Furthermore, the reluctance of the city officials to consider the needs of the Chinatown residents is evidenced by the fact that the D.C. government has failed to provide any concrete plans for those who would be immediately displaced, let alone any provisions for those who would have to move as a result of future developments in the surrounding areas of the civic center. The city government does not have any provisions for temporary housing where displaced residents can stay until adequate permanent housing can be found for them. As a result, if the center is constructed, members of the Washington Chinatown community would be dispersed, thereby destroying an integral part of the Chinatown community.

A plan was proposed to build a housing unit and community center in Chinatown, but city officials have not provided any assurances to the Chinatown community that these projects would ever be built or what the time frame for construction would be. Although we feel that a community center is greatly needed by the community, it does not alleviate the immediate problem of relocation. Some estimates are that it will be six to eight years before any new unit could be completed. What would the displaced residents do during that time period? As indicated in a GAO report on the civic center requested by this subcommittee and issued May 18, 1977, "It is doubtful that the District can assure the Chinese that housing will be available in the Chinatown area." In addition, the residents do not have the financial resources available to compete for what high cost housing may exist in areas adjacent to Chinatown.

Eastern Wind, Inc. has conducted a survey to find out the overall concerns of the Chinatown residents in the community and find out their real sentiments toward the civic center. All the concerns of the residents will not be presented here. However, their views on the civic center will be discussed. The area in which the survey was conducted is bounded by Fifth Street, Eleventh Street, G Street, Massachusetts Avenue and New York Avenue, Northwest. A total of 47 households consisting of 178 persons were sampled. The results of the survey are as follows:

- (1) 43% of the residents did not know about the proposed civic center, 42% did and 15% did not express their opinion;
- (2) 72% were not informed of the current progress of the civic center, 17% were and 11% gave no answer;

- (3) 81% said the city had not informed them of any meetings, hearings, etc. concerning the civic center. 4% said they were informed and 15% gave no answer; and
- (4) When asked if the civic center would benefit Chinatown, 38% gave no answer, 36% said no and 21% said yes.

The above results of the survey show that those residents polled not only were not informed by the city about the civic center, but know nothing about it enough to answer questions in the survey concerning the civic center. This is evidenced by the significant percentage of those who gave no answer. The lack of bilingual communication by the city government with the residents also explains the significant number of persons not informed of the civic center since most of those persons surveyed do not speak English.

The Washington civic center would not only disperse a part of the Chinese community, but would lead to the eventual destruction of Chinatown itself. Once the center is constructed, it is expected that hotels and other developments would pursue around the immediate area of the civic center. This area includes Chinatown which is located immediately east of the proposed civic center site. Based on the Gladstone report, such an area is the northwest corner of 7th & H Streets, N.W. However, this area is presently occupied by Chinese merchants.

Many Chinese Americans have close ties with Chinatown. It provides a sense of identity and is a center of culture and social ties for the Chinese community. Churches, recreation centers, restaurants, grocery stores, meeting halls all provide a strong sense of community for this ethnic group. For the elderly and the new immigrants, Chinatown provides a comfortable haven where non-English speakers can feel a sense of security and belonging.

It is for reasons that we value Chinatown that we do not want to see it destroyed.

We, of Eastern Wind, Inc. hope, that in conclusion, this subcommittee will consider all of the factors that we have mentioned and come to determine as we have that the D.C. civic center will adversely impact the residents in the area and that funding for the center should not be authorized.

STATEMENT OF JOHN D. KELLY, PROJECTS DIRECTOR, UPPER NORTHEAST
COORDINATING COUNCIL

Mr. Chairman:

I am John D. Kelly, Projects Director of the Upper Northeast Coordinating Council Community Planning Center. The Upper Northeast Coordinating Council is a confederation of Forty civic, citizen, community, educational and religious organizations bound together for the purpose of resolving or ameliorating common difficulties and problems. A large number of its membership are home owning, tax-paying residents. We look on the proposed civic, or rather, convention center as one of the major problems for the District taxpayer.

The so-called Feasibility Study appears to be nothing more than an attempt to support a previous decision made by Government and Business special interests. The commitments to a convention center, before the study by the Mayor and City Council over objections from many major citizens groups, but under pressure from the Metropolitan Washington Board of Trade and the Hotel Industry, makes the study of mockery of objective, impartial analysis. This proposed Budget Amendment before you today has been opposed, or at a minimum, seriously questioned by all the major groups of citizens organizations in the District. yet special interest prevailed at City Hall.

However, I firmly believe that sufficient substantive statistics have been submitted both to District officials and to Congress to warrant the consideration that, at a minimum, this proposed center, at this site, at this time is ill-advised. As the Comptroller General stated in his report to you, there are three "principal areas of Vulnerability" which give rise to uncertainty that the proposal will generate sufficient revenues to (1) support construction, debt service and operating costs and (2) provide substantial additional revenue to the District of Columbia. Dr. John Phelan's excellent economic analysis further supports the argument that the center and its "spin-off" businesses are not economically feasible and in fact will become an albatross on the neck of the D. C. tax-paying residents in the same fashion we now face with RFK Stadium and Metro.

Therefore, Mr. Chairman, I wish to address another issue in this matter. That is the relevancy of the proposed center to this Capital City. It has been repeated loud and often that Washington is a "convention city" and that the management of this city would be derelict in its duty if it did not skim off the cream of the nation's convention business for the welfare and security of the residents of the District. Well, Washington is not a convention

city by design. To proclaim it as such and to create massive funding in support of conventions does a disservice to this city, its residents and the citizens of the United States who see this city as a great capital and who want to visit it because it is the great capital of a great nation. It is these people that the managers of this city, and I include Congress in this, should look to serve.

Mr. Chairman, if the funds requested are appropriated for this convention center the citizens of the fifty states of this great nation who wish to visit here will feel the impact—in a different way perhaps,—but possibly a less dignified way than the tax-paying residents who will be saddled with the costs.

Even today in this city, the citizen tourist must do much fending for himself or herself. Half the information kiosks are empty. There is little or no help outside the Mall area provided to tourists to direct them to points of interest, to the proper bus or even to a decent rest room and there isn't a decent public rest room.

If the convention center begins to drink up the assets and the energies of the District, this situation will not only continue, it will of necessity get worse. This city belongs to this nation more than any other city and the nations citizens want to come here. They want to see the documentation of their history both in parchment and in monument. They want to see their government work and the democratic process in action. This is the kind of visitor who is relevant to this city, whom this city should be inviting and whom this city should be far better geared to accept. As the statistics clearly demonstrate, the private interest in this city can now accommodate 80% of the convention business needs. But if vast sums of money are appropriated to capture the other 20% then the American citizen who wants to come to this city simply to see it as the capital, will suffer the loss because there will be no funding or no effort left to be directed to serve his needs. We can't have it both ways as the business interests want to tell us because there won't be enough money to go around. The evidence is that the citizens of the city will lose out on needed capital improvements and the tourists will lose out on services to support them.

Mr. Chairman, I suggest that if one-tenth of the proposed construction costs for this center were directed to (1) a national program of selling this capital for its value to every citizen, and (2) a local program of making the tourist a first-class visitor, that five years hence — the year the convention center is scheduled to open — the new tourist business WITHOUT THE CENTER would provide what this city anticipates gaining in revenue and jobs. This is the type of business that is relevant to the city and to every citizen in the nation. This should be thoroughly explored. Lets preserve this Capital in its greatness for the citizens of the nation and not turn its land and resources over to those who would operate for a profit subsidized by the tax-paying residents.

Thank you very much. I shall try to answer any questions.

STATEMENT OF MARGARET CAMERON TESSIER

Mr. Chairman, members of the subcommittee. Thank you for the opportunity to appear before you today. My name is Margaret Cameron Tessier. I am appearing as a witness before this committee as a representative of two groups, the North Dupont Community Association, a planning forum, and the Dupont Circle Citizens Association. Both of these groups are composed of residents, property owners, tenants, and business residents of the Dupont Circle area, and they have endorsed my appearance at today's hearing on the District of Columbia's proposal to construct and operate a convention center in downtown Washington.

We strenuously oppose any amendment to the 1978 fiscal year budget for the District of Columbia which would permit the city to begin borrowing funds from the U.S. Treasury and embark precipitously on a project which has been hastily pushed through local government processes, under the guise of an emergency; a project whose success is dubious, whose financial underpinnings would be shaky at best; and a project for which few alternatives have been considered.

Mayor Walter Washington released the plans and justifications for this convention center, in the form of the Gladstone Associates' feasibility study, in late March, 1977. The D.C. City Council held only one day of public hearings, on April 22, 1977, before voting on May 5 to ask this committee for an "emergency" amendment to the 1978 fiscal year budget. The required statutory notice to ANCs was not given.^{1/} No environmental impact statement has been prepared.

^{1/} See Exhibits A and B, attached, correspondence between George Y. Wheeler, Chair, ANC 2B and John R. Risher, Jr., D.C. Corporation Counsel.

The amendment the City Council seeks would permit the City to borrow up to \$27.7 million from the U.S. Treasury to acquire the site on which to build the proposed convention center. The haste with which the City Council acted to approve the idea of a convention center ruled out thoughtful consideration by citizens of the merits of building a convention center, and, I suggest, the City Council acted in haste because citizens were mobilizing to oppose this idea. The idea of building a convention center has been successfully opposed twice during the past ten years, and if anything, would be more strenuously opposed today.

One of the major grounds of our opposition is the cost of such a project. It would burden us with debt service for the next thirty years, not to mention all the added costs of municipal services incurred in operating such a project. Borrowing \$27.7 million this year would be only the first step in a series of borrowings which are projected to total \$110 million, but which could easily exceed that figure.^{2/} Further, the ultimate creditor would not be the U.S. Treasury, but the holders of the city's general obligation bonds, because the financing scheme now planned is to replace the debt to the federal government by floating bonds, when and if the City can balance its books, and when and if it obtains a bond rating. The projected cost of constructing this convention center is \$110 million -- if there are no cost overruns. This amount would press to its limits the City's bond-floating power.^{3/}

That brings me to my next point -- the fact that alternative uses for the capital budget abound and have not been thoroughly investigated. For example, this city faces a severe water supply and sewage treatment problem. The sewage treatment plant at Blue Plains, presently the subject of an EPA adjudicatory proceeding, is incapable of properly treating the sewage produced by this city. Unless the plant is expanded and the treatment of sewage upgraded, the Potomac will never be cleaned up, will

^{2/} Report from the Acting Comptroller General of the United States to Senator Patrick J. Leahy, May 18, 1977, pp. 5-10.

^{3/} Letter from D.C. Auditor Matthew S. Watson to Sterling Tucker, Chairman, Council of the District of Columbia, April 22, 1977. Attached as Exhibit C.

continue to be a health hazard, and will never comply with the 1972 amendments to the Federal Water Pollution Control Act. Other alternative uses to which the capital expense budget can be put are street lights,^{4/} parks, and sidewalks. These projects all affect residents of the city directly.

One of the premises of building a convention center is to increase the city's economic vitality. A convention center, it is said, will bring in more tourists who will spend more money here. It will also spawn "spin-off development," helping to revitalize downtown and also increasing the tax base of the city. No one can deny that economic revitalization is one of the most serious concerns facing this City, and recognition of the problem is to the City's credit. But there are other ways of achieving increases in tourism and the tax base -- ways which would cost far less than \$110 million. Washington architect John Wiebenson, in his cartoon "Archihorse," has mentioned a few:

- You could buy Bolling and the Naval Air Stations -- they'd make big truck farms or dairy farms . . .
- You could buy the old railroad yards next to N.Y. Avenue -- they'd make big industrial parks . . .
- You could link Chinatown & Georgetown with a trolley line -- tourists would flock to it . . .
- You could put the old Glen Echo line back in, and put Glen Echo back in, too. . . . 5/

An idea proposed by Washington architect Ward Bucher is to increase the use of the railroad line which runs from Georgetown along the C&O Canal past Fletcher's Boathouse. It is now only a freight line but could also be a recreational passenger line.

4/ The City does not presently own the street lights. It pays a utilities bill to Pepco, and because of recent cuts in its operating budget plans to turn off every other street light.

5/ "Archihorse, Soothing D.C.," D.C. Gazette, May, 1977, p. 17.

Washington planner Matthew Andrea has advocated converting public schools now scheduled for closing into housing, an idea that has been used in other cities.

There is no need for the District of Columbia to come in on the tail end of an idea that many other cities have already tried and found to be unprofitable.^{6/} The goal of increasing the City's economic vitality is proper. But we object to pursuing it outside the bounds of the normal budgetary process. We think the financing for the center is fiscally unsound and that we will wind up paying the entire bill through increased property taxes. We know there are other, far less costly alternatives to increase our economic vitality, and we are quite sure there are other uses for our capital budget monies.

We urge this committee not to approve an amendment to the 1978 fiscal year budget for the District of Columbia to allow the City to embark on such an unwise course. Thank you for your attention.

6/ "Typically, large convention centers are public undertakings, publicly financed for purposes of stimulating economic development.

"In every instance, the large civic/convention halls in the U.S. are public ventures owned and financed directly or indirectly by a municipality or a state (the Georgia World Congress Center is an example of state ownership). In every instance, the centers are not built to be financially self-sustaining operations; that is, none has revenues which cover operating expenses and debt service and few even cover operating expenses. In every instance the financial return to the municipality or state comes via tax revenues from hotels, related development and businesses supported by the centers."

Feasibility Analysis for a Civic Center in Washington, D.C., Findings and Conclusions; prepared by Gladstone Associates, March, 1977, pp. 25-26. (Emphasis added.)

Dupont Circle Advisory Neighborhood Commission 2-B

1722 15TH STREET, N.W., #810
WASHINGTON, D. C. 20009
(202) 332-1088

June 9, 1977

John Risher, Esq.
Office of the Corporation Counsel
The District Building
Washington, D. C. 20004

Dear Mr. Risher:

The Dupont Circle Advisory Neighborhood Commission (2B) hereby requests pursuant to resolution adopted May 25, 1977 a declaratory ruling with respect to the Fiscal Year 1978 Budget Amendment to include in the capital budget \$2.7 million for site acquisition and partial design costs for the proposed Washington Civic Center, to be located in the Mount Vernon Square Area adopted by the Council of the District of Columbia on May 4, 1977.

I.

The focus of our concerns is that the foregoing amendment, as it relates to capital funding of the proposed Washington Civic Center, was adopted without following proper and legally necessary notification procedures to our ANC and to other ANCs as required by Section 13(b) of the Advisory Neighborhood Commissions Act of 1975, as amended. Because of the impact of this proposal upon land use in the central city, the fact that the proposed site is adjacent to our ANC area and particularly because of the magnitude and manner of the proposed funding involving general obligation bonding authority of \$110 million (or some multiple of that amount), our ANC was and remains vitally concerned that the Dupont Circle Neighborhood be given an adequate opportunity to make its views known through the ANC mechanism which provides that these views will be given "great weight". The implications of this proposal for our neighborhood and for the city are potentially so substantial as to require a most thorough review from the outset. In these circumstances, we submit that application of the full rigors of the notification and recommendation procedures reflected in the statute referenced above are a vital concern to our neighborhood.

II.

A full 30 day notice period under Section 13(b) was not given for consideration of the Washington Civic Center Proposal by ANCs. Instead we received notice through a D. C. Register Supplement dated April 25, 1977, a copy of which is attached. Because of mailing delays, our ANC did not actually receive this Supplement until some days after April 25, which resulted in somewhat less than seven days notice to our ANC before the Council action was taken on May 4.

Since it is possible that the emergency notification procedures provided in Section 13(b) may have been invoked in the instant circumstances,

the reasons for use of an abbreviated notice period recited in the D. C. Register Supplement, referenced above, also should be reviewed. As stated in that publication:

"An abbreviated publication notice period is provided in this instance so as not to unduly delay Council consideration of this measure and to effect timely transmission of it for Congressional action."

We are concerned, however, that on their face, these reasons fail to explain what "emergency" conditions are presented by the provision of initial capital funding of the Washington Civic Center, which justify the avoidance of otherwise applicable and customary 30 day notification to ANCs.

Nor are we aware of any separate public interest consideration which would justify use of abbreviated notice procedures here. As indicated above, the fiscal and other ramifications of the proposed Washington Civic Center are pervasive and long-term. Also this proposal in other forms has been under consideration by the City Council for more than a decade. These points would suggest that the Washington Civic Center proposal on its face was neither so urgent nor so uncontroversial as to justify emergency consideration.

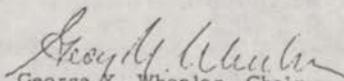
III.

The results of the foregoing situation were that our ANC was prevented from performing its statutory function as contemplated by D. C. Law and the Home Rule Act. The notice given by the City Council as described above did not permit consideration of the Washington Civic Center proposal at either of our regular meetings in April. Nor was it reasonable for our ANC to consider these matters on an emergency basis because of the complex subject matter and the extremely short period available for such considerations.

It is possible that the situation described above may have resulted inadvertently because the preparation of reports by outside consultants for the City regarding the Washington Civic Center proposal was delayed. And there may also have been other staff delays contributing to the need for an abbreviated notice period. We submit, however, that such matters are not an appropriate basis to disadvantage the full, forthright, public debate regarding this proposal contemplated under the terms of the Advisory Neighborhood Commissions Act.

At issue here are substantial and material questions regarding the compliance of the City Council with the terms of the Advisory Neighborhood Commissions Act. We request a declaratory ruling to determine (1) whether the terms of this Act were complied with and (2) if not, whether Fiscal Year 1978 Budget Amendment as it relates to the proposed funding of the Washington Civic Center is legally invalid as a consequence.

Respectfully submitted,


George X. Wheeler, Chair

Government of the District of Columbia

OFFICE OF THE CORPORATION COUNSEL
DISTRICT BUILDING
WASHINGTON, D. C. 20004

IN REPLY REFER TO:
CCO# 3422

June 13, 1977

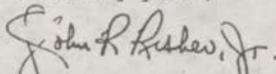
George Y. Wheeler, Chair
Dupont Circle Advisory Neighborhood
Commission 2-B
1722 19th Street, N.W. #810
Washington, D.C. 20009

Dear Mr. Wheeler:

This is in response to your letter of June 9, 1977, requesting a ruling regarding the sufficiency of the notice to ANC's of the Fiscal Year 1978 Budget Amendment with respect to capital funding for the proposed Civic Center.

Your letter brings this issue to my attention for the first time. The questions you raise are important ones; accordingly, I have asked members of my staff to look into the matter on an expedited basis.

Sincerely yours,



John R. Risher, Jr.
Corporation Counsel, D.C.

Exhibit C

OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR
 1529 K STREET, N.W.
 WASHINGTON, D. C. 20004

77:150:CB:bdh

April 22, 1977

The Honorable Sterling Tucker
 Chairman
 Committee on the Whole
 Council of the District of Columbia
 District Building
 Washington, D. C. 20004

Dear Chairman Tucker:

Thank you for the opportunity to comment on the first phase funding of a Civic Center proposed in the FY 1977 Supplemental Budget. While my office has not undertaken a formal analysis of the project, I believe that there are a number of issues that the Committee ought consider with regard to the financing and scope of the proposed project.

It is proposed to finance construction of the Center through long term borrowing. Based on the City's projections as to interest rates this financing appears possible within the debt service limitation in the Charter, but the additional debt may bring the City so close to the 14% limit that future capital projects may be restricted. If interest rates increase, the restriction on borrowing may be reached.

The most recent projection of the City's long term finances is contained in the "Multi-Year Financial Plan for FY 1978-82" submitted to the Council by the Mayor with the FY 1978 budget. Adjusting the estimates in the Multi-Year Plan to take into account the increased revenues and debt service estimated for the proposed Civic Center, the projections are as follows:

<u>Fiscal Year</u>	<u>Debt Service as a Percentage of Revenue <u>without</u> Civic Center</u>	<u>Debt Service as a Percentage of Revenue <u>with</u> Civic Center as proposed</u>
1980	10.7	10.9
1981	11.2	11.6
1982	11.8	12.8
1983	12.4	12.8
1984	13.4	13.8

If the center is built along with all other projects already in the capital budget plan, the City will stay barely within the 14% debt service limitations

of the Charter. Without the Center, the FY 84 estimate for debt service costs will reach 13.4% of estimated revenues. With a \$110 million Center, the debt service cost will reach 13.8% of revenues. Should the Center's cost escalate to \$137 million, the total City debt service cost would be 13.9% of estimated revenues. A 25% overrun on such a project is not unheard of.

Coming so close to the debt service limit will restrict the City's flexibility in making future capital expenditures. If the Center actually costs \$110 million, total additional capital borrowing from now through the middle 1980's can not exceed \$56 million, unless revenue increase above projections. In perspective, this amount is the approximate cost of just one major facility such as the new court house.

Apart from the debt service limit, debt service costs are mandatory costs which heavily impact on future budgets. Other City programs may have to be scaled down in order to permit the retirement of the City's debt. For example, even without the Center, debt service costs between 1979 to 1983 are expected to increase from \$118.4 million to \$172.2 million, an increase of 45% in 5 years. Projections for government salaries for the same period of time show a similar increase of about 50%. Therefore the City may well have to choose between operation of the Center at the level planned and other types of City services.

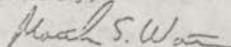
Having stated these issues, I believe that I should make it clear that my points do not constitute opposition to the building of a Civic Center. Rather, I believe that the Council should be aware of the affect on the City's total debt service expenditures and the limitations on future programs which the commitment entails.

The Committee may wish to explore the possibility of a Civic Center of a somewhat smaller scope and smaller commitment. As proposed, the Center will contain 300,000 gross square feet of exhibit space. Our preliminary review of the Center's Feasibility Analysis indicates that a center 2/3rds the proposed size could still capture 80% of the projected delegate attendance.

I suggest that the Committee request the Municipal Planning Office to perform a cost-benefit analysis for Scheme 1-A (Page C-8 of the Feasibility Analysis) which provides for a 250,000 square foot center, and an analysis of a 200,000 square foot alternative as well. These alternative studies should also include contingencies for expansion to a larger size if the market warrants.

If I may be of further assistance to the Committee in this matter, please call me.

Sincerely,



Matthew S. Watson
District of Columbia Auditor

STATEMENT OF GEORGE FRAIN

Mr. Chairman and members of the committee, I am George Frain. I am a resident of the inner city area of the District of Columbia known as the Adams-Morgan area, where I have lived since 1950. I have become very sensitive to inner city needs, and the New York Times (June 5, 1977) wrote a major front-page article about our area which is changing as a result of an influx of young black and white and Spanish families not only from outside the city, but also from within it, into our key area.

My views and conclusions on the proposed civic center which I present here today are my own. However, many people in the inner city and city-wide agree with me. I am active in several civic organizations, including the Kalorama Citizens Association and the city-wide Federation of Citizens Associations of the District of Columbia, both of which have opposed the proposed civic center, as have many other citizen groups in the District of Columbia, including the Adams-Morgan Federation, and the 18th & Columbia Road Business Association. The Washington Hilton hotel at Connecticut Avenue and Columbia Road is located in our Adams-Morgan area, also known as the Kalorama area. The Shoreham hotel, and the Sheraton-Park hotel, further up on Connecticut Avenue, are two blocks away across Rock Creek Park from our inner city area. The Sheraton-Park hotel is now engaged in enlarging its already ample convention facilities, which are among the best in the city, to 200,000 square feet. These three hotels are a great asset to the city, they provide major employment opportunities, and they pay taxes. They are popular convention hotels.

The downtown convention center will obviously draw conventions away from these three great hotels, and that this is so is proved by the plan to build new hotels near the proposed convention center. I have grave doubts about financing the proposed convention center by taxes on the citizens, to provide a new and competitive civic center-hotel area on urban renewal-provided land. At the same time, the convention center and its spin-off developments will displace and largely destroy the present Chinatown area --which is a low-rent district, only 5 per cent of which is owned by the Chinese residents and businessmen. The Chinese were displaced by the Federal Government once before, in the 1930s to make way for the Federal Triangle. It is most unwise to uproot and displace the Chinese residents and businessmen a second time. I urge your Committee to seriously consider a Pennsylvania Avenue site for the center.

The original great thrust for a convention-civic center, long sponsored by the Board of Trade and the elite group known as Downtown Progress, came in 1972 with the introduction of bills in Congress supported by the Nixon Administration. These bills, which called for a Federal appropriation of \$14,000,000, would have established a memorial to President Dwight D. Eisenhower. They recognized, as everyone does today, that the conventions coming to Washington are primarily concerned with the great Federal establishment. Few local citizen groups, if any, will use the civic center-- there is surely some sharp cynicism due a civic center costing \$110 million and which is almost totally concerned with housing national conventions, and is too costly and large for local civic use.

The Federal Government owns more than half of the land in the District of Columbia, it could and should contribute (1) the land needed for the convention center, and (2) contribute a fair amount to its construction, and maintenance, and operation.

Congress should not unload a convention center onto D. C. citizens and taxpayers for them to pay for, a convention center to serve national groups coming to see Congress.

One day there will be a memorial built to President Eisenhower here in the Nation's Capital. Why shouldn't it be something useful such as a convention center similar to the Eisenhower Memorial Civic Center proposed and adopted by the Congress in 1972? Or such as the Kennedy Center --which the Congress helped pay for and ^{gave the site} for.

Two excellent sites are available on Pennsylvania Avenue (1) the great Mall site between 7th and 9th Streets on the South side of Constitution Avenue directly south of the National Archives Building; and (2) the site near the Ellipse on the West side of 15th Street across from the U.S. Department of Commerce and directly south of the U.S. Treasury building. City experts say the Civic Center can be located anywhere (pp. 44-45).

If the U.S. Government won't bear its fair share of the cost of the convention center to serve the conventioners who will be coming from every state in the nation, there is no justification or fairness in foisting the huge cost of this \$110 million convention center on District taxpayers to bear the entire ^{cost} burden for a convention center serving national purposes. By all means, let the memorial to President Eisenhower be a useful one. The New York Times some years ago said this city looked like a graveyard.

The John F. Kennedy Memorial Center for the Performing Arts was the first major step away from the historic way of memorializing our Presidents by static, non-useful memorials. The ^{Kennedy Center} is an internationally-acclaimed success, and I am credited in the Congressional Record, July 28, 1971, pages E 8438-9, with basic work which helped to make the Kennedy Cultural Center a reality. I am proud of my part in its realization.

Congress named the second Library of Congress building after Jefferson, and it has named the third Library of Congress building the Madison Library building.

Congress has named the old Senate Office building the Richard Brevard Russell building, and the new Senate Office building the Dirksen building.

Congress has named the House Office Buildings after Speakers Cannon, Longworth, and Rayburn.

Congress, then, was following sound precedents when it proposed to help plan and build and finance a convention center in honor of President Eisenhower who headed the combined forces of the Free World which turned back the assaults of the Axis powers of Germany, Italy, and Japan, and ended the terrible brutalities of the Nazis. Just imagine, for a moment, if you will what the world would be like today if the Axis powers had won.

So, I would urge your Committee to reject the proposed convention center, and move rapidly to the development of an Eisenhower Memorial civic and convention center on or near Pennsylvania Avenue on the sites I have suggested or similar ^{Federally donated} great sites.

If the U. S. Treasury building can be on the West side of 15th Street, and the U. S. Department of Commerce building can be located on the East side of 15th Street nearby, why couldn't a great memorial to President Eisenhower be built in the form of a useful convention center nearby?

The Dwight D. Eisenhower Memorial Bicentennial Civic Center Act remains on the books, it has never been repealed. You can't just ignore it by voting for another ^{civic} center, as I noted earlier. It is a fact, also, that the conventioners who will be coming to Washington are coming to meet with their Senators and Representatives, with the President, and the heads of the great Federal departments and agencies. This is why the Nation's Capital is unique as a convention city, and it explains the interest of Congress in a ^{convention} center which is mis-labeled "a civic center". This should be a truth-in-labelling issue, and is.

It is absurd to argue, as the proponents do, that this expensive convention center is needed and will be extensively used by D. C. residents. Their only connection with it will be to pay for it and meet its yearly deficits. It will be extensively used by conventioners seeking to meet with Federal Government officials to influence Federal policy.

The conventioners are not coming to the Nation's Capital to meet with, see, and lobby the Mayor, the D.C. City Council, the head of the city's largest department--the Department of Human Resources, or the head of any other D.C. department or agency.

An officer of a city-wide non-profit small business group authored a letter which was published in the Board of Trade news of October 1976 on the convention center. The group is known as BASYAP (Businessmen Affected Severely by the Yearly Action Plans, Inc.) and the letter said:

"The convention center is another example of bad planning and a surging bias against small businesses. It was deliberately sited in a thriving part of the downtown commercial area occupied by only small businesses, and by a number of Chinese firms and restaurants. It would displace 82 small businesses, and 488 employees. Many of the businesses to be displaced (are) Chinese or Black-owned. Not a single big business has ever been displaced by an urban renewal program....Building the convention center on a Pennsylvania Avenue location would put it in the heart of the downtown area and it would benefit everyone."

Urban renewal -- the proposed convention center site is in an urban renewal area -- should not be used, the BASYAP official is pleading, to displace or destroy the fragile Chinatown area. The BASYAP official is arguing against the Federal Government and the Congress displacing the Chinese community and disrupting it again as was done in the 1930s.

The present Chinatown is largely a low-rent district. The D.C. Gazette (June 1977) points out that 92 per cent of the families in the Chinatown area in 1969 had incomes under \$5,000, and the 1970 figures show that less than 5 per cent of the Chinatown area is owner-occupied. This means the Chinatown community will be destroyed by (1) displacement and (2) by the high-cost spin-off developments if the convention center is located in the heart of Chinatown at the selected 10th and H Street sites.

Gladstone is sensitive to the charge by community leaders in the past that the convention center would destroy the Chinese community, and attempts to meet this in two ways, as follows-- the first way is to say (page 54) that:

"Many of the households are living in quarters that are in less than ideal condition. However, even if the civic center is not built in the area, some older buildings will be torn down -- an ongoing process for the last three years -- and there will be some displacement of the residents and businesses."

There has been no "ongoing process" of building destruction or resident displacement in the past 3 years or longer. The only thing that has been destroyed is a gas station that has been by a new self-service Gulf station. There never has been the kind of large scale displacement and disruption and displacement proposed by Gladstone and the D.C. Government, the Mayor, the D.C. City Council, and the Municipal Planning Office.

It seems particularly reprehensible that a Black-dominated D. C. Government would have so shockingly little concern for another minority, in this case the Chinese minority, as is involved in this convention center project.

So, to justify it, the Gladstone study claims that displacement is inevitable-- and therefore that the blatant racist and apartheid policy involved in the heart of the nation's capital -- and not in far-away Africa -- is an acceptable policy given the larger view of financial benefit.

Secondly, the Gladstone study says that (page 53) --

"There is also the impact of relocation on the affected residents and businesses. In the case of the lower-income Chinese households on the site, there is the special need to relocate them in the vicinity of Chinatown, so that cultural ties are maintained. Funding for relocation is included as part of the cost."

How about the special need to leave the Chinese community and its low-income families undisturbed, and to relocate the convention center to a Federally-donated site where a few trees instead of many low-income Chinese residents and elderly will be displaced?

The D.C. Government says it will build low-income housing for the Chinese at 6th and H Streets, but low-income housing for the Chinese will be like God's little acre because it isn't a money maker and it will be displaced by hotels and other money-making spin-off developments for the well-heeled.

When and if the Chinatown area is split up and the low-income Chinese are kicked out by the convention center and its money-making spin-off hotels and other money-making projects run by, and approved by the city's urban renewal officials there won't be any low-income families in the Downtown urban renewal project area and it will truly become -- as it is now sometimes called -- "the Golden Square Mile Downtown Urban Renewal Project".

Congress has funded at taxpayer expense nation-wide housing for 1,500 high-income families on Pennsylvania Avenue. We don't think it should kick out the low-income Chinese families from the area for a convention center and its money-making spin-offs.

Nor do we believe that the track record of the D.C. Government and HUD-assisted and other government-agency-assisted housing projects for low-income families in the District

of Columbia is all that wonderful. Just the other day management shut off electricity in one of the city's largest low-income housing projects--the Clifton Terrace Apartments, at 1312 Clifton Street, N.W. --which is mean and Scrooge-like and made the lives of the families difficult and unsafe. This was topped, however, by shutting off the heat during the dead of winter at the Clifton Terrace Apartments.

Can you actually believe that such inhumane acts by the D.C. Government and the Federal Government augur well for relocating the Chinese whom the D.C. Government and the convention center proponents have ignored for years.

The solution is to leave the Chinese community alone, and locate the convention center on or near Pennsylvania Avenue and plan for the Chinese community to have some of its restaurants on Pennsylvania Avenue and have a slice of the pie there--this would help mitigate the unconscionable displacement of the Chinese from the Federal Triangle area for Federal buildings in the 1930s. Such atonement is long overdue and good for the soul.

And in making such atonement, the city's taxpayers (and eventually the nation's taxpayers too) would be saved from \$22 million to \$30 million, by a Federally-donated site. The Washington Post called editorially (March 29, 1977 - "Gambling on Convention Centers") for a donated site to save the city's taxpayers up to \$30 million. This makes good sense and the Federal Government is the largest land-owner of unproductive land in the city.

The Washington Post (July 3, 1975) reported the shocking facts about the D.C. urban renewal agencies to provide housing for low-income families, it said they had only "completed 2,236 housing units for families with low and moderate incomes, of which 900 are in areas devastated by the 1968 riots." This scandalously miserable record is due, in large part, to the failure of the Congress and its committees and sub-committees concerned with the District of Columbia to protect the public purse, and this city's slum-dwellers from such a three-fourths of a billion dollars rip-off. Instead of providing housing, the city and HUD have concentrated on further "improving" the downtown area--when it is, already, one of the richest, best-improved downtown areas of any city in the nation. I shall return to this subject later in my testimony.

THE CONGRESS SHOULD REQUIRE A CITY-WIDE REFERENDUM ON THE COSTLY CIVIC CENTER

Congress should not ^{approve or} appropriate the D. C. Budget item of \$27.7 million for site acquisition and partial design costs for the proposed civic center to be located in Mount Vernon Square until the city has completed a city-wide referendum on this costly project. In this connection I call your attention to the roll-call vote for a referendum in the House of Representatives on the Eisenhower Civic Center, this was Roll call No. 149, and the vote for the referendum passed the House by 276 to 69 on April 8, 1974. This was an overwhelming 4 to 1 vote.

Congress had something at stake ^{at that time,} a memorial to President Eisenhower, and a Federal appropriation of \$14 million in start-up funds.

In view of this vote for a referendum on April 8, 1974, how can the Congress deny a referendum ^(at 1-year later) on this costly \$110 million convention center which will serve constituents

of members of Congress from every State in the United States? I attach for your ready reference a copy of page H 2691 from the Congressional Record of April 8, 1974 which records the roll-call and the distinguished Members of Congress who voted for the referendum.

One of the most moving and eloquent voices calling for a city-wide referendum on the proposed Eisenhower Center was that of Congressman Walter E. Fauntroy. What he said then has equal validity now, at this time, when we are ^{again} faced with another \$110 million convention center to serve the entire nation. ^{It cannot be said too often of this civic center that} A people attending conventions come to Washington to see their Senators and Congressmen, and the President. This is not true of conventioners attending conventions in any other city in the nation. This fact alone explains the Congressional interest in a convention Center. Congressman Fauntroy said--

"I believe that the convention center should go forward only after vigorous public debate and a vote by the people of the city. More importantly, it would be utterly inconsistent with the principle of self-government that this Congress has approved in the recently passed new Government and Self-determination Act for the District of Columbia to now say that the people of this community cannot intelligently make a decision on whether they are willing to pay for this Convention Center.

"A referendum is the method used in almost all of your communities to get approval of a project of this magnitude--\$165 million. In many communities, even where there is no general referendum requirement, it is not unusual for the State legislature to call for a referendum on an especially large project.... It is true that the Self-Determination Act signed into law does not call for referenda on major Capital works projects. But I would remind the committee that the bill written by and voted out of this committee, H.R. 9682, did call for a vote by the people on all bond issues. Almost all of us strongly supported that concept. It was abandoned only because the fiscal provisions of the bill were substantially overhauled after the bill got out of committee. The concept was sound last June, and it is sound now."

Congressman Fauntroy's speech, and the names of those voting for a referendum appear on page H 2691 of the Congressional Record of April 8, 1974. Believing as I do that the House vote at that time, as well as Congressman Fauntroy's speech, can and do provide a serious guide to the Congress at this time, and to everyone else concerned, I ask that this page from the Congressional Record be printed in this Hearing record at the close of my testimony. I further request that my other attachments be included, ^{as} well.

It is clear that a referendum is necessary because of the process used by the Mayor and City Council to bring the convention center proposal before the Congress, a process which was thoroughly irresponsible, because it did not permit community groups, civic and citizen associations, the elected Advisory Neighborhood Commissions, or the citizens, ^{individually} to present their views on any aspect or at any stage in the planning for the civic center. In other words, they were denied all participation in the ^{Central Convention Center} planning.

Perhaps the president of the Metropolitan Washington Planning and Housing Association, William L. Taylor, said it best when he declared recently that--

"The performance of the City Council in voting \$27 million for the Civic Center with inadequate information and negligible community input was thoroughly irresponsible. The Council's treatment of the citizens and hardpressed taxpayers of D.C. on a project that involves great risks to them as well as potential benefits borders on being contemptuous."

At the hearings held by the D. C. City Council on April 22, 1977 the spokesman for the Board of Trade strenuously objected to a referendum on the convention center.

But we think it is high time that the Congress and its appropriations committees and subcommittees quit being the errand boy for the Board of Trade.

Already the downtown area has gotten more than any other city downtown area in the nation -- and this is in addition to the Federal enclave with its hundreds of millions of dollars in buildings housing the Smithsonian Institution, the National Gallery of Art, the National Air and Space Museum, the National Portrait Gallery, the National Collection of Fine Arts, the National Museum of History and Technology, the Hirshhorn Museum and Sculpture Garden, the headquarters buildings of the U.S. Department of Transportation, and the U.S. Department of Housing and Urban Development, the Federal Home Loan Bank Board Building, and so on and so on.

As the D. C. Gazette points out in its current June-July issue, a major part of the justification for helping developer and commercial interests through providing hundreds of millions of dollars for downtown urban renewal, ^{the subway} the convention center, the \$50 million Pennsylvania Avenue Plan, the many millions provided by HUD for the "Streets for People" project, etc., etc., is the popular assumption that public funds poured into downtown will "revitalize" it. City planners, Downtown Progress, the Board of Trade, the Mayor, the City Council, the media and others encourage Congress and the Federal departments and agencies in this belief "with rhetoric which is stunningly devoid of any hard evidence."

The D. C. Gazette found that in 1977 the city received \$139 million in revenues from and spent \$127 million on downtown. A net profit of only \$12 million, or 9 per cent over costs.

The D. C. Gazette further found that in 1967 the city received \$66 million in revenue and spent \$44 million on downtown, for a profit of \$22 million, which adds up to 50 per cent over costs.

The D. C. Gazette came to this startling conclusion-- that downtown D. C. is "at best a much less profitable enterprise for the city than it was ten years ago before many of the capital improvements were underway." This is the way the D. C. Gazette summed up its report on "The Myth of Downtown"--

"If we are to depreciate these improvements, we will have to add another \$20 - \$30 million a year to the cost of running downtown each year.

"Clearly, downtown -- as a revenue producer for the city -- has lost ground despite all the money being poured into it. We can only guess what sort of gains would have been produced for a similar investment over the last ten years in permanent new jobs, rehabilitated housing, or even simple but often ignored public amenities. Or if the money had been used in parts of the city that were crying for economic development. Instead, it was put in a place where it not only did not produce an improved financial situation, but left the city worse off than it was before."

A city-wide referendum on the convention center should be given the highest priority for the following reasons: (1) the convention center ^{by Congress:} clearly would disastrously affect the general welfare of the city's taxpayers; (2) the General Accounting Office study of the convention center raises serious questions about its financial conditions; (3) The Congress and the Appropriations Subcommittees on the District of Columbia have major duties and

responsibilities to protect the city's taxpayers and other residents as well as the public purse; (4) the Chinese community would be split asunder by the convention center as presently planned; (5) urban renewal should not be mis-used to provide convention centers and hotels and office buildings while the inner city areas and riot corridors are neglected and ignored; (6) the Federal Government could easily contribute a site for and help finance the center --and should since the conventioners will be coming to meet and lobby the top Federal officials; and (7) the convention center will not be used to any extent by local D.C. groups since it will be too expensive as planned.

This brings me to another major point. On May 5, 1977 the D.C. City Council voted 9-to-4 in favor of the \$27.7 million budget item to start the convention center. On the following day, May 6, City Council Chairman Sterling Tucker, and Marion Barry, city council chairman of the Committee on Finance and Revenue, announced a major "citizens campaign" to persuade the Congress to double the Federal Payment to the District of Columbia and to legislate a nonresident, commuter, tax for the District of Columbia. Both will have to be enacted by the Congress if the Convention Center, and other Downtown urban renewal area projects are adopted, and the bloated D.C. Budget continues to grow.

There is unquestionably a connection between the D. C. Government's approval of the convention center on May 5, and (1) the ^{of Mr. Tucker and Mr. Barry} demand, ^{on the day following, May 6,} for doubling the Federal Payment from \$300 million to \$600 million, and (2) the demand on May 6 for legislative adoption of a commuter tax to bring in \$75 million a year. With an additional \$375 million annually ^{the D.C. Government, of course,} in income, ^{could easily pay for a} convention center and many other pie-in-the-sky projects.

When Chairman Matcher and the ^{other} Members of Congress, who have opposed the convention center in the past, announced that they now support a convention center in the District of Columbia to be built, maintained, and paid for by the D.C. Government it may be doubted that they had in mind such novel ways of paying for it as (1) doubling the Federal Payment to \$600 million annually, and (2) adopting a commuter tax to bring in \$75 million annually.

That this is true is shown by the Washington Star report of a few days ago that the Congressional Members of the new Presidential Commission on the District of Columbia headed by Vice President Mondale opposed (1) doubling the Federal Payment, as well as (2) the imposition of a commuter tax.

We therefore ask, most respectfully, can the Senate and House Subcommittees on D. C. Appropriations, fully aware as they are of the city's precarious financial condition, approve the requested \$27 million D. C. budget item to get the convention center band-wagon rolling knowing that in order to keep the D. C. Government solvent and able to meet its pension, staggering payroll, and other demands that ^{Congress} they may have to approve either or both demands for doubling the Federal Payment and imposing a commuter tax, a year or two from now.

There are other important questions as well, ^{such as,} what are the true priorities of this city and of the Congress, ^{7 "improving"} Is downtown, and its rich commercial areas, ^{more vital} than the rebuilding of inner city areas of a city in trouble, a city which many observers see as having an almost fatal illness? An illness, moreover, which ^{the} convention center, as planned, will only exacerbate.

Fortune magazine (March 1975), in a major article on Washington, D. C., reported that:

"More than \$500 million worth of federal construction is underway. Private investment has generally avoided the area east of the White House ... Washington (despite these Federal funds) is one of the sickest cities of all. Outside the well-groomed Federal area... many of the streets are filthy and in need of repair. Some of the riot corridors--the streets burned and looted in the riots that followed the assassination of Martin Luther King seven years ago--are still desolate wastelands."

Unemployment is rife in the District, and was recently reported as over 9.1 per cent, in a population of 702,000. Will the convention center substantially reduce this high unemployment figure?

The "Feasibility Analysis for a Civic Center" prepared by Gladstone Associates and others says (page 33) that new center-generated jobs at the center will be from 100 to 200, and jobs related to the Center will number 4,580. Is inflation at work here?

At the 1972 hearings on the convention center Mayor Washington testified (August 9, 1972) at the joint hearings held by Senator Gravel and Rep. Kenneth Gray on this point as follows-- and I quote:

"Senator GRAVEL. How does this compare with the employment potential of the center itself? I saw some beginning figures of 1,844. Do you have a figure of what you think the center will employ?"

"Mr. WASHINGTON. We have some figures at this time, Senator. I think that we are talking about some 65 people that are expected to be permanently employed."

Five years later, ^{estimated} the permanent employment figure at the center itself has risen to 100 to 200 permanent jobs, and ^{estimated} the figure of 1,844 has risen to an astounding total of 4,580 estimated jobs produced by delegate/exhibitor spending and an assumed multiplier effect.

I doubt that the convention center as planned will revitalize downtown or the city as a whole, and I further think it will be a white elephant as planned.

John J. Phelan, who holds a Ph.D. in economics, in his prepared testimony on the convention center submitted to the Senate Appropriations Subcommittee on the District of Columbia says that the Gladstone report did not discuss "the impact of the Sheraton-Park Hotel facility that will soon be able to accommodate 80 per cent of the conventions scheduled as potential users of the new proposed center."

Another point made by Mr. Phelan seems to me to be very sound, and it deals with the question of yearly spending by convention center delegates for hotel accommodations, and the hotel occupancy tax for the start-up period of 3-years to finance the convention center. Mr. Phelan states that--

"since most of this spending will result in increased profits to the owners of our present hotels, why should the taxpayers of Washington, D. C. be asked to finance the building?... The hotel industry has offered to support an increase in the hotel room tax to \$.80 per day for three years until the convention center is operating at full

capacity. It should be emphasized that this tax on hotel guests is not a risk tax. If the number of new delegates expected to come to Washington, D. C. does not materialize, the hotel industry will not suffer financial losses. The residents of the District of Columbia however, will be required to make the debt service payments on the bond issue."

The convention center is to be the show-piece, the center-piece, of the Downtown Urban Renewal Project. Urban renewal is a Federally-funded program which was supposed to re-house slumdwellers in decent, safe, and sanitary dwellings, nation-wide and here in the District of Columbia. Urban renewal has pretty much failed in the great task given it by the Congress despite continual reforms to direct it back to its central task of providing decent homes for slumdwellers.

The City Council, the Mayor, the Board of Trade, and Downtown Progress have two major downtown projects for Congressional funding approval, they are--

1. The convention center.

2. A major office complex at 12th and G to rent for \$10 per square foot, and to provide a minum of 300,000 square feet, at this price per foot, which is twice what the present rents for city office space in that area are at the present time.

With the convention center approval, the \$10 per square foot ^{rental cost} will be easily justified. Yet, as the Washington Post points out in the attached article (July 24, 1976) and I quote:

"The arrangement with Hines is an unprecedented one for the District. Some urban renewal officials expressed fear that the city would be "besieged by these requests" by other developers in urban renewal areas."

That this project is closely tied into the convention center project, and that Congress will be dealing with it soon is shown by the attached Washington Post report of June 22, 1977. This is another arrogant, unprecedented mis-use of urban renewal.

When and if the Congress and its Appropriations Subcommittees on the District of Columbia votes for the convention center it might as well stay in session and approve the "unprecedented arrangement" sought by the proponents of the convention center, and then it should immediately vote for (1) the commuter tax, and (2) doubling the Federal Payment.

With such exciting projects before it as convention centers, new hotels and office buildings, and other spin-off developments, the Pennsylvania Avenue Project, Streets for People, etc., etc., to make the "golden square mile urban renewal project area" even more "golden", no wonder the Congress is unable to deal with the real problems of the inner city such as providing the required 150 sq. ft. of playground space per pupil at the public elementary schools such as Adams, Morgan, and Cooke in the Adams-Morgan area, why the Congress is unable to provide a public library in the Adams-Morgan area, why the Congress can view with benign neglect -- to use Senator Moynihan's phrase--the provision of only 2,236 housing units for the poor by the local urban renewal agency while it spends \$750 million of the tax funds supplied by the nation's taxpayers.

Senator William Proxmire, head of the Senate's Housing and Urban Affairs Committee, recently strongly criticized President Ford's Administration for housing failures, and said in a letter to the editor of the Washington Post that:

"The community development block grant program has virtues, certainly, but also many, many problems. Neighborhood action groups recently told Congress that HUD's totally hands-off policy has let city officials use the funds for political projects which by-pass the people."

I include Senator Proxmire's letter as part of my testimony because it is clear that it isn't President Ford, or President Carter who is to blame nearly so much as it is the Congress itself. The convention center is a perfect example of a political project which has by-passed the people, and Congress must not do it or the by-passing of the people.

In 1972 Congressman Charles Vanik, who is highly regarded, condemned the convention center as well as the Pennsylvania Avenue project as planned at that time. He said (Oct. 14, 1972) that:

"We are building a marble city here on the banks of the Potomac--a city which we can show off to the rest of the world--but in the meantime the rest of our great cities seem to sink into deeper and deeper difficulties. I have no doubt, Mr. Speaker, that the redevelopment problems of my own city of Cleveland, Ohio, could be largely met and overcome if they could be provided with a Federal Government development corporation... Several days ago, \$250 million in 7 1/2 per cent District of Columbia bonds were sold to the public -- guaranteed by all of the taxpayers of America. Several weeks ago this House passed legislation for a multimillion-dollar convention center in the District of Columbia under another authority guaranteed by the taxpayers of America. What will be left to save the other cities of America which so desperately need our help?"

To recapitulate, ^{almost} Since the convention center will clearly be used ^{solely} for conventioners coming to the Nation's Capital to see and meet with leaders in the Federal Establishment, we see no justification for the entire burden of ^{operation} cost and maintenance for such a center being borne by the taxpayers of the District of Columbia. This ^{I believe} is the key issue.

If the Congress has no intention of contributing the site--which would save as much as \$30 million on the original cost--or ^{contributing one cent} its construction and operation, we see no justification ^{at all} for this project being put on ^{backs of the} the hard-pressed taxpayers of this city. This city's riot-torn areas need help far more ^{than this city needs} than this city needs.

This convention center ^{plan} was adopted by leaders in the D. C. City Council who counted on the Congress to double the Federal Payment and adopt a commuter tax to help the city pay for this hugely expensive project. We do not see any evidence of the Congress doing either of these things. If Congress does both ^{I'm sure many citizens} would support the center.

Further, we think it is high time for the Congress to insist that urban renewal projects build housing for the slum-dwellers instead of convention centers and office buildings for the Federal agencies and departments, and for the constituents of Members of Congress and those doing business with the Federal Establishment.

We, therefore, ask that you reject the D. C. Budget item of \$27.7 million requested by the D. C. Government for site acquisition and partial design costs for the proposed Washington Civic Center to be located in the Mount Vernon Square area

at 10th and H Streets NW which, if adopted, would (1) distort^Λ further the purposes for which urban renewal was originally adopted, and (2) destroy the Chinese community and disrupt it for the second time in this century, and do so needlessly.

Since the citizens were deliberately by-passed in this project, the Congress must not approve this project until it is approved by the citizens in a city-wide referendum. Therefore we ask the Congress^Λ to reject it and demand a referendum--as the House did on April 8, 1974, just three short years ago.

DC Gazette

JUNE-JULY 1977

The myth of downtown

A MAJOR part of the justification for helping developer and commercial interests through hundreds of millions for subways and freeways to bring people downtown and for downtown urban renewal, a convention center, the Pennsylvania Avenue Plan and "Streets for People," is the popular assumption that public money poured into downtown will revitalize it. City planners, downtown progress, the Board of Trade, council members, the media and others encourage this belief with rhetoric that is stunningly devoid of any hard evidence.

In an effort to find out just how much money we should be spending on downtown, we set out to learn what downtown produces in revenues for the city and what it costs in services. We failed because no one has bothered, or has been able, to come up with the basic facts upon which sound planning should be based. Downtown Progress considered funding such a project but backed off when they were told by consultants that there were too many definitional problems to make a sound study at the price it was prepared to pay. The planning office has done nothing. The budget office has done nothing. Tax collections are not made in a way that makes the information accessible. And if anyone knows how much it costs to service downtown or any other part of the city, it's a well guarded secret.

Without this information, every project propels itself on a myth — the one that any money spent on downtown is money well spent. One need only look around downtown and consider the sums already expended to "revitalize" it to bring this myth into question.

Since anybody's guess is as good as anyone's else's in this situation, we decided to make what E.F. Schumacher calls "an exploratory calculation." An exploratory calculation, like a prediction, doesn't prove anything, but it may help us understand the direction in which the proof lies.

Taking revenue and expense figures for the DC government for 1967 and 1976 we assigned arbitrary but not unreasonable values to portion that downtown generated or cost. For example, we know that 4% of the income tax revenue of the city comes from the four zip codes that include downtown. They include more than downtown, but we assigned a value of 4% as downtown's share of personal income tax and 25% of other income taxes.

For sales tax, we assigned 25% as downtown's share. This is generous, especially when one considers that a particular business can not truly be credited with "generating" a sales tax when that tax comes out of a DC resident's dollar that would probably be spent somewhere in the city in any case. We assigned 25% of all other business-related tax revenues to downtown.

On the expense side, 15% of the costs of public safety and environmental services and the public safety portion of pension liabilities to downtown. Thirty percent of the Transportation Department's budget and the Metro deficit went to downtown, which is conservative. We included, as does the city's first unphoned fiscal report that was compiled with the aid of professional accountants, the capital contribution to Metro as an operating expense. The reason for this is that the Metro is an asset of the Washington Metropolitan Transit Authority and not of the city. For all other government expenses we assigned 5% of the cost to downtown, roughly equivalent to what we credited in income tax.

Rough, yes, but not unreasonable. Here is how it adds up. In 1976 the city received \$139 million in revenues from and spent \$127 million on downtown. A net profit of only \$12 million, or 9% over costs.

Now let's look at 1967. The figures for that year were \$66 million in revenue and \$44 in expenses or a profit of \$22 million or 50% over costs.

Even if the percentages assigned are off significantly, they probably have not shifted dramatically over the decade, so in any case show downtown being at best a much less profitable enterprise for the city than it was ten years ago before many of the capital "improvements" were underway. If we are to depreciate these improvements, we will have to add another \$20 - \$30 million a year to the cost of running downtown each year.

Clearly, downtown — as a revenue producer for the city — has lost ground despite all the money being poured into it. We can only guess what sort of gains would have been produced for a similar investment over the last ten years in permanent new jobs, rehabilitated housing, or even simple but often ignored public amenities. Or if the money had been used in parts of the city that were crying for economic development. Instead, it was put in a place where it not only did not produce an improved financial situation, but left the city worse off than it was before.

WASHINGTON AREA CONVENTION AND VISITORS ASSOCIATION

STATEMENTS OF:

JOSEPH H. RILEY, VOLUNTEER PRESIDENT, WASHINGTON
AREA CONVENTION AND VISITORS ASSOCIATION

JOHN J. PHELAN, REPRESENTATIVE, CAPITOL HILL RESTORA-
TION SOCIETY

BERT ANDERSON, COMMITTEE OF 100 ON THE FEDERAL CITY

PREPARED STATEMENT

Senator DECONCINI. Mr. Riley?

Mr. KENNY. I am representing Joseph Riley, who had to leave,
sir. We will submit our position for the record.

Senator DECONCINI. Your name, sir?

Mr. KENNY. Austin Kenny.

Senator DECONCINI. Thank you very much.

[The statement of Mr. Riley follows:]

STATEMENT OF JOSEPH H. RILEY, VOLUNTEER PRESIDENT OF THE WASHINGTON
AREA CONVENTION AND VISITORS ASSOCIATION

MY NAME IS JOSEPH H. RILEY AND I AM APPEARING HERE TODAY AS THE VOLUNTEER PRESIDENT OF THE WASHINGTON AREA CONVENTION AND VISITORS ASSOCIATION AND, BY PROFESSION, I AM THE PRESIDENT OF THE NATIONAL SAVINGS AND TRUST COMPANY. I HAVE WITH ME TODAY AUSTIN KENNY, THE EXECUTIVE VICE PRESIDENT OF THE ASSOCIATION. THIS ASSOCIATION IS AN INDEPENDENT, NON-PROFIT ORGANIZATION OF BUSINESSMEN THAT WAS FORMED SOME 46 YEARS AGO TO INCREASE THE ECONOMIC HEALTH OF THE AREA BY SELLING AS MANY CONVENTIONS AS POSSIBLE ON THE IDEA OF MEETING IN THE NATION'S CAPITAL AND, ALSO, TO TRY TO INCREASE THE AREA'S TOURISM.

NINE YEARS AGO, AFTER MANY YEARS OF FRUSTRATION IN WATCHING OUR CUSTOMERS OUT-GROW US AND LISTENING TO MANY OTHER POTENTIAL CUSTOMERS TELL US THEY COULD NOT MEET HERE DUE TO A LACK OF PROPER FACILITIES, WE CONTRACTED FOR THE FIRST FEASIBILITY STUDY ON A CONVENTION CENTER FOR WASHINGTON. THAT STUDY AND ALL SUBSEQUENT ONES, INCLUDING THE VERY HIGH CALIBER ONE THAT HAS JUST BEEN DONE BY THE MUNICIPAL PLANNING OFFICE AND GLADSTONE ASSOCIATES, HAVE, WE FELT, VERY CLEARLY DEMONSTRATED THE NEED AND THE ECONOMIC FEASIBILITY OF SUCH A CENTER FOR THE CITY. I CANNOT ENDORSE TOO STRONGLY THE VITAL NEED FOR THIS FACILITY AS SOON AS POSSIBLE.

SEVERAL FACTORS CLEARLY INDICATE THE VIABILITY OF A CENTER FOR WASHINGTON, D.C. FIRST OF ALL, THE CONVENTION INDUSTRY IS VERY DEFINITELY A GROWTH INDUSTRY. ONE OF THE PUBLICATIONS USED IN THE GLADSTONE STUDY WAS TRADE SHOW 150, A STATISTICAL BREAK-DOWN OF THE 150 LARGEST CONVENTIONS AND TRADE SHOWS IN THE UNITED STATES. THEY HAVE JUST RECENTLY PUBLISHED THEIR 1977 EDITION AND THE CONSTANT GROWTH PATTERN WAS VERY CLEARLY INDICATED. A QUARTER OF A MILLION MORE PEOPLE ATTENDED THESE SHOWS IN 1976 THAN IN 1975, NET SQUARE FEET OF EXHIBITION SPACE WAS UP OVER 15 PERCENT, AND THERE WAS AN AVERAGE GROWTH OF APPROXIMATELY 10 PERCENT IN THE NUMBER OF EXHIBITORS PARTICIPATING IN EACH OF THESE SHOWS. A SISTER PUBLICATION REPORTS THAT FOR THE FIRST QUARTER OF 1977, OF THE 80 LARGEST SHOWS, 56 OF THEM REPORTED A GROWTH IN EXHIBITS AND ATTENDANCE AND ONLY 8 SHOWED A DECLINE.

THE COMPLETE UNIQUENESS OF WASHINGTON, D.C. AS THE NATION'S CAPITAL AND ITS IMPORTANCE TO THE ASSOCIATION AND PROFESSIONAL SOCIETY CONVENTION MARKET AS A PLACE TO MEET CANNOT BE OVERSTATED. FOR THE PAST TEN YEARS, WE HAVE WITNESSED A PHENOMENAL GROWTH IN THE NUMBER OF ASSOCIATIONS AND PROFESSIONAL SOCIETIES LOCATING IN THE WASHINGTON AREA FOR THEIR NATIONAL HEADQUARTERS. ALL PHASES OF GOVERNMENT -- EXECUTIVE, LEGISLATIVE, REGULATORY -- CONTINUE TO GROW IN THE IMPORTANCE OF EVERY ORGAN-

IZATION'S LIFE AND THEIR INDIVIDUAL MEMBER'S LIVES EACH DAY. ONLY BY HOLDING THEIR ANNUAL MEETINGS HERE CAN FIRST-HAND KNOWLEDGE BE OBTAINED AND THE VIEWS OF THESE ORGANIZATIONS EFFECTIVELY BE TOLD. IN ADDITION, THIS IS THE ONE CITY THAT TRULY OFFERS EVERY FORM OF DIVERSIFICATION FOR THOSE HOURS WHEN THEY ARE NOT IN MEETINGS -- VISITS TO CAPITOL HILL FOR GOVERNMENT ACTION; THE ATTRACTIONS OF THE GREAT POINTS OF INTEREST ON THE MALL, SUCH AS THE NATIONAL GALLERY OF ART, THE NATIONAL AIR AND SPACE MUSEUM, AND DOZENS OF OTHERS; THE OUTSTANDING COSMOPOLITAN ATMOSPHERE OF THE WIDE DIVERSITY OF THEATRE; AND THE HIGH QUALITY OF TASTES IN RESTAURANTS. THIS IS TRULY A DIFFERENT, COMPLETE, COSMOPOLITAN CITY WHEN COMPARED TO WHAT IS NORMALLY AVAILABLE.

WE WOULD LIKE TO POINT OUT THAT THE CIVIC CENTER IS NOT INTENDED AS A SUBSTITUTE FOR ANY EXISTING OR PLANNED ADDITION TO WASHINGTON'S CONVENTION FACILITIES AND, AS A MATTER OF FACT, THE GLADSTONE STUDY MAKES AN ALLOWANCE FOR THE FACT THAT 50 PERCENT OF THOSE MEETINGS THAT COULD FIT IN EXISTING OR PLANNED FACILITIES WILL BE USING THOSE RATHER THAN THE CIVIC CENTER. STILL, THE WASHINGTON AREA HAS THE THIRD LARGEST CONCENTRATION OF HOTEL ROOMS OF ANY CITY IN THE WORLD AND IN ORDER TO KEEP THIS VITAL SEGMENT OF OUR ECONOMY HEALTHY, WE NEED TO ATTRACT EVERY POSSIBLE OUTSIDE DOLLAR WE CAN. A CIVIC CENTER WOULD DO SEVERAL THINGS. FIRST, IT WOULD ATTRACT THOSE MEETINGS THAT HAVE ALWAYS BEEN TOO LARGE FOR WASHINGTON AND HAVE NEVER MET HERE. SECONDLY, IT WOULD GIVE US AN OPPORTUNITY TO RESELL THOSE CONVENTIONS THAT ONCE MET HERE AND, OVER THE YEARS, HAVE GROWN TOO LARGE AND MUST LOOK ELSEWHERE. THIRD, IT WOULD ALLOW US TO INCREASE OUR SHARE OF THE MARKET IN THE PEAK CONVENTION MONTHS. THE GLADSTONE STUDY AGAIN INDICATES THAT SOME 74 PERCENT OF THE MARKET MEETS IN SEVEN MONTHS OF THE YEAR; AND THEREFORE, TO INCREASE OUR SHARE OF THE MARKET, WE MUST USE EXISTING FACILITIES TO THEIR FULLEST PLUS HAVE THIS FACILITY TO ADD TO THE NUMBER OF DELEGATES WE ARE ABLE TO ATTRACT. AGAIN, WE ARE FORTUNATE SINCE WE ARE ONLY ONE OF FOUR OR FIVE CITIES IN THE UNITED STATES ATTRACTIVE ENOUGH TO THE ASSOCIATION MARKET TO BE ABLE TO ACCOMPLISH THIS.

WE FEEL THAT, IN A VERY CONSERVATIVE MANNER, THE GLADSTONE STUDY HAS CLEARLY INDICATED THAT OTHER CITIES, SUCH AS ATLANTA AND CHICAGO, HAVE FOUND THESE TO BE VERY STRONG, VIABLE UNITS FOR THEIR COMMUNITIES AND THAT WASHINGTON CAN LOOK FORWARD TO MANY, MANY ECONOMIC BENEFITS LIKE THE \$100 MILLION IN NEW EXPENDITURES BY OUT-OF-TOWN DELEGATES, NEW PAYROLL IN THE DISTRICT OF COLUMBIA BETWEEN \$35 AND \$40 MILLION, INCREASED TAX REVENUES OF \$13 TO \$16 MILLION, AND AN OPPORTUNITY TO REGENERATE A DETERIORATING PART OF THE CITY.

WASHINGTON'S SECOND LARGEST INDUSTRY WILL SEE ITSELF FALL ON LEAN TIMES IN THE YEARS AHEAD IF WE ARE NOT ABLE TO GET THIS MUCH-NEEDED FACILITY UNDER WAY AT THIS TIME. IT IS VITALLY NEEDED AND WILL GREATLY ADD TO THE ECONOMIC HEALTH OF OUR CITY. WE KNOW WE CAN SELL THESE MANY MEETINGS ON WASHINGTON'S ATTRACTIVENESS AND ARE ONLY AWAITING THE OPPORTUNITY TO DO SO. WE APPRECIATE THE OPPORTUNITY TO BE HERE AND WILL TRY TO ANSWER ANY QUESTIONS YOU MAY HAVE.

CAPITOL HILL RESTORATION SOCIETY

Senator DECONCINI. Mr. Phelan?

Mr. PHELAN. I am Mr. Phelan. I hope we do have an opportunity to testify again because I did base my presentation on having 3 to 5 minutes. I have spent a number of hours in preparing my statement.

First of all, my name is John Phelan. I am from the Capitol Hill Restoration Society. I represent about 1,500 homeowners in the Capitol Hill area. We are very concerned about the convention center. I am an economist by trade. I have spent many hours trying to come up with various types of estimates on the feasibility of this center.

In one estimate, I produced, if we get 100,000 new delegates, the city will gain about \$2 million in taxes from the project. Assuming that the convention center generates 250,000 delegates, the project will still only produce about \$6 million in taxes. Therefore, either estimate, I believe, there will be substantial losses to the taxpayer. I simply don't have time to go into how I arrived at those numbers. But I do disagree with the auditors office.

I don't think that this convention center will work.

Senator DECONCINI. Do you have a statement or would you like to submit one?

Mr. PHELAN. I have a statement, yes, Senator. I would like to submit that for the record.

Senator DECONCINI. We will leave the record open for that. We would be very pleased to have it.

Mr. PHELAN. There are about 20 other convention centers that are either in construction or planned throughout the Nation. There are about 60 convention centers with over 100 square feet exhibit space available right now in the country. I feel that it is a very risky project.

Senator DECONCINI. Thank you very much, Mr. Phelan.

Is Mr. Riley here? Mr. Williams?

Mrs. ROWE?

COMMITTEE OF 100 ON THE FEDERAL CITY

Mr. ANDERSON. My name is Byrd Anderson. Mrs. Rowe won't be here. I am representing the Committee of 100 on the Federal City. I am very sad first of all that I have to come to Congress to plead the case of the District of Columbia. This is a matter that shouldn't take your time nor our time. This is something that should be settled at the Council building. Because of the lateness of the hour, I will submit my testimony and a copy of the L'Enfant plan. Briefly, the Committee of 100 has grave concerns and many questions about the proposed convention center.

Thank you.

Senator DECONCINI. Thank you very much, Mr. Anderson. Have you already left your statement here?

Mr. ANDERSON. I will leave it.

Senator DECONCINI. I will insert in the record at this point the full statements of the previous two witnesses, Mr. Phelan and Mr. Anderson.

[The statements follow:]

STATEMENT OF JOHN J. PHELAN

I want to thank you for the opportunity to be heard on this important matter. My name is John Phelan and I am testifying for the Capitol Hill Restoration Society. In this capacity, I am representing a large group of citizens from the Capitol Hill area who are very concerned about the construction of a convention facility with taxpayers money. They want to know if the project is financially sound or will it be a 30 year fiscal drag on our limited resources, resources with alternative uses? As I read the feelings of the residents in my community and in other neighborhoods I have visited throughout the City, the project is not desired if it will not produce a return on the investment of \$110 million of at least what could be obtained by the City from safe securities.

I have prepared a report on the economic feasibility of the convention center. I would request permission to submit this report as my testimony.

Introduction

The District of Columbia's decision to invest \$110 million of taxpayers' money in a convention center is based on a feasibility study by Gladstone Associates. The purpose of this paper is to provide a critical review of this report.

The report seems more an advocacy statement than an impartial examination of the subject. Basically, it overestimates tax revenues to the City and underestimates costs. Tax revenues are exaggerated because they are based on inflated gains in new convention delegate attendance and include tax revenues from sources not normally used by other convention managers. For example, Gladstone Associates included property tax revenues from hotels that might be built at some time in the future but for which there is no firm commitment. On the cost side, the Gladstone report excludes the cost of city services that would be required to augment major conventions and costs of a community center promised for residents of the adjacent Chinatown area. Finally, the report did not discuss the impact of the Sheraton-Park Hotel facility that

will soon be able to accommodate 80% of the conventions scheduled as potential users of the new proposed center.

Washington, D.C. Is a "Unique" Convention City

The proponents of the convention center, mainly the hotel industry, argue that the construction of this building by the City will be a profitable venture because we are a "unique" convention town. Washington, D.C. is the seat of the Federal government and is an attractive tourist city. It is claimed by Gladstone Associates that the financial losses suffered by other cities due to the construction of convention facilities will not occur here. There are a number of interesting implications one can derive from this argument.

Assume for the moment that Washington, D.C. is so unique that we do not have to compete with other convention cities. It follows then that the Gladstone estimate of 350,000 new convention delegate attendance for Washington, D.C. may be reasonable. Also, Gladstone Associates' estimate of new yearly spending by delegates for hotel accommodations and restaurants of \$65 million may also be accepted. Now since most of this spending will result in increased profits to the owners of our present hotels, why should the taxpayers of Washington, D.C. be asked to finance the building? ^{1./} Profits from additional sales of this magnitude should be sufficient to justify private financing. The stockholders of the existing hotels will observe that their assets have increased in value due to the expected increase in profits from the convention center. The increase in value of hotel stocks will be greater if the D.C. Government, through a bond issue, has a substantial share in the financial risks.

^{1./} The hotel industry has offered to support an increase in the hotel room tax to \$3.80 per day for three years until the convention center is operating at full capacity. It should be emphasized that this tax on hotel guests is not a risk tax. If the number of new delegates expected to come to Washington, D.C. does not materialize, the hotel industry will not suffer financial losses. The residents of the District of Columbia however, will be required to make the debt service payments on the bond issue.

The hotel industry will probably argue that it is not possible for private interests to build a convention center because of the difficulty they will have in enforcing property rights. That is, unless all the hotels that would likely benefit from the construction of a convention center are included in the financial arrangements, those most likely to benefit will not find it profitable to build the center with private capital. This is generally known as the problem of the "free rider".

The "free rider" problem is not impossible to resolve. The major hotels could form a joint-venture and float bonds for construction. If the convention center is going to be so profitable, the major hotels, since they stand to gain the most business from new delegates, will have a strong incentive to join the consortium. Once the joint-venture has constructed the center, associations holding conventions in it can be encouraged to house delegates in the hotels responsible for its construction. For example, rental space at the convention center could be priced in such a way as to capture the benefits provided by the center. I am sure other mechanisms could be devised to enable the joint-venture to protect their investments.

The "free rider" problem is not the real reason private capital is not involved in the proposal passed by the D.C. Council. As I hope to argue successfully in the remainder of this paper, the real reason the hotel industry has not offered to invest their funds in this project is that they know it will not be profitable. The convention center will produce more conventions and spending but not enough to cover the investment and generate a return at least equal to the return on alternative investments with less risk. While Washington, D.C. is an attractive city, it does compete with other cities for conventions. Cities like New Orleans, San Francisco, Las Vegas, Boston, New York and Atlanta, just to name a few, all have their charm and will always be in competition with each other for conventions. Other cities throughout the country will attract conventions simply because most associations have policies of locating their conventions in different geographical sections of the

country every year. As the number of cities with convention centers grows, the rotation to Washington, D.C. will occur less often.

Perhaps it would be useful at this point to review national trends in the convention business with special emphasis on new construction and trends in delegate attendance. How many convention facilities have been built recently? How are the older convention cities holding up to the newer ones?

National Trends in Convention Attendance

Since the Gladstone Report did not include an analysis of convention center market shares and their trends, we are forced to rely on available sources, some of which are three years old but still probably valid.

The Haight-Hill Co., a New York consulting firm, used data from Sales Marketing^{1./} to assess market trends in the convention business in a 1973 report concerning the construction of a new convention center for New York City. An interesting conclusion emerged from their analysis, one that is probably still valid today. Haight-Hill found that older cities^{2./} have been steadily losing out to new convention cities in the South, Southwest, and West.^{3./} The study showed that between 1967 and 1973, attendance in older convention cities had dropped from 59.1 to 50.9 percent of the national market. While at the same time, attendance in the newer convention cities had increased from 6.8 to 12.2 percent of the national market.

In conclusion, the authors of the Haight-Hill study claim that "decentralization...has been going on for more than two decades. As industry has moved to the South, West, and the Southwest and fanned out from the older cities to the suburbs and exurbs, the market for conventions and trade expositions has tended to follow the dispersion."^{4./} The Gladstone Report did not

^{1./} Sales Marketing, Philadelphia, Pennsylvania, has data on all major conventions which would allow one to compute market shares.

^{2./} Cities in this category besides Washington, D.C. include: New York, Chicago, Houston, New Orleans, San Francisco, Detroit, Miami, Los Angeles, Dallas, Philadelphia, Atlantic City, Las Vegas, Boston, and Cleveland. (See Table 5, Haight-Hill, pp.23.)

^{3./} Cities in this category include: Denver, San Antonio, Fort Worth, San Diego, Anaheim, Atlanta, and Cincinnati.

^{4./} Haight-Hill, pp. 28.

attempt to provide this kind of analysis. It would seem to be of utmost importance to have a current estimate of industry trends before the City invests \$110 million in this project. If the trends indicated in the Haight-Hill study for 1973 have continued to the present, it would raise serious doubts about the feasibility of this project.

Washington, D.C.'s Share of the National Market

According to the the Haight-Hill study, Washington, D.C.'s share of the national convention market has declined from 5.4 to 3.8 percent for conventions of 2,000 or more delegates.^{1/} Even though our share of the national market has declined total attendance has increased form 375,000 to 635,000 between 1960 and 1975.^{2/} The average yearly increase has been 15,200 delegates.

Proponents of the convention center claim that the reason we have lost out in the convention business is that we can no longer accommodate conventions we used to get and that we are not able to accommodate larger conventions. With a new convention center, it is argued, we will keep old customers and gain new ones. What does the data reveal? It appears that many other cities are building convention centers, almost always with state government financing. This has resulted in rapid growth in new facilities throughout the country. Since most of these facilities are operated at a financial loss, competition for conventions has been very keen. The growth in convention attendance has not kept pace with the growth in supply of facilities. It is understandable why the hotel industry in this city would like to have the government subsidize their operations since many other facilities have the backing of their respective state governments. The issue before us is not will the convention center help the hotel industry but rather will the facility be profitable enough to provide a good return of the City's investment? The data reveals that it is unlikely that investment of \$110 million will give the

^{1/} Haight-Hill, pp. 23

^{2/} Sources: Economic Research Associates Report, "Market, Financial and Economic Impact Analysis of the Proposed Eisenhower Convention Center," October 11, 1973, p. 5; and Gladstone Associates, "Technical Appendices," March, 1977, p. A-69.

City a return sufficient to cover the costs of the project. As a matter of fact, it is unlikely that the return will even be equal to a like investment of \$110 million in relatively safe government or private securities.

Experience of Other Convention Cities and Trends in Construction

Other cities have experienced very low growth rates even after opening new convention facilities. According to data published in a previous unpublished edition of the Gladstone Report, the average increase in convention delegate attendance three years after opening a new facility was only 106,000 (23%). Some of these delegates would have come to conventions in the absence of the new facility. The Gladstone Report estimates that attendance in Washington, D.C. will increase by 400,000 to 450,000 and that approximately 300 to 350,000 will be delegates that would not have come without the center. These estimates appear to be highly speculative and not consistent with experiences in other cities. (See Table 1.)

The major contributing factor to the financial problems of convention facilities and to those who bear the risk, is the substantial growth in new convention centers throughout the country. Unfortunately, the Gladstone report did not provide us with an analysis of this phenomenon even though they are consultants for other cities for convention center construction. In 1973, the last year for which data is available to this writer, new convention centers were being built in the following cities: St Louis, San Francisco, Buffalo, Niagara Falls (completed), Albany, Nassau County (NY), Sullivan County (NY), Binghamton, Rensselaer, Syracuse, Erie County (NY), Atlanta (completed), New York City (planned), Kansas City (completed), Louisville (completed), Milwaukee (completed), Memphis, Miami Beach, Quebec, Hartford, Baltimore, Tucson and Phoenix.^{1./} It appears that a number of medium to small cities are entering the market for medium and small conventions, conventions that would have probably gone to the older, established convention cities.

1./ Haight-Hill, p29.

Table 1
ATTENDANCE PATTERNS AT NEW CONVENTION FACILITIES

Facility/Location	Year Opened	Average Number of Delegates		
		Three Years Prior To Opening	Three Years After Opening	Change Number Percent
Convention Center, Dallas	1972	858,700	1,088,000	229,300 27%
McCormick Hall, Chicago	1971 ^{1/}	1,373,350	1,549,330	175,980 13%
Convention Center, Anaheim	1967	50,000 ^{3/}	172,000	122,000 244%
Convention and Exhibit Center, Los Angeles	1971	334,670	377,000	42,330 13%
Cobo Hall, Detroit	1960	187,000 ^{6/}	297,200	110,200 59%
Mecca, Milwaukee	1974	163,500	174,700 ^{5/}	11,200 7%
Convention-Exposition Center, Indianapolis	1972	254,500	309,200	54,700 21%
Convention Center, Baltimore	1978 ^{2/}	55,430 ^{5/}	116,660 ^{6/}	61,230 110%
World Congress Center, Atlanta	1976 ^{2/}	533,465	867,500 ^{6/}	334,035 63%
Average (Including Atlanta and Baltimore)		423,400	550,200	126,800 30%
Average (Excluding Atlanta and Baltimore)		460,250	566,800	106,550 23%

^{1/} Fire destroyed original structure in 1967.

^{2/} Anticipated opening date.

^{3/} Estimate - no figures were available for convention attendance in Anaheim prior to the opening of the Center. The 1975 attendance figure was 491,000, approximately 60% of which is attributable to the Center.

^{4/} Applies to 1959 only.

^{5/} Two years.

^{6/} Projected attendance.

Based on information available to us today, it does appear that building convention centers is and has been a booming business. This activity should raise serious questions for decision makers attempting to decide if Washington, D.C. should invest such a large amount of money for another convention facility. Unless there is going to be an unprecedented increase in convention attendance, of which there is no indication, the over-building on convention halls will result in serious financial difficulties for those who share the financial risks in these projects. In this case, as in many cities, the taxpayers will suffer the losses. In Washington, D.C. we have the unusual situation where the 700,000 residents of the city will bear the risks in the venture.

Economics of the D.C. Convention Center

A. Revenues

Now that some preliminary estimates of national trends have been reviewed, perhaps the Gladstone Associates' estimates of tax revenues to the city can be evaluated more objectively. I have computed two estimates of total tax revenues (See Appendix) expected to result from the construction of a convention center. The purpose of this exercise is to determine how sensitive the tax revenues are to various important elements in the equation. You will see that tax revenues are very sensitive to small changes in the number of delegates or the number of nights delegates will stay in Washington, D.C. hotels.

The first estimate is rather conservative. It might represent the tax revenues accruing to the city if the number of new delegates coming to Washington, D.C. is about what other cities have experienced after building convention centers. Total net tax benefits to the city are estimated to be only \$2 million per year (versus a yearly debt service and operating deficit of \$10 to \$11 million).

The assumptions made in calculating this figure are as follows:

1. 100,000 net increase in convention delegates versus 300,000 assumed in the Gladstone Report.
2. The average number of nights each delegate stays is 3.2 rather than 4.4.

3. The number of new exhibitors is 15,000 rather than 45,000 in the Gladstone Report and the average number of nights they stay is assumed to be 6 rather than 8.
4. We assumed that the District hotels would gain 70 percent of the delegates rather than 90 percent.
5. The number of new jobs created is 1,200 instead of 4,000 and 33 percent are District residents rather than 67 percent assumed by Gladstone Associates.
6. We did not include property tax estimates from hotel room construction and "spin-off" development.

I believe these estimates are quite low, but they may turn out to be very reasonable. The use of 100,000 new delegates appears to be supported by data on the experiences of other cities. The D.C Gazette (May, 1977) reported that the average number of nights delegates stay in Washington, D.C. is 3.2; the construction of new hotels outside Washington, D.C., especially in Northern Virginia, increases the probability that Washington, D.C. hotels do not have 90 percent of all delegates staying in their facilities; the number of jobs is substantially lower because of the lower convention spending figures; and finally, dropping estimates of property taxes from hotel construction and "spin-off" development is in conformity with procedures adopted by management of the Atlanta World Congress Convention Center. They claim that estimates of benefits stemming from such indirect sources are not reliable and are not normally used by convention managers.

The second estimate of tax revenues is based on more "liberal" assumptions concerning new delegates, length of stay, and job creation. I estimated that tax revenues to the City could approach \$6 million per year under these assumptions, still not sufficient to overcome the cost to the taxpayer (See next section on Costs).

The following assumptions have been made concerning this estimate:

1. 250,000 new convention delegates with an average stay of 3.5 nights.

2. The number of exhibitors is 30,000 with an average stay of 7 nights.

3. 80 percent of the delegates stay in Washington, D.C. hotels.

4. 2,000 jobs of which 50 percent are held by Washington, D.C. residents. I assume, like Gladstone Associates, that the average gross income of employees is \$10,000. The average income tax paid to the District of Columbia government with this level of income, for a family of four, is 2.5%^{1./} rather than 4 percent used in the Gladstone Report.

The proposed New York City convention hall expected to bring in 200,000 new convention delegates to that city, and the facility was to be much larger (560,000 sq ft. versus 300,000 in the D.C. center).

The number of new jobs for the District is more than was estimated by Economic Research Associates in their 1973 report on the Eisenhower Center. In that report, they estimated that the number of jobs would be 1,700 and that one third would be held by Washington, D.C. residents.^{2./}

In any event, I believe the Gladstone estimates of tax revenues are overstated. They claim to have a list of prospective conventions that will come to Washington, D.C. if a center is built. The list was not made available to the public for inspection. The procedures Gladstone used to compile the list are suspect. The General Accounting Office report confirms that prospective candidates were contacted by phone and asked if they would come to Washington, D.C. if a convention center was built.

There are serious problems associated with using this methodology to determine potential users. According to managers of the new Atlanta World Congress Convention Center, most associations planning conventions book in two or three cities prior to making a final choice. Therefore, even tentative bookings are not

1./ See District of Columbia Data, District of Columbia Municipal Planning Office, December, 1976, Table 6., p.7.

2./ Economic Research Associates, p. 24.

solid indications of future business. Secondly, most associations would undoubtedly respond affirmatively when asked if they would come to Washington, D.C. if a convention center was constructed. The greater the number of convention centers the lower the price of rental space and the greater the choice of cities. The incentives are set up for a positive response. I believe Gladstone should have developed better marketing research tools.

B. Costs

Of course the other major factor in determining net "tax profits" for the District of Columbia from an investment in a convention center must be the expected full costs. Ideally these costs would include the opportunity cost of net returns to other socially desirable projects in which the \$110 million could be invested. The city could attract more families and widen the tax base if the school system was improved even more than it has been over the past two to three years. Tax rates might be reduced, both property and income, to the level of our surrounding communities. Any number of projects could be devised to spend \$110. million. The convention center should be ranked by the voter along with other options through some sort of referendum process.

Aside from the issue of opportunity costs, the convention center proposal does not include other "out of pocket" costs. Some of the major cost items not included in the Gladstone estimates are the costs of city services that will be necessary to support the center. These estimates are not impossible to make since governments often must make them in order to prepare budget proposals. Another item Gladstone did not include involves the construction of community center promised by the City to the residents of Chinatown.

Cost estimates for the construction of the convention center are based on the use of eminent domain to acquire the land. The true social costs are greater than the cost to the government of acquiring the land under this government power. The use of eminent domain is justified on the grounds that it will "save" the government money in acquiring the land for construction; that is,

it would be more expensive to acquire the land if each seller were able to obtain a price for his property equal to its "fair market value". The "fair market value" price of a business firm located on the proposed construction site will not consider all possible relocation costs. The results of the Southwest urban renewal project should provide enough experience with the use of eminent domain to question its use for a project that is primarily private in nature. It should also be pointed out that the Director of the District's Municipal Planning Office, Mr. Ben Gilbert, announced at a public meeting that an adjacent block would also be taken by the City for the construction of a private hotel. Surely the power to condemn land was not intended for private, for-profit projects such as this. The money the government "saves" through the use of eminent domain should be included as a "cost" item by Gladstone because it represents the seller's loss. .

The final major cost item that should be evaluated closely relates to the interest payments on the bond issue anticipated to re-finance the convention center after construction is completed. Under the present plan, the District of Columbia will borrow from the U.S. Treasury during construction at 8.5% rate of interest and re-finance by a municipal bond issue in 1982. Gladstone Associates estimated that the interest rate on the bond issue will be 6.5% per year. In order to obtain such a low rate of interest, the District of Columbia will have to receive a AAA bond rating from Moody's or Standard and Poors. Since the financial condition of the District is in such an uncertain state, a AAA rating is highly unlikely. The City has the highest taxes compared to other jurisdictions in our area, the highest debt per capita than any other city in the country and is very close to the debt ceiling established by Congress in the Home Rule Charter. Secondly, and probably more important is the fact that there is no way to predict what bond rates will be in 1982 when the City plans to issue them. The rate of interest a city will be required to pay on a bond issue will depend on market conditions in the year that the issue will be made. Market conditions depend on supply and demand, the rate of inflation and the current

bond rating. The Gladstone report assumes that the rate of interest will be 6½%. A one percent increase in the interest rate the City may be required to pay on its bond issue will increase the yearly debt service to \$10 or \$11 million.

Expected Tax Benefits: The Eisenhower Convention Center in 1973.

In 1973, the District of Columbia proposed the construction of the Eisenhower Convention Center after which the present convention center is patterned. At that time, the consulting firm of Economic Research Associates was hired to complete an economic feasibility study for the District. ERA estimated that the Eisenhower Convention Center, which was to be the same size as the present one, would generate approximately \$5.7 million per year in taxes to the city. The Consumer Price Index (CPI), has increased by something less than 30 percent since January, 1974. Multiplying \$5.7 x 1.30 \$7.4 million in taxes in current dollars. Compare this to the Gladstone estimate of \$14.3 million for the present project. Part of the difference is due to changes in the sales tax rates between 1973 and 1977, but part of the difference is also due to varying estimates of new jobs to be created and the number of new hotel rooms expected to be constructed.

The Height-Hill Co., in 1974, estimated that a new convention center in New York City would generate approximately \$7.7 million in tax revenues for that city (in current dollars). The proposed center for New York was to be substantially larger than the D.C. center and they estimated that the center would generate only 200,000 more delegates for the city. This is substantially less than the Gladstone estimate of 300,000 to 350,000 for the Washington, D.C. center. All this is simply to point out that the estimates by various "experts" can vary substantially, affecting tax benefits accordingly.

It should be mentioned at this point that Washington, D.C. will soon have, with the completion of the Sheraton-Park hotel addition, 331,000 sq ft of exhibit space. The Sheraton-Park will have almost 200,000 sq ft alone. This is sufficient to accommodate approximately 82% of potential users of the new facility

according to the Gladstone report. The potential market for the new Washington, D.C. center was estimated by Gladstone to 325 conventions. Of this figure, 277 will require less than 200,000 sq ft. of exhibit space.^{1/} Of the remaining potential users that require more than 200,000 sq ft of exhibit space, Gladstone estimated that 6 to 8 would locate in Washington, D.C. every year. The number of new delegates represented by these conventions amounts to 70-90,000 per year. The result of all this is simply that the present facilities will be able to accommodate most of the conventions Gladstone Associates claim will come to the new facility with the exception of 70 to 90,000.

Finally, the Atlanta Center estimates that for the year, 1977, the first full year of operation, 179,500 convention delegates will use their center. The Gladstone report indicates that Atlanta will have 313,000 out of town guests in 1977. I believe my figures are more current since they were obtained from the management of the World Congress Center in Atlanta after the Gladstone report was released to the public.

Management of the Atlanta World Congress Center claim that 90% of the delegates coming to their city would not have come in the absence of their facility. However, Atlanta did not have sufficient hotel accommodations until about the same time that the convention center was built. Four major hotels opened within a few months of the completion of the convention center. This fact should be considered as contributing to the growth in convention business for this city. By the year 1982, management of the Atlanta center claim they will reach 300,000 delegates. That is, it will take them six years to reach the level of attendance that the Gladstone report claims Washington, D.C. will reach two to three years. Also, the Atlanta managers have informed us that by 1982, the State of Georgia will earn approximately \$11 million in tax revenues. In current dollars this figure reduces to about \$9 million. Since their center only cost the State \$35 million, tax revenues are probably covering costs. Our center will cost \$110 million and will require an increase in

tax revenues of \$10 or \$11 million to break even, assuming no cost overruns.

Summary

The main purpose of this paper has been to show how sensitive the consultant's estimates of "tax-profits" are. Relatively minor changes in interest rates, length of stay of delegates, average convention size and estimates of new delegate attendance - will change tax revenues substantially.

Even though there has been rapid growth in government subsidized convention facility construction in other cities, Washington, D.C., should be able to hold its own. With the addition of the Sheraton-Park facility, that hotel alone will accommodate 80% of the new conventions estimated by Gladstone Associates for the new Mt. Vernon Square facility. In order for both facilities to be profitable, an unprecedented increase in convention attendance would have to occur.

Even in the absence of the competition from the Sheraton-Park Hotel, the Mt. Vernon center would have to generate a substantial increase in convention attendance at a time when many new facilities are being constructed by other cities. Our estimates of net tax benefits to the City range from \$2 to \$6 million. The center will cost taxpayers approximately \$10 to \$11 million per year including operating losses.

Since the hotel industry will not have risk capital invested in the project, any increase in convention attendance, though not enough to pay the debt service on the convention hall, will produce an increase in the wealth of hotel stockholders. The only ones who stand to lose, as is usually the case when government and business hold hands, will be the taxpayers of this city.

APPENDIX

TAX REVENUE ESTIMATES ACCRUING TO THE DISTRICT OF COLUMBIA
FROM A CIVIC CENTERI. Delegate/Exhibitor NightsDelegates:

Conservative Estimate: $(100,000 \times 3.2 \times 70\% \text{ Captured in D.C.}) = 224,000$ delegate
nights

Liberal Estimate: $(250,000 \times 3.5 \times 80\% \text{ Captured in D.C.}) = 700,000$ delegate nights

Exhibitors:

Conservative Estimate: $(15,000 \times 6.0 \times 70\% \text{ Captured in D.C.}) = 63,000$ Exh. nights

Liberal Estimate: $(30,000 \times 7.0 \times 80\% \text{ Captured in D.C.}) = 168,000$ Exh. nights

Totals:

Conservative Estimate, total number of delegate/exh. nights = 287,000

Liberal Estimate, total number of delegate/exh. nights = 868,000

II. Direct RevenuesA. Hotel Occupancy Taxes

Conservative Estimate: $(287,000 \text{ del/exh nights} \times \$28.96, \text{ the average daily hotel room expenditure} \times \text{current tax rate of } 8\%) = \$688,089$

Liberal Estimate: $(868,000 \text{ del/exh nights} \times \$28.96 \times 8\%) = \$2,083,200$

B. Retail Sales Taxes

Conservative Estimate: $(353,500^{\frac{1}{2}} \times \$35.16, \text{ daily retail expenditures by delegates,} \times 7\% \text{ retail sales tax}) = \$870,034.$

Liberal Estimate: $(992,000 \times \$35.16 \times 7\%) = \$2,441,510$

Subtotal Direct Revenues

Conservative Estimate: \$1,558,123.00

Liberal Estimate: \$4,524,710.00

^{1/} For this tax I assume delegates stay 4 days on average. Most delegates stay more days than nights at conventions.

C. Less: Existing Real Property Taxes on Land and Buildings at Mt. Vernon Square Site

\$200,000.00

D. Total Net Direct Revenues:

Conservative Estimate: \$1,358,123.00

Liberal Estimate: \$4,324,710.00

III. Indirect Tax Revenues

Income Taxes from New Jobs Created by Convention Center

Conservative Estimate: (1,200 jobs x 33% to D.C. residents x \$10,000 annual income x 2.5% income tax rate) = \$99,000

Liberal Estimate: (2,000 jobs x 50% to D.C. residents x \$10,000 x 2.5%) = \$250,000

IV. Induced Revenues

Conservative Estimate: (sum of Direct and Indirect Tax Revenues x .30) = \$437,137

Liberal Estimate: (sum of Direct and Indirect Tax Revenues x .30) = \$1,372,200

V. Total Annual Tax Revenue Generated by Convention Center

Conservative Estimate: \$1,894,260

Liberal Estimate: \$5,946,910

Questions that should be asked proponents of the Convention Center

GLADSTONE ASSOCIATES:

1. Who are the owners of Gladstone Associates?
2. Who is Quadrangle, Inc.? Do they own property in the District of Columbia? If so, where is it located?
3. Is Gladstone Associates or Quadrangle, Inc. currently representing any party or person concerning any real estate transaction or possible transaction near the proposed site of the convention center? If so where is the property in question? If not, what is the nearest location to the proposed construction site where Gladstone Associates or Quadrangle, Inc., might have either ownership or a business transaction?
4. How many other cities have been advised by Gladstone Associates to construct a convention center with government financing?
5. With how many cities does Gladstone Associates now have contracts to provide consulting services on convention center? Have you written feasibility studies for any of these cities? If so, will you please make copies of these studies available to this Committee? Also, please make available copies of any other feasibility study you may have written for cities in the last five years.

Note: This question should be asked because the list of possible conventions that would come to Washington, D.C. has not been made public. It is possible that Gladstone is using the same list of conventions for all of its clients thus raising the question of double counting. Also, it would be interesting to see if Gladstone is recommending that other cities build convention centers.

6. Have you ever recommended that a city not build a convention center? If so, please name the cities. If not, why do you think the construction of more convention centers will not result in "over-building" and thus produce financial losses to these cities? (What evidence do you have that indicates that national trends in convention business can sustain the number of new centers being built? Why did you not include such an analysis in your report for Washington, D.C.?)
7. Have you ever attempted to determine trends in market shares for convention cities? What is your most recent attempt and what were your results? Why was this not included in the feasibility study for the District of Columbia? Will you please submit this market share analysis to the Committee?

Note:

Market share data is available from Sales Marketing, Phil., Pa., and has been used by other convention center consultants, particularly the Haight-Hill report on the New York City center in 1974. I have contacted this firm and they have all the data on a current basis to enable one to develop market share data and to see what the trends in convention center attendance has been for the last five years.

8. In the past ten years, how many cities have built convention centers or completed major additions?

Note:

We believe that a number of cities have built convention centers recently. Gladstone did not include an analysis of this activity in their report. Data in available from the International Association of Auditorium Managers, Chicago, Ill. and Amusement Business Mag., Nashville, Tenn.

9. What evidence do you have concerning the experience of other cities in gaining new convention delegates after the construction of new convention facilities?

Note:

Gladstone Associates had included an analysis of this issue in their report but deleted it in the final draft which was made available to the public. The press had obtained a copy of this report. You will find a copy of the table which refers to the experience of other cities in the report I prepared, (page 8) on the Gladstone study. The average increase in delegate attendance was only 110,000 for the cities in the table. This includes delegates that would have come in the absence of the new facility.

10. Would you recommend that the city guarantee bonds by setting aside revenues from hotel room taxes or other taxes to support the convention center? If not, why?

Note:

The following statement was included in the draft of the Gladstone report but was not made available to the public:

" The salability of bonds backed by tax increment pledges would hinge on the bond purchasers' confidence that the civic center would spin off enough taxable development to pay the debt service on the bonds. It is our judgement that the development of the civic center, for all of its acknowledged benefits to the City, is not likely to engender sufficient confidence in the minds of bond buyers that new tax revenues will be achieved adequate to support a significant bond issue, without full-faith-and-credit backing by the District of Columbia." (emphasis added)

11. Why should the taxpayers believe that the center will generate a "tax profit" if the bond market will not?
12. What was the basis of predicting that the interest rate on the D.C. bond issue to re-finance the convention center will be 6 $\frac{3}{4}$ % when the bonds will not be issued until 1981 or 1982?
13. What will the debt service be if the interest rate is 7 $\frac{1}{2}$ %?

Note:

This could occur for a number of reasons. For example, inflation or a low bond rating by Moody's or Standard and Poors will result in the city having to pay higher interest rates in order to sell the bonds. Gladstone Associates have made the assumption that the District will receive a AAA rating which is not likely according to municipal bond experts.

14. Concerning your projections of new convention delegate attendance for Washington, D.C., would you discuss how you arrived at your figures of 350,000 to 400,000 new delegates?

15. What is your opinion of the General Accounting Office's report that criticized your methodology of attempting to determine the success of the convention center. Their report was particularly critical of your method of estimating new delegate attendance.
16. With the completion of the Sheraton-Park facilities, what percent of the conventions scheduled for the Mt. Vernon Square building can be accommodated by this hotel? What will the exhibit space be in the Sheraton-Park? What is the total available in the Washington, D.C. area?

II. DISTRICT OF COLUMBIA REPRESENTATIVES

1. The Auditor's Office of the District of Columbia has stated that the convention center would possibly cause the City to reach its borrowing limit of 14% of tax revenues set by the Home Rule Charter. Does the convention center rate such a high priority that other capital improvement programs must be put aside?
2. What is the City's planned capital budget for the next 5 years?

Note:

Please find attached a copy of the Capital Budget plans taken from the Municipal Planning Office's District of Columbia Data, 1977, pp.54. You will note that the City does not include plans to spend money for capital projects in the following areas for the years 1979 to 1983 (fiscal years):
Federal City College, Public Libraries, Dept of Corrections, D. C. Courts, Washington Metropolitan Area Transit Authority and the Housing and Community Development.

3. Is it reasonable to assume that the City will not need to engage in capital spending projects in the above areas until 1983?
4. Why did the City decide not to include the questions of building a convention center on a referendum in the July election to fill the late Julius Hobson's seat on the D.C. Council.
5. Many citizens groups have complained that the Convention Center issue was not given proper public exposure. Advisory Neighborhood Commissions were not given proper notification and the ANC in the affected neighborhood was not given the required 30 day notice. Why was such an important issue not carefully evaluated by the citizens and the District Government?
6. Why have the hotels not been asked to make long-term financial commitments for a project that is essentially one that involves such a heavy subsidy to them? Let's say the convention center brings in just 100,000 more delegates and that they stay for an average of 3 days and they spend \$28.00 per night on hotel accommodations. The revenue generated for the hotel industry amounts to \$8 to \$10 million per year. Profits could amount to \$4 to \$5 million. The Gladstone report assumed

that the convention center would generate \$40 million in new spending for hotels. While I do not believe that Gladstone Associates are even close on the estimate of new delegates, it is interesting to note the amount of net profits to the hotel industry if they were true. I would suppose the profit rate for hotels increases rapidly after 50 or 60% capacity is reached. If the convention center was to generate all that new spending, profits could increase by \$20 million per year. In any event, it seems evident that the hotels stand much to gain from the construction, at taxpayers expense, of this facility. The hotel industry will increase profits even if the convention center is a financial burden on the city as long as some new convention business comes to Washington, D.C..

STATEMENT OF THE COMMITTEE OF 100 ON THE FEDERAL CITY

Thank you for the opportunity to be heard on this important matter. I am Bert Anderson, a member of the Committee of 100 on the Federal City. I am here to represent the deep concerns and many questions the membership of the committee has regarding the proposed convention center. Following the presentation at one of our recent meetings by two representatives of the Federal City Council in regard to the center, the membership voted unanimously to appear today. The development of this latest version of a convention center has been characterized by meetings called with very short notice. Public support at these meetings has been invisible. The question of whether or not the convention center is needed or desired by those who may have to pay for it is given short shrift. The report by Gladstone Associates and the subsequent economic feasibility analysis by the Comptroller General of the United States do not answer all of the questions. We realize that the latter was done under a considerable time restraint.

Our questions regarding the convention center relate both to the center itself and the larger context within which it must be considered—that is the overall financial condition of the city. With regard to the center itself we have the following concerns and questions.

It appears that the total, legally fixed financial risk for this project rests with the citizens of the District of Columbia. And it is certain from Gladstone's report that the center, itself, will never generate sufficient revenue to meet even its operating expenses, let alone the interest and principal due on the borrowings necessary to finance construction.

Moreover, the extent of this obligation appears open-ended since there is reason to expect escalation of operational costs, construction, and interest rates beyond anything projected. There is no large scale public work in this city—whether Federal or local, which has not cost far beyond projections. Of course, there is equal uncertainty regarding projected revenues from usage of the building. Whatever happens, however, the one certainty is that the costs, however, small or large, will be borne by the citizens of this city.

The counter to these questions and concerns has been the assertion that the center will generate indirect benefits through increased business and jobs which will be, in turn, subject to taxes, which will off-set the losses out-of-pocket from the center itself. We ask these questions:

1. Aside from the studies of Gladstone, are there any more concrete assurances of conventions and activities which will attract the number necessary to avoid losses.
2. Have any businesses or developers made binding commitments to build buildings and start businesses in the immediate area of the center should it be built.
3. What numbers and kinds of jobs are we walking about? Porter and housemaid jobs? If there are higher level jobs is there any certainty that they will go to the D.C. residents?
4. How will the center affect existing public investment in the Armory, the renovation and enlargement of the Sheraton Park Hotel, and other private centers built or planned?
5. How is the destruction of a vista envisioned by the L'Enfant plan justified? The closing of 10th Street as contemplated would obliterate the view down 10th Street, NW looking toward the mall.
6. Where is the study that includes the ownership of the land in the vicinity of the proposed convention center? Particularly that of the parking lots, vacant and underutilized land.

The business community has said that they are taking up a portion of the risk for the center by agreeing to an additional hotel and entertainment tax for three years. Frankly, we have questions as to whether this involves any risk-taking, as that term is used in the business world. Is this additional tax to go into a special trust fund earmarked for convention center costs or would it be used for general budget needs? What happens after three years? Moreover, we were not aware until now that the taxing power of the District of Columbia was exercisable, contingent upon an agreement with that portion of the community to be taxed.

Because of the magnitude of the financial undertaking represented by this proposal it cannot be considered in isolation from the facts of this city's overall financial condition. Some of the more important of these facts are as follows:

The District's Budget Officer, Mr. Comer Coppie, has been reported as stating that the District is running a negative cash-flow in its budget, which must be financed out of treasury borrowings, of 60 million dollars.

There is no overall financial plan for Metro which at this time cannot meet the first interest payments on its bonds due in July. The cost of Metro has gone from a projected 2.5 billion to around 6 billion, and its operational costs, especially electrical costs, are far beyond that originally projected.

There has been no resolution of the billions of dollars of unfunded city pension obligations.

The D.C. Stadium bonds—an obligation of the District of Columbia—are due to be paid off in the early 1980's in the amount of 19 million dollars. The operations of the stadium have never been sufficient to meet even the interest payments on the bonds and so such interest payments have had to come out of D.C. taxes.

According to the March 1977, issue of Fortune magazine, D.C.'s per capita capital debt is exceeded only by New York City.

Finally, the books of the D.C. Government are in such a state that a bond rating cannot be obtained. And even after the books and accounts are put into shape to be audited, it would be sheer speculation as what, if any, rating private bond rating services would accord D.C. That rating is, of course, determinative of whether or not bonds can be sold in the private market, and, if so, what the interest rate might be.

These facts raise the question as to just how much risk must the citizen bear to encourage a development which will benefit directly only a small portion of the community. And if so certain of success why does the business community which will benefit bear an even portion, if not all, the risk. These questions must be considered, also, in light of the tremendous infrastructure which has already been installed, or shortly will be, in our downtown through tax supported projects—mainly for the benefit of the business community—particularly Metro and the Pennsylvania Avenue project, and the recently opened streets for people projects. This leaves aside such projects as the renovation of the old post office, the new Smithsonian museums, and the pending Federal City College campus. When does public risk-taking end and private venture capital start?

We want to assure you that we too are concerned with the generally shabby and run-down conditions of the downtown, east of 16th Street. Nevertheless, it is possible that the opening of Metro, the developments previously mentioned, the obvious improvement of business in Chinatown, and changed attitudes in zoning policy to stop westward movement, will cause the eastern part of downtown to regenerate itself without additional public investment. We believe these possibilities should be evaluated before approving the convention center.

We want to leave you with one further thought. Experience in Boston, New York City, Detroit, and other locales demonstrates that where severe financial stresses occur the first items cut are social services, civil service rolls, salary increases for city employees, and may lead to the imposition of financial controls from outside agencies. We believe that the proposed convention center with its marginal public necessity, its stupendous costs, and unanswered questions, laid against the background of the city's financial situation raises deep concerns on our part as to its place in our city.

HOTEL ASSOCIATION OF WASHINGTON, D.C.

STATEMENTS OF:

PRESCOTT PARDOE, PRESIDENT, HOTEL ASSOCIATION OF WASHINGTON, D.C.

CYPRIAN TILLMAN, PRESIDENT, HOTEL AND RESTAURANT EMPLOYEES UNION, LOCAL NO. 25

THOMAS A. HAYES, CHAIRMAN, FACILITIES COMMITTEE, DOWNTOWN PROGRESS

CAROL GIDLEY, CHAIRPERSON ADVISORY NEIGHBORHOOD COMMISSION 3-E

M. J. CAMERO, EXECUTIVE DIRECTOR, PARK AND SHOP, INC.

Senator DECONCINI. The next witness will be Mr. Pardoe and Mr. Paris and Mr. Owen and Mrs. Len, would you please come forward?
Please identify yourself.

STATEMENT OF PRESCOTT PARDOE

Mr. PARDOE. Mr. Chairman, I am Prescott Pardoe, president of the Hotel Association of Washington and the president and general

manager of the Quality Inn, Capitol Hill. In the interest of saving time, we will submit our statement. I also would like to introduce Mr. Cyprian Tillman, who is president of the Hotel and Restaurant Employees Union, Local No. 25.

Mr. Tillman?

STATEMENT OF CYPRIAN TILLMAN

Mr. TILLMAN. The only thing I want to say, Mr. Chairman, is this is one time that management and labor is together. You have a statement submitted from Hotel and Restaurant Local 25. Just briefly, we are in support of the convention center. We think it will bring additional revenue into the District of Columbia. We feel that this is the only generator that the Congress or the city has come up with in the last 15 or 20 years.

We also see that it is a job-producing element in this city and certainly the more jobs we get, the more people we can take off of welfare. We are certainly wholeheartedly in support of the center.

Senator DECONCINI. Thank you. I am advised we will keep the record open for a 1-week period of time for anyone who wants to submit any testimony that was not presented here today.

Mr. PARIS? Is Mr. Paris here? If not, Mr. Hayes?

STATEMENT OF THOMAS HAYES

Mr. HAYES. Yes, Mr. Chairman, Downtown Progress appreciates this opportunity to testify in strong support of the proposed civic and convention center. I am Thomas Hayes. I am chairman of the board of the Hecht Co. and a member of the executive committee downtown. We have been in existence as an organization for 17 years, working in the approximately 1-mile square area that makes up the downtown area and have worked on many projects for the development and revitalization of the downtown area between the White House and the Capitol.

Our strong support for the proposed civic and convention center downtown stems directly from this commitment. We believe there is no more important public project in the downtown area at this point in time. One of the points that has been made is the availability of space in the downtown area for development and assembly of properties for the development of the related facilities.

We are entering as an exhibit the chart over here to the left, which identifies those sites which could be developed on private capital as opposed to Federal or city funds in the area to generate revenue along with this project. The stimulus of the civic and convention center should not only increase the marketability of the publicly acquired sites in downtown both residential and commercial, but should reduce or eliminate the need for subsequent public acquisition in the future.

We are a company that is within 3½ blocks of this center. We are in the end of town, which has not been redeveloped. We think it would be very useful businesswise for us and most of the businessmen in the downtown area that revitalization of the downtown area in Washington is very important to this community.

Thank you.

Senator DECONCINI. Thank you very much. Have you submitted your statement?

Mr. HAYES. Yes, we have submitted a statement.

Senator DECONCINI. Our next witness is Mrs. Len. Is she here?

Mrs. Gidley? Mr. Camero, would you come forward, please, if you are here? Please proceed.

STATEMENT OF CAROL GIDLEY, NEIGHBORHOOD COMMISSION 3

Mrs. GIDLEY. My name is Carol Gidley and I chair Neighborhood Commission 3, which is the elected body of citizens that serves 10,000 citizens of Northwest Washington, D.C. The commission went on record in opposition to the funding for the convention center based on two reasons; first of all, we are appalled that so little effort has been made by our city's leadership prior to the time when \$27 million was approved to begin work.

Second, we are convinced that we, the overtaxed-without-representation citizens of this town are going to be stuck with the bill and we insist on prior participation before further funds are approved; we insist that citywide hearings be held so that the citizens have a chance to have these questions we consider still unanswered and to have their voice heard. We are grateful you allow us this forum today.

We also insist the matter be brought to referendum and be placed in a ballot so that the citizens are going to have a chance to vote up or down for further expenditures of their funds.

There has been talk about Atlanta. Atlanta is the big convention center that is working. Atlanta, from what I understand, is the only city in the whole Nation which has a convention center which is actually operating in the black. I understand others are going under. Experts say Atlanta is still too new to give long-range guesstimates as to whether it will be successful.

I think the rage that my commission feels was that there was no citizen participation. We really are just outraged. We urge you to ask the hard questions that we believe are still unanswered; begin holding hearings and bringing matters to referendum on November 8.

We are opposed to the manner in which allocation of that \$27 million in city funds was made from the city with no citizen input. I must say I, too, am embarrassed and sad to have to come here before the Congress of the United States. I am not sure perhaps our city leaders, perhaps home rule does really mean democracy in a town. I insist the citizens have a chance to participate in that.

Thank you.

Senator DECONCINI. Your remarks are well-taken.

Thank you very much.

I am going to turn to Mr. Camero and after that, the hearings will be closed for the day. They will be reopened tomorrow at 2 o'clock and those who will not have an opportunity to testify today or feel they need another minute or two of testimony, Mr. Leahy will consider that additional time tomorrow.

Mr. Camero?

PARK AND SHOP, INC.

Mr. CAMERO. Thank you, very much.

I represent Park and Shop, Inc., which is 213 merchants in the downtown area. I stress downtown. We are very interested in what this project will do for downtown. Our purpose is to help downtown and we can see nothing but bad coming from the central core of the city.

We have heard the word spinoff over and over again today. What we are talking about is an economic multiplier affecting taxes. That is going to generate to the good of the city. We have a prepared statement here. It has been submitted on Friday in 10 copies.

I want to take issue with Mr. Frain just for a moment and say that we view this Washington civic center as just that, that it will be a civic center. It will be something which will be utilized for the citizenry, in addition to the commercial aspect, if you want to put quotation marks around commercial, of attracting convention visitors to this town.

One of the great things about large conventions is that most of the conventioners or many of them will be first time visitors. We hope we could leave a good impression with them and have them return. Those return visitors are what we call new customers. That is what we need in downtown Washington.

I want to thank you very much for your inviting us to appear here. I hope that the votes will all be positive on the civic center as planned.

Senator DECONCINI. Do you have a statement?

Mr. CAMERO. It has been submitted.

PREPARED STATEMENTS

Senator DECONCINI. I am sorry, the committee is going to have to adjourn. I will insert in the record at this point the statements of the previous five witnesses.

[The statements follow:]

STATEMENT OF PRESCOTT PARDOE

Mr. Chairman and members of the Subcommittee, I am Prescott Pardoe, President of the Hotel Association of Washington, D.C. and President and General Manager of the Quality Inn-Capitol Hill. Accompanying me is Leonard E. Hickman, Executive Vice President of the Hotel Association and Cyprian Tilghman, President of the Hotel and Restaurant Employees Union Local 25. It is our pleasure to be here today representing the hotel industry of the Nation's Capital.

The Association's membership is comprised of 36 hotels all of whom are vitally interested in the economic and social welfare of this city. Our hotels employ over 12,000 employees and when I am finished with my statement Mr. Tilghman representing the Hotel Union Employees will make his comments.

For many years spokesmen for this Association have appeared before various Committees of Congress speaking in support of a Convention Center, a Civic Auditorium or a variety of other similar projects which have been under legislative consideration. The time has never been right for providing the District of Columbia with an adequate and appropriate Convention Center.

There have been a number of studies done on such a facility. However, the most recent study completed by Gladstone Associates for the District of Columbia Government, in our opinion, leads us to the firm conclusion that the Civic Center is an endeavor whose time has come. This report clearly indicates the tremendous impact that the spending of an estimated 310,000 to 390,000 new convention delegates will have on employment, stimulating economic development, the revitalization of Downtown and on the tax revenues which will accrue to the District Government.

The special role of hotels in the economic process of a city is like that of a funnel. To illustrate my point—

Hotels sell transient rooms for rent usually to people from out of town. Those hotels which sell conventions are bringing outside money into that community. If the average room rate of a hotel is \$35 a day, I would guess each convention room night is worth \$70 in sales—\$35 for the room and \$35 in food, beverages and other spending. Depending upon the size of a city the \$70 spent for room, is increased by a multiplier. This multiplier represents the number of times new money turns over before any substantial leakage sets in. The Innkeeper pays his personnel their wages, the various vendors, utilities, taxes, etc., employees buy their household needs and pay their rent; vendors pay their employees and their suppliers, and the process continues to repeat itself until the spending goes out of the community. This is known as leakage.

Going back to the \$70 spent by the conventioner, a group of 50 persons staying 4 nights, is worth \$14,000. If the multiplier in a city is two, that Convention of 50 rooms is worth \$28,000 to the economy of the city. Thus if we take a hotel of 800 rooms (and we have six of this size or larger) with a 70 percent annual occupancy, its worth to the community—with a modest multiplier of two—is worth \$313,600 in outside money. Is not this generator of outside spending in local hotels important to a city? We think it is. The special role of hotels in attracting outside money must not be lost when it comes to the subject we are discussing today.

The Gladstone study indicates that these new delegates would require an additional 3,000 more hotel rooms and produce an increase in city wide occupancy to 75 percent. These new hotels together with the increased occupancy in existing hotels will generate substantially greater tax revenues for the city as well as offering new jobs and related economic development to the center city.

Our members who have hotels in other major cities with Convention Centers recognize the great benefits which can come to a city which can attract and properly accommodate large conventions and exhibitions. The District is losing annually millions of tax dollars to other cities which can cater to this type of activity. We are convinced that people do want to meet in their Nation's Capital—but if we can not handle these large groups we will continue to lose and so will the city.

Mr. Chairman to keep the hotel industry of this city viable I would urge your Subcommittee to approve the building of this Civic Center.

I thank you for the opportunity of expressing the views of our members and I would now ask Mr. Tilghman for his remarks.

STATEMENT OF CYPRIAN TILLMAN

Mr. Chairman, members of the Committee, my name is Cyprian Tillman, and I am Executive Secretary-Treasurer of the Hotel and Restaurant Employees Union, Local 25, AFL-CIO which has a membership of approximately ten thousand. We are the second largest labor union in the entire Washington Metropolitan area and probably the largest labor union in terms of membership working in the District of Columbia. The majority of our membership is female. The majority of our membership is black. The majority of our membership lives in the District of Columbia and work in the hotels that are in D.C.

We have no doubt, whatsoever, that the four or five thousand jobs and possibly more that are being talked about as being generated through the building of the convention center would be primarily filled by residents of the District of Columbia. They would be primarily minorities, they would be primarily female, because that's the composition of the workers in the hotel industry. We've gone a long way in the last five or six years toward improving the working conditions and the wages of the people that work in the hotel industry and it's getting to the point where we're not looked down on as second-class citizens, any longer.

The hotels have provided pension plans through their collective bargaining agreements, they've provided full family dental care, provided Blue Cross and Blue Shield and provided the kinds of things that make it possible for residents of the District of Columbia not to drain the resources of the District of Columbia through unemployment benefits, through welfare and through other social services. Now, as far as the convention center itself, I think that we all recognize that there's been a lot of money spent on capital improvements in the city and there will be a lot more spent, but none of that money has acted as a generator. That money has been spent to build new schools, to build new police stations, to build new firehouses and things that take people that are already working and move them to a nicer facility. Now that's great.

But we haven't had anything to generate economic development in this City. We haven't had anything to generate jobs, we

haven't had anything to generate outside income. This convention center would be the generator and the only project that's been proposed to generate in the District of Columbia. We can't get factories here, we haven't got the room for factories, we haven't got the room for production work. The hotel and restaurant industry, the tourist and hospitality industry is the major industry, other than government in this city. And in order to keep it viable, in order to keep it growing, in order to keep generating jobs, keep generating growth, the civic center is vitally needed. We're part of an International Union that's in every major city in the country, with over half a million members and we're aware that there are many, many, many major conventions that would love to come to Washington because of the unique qualities that we have in this City. They can't come here because we don't have the facilities to take care of them. They don't have a place where they can meet, they don't have a place that they can have enough hotel rooms that they can handle that sized convention and, as a result, the large conventions are all going to Chicago, they're going to Atlanta where there's a new convention center, they're going to Atlantic City, New Jersey, where they have a large convention center.

They're going places where they can be accommodated. When they would rather come here, because we don't have, contrary to some of the things some of the members of the press have said, we don't have the crime problems that a lot of those other cities have. And this city is extremely attractive to conventioners, but they can't come, because we just don't have any rooms at the inn, so to speak.

We can't urge you strongly enough to consider not only the site, because we feel that that's the most viable site, and the best site that could be picked in the District of Columbia. It's within walking distance to the tourist attractions. It's the best site as far as Metro is concerned, it's close to Union Station, and it's in an area of the city that's blighted, an area of the city where this will generate not only jobs, but will generate development and tear down some empty lots and put up some work producing activities.

STATEMENT OF THOMAS A. HAYS

Mr. Chairman, Downtown Progress appreciates this opportunity to testify in strong support of the proposed civic and convention center in Downtown Washington at Mt. Vernon Square. My name is Thomas A. Hays. I am a member of the Board of Directors and Chairman of the Facilities Committee of Downtown Progress, as well as being the Chairman of the Board of The Hecht Co. With me is Knox Banner, Executive Director of Downtown Progress.

Throughout its seventeen year existence, Downtown Progress has been an active, positive, and effective force for Downtown revitalization in the square mile between The White House and The Capitol. During the decade of the 1950's, with the flight to the suburbs and the burgeoning of regional shopping centers, almost no growth occurred in this area -- less than \$47 million dollars in ten years -- less than one private building a year and no public buildings at all. Meanwhile, in the area west of 15th Street, N.W., commercial development boomed because of ease of land assembly, considerable up-zoning, and a better environment.

In conjunction with others, and beginning with the Action Plan for Downtown published by Downtown Progress in January 1962, we have been the creator, initiator, or played a significant role in a number of accomplishments. These include the creation of the Minibus and the Midi-bus, Ford's Theatre restoration, preservation of the Old Post Office, construction of the Martin Luther King Memorial Library, METROrail, F Street Plaza, STREETS FOR PEOPLE, Pennsylvania Avenue planning, and various private and public developments totalling 61 private and 12 public and institutional buildings -- \$640 million dollars already in place. We are proud of these accomplishments to date, although we seek no credit for them nor do we see any one of them as sufficient to bring about total revitalization of Downtown. All of this has been significant but not sufficient to insure total revitalization as demonstrated by the large number of land assemblies, described later, on which development has not occurred. A major economic generator is needed. These accomplishments are recited here and in our annual report, offered for the record, solely to give evidence of our long-time commitment to the welfare of the Nation's Capital and to underscore our continuing commitment, acting on behalf of responsible business leadership, to working in the community interest.

Our strong support for the proposed civic and convention center in Downtown stems directly from these commitments. With METRO partially in place and building, with Pennsylvania Avenue redevelopment poised to begin, with redevelopment plans being formulated for key renewal action sites in the retail core, and with the developer designated for the publicly-acquired, five-acre housing site east of Mt. Vernon Square, there is now no public improvement more significant and necessary than the proposed civic and convention center. The clear commitment to build the civic and convention center can be expected to serve as a signal to private developers --

given the other substantial improvements made and being made -- that Downtown between The White House and The Capitol has become a viable, marketable, and desirable location for investment. In our view, the civic and convention center is now the critical path to fulfillment of the total revitalization goal.

You are aware of the substantial physical and economic benefits that are to result from the proposed civic and convention center:

- . 310,000 to 390,000 new conventioners and exhibitors annually;
- . as many as 3,000 new hotel rooms;
- . 4,000 new permanent jobs; and
- . \$14 million annually in new tax revenues for the District of Columbia.

To obtain these substantial benefits requires the substantial investment cost of the center -- \$110 million. In undertaking the project, the city would be assuming the role and the risk of a developer. But given the careful, painstaking, and conservative analysis presented by Gladstone Associates, the city's economic consultants -- acknowledged by the GAO to have done a thorough and professional job -- there will be few, if any, unknowns to contend with. This substantial outlay is required for even more substantial returns. There is nothing unusual in this.

The construction cost of the center is \$75.9 million when land acquisition and related costs are deducted. This construction cost figure compares favorably to that of other major convention centers recently built across the country. Factors for inflation have been included. To avoid further inflationary increases that could adversely affect the feasibility of the center, the District of Columbia Government must proceed promptly on the center. The District's Department of General Services (DGS) has a good record in bringing major construction projects in on time and within the money. We believe DGS can and will do so with the civic and convention center.

Regarding other concerns that have been expressed, the proposed management program for the center can be relied upon to insure highly qualified and experienced administration. And we maintain confidence in the basic conservatism of the Gladstone feasibility analysis regarding the volume of new convention business expected.

We offer for the record a listing and a map of private and public assemblies in the vicinity of the proposed civic and convention center. These constitute developable sites which, with the improved marketability and desirability that would result from the civic and convention center, could serve as the basis for a totally revitalized Downtown. In total, they amount to more than 1.3 million square feet of land area -- more than 30 acres. In accordance with present zoning, this should total, in time, more than \$382 million

in new buildings. This would yield to the District of Columbia in real estate tax revenues alone more than \$7 million per year.

For your information, the square to the north of the Hecht Co. -- nearly three acres -- had been publicly assembled and offered for development several years ago. An Atlanta developer asked for an option to develop the entire site but withdrew its request when the civic and convention center failed to gain Congressional approval in 1974, stating that this was its reason for withdrawing.

The stimulus of the civic and convention center should not only increase the marketability of the publicly acquired sites in Downtown -- both residential and commercial -- but should reduce or eliminate the need for subsequent public acquisition in the future. The public role could shift to the monitoring of private development with emphasis on assuring high quality development, the appropriate mix of uses, historic preservation, and creation of public amenities. This can and will be the result if the city is given the go-ahead to construct the civic and convention center. It will not be easy. It will not happen automatically. But it can happen only if you permit it.

We urge you to approve the expenditure of capital funds of the District of Columbia to construct the civic and convention center.

Thank you.



ASSEMBLIES IN THE VICINITY OF THE
DOWNTOWN CIVIC AND CONVENTION CENTER

SQUARE 214

1. Thomas J. Owen et al/Vermont Avenue Associates
Lots 829, 830 & 843 27,381 square feet
2. Thomas Circle Associated
Lots 73, 74, 79, 82, 820, 825, 826, 845, 852 & 853 52,592 square feet

SQUARE 220

3. WMATA
Lot 64 17,710 square feet

SQUARE 222

4. Trans Lux Wash Corp.
Lot 810 18,441 square feet
5. D. F. Antonelli, Jr.
Lot 809 26,439 square feet

SQUARE 224

6. World Corner Building
Lot 18 20,355 square feet
7. American Security Corporation/Riggs National Bank
of Washington, D. C. - Trustee
Lots 808, 809, 810, 811 & 821 16,292 square feet
8. National Permanent Federal
Lots 812, 814 & 819 20,048 square feet

SQUARE 247

9. Gulf Oil Corporation
Lot 855 12,380 square feet

SQUARE 248

10. Willard Estate
Lots 56, 57, 58 & 808 11,136 square feet
11. Willard Estate
Lots 16, 17 & 18 11,025 square feet

SQUARE 250

12. Dwight R. Cooke
Lot 838 11,886 square feet

SQUARE 252

13. B. A. Associates, Limited Partnership
Lots 1, 2 & 809 13,286 square feet
14. Urban Renewal Site
Lots 36, 37, 56, 57, 800, 801, 819, 820, 821, 822, 823, 826 & 835 28,300 square feet

15. A & G Partnership/Capital G Ltd. Partnership
 Lots 48, 49, 69, 70, 813, 814, 53,135 square feet
 815, 819, 820, 822, 835,
 841, 842, 843, 844 & 845

SQUARE 254

16. Walter W. Boyd, et al
 Lots 22 & 49 28,751 square feet
17. Columbia Palace Corporation
 Lots 37, 38, 44, 801, 802, 27, 759 square feet
 828, 829
18. National Metropolitan Bank of Washington
 Lots 23 & 821 6,044 square feet

SQUARE 283

19. The Washington Daily News Co.
 Lots 38, 39 & 825 12,681 square feet

SQUARE 284

20. The Washington Daily News Co.
 Lots 25 & 826 27,433 square feet

SQUARE 286

21. Safeway Trails Inc. (may be relocated)
 Lots 11, 24, 25, 26, 37, 804 & 30,673 square feet
 805
22. WMATA
 Lot 35 13,704 square feet

SQUARE 287

23. WMATA
 Lots 1, 13 & 14 7,500 square feet

SQUARE 288

24. Urban Renewal Site
 Lots 41, 44, 49, 52, 54, 800, 62,000 square feet
 801, 802, 803, 804, 805,
 806, 808, 809, 826, 827,
 829, 831, 832 & 833

SQUARE 289

25. Urban Renewal Site
 Lots 41, 44, 47, 806, 807, 808, 19,200 square feet
 809, 810 & 811

SQUARE 290

26. WMATA
 Lot 42 8,535 square feet

SQUARE 318

27. Greyhound Terminal (may be relocated)
 Lot 30 32,788 square feet
28. Annapolis Associates
 Lots 29 & 815 22,218 square feet

SQUARE 319

29. Urban Renewal Site
 Lots 1, 18, 19, 20, 21, 800, 803, 70,600 square feet
 804, 805, 806, 810, 811, 812,
 813, 817, 818, 819, 828, 829,
 830, 831, 832, 833, 834, 835,
 836, 839, 840, 841, 842 & 843

SQUARE 343

30. Amelia L. Heurich
 Lot 825 17,279 square feet
31. W. B. Pinson & B. M. Tracy
 Lots 827 & 828 14,778 square feet

SQUARE 345

32. Ebbitt Corporation
 Lots 811, 812, 813 & 827 11,207 square feet
33. Woodward & Lothrop Inc. (excludes North Building
 properties which total 41,825 square feet)
 Lots 33, 39, 816 & 834 19,708 square feet

SQUARE 370

34. Hyman & Edith Zoslow
 Lots 18, 21, 835, 838, & 839 12,333 square feet
35. United Association of Journeymen
 Lot 24 14,872 square feet

SQUARE 372

36. Rental Associates Inc./National Rental Co./Rose Schlein Inc.
 Lots 27, 29, 30, 31, 816, 819, 19,491 square feet
 821, 829, 830, 831, 835,
 836 & 837
37. L. B., Jr. & G. E. Doggett
 Lots 116, 117, 804, 819, 820 18,110 square feet
 & 821
38. Leonard B. & G. E. Doggett/ Customers Parking, Inc.
 Lots 67, 70, 71, 72, 88, 89, 23,393 square feet
 90, 91, 92, 106, 107,
 809 & 810

SQUARE 376

39. 900 G Street Ltd. Partnership
 Lot 814 26,567 square feet

SQUARE 403

40. Amy Goldstein and R. Small
 Lots 14, 15, 16, 801, 802,
 807, 808, 829 & 830 15,919 square feet
41. John G. Frey
 Lots 17, 804, 823, 824, 825 12,173 square feet
 & 826

42. K Street Ltd. Partnership
Lots 815, 816, 817, 818 & 832 12,867 square feet

SQUARE 404

43. Ninth and Eye Associates
Lots 17, 18, 19, 27, 804,
805, 808, 809 & 810 20,199 square feet

44. George M. Norris
Lots 22, 23, 24, 25 & 26 5,893 square feet

45. Gulf Oil Corp., Inc.
Lot 815 7,200 square feet

SQUARE 405

46. C & P Telephone Co.
Lots 808, 831, 834, 836,
837 & 838 47,480 square feet

SQUARE 406

47. Joseph B. Stein, et al
Lots 11, 807, 809, 810,
811 & 814 19,527 square feet

48. Karla L. Heurich
Lots 23, 24 & 25 10,000 square feet

49. Julius Goldstein, et al
Lots 800, 803, 812 & 815 20,677 square feet

SQUARE 427

50. First Mortgage Corporation
Lots 800, 801 & 822 5,586 square feet

51. M. E. & I. P. Edlavitch
Lot 821 31,693 square feet

52. Prime Land Bank
Lot 819 18,813 square feet

SQUARE 428

53. John Louis Dreyfuss, et al
Lots 6 & 808 17,000 square feet

54. Frank Corporation
Lots 805, 806, 807 & 809 20,763 square feet

55. OCC Inc.
Lots 16, 17, 801, 802, 810
& 815 11,569 square feet

SQUARE 429

56. Calvary Baptist Church (excludes church properties that
are tax exempt)
Lots 818, 821, 822, 824, 825,
832 & 833 12,102 square feet

SQUARE 452

57. Harlan Hurwitz, et al
Lots 15, 16, 17, 23, 24,
809 & 810 13,884 square feet

58. Mazor Masterpieces Inc.
Lots 806, 807, 808 & 811 11,309 square feet

SQUARE 454

59. Bergmanns Inc.
Lots 6, 37, 804, 806, 852,
859 & 860 32,868 square feet

60. Bergmanns Inc.
Lots 38, 840, 841, 843, 844,
845, 846, 847, 848, 849
& 862 24,702 square feet

61. WMATA
Lots 28, 29, 30, 34, 35, 36,
42, 808, 809, 810, 811,
812, 813, 814, 815, 816,
817, 818 & 858 50,618 square feet

SQUARE 455

62. WMATA
Lots 45 & 830 12,952 square feet

63. Urban Renewal Site
Remainder of square 110,448 square feet

STATEMENT OF CAROL CURRIE GIDLEY

MY NAME IS CAROL CURRIE GIDLEY, I LIVE AT 4700 47TH STREET, NORTHWEST, AND I CHAIR ADVISORY NEIGHBORHOOD COMMISSION 3E OF THE GOVERNMENT OF THE DISTRICT OF COLUMBIA. ADVISORY NEIGHBORHOOD COMMISSION 3E REPRESENTS THE TEN THOUSAND PERSONS OF AMERICAN UNIVERSITY PARK AND FRIENDSHIP HEIGHTS, AND IS THE ELECTED BODY OF PERSONS SERVING THESE PEOPLE AT THE GRASSROOTS LEVEL OF OUR CITY'S GOVERNMENT, AS A RESULT OF THE PROVISIONS OF THE HOME RULE CHARTER. IT IS ON BEHALF OF THE COMMISSION THAT I APPEAR BEFORE YOU TODAY.

ON JUNE 13, THE COMMISSIONERS OF ADVISORY NEIGHBORHOOD COMMISSION 3E MET AND HEARD A PRESENTATION BY THE D. C. MUNICIPAL PLANNING OFFICE ON THE "CIVIC" OR "CONVENTION" CENTER. AT THE CONCLUSION OF THIS PRESENTATION, AND AFTER HEARING THE VIEWS OF THE NEIGHBORS PRESENT, AS WELL AS HEARING THE REASONS WHY OUR WARD THREE COUNCILMEMBER FELT IT NECESSARY TO VOTE AGAINST THE CENTER WHEN THE MATTER CAME BEFORE THE COUNCIL OF THE DISTRICT OF COLUMBIA, THE COMMISSIONERS VOTED TO URGE SEVERAL ACTIONS, ONE OF THEM BEING TO APPEAR BEFORE YOUR SUBCOMMITTEE TODAY TO REGISTER THE CONCERNS WE IDENTIFIED ON JUNE 13.

FIRST OF ALL, THE COMMISSION HAS BEEN SIMPLY APPALLED THAT SO LITTLE EFFORT HAS BEEN MADE BY OUR CITY LEADERSHIP TO INFORM THE CITIZENS ABOUT THE CENTER PRIOR TO THE TIME WHEN \$27 MILLION WAS APPROVED TO BEGIN WORK.

SECOND, WE ARE CONVINCED THAT WE, THE OVERTAXED-WITHOUT-REPRESENTATION CITIZENS OF WASHINGTON, ARE GOING TO BE STUCK WITH THE BILL FOR THE CENTER AND WE INSIST ON A SAY PRIOR TO FURTHER FUNDING APPROVAL.

BECAUSE OF THESE TWO FACTORS, THE COMMISSION INSISTS THAT CITYWIDE PUBLIC HEARINGS BE HELD TO FULLY INFORM THE TAXPAYERS ON THE PLANS FOR THE CENTER AND IN PARTICULAR, THE FUNDING PROGRAM, BEFORE ANY FURTHER FUNDS ARE

DESIGNATED FOR THE PROJECT. AND BECAUSE THERE ARE SO MANY UNANSWERED QUESTIONS, THESE HEARINGS WOULD BE INVALUABLE TO HELP CLEAR THE AIR OF CONFUSION, RUMOR AND MISINFORMATION WHICH EXIST CONCERNING THE CENTER.

THE COMMISSION ALSO INSISTS THAT THE MATTER OF THE CENTER BE BROUGHT TO REFERENDUM FOR A VOTE BY OUR CITIZENS AT THE TIME OF OUR SCHOOL BOARD AND ADVISORY NEIGHBORHOOD COMMISSION ELECTIONS THIS FALL, NOVEMBER 8. THE CITIZENS MUST HAVE THE FINAL SAY. PERIOD.

SOME OF THE QUESTIONS WHICH OUR COMMISSION HEARD VOICED TIME AND AGAIN AND WHICH WE STILL CONSIDER TO BE UNANSWERED ARE THE FOLLOWING:

ONE--DOES OUR CITY TRULY HAVE THE FUNDS TO UNDERTAKE THIS PROJECT?

TWO--IF THE PROJECT FALTERS FINANCIALLY, WHAT ALTERNATIVES FOR FUNDING HAVE BEEN DECIDED UPON? HAVE ANY BEEN CONSIDERED?

THREE--WILL THERE BE A COMMITMENT FROM THE BUSINESSPERSONS BACKING THE CENTER TO INSURE THAT THE MAJORITY OF JOBS THE CENTER IS SUPPOSED TO CREATE WILL GO TO WASHINGTONIANS MOST IN NEED OF THEM?

FOUR--WHAT CONCESSIONS ARE OUR BUSINESSPEOPLE PREPARED TO MAKE TO ASSURE THE SUCCSS OF THE CENTER? HAVE THEY MADE ANY?

FIVE--IN THE ENTIRE NATION, THERE IS ONLY ONE CIVIC CENTER ACTUALLY OPERATING ON THE "BLACK," ATLANTA. AND EXPERTS SAY THAT IT IS ACTUALLY TOO SOON TO PREDICT THE LONGTERM FINANCIAL STABILITY OF ATLANTA. AND CONSIDERING THAT MADISON SQUARE GARDEN IS ALSO IN

DEEP FINANCIAL WATERS--WHY THEN, DO OUR CITY LEADERS SEEM SO CERTAIN THAT THIS CENTER WILL SUCCEED? WHAT GUARANTEES DO THEY HAVE?

SENATOR LEAHY, MEMBERS OF THE SUBCOMMITTEE ON OUR CITY. IT IS A DIFFICULT AND SAD THING TO HAVE TO COME BEFORE YOU TODAY WITH SUCH A STATEMENT. PERHAPS BECAUSE OUR HOME RULE HAS BEEN SO LONG IN COMING THAT THE DEMOCRATIC PROCESS OF GOVERNMENT IS STILL A NEW AND STRANGE ANIMAL. BUT TO OMIT THE PARTICIPATION BY THE CITIZENS IN SO IMPORTANT A MATTER AS THE CENTER--IT IS AN OUTRAGE.

WE URGE YOU TO ASK THE HARD FUNDING QUESTIONS WE BELIEVE ARE STILL UNANSWERED. WE ARE HOPEFUL THAT OUR LEADERS WILL SEE CLEAR TO BEGIN HOLDING THESE CITYWIDE HEARINGS, AND TO BRING THE MATTER TO REFERENDUM ON NOVEMBER 8--BEFORE ANY MORE FUNDS ARE AUTHORIZED OR APPROPRIATED.

IN CLOSING, MAY I STATE THAT THE COMMISSION I CHAIR IS NOT OPPOSED TO THE CENTER. BUT WITHOUT MORE INFORMATION WITH WHICH TO MAKE A COGENT DECISION, AND THE KNOWLEDGE THAT THE CITIZENS ARE FULLY APPRAISED OF THE IMPLICATIONS OF THIS PROJECT, WE CANNOT OFFER OUR SUPPORT. WE ARE VEHEMENTLY OPPOSED TO THE MANNER IN WHICH OUR CITY LEADERS ACCOMPLISHED THE ALLOCATION OF \$27 MILLION OF CITY FUNDS FOR THE CENTER--WITH NO CITIZEN INPUT PRIOR TO THE VOTE TAKEN LAST MONTH.

THANK YOU, SENATOR LEAHY, FOR HOLDING THIS HEARING AND GIVING US THE OPPORTUNITY TO MAKE OUR RESERVATIONS AND OUR CONCERNS KNOWN.

STATEMENT OF M. J. CAMERO, EXECUTIVE DIRECTOR, PARK AND SHOP

Chairman Leahy and honorable members of this committee, good afternoon. Park and Shop, Inc. appreciates the opportunity to give it's views here in these proceedings. We are a merchants' association in Downtown Washington, founded in 1955. Our merchant, banking, professional and parking members provide free customer parking to stimulate business in our city's core. In addition, we engage in any civic activity in which we can contribute to the benefit of our community.

Our purpose here is to underscore the urgent importance the Washington Civic Center holds for the entire city of Washington. We simply cannot afford to lose another major drawing card for our town. Capital Centre's success shows us that. It was built with dispatch and it's public acceptance is generating plenty of tax revenue....but not in the District of Columbia.

Had such a center been built as originally planned, our downtown core would by now have been restored it's vitality of years past. We at Park and Shop firmly believe, however, the opportunity is still with us. The completion of Metro, the Pennsylvania Avenue Plan, the eventual redevelopment of key sites held by our city government are factors which will help in the rebirth. A civic center will be a major, much-needed, factor in renewing Downtown.

Meanwhile, Park and Shop has been engaged in an ambitious effort to get merchants, landholders and government to physically improve their storefronts and buildings in the Downtown areas. Our method has been man-to-man contact with a minimum of paper and pressure. We are proud to say several of our merchants as well as our city government have immediate plans to do their share. Our efforts will continue and an enhanced atmosphere will be waiting as the Washington Civic Center opens...to a climate of mutual benefit.

To us, this plan fills a very specific void in what is offered to the public in this city. It will provide a place for public

events under a roof. It will become a permanent attraction just as our great museums and parks provide a reason for the citizenry of the metropolitan area to come here for recreation. Furthermore, a great many conventioners will be first-time visitors to our city. Many of them will come back again. In business words, these are "new customers"...and that's what we need.

We want to emphatically endorse the site as planned. It's Metro access is excellent and will allow our suburban residents to come here without their cars should they so desire. The parking as now planned will be adequate, especially in conjunction with thousands of commercial spaces in the immediate vicinity. It's proximity to Downtown's retail complex and the monument areas will be a convenience to convention users and a sure benefit to our merchant community as well as our city's tax income.

I have had talks with a great number of our Park and Shop members. They are preponderantly in favor of this project. We all are convinced this Civic Center will indeed bring us the many thousands of extra visitors a year as well as countless retail dollars which translate into tax dollars...even after they have produced \$40 million in wages for over 3,000 jobs.

We respectfully urge the immediate approval of start-up funds in the amount of \$27.7 million for this much-needed amenity in our Nation's Capital.

Mr. BROWN. I can't come back tomorrow. I have to earn a living so we can pay for the civic center.

Senator DECONCINI. I have to earn a living and I have to go vote. If you want to submit a statement for the record, I would be very happy to review it.

Mr. BROWN. I just want to say one thing before I leave. When the United States' Fathers of the country created a U.S. Senate, they did so, so that small States like ours and Vermont and other States would have equal time to talk with their big brothers. They gave each U.S. Senator equal time to speak so that the smaller interests could be represented in the country.

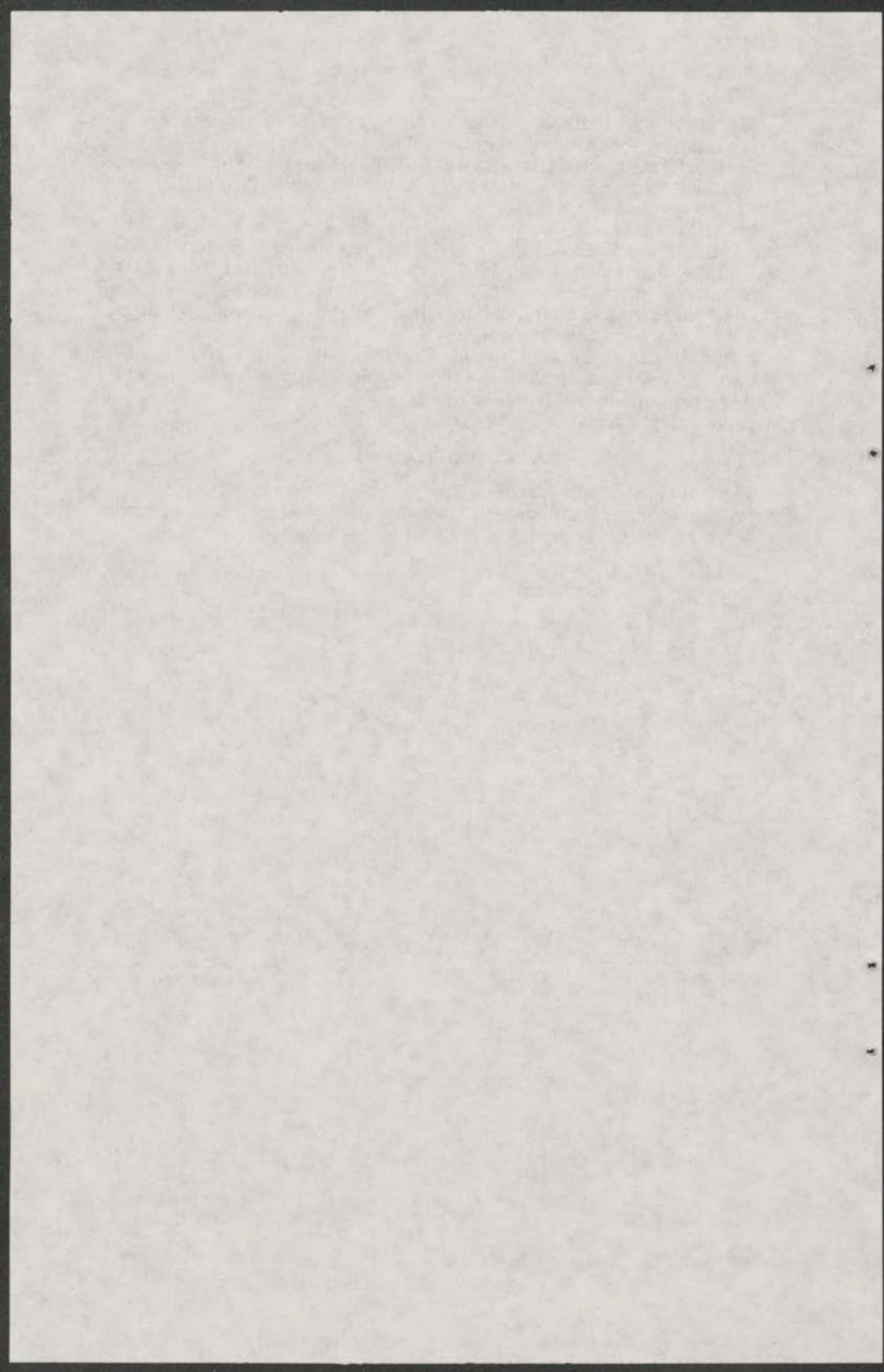
I find it surprising that in the Bicentennial of this country, that we are going ahead, that the smaller people got cut off with a minute and the proponents got 3½ hours.

Senator DECONCINI. Thank you.

SUBCOMMITTEE RECESS

The committee will be recessed.

[Whereupon, at 6:20 p.m., the subcommittee was recessed, to reconvene at 2 p.m., on Thursday, June 30.]



DISTRICT OF COLUMBIA APPROPRIATIONS FOR FISCAL YEAR 1978

THURSDAY, JUNE 30, 1977

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 2:20 p.m., in room 1114, Everett McKinley Dirksen Office Building, Hon. Patrick J. Leahy (chairman) presiding.

Present: Senator Leahy.

NONDEPARTMENTAL WITNESSES

METROPOLITAN WASHINGTON PLANNING AND HOUSING ASSOCIATION

STATEMENT OF WILLIAM TAYLOR, PRESIDENT

ACCOMPANIED BY JOHN WIEBENSON

OPENING REMARKS

Senator LEAHY. Good afternoon. Hopefully we will not have another vote for another hour and we can finish this up.

Of course, in all these hearings, the final record will have to be what determines what we will have before us when we vote. I did notice a story in the newspaper today that reported at least what this particular reporter felt had transpired at the hearing we had yesterday.

There was a headline which referred to "Promises of Two New Hotels Buys Civic Centers Hopes." I don't know whose hopes were buoyed, but I don't recall any commitment to build hotels or any other spinoff development that the city has projected.

I will search the record, however, to make sure my own recollection is not in error. I do recall a long discussion with Mr. Durbin of Marriott Corp. He finally clarified that Marriott would look at the feasibility of building a hotel near the site. I would suspect if the civic center was built, an awful lot of hotels would look at the feasibility of building a hotel near the site.

I think they would be out of their minds if they didn't. Looking at the feasibility is a far cry from building a hotel. The story says, "GAO testimony in yesterday's hearing did not support the Senate skepticism regarding economic feasibility of the center."

I would submit that that is not accurate, that the very fact that the GAO did not make a positive recommendation in this case raises doubts in my mind as to whether we should spend \$110 million for the project.

The subcommittee will now complete public hearings for public witnesses we did not hear yesterday. We considered the possibility of completing hearing testimony once we got back last night. We did not do that as I did not want to keep people around that late. I think I left the Senate floor around 10:30 last night.

I would ask that each of you please keep your remarks within a 3- to 5-minute time period. There is still a limited amount of time available. Any written statements that you have will become part of the full record. It will not be necessary to read them again for the record. I can assure you that I will read them and will read them in their entirety.

We will start with Mr. William Taylor, President of the Metropolitan Washington Planning and Housing Association.

Mr. Taylor is presenting testimony, as I understand, jointly with Mr. Wiebenson. I think probably the thing that we might talk about and that you might summarize is the deficiencies that you feel you found in the center's design.

Mr. TAYLOR. Thank you, Mr. Chairman. As you suggested, we have submitted our statement for the record. I will make a few brief observations which are pertinent to the deficiencies and pertinent to the question of what one might do about it. Our organization I might say briefly, has been in business for about 40 years, which makes it one of the oldest citywide, Metrowide citizens group fighting for better housing and better opportunities, going back to the days when Eleanor Roosevelt and some other people became concerned about the slum alley dwellings that existed in the District of Columbia.

Some of the problems we are wrestling with are not terribly different from the problems then, although we would every once in a while want to keep people going.

POSITION ON THE CIVIC CENTER

I would summarize our position about the civic center as follows: We think it would be a shame if the center were not built largely because it is the only economic development game in town. It is the only thing that has gone far enough down the road to hold the promise of producing some jobs and some economic stimulus.

Senator LEAHY. More so than such things as the hotel expansions, Metro construction, things of that nature?

Mr. TAYLOR. There are other things, particularly Metro construction that hold out some hope. But this is the only new project that holds out that promise.

DEFICIENCIES IN PLANNING FOR THE CENTER

On the other hand, we do think there are severe deficiencies in the planning thus far. We are glad that you are addressing yourself to these deficiencies.

I think you posed the most pertinent questions yesterday, Mr. Chairman. I think when you review the record, you will find that you didn't get answers to some of those questions, not clear enough answers.

One of the sad things is that this committee is facing an added burden of responsibility in large part because the City Council didn't

do its job. When we are talking about \$110 million projects, I think the citizens of the District of Columbia and the Congress and everyone concerned should have been entitled to a careful hearing and a careful report. There was a token hearing and there is no report from the City Council addressing the kinds of questions you asked here yesterday.

COMMITMENT FROM THE BUSINESS COMMUNITY

That, it seems to me, is a very serious problem, indeed. The one basic question which you asked was the question about the commitments which you have raised again today. I think the answers are as you have characterized them, that there were no commitments and people, of course, will look at the possibility of commercial development down the road.

That, I think, gets to the question of risk. It may be that you will not be able to get clear answers to the question of commitment in advance. But the question is who is at risk in this project? As things stand right now, the taxpayers of the District of Columbia are at risk, and the business community, the board of trade, which is pushing this project is not at risk.

We think one way to go, one way to satisfy ourselves that there will be a genuine commitment would be to devise some kind of financing arrangement where the business community would make a direct investment and would make it out front rather than laying back to see how this whole project developed.

Senator LEAHY. What type of arrangement would you have to make to be sure you are getting the appropriate commitment from the business community or getting some kind of uniform commitment so that you don't have just a few carrying the load and then feeling that they should have more say than others?

I agree with what you are saying. In fact, I would like to see an awful lot more than the somewhat peripheral commitments from the business community that we now have. I understand their willingness to pay whatever the added share of taxes are and all that. Well, I would, too, if I thought I was going to get a substantial increase in my own business. But how do you work the mechanism? Tell me some type of method by which they could actually get involved in sharing more of the risk?

Mr. TAYLOR. What might be considered is some kind of consortium which involves the principal interests in this project and the board of trade, some of whom are merchants in the area and some who are large merchants who have a general concern. The problem which they are talking about right now in terms of financing, you have a hotel tax, which will be passed right on to the consumer and doesn't involve any risk, and you have a surcharge which is too broad in that it involves every business in the community; small businesses as well as large.

We haven't had the opportunity to investigate, and I am sorry we haven't, the types of mechanisms that might be available. But there are consortium mechanisms. I just read in the New York Times, and I will submit the article in the record, if it is deemed pertinent, about a consortium in New York City that is making an investment

in security and maintenance of the Fulton Street Mall in downtown Brooklyn. I don't know how wide the participation is in that, but it is the principal citizens who are interested in that kind of thing.

Senator LEAHY. Do you see any problem with the convention center as it is presently proposed in view of the fact that it did not have that kind of financial commitment from the business community that you were referring to?

Mr. TAYLOR. I do, sir. After all, we have to rely on the business community to attract their colleagues and associates from around the country to the convention center and to use it. I think we could insure a much greater effort if they were directly at risk rather than as indirectly as they suggested through their answers to your questions yesterday.

Senator LEAHY. I have noticed the design problems that you have reflected. Those again will be noted for the record, should this go ahead.

Mr. TAYLOR. I might just say because you have our testimony in that regard, that the absence of community involvement in this whole project, I think, is really exemplified in a real direct way by the design, the fact that the design, instead of opening up to the Chinatown community, really shuts it out.

I would like to take a minute more to ask John Weavenson to comment on that and then we will finish up.

Senator LEAHY. May I point out, Mr. Weavenson, in your testimony, we are having to take that time from the next witness. But go ahead, sir.

NEGATIVE IMPACTS OF CIVIC CENTERS

Mr. WIEBENSON. I apologize to the next witness but I would like to emphasize a couple of points from my testimony. I think it is pretty clear from the number of convention centers I have seen across the country, first, they actually have a negative impact on the immediate surroundings in terms of spinoff development, the major impact was parking lots.

I don't think the hotels will spring up automatically because of this. There are a few more issues involved for convention centers opening up downtown.

Senator LEAHY. I think you make a very good point. The last thing we need to enhance our Nation's Capital with is more parking lots.

Mr. WIEBENSON. Essentially, Metro is probably going to have a greater impact on the future development, but the main aspect to look at in any kind of economic development like this is making things accessible. I think that is what we have to focus on whether this plan goes ahead or not.

Senator LEAHY. I think you make an excellent point. I appreciate the testimony. I apologize for the constraints of time.

Mr. TAYLOR. We appreciate your taking the time to hear us. The very last thing I would say, trying to think about what we really think should be done, I guess where we come out on this is that if the committee were to approve the amount in the supplemental, there should be a couple of conditions attached. One would be the

condition that we have suggested about requiring the Council to develop a mechanism which puts the business community directly in this and second, that the Council begin to act like a legislative body and hold hearings and issue the report that it didn't issue and answering the questions that you have posed here and some of the questions that the citizens have asked.

Senator LEAHY. Thank you sir.

Mr. TAYLOR. Thank you.

PREPARED STATEMENT

Senator LEAHY. I will include in the record at this point Mr. Taylor's full statement and the full statement of Mr. Wiebenson.

[The statements follow:]

STATEMENT OF WILLIAM L. TAYLOR

I am William L. Taylor, President of the Metropolitan Washington Planning and Housing Association (MMPHA). Joining me in this testimony is John Wiebenson, an architect and member of the Board of Directors of the Association.

MMPHA has a long history of involvement in issues concerning economic development, housing for low-income families and sound planning policies and procedures. Recognizing the need for economic stimulus to provide jobs and add to the vitality of the city, we do not oppose the concept of a new Civic/Convention Center - especially since it is the only significant economic development project for which plans have been drawn.

But the proposed Civic Center is a high-risk project and it is essential that careful planning and review be done at the outset to give the Center the maximum chance for success. We have identified several major deficiencies in the plan to construct and manage the Center and we believe the project is salvageable only if the defects are corrected.

In fact, the deficiencies we are concerned about should have been considered remedied long before the matter reached this committee. But the City Council approved \$27 million to begin work on the Center after only a token hearing and without a committee report. It is only because of the default of the Council and the negligible opportunity for community input that we are here today.

The major problems and our recommendations for corrective action are as follows:

The proposed building design must be improved so as to permit more efficient use of space and so that the building will blend more harmoniously into the area. What we are concerned about here is not simply the details of planning or esthetic matters, although these are important. If the Center is to be a success, it must create new opportunity for the surrounding community. The Center will adjoin a thriving, active Chinatown community which should be a great attraction to visitors. Yet inexplicably, the current plans call for the entrance to be on New York Avenue, with a solid back wall and truckdocks sealing the Center off from Chinatown. We recommend that (a) truckdocks be

removed from H Street; (b) the main entrance be placed on H Street; (c) a minimum of 10,000 square feet of retail space be allowed along H Street on the first floor; and, (d) the amount of energy that will be wasted be reduced.

John Wiebenson will elaborate on those points.

Better answers must be given to economic questions and financing mechanisms should be adopted to limit the risks to taxpayers. Only partial or sketchy answers have been given so far to some of the key questions that will determine the financial success of the Center. Among these questions are the following: (1) What is the projected rate of return? (2) How many days per year will the proposed center have to be occupied to reach a break-even point? (3) What mechanisms will be adopted to assure control of construction costs? (4) What specific actions will the city government take to assure spin-off development?

Realistically, it may be difficult to obtain specific answers to all of these questions without delaying the project for a substantial period of time. But if satisfactory planning is not done, the Center may fail. One way to resolve this dilemma may be for the Council and Congress to devote more careful attention to the means by which the project is to be financed.

As matters now stand, the business community stands to share with citizens the considerable benefits that will accrue if the rosy forecasts for success prove true. But if the project is a failure, the taxpayers of the District alone will bear the loss.

Some means should be found for the business interest that have been the greatest boosters of the Civic Center to share in the risks as well as the potential benefits. We do not think that the proposed increase in the hotel tax to help finance the early costs of the project provides an adequate stake for the business community because the tax will be automatically passed on to customers. While we do not have a detailed proposal to put forward today, we are aware of arrangements in other cities under which consortiums of business groups have been formed to invest in the maintenance and security costs of civic improvements. Such an arrangement for the Civic Center would help to assure that the business community would go all out to attract business and assure the success of the project.

Finally, all of us - the Congress, the Council and the citizens of the District - ought to know much more specifically that we do know what structure will be established to manage the construction and operation of the Civic Center before the project proceeds any further. If it is to be a multi-member Commission, we need some assurance that the diverse interests of the citizens and the diverse skills needed for a successful project will be represented and available on the Commission.

In essence, what we are asking this Committee and the Congress to perform a rescue operation on the Civic Center to plug the leaks that were left by the Mayor and the City Council. It would be a shame if the Civic Center were not to proceed. It would be perhaps an even greater shame if it were to be launched in its present inadequately planned state. We hope that Congress will insist on the changes needed to permit the Center to go forward with the confidence of the citizens of the District of Columbia.

Thank you for the opportunity to present our views.

STATEMENT OF JOHN WIEBENSON

I am John Wiebenson, an architect, a member of the Board of Directors of MWHFA, and businessman vitally concerned about economic development in the District of Columbia.

The very large cost of the Convention Center justifies the hard look people are asking to be given to the plans for financing it. Yet, the economic size of the building being proposed also suggests that plans for construction be looked at, with the same care.

The Center would be more than just a colossal building. It would have a colossal impact on its immediate area. If that impact is good, the good might be large. Unfortunately, the reverse is true, as well. This building could indeed have a colossally bad impact on its neighbors.

Current plans for the Center would probably do just that. The problem is that its back door is where its front door should be. A look at the plans will show vast truckdocks on H Street. Yet, this is the very street it should be opening out onto. This is Chinatown's Main Street. This is the way to explore the path to museums and other shops. Getting conventioners out into the

surrounding area is the way they can have a helpful effect on this neighborhood. But, not many of them will brave going through truckdocks to spend their fabled dollars in Chinatown, or anywhere else, for that matter. The current plan for this back door would cause further harm. The great blank wall the Center would present to H Street, a blank wall two blocks long, broken only by trucks going in and out, this great empty expanse would have a deadening effect on just ordinary commerce in the area.

The Convention Center's plan can be improved. This is not the only plan available for Centers costing over \$100 million. In fact, at that price, the District should ask for a special custom design that meets other criteria than just keeping the rain off the conventioners. Should this building be funded, it should only be with such hard legal language that its plan would have to:

- 1) remove the truckdocks from H Street;
- 2) place the main entrance on H Street; and
- 3) provide a minimum of 10,000 square feet of retail shop space along H Street, on the first floor.

Ten-thousand (10,000) square feet of shopping is not much. In fact, a short look at the plan suggests that 13,500 can be put in, and perhaps even more. Because the Convention Center's second floor is so high above its first, each of these stores could have two floors. This would mean some 27,000 square feet of additional commerce for H Street. This would encourage business here just as surely, or perhaps more so, as a flock of conventioners.

Such plan changes could make the Center more efficient, as well. A center such as this is laid out to permit truckdocks to touch each of several possible divisions of main exhibit space. Revising this plan so as to put truckdocks on New York Avenue and a lobby on H Street means that people coming to the Center can approach exhibits, no matter how subdivided, with the same ease that is currently provided only for trucks.

Further, space above the truckdocks can be rented out for offices, or for more shops, or for studios. Assuming only one floor added here, some 25,000 square feet of space could be rented out. This new building, this Center, does not have to have the narrow, limited use of a single-purpose building. It can have shops, offices, studios. It can become part of the life of the surrounding city.

The current plans have another serious short-coming. This is a short-coming of spirit, rather than of commerce. This short-coming is two blocks long and 40 feet wide. It is a glass roof. It is now shown to be part of this building, and it is shown to point South, perhaps so as to maximize the heat-gain problems the Center would present its owners. They would have to pay out considerably more money to cool their building than they would, were this a well-insulated roof. This would probably happen in winter, as well. This is more than just not having solar collectors; this is wasting energy. The owners would, in this manner, be on public record as being indifferent to efforts to conserve energy. This is not much of a statement for the District of Columbia to make in using up nearly its entire capitol borrowing capacity.

This building can be improved. It can be vastly improved. Yet, there is such a sorry record of public buildings that go from early plans to final construction without improvement, with changes only to the extent that costs went up, that we should assure, that no improvements will be made here, either. There are businessmen who do not want to be taxed more heavily for this building, even were it improved. There are all kinds of citizens who would not like to finance, or even be represented by, such a large building as is now proposed. This Convention Center, as now drawn, does too much harm, and too little good.

Thank you for the opportunity to present our views.

CHINESE CONSOLIDATED BENEVOLENT ASSOCIATION

STATEMENT OF MR. HARRISON LEE, PRESIDENT

Senator LEAHY. The next witness is Mr. Harrison Lee. Mr. Lee?

Mr. Lee, I understand that you are referred to as the mayor of Chinatown, is that true, sir?

Mr. LEE. That is a nickname which really is given to most chairmen of my association.

Senator LEAHY. Knowing of your association, knowing of the hard work that it does for the number of people and groups and businesses and families that belong to it, I think it is perhaps a nickname and title well deserved.

Mr. LEE. Thank you, Mr. Chairman.

Senator LEAHY. We are most interested in hearing your testimony.

Mr. LEE. I will hit the highlights of the testimony since I have given you copies of it.

First, my name is Harrison Lee. I am the elected chairman of the Chinese Consolidated Benevolent Association. This association consists of 20 organizations which among them are such as the Chinese Senior Citizens Association, Chinese Youth Club, Chinese Families Association, a couple of Chinese merchant associations, therefore, I am speaking on behalf of this group.

I am also speaking as an individual who is a native-born Washingtonian, being born in Old Chinatown, which was at Third and Pennsylvania Avenue, NW.

I experienced dislocation from the Old Chinatown to the present Chinatown. So, I think I am speaking with some experience as a representative of the Chinese community.

POSITION ON THE PROPOSED CIVIC CENTER

The Chinese association, in summary, is in favor of the construction of the civic center on the Mount Vernon site. This is with the proviso that the Chinese who will be displaced from the site be relocated within the Chinatown area and at no further expense.

Senator LEAHY. Has the city talked to you about the relocation and about how that might be done?

Mr. LEE. Yes. We are currently engaged in discussions with the city government on the specific site, the building, the people who will be displaced.

Senator LEAHY. The plan has been presented to you by the city. Is that acceptable to your association?

Mr. LEE. The proposal—the details have to be worked out, but generally, it is acceptable.

Senator LEAHY. Do you feel the details will be able to be worked out?

Mr. LEE. I have hopes that it will be worked out.

Senator LEAHY. If you were given a choice between having the civic center and not having it, what would be your personal choice?

Mr. LEE. My personal choice would be still have the civic center because it would be replacing an area which is decayed. The tenants, mostly the Chinese living in that area, are living in housing which is deteriorating.

Senator LEAHY. Thank you very much.

Just for my own personal knowledge, sir, at one time the idea of the civic center would have involved a lot more of the Chinatown area, would it not?

Mr. LEE. It would have involved the whole of the Chinatown area when they were considering the Eisenhower center.

Senator LEAHY. That is what I thought. Thank you, Mr. Lee. We appreciate your testimony.

Mr. LEE. Thank you.

PREPARED STATEMENT

Senator LEAHY. Mr. Lee's statement will be inserted in the record in full at this point.

[The statement follows:]

STATEMENT OF MR. HARRISON LEE

Chairman Leahy and members of the subcommittee, my name is Harrison Lee. I am the chairman of the Chinese Consolidated Benevolent Association of Washington, D.C., a consortium of 20 organizations of families, commercial, cultural and social groups among the many thousands of Chinese-Americans of the Washington, D.C. area.

The Chinese-Americans have a long history as an ethnic neighborhood community in the downtown area of Washington, D.C. The first Chinatown was located in the early 1880's in the Federal Triangle at 3rd and Pennsylvania Avenue, N.W. After forced eviction in 1927, the present Chinatown was re-established on H Street between 3rd and 8th Streets, N.W. without any government assistance and with much personal and financial sacrifice. Our people and our business enterprises are not only residents but use downtown frequently as a central location to purchase Chinese staples and to participate in bilingual, cultural, medical, benevolent and social activities that are available only in Chinatown. Chinatown has been and is now a very viable residential and commercial neighborhood community with services that assist the vitality of Washington, D.C. Our community contributes substantially to the commerce of Metropolitan Washington. We are proud to be a part of this Nation's Capital and have requested the District Government to preserve, rehabilitate and enhance the Chinatown community. The District Government has recently acknowledged affirmatively a policy to preserve and enhance Chinatown since it is a civic asset.

The proposed Mount Vernon Square site for the Civic Center will directly affect some 25 Chinese households with approximately 110 residents from a residential total of 170. These Chinese residents are elderly and are in the lower-income category. Commercially there are 4 Chinese businesses within the Mount Vernon Square site. These Chinese residents and businesses are an integral part of the whole of Chinatown's economic, social and cultural existence. The residents are employed in Chinatown commercial establishments and these residents and their children have close access to bilingual facilities. The affected Chinese businesses in the site depend on the Chinese residents and other Chinese commercial facilities for its existence. The relocation impact for these Chinese residents and businesses is of realistic and serious concern to the Chinese Community. Proper housing and facilities must be built for those of our Chinese community who will be evicted by the building of the proposed Civic Center. Hence, relocation of these Chinese must be initially assured in that they will be relocated in the Chinatown area and at no financial expense nor any future increased financial burden.

The Chinese Consolidated Benevolent Association is in favor for the location of the Civic Center on the proposed Mount Vernon Square site provided: (1) The displaced Chinese residents and businesses are relocated in the Chinatown area and at no financial burden. (2) The policy and development program to preserve and enhance Washington, D.C. Chinatown is implemented faithfully.

CAPITOL HILL SOUTHEAST CITIZENS ASSOCIATION

STATEMENT OF ADELENE M. BICKERDYKE, REPRESENTATIVE

Senator LEAHY. The next witness is Mr. Milton Moss, president of the Friendship Citizens Association. Is Mr. Moss here?

Senator LEAHY. If Mr. Moss is not here, the next witness is Mrs. Adelene M. Bickerdyke. Mrs. Bickerdyke, I have never come across that name before.

Mrs. BICKERDYKE. That is all right. I am used to having it misspelled and mispronounced a half a dozen times.

Senator LEAHY. I am sure you are. My father owned a printing place and retired 4 or 5 years ago. It was the Leahy Press. We used to get the Leahy Press, the Leppy Press, the Laypay Press, the Leahi Press and the Leaky Press. So I know.

Mrs. Bickerdyke is a representative of the Capitol Hill Southeast Citizens Association. She has issued a statement which will be placed in the record. If I am paraphrasing it correctly you are not necessarily opposed to the construction of a convention center, but you are concerned about the way it is going to be financed and you feel that there are better places or less costly places to put it.

Mrs. BICKERDYKE. And less disruptive.

Senator LEAHY. Why don't you tell me about that? Tell me about your objections to the way it is being financed. Tell me about your objections to the site, would you please?

THE TAXPAYERS ARE TAKING THE RISK

Mrs. BICKERDYKE. The site itself will misplace about 69 small businesses in the area and I don't know how many houses, whether they are dilapidated or not, they could probably be restored or more housing could be built in that area. But the major thing is we taxpayers are to take the risk, the gamble for this whole thing.

If, as the Gladstone report says, it is such a profitable venture, why doesn't private enterprise enter into the picture? Why haven't they considered it?

Senator LEAHY. I must admit that thought has gone through my mind more than once so far.

Mrs. BICKERDYKE. That is one of my main points, really. Because we are being asked to subsidize the project but the main beneficiaries are not willing to take the risk. Yet, they talked in yesterday's hearing about how much money it would bring, how much money it would make. Apparently, they think it would be profitable after it gets built, after we take the chance.

If they think it is going to be so profitable, why don't they take the risk? The Board of Trade, all these businesses, the hotels. It will benefit all of those people, the hotels and restaurants and everything else in Washington.

Since you have read my report, I will also mention the Sheraton-Park. They said they could accommodate 80 percent of the conventions, maybe not the large national ones, I really don't know. But they are accommodating conventions now. I had quite a talk with them the other day. They are even going along with their construction. They are well on the way.

They expect to have it completed by 1980. That is all with private funds, as I understand.

Senator LEAHY. If it was built, where else would you build it?

Mrs. BICKERDYKE. I have thought and we have discussed it in our organization, the possibility—I think it was brought up by somebody

yesterday—the possibility of getting public land donated as a starter. Then maybe it wouldn't be so costly.

Then we might not have such an objection to it. But this whole thing was planned by the people who were going to be the major beneficiaries and the citizens did not have adequate or timely information all along the road.

Senator LEAHY. Thank you very much, Mrs. Bickerdyke.

Mrs. BICKERDYKE. I think I would like to read my last paragraph. That in the absence of confidence of private investors, we are not persuaded in that the huge gamble of a proposed convention center should be placed on the District of Columbia taxpayers, particularly since there was no request of citizens organizations for a referendum. It is also to be noted that no citizen group testified in support of the convention before the D.C. Council.

Senator LEAHY. I think you raise an extremely important point. Thank you.

Mrs. BICKERDYKE. I want to say, Senator Leahy, I am very honored to come before you today. I missed my chance yesterday.

Senator LEAHY. Thank you.

PREPARED STATEMENT

Mrs. Bickerdyke's full statement will be inserted in the record at this point.

[The statement follows:]

STATEMENT OF THE CAPITOL HILL CITIZENS

Honorable Chairman and Members of the Committee, I am Mrs. Adelene Bickerdyke, delegated representative of the Capitol Hill citizens Association. We deeply appreciate this opportunity to express our views regarding the proposed construction of a convention center for the District of Columbia.

Our comments will not be all inclusive, as we are aware that several other citizens' organizations plan to submit more detailed and sophisticated material.

While we are not necessarily opposed in principle to the construction of a convention center in this city, we are very strongly opposed to: 1. Having the financial aspects of this project borne by our taxpaying citizens; and, 2. Having the Mt. Vernon Square area used for the convention center, on the premise that this area has been highly publicized and advocated through the media and other sources, despite that there were 12 other less costly and less disruptive sites considered, about which the citizens of the District were inadequately and untimely advised; and 3. Having capital improvement budgetary funds permissible under the Home Rule Act practically exhausted for construction of the center.

The Gladstone Report leaves many questions unanswered. It seems to be, as with many studies and polls, geared to serving special interests with dubious benefits to the city. If, as implied in the Gladstone Report, the proposed convention center would be a highly profitable venture, it would appear that private financing would long ago have been sought or initiated. Instead, Washington taxpayers are being asked to subsidize private interests, the major beneficiaries, who apparently are not willing to risk their own money for the project.

The legally fixed financial risk for this project rests with the citizens of the District of Columbia, yet the D.C. Council refused requests for a referendum on the matter. The city government should not further burden its citizens with a capital expenditure of such magnitude, questionable necessity, long-range costs, and uncertain benefits to the city. The cost of management, operation, administration, and maintenance, are, in our opinion, nebulously indicated in the Gladstone Report. Optional features such as parking facilities and an auditorium would add millions to the capital cost, and the cost of city services is not mentioned.

The Gladstone Report does not mention the new Sheraton-Park Hotel facilities which will soon be able to accommodate eighty percent of the conventions scheduled as potential users of the proposed center. Experience indicates that conventioners prefer

staying at or in close proximity of hotels which can provide meeting facilities; therefore, the Sheraton-Park alone poses strong competition to the use of a downtown convention center. To our knowledge there are no firm commitments for the construction of even one large hotel in the vicinity of the proposed center site.

Further, Washington, in its historical role of our nation's Capitol, has its principal attraction in tourism. The National Park Service reported upwards of 17,000,000 visitors during the 1976 Bicentennial Year; more surprisingly they reported 13,000,000 visitors during 1975 and an anticipated influx this year and succeeding years of between 13- and 15,000,00 visitors. With all this going for the city and development of the Sheraton-Park complex with private funds, it is sheer folly to expend public funds to provide another relatively minor magnet when \$110,000,000 of our public funds can be put to other needed and more essential capital investment uses.

The use of eminent domain for land acquisition for the proposed center, and an adjacent block to be taken over by the city for future construction of a private hotel is deplorable. Sixty-nine or more long-established, small, taxpaying businesses will be unfairly ousted with great financial losses by such action. The loss of these small businesses would also tend to counteract the projected volume of employment and tax gains expected by construction of a convention center; there is no guarantee that gains from these sources will accrue to District residents or to the city's income tax revenues. With further respect to property acquisition by eminent domain, further concern lies in the suggestion of the Gladstone Report that, "It might even be desirable . . . to sell the center to a private investor-owner . . ." So, through exercise of eminent domain, the city exploits its solid taxpayers and may eventually turn over the whole works to private investors. This presupposes that we citizens may be saddled with paying for a largely possible "white elephant" and, if and when there is no risk element, private investors will be glad to take over at a lesser cost. This appears highly unethical.

The District of Columbia citizenry is already overburdened with increases in property taxes through the gimmickry of continually soaring reappraisals, and recent increases in income and sales taxes.

In the absence of confidence of private investors, we are not persuaded that the huge gamble of the proposed convention center should be foisted upon District of Columbia taxpayers, particularly since the D.C. Council rejected the request of several citizen organizations for a referendum. It is also to be noted that no citizen group testified in support of the convention center before the City Council.

Senator LEAHY. The next witness is Ms. Cathy Lipscomb, coordinator, Dupont Circle Advisory Neighborhood Commission. She is not here?

Then the next witness is Mr. Phillip J. Brown, representative of the Businessmen Affected Severely By the Yearly Action Plan.

Mr. FRAIN. Mr. Chairman, I am vice president, secretary-treasurer and registered agent of BASYAP. I was a founding member. Mr. Brown asked me to testify on his behalf because of a conflict.

Senator LEAHY. That is the Businessmen Affected Severely by the Yearly Action Plan?

Mr. FRAIN. That is correct, sir.

BUSINESSMEN AFFECTED SEVERELY BY THE YEARLY ACTION PLAN

STATEMENT OF GEORGE FRAIN, REPRESENTATIVE

Mr. FRAIN. I would like to begin by introducing a statement in the Board of Trade News of October 1976. I will hand it up to you, sir, in which the BASYAP—Mr. Muscotello suggests a Pennsylvania Avenue site for the center. My remarks will be very brief. I think as far as a written statement is concerned, Mr. Muscotello's remarks will be quite sufficient.

I helped to found BASYAP. It is a group that began with the businessmen around the subway stops at 9th and F and 12th and G where 132 of them were kicked out by urban renewal for what

they promised to be high-rise developments. The fact is, Mr. Chairman, in 1969, Senator Proxmire and Senator Tower, in questioning Mr. George Romney, Governor Romney to take over the position of Secretary of HUD, pointed out to him that urban renewal had tried to get away from office buildings and convention centers and hotels back to the original task of urban renewal, which was to rehouse poor people, slumdweller.

We still have that power. This is an urban renewal site and the convention center is the key to this whole downtown renewal. It seems to us when you use urban renewal or when this committee is being asked or this subcommittee is being asked to circumvent or to by-pass the requirements that the Congress has written to urban renewal in the 1968 Housing Act and its various amendments, to suggest, that is urban renewal was established for slumdweller. What they are asking you to do is to help get around the requirement of urban renewal, which is not to provide high-rise office buildings, convention centers, hotels, and all the goodies.

Senator LEAHY. Are you saying, sir, that this committee would not have the jurisdiction to vote funds for the civic center in the manner that we have been asked to vote them?

Mr. FRAIN. Sir, you are being asked not only to take the first step of \$27 million today—

Senator LEAHY. My question is, do you say that we do not have the jurisdiction to vote such funds.

Mr. FRAIN. I think what we are suggesting is, sir, a very real question. In other words, urban renewal has spent in this city \$750 million and they provided 2,236 housing units for the poor. Now, it seems to us—

Senator LEAHY. I am just saying that we either have the jurisdiction to spend the money or not. If we do not have it, then the whole question is moot because there is no way we can appropriate the funds. If we do have the jurisdiction, then we go to the next question; that is, whether we should vote money for the civic center or not.

I might ask you to confine your testimony right to that point.

Mr. FRAIN. I would like to say this: Maybe this will help you. What I think BASYAP is saying is that if you put it on a government-donated site—for instance, the Federal Government owns over half of the lands in the District of Columbia—outside an urban renewal area, then I think you have full jurisdiction.

Senator LEAHY. Do I understand your objection is on the jurisdictional one or on the merits of the civic center itself?

Mr. FRAIN. I think it goes to the merits of the civic center.

Senator LEAHY. We will work out the question of jurisdiction here. But let me direct your remarks to the issue of the civic center.

Mr. FRAIN. I would say that Senator Proxmire and Senator Tower—and Senator Proxmire is chairman of the Senate Housing and Urban Affairs or whatever it is—he made the point that urban renewal—and he made the point recently that the Ford administration was not doing what urban renewal was supposed to do and what housing was supposed to do.

It wasn't providing housing for the poor. It was doing other things and the housing starts—

Senator LEAHY. I think you are still missing my point. I want to get down to the question and we now have 30 seconds remaining. The question of jurisdiction, we will determine. We will work that out. Are you for or against the civic center?

Mr. FRAIN. I think I submitted, for the record, a statement in which we suggested that it be on Pennsylvania Avenue, which would not be in an urban renewal area. It would be outside an urban renewal area. The Government could donate the site. You were asking questions yesterday about could it come in at \$110 million.

The GAO says there is a real problem. Mr. Lee says they would support it with certain provisions. The GAO said the city is not going to be able to house them within 6 or 8 years on the Sixth and H Street site.—That is also a position that BASYAP is very concerned with; also the low-income Chinese in this area are not even going to get into the housing that is going to be built down there.

So, the Chinese community is being split. What they says is we are in support of a convention center, but put it on Pennsylvania Avenue. There are two fine sites that have not even been considered. One is across the street on 15th Street, across from the U.S. Department of Commerce building, a site that is far superior to the Mount Vernon site, and wouldn't cost anything.

What we are concerned with is why the Federal Government is more concerned about trees than about people and businesses. We think if you can build, tear down a few trees to build the U.S. Department of Commerce building on 15th Street, you can build the convention center over there.

Senator LEAHY. Thank you very much. I happen to like trees, which is probably not the best argument to use.

Mr. FRAIN. But that would save \$30 million right off the line. Just a second. Since it is a national convention center and not a civic center, I mean there is plenty of space—

Senator LEAHY. I understand your point, sir. I was trying to get you to that point rather than the jurisdictional one.

Thank you very much.

The next witness is Mr. Anton Wood, chairman of the Advisory Neighborhood Commission, 6-A. Is Mr. Wood here?

Is Mrs. Ellis here from the Chillum Heights Citizens Association?

CHILLUM HEIGHTS CITIZENS ASSOCIATION

STATEMENT OF MRS. ELLIS

Mrs. ELLIS. Mr. Chairman, I really appreciate the opportunity to come here today.

Senator LEAHY. We are delighted to have you here, Mrs. Ellis.

Mrs. ELLIS. I am here and speaking from notes because our president, Dr. Otto Ellis, recently gave authorization to speak for the Chillum Heights Association, which has been in existence since 1895. I thought you would be interested in that.

Senator LEAHY. I am. I am very impressed.

Mrs. ELLIS. My instructions from him, first of all, was to protest the lack of the citizens in the planning for this convention center.

Senator LEAHY. You mean before the City Council?

Mrs. ELLIS. Yes. The Mayor's Planning and Management Department. They considered 12 sites all over this city and I do a lot of civic work. I talked to many people all over this city. I was appalled when I found that so few of the people in those areas were aware that they were being studied for this convention center and that their property was under the threat of eminent domain, which is what will be used to acquire the property.

The present site they are considering, I was told because I am on the Planning and Zoning Committee of the Federation of Citizens, and we met with the representatives of the Mayor's task force, and they told us this was the most expensive site. They told us all about who was going to be displaced, how many there would be. We are especially concerned about the plight of small property owners under these programs.

I heard the representative of the board of trade say that they were concerned, too, when you expressed about what was going to happen to the people who were displaced and that they were concerned here, they would see that they were relocated and that they would get a fair price for their property.

It is not that simple. The first thing that happens when your property is going to be taken for eminent domain is that you get a price quoted to you for your property. If you think it is not enough, and you refuse it, you must hire some lawyer to help negotiate. If you are not able to negotiate what you think is suitable in price, then you may go to court.

Few people do that because it is a long procedure. Then you get a letter from the Department of Justice, which informs you that the money they offered you has been deposited in such and such a bank. You are no longer the owner of your property, and you wind up paying rent to the government for the property and the land that you once occupied.

That isn't a simple process which the board of trade would make you think it is.

In the southwest area, and I always say that I feel like the House District Committee when they investigated that urban renewal project, gave the figure that 62 percent of the businesses down there were utterly destroyed.

Senator LEAHY. Two percent?

Mrs. ELLIS. Sixty-two percent. The business people down there think it was more. But there is another problem in the downtown area. This is that 640 acres by act of Congress have been declared an urban renewal area. The board of trade cannot hope to relocate those people who have been there for generations in a site near where they occupied their businesses before because—I had a business downtown.

I sold out because I didn't want to go through the process. But we were told at a meeting with the HUD officials when we found out that the government was planning to do this 640 acres by an urban renewal plan and it was called the neighborhood development plan, whereby they take a certain small section, maybe every 2 or 3 years. They talk of the plight of downtown. That is one of the reasons that the people down there have no incentive even to put a stroke of paint on their buildings because no one knows when

another program is going to be started and when they will be the next ones to be under the threat of eminent domain.

The man who has a business and who rents gets very little because under the urban renewal plan, the law itself, there is no provision for name and goodwill. I noticed yesterday that you mentioned that you had found that there were people who had been there for generations.

Senator LEAHY. In fact, I went around and talked with a number of people, many of whom told me the same thing you are saying.

Mrs. ELLIS. I am pleased that you took that interest because I know what they have been through. But they may get something for their lease. But they are going to be hard put to relocate their businesses. I can tell you that. But we would also favor a different location, a different site, certainly preferably on Government lands.

Senator LEAHY. Thank you very much, Mrs. Ellis. I also appreciate your interest in sitting through a long hearing yesterday and coming back here again today and to have all of 3 minutes, I realize that it is a long time for you, but I want you to know that I place a great deal of reliance on your testimony and I appreciate your time.

Mrs. ELLIS. I am particularly concerned with the plight of small property owners under these Government programs.

I am concerned about the three hotels that are going to be built. Is the power of eminent domain going to be used to take the lands and the property that people own in that area for this, which is certainly for the benefit of private enterprise and not for Government use?

Senator LEAHY. I understand your question. Thank you.

Mrs. ELLIS. It seems to me that that is circumventing the law. That is the only thing I can call it.

Senator LEAHY. Thank you, Mrs. Ellis.

Mrs. ELLIS. Also, the sales mentioned in the Gladstone report that later they may sell it to a private corporation, that is, sir, circumventing the law certainly because they have then used the Government power to condemn and take the people's property. Then they turn around and sell it to a private corporation.

SOUTH MANOR NEIGHBORHOOD ASSOCIATION

STATEMENT OF MR. BENCHECK

Senator LEAHY. The next witness is Mr. Bencheck, the South Manor Neighborhood Association.

Mr. BENCHECK. Good afternoon, Senator. My association was at the last meeting in May and we are opposed to the convention center.

Senator LEAHY. You are opposed to it?

Mr. BENCHECK. We are opposed for the simple reason that it is planned to be built on property to be taken away from the District of Columbia, which would be a basis for tax purposes. It seems to me all these organizations are taking away the residences of the people in the District of Columbia. Instead of providing homes and domiciles for the people of the District of Columbia, they will be taking it away more and more and more.

Instead of enlarging the basis for the tax purposes, they will be eliminating the tax basis. We have been told that the convention center will provide much tax basis. This is not true because we see the example of the Kennedy Center, the Kennedy Arena there. We have seen other places that they built, what they have done with the ground there.

Everytime they plan these things, they always are compelled to eat crow because they never work out. They never help the people to increase the tax basis. If they are going to build a national convention center, it is to be built on national property, not on District property, not destroying the base for the District tax.

The District has been increasing tax basis on the District citizen time and time again. Where I reside since 1971, my tax assessment went up from \$12,000 to \$49,700. Why, I don't know. Yet, we see that they claim that this property brings more and more taxes. It isn't so because according to recent reports in the press, we see that some of the real estate high-rise buildings pay even less than they paid 2 years ago, less than they paid 2 years ago.

I repeat, therefore, I recommend that this committee should go on record against building the convention center on that property over there. There is a piece of property behind the District Building on 14th Street between the District Building and the Labor Department, there is a nice piece of property.

Let them build it over there. That will not effect the domicile of the District of Columbia people. Thank you.

Senator LEAHY. Thank you very much.

Mrs. Len?

STATEMENT OF MRS. L. LEN, REPRESENTING HERSELF

Mrs. LEN. Senator Leahy, and your able assistant, Mr. Hall, I want to thank your assistant for his patience in a number of telephone conversations we had.

Senator LEAHY. He is one of the most patient people I have met since I have been in Washington.

Mrs. LEN. That is what you need. First, the GAO report of the District Building with all of the consulting companies that they listed, not a single one included an accounting firm or an auditing firm in the hotel, restaurant and convention business.

There are two very outstanding leading firms, Harris and Foster and Harwick and Harwick. They have existed for years for that purpose, they are the Cadillac of accounting firms. A building construction firm was used instead. That is fine. We need that. But it should have been balanced with operational management figures which would have given us a much better picture of what they anticipated.

A package deal would have been much better to begin the convention center with, a convention center, hotels, restaurants, and shops like they did in Atlanta, all open at the same time. Also, it takes around 10 years to get a convention center on its feet so that it is operating with as much of a capacity, say, 80 percent on a year-round basis. You just cannot go out and sell eight conventions, they are booked 5, 10, 15, 20 years ahead.

They just don't sell them overnight. There was a very interesting statement put in the record in the City Council by five churches

in this area of where the convention center is proposed, including the New York Avenue Presbyterian Church. They are concerned with the quality of life around that area. They are concerned with the threat that it imposes to the churches in the immediate vicinity.

They are concerned with the architectural design. But their main concern is that a long-term deficit financing of operational costs of the project be supplied by taxes on the commercial beneficiaries for the civic center, not the citizens of the District, many of whom are financially unable to bear this added burden.

I understand this is the supplementary budget. Forty-eight hours ago, there were two policemen confronted with a suspect. The suspect pulled a gun and aimed it at the lady officer. The male officer shot him and killed him with one bullet.

In the District of Columbia, there is being questioned as to whether we should have two officers to a scout car or one. All of the surrounding jurisdictions pretty much have one. The single officer cruiser was a question put on WRC a week ago. There was a statement made over there, and I am quoting just about 20 seconds of it.

Where is the rationale of the elected officials that they are slowly eroding and watering down their own respect for law and order in that they refuse to give top-quality tools and proven sufficient manpower to the very men, fire or police, in whom they expect top-quality performance to the full measure of, if necessary, laying down their lives.

Senator LEAHY. I might add this, I have the highest respect for the police here. I think they have done a fantastic job over the past few years. The only area of disagreement I have with them has been areas out of their control where there were some unfortunate judgments of others back a few years ago.

But I think they are extremely well equipped. Having spent nearly 9 years in law enforcement myself, I think their equipment, pay, standards, training, personnel, everything else, is the envy of most police agencies throughout the country. It will not be my intention, at least from everything I have seen now, to have this subcommittee second-guess the operation of the police department.

I think we have a very good police department here, one I am very proud of. I would presume that the issues that you have raised are matters of concern by you and others.

Mrs. LEN. The 35 fire companies which is what everybody would like to get back. The next election will truly be an opportunity for John Q. to show the public servants how well they serve their constituents. I would like you to ask me one question off the top of your head. I have worked conventions and helped put them on.

Can you not think of one question you can ask of someone who really knows the business?

Senator LEAHY. Not only members of my family run hotels, but I have worked at every single thing, ranging from chamber maid to getting on tables to manning the front desk to cooking; you name it, just about any aspect of it.

Mrs. LEN. You know what it takes to put on—

Senator LEAHY. I worked there at one point or another.

Thank you very much.

Mrs. LEN. Thank you, Senator.

MICHIGAN PARK CITIZENS ASSOCIATION

STATEMENT OF EVERETT KANE, PRESIDENT

Mr. KANE. My name is Everett Kane. I am president of the Michigan Park Citizens Association. I would like to talk to you for a few minutes. I am not on the list, no.

Senator LEAHY. I am going to have to take the chair's prerogative. We set this meeting from 2 to 3. Mr. Coppie has 19 line items to go through. The next hearing that I am supposed to be at begins directly at 3. The following one after that begins directly at 4.

I am already supposed to be in the second place. I am sorry, sir. I would be very happy to receive from you or anybody else who felt they didn't have an ample opportunity to be heard, a letter, statement or anything else that will be made part of the record.

PREPARED STATEMENTS AND COMMUNICATIONS

I will insert in the hearing record at this point the statements and letters of the several individuals and associations who have requested to have their statements included in the record but were unable to appear.

[The statements follow:]

STATEMENT OF OF GEORGE M. BRADY, JR., PRESIDENT, NATIONAL
CORPORATION FOR HOUSING PARTNERSHIPS**National Corporation for Housing Partnerships**1133 Fifteenth Street, Northwest, Washington, D.C. 20005 Tel: (202) 857-5700
TWX 710-822-1905

July 7, 1977

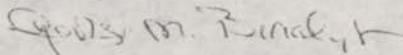
Honorable Patrick J. Leahy
c/o Mike Hall
Room S-146-A
U. S. Capitol
Washington, D.C.

Dear Senator Leahy:

I wish to strongly endorse the legislation before the Senate Appropriations Committee in regard to the Downtown Civic Convention Center. Passage of this legislation is not only important to Washington in terms of its ability to handle large conventions and increase tourism, but it is a key to the revitalization of a very important area of the city.

As a former Vice Chairman for many years of the District of Columbia Commissioners Planning and Urban Renewal Advisory Board and as past Chairman of the Mortgage Bankers Association of America Urban Renewal Committee, I am very familiar with the impact that this could have, not only for the entire city, but particularly that area in which it would be erected. In fact, at the present time the National Corporation for Housing Partnerships has been awarded land to build two housing projects on urban renewal land in Washington, one of which we hope will be under construction within the next ninety days. NCHP (see enclosed statement) has developed projects on urban renewal land in 43 different locations, so we are thoroughly familiar with what impact this can have. I strongly endorse the legislation and urge your support and that of your fellow members of this committee. I request that this be included in the record.

Sincerely,



George M. Brady, Jr.

STATEMENT OF THE FRIENDSHIP CITIZENS ASSOCIATION, INC.

The Friendship Citizens Association, Inc., asks that the Appropriations Subcommittee on the District of Columbia deny the Mayor's request for an increase in the Fiscal Year 1978 capital budget of \$27.7 million for site acquisition and partial design costs for the proposed Washington Civic (Convention) Center.

The Civic Center, as proposed by the Mayor, is neither economically feasible nor fiscally sound. Rather than being a major community development project which will significantly increase jobs, tax revenues, and revitalize downtown, the proposed convention center is a dangerous gamble which risks fiscal soundness. The Friendship Citizens Association is anxious to achieve the revitalization of downtown and to increase revenues and jobs for District residents. But after careful scrutiny of the proposal, we can only conclude that the proposal is based on wishful thinking, unreliable statistics, and the desires of a few special interests who stand to profit even if the center were to be a drain on the city itself. How else can one explain a financing scheme in which all the risk is borne by the taxpayers and most of the benefits by private firms? How else can one explain the reluctance to put the question of a \$110 million capital improvement which will preclude most other improvements for years to come to the test of a referendum? How else can one explain the fact that alternative community development projects were not even considered?

After careful consideration of the proposal and close scrutiny of the feasibility study by Gladstone Associates, the Friendship Citizens Association questions how the government of the District of Columbia could have made such a proposal. Obviously, economic feasibility is not demonstrated. The report by the Government Accounting Office raises serious doubts concerning the reliability and completeness of the data used. Many nagging questions remain unanswered:

If the convention center proposal is so sound, why has private industry been so reluctant to either undertake the project alone or at least to guarantee all or part of the financing? If the private bond market is not confident of the "profit", why should the citizens of the District be?

Why are the statistics used by Gladstone Associates so different from earlier studies? And why so consistently more optimistic?

Why did Gladstone not forecast fiscal "profit" to the city based on less optimistic attendance and length of stay data? Was it because cost overruns and/or less success in running a convention center would show the weakness of projected benefits to the city?

Why has the city government not fully investigated charges of conflict of interest against Gladstone?

Why were the issues of environmental impact, adverse effects on existing convention business (and consequent off-setting tax losses), and traffic and parking problems not even addressed in the feasibility study?

Why were the public service costs (fire protection, traffic, sanitation, etc.) not taken into account?

These and other unanswered, indeed unaddressed, questions alone make the current proposal quite unacceptable. However, it is the threat to the fiscal integrity of the city government which most worries our Association and the residents of our community. The burden of debt service, especially when unrelieved by a likely off-setting revenue gain, could push Washington to the verge of bankruptcy. And serious fiscal crises always hurt the common citizen most. The first programs to be cut are invariably the vital social services.

The threat to fiscal integrity is very real. The D.C. Auditor reported to the City Council that the proposed convention center would push the District to the legal limit of revenues expended for debt service. Congress, in its wisdom, limited to 14% the expenditure of revenues to service debt. At that point, further capital improvements will be impossible. Surely, the city must invest in many other improvements in corrections facilities, courts, libraries, colleges, etc. But such expenditures would move the city to the brink of disaster -- another New York City.

The fiscal condition of the city is not good. The per capita debt is the highest in the nation already. The city's budget officer reports a negative cash flow of \$60 million per year and the District's books are in such disarray that a bond rating could not be obtained. The city's share of servicing the Metro debt and the Pension Fund have not yet even been calculated. In such a situation, surely the approval of such a large capital improvement project must rest on much better evidence of feasibility and probability of success.

This Association urges the Subcommittee to deny the proposed increase in the FY 1978 capital budget. We further urge the Committee to recommend to the Mayor that, in the spirit of the Home Rule Charter, the citizens be given a direct choice on this issue by referendum. The city government should be urged to do this as responsible behavior in accordance with the Home Rule Act.

LETTER FROM WASHINGTON BUILDING CONGRESS, INC.
WASHINGTON BUILDING CONGRESS, INC.

Representing all branches of the construction
industry in the Metropolitan Washington area

SUITE 136, 4301 CONNECTICUT AVENUE, N.W. WASHINGTON, D.C. 20008 244-6481

June 28, 1977

The Honorable Patrick J. Leahy
U.S. Senate
1203 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senator Leahy:

Enclosed is the RESOLUTION IN SUPPORT OF THE DOWNTOWN
WASHINGTON CIVIC AND CONVENTION CENTER recently passed by the
Washington Building Congress Board of Governors. We request
that this letter and the resolution be included with the
record of the hearing you have scheduled on the subject for
June 29, 1977.

It is our view that the proposed Civic and Convention
Center is the single most significant public improvement
remaining and necessary to the stimulation of major revitaliz-
ation in downtown Washington between the White House and the
Capitol. It would serve not only Washington, D.C., but the
nation as a whole, permitting organizations to convene here
that now cannot for lack of suitable space and facilities.

We urge you to act favorably on this matter by approving
the use of District of Columbia funds to construct the Center.

Sincerely,

WASHINGTON BUILDING CONGRESS, INC.

Robert N. Gray
Robert N. Gray, AIP, Chairman
Metropolitan Planning Committee

RESOLUTION IN SUPPORT OF THE DOWNTOWN WASHINGTON
CIVIC AND CONVENTION CENTER

WHEREAS, the Washington Building Congress was established in 1937 to speak for Washington's building industry as a whole on matters pertaining to construction; and

WHEREAS, the Washington Building Congress has been and continues to be active, in the community interest, in helping to advance construction of major importance to the community and to its members; and

WHEREAS, the Washington Building Congress seeks to promote new construction opportunities and jobs for area residents engaged in construction; and

WHEREAS, the civic and convention center, to be located in downtown Washington between New York Avenue, 9th, 11th, and H Streets, N.W., would provide such opportunities -- \$75.9 million in capital construction on-site and up to 1,115 person years of construction jobs; and

WHEREAS, the civic and convention center is expected to stimulate significant additional "spin-off" development in the downtown area, east of 15th Street, N.W., where the object of public and private efforts is to bring about major redevelopment; and

WHEREAS, this additional "spin-off" development and the improved prospects it would create for further redevelopment and revitalization in downtown and elsewhere would benefit the construction industry as a whole, would produce new and needed local tax revenues, and would enhance and make more active the downtown environment for those who live, work, and visit Washington, D.C. -- the Nation's Capital; and

WHEREAS, the civic and convention center and related facilities would enable Washington to better accommodate and serve the mul-

titude of organizations, groups, and individuals wishing to visit and convene in the Nation's Capital:

NOW THEREFORE BE IT RESOLVED, that the Washington Building Congress strongly supports construction of civic and convention center facilities as proposed, south and west of Mount Vernon Square in downtown Washington between the White House and the Capitol, and urges that the District of Columbia Government and the U.S. Congress act promptly and decisively to ensure that the civic and convention center is constructed in a timely and expeditious manner.

LETTER FROM BUSH DEVELOPMENT CORPORATION

BUSH DEVELOPMENT CORPORATION
*Building Contractors*5532 RABY ROAD
P.O. BOX 12659
NORFOLK, VIRGINIA 23502

June 30, 1977

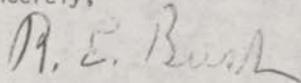
The Honorable Patrick J. Leahy
United States Senate
232 Russell Senate Office Building
Washington, D. C. 20510

Dear Senator:

My Company is the designated developer of Square 515 in Downtown Washington, between 4th and 5th, K and L Streets, N. W. We expect to build 1,000 units of housing on this five-acre site, with the first 300 units to be under construction within a year. These are to be subsidized, but the remaining 700 are to be private market rate housing and unsubsidized. The rate at which this private housing is to be built can be greatly accelerated if your Committee approves two items in the capital improvements budget of the District: (1) first phase of the Civic and Convention Center; and (2) initial construction on the downtown campus of the University of the District of Columbia. Both of these will greatly improve the market for private housing in this area, which, in turn, will speed the revitalization of Downtown Washington.

I respectfully request that this letter be made a part of the record of the hearing which was held June 29, 1977.

Sincerely,



R. E. Bush

STATEMENT OF WASHINGTON ECOLOGY CENTER

Mr. Chairman. I am David Paris, Executive Director of the Washington Ecology Center, a public interest organization which has been involved in environmental advocacy since its founding in 1970. Our interest in the convention center issue goes back to 1972 when the Ecology Center first analyzed the proposal at the request of affected residents and businesses of the Chinatown area. At that time we concluded that the project would have had severe environmental, social, and economic impacts. Our belief that the proposed convention center is an inappropriate project continues.

I shall leave to others the outlining of many of the project's undesirable features. Instead, I shall center my testimony on the need for this subcommittee to consult an environmental impact statement prior to decisionmaking.

Such an analysis is currently being prepared by the National Capital Planning Commission, but the EIS will not be available until late September at best. Subcommittee decisionmaking in the absence of the study would be contrary to the requirements of the National Environmental Policy Act, which requires an EIS prior to major stages in project decisionmaking. Surely a budgetary decision by the United States Congress constitutes a major stage within the meaning of the Act.

Environmental impacts of the convention center would include: traffic congestion, destruction of the social fabric of an ethnic community, dislocation of businesses and residents, and a variety of social/economic impacts associated with the provision of services to conventioners. The proposed site probably possesses the highest air pollution levels of all contemplated locations, and there is need for an EIS to consider the extent to which conventioners might be expected to utilize mass transit. The impact of secondary development which the convention center is designed to generate, including the associated city-sponsored hotel complex, must also be considered.

Project proponents, chiefly the D.C. Government and the Metropolitan Washington Board of Trade, might argue that compliance with NEPA would create costly project delay. However, the legal requirements of NEPA are clear, and the environmental, social, and financial risks of the convention center are so great that prudence is called for. Many civic groups have raised a number of

questions regarding the proposal, and many of the questions relate to considerations not addressed by the Gladstone Associates, market feasibility analysis. Surely further study of the proposal through the environmental impact statement process is appropriate, especially in light of the massive investment required.

Even if delay would inflate project construction costs, it would appear reasonable to assume that potential convention center revenues would likewise inflate. It is difficult to believe that construction costs would inflate while hotel and convention center charges would remain constant or decrease.

It is claimed by project proponents that the convention center would generate economic-development benefits in the downtown core area. My research has not found a single national study of economic benefits of existing convention facilities following construction. I challenge project proponents to document the ability of publicly owned convention centers to generate site-specific private development.

Specifically, we believe that the huge convention palace will denigrate not only the physical environment of the downtown but the investment environment as well. The huge edifice, twice the size of the much-criticized FBI Building, would create a wall inhibiting low-scale development of the Chinatown area. It is claimed that the convention center will add "24-hour population" to the downtown, however, the facility would generally be unused at night. In contrast, Georgetown is a low-rise, thriving business area with a 24-hour population, and Connecticut is a relatively high-rise business area with night life. Residential construction in the Mt. Vernon Square area would generate a 24-hour population much more efficiently than a convention center.

Construction of a convention center would inhibit new residential investment in the Mt. Vernon Square area. Such development would be more profitable to the city both environmentally and economically. Residents would be able to walk to work thus lessening environmental impacts of commuting, and taxes paid by such residents would boost city revenues. The metropolitan area should attempt to lessen the gap between work and home. Such a goal would be accomplished by the construction of more residences in D.C. and more commercial development in the suburbs.

Among the reasons why the Gladstone conclusions should be viewed with suspicion is the firm's interlocking relationship with the Quadrangle Develop-

ment Corporation, a major real estate investment company. Gladstone principals make up the majority of Quadrangle's board of directors, and the two entities share office space in 2030 M Street, N.W., one of Quadrangle's prime office buildings. Quadrangle, a member of the D.C. real estate fraternity, which unilaterally supports convention center construction, offers clear reason for the Ecology Center to question Gladstone's objectivity.

Quadrangle plans to construct a major office building in the 13th and E Street, N.W. area (see Washington Post, 6/24/77). According to the D.C. Municipal Planning Office, the proposed site is among the portion of the downtown potentially benefiting from convention center construction. Gladstone, also, has performed consulting work for the Pennsylvania Avenue Development Corporation. Was Gladstone's analysis affected by the prospect of the Quadrangle structure? Similarly, was a market analysis of West End development prepared by Gladstone in 1973 for the D.C. Government affected by Quadrangle ownership of four buildings in the area immediately surrounding the study area?

Gladstone has also performed analysis relating to the proposed 12th and G Streets, N.W. downtown renewal site, according to the June, 1977 D.C. Gazette. Since both the Gladstone and Municipal Planning Office convention center studies claim that the downtown urban renewal site would benefit from convention center constructions, can Gladstone's objectivity regarding convention center market feasibility be trusted? No, suggests the Ecology Center.

In light of the many pressing city service needs, the convention center appears to be a perversion of municipal priorities. Moreover, the project, which even the most optimistic convention center proponents admit would only work if constructed and managed under scrupulous conditions rivaling the Marshall Plan, is being planned amidst a national glut of convention center construction. In short, the opportunity costs and risk of convention center construction do not seem to remotely justify the project.

The convention center does not require an ecology versus jobs decision; both considerations seem to argue against project approval. We therefore recommend that the committee disapprove the convention center following completion of the required environmental impact statement.

Thank you for the opportunity to present our opinion.

STATEMENT OF THE CITIZENS ASSOCIATION OF GEORGETOWN

In lieu of oral testimony the Association submits for consideration of the District of Columbia Appropriations Subcommittee of the United States Senate the following reasons for its opposition at this time:

1. The proposal was prepared and considerable sums expended on a "feasibility study" and promotion materials without advance consultation with ANCs and citizens associations as provided for and required under terms of the Home Rule Act;
2. The already overburdened D.C. Taxpayer would be liable to defray the debt service charges of this 125 million dollar project without representation or control over the proposed expenditure which may well escalate far beyond the projected cost;
3. The Feasibility Study prepared by Gladstone Associates does not convincingly address itself to the real costs of the project and contains exaggerated and unsubstantiated estimates of income and tax benefits to the District of Columbia from the Convention Center when in operation; (See economic analysis of the Gladstone study prepared by Dr. John J. Phelan.)
4. The taxpayers are being asked to finance the Center, without referendum, when much of the estimated profits would accrue to hotel owners and business establishments without contributing any risk capital of their own;
5. Matthew S. Watson, D.C. Auditor, has sent a letter dated April 22, 1977, to Sterling Tucker of the D.C. City Council opining that "the additional debt (of the Center) may bring the City so close to the 14% limit that future capital projects may be restricted."
6. The D.C.'s precarious financial situation, its current debt service costs, the demonstrated inadequacy of its fiscal controls, its poor management record, and the excessive tax burden now being carried by D.C. residents and taxpayers all militate against the assumption of new obligations of the financial dimensions of the proposed Convention Center;
7. At the very least a public referendum should be held so that the taxpayer-voter of the District of Columbia may express their opposition or support for the Center before any further plans are developed or financial commitments made.

STATEMENT OF JOHN B. DUNCAN, PRESIDENT, VOICE OF INFORMED
COMMUNITY EXPRESSION

Mr. Chairman, thank you for this opportunity to testify in behalf of VOICE -- the Voice of Informed Community Expression -- in support of the civic and convention center proposed in Downtown Washington.

My name is John Duncan. I am the President of VOICE. As you know, VOICE is an organization composed of leadership persons active and involved in a wide range of District of Columbia civic affairs. It is, if you will, an advocacy group for the city and has no interest other than that of the general welfare of the total community. True to its name, VOICE seeks to be knowledgeable and informed on all issues of community import and to present views at forums such as this that reflect careful analysis from a community-wide perspective.

The matter of civic and convention facilities in the District of Columbia is one of utmost importance. The controversy and strong feelings that surround the issue are one measure of this importance. Few issues have engendered more prolonged discussion and debate and rightly so, because few issues have the potential effect -- physically and economically -- that a civic and convention center would have.

The strong support of VOICE for the civic and convention center in Downtown is long standing. VOICE has been among the supporters for these facilities since the early 1970's. Our support is based on our understanding of the feasibility and practicability of such facilities and on the strong demonstrable need for them. VOICE believes that the District of Columbia will reap a "community profit" from the center. Few, even among the critics of this proposal, would deny that Washington benefits from its special attraction as a convention center. Tourism generally and conventioning in particular are major contributors to our local economy. It is estimated that currently 4.2 million visitors stay overnight in Washington, D.C. annually. Of this number 700,000 are convention goers. Revenues from this source are estimated to be \$210 million annually. According to the report of Gladstone Associates on the economic feasibility

of the proposed convention facilities south of Mt. Vernon Square between 300,000 and 400,000 additional convention goers can be expected yearly if adequate facilities are provided. Assembly space and adequate exhibit space in one building are essential. The additional revenues that could be realized by the city from this source are a major incentive for constructing the center: the demand is already here. This demand, left unserved, will continue to go elsewhere to other cities and the revenues that would be produced will be lost to the District of Columbia unless you act positively to provide for its construction.

The Subcommittee needs no reminder of the city's financial problems. Costs of essential services continue to increase while tax sources, particularly the beleaguered property tax, are heavily strained. Generation of new revenues apart from the existing property inventory of the city seems imperative for this reason alone. The civic and convention center south of Mt. Vernon Square is expected to stimulate construction of some 3,000 new hotel/motel rooms -- a substantial incentive to build the center in and of itself. And this hotel/motel development should foster development of related services and businesses in Downtown Washington and elsewhere in the city.

The center will create new employment opportunities. Construction jobs created by the center are estimated at 935 to 1,115 person-years, and construction of spin-off hotel development at 1,235 to 1,660 person-years -- a total of 2,170 to 2,775 person-years of construction employment.

After the center is open for business, it will be responsible for creating new jobs in three ways: at the center itself, through new delegate and exhibitor spending, and as the result of related economic activity in the community. The estimate of new permanent jobs created directly or indirectly by the center is 3,500 to 4,600. The payroll represented

by the center is estimated at between \$33 million and \$42 million a year.

The physical development and jobs potential associated with the civic and convention center is important even beyond the revenue that it would produce. The potential includes the revitalization of the Downtown area between the White House and the Capitol. Public policy calls for this revitalization. Substantial public resources have already been allocated to help accomplish this goal. The development of the civic and convention center can be the catalyst. Mt. Vernon Square is literally at the center of Downtown. The civic and convention center there can be the centerpiece for Downtown revitalization. Around it hotels and motels would be built, housing for residents in Downtown would be built, housing for residents in Downtown would be encouraged, and retailing and service businesses would receive new life. The civic and convention center and new hotels would add life to the streets more nearly round the clock. They should make more marketable the renewal action sites in Downtown. They should increase the use of public improvements such as METRO and STREETS FOR PEOPLE.

We realize that the cost of the proposed civic and convention center is higher than if it had been built earlier -- nearly \$110 million. Of course, this includes purchase of the site and also relocation expenses. At the same time, we see the great benefits to be gained. Having reviewed the Gladstone Report carefully, we believe that the projection of costs is liberal and the projection of revenues is conservative. This is as it should be to provide a necessary cushion against unforeseeable economic uncertainties. But with such careful planning done, action should follow now. We urge that you approve the proposed civic and convention center south of Mt. Vernon Square so that the District of Columbia can spend

its own money for this capital improvement. No one other budget proposal now pending would have greater positive effect in terms of the city's economic development, Downtown revitalization, and enhancement of the general quality of life.

Thank you.

STATEMENT OF ROBERT E. PETERSEN, PRESIDENT, GREATER CENTRAL
LABOR COUNCIL, AFL-CIO

My name is Robert E. Petersen, President of the Greater Washington Central Labor Council, AFL-CIO. Our organization represents approximately 200,000 working men and women in the metropolitan Washington area. May it be entered into the record that the Central Labor Council endorses the need for the Washington, D. C. Civic Center.

We feel that the Civic Center will offer a great deal in the way of social, cultural, and economic development for the metropolitan area.

Before 1970, the District of Columbia had no major concert halls in which to hold cultural events. Then the Kennedy Center was built, and in our estimation, it has served the District more than adequately. Just as the Kennedy Center has enhanced the aesthetic quality of its locality; so will the Civic Center greatly aid in revitalizing its downtown location.

The Central Labor Council's major concern is for this jurisdiction and its citizens. Therefore, we have addressed ourselves to the feasibility of a Civic Center in terms of the available opportunities, cost, and the overall benefits of this project.

The Civic Center will provide a substantial amount of permanent employment opportunities for the citizens. The initial task of building the structure will produce a significant source of employment for the construction industry. The construction and building tradesmen presently have an unemployment rate of

approximately 23% (between 7,000 and 8,000.) If the plans for the new center are put into action, the expected number of jobs in this area alone is between 2,170 to 2,775. Upon completion, subsequent employment projections which result from the operation of the center will number between 3,500 to 4,500 new full-time jobs for Hotel and Restaurant workers where there is an unemployment rate of between 10 and 15%.

Although the above figures in no way reflect the number of jobs needed to make a drastic decrease in unemployment, this is a step in the right direction. Especially considering that the "multiplier effect" will provide perhaps thousands of new jobs, the idea being that the Civic Center will provide incentive for further development in the vicinity.

The complex will be economically advantageous to the metropolitan area. The Center will generate fiscal revenues of approximately \$12 million a year. The point may be raised that such profits are only possible if the Civic Center becomes a significant interest and attraction nationwide. However, Washington, D. C. is considered to be a major convention city, therefore, the center would tend to increase the desirability for an influx of activities, i.e. conventions, trade shows and large meetings; with the much needed elements of accomodation and convenience.

In addition to the net fiscal profit of the center, the spin-off effect will revitalize the surrounding neighborhood of the chosen site by encouraging further development of the neighboring area. For example, the Chinese community which is in this area, would most certainly be enhanced by the activities of the Civic Center. The location of the Civic Center will provide greater public visibility for this community which is almost unknown to most citizens and visitors. It is highly probable that the community would begin to flourish due to increased utilization of its enterprises, and cultural events; and further growth through potential future development. Not

only will the Chinese community benefit from this project, but also the entire inner core of the city as it will bring more people back to the inner city to spend their leisure time and dollars.

STATEMENT OF JAMES L. DENSON, EXECUTIVE VICE PRESIDENT, DISTRICT
OF COLUMBIA CHAMBER OF COMMERCE

CONSIDERATION FOR PROPOSED CIVIC CENTER PROJECT

THE DISTRICT OF COLUMBIA CHAMBER OF COMMERCE CONSIDERS THE CIVIC CENTER PROJECT AN IMPORTANT AND APPROPRIATE ADDITION FOR THE ECONOMIC DEVELOPMENT OF THE CAPITAL CITY. SUBSTANTIALLY INCREASED TAX REVENUE, NEW JOBS, NEW AND EXPANDED BUSINESSES, AND DOWNTOWN REVITALIZATION ARE AMONG THE MANY BENEFITS WHICH CAN BE GENERATED FROM THIS PROJECT.

ADDITIONALLY, THE CIVIC CENTER CAN BE POSITIVELY FEASIBLE AND CAN, IN EFFECT, COVER ALL COSTS, INCLUDING CAPITAL AND OPERATING, AND RETURN A FISCAL "PROFIT" TO THE CITY.

AS PROPOSED, THE CIVIC CENTER IS TO BE A LARGE MEETING AND EXHIBITION FACILITY PARTICULARLY DESIGNED FOR INTERNATIONAL, NATIONAL, AND LOCAL EVENTS, SUCH AS CONVENTIONS, TRADE SHOWS AND LARGE-SCALE MEETINGS. WASHINGTON, D. C., THE NATION'S CAPITAL AND CENTER OF THE SEVENTH LARGEST METROPOLITAN AREA, IS UNIQUELY SUITED TO ATTRACT THIS BUSINESS. YET, IN SPITE OF THIS FACT, THERE IS NO FULL-SCALE MAJOR CONVENTION OR EXHIBITION FACILITY IN THE AREA.

ECONOMICS OF THE CIVIC CENTER

THE CIVIC CENTER IS PROPOSED TO BE WELL-LOCATED, WELL-DESIGNED, AND WELL-MANAGED. AS SUCH IT SHOULD ATTRACT A NET GAIN OF 310,000 TO 320,000 DELEGATES AND EXHIBITORS TO THE CITY ANNUALLY. THIS WOULD REPRESENT ONE AND ONE-HALF MILLION NEW "DELEGATE NIGHTS" PER YEAR.

SUCH AN INCREASE IN OVERNIGHT VISITORS WILL SUPPORT APPROXIMATELY 3,000 NEW HOTEL ROOMS IN THE DISTRICT OF COLUMBIA, WHILE AT THE SAME TIME STRENGTHENING OCCUPANCY IN EXISTING HOTELS. NEW DELEGATES AND EXHIBITORS SHOULD SPEND APPROXIMATELY \$100 MILLION PER YEAR IN THE CITY. MANY LOCAL

BUSINESSES AND INDIVIDUALS WILL BENEFIT FROM THE IMPACT OF THESE EXPENDITURES. FOR EXAMPLE, \$40 MILLION IN ADDITIONAL HOTEL ROOM RECEIPTS, MORE THAN \$4 MILLION IN RETAIL BUSINESS, AND MORE THAN ONE MILLION ADDITIONAL TAXI RIDES PER YEAR WILL BE GENERATED. THE CIVIC CENTER WILL ALSO ACCOUNT FOR APPROXIMATELY 4,000 NEW PERMANENT JOBS IN THE DISTRICT OF COLUMBIA.

THESE JOBS WILL PROVIDE SIGNIFICANT NEW EMPLOYMENT OPPORTUNITIES FOR DISTRICT RESIDENTS. ADDITIONALLY, CONSTRUCTION OF THE CENTER ITSELF WOULD BE A MAJOR SOURCE OF JOBS, RESULTING IN APPROXIMATELY 2,000 PERSON-YEARS OF EMPLOYMENT DURING CONSTRUCTION. BEING IDEALLY LOCATED, THE CENTER IS EXPECTED TO BE A STRONG CATALYST FOR NEW DEVELOPMENT IN THE DOWNTOWN AREA OF THE DISTRICT.

WHEN FULLY OCCUPIED, AFTER ONE-TO-THREE YEARS, THE CENTER SHOULD GENERATE MORE THAN \$14 MILLION OF ADDITIONAL REVENUE PER YEAR, INCREASING EACH YEAR THEREAFTER.

AN ANNUAL "PROFIT" (TAX REVENUE EXCEEDING PUBLIC COSTS) ACCRUES TO THE CITY AFTER ALL COSTS, ONCE THE BUILDING IS OPERATING AND HAS NORMALIZED OCCUPANCY IN LESS THAN THREE YEARS. HOWEVER, COSTS WILL EXCEED REVENUE BY ABOUT \$14 MILLION ANNUALLY BEFORE NORMALIZATION IS ACHIEVED. THE DISTRICT OF COLUMBIA CHAMBER OF COMMERCE SUPPORTS THE FUNDING OF SUCH A GAP BY A SPECIAL TAX ON BENEFITING COMMERCIAL PROPERTIES.

IT IS FURTHER URGED BY THE CHAMBER THAN THE CONGRESS ASSURE THE CIVIC CENTER FEASIBILITY WITH A STRONG COMMITMENT TO ITS MANAGEMENT AND DEVELOPMENT PROCESS.

THE PAYBACK PERIOD FOR THE CONGRESS' CIVIC CENTER INVESTMENT IS APPROXIMATELY 15 YEARS. AFTER THAT TIME, THE NET RETURNS TO THE CITY ARE PROJECTED TO BE EQUAL TO THE TOTAL OF 30 YEARS OF DEBT SERVICE PAYMENTS AND 30 YEARS OF NET OPERATING COSTS.

AFTER DISCOUNTING FOR INFLATION, CITY OPERATIONS ARE EXPECTED TO BE \$450 MILLION. TOTAL DEBT SERVICE AND NET OPERATING COSTS FOR A PERIOD OF 30 YEARS ARE EXPECTED TO BE ONLY \$20 MILLION.

IT WILL BE POSSIBLE TO ESTIMATE ACCURATELY THE NUMBER OF DELEGATES AND EXHIBITORS ATTRACTED TO THE CITY'S CIVIC CENTER IN THE FORM OF A DOCUMENTABLE STATISTIC.

AFTER A BUILD-UP OF ONE-TO-THREE YEARS THE CENTER WILL PROBABLY GENERATE THE FOLLOWING ANNUAL NON-LOCAL DELEGATE AND EXHIBITOR ATTENDANCE:

1. 31 TO 38 CONVENTIONS WITH AN AVERAGE DELEGATE AND EXHIBITOR ATTENDANCE OF ABOUT 8,000.
2. FOUR TO FIVE TRADE SHOWS WITH AN AVERAGE DELEGATE AND EXHIBITOR ATTENDANCE OF ABOUT 13,000.
3. SIX TO EIGHT MAJOR MEETINGS WITH AN AVERAGE DELEGATE AND EXHIBITOR ATTENDANCE OF ABOUT 8,000.

THE PROJECTIONS REVEAL A NET GAIN OF ABOUT 310,000 TO 390,000 ATTENDEES ATTRACTED BY THE CENTER.

MANY SURVEYS HAVE ESTABLISHED THAT, ON THE AVERAGE, CONVENTION DELEGATES STAY 4.4 NIGHTS AND EXHIBITORS TEND TO STAY TWICE AS LONG DUE TO SET-UP AND TEAR-DOWN TIME.

NEW DELEGATES AND EXHIBITORS WILL GENERATE DEMAND FOR AN ESTIMATED 3,300 TO 4,150 HOTEL ROOMS. AN ESTIMATED 2,450 TO 3,300 OF THIS OVERALL ROOM DEMAND WILL BE MET BY NEWLY CONSTRUCTED HOTEL ROOMS IN THE DISTRICT OF COLUMBIA. THIS WILL BRING ALL DISTRICT HOTELS UP TO ABOUT 75 PERCENT OCCUPANCY.

HOTELS NOT ONLY GENERATE REAL ESTATE TAXES, BUT, IN ADDITION, THEY ARE SUBJECT TO AN EIGHT PERCENT THE ON-ROOM REVENUES PLUS MEAL AND BEVERAGE TAXES.

CONSTRUCTION OF THE ADDITIONAL HOTEL ROOMS REQUIRED BY CIVIC CENTER WOULD RESULT IN \$86 TO \$115 MILLION IN NEW CONSTRUCTION ACTIVITIES AND NEW TAXABLE REAL PROPERTY. THEREFORE, THE \$100-\$110 MILLION COST FOR THE CIVIC CENTER WOULD BE COMPENSATED FOR BY AN EQUIVALENT AND NEARLY COINCIDENT ADDITION TO THE REAL ESTATE TAX ROLLS -- WITH THE FURTHER BENEFIT OF THE HOTEL ROOM TAX, DELEGATE EXPENDITURES, JOBS CREATED AND OTHER IMPACTS AND BENEFITS.

DELEGATES AND EXHIBITORS INDUCED BY THE CENTER SHOULD GENERATE EXPENDITURES OF APPROXIMATELY \$100 MILLION PER YEAR IN THE DISTRICT OF COLUMBIA. CONVENTION DELEGATES SPEND AN AVERAGE OF \$67 PER DAY. MULTIPLYING THIS DAILY EXPENDITURE BY THE NUMBER OF DELEGATE EXHIBITOR NIGHTS, A TOTAL OF \$91 - \$115 MILLION WILL BE SPENT ANNUALLY.

RECEIPTS FOR LOCAL BUSINESSES WILL BE EXPENDED AS FOLLOWS ON AN ANNUAL BASIS (IN MILLIONS OF DOLLARS): HOTEL ROOMS \$39.3 TO \$49.4; RESTAURANTS IN HOTELS \$17.0 TO \$21.4; OTHER RESTAURANTS \$19.9 TO \$24.9; RETAIL STORES \$4.7 TO \$5.9; TRANSPORTATION \$4.4 TO \$5.5; ENTERTAINMENT \$3.4 TO \$4.2 AND OTHER \$2.8 TO \$3.6.

ADDITIONALLY, ON AN ANNUAL BASIS, NEW PAYROLL IN THE DISTRICT OF COLUMBIA WOULD INCREASE BY \$3.3 TO \$4.2 MILLION. SUPPORTABLE NEW RESTAURANT SPACE WOULD INCREASE BY 165,000 TO 200,000 SQUARE FEET (40 TO 50 NEW ESTABLISHMENTS). NEW RETAIL SHOPS WOULD INCREASE BY 15 TO 20 NEW SHOPS (OR THE EQUIVALENT EXPANSION IN EXISTING STORES). ADDITIONAL TAX RATES WOULD INCREASE BY ONE MILLION-PLUS PER YEAR.

THE 3,500 TO 4,500 NEW FULL- AND PART-TIME JOBS CREATED BY THE CENTER WOULD BE GENERATED IN THREE WAYS: (1) 100-200 JOBS AT THE CENTER ITSELF, (2) 2,600-3,420 FROM DELEGATE/EXHIBITOR EXPENDITURES, AND (3) A MINIMUM OF 820-1,050 NEW JOBS AS A RESULT OF THE MULTIPLIER EFFECT. OF THOSE 3,500 TO 4,500 MANY OF THESE JOBS WOULD GO TO MINORITIES DUE TO THE VERY HIGH MINORITY POPULATION OF THIS CITY, THUS ENHANCING AND STRENGTHENING THE GROWTH AND ECONOMIC VIABILITY OF MINORITIES IN WASHINGTON, D. C.

THE CIVIC CENTER, COULD BE THE INDIRECT CATALYST FOR A DOWNTOWN REDEVELOPMENT AND REHABILITATION. THIS PROJECT SHOULD PROVIDE PSYCHOLOGICAL AS WELL AS ECONOMIC IMPETUS TO A NUMBER OF SPIN-OFF DEVELOPMENT PROJECTS. CONSEQUENTLY, IT WOULD PROVIDE BUSINESS OPPORTUNITIES FOR SMALL AND MINORITY BUSINESS PERSONS WHO HERETOFORE HAVE NOT BEEN INVOLVED IN THE ECONOMIC DEVELOPMENT PROCESS OF THE DOWNTOWN AREA.

CONSTRUCTION JOBS CREATED BY THE CENTER AND RELATED NEW HOTEL DEVELOPMENT ALONE WILL BE FROM 2,100 TO 2,775. JOBS CREATED FROM THE CENTER CONSTRUCTION WILL BE 935 TO 1,115 (IN TERMS OF FULL-TIME PERSON-YEARS). HOTEL CONSTRUCTION JOBS WILL BE 1,235 TO 1,660.

ALSO, THE CENTER WILL HAVE THE POTENTIAL TO GENERATE \$13 MILLION TO \$16 MILLION ANNUALLY IN NEW CITY TAX REVENUES IN 1976 DOLLARS.

THE CENTER PROJECT REPRESENTS ENORMOUS OPPORTUNITIES FOR NEW MINORITY BUSINESS AND JOBS. THESE JOBS MAY RANGE FROM CONSTRUCTION, MANAGERIAL

AND SUPPORT EMPLOYMENT AT THE CENTER TO NEW RELATING AND HOTEL ENTERPRISES CREATED BY DELEGATE AND EXHIBITOR SPENDING. AS YOU KNOW, THE MAJORITY OF THE SERVICE BUSINESSES, SUCH AS THE HOTEL SERVICES, ARE HELD BY MINORITY PERSONS, BE THEY BLACK, SPANISH SPEAKING, OR OTHERS.

THE CENTER IS KEY AND CENTRAL OF THE DISTRICT'S OVERALL DEVELOPMENT STRATEGY FOR THE DOWNTOWN AS PART OF THE CENTRAL ACTIVITY AREA. CIVIC CENTER IS THE MAIN CATALYTIC ELEMENT RELIED UPON AS A STIMULUS FOR GROWTH IN THE DOWNTOWN AND CENTRAL ACTIVITY AREA. A CENTRAL ACTIVITY AREA (OF WHICH CIVIC CENTER IS THE LONE), IS EMERGING IN WHICH SPECIALIZED COMMUNICATION, INFORMATION, AND KNOWLEDGE ACTIVITIES HAVE A GROWING ROLE. CIVIC CENTER IS ALSO AN IMPORTANT ELEMENT IN THE DOWNTOWN DEVELOPMENT AND REVITALIZATION PROGRAM.

COST-BENEFIT FEASIBILITY

CIVIC CENTER PROJECT IS CONSIDERED FEASIBLE BY THE DISTRICT OF COLUMBIA CHAMBER OF COMMERCE AS POTENTIAL TAX REVENUES GENERATED BY THE SPENDING OF NEW DELEGATE AND EXHIBITORS ATTRACTED BY THE CENTER SHOULD MORE THAN OFFSET ALL PUBLIC COSTS.

THE EXPECTED PROJECT COST IS APPROXIMATELY \$110 MILLION. AFTER ABOUT TWO YEARS OF OPERATION THE CENTER IS PROJECTED TO YIELD ABOUT \$12 MILLION ANNUALLY, AND THIS AMOUNT WILL INCREASE EACH YEAR THEREAFTER. THIS ESTIMATE OF "PROFIT" (THE NET ANNUAL FISCAL POSITION OF THE CITY) IS STATED IN CURRENT DOLLARS -- DEFLATED TO ACCOUNT FOR INCREASING PRICES.

FOR A LIMITED DURATION, THE FIRST ONE TO THREE YEARS OF OPERATION, A SPECIAL TAX MAY BE PLACED ON BENEFITED COMMERCIAL PROPERTIES TO COMPENSATE FOR THE INITIAL CONDITION WHERE ADDITIONAL TAX REVENUE GENERATED BY THE PROJECT WILL BE EXCEEDED BY DEBT SERVICE AND NET OPERATING COST. HOWEVER, IN APPROXIMATELY 15 YEARS, THE NET RETURNS TO THE CITY (AFTER FUNDING THE GAP) ARE PROJECTED TO BE EQUAL TO THE TOTAL OF 30 YEARS OF DEBT SERVICE PAYMENT AND 30 YEARS OF NET OPERATING COSTS.

THE THIRTY (30) YEAR TOTAL OF CITY REVENUES FROM THE CENTER PROJECT SHOULD BE \$420 MILLION IN CONSTANT DOLLARS AFTER ADJUSTING FOR INFLATION

ON INCREASES IN PRICES. TOTAL DEBT SERVICE AND NET OPERATING COSTS OF THE SAME THIRTY (30) YEAR PERIOD IS \$200 MILLION.

THE DISTRICT OF COLUMBIA CHAMBER OF COMMERCE STRONGLY URGES THE CONGRESS TO ASSURE FEASIBILITY OF THIS PROJECT BY BEING SO COMPETITIVE IN THE MARKET PLACE THAT THE CENTER IS FULLY BOOKED AT AN EARLY DATE. AT THE VERY BEGINNING OF THE PROJECT, AN EXCELLENT, PROFESSIONAL MANAGER SHOULD BE BROUGHT ON BOARD TO PARTICIPATE IN THE DESIGN AND DEVELOPMENT PROCESS. SHORTLY THEREAFTER, THE MANAGER HIRES A PROMOTIONAL AND SALES STAFF. A STRONG BOARD OF DIRECTORS SHOULD DIRECT THE MANAGER. THIS BOARD SHOULD BE COMPOSED OF PERSONS HAVING VAST EXPERTISE IN BUSINESS AND ESTEEM OF THE HIGHEST CALIBER IN THE COMMUNITY.

MAILGRAM FROM PEOPLES DRUGSTORES, INC.

PEOPLES DRUGSTORES, INCORPORATED (PEOPLES), HEREIN SUBMITS ITS ENDORSEMENT OF THE PROPOSED CIVIC AND CONVENTION CENTER TO BE LOCATED IN THE VICINITY OF THE MOUNT VERNON SQUARE SOUTH AREA OF DOWNTOWN WASHINGTON.

IN OUR VIEW, REVITALIZATION OF THE DOWNTOWN AREA IS ESSENTIAL TO ASSURE THE FUTURE VITALITY OF WASHINGTON AS A CITY. CONSTRUCTION OF THE PROPOSED CIVIC AND CONVENTION CENTER WILL STIMULATE MUCH NEEDED ECONOMIC GROWTH AND DEVELOPMENT IN DOWNTOWN WASHINGTON.

THE PROPOSED CENTER WILL ALLOW PEOPLE FROM ALL PARTS OF THE COUNTRY TO COME TOGETHER IN WASHINGTON, DC TO ATTEND CONVENTIONS AND TRADE/CIVIC MEETINGS NOT NOW POSSIBLE DUE TO THE LACK OF AN ADEQUATE CONVENTION CENTER. A DOWNTOWN CENTER WILL PERMIT MANY SUCH PEOPLE, WHO MIGHT NOT OTHERWISE BE ABLE, TO VISIT THEIR NATION'S CAPITAL AND ITS MANY HISTORICAL SIGHTS AS WELL AS VIEW FIRSTHAND THE WORKING OF THEIR GOVERNMENT.

PEOPLES RESPECTFULLY REQUESTS THAT THIS LETTER BE MADE A PART OF THE RECORD OF THESE HEARINGS SCHEDULED FOR JUNE 29, 1977.

VERY TRULY YOURS

PEOPLES DRUGSTORES INCORPORATED
SHELDON W FANTLE
PRESIDENT AND CHIEF EXECUTIVE OFFICER

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STATEMENT OF H. LINDLEY GRUBBS, PRESIDENT, JACOBS TRANSFER, INC.

MY NAME IS H. LINDLEY GRUBBS, PRESIDENT OF JACOBS TRANSFER, INC., AND PRESIDENT OF THE WASHINGTON D. C. AREA TRUCKING ASSOCIATION ON WHOSE BEHALF I MAKE THIS STATEMENT FOR THE RECORD. OUR ASSOCIATION EMBRACES ALL TYPES OF OWNERS AND OPERATORS OF MOTOR TRUCKS IN THE METROPOLITAN AREA.

THE TRUCKING INDUSTRY IS VITALLY CONCERNED WITH THE CONTINUED DEVELOPMENT OF TRADE, COMMERCE AND TOURISM IN THE DISTRICT OF COLUMBIA. FOR THESE REASONS, WE SUPPORT THE CONCEPT OF A CIVIC CENTER FOR THIS CITY. WE BELIEVE THAT A CENTRALLY LOCATED CIVIC CENTER AND CONVENTION FACILITY CAN BE A MAGNET TO DRAW PEOPLE AND BUSINESS BACK INTO OUR CENTRAL BUSINESS DISTRICT -- BUSINESS WHICH IS BEING INCREASINGLY DISPERSED TO THE SUBURBS.

IN OUR OPINION OUR NATION'S CAPITAL DESERVES A FUNCTIONAL FACILITY FOR THE MANY PRESENT AND POTENTIAL CONVENTIONS, EXHIBITS, AND OTHER EVENTS WHOSE NATURAL LOCATION SHOULD BE WASHINGTON D. C. THE ADDED ADVANTAGES OF INCREASED INNER-CITY EMPLOYMENT DURING THE CONSTRUCTION PHASE AND AFTER COMPLETION SERVES TO STRENGTHEN OUR OPINION.

WHILE WE SUPPORT AND ENDORSE THE PRESENT CIVIC CENTER PROPOSAL, WE DO FEEL OBLIGATED TO POINT OUT THAT SUCH A FACILITY REQUIRES TRANSPORTATION SERVICES. METRO-RAIL, METROBUS, TAXICABS AND PRIVATE AUTOMOBILES WILL PROVIDE THE NEEDED TRANSPORTATION OF PEOPLE FOR THE DOWNTOWN CIVIC CENTER IN WASHINGTON, BUT ONLY TRUCKS CAN PROVIDE THE ESSENTIAL FREIGHT SERVICE WHICH WILL MAKE SUCH A CENTER VIABLE. WE SUPPORT THE CONSTRUCTION OF A CIVIC CENTER SO DESIGNED AS TO PROVIDE ADEQUATE TRUCK SERVICE VIA RAMPS AND ALLEYS WHICH WILL NOT CONFLICT WITH OTHER TRAFFIC MOVEMENTS IN THE AREA.

WE APPRECIATE THE OPPORTUNITY OF MAKING OUR VIEWS KNOWN.

STATEMENT OF DAVID WILKEN, REPRESENTING THE WISCONSIN AVENUE
CORRIDOR COMMITTEE

My name is David Wilken, and I reside at 3932 Legation Street, N.W. in the District of Columbia. I am a member of the Executive Board of the Wisconsin Avenue Corridor Committee which is a coordinating citizens' group in Northwest Washington for 21 constituent citizens' organizations. The Executive Board has authorized me to testify in its behalf at this hearing.

At a meeting several weeks ago, the Executive Board also voted to withhold endorsement of the proposed Convention Center in the District of Columbia for at least two basic reasons: need for sufficient opportunity, thus far lacking, for the citizenry of the District to study the proposal and its implications more fully before taking a position; and adequate official assurances to residential owners, and perhaps other taxpayers, that they will not be carrying the financial burden of this project.

Additional concerns expressed by the WACC Board in arriving at this stand included the fear that too large a share of the District's borrowing power would be expended on this one capital improvement project, thereby precluding consideration in the future of other worthwhile proposals, and the feeling that the District may well be creating a white elephant like similar convention centers in such cities as Cleveland that are in danger of being closed down for lack of business.

In any event, WACC believes that more study and citizen is required before a decision is reached as to the desirability of constructing the proposed Convention Center. This hearing can, of course, make a substantial contribution toward that end.

STATEMENT OF MAURICE J. MURPHY, EXECUTIVE VICE PRESIDENT, AUTOMOTIVE
TRADE ASSOCIATION NATIONAL CAPITAL AREA

My name is Maurice J. Murphy. I am the Executive Vice President of the Automotive Trade Association National Capital Area. This organization was formed in the District of Columbia in 1917 as the Washington Automotive Trade Association by a group of franchised new car automobile dealers. One of the first things that the organization did was to stage an automobile show in Washington. In 1953, the Association changed its name to its present one and expanded its Membership to include dealers in nearby Maryland and Virginia. Today, the Membership is 148 new car dealers and approximately 33 Kindred-Line Members which are firms closely related to the automobile business such as automobile jobbers, finance companies, and banks that do automobile financing.

The Association carries on usual trade association work and renders as much service to its Members as possible. During the period that the Association has been in existence, it has staged 40 automobile shows in Washington of which 19 were under my direct supervision. Since World War II, all of our shows have been held on an annual basis at the D.C. National Guard Armory. In the early days, our first shows were held at Convention Hall. Later, because of no proper exhibit spot, shows were held in ice skating rinks, garages, and on a couple of occasions, at the Old Washington Auditorium. The Armory was much better than some other locations but a far cry from a proper exhibit hall. It was built as an armory and not as a place to stage shows. It is difficult to decorate, light, and to properly exhibit. Our Association has not had a show since 1971. One of the main reasons is the lack of good facilities for an auto

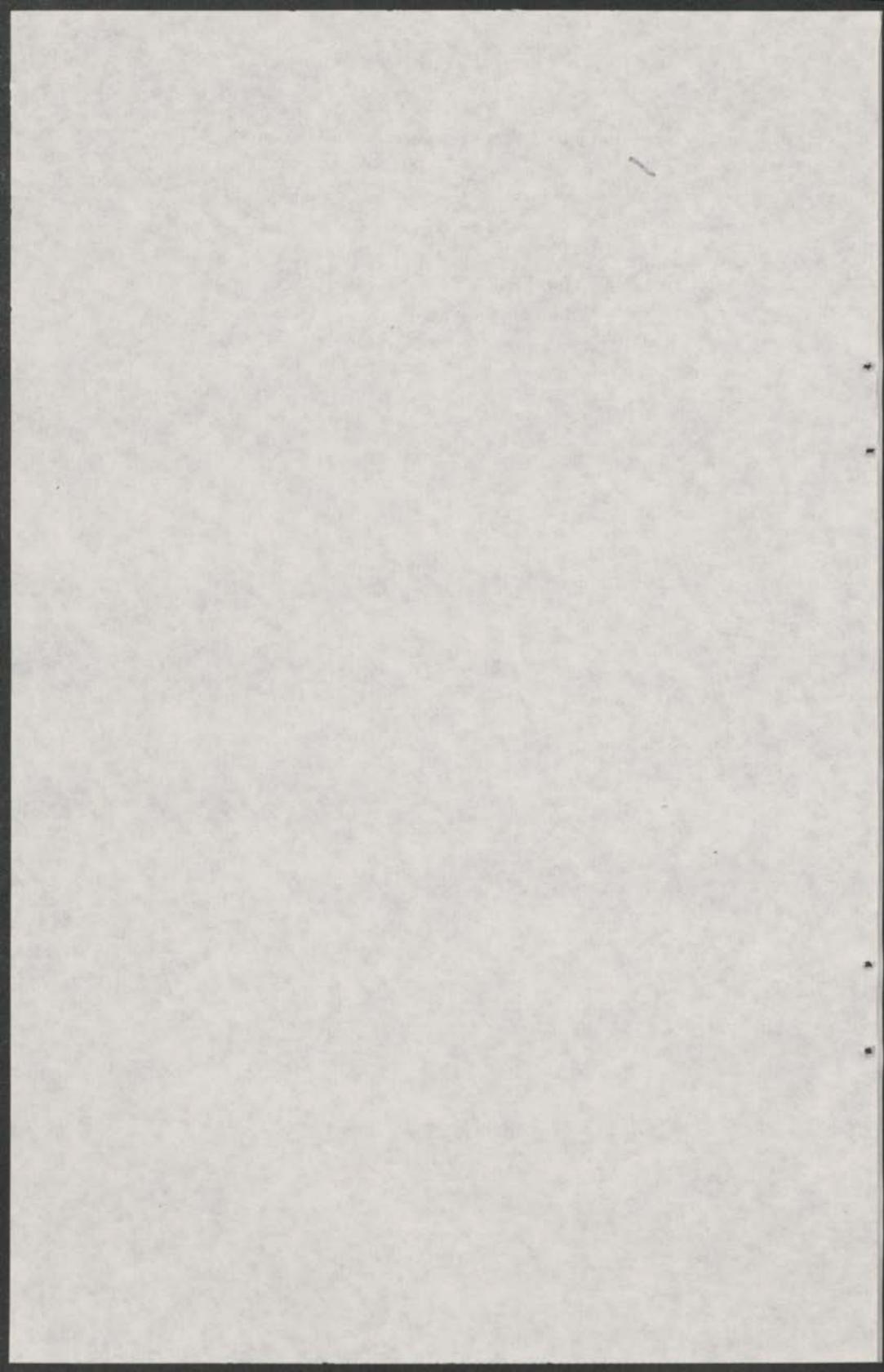
As business people in this area, the Members of my Association are quite anxious that a civic center be built in order to draw to the Nation's Capitol conventions and large groups for meetings. I have seen exhibit halls in foreign countries that were designed as such and they were well equipped for holding exhibits. I have visited many cities in the United States that also have excellent facilities and buildings for conventions and exhibits. This includes New York, Miami, Houston, Las Vegas, New Orleans, Chicago, Detroit, and San Francisco. The Capital of the United States should certainly have one of the finest. It is my understanding that some of the large conventions do not come to Washington since there is no spot large enough for them to properly hold the sessions and exhibits that they have. The National Automobile Dealers Association, for example, has not been to Washington since 1961 as ^{there} has not been a place for them to have their exhibit which is a necessary part of their conventions. I am told that they need in excess of 200,000 sq. feet on one level for their exhibit and space for general sessions to seat 3,500 - 4,000 people. In addition thereto, they hold seminars in the exhibit area where as many as 30 to 40 meeting rooms can be used. The convention itself runs between 12,000 and 14,000 people each and every year. It would seem to me that it is important for all of the national groups to hold conventions in the Nation's Capital at least once every four years to have the opportunity to meet with their Senators and Congressmen.

Washington, D.C. is a magnificent city. It is considered by some as the most beautiful city in the world. It is steeped in history and every American should look forward to the day when he can visit his Nation's Capital. As a convention city, it has much to offer. It has fine hotels

and outstanding restaurants. There are historical spots to visit, fine museums, art galleries, opera, symphonies, theaters, and so on. Although Capital of this Nation, and practically Captial of the world, it lacks a convention center. It is hard to believe that we have been without one all these years. There is an opportunity now to proceed.

Conventions help business in the cities they attend. Our city is losing out for the lack of a proper center and it is the hope of my group that something will be done quickly to make it possible to draw these large conventions here.

Thank you.



OFFICE OF THE MAYOR

STATEMENT OF COMER S. COPPIE, SPECIAL ASSISTANT TO THE
MAYOR FOR BUDGET AND MANAGEMENT SYSTEMS

PREPARED STATEMENT OF MAYOR

Senator LEAHY. Why don't we have you just go right down through the requests, one by one. Then I will go back with some particular questions.

Mr. COPPIE. I wanted to just before doing that, to mention a couple other things if I could.

Senator LEAHY. Sure.

Mr. COPPIE. I would ask that the Mayor's statement on the balance of our supplemental request for 1977 and our amendment for 1978 be incorporated into the record.

Senator LEAHY. Without objection.

[The statement follows:]

STATEMENT OF MAYOR WALTER E. WASHINGTON

Mr. Chairman, Members of the Committee:

I am pleased to present the District of Columbia's request for a Second Supplemental for Fiscal Year 1977 and an Amendment to the Fiscal Year 1978 budget. These proposals address a number of important expenditure requirements which have been identified in recent months.

The Second Supplemental for Fiscal Year 1977 requests \$11.2 million in operating funds to cover a number of uncontrollable or unforeseen costs. Nearly 85 percent of these requirements are concentrated in the four areas of Transportation, Public Schools, Human Resources and Corrections.

The balance of the Supplemental is required to fund a variety of program needs including increases for unemployment compensation, improved security, judicial and executive pay and a special City Council election. Only 47.5 percent of the executive and judicial pay is requested for funding; the balance is being absorbed within the Fiscal Year 1977 funds available.

The Budget Amendment for Fiscal Year 1978 requests \$7.6 million in operating funds and \$27.1 million in capital improvements. More than two-thirds of the net operating budget requirements is requested for METRO subsidies and other transportation programs.

As an offset to increases requested in the Budget Amendment, we are projecting an additional reduction of \$4 million in the local funding for public assistance programs over and above the \$4.8 million already projected for Fiscal Year 1978. These reductions will bring about an equal reduction in Federal funding. A total of \$10 million is requested to annualize program increases requested in the Second Supplemental including Public Schools, judicial and executive pay increases, unemployment compensation, security services and D.C. Village population increases. Funds are also requested for improvements in ballot counting and maintenance of solid waste collection services.

The Capital Improvements funding in the Fiscal Year 1978 Amendment is requested for the purchase of land and certain construction services costs for the proposed \$109.7 million Civic Center. Other minor changes in capital improvements' funding are requested.

Mr. Chairman, because of the significance of the Civic Center, both in terms of cost and the extent of community involvement contemplated in this economic development project, I have prepared a separate statement for the committee which I will be pleased to present during these proceedings.

Proposed Expenditures

The operating budget for Fiscal Year 1977 including this request totals \$1.134 billion. This amount is \$51 million over the originally approved Fiscal Year 1977 budget of \$1.083 billion and includes our current request of \$11.2 million and \$40.1 million approved in the Fiscal Year 1977 First Supplemental. No change is requested in the Fiscal Year 1977 approved Capital Improvements budget of \$36.6 million.

The Fiscal Year 1978 Budget Amendment of \$7.6 million for operating funds and \$27.1 in Capital Improvements will increase the Fiscal Year 1978 operating and Capital Improvements budgets now pending before you to \$1.227 billion and \$177.5 million respectively.

In order to fund a portion of the increased expenditure requirements the City is requesting that \$4 million in authorized but unappropriated Federal Payment for Fiscal Year 1977 be made available. The balance of the revenue needed for Fiscal Year 1977 and the total Fiscal Year 1978 amended requirement will be funded from increases in local revenue collections.

Additional local revenue is available because tax collections have been greater than originally estimated due primarily to a greater than anticipated growth in the value of the District's real property tax base and an unexpected increase in inheritance tax collections.

The City has in the final stages of review a Fiscal Year 1977 revenue act amendment which will return some of the anticipated property tax yield to the taxpayer to help in offsetting the impact of increased assessments on property owners.

Major Amendment and Supplemental IncreasesTransportation

Several programs relating to transportation are requested in the Second Supplemental and Amendment proposals. An increase of \$543,000 is requested for the snow removal program. The unusually severe winter required expenditures in Fiscal Year 1977 that were far greater than that of the last several years, nearly 144 percent above the available funding.

I am also requesting \$766,000 for electrical energy costs in Fiscal Year 1977 and \$704,000 in Fiscal Year 1978. Over the two fiscal years the City had projected savings of more than \$2.3 million in electrical energy costs. However, further study of the impact of such a dramatic change in the short period of two years has dictated a more modest approach. The City will remove 990 lighting units in Fiscal Year 1977 and an additional 800 lights in Fiscal Year 1978. These changes and other cost-cutting measures will produce a savings of nearly \$1 million.

In the transportation area, I am also requesting an increase of \$600,000 in order to maintain the student fare at ten cents. The increase in rush hour fares, which becomes effective on July 1, 1977, requires an increase in the subsidy the City pays to WMATA so that students can continue to ride at a reduced fare.

Metro Subsidies

By far the largest increase in the transportation area is for operating subsidies. The funding for Metrorail subsidy included in this request totals \$13.6 million for Fiscal Years 1977 and 1978. Our ability to fund the entire amount is possible only because we are able to shift to the rail system \$9.2 million in funds previously budgeted for Metrobus subsidies. This means that the additional financing needed to cover the \$13.6 million Metrorail requirement is \$4.2 million.

While I am requesting funding to operate Phases I, II and II-A of the Metrorail system, I remain firm in my support for a regional approach to financing public transit deficits. Metropolitan-wide financing methods have

been successfully undertaken by public transit operations in many areas of the country and could provide much needed fiscal relief for WMATA Compact members as well. I intend to continue seeking regional financial solutions to the problem of transit deficits, but this will take additional time. For this reason, I am prepared to accept the practical necessity of budgeting for rail deficits as an interim measure until a more rational permanent solution can be found.

Public Schools

Increases of \$3.8 million and \$2 million are requested for Public Schools for Fiscal Years 1977 and 1978 respectively. The City is also requesting appropriations language requiring that all funds budgeted for the Teachers' Retirement Fund be transferred undiminished to the fund. This request is consistent with Section 452 of the D.C. Charter in that limitations imposed on the Mayor and the City Council with respect to specific allocation apply only to those programs under the jurisdiction of the Board. The Teachers' Retirement Fund is regulated by D.C. Code 31-727. Accordingly, the City has earmarked sufficient funding in Fiscal Year 1977 to satisfy this requirement.

The request before you for Fiscal Year 1977 is required to fund a number of program needs which cannot be met within funding available to the Board of Education. These include certain personal services adjustments and nearly \$1 million for fuel and other expenditures related to the severe winter. For Fiscal Year 1978 funding will permit an adjustment in the attrition rate and avoid involuntary employee separation.

Human Resources

An increase of \$1.9 million is requested for the Department of Human Resources in Fiscal Year 1977 and a net reduction of \$2.8 million in Fiscal Year 1978. In Fiscal Year 1977 the City will initiate tuition grants for children who are residents of Forest Haven. This action is consistent with Waddy Decree special education requirements. Funds are also requested to

provide for a greater than anticipated caseload at D.C. Village primarily due to private institution closings and for adjustment in funding for the General Public Assistance program. Funds for GPA are required because the 50 percent reduction in caseload projected for Fiscal Year 1977 will be accomplished at a slower than projected rate.

In Fiscal Year 1978 funds are requested to annualize the D.C. Village and tuition grant requests. In addition, the Fiscal Year 1978 requirement before you projects a reduction of \$4 million in the public assistance caseload. This reduction assumes that current year spending will be reduced by \$8 million after consideration of the 50 percent Federal match. This reduction is over and above the reduction of \$4.8 in local funds already contemplated in the Fiscal Year 1978 budget.

Corrections

For Fiscal Year 1977 a total of \$2 million is requested for the Department of Corrections. Funds are needed for the continued operation of the Women's Detention Center and security services at the Ugast Center and the perimeter of the new jail.

The Women's Detention Center funding is required to cover an unexpected increase in female population. At the time the Fiscal Year 1977 budget was developed the population was at a level that suggested that the Women's Detention Center could be closed and that all women detainees could be accommodated in one wing of the New Detention Center. Instead, the population level has required continued operation of the Women's Detention Center together with use of the wing of the New Detention Center.

Other Increases

Unemployment Compensation

Increases of \$743,300 in Fiscal Year 1977 and \$500,000 in Fiscal Year 1978 are requested for unemployment compensation. Although the City has experienced dramatic increases in these payments over the last several years, there is some indication that the general improvement in economic

conditions and the job market will have a positive impact on these requirements.

We are also requesting funding to improve the security monitoring in certain City-owned properties. The recent hostage-taking at the District Building and other locations has heightened our sensitivity to the need for a more aggressive approach to building security in an attempt to improve the safety conditions for D.C. employees and the general public.

In Fiscal Year 1978 we are requesting funding in the Department of Environmental Services to maintain the current level of trash pick-up for all citizens. In earlier action, the City had proposed a collection schedule of once-a-week for several wards in the City. In response to citizen reaction and our own concerns, we have decided to withdraw this recommendation.

Increases for Fiscal Year 1978 also include funds to expand the electronic ballot-counting capacity of the City. In the past year, we witnessed significant improvements in our elections procedures. Approval of this request will permit additional improvements which translate into faster results, and greater public confidence in their government.

* * * *

Mr. Chairman, again I thank you for the opportunity to appear before you to present this rather lengthy list of additional requirements for Fiscal Years 1977 and 1978. I look forward to your searching review of these requests and request your full support.

Mr. Comer S. Coppie, my Special Assistant for Budget and Management Systems will present details of the City's financing for Fiscal Year 1977 and Fiscal Year 1978. I will be happy to answer any questions you may have.

PREPARED STATEMENTS OF COMER S. COPPIE

Mr. COPPIE. I would ask my statement for 1977 and 1978 pertaining to the financing of the supplemental request and the amendment request be incorporated into the record, also.

Senator LEAHY. So ordered.

[The statements follow:]

STATEMENTS OF COMER S. COPPIE

Mr. Chairman, Members of the Committee

I am pleased to testify today on the financial plan for the Mayor's Fiscal Year 1977 Second Supplemental Budget request.

The budget, as proposed, is balanced on a cash basis as required by law. Current revenue authority, including the proposed increase in the Federal Payment, is about a half a million dollars less than the appropriated budget request. The proposed supplemental of \$11.2 million will increase the Fiscal Year 1977 budget request to \$1,134.9 million. Revenues are expected to be \$1,134.4 million. The half a million dollar difference will be financed from opening cash balances.

The Fiscal Year 1977 Second Supplemental is proposed to be financed from an increase in the Federal payment (\$4 million) and increases in collections from local sources (\$7 million). The primary increase in local collections is due to an unexpected settlement of a very large estate (\$7 million). A number of other tax revenues have also been revised based on experience to date. A property tax rate of \$1.83 per \$100 of assessed valuation is assumed.

The city's "Receipts, Current Authority" assumes enactment of the property tax program recommended by the Finance and Revenue Committee of the Council of the District of Columbia. This program calls for the tax rate to be set at \$1.83 per \$100 of assessed valuation. It provides for a \$6,000 reduction in assessed valuation for single family housing. It also expands the circuit breaker program for the elderly, blind, and handicapped persons but these adjustments do not affect Fiscal Year 1977 revenues.

I would be pleased to answer any questions that you may have on the plan.

DISTRICT OF COLUMBIA GOVERNMENT
 Projected Cash Flow
 Fiscal Year 1977
 Operating Appropriated Funds Only
 (In Thousands)

	Second Supplemental	Approved Supplemental
Estimated funds available:		
Cash and investments, opening balance.....	\$ 23,562	\$ 23,562
Federal payment appropriated.....	279,357	279,357
Federal payment additional request.....	4,000	.....
Receipts, current authority.....	819,270	812,320
Revenue sharing*	31,796	31,866
Short-term advance.....	40,000	40,000
Total, estimated funds available.....	<u>\$1,197,985</u>	<u>\$1,187,105</u>
Estimated funds required:		
Prior year authority (accounts payable):		
Wages and salaries.....	\$44,299	\$44,299
Other payables and undelivered orders.....	64,969	64,969
Unobligated authority.....	29,279	29,279
Liability for withholdings.....	7,202	7,202
Total, prior year authority.....	145,749	145,749
Appropriated operating budget.....	1,123,665	1,123,665
Second supplemental request.....	11,227	.....
Permanent authorizations and restorations.....	6,000	6,000
Repayment of current year short-term loans.....	60,000	60,000
Appropriation lapses.....	(14,000)	(14,000)
Net change in revolving fund balance.....	4,149	4,149
Unexpended authority (closing accounts payable):		
Wages and salaries.....	(45,500)	(45,500)
Other payables and undelivered orders.....	(62,500)	(62,500)
Unobligated authority.....	(24,000)	(24,000)
Liability for withholdings.....	(7,000)	(7,000)
Total, unexpended authority.....	(139,000)	(139,000)
Total, estimated funds required.....	<u>\$1,197,790</u>	<u>\$1,186,563</u>
Estimated closing cash balance.....	\$ 195	\$ 542

* Includes \$4 million in counter-cyclical revenue sharing

Mr. Chairman, Members of the Committee

I am pleased to testify today on the financial plan for the amendment to the District of Columbia's Fiscal Year 1978 budget.

The budget, as proposed, is balanced on a cash basis as required by law. In addition, current revenue authority, including proposed increases, exceeds the appropriated budget request. The proposed amendment of \$7.6 million will increase the Fiscal Year 1978 budget request to \$1,237.1 million. Revenues are expected to be \$1,259.9 million.

The Fiscal Year 1978 budget amendment is proposed to be financed primarily from an additional \$8 million in counter-cyclical revenue sharing that the city expects to receive under the extension of the Public Works Employment Act of 1976, as amended.

The city's "Receipts, Current Authority" assumes enactment of the property tax program recommended by the Finance and Revenue Committee of the Council of the District of Columbia. This program calls for the tax rate to be set at \$1.83 per \$100 of assessed valuation. It provides for a \$6,000 reduction in assessed valuation for single family housing.

The \$20.4 million in proposed legislation would come from the passage of S-1322, which would require the Federal Government to pay its water bills on a current basis. This legislation was passed by the Senate on June 7, 1977.

I would be pleased to answer any questions that you may have on the plan.

DISTRICT OF COLUMBIA GOVERNMENT
 Projected Cash Flow
 Fiscal Year 1978
 Operating Appropriated Funds Only
 (in Thousands)

	Amended Budget	Presidential Transmittal
Estimated funds available:		
Cash and investments, opening balance.....	\$ 195	\$ 1,585
Federal payment.....	307,715	307,715
Receipts, current authority.....	895,313	895,720
Receipts, proposed legislation.....	20,400	20,400
Revenue sharing*	36,451	28,451
Short-term loans.....	40,000	40,000
Total, estimated funds available.....	\$1,300,074	\$1,291,871
Estimated funds required:		
Prior year authority (accounts payable):		
Wages and salaries.....	\$45,500	\$45,500
Other payables and undelivered orders.....	62,500	62,500
Unobligated authority.....	24,000	24,000
Liability for withholdings.....	7,000	7,000
Total, prior year authority.....	139,000	139,000
Original budget request.....	1,229,512	1,229,512
Proposed amendment.....	7,573	.....
Permanent authorizations and restorations.....	12,500	12,500
Repayment of current year short-term loans.....	60,000	60,000
Appropriation lapses.....	(10,000)	(11,000)
Net change in revolving fund balance.....	2,700	2,672
Unexpended authority (closing accounts payable):		
Wages and salaries.....	(45,500)	(45,500)
Other payables and undelivered orders.....	(65,000)	(65,000)
Unobligated authority.....	(24,000)	(24,000)
Liability for withholdings.....	(7,000)	(7,000)
Total, unexpended authority.....	(141,500)	(141,500)
Total, estimated funds required.....	\$1,299,785	\$1,291,184
Estimated closing cash balance.....	\$ 289	\$ 687

* Includes \$8 million in counter-cyclical revenue sharing

FINANCING FISCAL YEAR 1977 SUPPLEMENTAL

Mr. COPPIE. With regard to the financing of the supplemental for 1977, Mr. Chairman, the total request is for \$11.2 million and is being financed from two primary sources. One is from the balance of our authority of the Federal payment for the 1977 fiscal year of \$4 million, and the other is an increase in local collections of \$7 million, which represents the primary component of a local collection adjustment settlement of a major estate in the District of Columbia. The total of these is approximately \$11 million.

FINANCING FISCAL YEAR 1978 BUDGET AMENDMENT

The amount for 1978 is \$7.5 million. That is being financed primarily from the counter cyclical provision of the tax program which is now public law and which will provide an estimated amount of \$8 million in the 1978 fiscal year.

The capital outlay request is for approximately \$27.1 million. We will not need additional loan authority in 1978 in order to meet that capital outlay, actual cash outlay requirements.

PROPERTY TAX RELIEF PROGRAM

Senator LEAHY. As I understand various tax relief programs are being recommended, the Mayor has one, Marion Barry has another one and so on. Does increasing the Federal share asked for reflect the tax break proposals being passed or are you going to have to ask for even more?

Mr. COPPIE. The revised plan before the committee for 1977 and 1978 does anticipate the tax relief program ultimately becoming a public law and reflects the impact of this on our local collections for 1977 and 1978 fiscal year.

Senator LEAHY. How much less of a Federal share would you need if the tax relief program was not enacted?

Mr. COPPIE. I understand that question. I guess the actual answer to it, Mr. Chairman, would be in terms of local collection adjustment for 1977 and 1978. It would affect 1977 to the extent of \$5.3 million and 1978 to the extent of \$15 million.

But it does not reduce the amount of property tax yield that had been projected for 1977 and 1978, in the earlier discussions of the city's request for those respective years.

Senator LEAHY. But without it, would the property tax yield be higher?

Mr. COPPIE. Without it, the property tax yield would be at the level of \$5.3 million more for 1977 and \$15 million for 1978.

Senator LEAHY. Thank you.

PERSONNEL CEILING

Mr. COPPIE. With regard to the position request for 1977 and 1978, the position ceiling that has been approved by the Congress in the public law for the 1977 fiscal year is 35,872 and the request of the city for 1978 is 36,145, representing an increase of 273 over the 1977 figure.

Senator LEAHY. Doesn't the ceiling actually go up about 1,000 positions?

Mr. COPPIE. No.

Senator LEAHY. Excluding the exemptions?

Mr. COPPIE. Excluding the exemptions they go up by 1,000. But the exemptions are part of the total for 1977.

Senator LEAHY. I understand. As I understand each year, it goes up. What would it be if you put the ceiling back to last year's level, as a first choice, or if you put the ceiling back to last year's level, but provide exemptions for all new positions provided for fiscal year 1978?

Mr. COPPIE. On September 30, 1977, we propose to be at the 1977 ceiling. So, if you were to maintain that ceiling in the 1978 fiscal year, it would not create a problem. If you were to go back to the 35,145 and preclude the exempt positions, then there would be a reduction in force that would be required of about 800 positions.

ANALYSIS OF CITY'S BUILDING PROGRAM

Senator LEAHY. Go ahead, sir.

Mr. COPPIE. The final issue that I would like to address by way of a request pertains to the civic center. There has been a great deal of discussion, for the most part favorable discussion by GAO concerning the city's track record on actual construction over the last 10 years.

We have presented to your staff director, Mr. Hall, at his request a 10-year analysis of the city's building program pertaining to initial cost versus ultimate cost. This reflects a very favorable record for the city. I ask that it be incorporated in the record for the hearings.

Senator LEAHY. It will be.

[The information follows:]

Memorandum • Government of the District of Columbia

TO: Mr. Michael Hall
Staff Assistant
Subcommittee on Appropriations
for the District of Columbia
United States Senate

Department,
Agency, Office: Executive Office
Budget and
Management Systems

FROM: Comer S. Coppie
Special Assistant to the
Mayor

Date: JUN 29 1977

SUBJECT: Information on Construction Cost of Capital Projects

This memorandum is in response to your request on construction costs of capital projects completed by the District of Columbia during the past ten years. I have attached to this memorandum a listing of each of the projects completed during the time period by the City's capital construction agencies: Department of General Services, Department of Environmental Services, Department of Transportation and Washington Aqueduct. The project listing states the original construction cost estimate and the actual completed cost estimate. A summary of the submitted projects is below:

<u>Department</u>	<u>1967-1972</u>		<u>1973-1977</u>	
	<u># Projects</u>	<u># Over Estimate</u>	<u># Projects</u>	<u># Over Estimate</u>
General Services	38	12	29	1
Environmental Services	18	5	13	2
Transportation	16	11	10	7
Washington Aqueduct	3	3	3	3

I think that since the Department of General Services will be doing the construction of the Civic Center it is important to note that during the 1973-1977 period 28 projects totalling approximately \$115 million have been completed within the original cost estimate.

Attachment

Agency - DEPARTMENT OF GENERAL SERVICES

Year 1976

<u>Project No.</u>	<u>Title</u>	<u>Initial Estimate</u>	<u>Final Cost*</u>	<u>Date Completed</u>
10-154-69	Scott - Montgomery Elementary School	\$1,905,000	\$1,899,361	August
10-185/235-69	Oxon Run Elementary/Junior High Complex	\$15,390,200	\$12,427,656	January
10-139/217-69	Fletcher-Johnson Elementary Junior High Complex	\$11,315,000	\$10,674,980	November
10-201-69	Winston Elementary School	\$6,735,000	\$5,261,601	May
10-351-70	Wilkinson Elementary School	\$6,280,000	\$6,062,948	September
10-126-69	Benning Elementary School	\$4,051,000	\$3,698,726	March
10-215-70	Merritt Elementary School	\$4,166,000	\$3,372,396	January
13-31-70	Third District Station House	\$2,620,000	\$2,409,391	July
14-17-70	Fire Engine Co. #4	\$1,232,000	\$1,231,596	March
21-68-73	Medical Examiner Building	\$2,200,000	\$2,367,123	July
21-52-72	Air Conditioning D. C. General Hospital	\$3,590,000	\$3,549,861	January
22-66-70	New Detention Center	\$26,690,000	\$26,487,786	July

*The Final Cost indicated for those projects completed in 1976 is subject to final adjustments, but are essentially correct. It normally requires 1 to 2½ years to financially complete a project after construction is complete.

Agency - DEPARTMENT OF GENERAL SERVICESYear 1975

<u>Project No.</u>	<u>Title</u>	<u>Initial Estimate</u>	<u>Final Cost</u>	<u>Date Completed</u>
10-277-69	J. O. Wilson Elementary School Addition	\$2,090,000	\$1,784,000	August
12-55-70	Kenilworth-Parkside Recreation Center	\$1,785,000	\$1,669,060	April

Year 1974

<u>Project No.</u>	<u>Title</u>	<u>Initial Estimate</u>	<u>Final Cost</u>	<u>Date Completed</u>
12-105-70	Benning Park Playground Development	\$2,110,000	\$1,779,000	July
10-222-70	Washington Highland Community School	\$7,357,000	\$6,992,000	August
10-70-70	Bowen Elementary School Addition	\$1,555,000	\$1,476,000	August
13-27-70	New Fifth District Station House	\$2,472,000	\$2,182,080	March
13-28-70	New Second District Station House	\$2,298,000	\$2,187,216	March
11-17-71	Shaw Branch Library	\$1,480,000	\$1,208,486	November
12-24-70	Benning Stoddert Recreation Center	\$1,776,000	\$1,720,694	July
10-202-69	Orr Elementary School	\$3,145,000	\$2,959,427	October

Year 1973

<u>Project No.</u>	<u>Title</u>	<u>Initial Estimate</u>	<u>Final Cost</u>	<u>Date Completed</u>
10-148-69	Bruce Monroe Elementary School	\$4,243,000	\$3,875,768	December
10-353-70	Phelps Vocational High School Addition	\$ 790,000	\$ 780,767	June
10-200-69	Malcolm X Elementary School	\$3,582,000	\$3,516,187	May

Year 1972

<u>Project No.</u>	<u>Title</u>	<u>Initial Estimate</u>	<u>Final Cost</u>	<u>Date Completed</u>
10-214-69	Carver Elementary School Addition	\$1,659,000	\$1,358,967	September
10-281-69	Webb Elementary School Addition Alterations	\$1,369,000	\$1,281,397	August
10-247-69	Langdon Elementary School Addition Modernization	\$2,006,000	\$1,578,608	April
22-115-70	Installation of Cells Buildings P-3 & P-5 Lorton Reformatory	\$1,324,000	\$1,303,172	October

Project No.	Title	Initial Estimate	Final Cost	Date Completed	Year
10-129-67	Alice Shadd Elementary School Lincoln Rd. & Douglas St., N.E.	\$1,065,000.00	\$1,875,192.54	December	1971
10-269-68	Lucy Ellen Moren Elementary School Morris & Elvans Rd., S.E.	\$1,305,000.00	\$1,096,436.89	October	
10-166-67	School for Trainable Mentally Retarded Hamilton St., & Fort Totten Drive N.E.	\$1,320,000.00	\$1,596,854.64	January	
10-142-66	Woodsen High School 55th & Eads St., N.E.	\$8,300,000.00	\$7,992,155.05	September	

Project No.	Title	Initial Estimate	Final Cost	Year 1970	
				Date Completed	
10-174-67	Wilson High School Chesapeake St., & Nebraska Ave., N.W.	\$1,420,000.00	\$1,607,983.92	September	
10-87-67	Randle Highlands Elementary 30th & R Streets, S.E.	\$ 785,000.00	\$1,123,503.00	September	
10-293-69D	Relocate Classroom Bldgs at Various Schools (Inc. No.7)	\$6,366,000.00	\$5,069,300.34	January	
10-176-67	Addition & Alteration to Ketcham Elementary School 15th & U Streets, S.E.	\$ 990,000.00	\$1,024,969.11	December	
13-11-67	D.C. Police Training Center Blue Plains,	\$2,750,000.00	\$2,428,900.00	August	
11-4-66	New Downtown Central Library 9th & G St., N.W.	\$12,000,000.00	\$11,067,651.31	October	
10-133	Madeline V. Leckie Elementary School Nichols Ave., & Chesapeake St., S.W.	\$1,355,000.00	\$1,657,768.99	May	
23-38-67	Two New Cottages District Training School	\$2,750,000.00	\$2,739,986.27	March	
10-131-67	Congress Heights Elementary Alabama Ave., & 6th St., S.E.	\$1,440,000.00	\$1,284,874.57	July	

Year 1969

<u>Project No.</u>	<u>Title</u>	<u>Initial Estimate</u>	<u>Final Cost</u>	<u>Date Completed</u>
10-140-67	Hayden Johnson Jr. High School Bruce & Robinson Sts., S.E.	\$4,219,800.00	\$3,623,913.93	August
10-82-67	Harriet Tubman Elementary School Lith & Keyon Sts., N.W.	\$1,535,000.00	\$1,724,451.03	December
10-150-66	Blow-Pierce Elementary School 20th & Gales Sts., N.E.	\$1,490,000.00	\$1,252,104.35	August
10-46-66	Brent Elementary School 3rd & D. Sts., S.E.	\$1,020,000.00	\$1,081,709.89	April
10-190-69	Brookland Elementary School Replacement Michigan Ave., & Randolph Sts., N.E.	\$3,500,000.00	\$3,361,100.00	August
10-47-67	Browne Junior High School Addition 24th St., & Benning Road, N.E.	\$1,460,000.00	\$1,307,390.00	September
10-90-66	Seaton Elementary School .10th & P Sts., N.W.	\$1,565,000.00	\$1,487,841.00	August
10-153-66/67	Blair Ludlow Taylor Elementary School Replacement 6th & G Streets, N.E.	\$1,430,000.00	\$1,588,896.64	December
10-143-67	Ballou Senior High School Addition 3401-4th Sts., S.E.	\$2,658,000.00	\$3,142,667.00	August
10-124-67	Nelson E. Weatherless Elementary School Burns & C Streets, S.E.	\$1,432,000.00	\$1,639,552.76	December

		Year 1968			
<u>Project No.</u>	<u>Title</u>	<u>Initial Estimate</u>	<u>Final Cost</u>	<u>Date Completed</u>	
18-1A-68	Existing Building Alterations for Federal City College 425 Second Street, N. W.	\$3,058,700	\$1,156,387.82	September	
10-110-65	Hamilton Jr. High School 6th & Brentwood, Parkway, N.E.	\$3,500,000	\$3,190,873.58	August	
10-236-68	Construction of Relocazable Classrooms, Various Locations	\$1,875,000	\$1,642,461.75	November	
23-92-66	Construction of Juvenile Facility, Children's Center, Laurel, Md.	\$4,000,000	\$4,257,863.92	March	
10-110-65	Construction of Volia West Hamilton Jr. High School 6th & Brentwood Pky., N.E.	\$3,500,000.00	\$3,190,873.58	August	
10-121-66	Eugene A. Clark	\$1,315,000.00	\$1,277,438.65	February	
10-127-65667	A. Kiger Savoy Elementary School	\$1,365,000.00	\$1,401,923.66	August	
10-155-66	Emery Elementary Replacement	\$1,177,000.00	\$1,420,304.10	December	
<u>Project No.</u>	<u>Title</u>	<u>Initial Estimate</u>	<u>Final Cost</u>	<u>Date Completed</u>	
10-18-65	Construction of New Junior High School 16th & Irving Sts., N.W.	\$3,175,500	\$2,826,575.26	March	

Year 1967

Agency Environmental Services

<u>Project No.</u>	<u>Title</u>	<u>Initial Estimate</u>	<u>Final Cost</u>	<u>Date Completed</u>
002	Street Cleaning Tool Houses	178,000.	162,648.34	74
003	Northwest Garage	1,742,000.	176,014.97	75
007	Sewer Separation - Three Schools	58,800.	58,800.00	67
008	Sewer Separation - S.W. Health Center	5,400.	5,400.00	67
010	Sanitary Landfill	1,648,000.	1,623,089.08	74
013	Conversion of O Street Incinerator to Baling & Barging Station	7,150,000.	2,030,108.28	76
100	Storm Sewer - West Rock Creek Park	2,045,000.	2,028,841.32	69
101	Storm Sewer - East Rock Creek Park	4,212,000.	4,399,664.92	69
102	Southwest Urban Renewal (Storm Sewer)	2,330,000.	2,326,958.13	69
103	Storm Sewer - West Anacostia River	7,786,500.	5,120,380.35	69
106	Advance of Primary, Secondary & Urban Paving	1,680,000.	1,260,003.88	69
107	Advance of Interstate Paving	2,550,000.	2,366,332.17	70
109	Sewer Separation	14,458,000.	14,326,000.00	75
111	Relief - Potomac River Pollution and Pumping Station	4,119,000.	4,213,535.30	75
112	Potomac River Force Main	2,140,000.	2,240,699.51	74
113	Outfall Relief-Haines Point to Water Pollution Control Plant	3,284,000.	2,509,625.13	69
119	Excess Flow Conduit at Water Pollution Control Plant	2,000,000.	1,702,156.77	70
122	Storm Sewer - Potomac Avenue to Barney Circle	1,500,000.	1,499,869.70	76
502	Southwest Urban Renewal Sewers	2,663,000.	2,773,959.24	68
506	Upper Anacostia Interceptor Pumping Station - Replacement	220,000.	607,685.79	70

<u>Project No.</u>	<u>Title</u>	<u>Initial Estimate</u>	<u>Final Cost</u>	<u>Date Completed</u>
510	Upper Potomac Interceptor Relief Sewer	8,601,000.	7,956,000.00	76
511	Sewer Relief - Potomac River Pollution and Pumping Station	5,114,000.	5,179,000.00	72
512	Potomac River Force Main	7,065,000.	8,498,367.24	74
513	Outfall Relief - Bolling Air Force Base	5,647,000.	5,238,706.46	69
514	Rock Creek Main Interceptor Relief	2,845,000.	1,794,529.06	67
515	Luzon Ave. - Trunk Relief	300,000.	127,613.44	67
518	East Side Interceptor	2,440,000.	2,800,375.56	69
521	Land Reclamations - Water Pollution Control Plant	500,000.	500,000.00	73
802	Southwest Urban Renewal Watermains	500,000.	592,753.14	69
811	Bryant Street Warehouse & Shops	1,188,000.	1,145,513.77	74
800	Southeast Relief	1,800,000.	1,632,000.00	75

Agency: D.C. Dept. of Transportation

<u>Project No.</u>	<u>Title</u>	<u>Initial Estimate</u>	<u>Final Cost</u>	<u>Date Completed</u>
28-4	Theodore Roosevelt Bridge and Approaches	2,375,127	2,802,050	Sept. 1971
28-5	Southeast Freeway	1,281,513	1,430,590	Aug. 1973
28-15	E St., N. W., 19th St. to West Leg	2,813,300	4,979,796	Aug. 1970
28-16	9th St. Expressway, Const.Ave. to S.W.Fwy.	5,915,000	2,819,388	Dec. 1971
28-20	11th St. Bridge and Approaches	2,957,467	1,497,208	Oct. 1968
28-21	Interchange "C"	2,504,550	3,956,085	Sept. 1972
28-29	11th St., N.W., Irving St. to Monroe St. and Vermont Ave. to Florida Ave.	250,000	113,674	May 1969
28-48	South Dakota Ave., N.E., Rhode Island Ave. to Eladensburg Road	205,000	293,951	Sept. 1969
28-49	New York Ave., N.E., 1st St. to Eladensburg Rd.	1,045,000	1,744,600	April 1971
28-61	South Capitol St., Canal Ave. to K St.	165,000	286,098	Feb. 1968
28-63	Virginia Ave., N.W., 19th St. to Rock Creek Pkwy.	470,000	649,546	Dec. 1969
28-70	Randle Circle, S. E.	75,000	97,298	April 1969
28-74	Old 14th St. Bridge Replacement	910,000	1,667,063	May 1972
28-77	L St., N.W., New Hampshire Ave. to Pa. Ave.	70,000	32,706	Dec. 1967
28-78	New York Ave., N.E., 36th Place to D.C. Line	650,000	203,971	Oct. 1972
28-82	Key Bridge	110,000	276,275	Aug. 1970

<u>Project No.</u>	<u>Title</u>	<u>Initial Estimate</u>	<u>Final Cost</u>	<u>Date Completed</u>
28-84	9th St. Bridge, N.E., over Wash. Terminal Co.	60,000	119,924	July 1975
28-85	Klingbe Bridge over Rock Creek	150,000	39,782	June 1972
28-87	14th St. Bridge northbound (Rochambeau) - Deck	480,000	755,910	Dec. 1977
28-89	TCCC - Traffic Control Center	730,000	657,910	June 1976
28-91	Overpass Fencing	35,000	2,944	Nov. 1972
28-95	Benning Road Bridge over Anacostia River, N.E.	235,000	211,844	June 1976
28-96	Anacostia Freeway Bridge over Oxon Run	250,000	267,813	Sept. 1975
28-98	Suitland Parkway Pedestrial Overpass	88,000	109,811	Aug. 1975
28-111	Morris Road, S.E., M.I. King Ave. to Bryan Place	120,000	183,502	Aug. 1976
28-119	Military Road, N.W., 14th St. to 27th St. - Safety	217,000	67,180	July 1976
28-559	Wilson Bridge Bascule Span (D.C. Share)	15,000	24,376	Dec. 1976
28-561	Kenilworth Ave., East Capitol St. to D.C. Line	354,052	398,752	Sept. 1970

Agency WASHINGTON AQUEDUCT DIVISION

<u>Project No.</u>	<u>Title</u>	<u>Initial Estimate</u>	<u>Date of Estimate</u>	<u>Final Cost</u>	<u>Date Completed</u>
35-102	Great Falls Intake Structure	\$ 500,000	1952	\$1,119,750	1974
35-104	Carbon Facilities	500,000	1963	546,876	1969
35-105	Shops and Storehouses, Dalecarlia	1,660,000	1964	3,792,000	1977
35-106	Flocculation-Sedimentation Basin	1,738,000	1957	2,088,000	1967
35-109	Flood Protection, Dalecarlia	2,150,000	1964	2,646,000	1976
35-112	Dalecarlia Office Facility	165,000	1967	248,858	1969

HIGHLIGHTS OF FISCAL YEAR 1977 SUPPLEMENTAL AND FISCAL YEAR
1978 AMENDMENT

Mr. COPPIE. In the supplemental and the amendment for 1977 and 1978, I will go through each one of these quickly, Mr. Chairman, and be responsive to any questions that you have, either as I go forward or at the conclusion.

CITY COUNCIL

We request \$18,500 in 1977 and \$83,000 in 1978 for the City Council to provide for work that the Council is doing in the area of developing an independent personnel system and strengthening procurement practices for the city. The full year cost of that in 1978 will be \$83,000. The request for 1977 is \$18,500.

DISABILITY COMPENSATION

For the disability compensation program in the District of Columbia, we are requesting language that gives us the necessary budget authority for payments that were actually made in the 1976 fiscal year, based on the authority of the public law, but for which we need the actual budget authority in order to close out that fiscal year in a favorable situation.

In other words, no cash requirement, but the budget authority requirement is necessary.

UNEMPLOYMENT COMPENSATION

For the unemployment compensation, we request \$743,000. There has been a lot of discussion concerning cost here. I am pleased to say to you that we can reduce this by \$350,000. We volunteer that reduction at this time. But that difference between \$743,000 and the \$350,000 reduction is the amount that we require in order to meet our full unemployment compensation for 1977.

Then we are requesting \$500,000 in 1978 as an amendment to our earlier request. That is necessary to meet the projected requirements for unemployment compensation in the 1978 fiscal year.

OFFICE OF CONSUMER PROTECTION

In the Office of Consumer Protection, we are requesting a supplement of \$20,000, because of the new public law affecting consumer protection in the District of Columbia. This will allow them to take two part-time positions and make them full-time in the 1977 fiscal year.

DEPARTMENT OF GENERAL SERVICES

For the Department of General Services, we are requesting 26 temporary positions and \$201,500 in 1977 and 26 permanent positions and \$274,100 in 1978, to strengthen building security in the District of Columbia. This is primarily for staff, although there is some equipment requested.

BOARD OF ELECTIONS AND ETHICS

For the Board of Elections and Ethics, we are requesting \$140,000 in 1977 and \$250,000 in 1978. The \$140,000 in 1977 is to meet the costs of the City Council election that is scheduled for mid-July and the \$250,000 in 1978 is the initial increment to bring automation to the ballot counting process in the District of Columbia elections.

The ultimate cost is projected at \$1 million. We propose to do this over about 4 years. The first increment is requested in 1978.

FIRE DEPARTMENT

For the fire department, we are requesting \$150,000 to repair the fire boat. Parenthetically, I would call your attention to the fact that subsequent to the action by the city pertaining to this request and subsequent to the participated transmittal by the President, we have learned from New York City that they are in the process of selling their fire boat.

They are prepared to negotiate a sale to the District of Columbia for \$150,000. If we receive this \$150,000 request to repair the fire boat, we would propose to intensify our efforts to negotiate that sale with New York and to report back to both the City Council and this committee, the results of those negotiations and probably make the request to purchase the boat.

It is a very favorable situation for us. They are in the process of phasing down their fire boat fleet. The potential buyers in this market are very limited. They have indicated an interest in the District of Columbia's interest.

Senator LEAHY. I haven't heard anybody in my hometown of Middlesex, Vt., go looking out for a fire boat. I think that makes a great deal of sense. Do continue on with your negotiations and come to a satisfactory arrangement.

Certainly, you have support from me.

Mr. COPPIE. Thank you very much.

PUBLIC DEFENDER SERVICE

For the Public Defender Service, we are requesting \$41,000 in 1977 and \$41,000 in 1978, primarily for the investigative services to support the staff attorneys.

DEPARTMENTS OF MANPOWER AND RECREATION

For the Department of Manpower and Recreation, we are requesting a technical adjustment of \$139,000 and eight positions. Subsequent to the initial action and presentation of the 1978 budget, an additional public law was passed realigning the youth responsibilities in the city and the necessary adjustment between the manpower responsibility and the recreational responsibility is a requirement at this time. We request that technical adjustment. No additional budget authority is requested.

ADVISORY NEIGHBORHOOD COMMISSION

For the Advisory Neighborhood Commissions, we are requesting \$30,100 and language. The \$30,100 is to meet the statutory requirement associated with the total assessed value of real property in the District of Columbia, a percentage of which goes to the ANC.

The language is requested to permit funds to be used for refreshments. The Comptroller General's opinion says that funds cannot be used for this purpose without specific language in appropriation bills approved by the Congress and ultimately the President in the form of the public law.

DEPARTMENT OF CORRECTIONS

For the Department of Corrections, we are requesting \$2,001,000 in 1977, and a technical adjustment between the Department and the Bail Agency of \$100,000 pertaining to the third party custody funding request for 1978. In 1977, the funding will be used for the continued operation of the Women's Detention Center, the perimeter patrol outside the new Detention Center and for security coverage on a 24-hour basis at the Ugast Psychiatric Center. In fiscal year 1978 there is the \$100,000 technical adjustment that I referred to.

Senator LEAHY. Let me ask, is there a report being done on this relating to alternatives to incarceration?

Mr. COPPIE. That is correct.

Senator LEAHY. When is the report coming out?

Mr. COPPIE. We will be prepared to submit that to you, Mr. Chairman during the hearings on the fiscal year 1979 budget as you requested.

Senator LEAHY. Please do. It occurred to me I hadn't seen it yet.

BOARD OF EDUCATION

Mr. COPPIE. For the Board of Education, we are requesting \$3.8 million in 1977, and \$2 million in 1978. We are also requesting language to strengthen the requirement of the public law with regard to the teachers retirement fund.

The \$3.8 million will be used for needs in the public school system, the details of which I will provide for the record. The \$2 million in 1978 will be used for personal services and will allow for approximately 200 additional employees to be hired in the public school system in the 1978 fiscal year.

DEPARTMENT OF HUMAN RESOURCES

For the Department of Human Resources, we are requesting \$391,000 in 1977 and \$391,000 in 1978 to meet tuition grants associated with the education of mentally handicapped children at the Forest Haven Institute. I would point out that the \$391,000 is the same for both years because in 1977 the request is for the school year that will begin in September 1977 and obligations for contracts must be made in the summer of 1977. The 1978 request is for the academic year that will begin in September of 1978, but again contracts will be made during the summer.

For the D.C. Village, we are requesting \$1.1 million in 1977 and \$811,000 in 1978, both of which includes funding for 25 vacant positions to provide for a larger than anticipated population at the complex. We are requesting an adjustment and increase for general public assistance of \$425,000 in the 1977 fiscal year in terms of additional budget authority.

The actual requirement is substantially greater than that, but will be met through a reprogramming of funds in the Department of Human Resources. We had anticipated a substantial reduction in GPA in the 1977 fiscal year. There has been a reduction, but not as great as was anticipated at the time we were before the committee earlier.

I am pleased to report to you an \$8 million reduction in the request for public assistance aid for dependent children in the 1978 fiscal year, \$4 million paid for from appropriated funds which, as you know, are matched dollar for dollar from Federal funds so that the total reduction is \$8 million, but \$4 million in terms of the actual request that this committee has jurisdiction over.

I am asked by the Director of the Department to make it very clear that the fiscal year 1978 budget request that is before the committee for additional positions to intensify their work on public assistance monitoring is absolutely indispensable to further reductions in the caseload. That request has been made before and I am sure the appropriate sensitivity of the committee will be at hand when the bill is acted upon.

DEPARTMENT OF TRANSPORTATION

For the Department of Transportation, we are requesting \$1,309,100 in the 1977 supplemental, and \$704,100 in the 1978 amendment. The 1977 requirements, include the actual costs of snow removal in the 1977 fiscal year, electrical energy costs associated with the rate increase that was in effect for a short period of time and was later rescinded, and for electrical energy costs associated with street lighting. The fiscal year 1978 request is for the continuation of electrical energy costs associated with the street lighting program. We anticipated a very ambitious program of street light reduction. In both fiscal years there will still be street light reductions for the 2 years, but not as great as originally anticipated.

SCHOOL TRANSIT SUBSIDY

The school transit subsidy of \$600,000 is requested for the 1978 fiscal year. That is directly tied to the increase in fares that will go into effect on July 1, going from 40 cents to 50 cents during rush hours, morning and evening. The law requires the Government to pay the difference. There will be an additional cost in the fiscal year, estimated at \$600,000.

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

For the Washington Metropolitan Area Transit Authority, we are requesting \$428,100 in 1977, an additional budget authority of \$3.7 million in 1978. The actual requirement is for Metro rail subsidization. The actual requirement for those 2 years for Metro rail is \$2.78 million, and additional requirements beyond what this committee

recommended was ultimately approved for 1977 and 1978, at \$10.9 million.

Adjustments in the Metro bus requests will meet additional requirements for the 2 fiscal years, so that the actual request before the committee is \$428,100 in 1977 and \$3.7 million in 1978.

PERSONAL SERVICES

The final component for operating costs is for personnel services—two additional components. The personnel services in 1977, is for \$435,300 to meet the costs associated with the executive salary increases that have been approved, and \$1.5 million in 1978 for the same purpose.

The actual cost is greater than that. There is an absorption factor that has been required. We will provide detailed analysis for the record pertaining to gross and net costs, the difference being the absorption by the city in those 2 fiscal years.

DEPARTMENT OF ENVIRONMENTAL SERVICES

For the Department of Environmental Services, in the 1978 fiscal year, we propose 50 positions, \$637,900 to maintain twice a week trash collections in the city. The request that was before the subcommittee justified at the time that you heard the 1978 budget was to go to once a week collections in certain wards of the city.

This request, if approved, will allow for the maintenance of twice a week trash collections in all areas of the city in the 1978 fiscal year.

Senator LEAHY. But the budget had provided for twice a week trash collection because of the high housing density in some parts of the city. I understand there is some citizen opposition to the once a week program even in the lower density parts of the city.

Was it ever even tried out?

Mr. COPPIE. No, it has not.

Senator LEAHY. Why don't they run it for a month or so and see if it works?

Mr. COPPIE. If you fund it for 11 months, we will try that and report back to you concerning the results.

Senator LEAHY. All right, go ahead.

CAPITAL IMPROVEMENTS REQUEST

Mr. COPPIE. The capital improvements request, the net request is for \$27,082,000.

There are a series of reductions, one for the Department of Housing and Community Development, of \$849,800 for neighborhood parks. We are going to request that through the Economic Development Act grant program, therefore, the appropriate request would be volunteered as a reduction. The other is for the District of Columbia obligations, \$618,100, a reduction based on adjustments that have been confirmed to us by St. Elizabeths Hospital pertaining to actual construction of St. Elizabeths Hospital.

The increases are for the Washington Aqueduct, of \$850,000 to make improvements in the water treatment plant there to meet EPA requirements and the Civic Center of \$27,700,000. Of course, the

highlight of the capital request is the Civic Center that has been the better part of the discussion for the last two days. That highlights the request, Mr. Chairman. At this time, I will be able to answer any questions you might have.

TEACHERS RETIREMENT FUND

Senator LEAHY. You requested \$3.8 million for fiscal year 1977 for the teachers retirement fund. You have a shortfall created by the Board of Education, reducing the fund by \$3.8 million. The adjustment was made after congressional approval of the fiscal year 1977 budget.

Under what authority did the city divert funds justified appropriate for one purpose and use them for another?

Mr. COPPIE. Mr. Chairman, we do not propose the \$3.8 million for teachers retirement. The teachers retirement request is in place. If the language that is before the committee for its consideration will be before the committee for its consideration following the President's transmittal, that will ensure that the teachers retirement funds for 1978 will be made.

The school superintendent has indicated to us the need for about \$3.8 million in additional requirements for the 1978 fiscal year, a highlight of this request is for utility costs associated with the severe winter of about \$1 million; but I will provide a detailed analysis of this for the record.

Senator LEAHY. If that \$3.8 million isn't appropriated, may the retirement fund as of September 30, 1978, be in balance as it is supposed to be.

Mr. COPPIE. There will be, assuming that the language requested by the city and by the President is approved by the Congress.

Senator LEAHY. Mr. Coppie, you have been very cooperative, having to sit through 2 days of hearings to get to this point. We will submit the rest of the questions for the record.

Mr. COPPIE. Thank you very much, Mr. Chairman. It is a privilege to be here.

Senator LEAHY. How is that for an easy out?

Mr. COPPIE. Very helpful.

JUSTIFICATIONS AND SUBMITTED QUESTIONS

The justification material and submitted questions of various other agencies will be inserted in the record at this point.

[The information follows:]

FINANCING/PERSONNEL CEILING JUSTIFICATION

FISCAL YEAR 1977 SECOND SUPPLEMENTAL

BY APPROPRIATION AND AGENCY

	(Amounts in thousands)	
	Pos.	Amount
<u>Federal Funds</u>		
Federal Payment (General Fund) .....	...	\$4,000.0
<u>Operating Expenses</u>		
General Operating Expenses:		
Council of the District of Columbia .....	...	18.5
Executive Office:		
Compensation Funds:		
Unemployment Compensation .....	...	743.3
Office of Consumer Protection .....	...	20.0
Department of General Services	(26)	201.5
Other Independent Agencies and Offices:		
Board of Elections and Ethics .....	...	140.0
Total, General Operating Expenses	(26)	1,123.3
<u>Public Safety:</u>		
Fire Department .....	...	150.0
Public Defender Service .....	...	41.0
Department of Corrections .....	...	2,001.0
Total, Public Safety .....	...	2,192.0

	(Amounts in thousands)
<u>Pos.</u>	<u>Amount</u>
<u>Education:</u>	
Public Schools	3,800.0
<u>Human Resources:</u>	
Department of Human Resources	1,939.0
<u>Transportation:</u>	
Department of Transportation	1,309.1
Washington Metropolitan Area Transit Authority (Metrobus and Metrorail)	428.1
Total, Transportation	1,737.2
<u>Personal Services:</u>	
Executive Pay and Related Salary Increases	435.3
Total, Operating Expenses, 1977 Second Supplemental Request	(26) 11,226.8

FEDERAL FUNDS

Federal Payment to the District of Columbia

For an additional amount for "Federal payment to the District of Columbia", for the general fund of the District of Columbia, \$4,000,000.

The proposed supplemental represents the full unappropriated balance of \$4,000,000 of the annual payment authorized in the District of Columbia Self-Government and Governmental Reorganization Act (Public Law 93-198, dated December 24, 1973).

The following table summarizes actions relating to the Federal payment in Fiscal Year 1977:

Authorized in District of Columbia Self-Government and Governmental Reorganization Act	\$280,000,000
Appropriated for Fiscal Year 1977 (Public Law 94-446) .	259,797,400
Appropriated in Supplemental Appropriations Act, 1977 (Public Law 95-26):	
Regular	16,202,600
Inaugural Expenses	650,000
Subtotal, Supplemental	16,852,600
Total, Appropriated	276,650,000
Federal Payment Authorized (including Inaugural)	280,650,000
Supplemental Request	4,000,000

FISCAL YEAR 1978 BUDGET AMENDMENT
 BY APPROPRIATION AND AGENCY

Operating Expenses	(Amounts in thousands)	
	Pos.	Amount
<u>General Operating Expenses:</u>		
<u>Council of the District of Columbia</u> .....	...	\$83.0
Executive Offices:		
Compensation Funds:		
Unemployment Compensation .....	...	500.0
Department of General Services	26	274.1
Department of Manpower	-8	-139.0
Other Independent Agencies and Offices:		
Board of Elections and Ethics .....	...	250.0
Advisory Neighborhood Commissions .....	...	30.1
Total, General Operating Expenses	18	998.2
<u>Public Safety:</u>		
Public Defender Service .....	...	41.0
Bail Agency .....	...	100.0
Department of Corrections .....	...	-100.0
Total, Public Safety .....	...	41.0

	(Amounts in thousands)	
	<u>Pos.</u>	<u>Amount</u>
<u>Education:</u>		
Public Schools .....	...	2,000.0
<u>Recreation:</u>		
Department of Recreation	8	139.0
<u>Human Resources:</u>		
Department of Human Resources .....	...	-2,798.0
<u>Transportation:</u>		
Department of Transportation .....	...	704.1
School Transit Subsidy .....	...	600.0
Washington Metropolitan Area Transit Authority (Metrolrail and Metrobus) .....	...	3,775.7
Total, Transportation .....	...	5,079.8
<u>Environmental Services:</u>		
Department of Environmental Services	50	637.9
<u>Personal Services:</u>		
Executive and Related Salary Increases .....	...	1,474.8
Total, Operating Expenses, Fiscal Year 1978 Budget Amendment	76	7,572.7

	(Amounts in thousands)
<u>Pos.</u>	<u>Amount</u>
<u>Capital Outlay</u>	
<u>General Operating Expenses:</u>	
<u>Executive Office:</u>	
Municipal Planning Office - Civic Center	27,700.0
Department of Housing and Community Development - Urban Parks	-849.8
<u>Environmental Services:</u>	
Washington Aqueduct - Dalecarlia Reservoir Improvements	850.0
D. C. Obligations	-618.1
Total, Capital Outlay, Fiscal Year 1978 Budget Amendment	27,082.1

FISCAL YEAR 1978 BUDGET AMENDMENT

Agency: General Provisions - Sec. 112 Employment Ceiling

	(Amounts in thousands)	
	Pos.	Amount
Fiscal Year 1978 Request	35,784	.....
Fiscal Year 1978 Amendment	361	.....
Total, Fiscal Year 1978 Estimate	36,145	.....

Analysis of Budget Amendment

It is requested that the appropriations language setting the City employment ceiling at 35,784 full-time permanent positions be increased by 361 to a new ceiling of 36,145 to accommodate the employment changes recommended herein. The changes are as follows:

Department of General Services	26
Department of Manpower	-8
Public Schools	200
Department of Recreation	8
Department of Human Resources	85
Department of Environmental Services	50
Total	361

Section 112 of the General Provisions is amended by striking out 35,784 and inserting in lieu thereof 36,145.

SUBMITTED QUESTIONS

PERSONNELQUESTION:

1. The requested personnel ceiling for FY 1978 is for 36,145 positions. This is 1,000 more than requested for last year.

What would be the effect if we put the ceiling back to last years level?

What would be the effect if we put the ceiling back to last years level, but provide exemptions for all new positions provided in the FY 1978 bill?

ANSWER:

1. The major expense category of the budget is salaries and wages. In this budget and over the past two years, we have taken positive steps to contain growth in this area. In Fiscal Year 1975, the number of full-time permanent positions authorized for the City totalled 42,040. The budget before you requests 37,962, a reduction of 4,098.

Far more significant than the reduction of authorized positions is that permanent full-time employment, which totalled 36,750 at the beginning of Fiscal Year 1976, is currently at the level of 35,515. Related personal services funding has either been redirected or reduced from the budget base. This reduction has been achieved without forced layoffs or separations, a fact of which we are extremely proud.

In Fiscal Year 1978 we will continue to hold the line on the employment level. Despite increases in some areas to fund mandatory program improvements, we are proposing to continue the City-wide employment ceiling. The level proposed for Fiscal Year 1978 is 36,145, only 273 more than the 35,872 for the combined total of exempt and nonexempt employees in the current fiscal year. The nonexempt employees in Fiscal Year 1977 are 35,145; the exempt are 727.

Employment and Employment Ceiling

<u>Employment Ceiling</u>	<u>FY 1977</u>	<u>FY 1978</u>	<u>Difference</u>
Exempt	727	...	-727
Nonexempt	35,145	36,145	+1,000
	35,872	36,145	+273

Employment

On board and committed, 6/30/77	35,535
Projected on board, 9/30/77	35,872

If the ceiling reverts to last year's level (35,145) with exemptions for newly funded positions (600), it would mean that 737 of the employment complement projected for 9/30/77 would have to be separated, and that either vital positions currently vacant or vital positions becoming vacant would be required to remain vacant in order to remain within the ceiling.

FINANCING

QUESTION:

1. How does the city propose to finance the additional operating budget requests?
2. For the additional requests for Fiscal Year 1977 and Fiscal Year 1978, please explain the source of the additional revenue.

ANSWER:

1&2. The Fiscal Year 1977 Second Supplemental is proposed to be financed from an increase in the Federal payment (\$4 million) and increases in collections from local sources (\$7 million). The primary increase in local collections is due to an unexpected settlement of a very large estate (\$7 million). A number of other tax revenues have also been revised based on experience to date. A property tax rate of \$1.83 per \$100 of assessed valuation is assumed.

The Fiscal Year 1978 budget amendment is proposed to be financed primarily from an additional \$8 million in counter-cyclical revenue sharing that the city expects to receive under the extension of the Public Works Employment Act of 1976, as amended.

QUESTION:

3. What was the total amount of revenue that was to be available to the city as a result of the real estate reappraisals before the tax relief proposals were made?

ANSWER:

3. The amount of real property tax revenue that was to be available for fiscal year 1978 (October 1, 1977-September 30, 1978) is estimated at \$194,700 using an assumed tax rate of \$1.83 per \$100 of assessed value. Since fiscal year 1978 encompasses part of the next year's levy (tax year 1979), the \$194,700,000 estimate is made up of the following:

<u>Amount</u>	<u>Source</u>
\$85,200,000	Tax Year 1978 Levy
\$94,500,000	Tax Year 1979 Levy
\$15,000,000	Revenue Act of 1978 payment date law change
<u>\$194,700,000</u>	

QUESTION:

4. Of the total amount of additional revenue to be available to the city as a result of the reappraisal of property in the city, how much is being given back to property owners in terms of the tax relief package we have read about in the newspapers? What is the status of this tax relief package?

ANSWER:

4. The property tax relief packages consist of a \$6,000 "homestead exemption" for single family residential properties beginning in tax year 1978 and an expanded property tax circuit-breaker refundable income tax credit. The additional costs of these tax relief measures are as follows:

Property Tax Relief Costs

<u>Fiscal Year</u>	<u>\$6,000 Homestead Exemption</u>	<u>Expanded Property Tax Circuit-breaker</u>	<u>Totals</u>
1977	\$5,300,000	.....	\$5,300,000
1978	\$11,100,000	\$3,917,000	\$15,017,000
1979	\$11,100,000	\$2,309,000	\$13,409,000

The property tax relief bill was passed by the District of Columbia Council on first reading on June 28, 1977.

QUESTION:

5A. What is the status of the parking ticket proposal the Subcommittee heard about last May?

ANSWER:

5A. The legislation to authorize the parking traffic enforcement program is under review by the Corporation Counsel. The review should be completed within two weeks, and a bill will be introduced in the City Council before the end of July, 1977. We expect the City Council to begin public hearings in the early fall. We plan to commence the first of a three phase program, towing, booting, and civilian ticket writing beginning in July, 1978. We plan to begin the system of administrative adjudication early next fall.

QUESTION:

5B. What success has the city had in collecting additional delinquent parking ticket fines?

ANSWER:

5B. Within the past six months, the city purchased several hundred additional "Denver Boots". Naturally, the purchase of these boots enabled the Police Department to develop a "Booting Program" whereby motorists with many outstanding tickets are subject to having their cars booted.

For the period January through June 1976, there were 2,817 cars booted. Under the new program established, for the period January through June 1977, there were 7,711 cars booted, for a net increase of 4,894.

It is estimated that this program has produced additional revenue of \$912,241, as follows:

Number of additional boots placed in 1977 period	4,894
Average value of outstanding tickets per booted car	\$233
Collection rate	80%
Revenue received	\$912,241.00
(4894 x \$233.00 x 80%)	

QUESTION:

6. What is the current backlog in delinquent parking ticket fines?

ANSWER:

6. As of June 30, 1977, the following parking tickets were outstanding:

<u>Issued in 1976</u>		<u>Issued in 1977</u>		<u>TOTAL*</u>
<u>No.</u>	<u>Amount</u>	<u>No.</u>	<u>Amount</u>	
581,205	\$12,020,580	328,667	\$6,819,890	\$18,840,470

* At double the face value.

QUESTION:

7. What is the current backlog in delinquent taxes?

ANSWER:

7. Delinquent tax accounts referred for enforcement action:

39,000 accounts representing
\$17.5 million in delinquent taxes

Projected at the end of Fiscal Year 1978:

25,000 accounts representing
\$12.5 million in delinquent taxes

HUMAN RESOURCES JUSTIFICATIONS

FISCAL YEAR 1977 SECOND SUPPLEMENTAL

DISTRICT OF COLUMBIA FUNDS

OPERATING EXPENSES

HUMAN RESOURCES

For an additional amount for "Human resources", \$1,939,000.

Agency: Department of Human Resources

Analysis of Change

	Pos.	(Amount in thousands) Amount
Fiscal Year 1977 Allotment	9,317	\$268,475.6
Fiscal Year 1977 First Supplemental .....	...	6,200.0
Fiscal Year 1977 Second Supplemental .....	...	1,939.0
Total, Fiscal Year 1977 Estimate	9,317	276,614.6

Analysis of Second Supplemental

General Public Assistance -- \$425,000

The Fiscal Year 1977 budget request for all public assistance programs was \$57,355,800. For General Public Assistance the request was \$7,293,000. The Fiscal Year 1977 budget proposed significant changes in the General Public Assistance (GPA) program. A reduction in the caseload from 7,000 to 3,500 and a six-month limitation on eligibility were projected for the program. It was estimated that a savings of \$6,800,000 or 50% of available Fiscal Year 1976 base funding would be realized as a result of these

changes. Accordingly, a base reduction of \$6,800,000 was proposed in the City's budget which was forwarded to Congress.

This base reduction assumed that the GPA program caseload would be reduced from an average of 7,000 to 3,500 cases. This caseload reduction would be brought about by eliminating from the rolls as quickly as possible those people who have recovered from the disabling condition which made them eligible for the program in the first place.

On-going surveys supported the projected reduction in caseloads. The Congress, when it reviewed the District's Fiscal Year 1977 budget request for public assistance, redirected \$1,000,000 to Forest Haven from base public assistance funds. At the time, the Director of the Department of Human Resources indicated to the Chairman of the Appropriations Subcommittee of the House of Representatives the belief that intensive review of AFDC and GPA caseloads should result in a savings of \$1,000,000 if the rate at which cases are being closed remains approximately constant. In addition to the Forest Haven reprogramming, Congress also reduced the Financial Assistance base by \$2,492,300 and provided staff resources to assist in generating the reduction in caseload. The combined impact of these two actions was to reduce the GPA caseload to nearly 3,200.

The GPA caseload averaged 6,000 cases between October 1, 1976 and March 1, 1977, the first half of the fiscal year; 5,294 cases on April 30; an estimated 5,012 cases for May; 4,676 cases for each of the last four months of the year. Under the new eligibility policy, 1,550 cases are estimated to be terminated by September 30 because they will have been on the rolls for six months or more.

The average caseload for the year for GPA will be 5,417. This means that only a savings of \$3,200,000 will be realized instead of the \$6,800,000 which as projected for the fiscal year and that a supplement of \$3,607,900 is needed. Additional funding of \$425,000 is requested. The additional \$3,182,900 will be met by this request plus a reprogramming of \$1,929,900 of projected personal service savings and an estimated surplus of \$1,253,000 projected for the other categories of public assistance.

Tuition Grants -- \$391,000

In response to a U. S. Court Order of August 1, 1972, in the case of Peter Mills, the District organized an interdepartmental committee chaired by the City Administrator to deal with the issues the Court directed the City to resolve. The committee, in reviewing the available resources department by department, identified those underfunded and unfunded needs where services are not being provided but are mandated by the Court's

Order. Among the deficiencies identified was the absence of a budget in the Mental Health Administration to provide for tuition grants to children who are residents at Forest Haven.

The purpose of this request is to provide funding for 35 children who in accordance with the provisions of Judge Waddy's Decree must be placed in special educational facilities in order to meet their educational needs. These facilities are private and require the establishment of a tuition payment program similar to that offered by the Public Schools. A supplemental request is being made because the proposed program will begin in the next academic year and obligations for contracts must be made in the summer of 1977, the fourth quarter of Fiscal Year 1977. This request was not made in Fiscal Year 1977 because the committee first determined the need towards the end of the calendar year 1976, some time after the adoption of the Fiscal Year 1977 budget and the formulation of the Fiscal Year 1978 budget.

The 35 children identified at Forest Haven to benefit from this program are classified as sensory and behaviorally handicapped; 18 will attend day schools in the Metropolitan area and the remainder will be placed in residential schools. This request includes payment for transportation for both types of students.

D.C. Village -- \$1,123,000

D.C. Village is an intermediate care facility (ICF) operated by the Department of Human Resources. This institution is budgeted to provide adequate nursing care to 350 patients. In recent years, the patient population has been at 500. In an effort to reduce the patient population the Department decided in October, 1976, to close intake at the facility in order to reduce the census to 350; however, despite closure of intake, the patient population in March, 1977 was 482. The reason this action has not produced a greater reduction is that the number of discharges is less than expected. Decreases in patient population are no longer being anticipated in that D.C. Village must admit by May 31, 1977, 100 patients who will be discharged from private intermediate care facilities that will close because of failure to meet strict licensing regulations.

Discharges have averaged about seven per month over the last few months. With the new population impact it appears that the population at the end of the year will be approximately 550. To provide adequate nursing care to 550 patients requires funding of 25 vacant positions for two months at a cost of \$55,000. These include 15 nursing positions, five special services positions, and five housekeeping positions. In addition the budget for drugs, food, supplies, and materials must be increased by \$468,000.

In addition to the need for staff and materials, certain maintenance and repairs totalling \$600,000 are necessary. The nursing call system in the infirmary buildings must be repaired and extended to bath and toilet facilities. Four patients' rooms must be equipped to establish isolation rooms. The institution's public address system must be repaired and extended.

Interior damages to cottages caused by leaking roofs are also in need of repair. This includes ceiling repairs and painting. Patient lounges require screens and floor coverings and laundry and certain transport carts require covering.

In order to fund these needs and assure that we can provide adequate care to the 550 patients now anticipated rather than the 350 that are currently budgeted, an increase of \$1,123,000 is required.

DISTRICT OF COLUMBIA GOVERNMENT		\$ THOUSANDS		D. C. FUNDS DETAIL OF INCREASES										SCHEDULE A	
AGENCY: Department of Human Resources		CATEGORY:										OPERATING BUDGET			
												Fiscal Year (F'Y'81)			
												6			
Code	Type	Items or Account	Fund	Available (F'Y'77)		Object Class	Increase (F'Y'77)			Total Amount	Monthly Period	Amendment (F'Y'78)	Est.		
				PSL	Account		Personal Services	Grants	Total				Non-Requesting (F'Y'78)	Requesting (F'Y'78)	
236	WEKD	Financial Aid		6,724.4		41			425.0					425.0	
430	NSW	Tuition Grants				41			391.0					391.0	
560	DMFR	D. C. Village Personal Services and Utilities		5,816.6		1A	50.0	5.0	55.0					443.0	
		Printing and Reproduction		224.7		23			5.0					5.0	
		Other Services		0.4		24			7.0					7.0	
		Supplies and Materials		433.5		25			74.0					74.0	
		Repairs and Removals		846.6		26			382.0					382.0	
		...		...		25			600.0					600.0
		Total, D. C. Village					50.0	5.0	55.0	1,046.0			911.0	600.0	
		Total, DMFR					50.0	5.0	55.0	1,884.0			1,302.0	1,025.0	

FISCAL YEAR 1978 BUDGET AMENDMENT

HUMAN RESOURCES

For a reduction in the amount for "Human resources", \$2,798,000.

Agency: Department of Human Resources

Analysis of Change

	<u>Pos.</u>	<u>Amount</u>
Fiscal Year 1978 Request	8,465	\$290,109.1
Fiscal Year 1978 Amendment .....	...	-2,798.0
Total, Fiscal Year 1978 Estimate	8,465	287,311.1

Analysis of Budget Amendment

Tuition Grants -- \$391,000

Funding is required to continue the tuition grant program for Forest Haven children proposed in the Fiscal Year 1977 Second Supplemental. Contracts will be made during the summer of 1978 for the school year 1978-1979 with private special educational facilities for both residential and day placements.

The 35 children at Forest Haven who will benefit from this program are classified as sensory and behaviorally handicapped; 18 will attend day schools in the metropolitan area and the remainder will be

placed in residential schools. This request includes payment for transportation for both types of students.

Since these facilities are private, a tuition payments program must be established similar to that of the Public School System. This request is in accordance with the decree of Judge Waddy that these children be placed in special educational facilities in order to meet their educational needs.

D. C. Village -- \$811,000

D. C. Village is an intermediate care facility (ICF) operated by the Department of Human Resources. This institution is budgeted to provide adequate nursing care to 350 patients. In recent years, the patient population has been at 500. In an effort to reduce the patient population the Department had decided in October, 1976, to close intake at the facility in order to reduce the census to 350; however, despite closure of intake, the patient population in order to 1977 was 482. The reason this action has not produced a greater reduction is that the number of discharges is less than expected. Decreases in patient population are no longer being anticipated in that D. C. Village must admit by May 31, 1977, 100 patients who will be discharged from private intermediate care facilities that must close because of failure to meet strict licensing regulations.

Discharges have averaged about seven per month over the last few months. With the new population impact it appears that the population at the end of year will be approximately 550. To provide adequate nursing care to 550 patients requires funding of 25 vacant positions at a cost of \$343,000. These include 15 nursing positions, five special services positions, and five housekeeping positions. In addition, the budget for drugs, food, supplies, and materials must be increased by \$468,000.

In order to fund these needs and assure that we can provide adequate care to the 550 patients now anticipated rather than the 350 that are currently budgeted, an increase of \$811,000 is required.

Public Assistance -- -\$4,000,000

This amendment provides for the reduction of the state's matching share of the Public Assistance program by \$4.0 million. If the Federal reimbursement is included, the reduction is \$8.0 million or equivalent to 2,600 AFDC (regular) cases annualized. The Fiscal Year 1978 budget request provides for 26,665 AFDC (regular) cases. This request if approved will mean that only 24,065 AFDC (regular) cases can be funded throughout Fiscal Year 1978.

On April 30, 1977 there were 28,003 AFDC (regular) cases on the rolls. In the remaining five months of the current fiscal year the AFDC (regular) rolls are estimated to increase at the rate of 271 cases monthly through May 31 and level off the last four months. By September 30 the caseload should be 28,274. If the caseload is to average out at 24,065 throughout the Fiscal Year 1978, it must decline by 8,418 cases during Fiscal Year 1978. The AFDC (regular) caseload will have to be 19,856 by yearend to avoid a deficiency.

A task of this magnitude cannot be accomplished without the increased staff requested for PAA, Bureau of Eligibility Determination. This request is contained in the Department's Fiscal Year 1978 Budget now before the Congress. Should this request to fund 298 positions not be allowed, the Department's task will be virtually impossible.

Since the Fiscal Year 1978 budget request assumed a substantial reduction in the error rate and the caseload, the elimination of \$4.0 million in the Fiscal Year 1978 Budget Amendment places an additional requirement to further reduce the error rate below the anticipated levels; if the City is unable to make the reductions at the rate mandated by available funding there will be a shortfall in the Financial Aid Account.

SUBMITTED QUESTIONS

HUMAN RESOURCES

	<u>REQUEST</u>	<u>FY 1977</u>	<u>FY 1978</u>
Tuition Grants (Forest Haven)		391,000	391,000
D.C. Village	1,123,000		811,000
General Public Assistance	425,000		.....
AFDC .....		.....	-4,000,000

FOREST HAVENQUESTION:

1. In FY 1977 the Congress appropriated \$3,738,600 to fund 277 positions more than the City requested for Forest Haven. The last monthly report provided to the Subcommittee on progress at Forest Haven showed that there were still 159 vacant yet fully funded positions at Forest Haven.

Of the \$13,733,000 in total that was provided to Forest Haven in FY 1977, how much does the City expect to spend?

ANSWER:

1. The city anticipates spending all of the funds requested and approved in FY 1977. However, it should be noted that a reprogramming request in the amount of \$2,660,000 and \$747,700 has been submitted. This amount will be converted from the 01/02 (personal services) category to the 03 category. The 03 category includes equipment, educational materials, supplies and other furnishings necessary for program support purposes. This area has been woefully neglected in previous years.

QUESTION:

2. The request for \$391,000 for tuition grants for the 35 Forest Haven children identified as eligible for the program represents an expenditure of in excess of \$10,000 per pupil.

Isn't this a little expensive?

ANSWER:

2. Of the 35 patients identified, two-thirds will be placed in day care programs and one-third in residential programs. The estimated cost for day care programs is approximately \$6,000-\$8,000 per year and residential programs cost between \$14,000-\$21,600 per year. We believe these annual costs are justified by the services required by the retarded.

QUESTION:

3. Why are the amounts requested for FY 1977 and FY 1978 identical when FY 1977 is almost completed?

ANSWER:

3. A supplemental request is being made because the proposed program will begin in the next academic year and obligations for contracts must be made in the summer of 1977, the fourth quarter of Fiscal Year 1977. This request was not made in Fiscal Year 1977 because the committee first determined the need towards the end of the calendar year 1976, some time after the adoption of the Fiscal Year 1977 budget and the formulation of the Fiscal Year 1978 budget.

D. C. VILLAGE

QUESTION:

1. Why was the number of discharges less than you expected?

ANSWER:

1. The number of discharges for D. C. Village (DCV) is less because of the shortage of facilities to meet the skilled, intermediate and personal care nursing levels in the community. This inadequacy is the result of the recent promulgation of licensing regulations for such facilities. As such, placements have been limited and discharges impossible. The closing of existing facilities necessitates the return of residents from community facilities to DCV for care and treatment until such time as the facilities are in full compliance with the District's licensing requirements.

QUESTION:

2. If the FY 1977 Budget is correct in providing for operating a 600 bed facility at 95 percent occupancy, wouldn't FY 1977 funds be adequate to handle the expected 550 patients?

ANSWER:

2. It should be noted that the FY 1977 budget was adequate for only 350 beds. The budget enabled D.C. Village to meet all Federal and local standards as they relate to hours of nursing coverage, sanitation, environmental concerns, occupational and physical therapy, social services and recreational activities, etc.

During the latter part of FY 1976 and the onset of FY 1977 the bed level for D. C. Village was 500 beds. An attrition rate of about 5%, due to deaths was apparent for the facility. This amounted to approximately 20 deaths per month. Therefore, D. C. Village had a projection of 350 beds when there was an actual count of 500 beds during the months of January,

February, and March 1977. This supplemental request was needed to defray the projected cost of those additional 150 beds. A decision was made to increase the bed capacity to allow an additional 50 beds bringing the level to 550 patients.

D. C. Village had sufficient funding to operate as a 500 bed facility, but needed positions (17) and approximately \$300,000 in order to operate at a 550 bed level.

QUESTION:

3. What does the city expect the population trends at D. C. Village to be over the next 5 to 10 years?

ANSWER:

3. We believe the population trends at D.C. Village will increase over the next 5 to 10 years. This will happen because of the pressures to remove patients from acute care hospital and mental hospitals and because individuals are living longer with chronic conditions who require protective settings such as D.C. Village.

QUESTION:

4. Is D.C. Village a fully accredited institution?

ANSWER:

4. D.C. Village is currently accredited for medicaid for 51 beds in skilled care and pending accreditation for 51 beds in intermediate care. The remainder of the beds do not have medicaid accreditation. We have been unable to meet the standard for accreditation although the basic care is being provided. To facilitate full accreditation requires additional funding and staff.

GENERAL PUBLIC ASSISTANCE

The FY 1977 budget for GPA was based on an assumed caseload of 3,500 cases. The city currently projects an average caseload of 5,417. To fund this caseload, the city has requested \$425,000 plus a reprogramming of \$1,929,900 from personal services savings and an estimated surplus of \$1,253,000 projected for the other categories of public assistance.

QUESTION:

1. Describe for the Subcommittee the source of the personal services savings of \$1,929,900.

ANSWER:

1. The personal services (01 and 02) savings of \$1,929,900 are from the following components of DHR:

\$1,000.0	- Payments Assistance Administration
500.0	- Executive Direction and Support
400.0	- Mental Health Administration
<u>100.0</u>	- Narcotics Treatment Administration
\$2,000.0	- TOTAL

These savings result from not filling funded positions for the full year, personnel freeze and the position ceiling.

QUESTION:

2. Where does the surplus of \$1,253,000 from the other categories of public assistance come from? What other categories are referred to? Why is there a surplus?

ANSWER:

2. The surplus of \$1,253.0 comes from the following categories of financial aid programs:

\$ 400.2	- Aid to Families with Dependent Children (AFDC)
75.0	- Emergency Assistance Program (EAP)
<u>777.8</u>	- Supplemental Security Income (SSI)
\$1,253.0	- TOTAL

The surplus, as can be noted, is mainly in the State Supplementation program for SSI clients. At the time the FY 1977 budget was prepared a much higher caseload for the SSI supplementation program was anticipated. Actual experience has proven that the caseload declined considerably, mainly due to deaths in the mandatory supplementation area and subsequent increases in the Federal SSI payment. Also, we anticipated that greater numbers of St. Elizabeth's patients would be placed in adult foster homes which we would supplement. The deinstitutionalization of mental patients, however, did not increase substantially.

The surplus in AFDC is minimal when one considers that the budget was based on a projection of caseload and average family size nearly one year before the fiscal year 1977 began. In effect, our projection was correct to the extent that trend analysis allows.

DEPARTMENT OF ENVIRONMENTAL SERVICES JUSTIFICATION

FISCAL YEAR 1978 BUDGET AMENDMENT

DISTRICT OF COLUMBIA FUNDS

OPERATING EXPENSES

ENVIRONMENTAL SERVICES

For an additional amount for "Environmental services", \$637,900.

Agency: Department of Environmental Services

Analysis of Change

	(Amounts in thousands)
	<u>Pos.</u> <u>Amount</u>
Fiscal Year 1978 Request	2,687 \$59,027.0
Fiscal Year 1978 Amendment	50 637.9
Total, Fiscal Year 1978 Estimate	2,737 59,664.9

Analysis of Budget Amendment

An increase of \$637,900 and 50 positions are requested in order to maintain trash collection at its current frequency of twice-a-week pick-up all over the City. The Fiscal Year 1978 budget provides for the institution of once-a-week trash collection in Wards 3, 4, 5, 7, 8, and continued twice-a-week collection in Wards 1, 2, and 6 of the City because of the high housing density in those wards.

The budget was formulated based on funding constraints, redesign of collection routes based on Ward boundaries, and a reduction from 83 collection crews to 71 collection crews, representing a reduction of 50 positions and \$637,900, resulting from the change to once-a-week collection. A redesign of collection routes on a continuous path method was also planned to guarantee regular collection at an acceptable level of service to City residents serviced by the Department's collection operations.

Success of the once-a-week collection program, however, is based on strong citizens' support and cooperation in terms of required containerization by each household. Recent responses to a special notice in the D. C. Register on refuse collection schedules has been overwhelmingly in the Wards scheduled for once-a-week collection. The responses have been from citizen associations, other community groups, and individuals, written and verbal. This reaction poses significant problems for the success of this program. If strong citizen cooperation and use of trash containers is lacking, the program cannot succeed. The implications of this condition are an inevitable increase in rodent and larva population within the City, and a drop in the cleanliness level of streets and alleys, which in the past year, improved greatly.

FISCAL YEAR 1978 BUDGET AMENDMENT

Code	Type	Items of Increase	Fund	Amount (p/77) %	Object Class	Increase (p. 77)		Other Amount	Total Amount	Monthly Funded	Amortization (p/78)	Non-Recurring (p/78)	End Full Year (p/78)
						Program Class	Special						
600		Solid Waste Hgmt.											
630	W	Solid Waste Collection	G										
		MS-7 Foreman		4	51.6	1A-11	4	51.6	4	56.6	.....	.....	.....
		TG-8 Crew Chief		12	156.4	1A-11	12	156.4	12	173.7	.....	.....	.....
		TG-7 Motor Veh. Oper.		4	52.4	1A-11	4	52.4	4	57.4	.....	.....	.....
		TG-4 Sanitation Work.		24	267.3	1A-11	24	267.3	24	291.7	.....	.....	.....
		MG-4 Sanitation Work.		6	53.4	1A-11	6	53.4	6	58.5	.....	.....	.....
630		Total	...	50	503.1	...	50	503.1	50	637.9	.....	.....	.....

SUBMITTED QUESTIONS

REQUEST

<u>POSITIONS</u>	<u>FY 1978</u>	<u>AMOUNT</u>
50		\$637,900

QUESTION:

1. The F.Y. 1978 Budget provides for the institution of once-a-week trash collection in Wards 1, 2 and 6 of the City because of high housing density in those Wards.

Why does the City want to change its position on this? For the less dense parts of the City, why isn't once-a-week collection adequate?

ANSWER:

1. The original budget was formulated based on severe budget constraints. Once-a-week collection in certain areas of the City was proposed to prevent the loss or curtailment of other high priority program requirements, such as street and alley cleaning, which we felt would have a more adverse affect on the environmental quality of the City. We were, however, concerned that the proposal was premature.

Adequate containerization is required if once-a-week collection is to be achieved without affecting city cleanliness conditions. It is estimated that once-a-week collection may require 30% to 50% more containers, depending upon family size. This could be an expense that some of our citizens would have difficulty financing on short notice, along with other increases in the cost of living. Unless the full cooperation of the citizenry in the areas affected is received the program will fail. Unless we receive that cooperation and are assured on containerization, we foresee the possibility that the rodent population, which has dropped considerably under the War on Rats Program, will again increase. Recent strides made in street cleanliness levels could also be undone.

We therefore, are in full support of the restoration of twice-a-week collection at this time.

QUESTION:

2. You indicate that strong citizen opposition to the once-a-week collection program is a reason for dropping this planned program. Isn't this a defeatist attitude? Why don't you give the once-a-week program a chance before you throw in the towel? Why not work with the communities and resolve the problem?

ANSWER:

2. Departmental representatives met with groups from every affected ward in the City. These meetings were attended by Advisory Neighborhood Commissioners as well as presidents and other representatives of citizens and civic associa-

tions. Attendance was good and practically all the groups opposed once-a-week collection.

Realistically, however, it is felt that once-a-week collection in certain areas of the City ultimately is inevitable. The program, however, must be well studied and put together in a way that will assure that the areas of the City requiring the twice weekly service will receive it. We feel a well planned program will be accepted by the City leadership as well as the citizens in the areas affected and that the required cooperation will be forthcoming to make the program, when it is effected, successful.

We are strengthening our enforcement of the solid waste regulations, with a particular emphasis on proper containerization. We have also acquired through the CETA Program Spanish and Chinese-speaking persons to work with those communities on sanitation problems. Additionally, we are undertaking educational efforts on solid waste problems through the Citizen's Advisory Committee to Reduce Litter in the business community, in the community at large and at the school level. These programs will lay the groundwork for a better understanding on the part of the community of alternate collection frequencies, their need and justification, and what is required to make them successful.

SCHOOL TRANSIT SUBSIDY JUSTIFICATION

FISCAL YEAR 1978 BUDGET AMENDMENT

Agency: School Transit SubsidyAnalysis of Change

	(Amounts in Thousands)	
	<u>Pos.</u>	<u>Amount</u>
Fiscal Year 1978 Request	\$3,700.0
Fiscal Year 1978 Amendment	600.0
Total, Fiscal Year 1978 Estimate	4,300.0

Analysis of Budget Amendment

Public school students in the City pay ten cents a trip for Metro rides. The School Transit subsidy program currently provides funding for the thirty cents difference between the ten cents paid by students and the regular bus fare of 40 cents. An increase of ten cents in the rush-hour fare in the City is scheduled to go into effect on July 1, 1977. The 1972 Wilbur Smith Study, On Bus Original/Destination Survey, estimated that the number of school trips that take place during the peak hours and during off-peak hours are almost equal. Total ridership for the year is projected at 12,400,000. The estimated rides to be affected by the fare increase is approximately 6,000,000. It is recommended that the student fare remain at ten cents, and that subsidy funding be increased to offset the additional costs. The projected increase to cover the subsidy requirement for Fiscal Year 1978 is \$600,000.

SUBMITTED QUESTIONS

SCHOOL TRANSIT SUBSIDY

REQUEST

FY 1978
+600,000

QUESTION:

1. During the hearings on the regular FY 1978 budget, the Subcommittee was told that students who live more than 1 1/2 miles from school pay nothing for riding the bus or those students who live less than 1 1/2 miles from school pay 10 cents to ride the bus to school. Why don't all students pay a 10 cents bus fare?

ANSWER:

1. In general, all students using public transportation with the benefit of the subsidy, must pay 10 cents for the reduced fare tokens. The Board has determined that certain secondary school boundaries are so large that students must travel considerable distances; in addition, some special secondary programs draw students from throughout the City. In these cases, the Board has determined to use some of the Impact Aid funds available to them to pay this nominal 10 cents fee for the pupils who must travel these distances. District appropriated funds are not used for this payment.

QUESTION:

2. The Subcommittee was told that 14% of students live more than 1 1/2 miles from school. If these students paid 10 cents, approximately how much would be raised to help finance this \$600,000 request?

ANSWER:

2. The payment of the 10 cents fee by these students would not contribute toward the financing of the \$600,000 request. The subsidy of these students is presently paid by Impact Aid funds. If the student paid the 10 cents, it would only mean a shift in the funding source and the Board of Education would then redirect the Impact Aid to other program areas.

DEPARTMENT OF TRANSPORTATION JUSTIFICATIONS

FISCAL YEAR 1977 SECOND SUPPLEMENTAL

DISTRICT OF COLUMBIA FUNDS

TRANSPORTATION

For an additional amount for "Transportation", \$1,737,200: Provided, That \$968,900 of the amount appropriated for fiscal year 1976 and \$3,034,200 of the amount appropriated for the period July 1, 1976 through September 30, 1976 for the Metrobus operating subsidy shall be available for the District of Columbia's share of the Metrobus operating subsidy for fiscal year 1977.

Agency: Department of Transportation

	(Amounts in thousands)
	<u>Pos.</u>
	<u>Amount</u>

Analysis of Change

Fiscal Year 1977 Allotment	1,421	\$25,810.9
Fiscal Year 1977 First Supplemental .....	...	.....
Fiscal Year 1977 Second Supplemental .....	...	<u>1,309.1</u>
Total, Fiscal Year 1977 Estimate	1,421	27,120.0

Analysis of SecondSnow Removal Costs -- \$543,000

The unusually severe winter, with its frequent and heavy snowfalls, and prolonged icy periods, produced a heavy workload impact on the Department of Transportation resulting in expenditures for the snow removal program during Fiscal Year 1977 that were far greater than that of the last several years.

Available funding of \$378,300 was exceeded by \$543,000, more than 144%, producing a total program cost of \$921,300. Examples of the dramatic increases are represented by the fact that expenditures for rock salt alone were \$375,990, equal to the total cost of the snow removal program for Fiscal Year 1976; and \$285,525 in overtime was expended for crews needed to combat the snow and icy conditions.

An increase of \$543,000 is requested to cover outlays for the increased workload experienced by the Department of Transportation.

Electrical Energy Rate Increase -- \$135,100

Effective December 16, 1976, the Public Service Commission through Commissioner's Order No. 5849 granted the Potomac Electric Power Company an increase in its retail rates for the sale of electrical services including operation and maintenance and fixed charges. On March 1, 1977, this increase was amended by Formal Case No. 651. The amendment rescinded the rate increase; however, the action was not effective retroactively. An increase of \$135,100 is requested to cover the two and a half months covered by the now rescinded rate increase.

Electrical Energy and Services -- \$631,000

The Fiscal Year 1977 funding level for the Department of Transportation assumed a reduction of \$1,024,500 in electrical costs including a base reduction of \$653,500 and the absorption of the cost associated with a rate increase totalling \$371,000. In order to meet this serious impact on funding for streetlighting, the Department developed a program which would effect the necessary savings but would require the removal of lights in freeways and tunnels and on selected arterial and residential streets. In researching the programmatic feasibility of the plan the Department outlined the major steps that would be necessary to implement any significant changes in the City's streetlighting program. Among these was a determination of whether or not such a huge streetlight removal program was sound both in terms of citizen acceptance and street security. Advice from the Metropolitan Police Department (MPD) and citizens would have to be sought. In addition, the ability of Potomac Electric Power Company (PEPCO) to respond to such an extensive unanticipated workload had to be determined. PEPCO would be responsible for removing the lighting units.

After several months of discussions with PEPCO and MPD and a continuing program of citizen education, the Department adopted a plan for Fiscal Year 1977 which calls for a reasonable level of light removal. This plan will require the use of departmental forces to augment PEPCO crews and provides for removal of 746 freeway lights and 990 streetlights, and 310 decorative and ornamental lights at a number of circles and overpasses.

The revised removal program will permit the Department to realize a savings of \$653,500; however, additional funding is needed. An increase of \$631,000 in electrical energy funding in Fiscal Year 1977 is requested.

Code	Type	Items of Increase	Fund	Available (P 277)		Object Class	Increase (P 277)			Total Amount	Months Fulfilled	Amortization @ 1%	Cost Not Requiring P 277	Cost Full Year (P 277)		
				%	Amount		Deposits	Combs.	Personal Services						Other	Total
420	Other Electrical Energy		G	...	6,508.8	23-31	...	...	766.1	...	766.1	12	.....	766.1
360	Other Snow removal		G	...	378.3	25	...	...	543.0	...	543.0		.....	543.0

1 THOUSANDS FISCAL YEAR 1977 SECOND SUPPLEMENTAL

DISTRICT OF COLUMBIA GOVERNMENT



D. C. FUNDS DETAIL OF INCREASES
AGENCY: Department of Transportation

CATEGORY:

6
6
6

FISCAL YEAR 1978 BUDGET AMENDMENT

DISTRICT OF COLUMBIA FUNDS

OPERATING EXPENSES

TRANSPORTATION

For an additional amount for "Transportation", \$5,079,800.

Agency: Department of Transportation

Analysis of Change

	(Amounts in thousands)
	<u>Pos.</u> <u>Amount</u>
Fiscal Year 1978 Request	1,298 \$24,610.6
Fiscal Year 1978 Amendment .....	... 704.1
Total, Fiscal Year 1978 Estimate	1,298 25,314.7

Analysis of Budget Amendment

Electrical Energy and Services -- \$704,100

The Fiscal Year 1978 funding level for the Department of Transportation assumes a base reduction of \$290,000 in the expenditures for electrical energy and services. This reduction is a further decrease of the effective reductions of the Fiscal Year 1977 budget.

In order to meet the Fiscal Year 1977 reductions, the Department explored a plan which would effect required budget savings but would require extensive removal of lighting in freeways and tunnels, and on

SUBMITTED QUESTIONS

DEPARTMENT OF TRANSPORTATIONA. (STREETLIGHTS)QUESTIONS:

1. The justification material indicates that the Department of Transportation will realize a savings of \$653,500 in FY 1977 from its plan to remove 2,050 streetlights. As the Subcommittee was told at the hearings in May, 2,050 streetlights represents under 3 percent of the total streetlights in the city.

1.a. How many additional streetlights would need to be removed to realize an additional savings of \$631,100 in FY 1977 and \$704,100 in FY 1978 to avoid the need for the supplemental and amendment request now before the Subcommittee?

ANSWER:

1.a. Our response to this question is based on the average annual savings \$115 that would be derived by the removal of a sodium vapor light unit.

To save an additional \$631,100 in fiscal year 1977 would require the removal of 21,952 units or approximately one-third of the City's street lights.

If additional lights were removed other than those proposed in our budget, 6,123 units would need to be removed prior to the commencement of fiscal year 1978.

QUESTION:

1.b. What would be the impact of removing these additional streetlights?

ANSWER:

1.b. Approximately one-third of the cities street lights would need to be removed in fiscal year 1977 in order to realize additional savings of \$631,000. A program of this magnitude would require removing a substantial number of residential street lights. The citizenry, executive, and legislative bodies of the City would object because of the minimal level of lighting and concern for safety. Further, the Potomac Electric Power Company does not have the capability to remove the additional lights.

We have overcome citizen opposition to our current program because it has been focused on the business district and major arterials.

In fiscal year 1978, removal of an additional 6,123 units or approximately 10% of the City's street lights will result in reducing residential lighting levels. The objections to removing street lights would be the same, although

the impact on lighting levels would not be as severe as those in fiscal year 1977.

QUESTION:

2. In your fiscal year 1977 supplemental budget (KA-1) you state that electrical energy savings of \$653,500 can be realized through the removal of some 2,000 street lights in the City. The fiscal year 1978 amendment (KA-3) calls for removing 800 additional lights that should result in additional energy savings (amount not specified). However, you are requesting increased funding for electrical energy totaling \$1,335,100 (\$631,000 in FY 1977 and \$704,100 in FY 1978). How much of the savings are reflected in your fiscal years 77 and 78 request?

ANSWER:

2. Our targeted removal program for fiscal year 1977 is 746 freeway lights and 1,300 street lights which will realize corresponding savings of \$28,300 and \$29,900 respectively.

In fiscal year 1978, additional annual savings directly relating to the 1977 removal program will amount to \$112,400. The 800 additional light removal proposal will save \$103,500.

QUESTION:

3. When do you expect to realize all the savings from the light removal program?

ANSWER:

3. Savings identified in answer 2 will be realized in respective fiscal years.

B. SNOW REMOVAL

QUESTION:

1. How much is requested for snow removal in FY 1978?

ANSWER:

1. The requested appropriation for snow removal in fiscal year 1978 is \$303,300.

QUESTION:

2. How much rock salt does the City currently have stockpiled?

ANSWER:

2. Our current inventory of rock salt is 22,400 tons.

QUESTION:

3. In how many different locations is the rock salt stockpiled?

ANSWER:

3. Rock salt is stockpiled at the five following locations:

1. Brentwood Road and W. Street, N.E.
2. Potomac Avenue and R Street, S.W.

3. First and N Streets, N.E.
4. Blue Plains
5. Wisconsin Avenue and K Street, N.W.

C. RATE INCREASES

QUESTION:

1. What is the status of the PEPCO suit to recover past electrical charges that the city has not been able to pay due to the 2c per kilowatt hour limitation that applies to electricity used for streetlights?

ANSWER:

1. The status of the suit is as follows:

Pepco filed for a summary judgment in February 1977. The court granted the City time to develop more information on Pepco's electrical energy costs. Pepco refused to answer certain questions regarding their costs. The City then filed a motion to compel Pepco to answer these questions. An argument on this motion has been scheduled for July 11, 1977.

DEPARTMENT OF CORRECTIONS JUSTIFICATIONS

FISCAL YEAR 1977 SECOND SUPPLEMENTAL

Agency: Department of Corrections

Analysis of Change	(Amounts in Thousands)	
	Pos.	Amount
Fiscal Year 1977 Allotment	2,100	\$45,856.5
Fiscal Year 1977 First Supplemental .....	...	.....
Fiscal Year 1977 Second Supplemental .....	...	2,001.0
Total Fiscal Year 1977 Estimate	2,100	\$47,857.5

Analysis of Second Supplemental

The Department of Corrections requires \$2,001,000 in supplemental funding for Fiscal Year 1977 to fund 132 unfunded positions for the following unforeseen program needs:

- (1) continued operation of the Women's Detention Center (WDC);
- (2) the perimeter patrol outside the New Detention Center (NDC); and
- (3) security coverage at the Ugast Psychiatric Center.

Women's Detention Center (WDC) -- \$1,400,000

In formulating its Fiscal Year 1977 budget, the Department of Corrections did not anticipate that the WDC would be operated as a detention facility after July 1, 1976. Funds were not budgeted for its operation after this date. However, the increase in the female population in detention status has necessitated its continued operation. The building is designed to accommodate 66 inmates. As of March 25, 1977, the population was 104. In addition, there are 78 women (as of March 25) at the New Detention Center in one block of 80 cells. The result is that there are 182 residents living in space built for 146. The population trend does not indicate a decrease, hence, the need to continue the operation of the WDC for the remainder of Fiscal Year 1977. The amount required is \$1,400,000 to fund 80 unfunded positions and to provide utilities, food and other needed supplies for the inmates.

Perimeter Patrol -- \$309,000

The Department must maintain outside perimeter coverage at the New Detention Center. The security windows have been shown to be defective and are being replaced at no cost to the Department by the manufacturer. However, to ensure the security of the perimeter area at the NDC, the Department must provide the outside coverage until the modifications to the windows are completed in mid June, 1977. The amount required is \$309,000 to fund 26 unfunded positions.

Ugast Psychiatric Center -- \$292,000

Pursuant to judicial and executive directives, the City initiated in 1976 a program to provide psychiatric treatment to those individuals in pre-trial detention status who have significant psychiatric abnormalities. The center is located in the Ugast Building and is operated by the Department of Human Resources (DHR). The Department of Corrections provides the security coverage. A total of 26 guards is required for seven day, 24-hour a day coverage.

Funds to provide security coverage were identified in the DHR budget for Fiscal Year 1976 from other than appropriated fundings. The City requested and received funding for the Center in the Fiscal Year 1977 budget including \$120,000 for security services in the Department of Corrections.

The Ugast Center is on the grounds of D.C. General Hospital. The building renovated for this purpose formerly housed a day care program. The budget request for security services was developed before the site was renovated for the Ugast Center resulting in underestimating the number of security posts necessary to fully secure the building. The requested funding of \$292,000 is necessary to augment funding of \$120,000 approved in the DHR Fiscal Year 1977 budget and transferred to the Department of Corrections. The Corrections Department has been spending at a rate which will require this supplemental amount for the current fiscal year only. Increased funding in the Fiscal Year 1978 budget for Corrections will be adequate to support the program.

The requested funding of \$292,000 will provide funding for 26 unfunded positions.

Code	Type	Items of Increase	Fund	Available (FVY 77)		Object Code	Excesses		Increase (FVY 77)			Total Amount	Monthly Periods	Amortization (FVY 78)	Net Savings (FVY 78)	Cost				
				Per	Amount		Revisions	Cont.	Benefits	Total	Other						Per			
330	M	Operation of MDC Personal Services	0	...	...	1A			1,156.9	101.4	1,256.3	...	1,256.3	12	.....	1,256.3	.....		
				12-11			
				12-13			23	
				26			26	
330	M	Personal Services (Perimeter Patrol at MDC)	G	...	...	1A-01	(26)	276.5	101.4	1,256.3	143.7	1,400.0	8	.....	309.0	.....	.....	
				12-11			
330	M	Personal Services (Security coverage at Ugast Center)	G	...	120.0	1A-01	(26)	261.4	30.6	292.0	.....	292.0	12	.....	292.0	.....	.....	
				12-11			
		Total		...	120.0			1,692.8	164.5	1,857.3	143.7	2,001.0								

FISCAL YEAR 1977 SECOND SUPPLEMENTAL

 DISTRICT OF
COLUMBIA
GOVERNMENT

 D. C. FUNDS DETAIL OF INCREASES
AGENCY: Department of Corrections
CATEGORY: Detention Services

 SCHEDULE
6
OPERATING
BUDGET

FISCAL YEAR 1978 BUDGET AMENDMENT

Agency: Department of CorrectionsAnalysis of Change

	(Amounts in Thousands)
	Pos. Amount
Fiscal Year 1978 Request	2,100 \$48,917.3
Fiscal Year 1978 Amendment .....	..... -100.0
Total Fiscal Year 1978 Estimate	2,100 \$48,817.3

Analysis of Budget Amendment

An increase of \$100,000 has been requested for the Department of Corrections to contract with third-party custodians who would supervise pre-trial releases.

This amendment proposes to transfer the request for third-party custody funds to the Bail Agency. This transfer is proposed because the Bail Agency has both the statutory and program ability to effectively administer third-party custody program.

The Department of Corrections is primarily concerned with those who are incarcerated rather than released to the community prior to trial. The Bail Agency not only has continuous contact with pre-trial releases, but has a statutory requirement to supervise and coordinate third-party custodians.

SUBMITTED QUESTIONS

DEPARTMENT OF CORRECTIONS
WOMEN'S DETENTION CENTERQUESTION

1. The request would fund 80 positions which would represent almost 1 staff position for every 2 inmates at the WDC. In addition to the 80 unfunded positions referred to in this request, how many other positions have been assigned to the detention of women inmates in FY 1977 to date?

ANSWER

The 80 unfunded positions referred to above constitutes the freeze complement necessary to operate the Women's Detention Center (WDC). Funds to operate WDC were not requested in the fiscal year 1977 budget because the New Detention Center was scheduled to be open, and space for female inmates had been included in the facility. However, the Detention population, both male and female rose dramatically during fiscal year 1976 and continued to rise during the early part of fiscal year 1977. It therefore, became necessary to continue operation of this unbudgeted facility during all of fiscal year 1977. As of July 11, 1977, there were 77 females incarcerated in the New Detention Center in addition to the 73 women at WDC. One cell block at NDC is used exclusively for women. This equates to a need for 10 positions. In addition, other male and female employees are assigned to the intake and processing sections. While those positions directly assigned to the cell coverage can be identified, it is not possible to list additional positions for support areas since they are part of the general population.

QUESTION

2. Why is the city proposing to staff additional positions for the Women's Detention Center when it will close as soon as the new wing to the D.C. Jail is opened?

ANSWER

The city is not proposing additional positions for WDC. It is requesting continued funding in 1977 of existing positions. These positions were funded in prior years budget but not included in 1977 since it was anticipated that the facility would be closed.

QUESTION

3. What will happen to the 80 individuals in these positions when the new wing to the D.C. Jail opens?

ANSWERS

The current population trend would indicate it may be possible to close WDC in fiscal year 1978. Personnel from WDC will be transferred to the new center and to other institutions where the need is most critical. The Department's attrition rate guarantees that over-staffing will not develop at any facility.

QUESTION

4. What would be the impact of not providing funding for the 80 requested positions?

ANSWER

Because of the need to continue the institution's operation an additional \$1,400,000 is needed. The Department cannot possibly absorb this sum of money. Therefore, the impact of not providing these funds would be to place the Department in a position of deficit spending.

PERIMETER PATROLQUESTION

5. How many inmates have escaped from the new D.C. Jail in FY 1977?

ANSWER

No inmates have escaped from the perimeter of the NDC in fiscal year 1977. However, 2 inmates who were in the D.C. General Hospital and who were assigned to the NDC did escape.

QUESTION

6. Will the 26 position perimeter patrol still be needed as soon as the defective security windows have been replaced?

ANSWER

The 26 security positions will not be required for perimeter patrol when the defective windows are replaced.

QUESTION

7. What will happen to these 26 positions once the security windows have been replaced?

ANSWER

These positions will be returned to their normally assigned security duties at NDC. We have had to incur overtime to compensate for the loss of these positions while they were temporarily assigned to perimeter patrol.

UGAST PSYCHIATRIC CENTERQUESTION

8. What is the average population at the Ughast Center?

ANSWER

The average population at the DHR Psychiatric Center has averaged between 26 and 30.

QUESTION

9. How many security guards are currently on duty at the Center?

ANSWER

There are 5 posts at the Center manned 24 hours a day, 7 days a week. Each post has a requirement for 5.2 officers; therefore the staffing authority calls for 26 positions.

QUESTION

10. What is the function of these guards? Are their duties more extensive than perimeter patrol?

ANSWER

The function of these positions is to provide necessary security while assigned to DHR. Their duties are more extensive than perimeter patrol since the officers must also monitor inmate and visitor traffic control, provide court information when needed, and maintain responsibility for all non-treatment activity of each inmate assigned to the center.

EDUCATION-D.C. PUBLIC SCHOOLS JUSTIFICATIONS

FISCAL YEAR 1977 SECOND SUPPLEMENTAL

DISTRICT OF COLUMBIA FUNDS

OPERATING EXPENSES

EDUCATION

For an additional amount for "Education", \$3,800,000; Provided further, That not less than \$14,605,000 of the FY 1977 appropriation shall be transferred to the Teachers' Retirement Fund, in accordance with the provisions of D.C. Code 31-727

Agency: Public Schools

Analysis of Change

	Pos.	Amount
Fiscal Year 1977 Request	9,934	\$212,943.8
Fiscal Year 1977 First Supplemental .....	...	.....
Fiscal Year 1977 Second Supplemental .....	...	3,800.0
Total Fiscal Year 1977 Estimate	9,934	\$216,743.8

Language Change:

The proposed language is requested in order to assure that funds are available within the funding level of the Board of Education to satisfy the provisions of D.C. Code 31-727 requiring a minimum retirement fund level. This language is not contradictory to the provisions of Section 452 of Public Law 93-198 (cited below) in that the Mayor has jurisdiction over the retirement fund. The amount requested in the language is the necessary contribution to the fund from the District of Columbia appropriations as projected for Fiscal Year 1977, which, together with outlays and estimated other receipts of the fund, including those for FY 1978 as proposed in the 1978 Public Schools budget, will provide a balance of \$62,000,000 on September 30, 1978, the amount required by D.C. Code 31-727.

"Sec. 452. With respect to the annual budget for the Board of Education in the District of Columbia, the Mayor and the Council may establish the maximum amount of funds which will be allocated to the Board, but may not specify the purposes for which such funds may be expended for the various programs under the jurisdiction of the Board of Education." (Emphasis added.)

Analysis of Second Supplemental

At the time the Public Schools 1977 budget was approved by the Congress, it contained an undistributed base reduction of \$11,171,500. The Board of Education indicated that it was reviewing the distribution of budgeted resources and was developing a new budget plan based on the approved funding level.

Subsequently, when the Board of Education made its determination of a budget plan for FY 1977, it chose among its other actions to reduce the City contribution to the Teachers' Retirement Plan by \$3,800,000. After careful review of Public Law 93-198, it is the opinion of the City that the Board does not have authority to determine the funding available for the Teachers' Retirement Fund. Accordingly, the City has requested language (see previous page) assuring that the budgeted amount of the fund will be available for transfer to the fund.

The City wishes to indicate that its support of appropriations language is in no way intended to disrupt Public School programs or abrogate Board authority; accordingly, the City is revising the undistributed base adjustment of \$11,171,500 to \$7,371,500. This action has the affect of increasing the funding level of the Public Schools by \$3,800,000, the level that would support the budget plan as approved by the Board of Education. In taking this action, it is recognized that the Board of Education has not observed the intent of the City in establishing the original FY 1977 funding level budget for the Public Schools. However, since the Schools have operated throughout the school year under the assumption that the Board's action was appropriate, we have revised the original funding level in order to preserve the integrity of the City's public education program.

The following chart illustrates the funding level impact of the City's request:

	Fiscal Year 1977		(Dollars in Thousands)
	Board Approved Plan	City Approved Plan	
	Original	Revised	
Teachers' Retirement Fund	\$ 10,805.0	\$ 14,605.0	\$ 14,605.0
All Other Programs:			
Base budget	202,138.8	198,338.8	198,338.8
FY 1977 Supplemental	.....	.....	3,800.0
Subtotal, All Other	(202,138.8)	(198,338.8)	(202,138.8)
Total, FY 1977 Allotment	\$212,943.8	\$212,943.8	\$216,743.8

FISCAL YEAR 1978 BUDGET AMENDMENT

DISTRICT OF COLUMBIA FUNDS

OPERATING EXPENSES

EDUCATION

For an additional amount for "Education", \$2,000,000: Provided further, That not less than \$21,814,000 of this appropriation shall be transferred to the Teachers' Retirement Fund, in accordance with the provisions of D. C. Code 31-727.

Agency: Public Schools	(Amounts in thousands)	
	Fos.	Amount
<u>Analysis of Change:</u>		
Fiscal Year 1978 Request	9,934	\$222,062.0
Fiscal Year 1978 Amendment .....	...	2,000.0
Total, Fiscal Year 1978 Estimate	9,934	224,062.0

Language Change:

The proposed language is requested in order to assure that funds are available within the funding level of the Board of Education to satisfy the provisions of D. C. Code 31-727 requiring a minimum retirement fund level. This language is not contradictory to the provisions of Section 452 of Public Law 93-198 (cited below) in that the Mayor has jurisdiction over the retirement fund. The amount requested in the language is the necessary contribution to the fund from the District of Columbia appropriations as projected for Fiscal Year 1978, which together with outlays and estimated other receipts of the fund, including those for Fiscal Year 1977, will provide a balance of \$62,000,000 on September 30, 1978, the amount required by D. C. Code 31-727.

"Sec. 452. With respect to the annual budget for the Board of Education in the District of Columbia, the Mayor and the Council may establish the maximum amount of funds which will be allocated to the Board, but may not specify the purposes for which such funds may be expended or the amount of such funds which may be expended for the various programs under the jurisdiction of the Board of Education." (Emphasis added.)

Analysis of Budget Amendment

The funding level approved by the City for the Public Schools in Fiscal Year 1978 is \$222,062,000. The Fiscal Year 1978 budget plan approved by the Board of Education provides \$204.1 million for general educational programs and \$18.0 million for the Teachers Retirement Fund. The Board approved amount for the Fund is \$3.8 million less than that budgeted by the City. The City is requesting language (see above) in order to assure that the \$21.8 million budgeted for the Teachers Retirement Fund will be available in order that the provision of D. C. Code 31-727 will be met.

After careful review of Public Law 93-198, it is the opinion of the City that the Board does not have authority to determine the funding available for the Teachers' Retirement Fund. Accordingly, the funding level for educational programs can be determined only after consideration of the total budgeted by the City for the Teachers Retirement Fund.

The City wishes to indicate that its support of appropriations language is in no way intended to disrupt Public School programs or abrogate Board authority. In order to provide adequate funding the City is increasing its original funding level for Fiscal Year 1978 by \$2,000,000 (see chart below). While this action requires a reduction of \$1.8 million in general educational program as approved by the Board it is the judgment of the City that funding is sufficient to forestall forced personnel reductions and maintain basic programs.

In addition to the increase of \$2,000,000, it is requested that the City's employment ceiling, which indicates an allocation of 9,475 for Public Schools within the City-wide ceiling requested in appropriations language, be raised to 9,675. This change is necessary in order to permit sufficient flexibility for the average employment funded by this request.

The following chart illustrates the funding level impact of the City's request:

Fiscal Year 1978:	Board Approved	City Approved Request	
	Request	Original	Revised
Teachers' Retirement Fund	\$17,950.5	\$21,814.0	\$21,814.0
All Other Programs:			
F.Y. 1978 Budget Request	204,111.5	200,248.0	200,248.0
F.Y. 1978 Amendment .....	.....	.....	2,000.0
Subtotal, All Other	204,111.5	200,248.0	202,248.0
Total, Fiscal Year 1978 Request	222,062.0	222,062.0	224,062.0

SUBMITTED QUESTIONS

PUBLIC SCHOOLS OF THE DISTRICT OF COLUMBIAREQUEST

FY 1977
+3,800,000

FY 1978
+2,000,000*

* Plus a 200 position increase in the personnel ceiling.

QUESTION:

1. The city has requested a \$3.8 million FY 1977 supplemental and a \$2 million FY 1978 amendment for the public schools which is necessary to bring the Teachers Retirement Fund up to \$62 million on September 30, 1978, as required by D.C. Code 31-727. The Subcommittee understands that D.C. Code 31-727 requires the fund to be maintained at \$62 million. What will be the balance in the fund on September 30, 1977?

ANSWER:

1. The balance of the Teachers Retirement Fund on September 30, 1977 will be \$58.9 million.

QUESTION:

2. As I understand it, the School System decided to use the funds needed to maintain the retirement fund at \$62 million for other purposes; primarily to make up for reductions made in the School budget by the Mayor and the City Council. As we discussed in our May hearings, the School System has also been underfunding its maintenance program in order to fund other activities. Is that correct?

ANSWER:

2. The funding level approved by the Mayor and the City Council for the Public Schools did not provide sufficient funding for mandatory costs. It was therefore necessary for the Board of Education to make major reductions in educational programs, among them the elimination of summer school and all purchases of textbooks and classroom equipment. In addition to these major program reductions, the Board determined that it would reduce funds within its budget that are required by the Retirement Fund.

With regard to the building maintenance program, the amount available in the operating budget for this purpose has remained stable for the past several years; pay raises earned by Wage Board employees under this program have been included in recent transfers, and the fund has therefore increased slightly to accommodate these pay raises; but no significant improvements in service have been possible. In each year since 1973, the Board of Education has requested large-scale increases for this fund, but the necessary increased funding has not been available from the City.

Public Schools is making every attempt to make the most effective possible use of available funds, through better management of maintenance

operations and better liaison with the Department of General Services. In addition, a large-scale consideration of all Public School buildings, with recommendations for a number of closings, is underway, and should result in better concentration of available funding on a more limited number of buildings.

QUESTION:

3. You are requesting \$3.8 million for FY 1977 for the Teachers' Retirement Fund and this short-fall was created by a Board of Education adjustment that reduced the contributions to the Teachers' Retirement Fund by \$3.8 million and increased school programs by that amount. The adjustment was made after Congressional approval of the FY 1977 budget. Under what authority did you divert funds justified and appropriated for one purpose and use them for another? Has not your action violated the law (D.C. Code 31-727) which requires that a \$62 million balance be maintained in the retirement fund as of September 30, 1978?

ANSWER:

3. The request of \$3.8 million for Public Schools in the FY 1977 Second Supplemental is not associated with the Teachers Retirement Fund. The City has taken action to reserve sufficient funding out of appropriations available to the Public Schools to assure that the total amount budgeted for the fund will be transferred to the fund. The city is requesting appropriations language which will clear up any possible conflict between the public law dictating the level of the fund and the public law regarding budget authority of the Board of Education.

It is the purpose of this supplemental to make available to the Public Schools the necessary funding for current programs and for excess expenditures occasioned by the severe winter weather. Below is a summary schedule indicating the proposed distribution of the required funding:

PROPOSED USE OF PUBLIC SCHOOLS
FISCAL YEAR 1977 SUPPLEMENTAL FUNDING

(Dollars in Thousands)

<u>Educational Programs</u>	
1. Health Benefits	\$ 448.4
2. Utilities and Heat for severe winter	962.1
3. Transfer of 192 tenured employees to appropriated payroll	768.0
4. Contract Hauling	91.0
5. Special Education Program	240.0
6. Evaluation System	70.0

7. Testing Program	150.0
8. Data Systems Hardware	369.0
9. CVC Training Film	90.0
10. Pupil Accounting Program	85.0
11. Office Machine Rental	63.7
12. Utility Vehicle Replacement	440.0
	<hr/>
	\$3,777.2

QUESTION:

4. You are requesting an increase of \$2,000,000 in the FY 1978 budget amendment to provide sufficient funds for the Teachers' Retirement Fund. The requested increase is to help offset the School Board's reduction of \$2.0 million in the Retirement Fund contribution in the initial FY 1978 budget. The \$2.0 million was allocated to school operations. Since the fiscal year 1978 has not begun, shouldn't the Board adjust its plan to live within the budget submitted to the Congress? What operational changes have occurred in the school program since the 1978 budget was submitted to the Congress that requires you to request an additional \$2,000,000?

ANSWER:

4. The funding level approved by the City for the Public Schools in Fiscal Year 1978 is \$222,062,000. This budget request will fund an average employment level of 9,475 which is 338 below the FY 1977 employment ceiling of 9,813. The current employment of the Public Schools is 9,810 which is only 3 below its present ceiling. In order to reach the FY 1978 ceiling of 9,475, there would have to be a reduction of 335 net employees over the next three months to reach the FY 1978 ceiling by October 1, 1977. Since a reduction of this size is not projected based on current attrition rates, it would be necessary to consider forced separations. This \$2,000,000 will permit Public Schools to maintain an employment ceiling of 9,675 which is 135 below its current employment level.

QUESTION:

5. What would be the effect on the School System if the Congress approved the requested language for this item, but did not provide the additional funds?

ANSWER:

5. Many of the items included in the \$3.8 million request represent uncontrollable expenditures over which the Board had no control, and for which obligations have been or must be made. If no additional funding is made available, a deficit would occur in the school account and a deficiency appropriation would be necessary.

QUESTION:

6. I noticed that the FY 1978 amendment's request for the Schools includes a request for an increase in the overall personnel ceiling for the Schools for 200 positions. Why is this needed?

ANSWER:

6. This does not represent an increase in positions, but rather, it is intended to indicate that the schools, with the additional \$2 million available, will not be required to delete an additional 200 positions from its current employment level. The employment ceiling for Public Schools for FY 1977 is 9,813. The FY 1978 ceiling has been set at 9,475. The current employment level is 9,810. The availability of an additional \$2 million will permit Public Schools to maintain an employment level of 9,675, only 135 below the current employment level instead of the 335 employees below that level as required by the original budget. The amendment request is intended to indicate that this further reduction would not be necessary for Public Schools if the amendment is approved.

The employment ceiling request is not presented for formal approval; the appropriations language authorizes a total employment level for the city and the city in turn, allocates that total to departments and agencies. The employment ceiling is shown here to build a legislative history that can be used by the city in allocating its ceiling. This legislative history and expression of Congressional intent to include Public Schools in the overall ceiling is necessary because of certain questions raised by the Board of Education with regard to the City's authority to impose an employment ceiling.

QUESTION:

7. Why does the School System continue to hire more teachers even though the enrollment trends for the Schools continue to go down?

ANSWER:

7. As indicated in the following schedule, the School System has not continued to hire more teachers in the face of diminishing enrollment. Since 1973, the number of TSA-15 positions in use had diminished from 7,107 to 6,586. This reduction appears to coincide reasonably with the reduction in school population over these same years.

TSA- 15 POSITIONS

Fiscal Year	1973	1974	1975 <u>1/</u>	1976 <u>2/</u>	1977 <u>3/</u>	1978
Authorized in Base	7,116	7,238	7,289	7,313	7,067	6,746
Add	122	56	24	4	28 <u>4/</u>	....
Base Reductions/ Redirections	.....	-5	.....	-250	-349	-160
Total	7,238	7,289	7,313	7,067	6,746	6,586
Frozen	131 <u>5/</u>	124	230	218	105	.....
In Use	7,107	7,165	7,083	6,849	6,641	6,586

1/ As of September 12, 1974.

2/ As of July 9, 1976.

3/ As of January 25, 1977.

4/ Includes 18 positions for Schools for the Arts which was redirected to WAE in FY 1976 and 10 staffings positions which were cut as part of the 349 reductions of the Board of Education.

5/ Position Authorization, Fiscal Year 1973, August 4, 1972, Page 1.

BAIL AGENCY JUSTIFICATION

FISCAL YEAR 1978 BUDGET AMENDMENT

Agency: Bail AgencyAnalysis of Change

	(Amounts in Thousands) Pos.	Amount
Fiscal Year 1978 Request	54	\$780.2
Fiscal Year 1978 Amendment .....	...	100.0
Total Fiscal Year 1978 Estimate	54	\$880.2

Analysis of Budget Amendment

An increase of \$100,000 has been requested for the Department of Corrections to contract with third-party custodians who would supervise pre-trial releases.

This amendment proposes to transfer the request for third-party custody funds to the Bail Agency. This transfer is proposed because the Bail Agency has both the statutory and program ability to effectively administer third-party custody program.

The Department of Corrections is primarily concerned with those who are incarcerated rather than released to the community prior to trial. The Bail Agency not only has continuous contact with pre-trial releasees, but has a statutory requirement to supervise and coordinate third-party custodians.

FISCAL YEAR 1978 BUDGET AMENDMENT

DISTRICT OF COLUMBIA GOVERNMENT		FY 78		AGENCY: Ball Agency		CATEGORY:		SCHEDULE 6 OPERATING BUDGETING						
Code	Type	Items of Increase	Fund	Availability (FY 77)		Increase (FY 78)		Total		Months Funded	Annualization (FY 78)	Cost		
				Req.	Amount	Perkins	Other	Perkins	Other			Req.	Amount	Non-Requesting (FY 78)
						Positions	Comps.	Benefits	Travel	Other				
F	N	Third-party custody funds	G	100.0	100.0

SUBMITTED QUESTION

BAIL AGENCYTHIRD PARTY CUSTODY PROGRAMQUESTION:

1. The City has proposed to transfer \$100,000 from the Department of Corrections to the Bail Agency to fund a Third Party Custody Program.

What is the status of the analysis requested by the Subcommittee regarding alternatives to incarceration and the various alternatives available to the courts to reduce the crowding pressures at the D.C. Jail?

Has the analysis been started? Are the courts (including the Bail Agency) involved in the study?

ANSWER:

1. The analysis of alternatives to incarceration requested by the Subcommittee has not been started at this time. It is proposed that under the direction of the Office of Budget and Management Systems, an ad hoc committee will be organized in order to prepare the analysis. This committee will be made up of representatives from the Court system, the Bail Agency, the Public Defender's Office, the Office of the U.S. Attorney for D.C. (prosecutors) and the Department of Corrections.

The ad hoc committee will address and make recommendations on alternatives to incarceration and will provide reasonable estimates of the budgetary requirements associated with implementing viable program alternatives.

The issue of alternatives to incarceration is not a new one. Considerable analysis has been done in this area, by organizations and by individuals engaged in private research on the subject. We anticipate that the committee will be able to draw upon these resources and a complete analysis will be forthcoming when the City submits its Fiscal Year 1979 budget request to the Congress.

PERSONAL SERVICES JUSTIFICATIONS

FISCAL YEAR 1977 SECOND SUPPLEMENTAL

DISTRICT OF COLUMBIA FUNDS

OPERATING EXPENSES

PERSONAL SERVICES

For an additional amount for "Personal Services", \$435,300.

Agency: Executive Level and Related Salary Increases

Analysis of Change

	(Amounts in Thousands)
Pos.	Amount
Fiscal Year 1977 Allotment	\$
Fiscal Year 1977 First Supplemental .....	.....
Fiscal Year 1977 Second Supplemental	435.3
Total Fiscal Year 1977 Estimate	\$ 435.3

Analysis of Second Supplemental

Executive recommendations provided salary increases for Executive level positions and raised the salary ceiling of General Schedule positions to \$47,500 from the previous amount of \$39,600. Additionally, District of Columbia judges' salaries, which are set at a percentage of Federal judicial salaries were increased.

It is estimated that the total amount required in Fiscal Year 1977 for these salary increases is \$1,056,700. The difference between this amount and the budget request of \$435.3 represents an absorption of salary requirements.

This requirement includes the full request by the Joint Committee on Judicial Administration in the amount of \$411,100, transmitted to the Mayor on February 17, 1977.

FISCAL YEAR 1978 BUDGET AMENDMENT
 DISTRICT OF COLUMBIA FUNDS
 OPERATING EXPENSES
 PERSONAL SERVICES

For an additional amount for "Personal Services", \$1,474,800.

Agency: Executive Level and Related Salary Increases

Analysis of Change

	(Amounts in Thousands)
Pos.	Amount
Fiscal Year 1978 Request	\$ 64,074.6
Fiscal Year 1978 Amendment	1,474.8
Total Fiscal Year 1978 Estimate	\$ 65,549.4

Analysis of Budget Amendment

The amount of \$1,474,800 represents funding of Executive level and related salary increases which were effective in Fiscal Year 1977 and funded in the Second Supplemental for Fiscal Year 1977. Requests are not made for agencies which will absorb salary increase requirements from available funds. It is estimated that the total amount required in Fiscal Year 1978 for these salary increases is \$1,790,600. The difference between this amount and the budget request represents an absorption of salary requirements.

This requirement includes the full request by the Joint Committee on Judicial Administration in the amount of \$690,300, transmitted to the Mayor on February 17, 1977.

D.C. FUNDS DETAIL OF INCREASES		FISCAL YEAR 1978 BUDGET AMENDMENT										SCHEDULE 6		
D.C. THOUSANDS		AGENCY Executive Level and Related Salary Increases										OPERATION		
FY 78		CATEGORY										BUDGET		
Code	Type	Item of Increase	Fund	Available (FY 77)		Object Class	Increase (FY 78)			Total (Amount)	Months Funded	Annualization (FY 78)	Cost	
				Req.	Amount		Personal Services	Other	Total				Non-Recurring (FY 78)	Full Year (FY 78)
				Personnel	Comp. Benefits		Personal Services	Other	Total					
D.C. State	State	Pay increase	...	...	...	1A	1,356.8	118.0	1,474.8	...	1,474.8	12	.....	.....

SUBMITTED QUESTIONS

PERSONAL SERVICESQuestion:

1. Based on the justification material \$621,400 is being absorbed in FY 1977 and \$315,800 is being absorbed in FY 1978. In other words, 58 percent of the total requirement is being absorbed in FY 1977 while only 21 percent of the total requirement is being absorbed in FY 1978. What is the reason for much less absorption in FY 1978 as compared to FY 1977?

Answer:

1. The updated absorption amounts are \$625,000 for FY 1977 and \$323,100 for FY 1978. The executive pay raise absorption potential for each department was based on a projection of personal services availability versus personal services needs. Projections indicate less ability to absorb costs in FY 1978 principally because the Department of Human Resources (DHR) will require funding for its executive level salary increase. In FY 1977, DHR absorbed the salary increase because hiring of new positions was slower than anticipated. For FY 1978, it is projected that personal services funds will be required for regular full-time positions and will not be available for absorption of executive level salary increases.

Question:

2. The request for the Courts represents no absorption in either FY 1977 or FY 1978. Is that correct?

Answer:

2. That is correct.

Question:

3. What is the explanation for the Courts not being able to absorb any of these salary requirements?

Answer:

3. The Courts' budget for FY 1977 or FY 1978 does not have funding available for absorption because personal services availability is sufficient only to fund on-board personnel for FY 1977 and staff levels projected for FY 1978.

QUESTION:

4. Please provide the Subcommittee with an agency by agency listing for the total pay raise requirement, the amount of absorption for each agency and the agency request currently pending before the Subcommittee.

ANSWER:

4.

EXECUTIVE LEVEL SALARY
REQUIREMENTS
((\$000))

<u>Agency</u>	<u>FY 77</u>	<u>FY 78</u>
Office of the Mayor	\$ 14.6	\$ 25.2
City Council	8.2	14.3
D.C. Auditor	4.1	7.1
OBMS	10.9	18.3
Municipal Planning Office	10.8	18.7
Personnel Office	7.5	10.2
Emergency Preparedness	2.7	4.3
Corporation Counsel	33.0	50.5*
Minimum Wage	2.7	9.3
Human Rights	4.1	7.1
Finance and Revenue	9.0	15.6
General Services	8.2	14.3
Housing	4.9	8.5
Economic Development	4.1	7.1
Public Library	4.1	7.1
Office of Youth Advocacy	4.1	7.1
Department of Insurance	4.1	7.1
Board of Elections and Ethics	4.1	7.1
Recreation	4.1	7.1
Public Defender	31.8*	66.4*
Courts	411.1*	690.3*
Bail Agency	7.4*	12.6*
Corrections	22.9	38.4
Public Schools	15.4	26.3
Human Resources	390.0	655.0*
Transportation	7.6	13.1
Environmental Services	13.2	22.8
Police and Fire	15.6	27.0
TOTAL REQUIRED	<u>\$1,060.3</u>	<u>\$1,797.9</u>
REQUEST	<u>\$435.3*</u>	<u>\$1,474.8*</u>
TOTAL ABSORPTION	<u>\$625.0</u>	<u>\$323.0</u>

* Not Absorbed

UNEMPLOYMENT COMPENSATION JUSTIFICATIONS

FISCAL YEAR 1977 SECOND SUPPLEMENTAL

Agency: Unemployment Compensation

<u>Analysis of Change</u>	(Amounts in thousands)	
	<u>Pos.</u>	<u>Amount</u>
Fiscal Year 1977 Allotment	\$5,712.7
Fiscal Year 1977 First Supplemental
Fiscal Year 1977 Second Supplemental	743.3
Total, Fiscal Year 1977 Estimate	6,456.0

Analysis of Second Supplemental

Language Change: (For language see page AB-1)

Expenditures for unemployment compensation in Fiscal Year 1976, as required by the District of Columbia Unemployment Compensation Act, totalled \$5,585,917. This amount is \$449,517 more than the Fiscal Year 1976 appropriation of \$5,136,400. The allotment for the Transition Quarter (July, August, and September 1976) was \$1,319,700. Expenditures for the period were \$2,057,306 or \$737,606 more than the allotment.

These amounts have already been paid to claimants as required by the Unemployment Compensation Act. The cash payments were made from funds available within the total financial plan for Fiscal Year 1976 and the Transition Quarter. This request for additional budget authority will increase budget authority to the amount expended. Financing is not required.

Expenditures over budget in Fiscal Year 1976 is attributed to the extended benefits program as authorized by Public Law 92-211, effective March, 1975. The \$737,606 requirement for the Transition Quarter is a continuation of the impact of the extended benefit program.

Compensation Increase:

The Fiscal Year 1977 budget for Unemployment Compensation is \$5,712,700. Total expenditures for Fiscal Year 1977 are estimated to be \$6,456,000 or \$743,300 above the budget.

Based on the first five months of Fiscal Year 1977, it is anticipated that:

- (1) an additional 385 claimants above the previous estimate (an increase of 9.4%) will be added to the regular unemployment compensation rolls;
- (2) the average weeks of claim will increase to 16.3 weeks for regular claimants and 7.1 weeks for extended benefits claimants in lieu of the original 15.5 and 6.5 weeks, respectively; and
- (3) there will be an increase of 19,020 payments (27.8%) to regular and extended benefits claimants over the original estimate.

These increases reflect:

- an upswing in the actual and potential number of layoffs of workers in the District government;
- eligible claimants remaining on the unemployment rolls for longer durations; and
- the continuation of economic constraints affecting employment opportunities.

These constraints include a continuation of the energy crisis and projected reductions in Federal employment.

Code	Type	Items of Increase	Fund	Available (FV77)		Object Class	Increase (C-177)			Total Amount		Months Funded	Annualization (FV78)	Cost % Requiring (FV78)	Full Year (FV78)
				PKL	Amount		Personal Services	Other	Amount	%	Amount				
100	Stat.	Insurance claims and Indemnities	G	...	5,712.7	42	...	...	743.3	...	743.3	12	.....	743.3	.....

\$ THOUSANDS

D. C. FUNDS DETAIL OF INCREASES

FISCAL YEAR 1977 SECOND SUPPLEMENTAL

AGENCY: Unemployment Compensation

CATEGORY:



DISTRICT OF
COLUMBIA
GOVERNMENT

SCHEDULE
6
DEPARTMENT OF
SOCIAL
SECURITY

FISCAL YEAR 1978 BUDGET AMENDMENT

Agency: Unemployment CompensationAnalysis of Change

	(Amounts in Thousands)
	<u>Pos.</u> <u>Amount</u>
Fiscal Year 1978 Request .....	... \$6,282.9
Fiscal Year 1978 Amendment .....	... 500.0
Total, Fiscal Year 1978 Estimate .....	... 6,782.9

Analysis of Budget Amendment

As a result of several economic developments, an increase of 8% or \$500,000 over the \$6,282,900 original Fiscal Year 1978 budget request is estimated for Unemployment Compensation.

The energy crisis, which is expected to continue through Fiscal Year 1978, will result in layoffs in the private sector and will impact on job placement opportunities for former D. C. government employees. In addition employment freezes and ceilings in the Federal government and District government are expected to restrict job opportunities of many claimants. It is projected that this will mean a larger number of claimants who will receive unemployment compensation benefits for a longer period of time. An increase from the current 16.33 weeks to 17.10 weeks is anticipated. It is estimated that both "regular" and "extended benefit" claimants' payment requirement will increase from \$80.60 to \$83.58. The number of payments to these individuals will also increase from 73,240 to 79,173.

DISTRICT OF COLUMBIA GOVERNMENT		FY 78		\$ THOUSANDS		D. C. FUNDS DETAIL OF INCREASES										FISCAL YEAR 1978 BUDGET ASSIGNMENT		SCHEDULE 6 OPERATING BUDGET	
AGENCY CATEGORY: Unemployment Compensation																		6	
Code	Type	Items of Increase	Fund	Available (FY 77)		Object Class	Increase (FY 78)			Other		TSM		Monthly Budget	Amortization (FY 78)	Non-Recurring (FY 78)	Cost	Full Year (FY 78)	
				Req.	Amount		Permitted	Comp.	Benefits	Total	Amount	Req.	Amount						Req.	Amount
100	Stat.	Insurance claims and Indemnities	G	...	6,282.9	42	...	...	...	...	500.0	...	500.0	12	.....	.....	.....	.....

SUBMITTED QUESTIONS

OFFICE OF PERSONNEL
UNEMPLOYMENT COMPENSATIONREQUEST

<u>FY 1977</u>	<u>FY 1978</u>
\$743,300*	\$500,000

*AND LANGUAGE AUTHORIZING RETROACTIVE PAYMENTS FOR FY 1976.

QUESTIONS (FY 1977)QUESTION:

1. On May 10, 1977, Mr. White the Director of the Department of Manpower told the Subcommittee he thought unemployment would be going down in D.C. What is the basis for estimating total unemployment compensation at the level of \$6,456,000 in FY 1977 or \$807,083 more than the FY 1976 level? Please explain how the \$743,300 was computed.

ANSWER:

1. At the time of the submittal, the first quarter experience in FY 1977 showed that the number of regular and extended benefits claimants continued to rise over FY 1976. During the last four months, however, the number of regular claimants has decreased. The number of persons on extended benefits has continued to increase month by month due to an increasing number of individuals exhausting their regular claim benefits and moving into the E.B. category.

Based on the above, we are now revising our supplemental request to reflect an increase of \$393,300 over FY 1977 or a total program cost of \$6,106,000. This represents an increase of 236 claimants over the original FY 1977 budget estimate of 4,100 or a total revised estimate of 4,336. Since the original figure of \$743,300 has been revised, the computation of the revised estimate of \$393,300 is presented on the following chart:

FY 1977 Revised EstimateRegular Benefits

<u>Claimants</u>	X	<u>Average Weeks</u>	=	<u>Number of Payments</u>	X	<u>Average Payment</u>	=	\$5,661,586
4,336		16.2		70,243		\$80.60		

Extended Benefits

<u>Claimants</u>	X	<u>Average Weeks</u>	=	<u>Number of Payments</u>	X	<u>Average Payment</u>	=	\$6,106,067
1,573		7.2		11,362		\$39.12		

Total Revised Estimate..... 6,106.0

Original Appropriation Request..... 5,712.7

Supplemental Request..... 393.3

LANGUAGE FOR FY 1976 RETROACTIVE PAYMENTSQUESTION:

2. The Subcommittee understands that language is requested to make retroactive payments for Fiscal Year 1976 in the amount of \$1,187,100 for the unemployment compensation program but that no additional cash or financing is required. What is the source of funds to finance this additional requirement in the program? Why can't you expect the increase of \$743,300 in 1977 to be paid without additional financing?

ANSWER:

2. The payments for Fiscal Year 1976 were actually made in 1976 and reduced the city's closing cash balance for that year. The Fiscal Year 1977 financial plan which includes the \$743,300 requires all of the revenue requested in order to be balanced.

UNEMPLOYMENT COMPENSATIONQUESTION:

3. An additional \$500,000 is requested primarily because economic conditions are now expected to be worse in FY 1978 than previously predicted. Is that correct?

ANSWER:

3. At the time of formulation of the FY 1978 amendment, the forecast of the President's Council of Economic Advisors indicated that unemployment would continue at approximately 7% during FY 1978. Transition quarter and early FY 1977 program experience also indicated a probable worsening of economic conditions in FY 1978 due to increasing numbers of claimants and average duration of claims.

QUESTION:

4. What is the basis to assume that conditions will be worse than previously estimated? The Subcommittee has been told that the employment picture is expected to improve in the District over the next year.

ANSWER:

4. Due to a definite decline in the number of regular claimants for the past five months, there is now no basis to assume that employment conditions will worsen. On the contrary, it appears that the employment picture is improving and further that the extended benefits program may be discontinued due to improved employment conditions. Should the present trends continue, it is possible that the FY 1978 amendment request may be adjusted downward.

QUESTION:

5. According to the justification material the city now expects to make 79,173 payments at an increased level of approximately \$3.00 per payment. According to our arithmetic ($\$3.00 \times 79,173 = \$237,000$) the city's requirement would only be \$237,000.

Would you explain how the \$500,000 was computed?

ANSWER:

5. Unemployment compensation costs are computed by the following

formula:

1. No. of claimants x average weeks of claims = No. of payments.
2. No. of payments x average weekly benefits = Total program costs.

Attached is a computation of the original and revised budget estimates from which generated the amendment request.

ORIGINAL ESTIMATE

<u>Regular Benefits</u>								
Claimants	X	<u>Average Weeks</u>	=	<u>Number of Payments</u>	X	<u>Average Payment</u>	=	5,813,255
4,100		15.7		64,370		\$90.31		
<u>Extended Benefits</u>								
Claimants	X	<u>Average Weeks</u>	=	<u>Number of Payments</u>	X	<u>Average Payment</u>	=	469,612
1,600		5.5		10,400		\$45.155		
Total Original Estimate.....								6,282,867

REVISED ESTIMATE

<u>Regular Benefits</u>								
Claimants	X	<u>Average Weeks</u>	=	<u>Number of Payments</u>	X	<u>Average Payment</u>	=	6,269,421
4,400		17.05		75,020		\$83.57		
<u>Extended Benefits</u>								
Claimants	X	<u>Average Weeks</u>	=	<u>Number of Payments</u>	X	<u>Average Payment</u>	=	513,484
1,600		7.75		12,400		\$41.41		
Total Revised Estimate								6,782,905
FY 1978 BUDGET AMENDMENT.....								500,038

CITY COUNCIL JUSTIFICATIONS

FISCAL YEAR 1977 SECOND SUPPLEMENTAL

DISTRICT OF COLUMBIA FUNDS

OPERATING EXPENSES

GENERAL OPERATING EXPENSES

For an additional amount for "General operating expenses", \$1,123,300: Provided, That obligatory authority of \$1,279,070 is authorized for expenditures incurred in fiscal year ending June 30, 1976 and the period July 1, 1976 through September 30, 1976 for disability compensation payments as required by 5. U.S.C. 8139: Provided further, That obligatory authority of \$449,500 is authorized for expenditures incurred in fiscal year ending June 30, 1976 and \$737,600 for the period July 1, 1976 through September 30, 1976 for unemployment compensation as required by the District of Columbia Unemployment Compensation Act, approved August 28, 1935 (49 Stat. 946), as amended (title 46, ch. 3, D. C. Code, 1973 edition).

(Amounts in thousands)	
Fos.	Amount

Agency: Council of the District of Columbia

Analysis of Change

Fiscal Year 1977 Allotment	83	\$2,352.3
Fiscal Year 1977 First Supplemental .....	...	.....
Fiscal Year 1977 Second Supplemental .....	...	18.5
Total, Fiscal Year 1977 Estimate	83	2,370.8

Analysis of Second Supplemental

\$18,500 is requested to support the Government Operations' Committee in its examination of the District of Columbia personnel and procurement practices necessary for the development of a personnel and procurement system required pursuant to Section 422(3) of the District of Columbia Self-Government and Governmental Reorganization Act (Public Law 93-198). Council Resolution 2-40 sets forth the scope and plan of work associated with the Committee's examination.

Code	Category of Increases / Items of Increase	Funds Available (FV 78)		Months Funded	Object Class	Increase (FV 77)				Annualization (FV 78)		Cost	
		Inc.	Amount			Personnel Benefits		Other Amount	Total	Inc.	Amount	Non-Recurring (FV 78)	Full Year (FV 78)
						Comp.	Benefits							Total	Total
A5	Staff (temporary) .....	...	...	25	25	...	...	8.5	...	...	...	...	8.5
	Consultant services .....	...	...	25	25	...	...	10.0	...	...	...	...	10.0
	Total .....	...	...			...	...	8.5	10.0	...	...	...	18.5

DISTRICT OF COLUMBIA GOVERNMENT
 \$ THOUSANDS
 D. C. FUNDS DETAIL OF INCREASES
 Council of the District of Columbia
 AGENCY CATEGORY:
 SCHEDULE 6 OPERATING BUDGET

FISCAL YEAR 1978 BUDGET AMENDMENT

GENERAL OPERATING EXPENSES

For an additional amount for "General operating expenses", \$998,200: Provided, That not to exceed two percent (2%) of the amount available during the fiscal year to an Advisory Neighborhood Commission shall be available from this appropriation to that Advisory Neighborhood Commission for expenditures for refreshments and meals in connection with conferences and workshops.

	(Amounts in thousands)	
	Pos.	Amount
Agency: <u>Council of the District of Columbia</u>		
<u>Analysis of Change</u>		
Fiscal Year 1978 Request	86	\$2,470.7
Fiscal Year 1978 Amendment .....	...	83.0
Total, Fiscal Year 1978 Estimate	86	2,553.7

Analysis of Budget Amendment

\$83,000 is requested to support the Government Operation's Committee in its examination of the District of Columbia personnel and procurement practices necessary for the development of a personnel and procurement system required pursuant to Section 422(3) of the District of Columbia Self Government and Governmental Reorganization Act (Public Law 93-198). Council Resolution 2-40 sets forth the scope and plan of work associated with the Committee's examination.

The review is scheduled to begin with funds requested in the Fiscal Year 1977 Second Supplemental. Funds requested in Fiscal Year 1978 will permit completion of this effort.

Code	Type	Items of Increase	Fund		Available (FY 77)		Object Class	Increase (FY 77)		Funding Services		Increase (FY 77)		Other Amount		Total	Months Funded	Annualization (FY 78)	Cost	
			FY 77	FY 78	Perk	Other		Perk	Other	Comp	Benefits	Total	Perk	Other	Non-Recurring (FY 78)				Full Year (FY 78)	
AB	New	Staff (temporary)					25	57.0	...	...	...	57.0	...	...	...	57.0				
		Consultant Services					25	...	...	...	...	...	10.0	...	...	10.0				
		Miscellaneous (supplies and materials)					26	...	...	...	...	...	16.0	...	...	16.0				
		Total						57.0	...	...	...	57.0	26.0	...	...	83.0				

DISTRICT OF COLUMBIA GOVERNMENT
 FY 78
 \$ THOUSANDS
 D. C. FUNDS DETAIL OF INCREASES
 AGENCY: Council of the District of Columbia
 CATEGORY:
 SCHEDULE 6
 OPERATING BUDGET

SUBMITTED QUESTIONS

COUNCIL OF THE DISTRICT OF COLUMBIA

REQUEST

<u>FY 1977</u>	<u>FY 1978</u>
\$18,500	\$93,000

QUESTION:

1. The funds are requested to support the Council's effort to examine the personnel and procurement practices necessary for the city to develop its own personnel and procurement system.

Why isn't the personnel office in the Executive branch of the city government undertaking this responsibility?

ANSWER:

1. The District of Columbia Self-Government and Governmental Reorganization Act (P.L. 93-198, hereafter, the Act) specifically states that the development of a new personnel merit system shall be the responsibility of the Council. In conference action reconciling the differences between the two versions of the Act, the Committee concluded that it was more appropriate for the Council to develop a personnel system than for the Mayor. Cooperation between the Mayor, including significant input from the Office of Personnel, and the Council will be important to this effort, however the Council must have the capability independently to evaluate numbers of recommendations received from various sources. It is for this purpose that the Council seeks short term, non-recurring funding to take its work through the end of fiscal year 1978.

QUESTION:

2. Until these systems are developed, is the city continuing to follow Federal rules and regulations?

ANSWER:

2. Yes. The city operates its basic personnel system under the Joint Regulations agreed upon by the city and the C.S.C. in 1930. However, substantial numbers (close to 50%) of employees are managed under several separate personnel systems:

teachers, firefighters, police, and higher education employees. Each separate system conforms in theory with the personnel merit provisions of the C.S.C. system. However, this multiplicity of different systems, rules, pay scales and the like is of major concern to the Council and will be the focus of a substantial portion of the Council's work in developing a new system. It is clear, as well, in the legislative history of the Act that Congress had similar concerns about the hodgepodge of personnel systems when it suggested the possibility of developing a different system for the city.

QUESTION:

3. Why not continue to use the Federal System? Wouldn't this be adequate and more efficient in view of the subsequent need to retrain city workers to use a new system?

ANSWER:

3. Certain aspects of the current Federal System may be appropriate for the city. However, as the system does not presently encompass all or even the majority of employees, certain major change would still be required should it be decided that the system have a more comprehensive application. Continuation of the Federal System will certainly be a major alternative under Council consideration. However, it is becoming more and more evident that the District may not be able to continue to be competitive with aspects of the Federal System such as comparable federal salaries, working hours, benefits and the like. In order to control rising costs, it may be necessary for the city to develop compensation and benefit scales more appropriate to the local work-force population and to a more limited local tax base. The city must address in the development of a personnel system some of those questions which arise from the different nature of local and national government.

As far as the impact of retraining city workers to a new personnel system, it is possible that portions of a new system would be phased in with new employees; that the current system would continue for all existing personnel. This matter has not yet been resolved. Should this be the case, personnel workers would be retrained over time. In the event that a new system would apply to existing personnel, personnel workers currently responsible for employees under the federal system would be retrained. Personnel officers for the several other systems would likely need to be retrained in any event should the number of separate systems be consolidated. If this is the case, retraining, a one-time experience, would be more than compensated for by the continuing benefits of having a single, or fewer, systems. It could be anticipated for example, that fewer personnel workers would be required city-wide under a single system.

QUESTION:

4. Does this effort relate in any way to the procurement and personnel problems at DHR? What has the City Council done to remedy the personnel and procurement problems at DHR? What are the causes of these problems.

ANSWER:

4. The effort reflects problems identified at DHR recently but relates more directly to Charter responsibilities for the personnel system and early Council concern for efficient economical procurement procedures. Considerably prior (February 1976) to reported problems at DHR, the Council's Committee on Government Operations held investigative hearings on city procurement practices. More recently the Council adopted "The Material Management Resolution", calling on the Mayor to develop for Council consideration a centrally managed procurement system for the city. Although a plan has not

yet been forthcoming, the Mayor has revoked the independent procurement authority earlier granted to DHR. In addition, the Council has established the D.C. General Hospital Commission as an independent governing body and has adopted the resolution for a personnel and procurement investigation for which funds are now sought.

DISABILITY COMPENSATION JUSTIFICATION

FISCAL YEAR 1977 SECOND SUPPLEMENTAL

Agency: Disability Compensation

Analysis of Second Supplemental

Language Change: (See General Operating Expenses language, page AB-1)

Expenditures for disability compensation for Fiscal Year 1976, as required by 5 U.S.C. 8139, totalled \$5,377,670. This amount is \$1,279,070 greater than the total budget allotment for the period of \$4,098,600.

Financing of this program through September 30, 1976 had been managed through a revolving fund type account without fiscal year identification. Beginning with Fiscal Year 1977, this program will be identified by fiscal year. This will assist in preparation of more accurate budgetary requirements.

Increased expenditures for this period result from inflationary increases and cost-of-living adjustments such as medical supplies and other services (doctors, nurses, hospitals, vocational rehabilitation) and insurance claims and indemnities. In addition, the Department of Labor added additional claims adjudication and medical officer personnel during the year to eliminate substantial backlogs of compensation cases and related medical bills resulting in additional claimants on the permanent compensation rolls. Administration of the program is vested in the Office of Personnel, Compensation and Research Division upon case adjudication by the United States Department of Labor.

This deficiency request reflects amounts already paid to claimants as required by law. The cash payments were made from funds available within the total financial plan for Fiscal Year 1976 and the Transition Quarter. This request for additional budget authority will increase budget authority to the amount expended. Financing is not required.

SUBMITTED QUESTION

DISABILITY COMPENSATION

REQUEST

Language Authorizing A Retroactive
Payment for FY 1976 and the Transition
Quarter

QUESTION:

1. The city has requested language authorizing retroactive payments of \$1,279,070 for Fiscal Year 1976 and the Transition Quarter for expenses already incurred for disability compensation. The Subcommittee understands that additional financing for this item is not necessary.

Where are the funds coming from for this item?

ANSWER:

1. These payments were made during Fiscal Year 1976 and the Transition Quarter and reduced the closing cash balances for Fiscal Year 1976 and the Transition Quarter.

OFFICE OF CONSUMER PROTECTION JUSTIFICATION

FISCAL YEAR 1977 SECOND SUPPLEMENTAL

Agency: Office of Consumer Protection

<u>Analysis of Change</u>	Pos.	Amount	(Amounts in
			thousands)
Fiscal Year 1977 Allotment	16	\$298.3	
Fiscal Year 1977 First Supplemental .....	...	.....
Fiscal Year 1977 Second Supplemental .....	...	.....
Total, Fiscal Year 1977 Estimate	16	318.3	20.0

Analysis of Second Supplemental

Personal services funds in the amount of \$10,500 are needed to convert two positions, the Automotive Consumer Advisor and the Administrative Law Judge, from part-time to full-time status. Due to the substantial increase in consumer complaints under D. C. Law 1-76 as well as complaints based on other consumer protection laws, the Office of Consumer Protection is acquiring a large backlog of unresolved cases and is unable to investigate, review, and process cases in the time period required under the law. The Administrative Law Judge is needed full-time to handle the large volume of cases which must be heard. The Automotive Consumer Advisor is needed full-time because approximately 25% of all consumer complaints received are automotive complaints. Although both positions are full-time IA positions, they are currently being filled on a part-time basis because of funding limitations in the Fiscal Year 1977 budget.

Funds in the amount of \$6,500 are needed to provide for court reporter services and witness fees for the hearings before the Administrative Law Judge. Additionally, \$3,000 is needed for design and other initial costs relative to the printing of posters required under the new Prescription Drug Price Information Act (D. C. Law 1-81), dated September 10, 1976. This act requires the Office of Consumer Protection to provide annually to all District pharmacies durable posters which list the 100 most commonly used drugs, professional and convenience services, and other consumer education information.

None of the costs included in this request were included in the original Fiscal Year 1977 budget request because the Consumer Protection Procedures Act (D. C. Law 1-76), which is primarily responsible for the increased funding requirements, and the Prescription Drug Price Information Act (D. C. Law 1-81) did not become effective until after formulation of the Fiscal Year 1977 budget request.

Code	Category of Increase / Items of Increase	Fund		Base Available (F.Y. 76) (Million)		Months Funded	Object Class	Increase (F.Y. 77)			Total (Million)	Annualization (F.Y. 76)	Non-Recurring (F.Y. 76)	Full Year (F.Y. 76)		
		Funds	Amount	Posit	Comb.			Benefit	Total	Other Amount					Posit	Amount
100	Personal services - funds for partially funded 1A positions					4.5	1A	9.6	.9	10.5	10.5					
	Printing and reproduction					24					3.0					
	Other services					25					6.5					
	Total							9.6	.9	10.5	20.0					

SCHEDULE
6
DETAILED BUDGET

DISTRICT OF COLUMBIA GOVERNMENT
 \$ THOUSANDS
 D. C. FUNDS DETAIL OF INCREASES
 AGENCY: Office of Consumer Protection
 CATEGORY:

SUBMITTED QUESTIONS

OFFICE OF CONSUMER PROTECTIONREQUESTFY 1977\$20,000QUESTION:

1. What is the need for the requested \$20,000?

ANSWER:

1. \$7,000 of the requested amount is needed for the salary of the Administrative Law Judge for the remainder of the fiscal year. This appointed employee in the Office's Section of Hearings has been working full time since January on a part time salary. The Office is seeking the specified amount to permit us to pay her full salary.

\$6,500 is needed for witness fees and transcribed reports of proceedings in the Section of Hearings necessary to the timely resolution of consumer complaints as required by regulation.

\$3,000 of the sum is needed to print posters giving information on the 100 most commonly prescribed drugs. Under the D.C. Prescription Drug Information Law (1-114), the Office of Consumer Protection is required to print such posters in easily readable sign form and post in each of the city's drug stores. The law says they must be in place by August 1, 1977.

The remaining portion, \$3,500, is earmarked for the salary of the Automobile Consumer Advisor for the remainder of the year. This employee has been part time since December, but the office requires his services on a full time basis. As of June 30, there were 283 automobile complaints outstanding in the office or more than 25% of the total of all complaints on all matters in our files of open cases. This is a job which in fact, could easily overtax two persons. We would point out that the dollar value represented by automobile complaints is higher than any other category and, thus, of great significance to the consumer.

QUESTION:

2. Does this particular request meet the city's criteria for the kinds of items to be included in supplementals?

ANSWER:

2. Yes. The needs listed above were created by the D. C. Law 1-76 (D.C. Consumer Protection Procedures Act of 1976) and D.C. Law 1-114 (D.C. Prescription Drug Information Law) both of which were enacted after the formulation of the FY 1977 budget request.

QUESTION:

3. Why can't this item be covered through reprogrammings?

ANSWER:

3. There are no funds available for reprogramming. The funds that have been appropriated for the Office of Consumer Protection will be expended in FY 1977 and therefore, no funds will be available for reprogramming.

DEPARTMENT OF GENERAL SERVICES JUSTIFICATIONS

FISCAL YEAR 1977 SECOND SUPPLEMENTAL

Agency: <u>Department of General Services</u>	(Amounts in Thousands)	
	<u>Pos.</u>	<u>Amount</u>
<u>Analysis of Change</u>		
Fiscal Year 1977 Allotment	547	\$17,980.4
Fiscal Year 1977 First Supplemental .....	...	.....
Fiscal Year 1977 Second Supplemental	(26)	201.5
Total Fiscal Year 1977 Estimate	547	\$18,181.9

Analysis of Second SupplementalBuilding Security -- \$201,500

Most District Government buildings have been operated on the basis of open-access to the public with no requirement for identification of persons or belongings. The recent hostage-taking event has indicated that this policy can result in the entry of individuals who have the intent to disrupt processes of government. It is, therefore, essential that the existing security policy be modified to screen persons desiring to enter District Government buildings.

Upon full implementation of the requested program where activities are in progress in which the general public has an interest (Council meetings, open board meetings, hearings, etc.) policies will provide for the following security measures:

- Persons seeking entry will be requested to provide identification. Persons lacking identification will be asked to sign visitor's register.
- Persons may be asked to open and show contents of handbags, briefcases, or parcels.
- Persons may be asked to submit to search by metal-detecting devices or lawful manual search.

Expansion of the security program on an overtime basis was initiated immediately after the recent disruption at the District Building. An increase of \$201,500 is requested in Fiscal Year 1977 to support the addition of 26 temporary security positions, effective May 1, and to cover overtime, equipment, and other operating costs associated with the City's modified security program. The program calls for electronic metal detection screening at critical locations and a City-wide employee identification card system.

The additional security positions will be allocated as follows:

District Building	7
East Administration Building	4
Camp Simms	1
Court Buildings	14
Total	<u>26</u>

FISCAL YEAR 1977 SECOND SUPPLEMENTAL

Code	Type	Items of Increase	Fund	Available (FY77) Pct.	Object Class	Positions		Personal Services		Salaries (FY77)		Other Allowance	Total Amount	Months Under	Accumulated (FY76)	Miss-Reporting (FY76)	Cost
						Positions	Comp.	Quantity	Rate	Total	Rate						
500	1	Protective Services	G														
		Increased Security															
		GS-5 (Building)		8	1F	(7)	28.5	3.0	31.5		(7)		31.5	5	71.5	31.5	
		Uniforms			26						2.4		2.4			2.4	
		Revolvers			31						.4		.4			.4	
		East Administration															
		Building		12	1F	(4)	18.2	1.5	17.7		(4)		17.7	5	40.8	17.7	
		GS-5 Guards			26						1.4		1.4			1.4	
		Uniforms			31						.2		.2			.2	
		Revolvers															
		East Administration															
		Building															
		GS-5 Guards		7	1F	(3)	4.4	.4	4.8		(1)		4.8	5	10.2	4.8	
		Uniforms			26						.3		.3			.3	
		Revolvers			31						.1		.1			.1	
		Superior Court															
		Criminal Court															
		(Building A)		8	1F	(2)	7.8	.8	8.7		(2)		8.7	5	20.4	8.7	
		GS-5 Guards			26						.7		.7			.7	
		Uniforms			31						.1		.1			.1	
		Revolvers															
		Superior Court															
		Criminal Court															
		(Building B)		6	5.3	1F	(4)	15.7	1.5	17.2			17.2	5	40.8	17.2	
		GS-5 Guards			26						1.4		1.4			1.4	
		Uniforms			31						.2		.2			.2	
		Revolvers															
		Juganik Court		6	65.2	1F	(3)	3.9	.4	4.3		(1)	4.3	5	10.2	4.3	
		GS-5 Guards			26						.3		.3			.3	
		Uniforms			31						.1		.1			.1	
		Revolvers															
		East Administration															
		Building		7	76.1	1F	(3)	12.1	1.1	13.2		(3)	13.2	5	30.6	13.2	
		GS-5 Guards			26						1.1		1.1			1.1	
		Uniforms			31						.1		.1			.1	
		Revolvers															
		Pension Building		5	34.4	1F	(4)	15.7	1.5	17.2		(4)	17.2	5	40.8	17.2	
		GS-5 Guards			26						1.4		1.4			1.4	
		Uniforms			31						.2		.2			.2	
		Revolvers															
		Overtime - District			1F		11.0		11.0				11.0	2		11.0	
		Building															

DISTRICT OF
COLUMBIA
GOVERNMENT



AGENCY: Department of General Services
CATEGORY: Buildings Management

D. C. FUNDS DETAIL OF INCREASES

THOUSANDS

SCHEDULE
6
Original Budget
Revised

Code	Type	Items of Increase	Fund	Available (FY77)		Object Class	Project Budget			Increase (FY77)		Months Filled	Annuitization (FY78)	Net Paying (FY78)	Cost (FY78)			
				Pct.	Amount		Personnel	Goods	Services	Total	Pct.					Amount	Pct.	Amount
400	1	SECURITY EQUIPMENTS: Security equipment, scanners, calculators, and base station, magnetomeric																
		Total, Security Increases	59	642.0	(26)	115.4	10.2	125.6	75.9	(26)	201.5		265.3	201.5		65.5		

FISCAL YEAR 1977 SECOND SUPPLEMENTAL

D. C. FUNDS DETAIL OF INCREASES

AGENCY: DEPARTMENT OF GENERAL SERVICES
CATEGORY: POLICE Management

DISTRICT OF COLUMBIA GOVERNMENT

BUDGET PERIOD
6

FISCAL YEAR 1978 BUDGET AMENDMENT

Agency: Department of General Services

	(Amounts in thousands)	
	<u>Pos.</u>	<u>Amount</u>
<u>Analysis of Change</u>		
Fiscal Year 1978 Request	502	\$16,459.5
Fiscal Year 1978 Amendment	26	274.1
Total, Fiscal Year 1978 Estimate	528	16,733.6

Analysis of Budget Amendment

Most District Government buildings have been operated on the basis of open-access to the public with no requirement for identification of persons or belongings. The recent hostage-taking event has indicated that this policy can result in the entry of individuals who have the intent to disrupt processes of government. It is, therefore, essential that the existing security policy be modified to screen persons desiring to enter District Government buildings.

This amendment provides full year funding for expansion of the security program implemented during Fiscal Year 1977 with funds requested in the Second Supplemental appropriation. Expansion of the security program on an overtime basis was initiated immediately after the recent problem at the District Building. An increase of \$274,100 is requested to provide full year funding for the 26 security positions and equipment for the City's modified security program.

The program calls for electronic metal detection screening at critical locations, a City-wide employee identification card system and increased monitoring of persons seeking entry to government

buildings. Upon full implementation of the requested program policies will provide for the following security measures where activities are in progress in which the general public as an interest (Council meetings, open board meetings, hearings, etc.:

- Persons seeking entry will be requested to provide identification.
Persons lacking identification will be asked to sign visitor's register.
- Persons may be asked to open and show contents of handbags, briefcases, or parcels.
- Persons may be asked to submit to search by metal-detecting devices or lawful manual search.

The program will provide additional security personnel at the following locations:

District Building	7
East Administration Building	4
Camp Simms	1
Court Buildings	14
	<u>26</u>

DISTRICT OF COLUMBIA GOVERNMENT		FY 78		D. C. FUNDS: DETAIL OF INCREASES										SCHEDULE 6 OPERATING BUDGET	
AGENCY: DEPARTMENT OF GENERAL SERVICES		CATEGORY: Building Management													
Code	Type	Items of Increase	Fund	Avail. Fund		Quest. Date	Increase			Total Amount	Months Paid	Amortization (P/Yr)	Need Beginning (P/Yr)	Cost	
				Per. Amount	Per. Amount		Programs	Comp. Benefits	Other						
300	EIP	Protective Services Increase Security District Building GS-05 Guards	G	8	87.1	1A	7	65.2	6.3	71.5	.....	7	71.5	12	71.5
		East Admin. Bldg. GS-05 Guards		12	130.6	1A	6	37.2	3.6	40.8	.....	4	40.8	12	40.8
		Camp Simes GS-05 Guards		7	76.2	1A	1	9.3	.9	10.2	.....	1	10.2	12	10.2
		Superior Court Crim. Ct. (Bldg. A) GS-05 Guards		8	87.1	1A	2	18.6	1.8	20.4	.....	2	20.4	12	20.4
		Crim. Ct. (Bldg. B) GS-05 Guards		6	65.3	1A	4	37.2	3.6	40.8	.....	4	40.8	12	40.8
		Juvenile Ct. GS-05 Guards		6	65.2	1A	1	9.3	.9	10.2	.....	1	10.2	12	10.2
		451 Ind. Ave. GS-05 Guards		7	76.1	1A	3	21.9	2.7	30.6	.....	3	30.6	12	30.6
		Pension Bldg. GS-05 Guards		5	34.4	1A	4	37.2	3.6	40.8	.....	4	40.8	12	40.8
		Walkie-Talkies		.....	.....	.....	.....	.....	.....	.....	.....	8.8	8.8	.....	5.0
		Total.....		59	642.0		26	241.9	23.4	265.3	8.8	26	274.1		270.3

SUBMITTED QUESTIONS

DEPARTMENT OF GENERAL SERVICESQUESTION:

1. This request is initiated primarily as a result of the Hanafis Moslem seige of the District Building. Is that correct?

ANSWER:

1. Yes.

QUESTION:

2. As a practical matter, would the system as proposed actually be able to repel an attack such as launched by the Hanafis Moslems?

ANSWER:

2. The proposed security system would probably not be able to withstand a determined, well planned and heavily armed assault such as was conducted by the Hanafis. It is doubtful that any security system could, short of establishing the buildings as armed camps, which is certainly an unacceptable concept. However, incidents such as the Hanafis raid seem to inspire disgruntled individuals to copy their tactics. The string of hostage takings is an example. The security system can stop these individuals. The security system installed in the court building housing the Hanafi trial has already detected a number of individuals trying to enter the building with concealed weapons.

QUESTION:

3. Are the 26 requested guard positions going to carry guns and be qualified to use them? Isn't there a strong likelihood that having armed guards at the entrance way to the District Building would only serve to increase the blood shed in the event of another seige, such as the one launched by the Hanafis Moslems?

ANSWER:

3. All of the 26 guards will be issued weapons (guns) and will be qualified to use them. Armed gurads, we feel, will serve as a show of force and therefore a deterrent to those bent on the destruction of life and property.

QUESTION:

4. \$201,500 is requested in the Second Supplemental for 1977 for expansion of the security program after the recent disruption at the District Building. It includes personnel, uniforms, guns and other equipment. What is the specific justification for 26 additional security positions? Provide the details for the record. Please provide a detailed breakdown of what equipment you would purchase with \$65,000.

ANSWER:

4. The justification for this request is to man all highly sensitive posts; e.g. District Building, D.C. Court Buildings, and the National Guards Weapons Storage Activities. Equipment purchased with the \$65,000 includes handcuffs and nightsticks for all guards, magnetometers, transfriskers, and communications equipment. See attachment showing location of posts.

QUESTION:

5. We understand that MPD has a surplus of guns. Why not obtain the weapons from MPD?

ANSWER:

5. We do not contemplate purchasing guns with these funds. In the past, we have requested and have received surplus guns from the Metropolitan Police Department on an as-needed basis.

DISTRICT BUILDING

Proper identification will be required by all persons entering the building. Entrances to the building will be covered as follows:

13 $\frac{1}{2}$ Street - Open from 6:00 a.m. to 6:00 p.m. (except when meetings or hearings are in progress). This entrance will be covered by one Officer, 24 hours, 7 days per week and one Officer, 8 hours, 5 days per week during working hours.

14th Street - Open from 8:00 a.m. to 6:00 p.m. and will be covered by one Officer, 5 days per week.

E Street - Secured except for ceremonial occasions.

Basement door - Will be secured.

Mayor's Office and City Council offices will be provided two posts to provide coverage as long as the Mayor of City Council members are in the building.

Council Hearings - Two Officers will be available.

Roving Patrol - 8 hours a day, 7 days per week.

Electronic Surveillance - Devices provided at all entrances.

Increase Required - Increase from 8 to 15 positions.

MUNICIPAL CENTER

Proper identification will be required of all persons entering the building. Doors will be covered as follows:

Indiana Avenue - Open 24 hours per day - 1 post - Police coverage during these hours.

C Street - Open from 6:00 a.m. to 10:00 p.m., 3 days, (for line-up) and 6:00 a.m. to 6:00 p.m., 2 days per week.

3rd Street Ramp - Open 24 hours, 7 days per week - 1 post.

East and West Plaza Doors - Open from 6:00 a.m. to 6:00 p.m., 5 days per week. East Plaza open from 8:00 a.m. to 12:00 Noon on Saturday - 1 post per entrance.

Roving Patrol - 1 post, 8 hours, 5 days per week, and 16 hours, 2 days per week.

Electronic Surveillance - Two devices to be available.

Increase Required - Increase from 12 to 16 positions.

BUILDING A - CRIMINAL COURT

Proper identification will be required and the doors will be covered as follows:

E Street - Will be secured.

F Street - Open from 7:00 a.m. to 6:00 p.m., 5 days per week - 1 post.

Main Lobby - 1 post, 24 hours, 7 days.

4th and 5th Streets - equip with panic bars to limit access and monitored by Officer at main lobby.

2nd and 3rd Floors - 1 post each floor from 8:00 a.m. to 6:00 p.m., 5 days per week. 2nd floor will be covered by 1 post, 8:00 a.m. to 4:00 p.m. on Saturday.

Electronic Surveillance - Magnetometer at the F Street entrance.

Increase Required - Increase from 8 to 10 positions.

BUILDING B - CRIMINAL COURT

Proper Identification will be required and doors will be covered as follows:

Main Lobby - 1 post, 24 hours, 7 days.

E Street - Will be secured.

F Street - Open from 8:00 a.m. to 6:00 p.m., 5 days per week and from 8:00 a.m. to 1:00 p.m. on Saturdays - 1 post.

4th and 5th Streets - Equip with panic bars to limit access and monitored by Officer at main lobby.

2nd and 3rd Floors - 1 post each floor provided from 8:00 a.m. to 6:00 p.m., 5 days per week. 2nd Floor will be covered by one post from 8:00 a.m. to 4:00 p.m. on Saturday.

Electronic Surveillance - Magnetometer at the F Street entrance.

Increase Required - Increase from 6 to 10 positions.

BUILDING C - JUVENILE COURT

Proper identification will be required. Doors covered as follows:

Main Lobby - 1 post, 24 hours, 7 days.

South Entrance - Open from 8:00 a.m. to 6:00 p.m. - 1 post.

E Street - Door secured, covered by Officer at main lobby.

East Door - Secured.

2nd Floor - 1 post from 8:00 a.m. to 6:00 p.m., 5 days.

Electronic Surveillance - South entrance.

Increase Required - Increase from 6 to 7 positions.

BUILDING D - 451 INDIANA AVENUE

Proper identification will be required. Doors covered as follows:

Indiana Avenue - Open from 8:00 a.m. to 5:00 p.m., 5 days per week - 1 post.

East Entrance (4th St.) - 1 post, 24 hours, 7 days.

West Entrance (Ground Level) - Door secured.

North Side - Door secured.

2nd Floor-West - Open from 8:00 a.m. to 6:00 p.m., 5 days per week - 1 post.

Judges' Wing - 8:00 a.m. to 6:00 p.m., 5 days per week - 1 post.

Central Violations Bureau - 8:00 a.m. to 7:00 p.m., 5 days per week and from 8:00 a.m. to 4:00 p.m. on Saturday.

Electronic Surveillance - Magnetometer at the South and East entrances.

Increase Required - Increase from 8 to 11 positions.

BUILDING G - PENSION BUILDING

Proper identification required. Doors will be covered as follows:

4th Street Entrance - Secured.

G Street Entrance - Secured.

F Street Entrance - Open from 8:00 a.m. to 6:00 p.m., 5 days per week and from 8:00 a.m. to 4:00 p.m. on Saturday - 1 post.

5th Street Entrance - Secured.

Central Court - 1 post, 24 hours, 7 days.

Judges' Chambers - 8:00 a.m. to 6:00 p.m., coverage 5 days per week and from 8:00 a.m. to 4:00 p.m. on Saturdays - 1 post.

Electronic Surveillance - Magnetometer at the F Street entrance.

Increase Required - Increase from 5 to 8 positions.

601 INDIANA AVENUE

Proper identification required. Doors will be covered as follows:

Main (Indiana) - Open from 8:00 a.m. to 6:00 p.m., 5 days per week - 1 post.

Basement - Secured.

Electronic Surveillance - None

Increase Required - None

NATIONAL GUARD ARMORY

Proper identification required. Doors will be open as follows:

Main Entrance - 1 post, 24 hours, 7 days.

All Exit Doors - Secured.

Southeast Ramp-Basement - 1 post, 16 hours, 7 days.

Southwest Upper Ramp - 8:00 a.m. to 4:00 p.m., 5 days per week - 1 post.

Southwest Lower Ramp - Secured.

Patrols - 1 post, 4:00 p.m. to 8:00 a.m., 7 days per week.

Electronic Surveillance - None.

Increase Required - Increase from 13 to 14 positions.

CAMP SIMMS - Protect Weapons Storage Area

Proper identification required. Entrances are open as follows:

Alabama Avenue - 1 post, 24 hours, 7 days.

Mississippi Avenue - 1 post, 8 hours, 5 days per week,
1 post, 24 hours, 2 days per week.

Electronic Surveillance - None

Increase Required - Increase from 7 to 8 positions.

BOARD OF ELECTIONS AND ETHICS JUSTIFICATIONS

FISCAL YEAR 1977 SECOND SUPPLEMENTAL

Agency: Board of Elections and Ethics

Analysis of Change	(Amounts in thousands)	
	Pos.	Amount
Fiscal Year 1977 Allotment	30	\$885.6
Fiscal Year 1977 First Supplemental .....	...	.....
Fiscal Year 1977 Second Supplemental .....	...	140.0
Total, Fiscal Year 1977 Estimate	30	1,025.6

Analysis of Second Supplemental

On March 23, 1977, the seat of a District of Columbia Council member, elected at large, became vacant. The Board of Elections and Ethics, pursuant to Section 401(d)(2) of Title IV of Public Law 93-198 D. C. Self-Government and Governmental Reorganization Act, must begin immediate preparations for a special election to fill the resulting vacancy.

Under the statute, which requires minimum periods for the acceptance, processing, and challenging of petitions, voter registration, etc., the election must be held on or about July 19, 1977. As permitted by the Charter, the Board of Elections and Ethics has set the special election date at July 19, 1977.

In order to cover the cost of the special election, supplemental funding in the amount of \$140,000 is requested.

Public Law 93-198 Provision:

"... In the event of a vacancy in the Council of a member elected at large, other than a vacancy in the office of Chairman, who is affiliated with a political party, the central committee of such political party shall appoint a person to fill such vacancy, until the Board of Elections can hold a special election to fill such vacancy, and such special election shall be held on the first Tuesday occurring more than one hundred and fourteen days after the date on which such vacancy occurs unless the Board of Elections determines that such vacancy could be more practicably filled in a special election held on the same day as the next general election to be held in the District occurring within sixty days of the date on which a special election would otherwise be held under the provision of this subsection."

Code	Category of Increases / Items of Increase	Fund	Base Available (FY 77 ADJ)		Months Filled	Object Class	Increase (FY 77)		Other		Total	Amortization (FY 78)	Cost	
			PKN.	Amount			PKN.	Amount	PKN.	Amount			PKN.	Amount
			PKN.	Amount			PKN.	Amount	PKN.	Amount	PKN.	Amount	PKN.	Amount
DL	Statutory: Special At-Large Council Election: Intransigent workers Permanent staff - overtime Transportation - equipment Rent, communications, and utilities Printing Other services Supplies and materials ... Total					1F 1A 22 23 24 25 26		44.2 10.0	44.2 10.0 4.5 2.8 36.7 32.8 11.0	..... ..... 4.5 2.8 36.7 32.8 11.0	44.2 10.0 4.5 2.8 36.7 32.8 11.0		66.2 10.0 4.5 2.8 36.7 32.8 11.0	140.0

SCHEDULE
6
ORGANIZING
BUDGET

1 THOUSANDS
D. C. FUNDS DETAIL OF INCREASES
AGENCY: Board of Elections and Ethics
CATEGORY:

DISTRICT OF
COLUMBIA
GOVERNMENT

FISCAL YEAR 1978 BUDGET AMENDMENT

Agency: Board of Elections and EthicsAnalysis of Change

	(Amounts in thousands)
Pos.	Amount
Fiscal Year 1978 Request	33 \$1,609.3
Fiscal Year 1978 Amendment .....	... 250.0
Total, Fiscal Year 1978 Estimate	33 1,859.3

Analysis of Budget Amendment

Request is made to amend the Fiscal Year 1978 budget request for the Board of Elections and Ethics to provide an additional \$250,000 for purchase of start-up units of an automated ballot counting system. A ballot counting system is vital to the Board of Elections' continued progress in improving management and efficiency of the election process. Guided by conclusions of an exhaustive study of various ballot counting systems, and with the requested amendment increase, the City can begin issuing bids and selecting a vendor. This selection will be made among manufacturers of counting systems which fall within a narrow class of systems which meet the City's criteria for speed, accuracy, and compatibility with paper ballots for audit record.

Planning for transition to the initial phase of a fully automated ballot counting system will be underway as soon as possible with the purchase of start-up units. The target elections for use of the new counters are the Mayoral/Council primary and general elections in September and November, 1978, respectively. Large voter turnouts are expected for these elections, which further supports the need for more and immediate automation.

SUBMITTED QUESTIONS

D.C. BOARD OF ELECTIONS AND ETHICS

A. Questions (FY 1977 - \$140,000)

QUESTION:

1. The \$140,000 is requested to conduct a special election to fill Julius Hobson's seat on the City Council, is that correct?

ANSWER:

1. Yes, that is correct. We are required by section 401 (d) (2), Title IV of the D.C. Charter to hold such an election at this time.

QUESTION:

2. Why can't this need be met through a reprogramming request?

ANSWER:

2. The need cannot be met through reprogramming, since the supplemental request represents an amount which is more than 15% in excess of our original FY 1977 allotment; an attempt to reprogram would require absorption of the full \$140,000 amount into fourth quarter funds, all of which are needed to meet necessary operating and personnel expenses for the remainder of the fiscal year.

B. Questions (FY 1978 - \$250,000)

QUESTION:

1. The \$250,000 is requested to purchase the start-up units of an automated ballot counting system. The total cost of this system will be \$1,000,000. Why is this automated ballot -counting system needed? Why can't the

city continue to count election ballots as it has in the past? In the last general election the Board showed that it can run a smooth election with the existing technology.

What is the need to move on this item in FY 1978?

Couldn't this wait until FY 1979 or later?

ANSWER:

1. An automated ballot counting system is needed to minimize or eliminate some of the difficult problems and risks of mishap, characteristic of the present system, associated with the more complex elections regularly conducted by the Board as outlined below. The present system requires that ballots be transported to a central location for tabulation. The transport of such a large variety of ballots, (as required for such elections as the presidential primary and the advisory neighborhood commission elections) their sorting and mechanized counting on a centralized basis -- once for the mid-day pickup and again when the polls close -- exposes the election process to an extraordinary risk of error and mishap. Pertinent also are the possible effects of fatigue toward the crucial end of the long (nearly 24 hour) day required of staff under the present system. Under the system recommended, many of these risks would be minimized or eliminated. Procurement specifications for the type of machinery recommended would call for equipment with the capability of counting such varied ballots in the precincts. Under this arrangement, ballot transport, sorting and collateral functions are not performed under pressured conditions created by the need for speedy election results, since vote totals for all races in each precinct would be telephoned to headquarters immediately after polls close.

It was hoped that the full complement of machines needed (one machine for each of 137 precincts) could be in place in time for the May, 1980 presidential preference primary which, due to the number of ballots and requirement that we follow pertinent rules and procedures of recognized parties, is our most complex election. In order to accomplish this, procurement would have to begin in FY 1978 with the acquisition of "start-up" units consisting of approximately 35 to 50 machines, depending on the brand and specifications of the machine selected, and pricing at the time of the contract award. The staggered procurement will spread the cost over more than one fiscal year, and permit the Board to adequately plan for a smooth transition from the current system to the proposed new system prior to the May, 1980 primary.

QUESTION:

2. What specific items are to be funded by the \$250,000? What are "start-up" units?

ANSWER:

2. The \$250,000 requested for FY 1978 will be sufficient to purchase between 35 and 50 "start-up" units toward the total need of 142 (137 plus 5 back-up units). These funds would be used only for the actual purchase of the units.

QUESTION:

3. Are the requested funds the full amount needed for the automated ballot system? Explain the system and whether more money will be requested later on?

ANSWER:

3. The estimated cost of the complete automated system recommended is between \$700,000 and \$1,000,000. Under District procurement procedures, preparations for a major purchase cannot begin until adequate funds have been specifically allocated for such a purchase through the budgetary process. Procurement procedures also require, however, that no specific brand be selected prior to the systematic evaluation of bids from various vendors. Consequently, since the brand of the proposed equipment is unknown at this preliminary stage, precise pricing data is impossible to ascertain. Thus, a cost range has been estimated, based on current prices of systems in the same general category for which bids will be requested. Amounts needed to procure the remaining complement of units after the FY 1978 start-up expenditure would be requested in subsequent fiscal years.

The system in its full complement will consist of 137 electronic ballot counters; one unit in each precinct, plus 5 back-up units. Voters will indicate their choices on specially programmed paper ballots in the usual manner. Each voter will then insert the completed ballot into the counting unit which replaces the traditional ballot box. The unit simultaneously receives, counts, and secures the ballot in a single operation. Final precinct totals for each candidate are then available to be telephoned to a central point for consolidation moments after the closing of the polling place. With the 35 to 50 start-up units, the hazards of a total central count will begin to diminish. Most of these units would be placed in the precincts, and the balance would be used to count the remaining precincts on a centralized basis.

PROCUREMENT OF VOTING MACHINESBACKGROUND AND
SUPPORTING DOCUMENTATIONPROCUREMENT OF PRECINCT BALLOT COUNTERSIMPACT ANALYSIS

The introduction of voting machines of the type recommended would have an enormous impact on the administration of elections in the District of Columbia. In order to determine the nature and extent of that impact, the proposed system must be evaluated in the context of the types of elections routinely held in the District.

In May of each presidential election year, the Board conducts the Presidential Preference Primary for each major party, (as applicable) including, where applicable, party convention delegates and party officers. In September of the same year, the local primary election for expiring Council seats and the District Congressional Delegate is held. The general election is conducted in November of the same year.

In odd-numbered years, expiring School Board seats and all Advisory Neighborhood Commission seats (constituting 356 individual Single Member District races) are filled during November. In November of even numbered years, expiring Council seats are filled and the Mayor is elected.

As the quadrennial May Presidential Preference Primary and associated elections are, without doubt, the most complex elections routinely held in the District, it follows that the most visible impact from the introduction of the recommended type of machinery would be experienced during this election. The level of complexity of the May Primary stems from the required utilization of multiple ballots, i.e., one for each of the presidential primary candidates and corresponding convention delegates, and one for each party official. Under the current central count system, some of the May, 1976 ballots had to be hand-counted.

The impact of the proposed precinct-count system is most pronounced under the above circumstances. The transport of such a large variety of ballots, their sorting and mechanized counting on a centralized basis -- once for the mid-day pick-up and again when the polls close -- exposes the election process to an extraordinary risk of error and mishap. Pertinent also are the possible effects of fatigue toward the crucial end of the long nearly 24-hour day required of staff under the present system. Under the system recommended, many of these risks would be minimized or eliminated. Procurement specifications for the type of machinery recommended would call for equipment with the capability of counting such varied ballots on a precinct basis. Under this arrangement, ballot transport, sorting and collateral functions are not performed under pressured conditions created by the need for speedy election results, since vote totals for all races in each precinct are telephoned to headquarters immediately after the polls close.

With as many as ten ballots required in the May, 1976 Primary, the ballot transport, sorting and counting operations would have delayed the availability of city-wide results (disregarding other, unrelated, complications which arose in May, 1976) until about 6 o'clock the following a.m. Under the recommended system, it is estimated that totals could have been available prior to 11:00 p.m. election night. See Attachment B).

The Board feels strongly that the integrity, accuracy, efficiency and timeliness of the electoral process cannot be measured in terms of financial impact alone, and preserving the confidence of the citizenry in that process should be a major consideration. Nonetheless, a cost analysis of the last two elections (September 1976 Council Primary and November, 1976 General Presidential) reveals that the post procurement per election budgetary impact of the proposed system would be minimal. (See Attachment B) The net estimated impact for the September Primary was +\$897.97. This included increases in the following areas:

Technical Machine Support	
Out-of-Town Travel (training)	
Telephone installations	
Increases total:	\$6,750.00

Decreases in the following areas:

Counters	
Overtime	
Equipment transportation	
Equipment rentals	
Library overtime - staff - guards	
Environmental Services - drivers	
Decreases total:	\$5,616.03

The net estimated impact for the November General Election was - \$2,862.76. This included increases in the following areas:

Technical Machine Support	
Out-of-Town Travel (training)	
Telephone installation	
Total increases:	\$5,250.00

Decreases in the following areas:

Counters	
Overtime	
Equipment transportation	
Equipment rentals	
Library overtime - staff and guards	
Environmental Services - Drivers	
Total decreases:	\$8,112.76

The total personnel impact of the recommended system would be a reduction in the number of persons involved in the count process from approximately 150 people to approximately 40 people comprised mostly of office staff.

ATTACHMENT A-1

PERSONNEL	Actual Cost SEPT. 1976 PRIMARY	COSR: Recommended System	BUDGET IMPACT	COMMENTS
Precinct Captains	7,535.00	-0-	- 1,743.75	(1) Recommended Precinct Count System eliminates need for Counters
Precinct Workers	30,918.75	-0-	+ 4,433.00	(2) Full-time Engineer/Technician to service and align machines (75% rated by election) eliminates dependence on vendor personnel
Area Representatives	1,733.75	10,000.00	- 840.22	(3) Savings in staff overtime results from expedier tabulation of returns at Headquarters
Administrative	27,580.00	5,875.00		
Technician/Engineer (Ref: Mach. Service Contract)	5,567.50			
Overtime	6,719.32			
OPERATING				
Out-of-Town Travel (Machine training - 1,143.50 allocated for staff turnover and by election)	254.00	511.00	+ 257.00	
Equipment Transportation - Supply and	2,538.00	2,538.00		
Equipment Delivery and Pick-up		-0-	- 822.33	(4) Precinct Count eliminates additional truck fleet and drivers required for speedy ballot box pick-up
Equipment Delivery and Pick-up and	822.33	-0-	- 236.00	(5) Headquarter Xerox machine available
Equip. (at Machine)	236.00	-0-	- 246.00	(6) Central Count furnishings unnecessary
Xerox - Election Day Rental	200.00	-0-	+ 260.00	(7) Additional phone banks required to receive returns from 137 precincts
Xerox - Add'l Motor Gauge	240.00		+ 1,500.00	(8) Additional precinct phones for telephoning results
Other Equipment Rentals	845.40			
Telephone Installation - Counting Center (100 Precincts)	1,430.00	700.00		
Postage	31,000.00	2,935.00		
Printing - Ballots	31,433.58			
Printing - Miscellaneous	19,439.20			
Other Services - Miscellaneous	1,482.85			
Printing Firm	4,302.31			
Machine Service Contract	5,587.50			
Other Associates - Overtime, staff	617.31	-0-	- 617.31	(9) Central Count facility staff not required
M. L. King - Overtime, guards	495.04	-0-	- 495.04	(10) Fever guards required with precinct count
Environmental Service - Drivers	1,237.38	-0-	- 1,137.38	(11) See comment(4) above
Other	18,736.73			
Maintenance	5,271.69			
Private Properties	4,090.34			
Supplies and Materials	4,806.66			
Machine Repairs	-0-			
David A. Cogar	-0-			
EMMUE	-0-			
(See other)				
TOTAL COST	213,435.96		+ 687.97	
TOTAL BUDGET IMPACT				

ATTACHMENT A-2

	Actual Cost NOV. 1976	Recommended System	BUDGET IMPACT	COMMENTS
PERSONNEL				
Precinct Captains	7,535.00	-0-	-	3,600.00 (1) Recommended Precinct Count System eliminates need for Counters
Precinct Workers	38,767.50	-0-	-	Full-time Engineer/Technician to service and align machines (Pro-rated by election) eliminates dependence on vendor personnel
Area Representatives	520.00	-0-	-	
Counters	3,600.00	-0-	-	
Intermittents	34,707.50	-0-	-	
(NCS- Technician/Engineer (Ref: Mach. Service Contract))	7,498.00	10,000.00	+ 4,433.00	(2)
ADU)	12,196.61	11,637.39	- 559.22	(3) Savings in staff overtime results from speedier tabulation of returns at Headquarters
Overtime				
OPERATING				
Out-of-Town Travel (Machine training - \$1,141.37) + Contracted staff turnover and by election)	254.00	511.00	+ 257.00	
Equipment Transportation - supply and machine) delivery and pick-up	4,128.65	4,128.65	-	
Equipment Transportation - Supply and machine) ballot pick-up	811.09	-0-	- 811.09	(4) Precinct Count eliminates additional truck fleet and drivers required for speedy ballot box pick-up
Equipment Rental Day Rental	236.00	-0-	- 236.00	(5) Headquarters Xerox machine available
Xerox - Additional usage	482.00	-0-	- 482.00	(6) Central Count furnishings unnecessary
Tables - Counting Center	1,201.40	1,201.40	-	Additional Phone Banks required to receive returns from 137 precincts at Headquarters (8) Additional precinct phones for telephoning results
Other Equipment Rentals	130.00	1,405.00	+ 1,275.00	
Telephone Installation - Counting Center	1,478.00	1,478.00	-	
Other Installation - Precincts	2,045.72	-0-	- 2,045.72	
Postage - Ballots	28,358.44	-0-	- 28,358.44	
Printing - Miscellaneous	1,188.55	-0-	- 1,188.55	
Other Services - Miscellaneous	1,188.55	-0-	- 1,188.55	
Mailing Firm	-0-	-0-	-	
Machine Service Contract	7,498.00	-0-	- 7,498.00	
Other Agencies:				
M. L. King - Overtime, staff	935.29	-0-	- 935.29	(3) Central Count facility staff not required
M. L. King - Overtime, Guards	671.58	300.00	- 371.58	(10) Fewer guards required with precinct count
Environmental Service - Drivers	1,157.38	-0-	- 1,157.38	(11) See comment(4) above
Other	9,241.84	-0-	- 9,241.84	
Advertising	11,621.06	-0-	- 11,621.06	
Private Properties	87.50	-0-	- 87.50	
Supplies and Materials	7,232.42	-0-	- 7,232.42	
Machine Repairs	206.55	-0-	- 206.55	
David A. Cogar	2,505.00	-0-	- 2,505.00	
SHAME	9,346.00	-0-	- 9,346.00	
TOTAL COST	191,552.09			
TOTAL BUDGET IMPACT			- 2,662.76	

PRESENT AND RECOMMENDED SYSTEMS

ANALYSIS

CITY-WIDE COMPUTER TOTALS WITH:	COMPLETION TIME	
	Present System	Recommended System
1 Ballot	11:00 p.m.	10:00 p.m.
2 or 3 Ballots	12:00 p.m.	10:00 p.m.
5 or 6 Ballots	4 - 5:00 a.m.	11:00 p.m.
*10 Ballots	*6:00 a.m.	11:00 p.m.
137 PRECINCT TOTALS WITH:		
1 Ballot	10:15 p.m.	8:30 p.m.
2 or 3 Ballots	12:00 p.m.	8:30 p.m.
5 or 6 Ballots	4 - 5:00 a.m.	8:45 p.m.
*10 Ballots	*6:00 a.m.	8:45 p.m.
OTHER CONSIDERATIONS		
Ballot retrieval - Count delayed until ballots are picked up from 137 precincts city-wide and delivered to the Central Counting Center	DELIVERY TIME: First ballots rec'd. 2:45 - 1st pick-up 8:45 - 2nd pick-up ^{1/}	DELIVERY NOT NECESSARY -- Pct. totals available - 8:45
CENTRAL COUNT INTERMITTENT WORKERS	60 - 120 per election	-0-
ENVIRONMENTAL SERVICES	Fleet of 25 trucks and drivers	-0-
D.G.S. GUARDS	8 - 10 men	2 - 3 men
KEYPUNCH (Error possibility)	Must keypunch 274 sets of totals	Must keypunch 137 sets of totals (1/2 of present system)
CENTRAL COUNTING CENTER	6,000 - 7,000 square feet req.	500 - 1,000 square feet req.
MACHINE MAINTENANCE SUPPORT	2 technicians 17 - 20 days per election contracted	1 full time technician
LENGTH OF ELECTION WORK DAY (Regular staff)	6:00 a.m. - 2 or 3:00 a.m. the following day in excess of 20 hrs.	6:00 a.m. - 10 or 11:00pm in excess of 16 hrs. elec. night.

* With this number of ballots the sorting, stacking and facing operation becomes a long and tedious process taking more time than the actual counting of ballots. In the past the Board has experienced retention problems using counters recruited at \$2.50 per hour. In fact on occasion it has become necessary to stop this process and return the next day for completion.

¹ With the present system the count is delayed until the ballots are delivered to the Counting Center, the first usually arrive at about 8:45 p.m.. It should be noted that with the recommended system 8:45 is the time at which all precinct totals will have been received.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
BOARD OF ELECTIONS AND ETHICS
DISTRICT BUILDING
WASHINGTON, D. C. 20004

Board Meeting

January 11, 1977

The Board of Elections and Ethics held a meeting on Tuesday, January 11, 1977. All members were present. Mr. McIntyre, Mr. Mundle, Mr. Tinsley and Mrs. Doy were also present. Mr. Simms, Mrs. Rodgers and Mr. Millings attended the meeting later.

The Board discussed the goals and objectives of the District as it relates to voting machines and concluded the priorities would be voter ease of use and confidence, capacity of ballots relating to complex elections (Presidential Preference Primaries, ANC's and local party officials), recount capability, reliability and cost effectiveness. The Board will take a final vote on the machines at the next meeting. Staff presented a preliminary voting machine classification recommendation which the Board agreed to rule on at a later date.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
BOARD OF ELECTIONS AND ETHICS
DISTRICT BUILDING
WASHINGTON, D. C. 20004

STAFF RECOMMENDATION RELATIVE TO THE
PROCUREMENT OF VOTING MACHINES

January 14, 1977

The staff task force consisting of the Elections Administrator, the Administrative Officer, the Chief, Data Processing, and the Budget Analyst submit the following preliminary recommendation for the procurement of a voting machine system for the District of Columbia.

Background

With the passage of the Home Rule Bill in 1973 came an expanded franchise for District of Columbia citizens. Where electoral participation had previously been limited to presidential and congressional (non-voting) candidates, local party officials, and Board of Education members, the new bill permitted voters in addition, to elect the District's Mayor, City Council, and Advisory Neighborhood Commissioners.

Prior to 1973, votes cast in all District of Columbia elections were hand counted. The Board's first experience with an automated vote tally system in 1973 was substantially unsuccessful. With the increased frequency and complexity of elections also came the realization that a more sophisticated and viable method of tallying votes was urgently needed. To such an end, the board began an informal and unofficial review of available systems then in use in other jurisdictions, while identifying the needs and objectives of the District.

The review culminated in the 1974 "trial" purchase of thirty Gyrex voting machines which were designed to count paper ballots as they are voted in each precinct. Since the thirty machines were insufficient to service the District's 137 precincts, however, they were primarily utilized to conduct a centralized precinct count.

Continuing the evaluation of existing voting systems, the Board, prior to the November 1976 national and local election, requested three manufacturers representing -- together with the Gyrex system already in use -- three discreet classes of voting machine systems, to supply sufficient units of their respective equipment free of charge to enable the board to evaluate the effectiveness of each system in two precincts under actual voting conditions. The experiment was a success and afforded the board and staff a valuable opportunity to further observe the major classes of systems at close range, in actual use, and on a comparative basis.

Recommendation

The Board having generally determined the needs of the District with regard to recount capability (audit trail), general voter confidence and ease of use, ballot capacity (complex elections, bi-lingual format, etc.) and cost factors, staff approached the preliminary selection task by re-examining the three distinctively different classes of systems: (1) the mechanical (lever) (2) the ballot reader, and (3) the electronic. Evaluation criteria were identified by staff with the assistance of an independent consultant in accordance with the needs of the District as determined by the Board. A comparative evaluation was made of each class representative against these common criteria. On the basis of this rating process,¹ it is the consensus of the staff task force that the Board begin the requisite preliminary budgetary and procurement processes leading to the acquisition of the ballot-reader class of voting machine systems.

(CLERK'S NOTE: The material regarding the analysis of voting systems used in the November 2, 1976 general election by David A. Cogar is being retained in the subcommittee files.)

¹ supporting documentation available

VOTING MACHINES SURVEY
WEIGHTED CRITERIA

	Cogar Report page no.	Weighted ¹ / Importance	Mechanical Rank Tot. pts.	Ballot Reader Rank Tot. pts.	Electronic Rank Tot. pts.
<u>EQUIPMENT</u>					
Certification History	1	4	1	2	3
Election Day Reliability	23	1	1	1	2
Number of Units required	39	1	2	1	2
Major associated equipment required	41	5	1	2	2
Availability of spare parts and replacement of equipment	--	5	2	1	2
Other uses	--	5	3	2	1
<u>PREPARATION OF MACHINES FOR VOTING</u>					
Program preparation and testing	33	4	2	1	2
Machine testing (office/precinct)	--	4	2	1	2
Availability of technician and service personnel when needed	--	5	1	1	1
Capability of documenting test and verification of results	26	3	2	1	2
Tamper proneness of tested and verified programs (office/precinct)	27	6	2	1	1
<u>BALLOT QUESTIONS</u>					
Ballot layout	32	1	1	2	1
Ballot printing specifications	--	2	1	2	2
Ballot capacity and flexibility (complex elections, bi-lingual)	43	2	3	1	2
Ease of last minute ballot changes	--	3	2	1	2
<u>VOTER QUESTIONS</u>					
Voting ease	37	7	1	1	1
Voter error	--	4	1	2	1

Cogar Report page no.	Weighted Importance	Mechanical Rank Tot. pts.	Ballot Reader Rank Tot. pts.	Electronic Rank Tot. pts.
30	1	2	1	2
--	1	2	1	2
20	1	3	2	1
--	5	2	5	10
--	2	3	4	2
--				
--	3	2	3	6
43	3	2	1	3
41	3	2	1	3
--	7	1	14	14
--	8	1	16	16
--	4	2	4	8
46	7	1	7	7
--	5	2	5	10
44	4	3	4	8
--	5	2	5	15
--	4	2	4	4
--	3	1	3	3
--	3	1	3	3
--	3	2	6	6
--	3	2	3	6
--	3	1	3	6
TOTALS		234	188	233

NOTE COUNTING AND TALLING

Account capability
Back-up system
Accuracy and speed of producing precinct
and city-wide totals
Counting of absentee and specials
Counting of write-ins

ADMINISTRATIVE BURDENS, INCLUDING COST

Procurement Cost
Transport: Cost and burden
Storage: Cost and burden
Life span (depreciation rate)
Maintenance cost
Associated personnel costs
Training of precinct workers
Number of poll workers required
Number of technical and programming staff
required
Number of outside technical and programming
consultants required
Transportation-personnel
Ballot printing and distribution cost:
Regular
Absentee
Challenge
Power requirements

NOTE: "Weighted Importance" is measured on a scale from 1 to 10, a rating of 1 indicating greatest importance
"Rank indicates the relative rating of the three types of systems as compared one against the other for each criterion,
1 being the highest rating, 3 the lowest
"Total Points" combines weighted criteria with the ranking among the three types. The system type with the lowest
point total would appear most favorable.

FIRE DEPARTMENT JUSTIFICATION

FISCAL YEAR 1977 SECOND SUPPLEMENTAL

DISTRICT OF COLUMBIA FUNDS

OPERATING EXPENSES

PUBLIC SAFETY

For an additional amount for "Public Safety", \$2,192,000.

Agency: Fire DepartmentAnalysis of Change

	(Amounts in Thousands)	
	Pos.	Amount
Fiscal Year 1977 Allotment	1,490	\$46,698.6
Fiscal Year 1977 First Supplemental .....	..	.....
Fiscal Year 1977 Second Supplemental .....	..	150.0
Total Fiscal Year 1977 Estimate	1,490	\$46,848.6

Analysis of Second Supplemental

The Fire Department requires \$150,000 to perform urgently needed repairs to the fireboat.

The Fire Department operates a fireboat staffed by five firefighters on a 24-hour, seven day a week basis. The fireboat provides fire suppression service on the Potomac and Anacostia waterways proper and provides fire suppression access to buildings abutting those waterways.

The metal plating on the bottom of the fireboat, originally installed in 1959, is now deeply pitted and must be replaced. Some of the pits are now deep enough for water seepage to occur. If the repairs are not made before the fall of 1977, the fireboat will have to be placed out of service.

Replacement of the entire boat is too costly, and piecemeal repairs will not guarantee safety of the boat or its efficient operation. Approval of this supplemental will allow the boat to be scheduled for repairs in the summer of 1977. The fireboat can be repaired in approximately two weeks, during which time a tugboat, on loan from the Army, will provide temporary waterway protection. These repairs must occur before the cold weather creates additional strain on the metal plating.

FISCAL YEAR 1977 SECOND SUPPLEMENTAL

Code	Type	Items of Increase	Fund	Available (F.Y. 77)		Object Class	Personnel Services		Travel		Total	Miscellaneous	Annuities (F.Y. 77)	New Required (F.Y. 78)	Cost
				No.	Amount		Positions	Comp.	Travel	Other						Amoun	Amoun
130	I	Apparatus Management Bottom plating replacement for fireboat	...	...	25-60	...	...	...	150.0	...	150.0	N/A	...	150.0	.....

6
OPERATING BUDGET

AGENCY: Fire Department
CATEGORY: STAFF SERV. (100)

DISTRICT OF COLUMBIA GOVERNMENT

1 THOUSANDS

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SUBMITTED QUESTIONS

REQUESTFY 1977

\$150,000

QUESTIONSQUESTION:

1. The Subcommittee understands that the request is to make repairs to the Fire Department's Fireboat. You state that replacement of the entire boat is too costly and piecemeal repairs will not guarantee safety of the boat or its efficient operation. If the requested repairs will not be adequate, why are they requested?

ANSWER:

1. I believe there is a misunderstanding of this supplemental request in that the requested funds will be adequate to repair the entire hull.

When the Fireboat was sandblasted during its periodic overhaul this past spring at Crisfield Shipyard, numerous deep pits appeared in the bottom and side plates over most of the original hull. A number of these pits were sufficiently deep to penetrate the plate involved and permit water to weep through. The contractor, Mr. Russell Thomas, President of Crisfield Shipyard, deemed the situation so serious that he made an emergency call to the Apparatus Division Deputy and requested that he personally inspect the hull before work was resumed.

The Apparatus Deputy, Chief Edward H. Birch went to Crisfield and inspected the hull as requested. He found that extensive hull plate replacement would be required in order to correct the condition. Unfortunately, funds for such an expenditure were not available, nor could the shipyard make the necessary time available because of prior commitments. The only course of action left was to carry on with the paint system and to hope for the best.

Subsequent conversations between Mr. Thomas and Chief Birch established that the very best long range solution would be to replace the entire boat bottom and side plating up to the water line (excluding all 3/8 inch plate installed in 1959). The alternatives to this solution are but two: (1) immediate replacement of the boat, or (2) annual extensive overhaul of the boat with hull plate replacement on a piecemeal basis. The second alternative does not negate the possibility of a serious hull rupture between overhaul periods and in addition, exposes the City to long out-of-service periods for the Fireboat with no standby replacement for waterfront and marine fire service. Another major factor to be considered is inflation and the ever increasing cost of steel plate. Obviously, the sooner repairs can be affected, the greater will be the monetary savings.

With this thought in mind, tentative requests for quotations are being sub-

mitted to five (5) shipyards for replacement of the vessel's bottom and side plate as set forth above. Preliminary inquiries have revealed that approximately \$150,000 will be required to accomplish this at currently prevailing rates.

If funds are not appropriated, piecemeal repairs will be necessary to keep the Fireboat afloat. This however would not guarantee that the remaining plates would not rupture and cause the boat to sink.

QUESTION:

2. Why can't the needed repairs be financed through a reprogramming?

ANSWER:

2. The Fire Department in F.Y. 77 has received a supplemental increase to maintain it at a 51 firefighting company level. This level is two less than the 53 company level that was the standard for 20 years.

Funds are not available in the Fiscal 1977 appropriation and repairs cannot wait beyond this year. Therefore, I am requesting a supplemental appropriation of \$150,000 in Fiscal 1977 to replace the bottom of the Fireboat.

QUESTION:

3. In FY 1977 to date, how many fire suppression actions has the Fireboat been involved in? How many such actions was the Boat involved in during FY 1976?

ANSWER:

3. FY 1976	- 72 Responses	In-service 29 times
	32 hours pumping time	
FY 1977	- 27 Responses	In-service 10 times

QUESTION:

4. How important is the Fireboat to the Department's overall suppression responsibility?

ANSWER:

4. The Fire Department has responsibility for fire protection in the Washington area waters. Considering the amount of aircraft traffic at National and Naval Air Stations, the fuel barges using the river, and the oil storage tanks located on the waterfront plus the boat traffic, the fireboat is essential if we are to carry out our mission.

QUESTION:

5. What is the replacement cost of the Boat?

ANSWER:

5. Inquiries are likewise being conducted into approximate cost figures for replacement of the existing vessel with a conventional fireboat of either custom or stock design with equivalent firefighting potential. It is not anticipated that this could be accomplished for less than a million dollars.

QUESTION:

6. What is the possibility of leasing the Army's tug boat on a permanent basis?

ANSWER:

6. When repairs, that will necessitate placing the fireboat out of service, are necessary the Army has been gracious enough to provide emergency fireboat service. The Army tug that was furnished last spring is not a fireboat but does have 1000 gpm capability as opposed to our 6000 gpm capability. It has a draft of 13' which makes it unsuitable for use as a fireboat in Washington waters.

The Army tug is not a surplus boat; it is used on a daily basis by the Army and is not available for our acquisition.

However, we have recently learned that New York City has a fireboat available and we are currently conducting negotiations with them with the prospect of acquiring their boat.

PUBLIC DEFENDER SERVICE JUSTIFICATION

FISCAL YEAR 1977 SECOND SUPPLEMENTAL

Agency: Public Defender ServiceAnalysis of Change

	(Amounts in Thousands)
	Pos. Amount
Fiscal Year 1977 Allotment	86 \$1,910.9
Fiscal Year 1977 First Supplemental .....	... .....
Fiscal Year 1977 Second Supplemental .....	... 41.0
Total Fiscal Year 1977 Estimate	86 \$1,951.9

Analysis of Second Supplemental

The Public Defender Service requires an additional \$41,000 to provide sufficient funds to maintain investigative services for staff attorneys.

The Service provides investigative services for both its own staff attorneys and private attorneys who represent indigents pursuant to the Criminal Justice Act. In the first six months of Fiscal Year 1977, private attorneys requested PDS investigative services to the extent that PDS staff attorneys will not have investigative services required for the adequate preparation of their cases.

The unpredictably high demand for investigative services by the private bar is also reflected in the Criminal Justice Act (CJA) payments for investigative services. In December, 1976, investigative services payments under CJA were over 100% greater than last fiscal year. This request of \$41,000 for part-time investigators will allow PDS to continue to provide investigators to the private bar and maintain investigative services for staff attorneys in Fiscal Year 1977.

DISTRICT OF COLUMBIA GOVERNMENT		FY 77		AGENCY: Public Defender Service		CATEGORY:		D. C. FUNDS DETAIL OF INCREASES		FISCAL YEAR 1977 SECOND SUPPLEMENTAL		SCHEDULE 6 OPERATING BUDGET			
Code	Type	Items of Increase	Fund		Available (FY 77)		Object Code	Increase (FY 77)			Months Filled	Amortization (FY 78)	Cost		
			PNL	Amount		Personnel	Combs.	Services			Benefits	Total	Other Amount	Req. Amount	Non-Recurring (FY 78)	Full Year (FY 78)
...	W	Investigative Services (Contractual)	15.0	29-56	41.0	12	41.0	41.0

FISCAL YEAR 1978 BUDGET AMENDMENT

DISTRICT OF COLUMBIA FUNDS

OPERATING EXPENSES

PUBLIC SAFETY

For an additional amount for "Public Safety", \$41,000.

Agency: Public Defender Service

Analysis of Change

	(Amounts in Thousands)
	Pos. Amount
Fiscal Year 1978 Request	99 \$2,123.9
Fiscal Year 1978 Amendment .....	... 41.0
Total Fiscal Year 1978 Estimate	99 \$2,164.9

Analysis of Budget Amendment

The Public Defender Service (PDS) requires an additional \$41,000 to provide sufficient funds to maintain investigative services for staff attorneys. This request annualizes an identical request made in the Fiscal Year 1977 Second Supplemental. The demand for PDS investigative services by the private bar is anticipated to continue throughout Fiscal Year 1978, necessitating annualization of the request made in the Fiscal Year 1977 Second Supplemental.

The Service provides investigative services for both its own staff attorneys and private attorneys who represent indigents pursuant to the Criminal Justice Act. In the first six months of Fiscal Year 1977, private attorneys requested PDS investigative services to the extent that PDS staff attorneys did not have investigative services required for the adequate preparation of their cases, necessitating a supplemental request for funds.

The continued high demand for investigative services by the private bar is also projected in Criminal Justice Act budget increases for Fiscal Year 1978. This request of \$41,000 for part-time investigators will allow PDS to continue to provide investigators to the private bar and maintain investigative services for staff attorneys in Fiscal Year 1978.

FISCAL YEAR 1978 BUDGET AMENDMENT

Code	Type	Items of Increase	Fund		Available (FY 77)		Object Class	Increase (FY 78)			Total			Monthly Funding	Annualization (FY 78)	Cost	
			Pos.	Amount	Pos.	Amount		Personnel Services	Other	Total	Pos.	Amount	Pos.			Amount	Non-Recurring (FY 78)
								Salaries	Benefits	Travel	Other	Pos.	Amount				
...	W	Investigative Services (Contractual)	...	...	15.0	...	25-54	...	.....	.....	41.0	....	41.0	12	.....	.....	41.0

FY 78

\$ THOUSANDS

D. C. FUNDS DETAIL OF INCREASES

AGENCY: Public Defender Service
CATEGORY:

SCHEDULE
6
OPERATING
BUDGET

SUBMITTED QUESTIONS

PUBLIC DEFENDER SERVICEREQUEST

<u>FY 1977</u>	<u>FY 1978</u>
\$41,000	\$41,000

QUESTION:

1. The Subcommittee understands that funds are requested to purchase investigative services for staff attorneys. What amount of investigative services can be purchased for \$41,000?

ANSWER:

1. The Public Defender Service (PDS) uses college students and law students as investigators for its staff attorneys since the Service's full-time professional staff works almost exclusively for private attorneys appointed under the Criminal Justice Act. These students are hired on a full-time basis during the summer months and on an hourly basis during the school year. The amount requested will furnish 9 full-time investigators during the summer and approximately 6500 hours of investigative work during the school year.

QUESTION:

2. Why can't this relatively small amount of funds be obtained through a reprogramming within the court system?

ANSWER:

2. Requests have been made to Chief Judge Newman and Chief Judge Greene, as well as to other agencies, for assistance in meeting this need through a reprogramming of court funds. Neither the Superior Court nor the District of Columbia Court of Appeals is able to reprogram this amount. As in past years, funds available under the Criminal Justice Act to compensate private counsel may well prove inadequate to meet the need.

DEPARTMENT OF MANPOWER JUSTIFICATIONS

FISCAL YEAR 1978 BUDGET AMENDMENT

Agency: Department of ManpowerAnalysis of Change

	(Amounts in Thousands)
	Pos. Amount
Fiscal Year 1978 Request	24 \$ 393.4
Fiscal Year 1978 Amendment	-8 -139.0
Total Fiscal Year 1978 Estimate	16 254.4

Analysis of Budget Amendment

The Budget Act of 1977 transferred 19 positions and \$346,500 to the Department of Manpower from the Office of Youth Advocacy for the purpose of supporting a number of youth employment programs. Subsequent to the enactment of the Fiscal Year 1977 Appropriations Act, the City enacted D.C. Law 1-93, (the Youth Services Act of 1976). Pursuant to this legislation, eight of the 19 positions transferred to the Department of Manpower in the Fiscal Year 1977 Appropriations Act are to be transferred to the Department of Recreation. This amendment reflects the effect of this action on the Department's total Fiscal Year 1978 budget request.

In its markup of the Fiscal Year 1978 Executive Budget, the City reduced the Department's personal services funding by \$52,600. This reduction was sustained by the Department within its available funding for youth employment programs. This proposed transfer reflects a proportionate share of the personal services reduction.

FISCAL YEAR 1978 BUDGET AMENDMENT

DISTRICT OF COLUMBIA FUNDS

OPERATING EXPENSES

RECREATION

For an additional amount for "Recreation", \$139,000.

Agency: Department of Recreation

Analysis of Change

	(Amounts in Thousands)
Pos.	Amount
Fiscal Year 1978 Request	754
Fiscal Year 1978 Amendment	8
Total Fiscal Year 1978 Estimate	762
	\$17,500.1
	139.0
	\$17,639.1

Analysis of Budget Amendment

The Budget Act of 1977 transferred 19 positions and \$346,500 to the Department of Manpower from the Office of Youth Advocacy for the purpose of supporting a number of youth employment programs. Subsequent to the enactment of the Fiscal Year 1977 Appropriations Act, the City enacted D.C. Law 1-93 (the Youth Services Act of 1976). Pursuant to this legislation, eight of the 19 positions transferred to the Department of Manpower in the Fiscal Year 1977 Appropriations Act are to be transferred to the Department of Recreation. This amendment reflects the effect of this action on the Department's total Fiscal Year 1978 budget request.

In its markup of the Fiscal Year 1978 Executive Budget, the City reduced the Department of Manpower's personal services funding by \$52,600. This reduction was sustained by the Department of Manpower within its available funding for youth employment programs. This proposed transfer reflects a proportionate share of the personal services reduction.

SUBMITTED QUESTIONS

DEPARTMENT OF MANPOWER/DEPARTMENT OF RECREATIONQUESTION:

1. What is the programmatic explanation for the proposed transfer of the eight positions and associated funding from the Department of Manpower to the Department of Recreation?

ANSWER:

1. When the Neighborhood Planning Councils were transferred to the Recreation Department in October of 1976, no administrative staff was transferred with it to administer the program. The director of the program and all other administrative staff were transferred instead to DCMA.

The transfer called for in the supplemental will correct this action.

The eight positions include a Program Director, Program Analyst Officer, 4 Field Technical Assistants and 2 Clerks. They will function in the following capacity; coordinate all community based programs for children; serve as liaison to the NPC's and the Council of Chairpersons, and be accountable to both the NPC's and the Recreation Department for effective administration of community based programs for youth; provide technical assistance to the Council of Chairpersons and each Neighborhood Planning Council.

QUESTION:

2. Does the Youth Services Act of 1976 call for expanded funding of this activity in the Department of Recreation in FY 1979 and beyond?

ANSWER:

2. The Youth Services Act of 1976 does not call for expanded funding of this activity in the Department of Recreation.

ADVISORY NEIGHBORHOOD COMMISSION JUSTIFICATIONS

FISCAL YEAR 1978 BUDGET AMENDMENT

Agency: Advisory Neighborhood Commissions

	(Amounts in thousands)
	<u>Pos.</u> <u>Amount</u>
<u>Analysis of Change</u>	
Fiscal Year 1978 Request	4 \$970.0
Fiscal Year 1978 Budget Amendment .....	..... 30.1
Total, Fiscal Year 1978 Estimate	4 1,000.1

Language Change (See page AB-1 for text)

The Comptroller General has ruled that in the absence of specific appropriation language, appropriations shall not be available for refreshments and meals. See: 47 Comp. Gen. 657 (1968) and 43 Comp. Gen. 305 (1963). In order to permit Advisory Neighborhood Commissions to use a portion of their allotted funds for meals and refreshments this language is requested.

The 36 Advisory Neighborhood Commissions (ANCs) are further subdivisions of the City's eight Wards. Each Commission is made up of Single Member Districts with an elected Commissioner from each District. The number of ANCs per Ward and the number of Single Member Districts per ANC is determined by population.

The requested threshold for refreshments and meals is meant to ensure that expenditures will bear a direct relationship to the population by an ANC.

Analysis of Budget Amendment

This is a statutory increase pursuant to Public Law 93-198, Section 738(e). The ANCs are to receive an amount equal to .01% of the total assessed value of real property in the District of Columbia. The original request was based on much earlier estimates of the total assessed value, as provided by the Department of Finance and Revenue for the year 1978. The original estimate of \$8,845,726,156 resulted in a total fund available of \$884,600. The revised estimate is \$9,147,104,641. This results in a total fund available for allocation to the ANCs of \$914,700; thus, the need for the increase of \$30,100.

Code	Type	Trans. of Increase	Fund	Available (FY 77)		Object Code	Increase of '78			Monthly Funding		Amalgamation (FY 78)	Cost		
				Res.	Amount		Positions	Comps.	Payroll Savings	Benefits	Total		Other Amount	Total Amount	Res.	Amount	New Reporting (FY 78)	Full Year (FY 78)
	Stat.	ANC Allocation		...	\$819.0	23-34	\$30.1	...	\$30.1	12		

is THOUSANDS

FY 78

DISTRICT OF COLUMBIA GOVERNMENT

AGENCY: Advisory Neighborhood Commissions

CATEGORY:

D. C. FUNDS DETAIL OF INCREASES

SCHEDULE 6

OPERATING BUDGET

SUBMITTED QUESTIONS

ADVISORY NEIGHBORHOOD COMMISSIONREQUESTFY 1978

\$30,100

QUESTION:

1. The Subcommittee understands that the request will provide the Advisory Neighborhood Commissions with an amount equal to .01 percent of the total assessed value of real property in the District of Columbia and the increase is necessary to conform with the recent reassessment of real property in the city. The amount requested in the Fiscal Year 1978 budget was \$970,000. This is more than the .01 percent. Why? If you receive an additional \$30,100, the total that would be available would total \$1 million; this is about \$86,000 more than the .01 percent. Why?

ANSWER:

1. The Fiscal Year 1978 request for \$970,000 included \$86,000 to provide funding for the ANC Information Office located within the Office of the Secretariat, Executive Office of the Mayor. The \$86,000 includes the salaries for four positions and monies for rent, communications and utilities, printing and reproduction, and supplies and equipment. The additional request of \$30,100 does not represent an increase in funding for the ANC Information Office. Rather, this request represents a statutory increase pursuant to Public Law 93-198 and represents a .01 percent increase in the total assessed value in real property in the District of Columbia. The original 1978 Fiscal Year request was based on much earlier estimates of the total assessed value as provided by the Department of Finance and Revenue for the year 1978. Therefore, the increase is necessary to conform with the more recent reassessment of real property in the city for the year 1978.

QUESTION:

2. A language change is requested to permit use of allotted funds for meals and refreshments. We know of no other such arrangement. What justification do you have to warrant such change?

ANSWER:

2. Each of the Advisory Neighborhood Commissions has from time to

time the need to call together the citizens in each individual ANC district for special forums to discuss and deal with problems and other matters which are of concern to the community. During these functions, which are held to deal with official matters being dealt with by the municipal government, the ANC commissioners believe that they should be able to provide such things as coffee, cookies and similar refreshments to both their members and citizens who participate in an official community activity. The amount to be authorized for refreshments and meals for each ANC will vary between \$200.00 and \$600.00, depending upon the number of members in the ANC. We believe strongly that since the ANC commissioners, who are acting as elected officials of the municipal government, and who are, in effect, volunteers without compensation should at least be entitled to use a very small portion of authorized funds to cover the expenses of refreshments such as coffee, cookies and sandwiches.

QUESTION:

3. From a strictly programmatic point of view, what is the need or justification for the requested increase?

ANSWER:

3. The requested increase is in accordance with statutory authority. The additional monies will be divided between the 35 ANC districts and will be used by them to cover the cost of supplies, equipment, rental of space, payment of salaries and such other programmatic and housekeeping functions.

QUESTION:

4. Why couldn't this adjustment be put off until the next full budget cycle?

ANSWER:

4. To conform with statutory authority and authorized law it was necessary to make this supplemental request in the present budget cycle.

QUESTION:

5. Why is it necessary to use the taxpayers' dollars to provide refreshments and meals for the Advisory Neighborhood Commission members?

ANSWER:

5. We feel very strongly that because of the unique nature of the ANC's within the structure of the municipal government, and the fact that the ANC commissioners are elected officials who are not being paid for their services and who perform a service to the government and the people of the city it is not out of line to request that a very small portion of authorized funds be used to pay for some refreshments and meals for the commissioners while they are actually performing official duties. The amount which will be allotted to each ANC will not exceed more than \$600.00 and would not permit expenditures for anything more than simple and basic refreshments; and we do not believe there will be any abuse of this expenditure.

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY JUSTIFICATIONS

FISCAL YEAR 1977 SECOND SUPPLEMENTAL

Agency: Washington Metropolitan Area Transit Authority (WMATA)Analysis of Change

	(Amounts in Thousands)
	Pos. Amount
Fiscal Year 1977 Allotment	\$24,536.0
Fiscal Year 1977 First Supplemental	846.0
Fiscal Year 1977 Second Supplemental	428.1
Total Fiscal Year 1977 Estimate	\$25,810.1

Analysis of Second Supplemental

A net increase of \$428,100 is requested for the Washington Metropolitan Area Transit Authority (WMATA). This amount represents an increase of \$2,725,000 for the initial quarter of Phase II operations, July 1, 1977 to September 30, 1977. A reduction of \$2,296,900 in the Metrobus operating subsidy appropriated for Fiscal Year 1977 is reflected in the requested amount. In action on the Fiscal Year 1977 First Supplemental, the Congress added the \$846,000 required to fund the operating subsidy for Metrorail Phase I operations from January 1, 1977 to June 30, 1977. The \$1,132,400 available for interest payments on Metrorail revenue bonds remains unchanged.

In reviewing this WMATA request and subsequent budget requests, it must be emphasized that WMATA has not changed its fiscal year to an October to September period as the District and Federal Governments have done, but is still operating on a July 1 to June 30 fiscal period. This difference in fiscal years represents a new element of complexity which will have a significant impact on how the City budgets its Metro subsidy payments. As an example, the Supplemental funds requested for Metrorail Phase II operations provide funding for the July 1 to September 30, 1977 fiscal period, the first quarter of the WMATA 1978 fiscal year

and the last quarter of the D.C. 1977 fiscal year. The subsidy payments for the last three quarters of the WMATA Fiscal Year 1978 and the first quarter of the WMATA Fiscal Year 1979 are requested in a budget amendment.

Metrobus Operating Subsidy

A reduction of \$2,296,900 is made in the \$23,403,600 previously appropriated for Metrobus operating subsidy for Fiscal Year 1977:

	(Amounts in Thousands)
<u>Pos.</u>	<u>Amount</u>
Fiscal Year 1977 Allotment	\$23,403.6
Fiscal Year 1977 Second Supplemental	-2,296.9
Total Fiscal Year 1977 Estimate	<u>\$21,106.7</u>

The Metrobus operating subsidy for Fiscal Year 1977 is \$27,867,500. This amount represents three quarters of subsidy at the rate of \$6,835,400, the WMATA Fiscal Year 1977 rate and one quarter of subsidy at a rate of \$7,361,400, the WMATA Fiscal Year 1978 rate. (In the City's fiscal year calendar these amounts represent the Transition Quarter and the first three quarters of Fiscal Year 1977.) The subsidy amount required from appropriations is influenced by farebox collections and Urban Mass Transportation Assistance (UMTA) grants.

The City requested an appropriation of \$25,803,600 for Fiscal Year 1977 for Metrobus operating subsidy. A total of \$23,404,600 was appropriated, \$2,400,000 less than the City requested. In reducing this request the Congress recommended that the City raise rush-hour bus fares by ten cents, from forty to fifty cents to offset the reduction effective February 1, 1977.

In May, 1977, the Transit Authority's Board of Directors approved a new fare structure that will, in addition to other changes, raise rush-hour bus fares in the District by ten cents. The increase will go into effect on July 1, 1977, and is projected to yield an increase of \$875,000 in farebox collections for Fiscal Year 1977.

The proposed reduction of the Fiscal Year 1977 Metrobus subsidy appropriation is associated with three factors. WMATA recently advised the City that the actual requirement for the D.C. share of the Metrobus

operating subsidy in Fiscal Year 1976, July 1, 1975 to June 30, 1976, is \$968,900 less than the amount estimated by WMATA and appropriated to the City. In addition a credit of \$3,034,200 is available from payments in the Transition Quarter. This credit accrues because the \$8,564,100 paid by the City for the Transition Quarter and the \$1,305,500 made available through Title V Urban Mass Transportation Assistance (UMTA) grant, make a total Transition Quarter payment of \$9,869,600, which is \$3,034,200 above the quarterly rate of \$6,835,400.

Appropriations language is requested authorizing a credit of \$4,003,100 to the Fiscal Year 1977 subsidy requirement for the City's Fiscal Year 1977 budget. An overpayment of \$968,900 in Fiscal Year 1976 and \$3,034,200 in the Transition Quarter represented by overpayment of the quarterly rate and the availability of grant funds from UMTA. The following table shows the components of the Metrobus funding for Fiscal Year 1977.

	(Amount in Thousands)
Fiscal Year 1977 Appropriations	\$23,403.6
Reduction in Appropriations	-2,296.9
Revised Appropriations	\$21,106.7
Title V, UMTA grant	1,882.7 *
Application of Credit from Fiscal Year 1976	968.9
Application of Credit from Transition Quarter	3,034.2
Bus Fare Increase, July to September, 1977	875.0
Total subsidy requirement	<u>\$27,867.5</u>

* Total UMTA funding \$6,788,400; Balance of \$4,905,700 used prior year adjustments and Downtowner.

MetroRail Operating Subsidy

A total of \$2,725,000 is requested to fund the Fiscal Year 1977 operating subsidy requirement for Phase II. Funding for Phase I of MetroRail in the amount of \$846,000 was addressed by the Congress in its action on the Fiscal Year 1977 First Supplemental.

	(Amounts in Thousands)	
	Pos.	Amount
Fiscal Year Allotment	\$
Fiscal Year 1977 First Supplemental	\$ 846.0
Fiscal Year 1977 Second Supplemental	2,725.0
Total Fiscal Year 1977 Estimate	\$3,571.0

The District maintains its continued and undiminished support for a regional approach to financing public transit deficits. Metropolitan-wide financing methods have been used successfully by public transit operations in many areas of the country (e.g., San Francisco-Oakland, Atlanta, Portland, Chicago, etc.) and could provide much needed fiscal relief for WMATA Compact members as well. As a matter of policy, therefore, we reject the proposition that the burden of mounting transit deficits must inevitably be placed on the operating budgets of member jurisdictions. While the District intends to continue seeking regional financial solutions to the problem of transit deficits, it is recognized that this cannot be implemented overnight. Substantial progress toward this goal has already been made in establishing standardized service and fare policies for the rail system. Hopefully, additional steps in this direction will be taken in the future as direct rail service is extended to the suburban areas. For this reason, the District is prepared to accept the practical necessity of budgeting for rail deficits as an interim measure until a more rational permanent solution is found.

The amount of \$846,000 was added by the Congress in its action on the Fiscal Year 1977 First Supplemental to cover the District's share of the Metrorail Phase I operation for Fiscal Year 1977 from January 1, 1977 to June 30, 1977. This amount represents 47% of the estimated \$1,800,000 subsidy requirement for the first 4.5 miles of Metrorail service, which began operating in March, 1976.

In addition, \$2,725,000 is requested for the period July 1 through September 30, 1977, the last quarter of the D.C. Fiscal Year 1977 and the first quarter of the WMATA Fiscal Year 1978. This amount represents one quarter of the \$10,900,000 subsidy requirement estimated for the operation of Phase II during the WMATA Fiscal Year 1978. Phase II will expand operations to 18.5 miles when completed and includes opening of the National Airport and the Stadium-Armory stations in July and the Silver Spring station in November.

DISTRICT OF COLUMBIA GOVERNMENT	FY 77	\$ THOUSANDS	FISCAL YEAR 1977 SECOND SUPPLEMENTAL		NOVEMBER 1977
			D. C. FUNDS DETAIL OF INCREASES		
AGENCY: Washington Metropolitan Area Transit Authority (WMATA)			PAGE NO. 6		
CATEGORY:					

Code	Type	Items of Increase	Fund	Available (F.Y. 77)		Object Class	Increase (F.Y. 77)			Total Amount	Total Pct.	Monthly Funding	Appropriation (F.Y. 77)	Non-Funding (F.Y. 77)	Cost
				Am.	Pct.		Perman. Contr.	Personal Services	Other						
100	B	Metrobus Operating Subsidy	G	23,403.6	41				-2,296.9						
200		MetroRail Operating Subsidy	G		41				2,725.0						
		Total							428.1						

FISCAL YEAR 1978 BUDGET AMENDMENT

Agency: Washington Metropolitan Area Transit Authority

<u>Analysis of Change</u>	<u>(Amounts in Thousands)</u>	
	<u>Pos.</u>	<u>Amount</u>
Fiscal Year 1978 Request	\$27,873.6
Fiscal Year 1978 Amendment	3,775.7
Total Fiscal Year 1978 Estimate	\$31,649.3

Analysis of Budget Amendment

A net increase of \$3,775,700 is requested for the Washington Metropolitan Area Transit Authority (WMATA). A total of \$10,900,000 is required to fund the Metrorail deficit for Fiscal Year 1978; however, \$7,124,300 of that cost is offset by a reduction in the Fiscal Year 1978 Metrobus requirements as provided in the Fiscal Year 1978 budget. The \$2,769,600 requested for interest payments on Metrorail revenue bonds remains unchanged.

In reviewing this WMATA request and subsequent budget requests, it must be emphasized that WMATA has not changed its fiscal year to an October to September period as the District and Federal Governments have done, but is still operating on a July 1 to June 30 fiscal period. This difference in fiscal years represents a new element of complexity which will have a significant impact on how the City budgets its Metro subsidy payments. For example, the funds requested in this budget amendment have been determined on the basis of what would be required to fund the last three quarters of the WMATA Fiscal Year 1978 (October 1, 1977 to June 30, 1978) and the first quarter for the WMATA 1979 fiscal year (July 1, 1978 to September 30, 1978). The subsidy payments for the first quarter of the WMATA Fiscal Year 1978 are budgeted in the City's Fiscal Year 1977 approved budget and the second supplemental, now before you.

WMATA is unable at this time to provide the City with estimates for subsidy requirements for the WMATA Fiscal Year 1979. Consequently, the first quarter 1979 subsidy payment is estimated at the WMATA Fiscal

Year 1978 quarterly rate. If the WMATA Fiscal Year 1979 budget, when finalized, requires a higher subsidy payment than Fiscal Year 1978, it would mean that the WMATA first quarter requested herein would be underfunded.

The shortfall would be included in the City's Fiscal Year 1979 funding request. The subsidy shortfall would be reconciled on October 1, the first time that additional funding would be available. The City takes the position that no interest payments will be assessed on that portion of the first quarter 1979 underpayment, or any subsequent first quarter underpayment, because any such shortfall would be created by Metro's inability to provide subsidy requirements in a time frame which corresponds with the City's appropriation process.

Washington Metropolitan Area Transit Authority (WMATA -- Metrobus)

A reduction of \$7,124,300 is made in the funds previously requested for Metrobus operating subsidy for Fiscal Year 1978.

Analysis of Change

	(Amounts in Thousands)	
	<u>Pos.</u>	<u>Amount</u>
Fiscal Year 1978 Request	\$25,104.0
Fiscal Year 1978 Amendment	-7,124.3
Total Fiscal Year 1978 Estimate	<u>\$17,979.7</u>

The Fiscal Year 1978 budget request for the City was based on the latest available projection for subsidy requirements from WMATA which was the budget level recommended to the WMATA board by the staff. The board approved budget resulted in a reduction in the allocation of \$7,124,300 below that recommended by the staff.

Funding originally provided for totalled \$36,800,000. The revised estimate requires D.C. funding in Fiscal Year 1978 of \$29,575,700 to fund a Metro Fiscal Year 1978 budget of \$29,543,202. This amount represents three quarters of subsidy (October 1, 1977 to June 30, 1978) at the rate of \$7,393,900, the WMATA Fiscal Year 1978 rate. The subsidy for the first quarter of the WMATA fiscal year is available in the Fiscal Year 1977 appropriation. An additional quarter (July 1, 1978 to September 30, 1978) at the same rate is requested to cover the first quarter of the WMATA Fiscal Year 1979. Since no WMATA estimate is available for this period, any adjustments must be included in the Fiscal Year 1979 budget.

The subsidy requirement from appropriations is influenced by farebox collections and Urban Mass Transportation Assistance (UMTA) grants. The following table shows the original and revised projections for Metrobus subsidy requirements for Fiscal Year 1978.

	Original Estimate	(Dollars in Millions) Revised Estimate
Total District requirement	\$36.8	\$29.6
Fare increase	(3.6)	(3.5)
UMTA grant	(8.1)	(8.1)
Appropriation required	\$25.1	\$18.0

Washington Metropolitan Area Transit Authority (WMATA -- Metrorail)

A total of \$10,900,000 is requested to fund the Metrorail operating subsidy requirements for Fiscal Year 1978.

Analysis of Change

	Pos.	Amount
Fiscal Year 1978 Request .....	\$	.....
Fiscal Year 1978 Amendment	10,900.0	.....
Total Fiscal Year 1978 Estimate	10,900.0	.....

The District maintains its continued and undiminished support for a regional approach to financing public transit deficits. Metropolitan-wide financing methods have been used successfully by public transit operations in many areas of the country (e.g., San Francisco-Oakland, Atlanta, Portland, Chicago, etc.) and could provide much needed fiscal relief for WMATA Compact members as well. As a matter of policy, therefore, we reject the proposition that the burden of mounting transit deficits must inevitably be placed on the operating budgets of member jurisdictions. While the District intends to continue seeking regional financial solutions to the problem of transit deficits, it is recognized that this cannot be implemented overnight. Substantial progress toward this goal has already been made in establishing standardized service and fare policies for the rail system. Hopefully, additional steps in this direction will be taken in the future as direct rail service

is extended to the suburban areas. For this reason, the District is prepared to accept the practical necessity of budgeting for rail deficits as an interim measure until a more rational permanent solution is found.

The sum of \$10,900,000 is being requested as an amendment to the Fiscal Year 1978 budget to provide the District's share of the Metrorail requirement for Fiscal Year 1978 and includes \$7,175,000 for the last three quarters of the WMATA Fiscal Year 1978 and \$2,725,000 for the first quarter of WMATA Fiscal Year 1979. Since Fiscal Year 1979 estimates are not available, the City projection is requested at the Fiscal Year 1978 quarterly rate. Any adjustment to this amount will be made in the City's Fiscal Year 1979 budget. Funding for the first quarter of the WMATA Fiscal Year 1978 is requested in the Fiscal Year 1977 second supplemental budget.

Fiscal Year 1978 will represent the first full year of Metrorail operations; Phase I, comprising the initial 4.5 miles of the system, began operations in March of 1976. Phase II will expand operations to 18.5 miles when completed and includes opening of the National Airport and the Stadium-Armory stations in July and the Silver Spring station in November.

Code	Type	Items of Increase	Fund	Available (PPF) (P.P.F.)	Object Class	Increase (P.P.F.)			Total (P.P.F.)	Monthly Funded	Allocation (P.P.F.)	Non-Recurring (P.P.F.)	Cost
						Personal	Personal Services	Other					
						Commodities	Benefits	Accounts					
200	New	Metrorail Operating Subsidy	G	.....	41	.....	.....	10,900.4	.....	.....	.....	.....	.....
		Metrolbus Operating Subsidy		23,403.6	41	.....	.....	(7,124.3)	.....	.....	.....	.....	.....
		Net						3,775.7	.....	.....	.....	.....	.....

SCHEDULE C
6
 DISTRICT OF COLUMBIA

FISCAL YEAR 1978 BUDGET AMENDMENT

D. C. FUNDS DETAIL OF INCREASES
 AGENCY Washington Metropolitan Area Transit Authority
 CATEGORY

5 THOUSANDS
FY 78

SUBMITTED QUESTIONS

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

<u>FY 1977</u>	<u>REQUEST</u>	<u>FY 1978</u>
\$428,100		\$3,775,700

QUESTION

1. The Subcommittee understands that the request reflects both decreasing requirements for Metrobus and increasing requirements for Metrorail. The Metrobus requirements decreased by -\$2,296,900 in FY 1977 and -\$7,124,300 in FY 1978. What is the explanation for the reduction in the Metrobus requirements?

ANSWER:

1. The reduction of \$2,296,900 in Metrobus requirements in FY 1977 results primarily from funds made available to the District of Columbia to meet its budget request that were not anticipated when the request was initially made.

These added funds are from the following:

- | | |
|---|--------------------|
| A. Credit to the District for a reduction in the actual
FY 1976 Metrobus subsidy----- | \$ 968,900 |
| B. Additional Federal Section 5 funds made available
to the District for Transition Quarter----- | 1,305,500 |
| C. Other Adjustments----- | <u>22,500</u> |
| | <u>\$2,296,000</u> |

The reduction of \$7,124,300 in Metrobus requirements for FY 1978 for the District of Columbia resulted directly from reduction in total subsidy level made by the Authority Board of Directors. The FY 1978 budget request for the District was based on the latest available projection for subsidy requirements from the Transit Authority which was the level recommended by the Authority staff to the Board. In its review of the budget estimates--especially as the interface between bus and rail transportation modes was carefully considered, the Board approved a budget level and subsidy allocation resulting in a reduction of \$7,124,300 in the District subsidy requirement.

QUESTION:

2. How many miles of Metrorail will come on line in FY 1978? Does the request before the Subcommittee represent the full amount needed for Metrorail operations in FY 1978?

ANSWER:

2. 23.3 miles of Metrorail facilities will be operational during FY 1979.

There may be a slight shortfall in the full amount of subsidy needed for Metrorail operations in the District FY 1978 requirement than is contained in this request. The Authority has not changed its fiscal year to an October 1 to September 30 period as the Federal and District Governments have, but has retained a July 1 through June 30 fiscal period. Accordingly, the last quarter of the District's FY 1978 budget year is the first quarter of the Authority's FY 1979. Additionally, the Authority's FY 1979 budget estimates are currently in the formulation stage and, therefore, it cannot provide the District with estimates for subsidy requirements for the first quarter of this period. Consequently, the first quarter WMATA subsidy requirement is estimated at the FY 1978 quarterly rate. If the WMATA FY 1978 budget, when finalized, requires a higher subsidy payment than FY 1978, it would mean the WMATA first quarter payment contained in the request would be underfunded. However, in accordance with WMATA policy, this shortfall would be included in the District's FY 1979 funding request.

CAPITAL IMPROVEMENTS JUSTIFICATIONS

FISCAL YEAR 1978 BUDGET AMENDMENT

CAPITAL IMPROVEMENTS

For an additional amount for "Capital outlay", \$27,082,100: Provided, That \$5,522,700 shall be available for construction services by the Director of the Department of General Services or by contract for architectural engineering services, as may be determined by the Mayor, and the funds for the use of the Director of the Department of General Services shall be advanced to the appropriation account "Construction Services, Department of General Services".

Agency: Summary

Analysis of Change

	(Amounts in thousands)
	<u>Pos.</u> <u>Amount</u>
Fiscal Year 1978 Request .....	... \$150,394.8
Fiscal Year 1978 Amendment .....	... 27,082.1
Total, Fiscal Year 1978 Estimate .....	... 177,476.9

Analysis of Budget Amendment

Agency	Original Request	Revised Request	Net Change
Department of Housing and Community Development			
DB-002 Neighborhood Parks	\$849.8	\$.....	-\$849.8
District of Columbia Obligations			
ZC-1 D. C. Obligations	4,511.6	3,893.5	-618.1
Municipal Planning Office			
BD-1 Washington Civic Center .....	.....	27,700.0	+27,700.0
Washington Aqueduct			
35-121 Washwater and Basin Sludge Disposal .....	.....	850.0	+850.0
Total	5,361.4	32,443.5	+27,082.1

The amendment proposes two reductions totalling \$1,467,900 and two increases totalling \$28,550,000 for a net increase of \$27,082,100. The reductions are -\$849,800 for Neighborhood Parks in the Shaw and 14th Street Urban Renewal Areas which have received alternative funding and -\$618,100, which is not required for D. C. Obligations for Fiscal Year 1978. The increases are +\$27,700,000 for site acquisition and design of the Washington Civic Center and +\$850,000 for design of a facility to meet EPA standards for wastewater disposal. The net effect of the budget amendment will increase the Fiscal Year Capital Budget request from \$150,394,800 to \$177,476,900.

Analysis of Change

	(Amounts in Thousands)	
	<u>Pos.</u>	<u>Amount</u>
Fiscal Year 1978 Request	\$
Fiscal Year 1978 Amendment	+27,700.0
Total Fiscal Year 1978 Estimate	\$+27,700.0

Analysis of Budget Amendment

Washington Civic Center -- Project No. BD-1.

Location: Mt. Vernon Square, N.W.

Estimated Total Cost: \$109,690,000

The construction of the Washington Civic Center is proposed as a project to increase the City's tax base, revitalize downtown, provide new jobs, and to provide a significant new resource for local activities. The proposed building will provide 300,000 square feet of exhibit space, 80,000 square feet of meeting rooms, modern auxiliary services, and 790 parking spaces. Funds requested through the budget amendment are for site purchase, relocation, and design. Funds have also been included to repay a \$600,000 advance from District banks.

DISTRICT OF GOVERNMENT		B THOMASSON		CAPITAL IMPROVEMENTS PROGRAM PROJECT SCHEDULE		One of Preparation		March, 1977		SCHEDULE 11	
Project Title		AGENCY		Municipal Planning Office		Project Number		3D-1		Agency Priority	
Washington Civic Center		78				3D-1		1		July 1981	
Project Location: 7th Street N.W. on the east, H Street on the south, 11th Street on the west, L Street on the north (See Map)											
Squares & Lot Numbers		Squares 373, 374, 344		Building 670,000		Tract 894,500		Females 24		Average Cost (1 or 10 or 100)	
Word Number		2		Federal Registration #194		Parking 226,500		Individuals 30		0	
Urban Renewal Area		Downtown		Cost Per Square Foot \$78.32		Capacity of Facility 300,000 sq. ft. Exhibit		Other 69		1,500.0	
				Forwarded Period of 12 months		Space 10,000 to 15,000 People		Total 128		1,200.0	
				30 years plus				Total 128		2,400.0	
COST ESTIMATES											
Phase	Total Cost	Prior Appropriations	Unobligated Balance	Appropriation Available FY 78	Actual Available FY						
Preiminary Design	600,012	***	***	600.0	***						
Site	23,100.0	***	***	23,100.0	***						
Construction Services	7,900.0	***	***	5,000.0	3,500.0						
Construction Equipment	3,500.0	***	***	***	3,500.0						
Total - C. Funds	109,690.0	***	***	27,700.0	81,990.0						
Federal Assistance	***	***	***	***	***						
Total Cost	109,690.0	***	***	27,700.0	81,990.0						
Cost Charge from 1977 N/A											
PROJECT JUSTIFICATION											
The Civic Center will be a large meeting and exhibition facility specially designed for national, international, and community conferences, trade shows, large-scale meetings and international conferences. It will provide a major resource for local meetings and community activities and events. It will bring public attendance shows and other activities for local audiences and citizens into downtown Washington.											
National and international meetings, conventions and tourism - next to the Federal Building will be held in the new Civic Center. The City does not now have the facilities to hold these meetings, conventions, or large trade shows. Even with the planned expansion of hotel space, exhibition space will continue to be inadequate. The Civic Center is designed specifically to fill that void.											
GENERAL FUND REVENUE											
(1) 2 Missions, 1 Elks Club, 2 Stores, Front Churches.											
(2) Payment to District of Columbia Banks.											
(3) To be refinanced under 30 year General Obligation Municipal bonds.											
(4) Refinancing through General Obligation bonds could reduce this figure to \$9,400,000.											
OPERATING COST DATA											
Current Operating Cost for Entire Facility (estimated annual)											
Additional Operating Costs Following Project											
Physical Services 1,500.0											
Other 1,200.0											
Total Service (a) 2,700.0											
Non-Recurring Expenses Cost											
Total Operating Cost 11,900.0											
FINANCIAL INFORMATION											
Construction of an 894,500 sq. ft. Civic Center with the following components:											
Exhibition Hall 300,000											
Meeting Rooms 80,000											
Lobby, Lounge, Mail, Arcade 85,000											
Administration 3,200											
Restaurant 7,000											
Kitchen 9,000											
Retail Stores 5,400											
Trade Shows - 12 46,000											
Storage 25,000											
Retail Stores 7,200											
Maint. & Mech. 48,000											
Total 109,690,013											
SCOPE OF WORK											
Construction of an 894,500 sq. ft. Civic Center with the following components:											
Exhibition Hall 300,000											
Meeting Rooms 80,000											
Lobby, Lounge, Mail, Arcade 85,000											
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DISTRICT OF COLUMBIA GOVERNMENT		CAPITAL CITY DEVELOPMENT AUTHORITY PROJECT 30-1111											
FY 78		AGENCY: Municipal Planning Office											
PROJECT TITLE & NUMBER: Washington Civic Center (30-1)		CONTINUATION											
PROJECT DESCRIPTION:		Date Prepared: March, 1977											
PROJECT OBJECTIVES:		11 CAPITAL CITY GOVERNMENT											
<p>The Civic Center will generate new convention delegates in the City, and increase expenditures for hotels, restaurants, retail stores, transportation and entertainment. Additionally the center will generate between 3,000 and 4,000 new permanent jobs in the City. A combination of new spending and new jobs should increase expenditures in the City by more than \$100 million and tax revenues of more than \$10 million. After payment of debt service and net operating costs, the fiscal "net profit" of the City budget in new taxes would be over \$12 million in 1984, increasing thereafter.</p> <p>AN ECONOMIC GENERATOR FOR WASHINGTON</p> <p>The basic rationale for a Civic Center in Washington is that it will serve as a stimulant to the local economy - functioning as a basic industry that brings dollars to the City from elsewhere. The economic feasibility study estimates that the Civic Center can be responsible for attracting between 310,000 and 390,000 new delegates and exhibitors to the City annually. These new delegates will produce an additional 1.3 million visitor nights, approximately, during the course of a year. These new visitors will spend over \$100 million annually, which would flow to businesses, personal income and City taxes.</p> <p>CHYRONIAK VISITORS: The Chief Market Targets</p> <p>The main purpose of the Civic Center will be to serve the national and international convention, trade show and large meeting market. It is these markets which will be the primary source of delegates and exhibitors to the City. Secondly, the center provides space for local open-to-the-public events such as a boat show, musical event or sports activity primarily geared to the Metropolitan Washington market. A number of these local events will be accommodated in the Civic Center during the summer months and other vacation periods when conventions are less frequent.</p> <p>Construction will Generate Jobs</p> <p>The Civic Center will be one of the largest building projects in the history of Washington. Construction jobs created by the Center are estimated at 935 to 1,113 person years, and construction of spin-off hotel development at 1,239 to 1,660 person years, a total of 2,170 to 2,775 person years of construction employment.</p> <p>New Jobs Related to Center</p> <p>After the Center is constructed and open for business, it will be responsible for creating new jobs in three ways: (1) at the Center itself, (2) by virtue of new delegate/exhibitor expenditures, and (3) as the result of the "multiplier" effect of each of the above. Estimates of new jobs thus created are as follows:</p>		<p>SCOPE OF WORK</p> <p>Proposed Civic Center Site</p> <p>Equipment: To include 10,000 portable seats.</p> <p>Mac. Planning Factor 21,300</p> <p>Parking 226,500</p> <p>Total 896,500 sq. ft.</p>											
<table border="1"> <thead> <tr> <th colspan="2">New Center-Generated Jobs</th> </tr> </thead> <tbody> <tr> <td>At the Center</td> <td>100 to 120</td> </tr> <tr> <td>From delegate/exhibitor spending</td> <td>2,610 to 3,410</td> </tr> <tr> <td>Multiplier effect</td> <td>820 to 1,020</td> </tr> <tr> <td>Total</td> <td>3,540 to 4,560</td> </tr> </tbody> </table>		New Center-Generated Jobs		At the Center	100 to 120	From delegate/exhibitor spending	2,610 to 3,410	Multiplier effect	820 to 1,020	Total	3,540 to 4,560		
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Total	3,540 to 4,560												

DISTRICT OF COLUMBIA GOVERNMENT	FY 78	AGENCY Municipal Planning Office	PROJECT TITLE & NUMBER Washington Civic Center (304-1)	CONTINUATION	MINUTE
				Don Pappas	March, 1977	11
PROJECT DESCRIPTION				SCOPE OF WORK	
<p>The payroll represented by these three center-generated sources is estimated at between \$33 million and \$42 million per year in 1976 dollars.</p> <p>Both in construction and in continuing operation, the center can provide new opportunities for minority business.</p> <p><u>Entr to Downtown Rebuilding</u></p> <p>The Civic Center is a key element of the District's program to revitalize the downtown area between the Capitol and the White House. Located southwest of Mount Vernon Square, on the north side of downtown, the Center is in an area in need of rebuilding. New hotels, restaurants, and retail space related to the Center will locate in surrounding blocks. The Center and related development will also help change the face of Massachusetts Avenue between the Union Station and Thomas Circle, opening the way for other development to be undertaken in the area.</p> <p>The Civic Center and related new development are part of a new City Activity Area, encompassing the Center, Federal City College, the Smithsonian Institution, the National Collection of Fine Arts/National Portrait Gallery, Chinatown, Streets for People, existing stores and offices, and future hotels and other activities. This can be an area which is alive with activity, serving both District and area residents and out-of-town visitors.</p> <p>The Civic Center offers significant economic benefits to Chinatown. The District is working with the Chinese community to develop a program to preserve and enhance Chinatown.</p> <p><u>Center Tied to Metro</u></p> <p>The Civic Center at Mount Vernon Square is located at the best site in the City and center for Metro access. It is anticipated that direct links can be made from the new Civic Center to existing Metro stations. The Civic Center will also help encourage the development of the renewal projects at the Metro Center and Gallery Place Stations.</p> <p><u>Maintaining a Vital City Function</u></p> <p>The process of people coming together in Washington to discuss national and international concerns is a vital function of the Capital City. The Civic Center will insure that this function is retained in the heart of the City, near the Capitol. This process will be given new impetus by the Civic Center, which will become part of the growing information and cultural system which is developing in Washington, and which is vital to the City's future.</p>					

FISCAL YEAR 1978 BUDGET AMENDMENT
CAPITAL IMPROVEMENTS

Agency: Department of Housing and Community Development

Analysis of Change

	Pos.	Amount
Fiscal Year 1978, Request	\$ 849.8
Fiscal Year 1978 Amendment	-849.8
Total Fiscal Year 1978 Estimate

Analysis of Budget Amendment

Neighborhood Parks -- Project No. DB-002

The Fiscal Year 1978 Capital Budget of the District of Columbia presently contains \$849,800 for the development of neighborhood parks in the Shaw and 14th Street Urban Renewal Areas. On January 3, 1977, the City received a grant from the Economic Development Administration of the U.S. Department of Commerce under the Local Public Works Capital Development and Investment Program for the construction of these parks. Receipt of alternative funding means that this item can be deleted from the City's Fiscal Year 1978 Capital Budget.

FISCAL YEAR 1978 BUDGET AMENDMENT
CAPITAL IMPROVEMENTS

Agency: Washington Aqueduct

Analysis of Change

	Pos.	Amount
Fiscal Year 1978 Request	\$
Fiscal Year 1978 Amendment	+850.0
Total Fiscal Year 1978 Estimate	\$ +850.0

Analysis of Budget Amendment

Washwater and Basin Sludge Disposal -- Project No. 35-121

Location: Dalecarlia and Georgetown Reservoirs
Estimated Total Cost: \$26,985,000

The Environmental Protection Agency has directed that steps be taken to eliminate the discharge of water treatment plant wastes directly into the Potomac River. The amendment proposes design funds for a facility with filter washwater and sedimentation basins. This facility will meet EPA standards for waste-water disposal.

FISCAL YEAR 1978 BUDGET AMENDMENT
CAPITAL IMPROVEMENTS

Agency: District of Columbia Obligations

Analysis of Change

	(Amounts in Thousands)	
	Pos.	Amount
Fiscal Year 1978 Request	\$4,511.6
Fiscal Year 1978 Amendment	-618.1
Total Fiscal Year 1978 Estimate	\$3,893.5

Analysis of Budget Amendment

District of Columbia Obligations -- Project No. ZC-1

The original estimate for the District of Columbia's unpaid liability for its share of construction costs at St. Elizabeth's Hospital for Fiscal Years 1974 through 1978 was \$3,964,000. This estimate was based on annual billings submitted to the District of Columbia Government. The revised estimate for the District's share of construction costs is \$3,345,900. This estimate was provided to the District Government by correspondence dated November 2, 1976. The estimates by year are as follows:

FY 1974 billing (thru 1973 completion)	\$ 530,941.32
FY 1975 billing (thru 1974 completion)	585,200.85
FY 1976 billing (thru 1975 completion)	571,873.81
FY 1977 billing (thru 1976 completion)	652,940.25
FY 1977 billing (thru TQ completion)	157,262.59
FY 1978 estimate	847,665.00
Total St. Elizabeth's	\$3,345,863.82

A reduction of \$618,100 is in accordance with the revised estimate and will reduce the overall D.C. Obligations request from \$4,511,600 to \$3,893,500.

SUBMITTED QUESTIONS

CAPITAL IMPROVEMENTS PROGRAM
OTHER THAN THE CIVIC CENTERQUESTION:

1. What is the explanation for the proposed reduction of \$618,000 in District of Columbia Obligations?

ANSWER:

1. The original estimate for the District's unpaid liability for its share of construction costs at St. Elizabeths Hospital for fiscal year 1974 through 1978 was \$3,964,000 based on annual billings. The revised estimate of \$3,345,900 was provided to the District Government in November, 1976 by St. Elizabeths hospital and is based on project completions through the Transition Quarter and an estimate for fiscal 1978. The reduction of \$618,000 is in accordance with the actual need for the St. Elizabeths requirement therefore, the overall D.C. Obligations request can be reduced from \$4,511,600 to \$3,893,500.

QUESTION:

2. Why is the city paying for construction costs at St. Elizabeths Hospital as this is a Federal facility?

ANSWER:

2. The City pays a share of construction costs at St. Elizabeths Hospital pursuant to the Act of July 2, 1954 (68 Stat. 443). The City's share is based on the total patient days of D.C. residents who receive services at St. Elizabeths Hospital.

QUESTION:

3. The Washington Aqueduct has requested \$850,000 to eliminate the discharge of water treatment plant wastes directly into the Potomac River. The total project will cost in excess of \$25,000,000. Why can't Blue Plains, which is still under construction for an expanded capacity handle this proposal?

ANSWER:

3. There are three reasons why Blue Plains cannot satisfy the proposal:

1. Water sludge is too heavy to be transported and handled at Blue Plains.
2. Blue Plains sludge disposal systems would have to be rebuilt entailing considerable delay and cost.

3. Capacity to process water treatment plant wastes is not available at Blue Plains.

QUESTION:

4. Has EPA approved the building of additional treatment capacity?

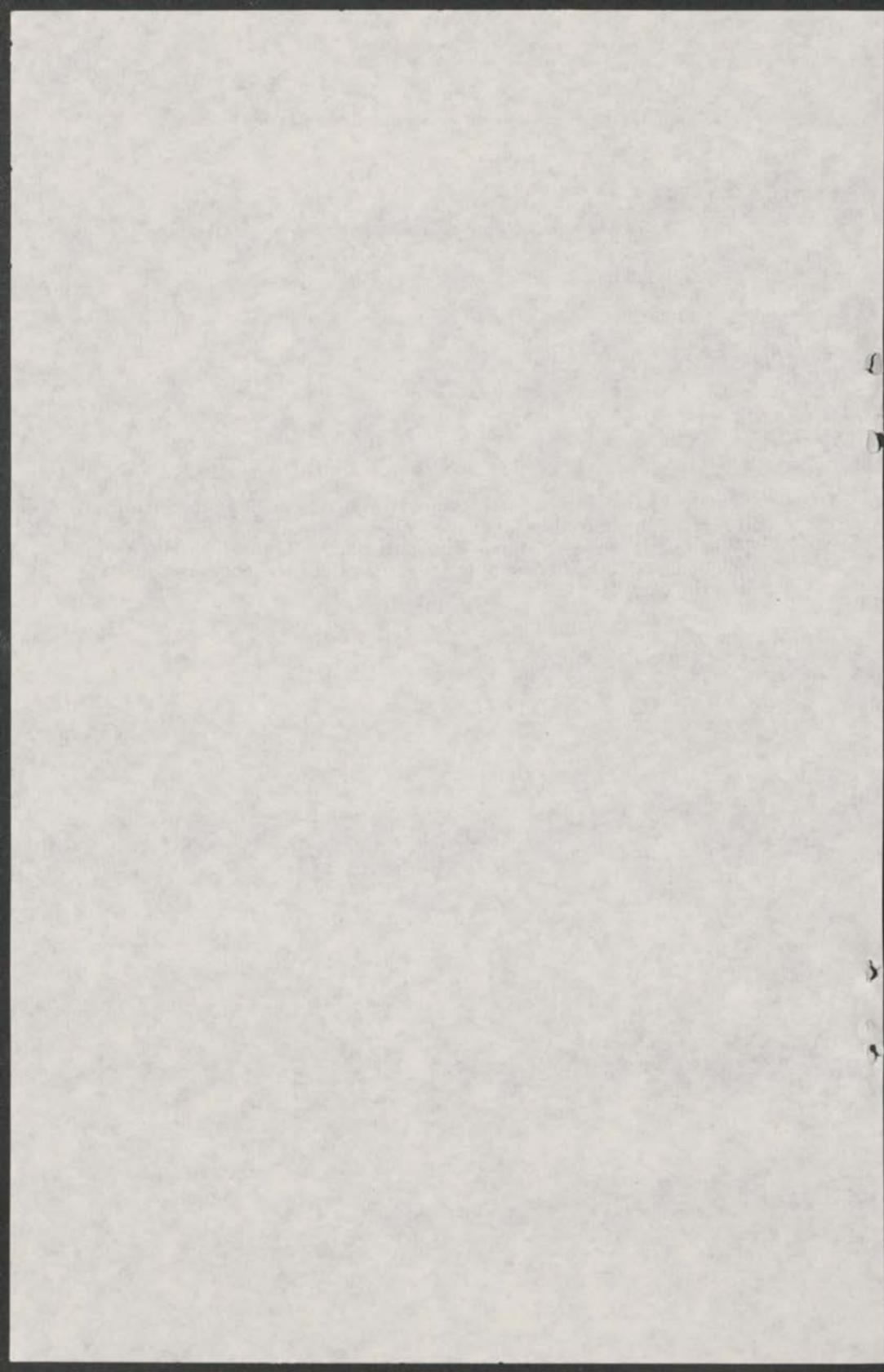
ANSWER:

4. An EPA regulation implementing P.L. 92-500, a National Pollutant Discharge Elimination System calls for the elimination of all discharges to the Potomac River by July 1, 1977. The EPA has been advised of the proposed plant and has not objected to it as a means of compliance with the law.

CONCLUSION OF HEARINGS

Senator LEAHY. If that is all for today, we will conclude the hearings and recess subject to the call of the Chair.

[Whereupon, at 3:45 p.m., Thursday, June 30, the hearings were concluded and the subcommittee was recessed, to reconvene at the call of the Chair.]



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