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National Capital Planning Commission Hears Study on the Impact of Foreign Missions in the Nation's Capital

Washington, DC – International business is the District's second most important source of economic activity according to a study released today at the National Capital Planning Commission. The report's author told members of the Planning Commission that international business, which includes the presence of foreign missions, is one of three core industries shaping the economic well being of the District.

Stephen S. Fuller, a Professor of Public Policy at George Mason University, made his remarks during an informational presentation at the Commission's monthly public meeting. NCPC commissioned the study, *The Economic and Fiscal Impact of Foreign Missions on the Nation's Capital*, in conjunction with its update of the Comprehensive Plan for the National Capital. The study focused on how foreign missions contribute to the overall health and well being of the District and surrounding region.

"We have long recognized that foreign missions play an integral role in contributing to the character of the Nation's Capital and that they serve to strengthen Washington's role in international affairs," said Dr. Patricia Elwood, Chair of NCPC's Foreign Missions Task Force. "This report further demonstrates that international activities not only enliven the city's cultural and political life, but they also provide a major source of jobs and income for the economy."

With direct spending totaling an estimated \$10.4 billion in the District of Columbia, international business is second only to the federal government in stimulating economic activity in the city. The hospitality industry ranks third.

Spending by foreign missions in the Washington metropolitan area constitutes a primary source of the economic impact. The District is home to 169 foreign missions that employ nearly 10,000 workers. This translates into an annual payroll of nearly \$300 million dollars. Consumer spending by foreign mission employees in the District is estimated at \$32.4 million.

"No other capital city is as well positioned as Washington is to serve the global economy," said DC Mayor Anthony A. Williams. "The District has a long history of hosting international organizations and associations. The presence of foreign missions brings increased growth and vitality to the region's international business industry."

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According to the report, with few exceptions, each country's embassy in Washington is its largest embassy worldwide. The proximity of these missions to federal and congressional offices and other international organizations makes the District an increasingly attractive center for international business.

"Having foreign missions located in the District of Columbia is good for the embassies, for the city, and for the surrounding region," said NCPC Chairman John V. Cogbill, III. "The presence of these institutions define and enhance national capital cities."

Visitors to foreign missions include area residents seeking services on a walk-in basis; country nationals visiting the Washington area in need of services from their respective embassies; domestic and international business travelers; and official or hosted delegations.

While recognizing the economic benefits of foreign missions, local officials also acknowledged that poor maintenance and upkeep have turned some of these facilities into neighborhood eyesores.

"We appreciate that the NCPC commissioned this important study as part of our effort to assure that diplomatic missions and D.C. residents can live comfortably in the same city," said Congresswoman Eleanor Holmes Norton. "We can find a win-win if, while not ignoring the financial importance of diplomatic missions, we begin a concerted effort to designate new locations in Washington that are more suitable than some of our neighborhoods for diplomatic missions."

Other key findings of The Economic and Fiscal Impact of Foreign Missions report are:

- Total spending associated with foreign missions to the District economy in 2001 is approximately \$411 million. Of every dollar spent by foreign missions, over 52 percent is spent for non-payroll operations. This spending will support 1,651 jobs in the city and generate \$44.1 million in personal earnings. While this represents a small percentage of the city's total economic activity, foreign missions represent a critical component of the international business industry.
- The District takes in an estimated \$24 million annually from foreign missions personnel income taxes and other taxes generated by foreign missions activities such as purchased goods, meal, hotel, and visitor spending. This is significant since foreign missions are exempted from paying property or corporate taxes.
- Visitors to foreign missions account for almost 900,000 hotel rooms annually in the District. This represents nine percent of the total available rooms in the District. Their spending totals \$183.4 million in the city for lodging, food, retail purchases and other services.

- The presence of foreign missions, together with other international and domestic organizations in the city, reinforces the District's national capital functions and position as a world capital.
- Spending by foreign missions falls into two major categories: payroll and operations which include payments for rent, building operations and management, utilities, transportation, office equipment and supplies, entertainment, and other services. Of every dollar spent by foreign missions, 52.2 percent is spent for non-payroll operations.

Fuller's report analyzes in detail both workforce and non-payroll spending by foreign missions and examines the spending of the visitors that foreign missions attract. It also examines tax and fiscal impacts.

The National Capital Planning Commission plans to utilize the report when developing planning guidance and policy for foreign missions located within the Nation's Capital. The 1982 Foreign Missions Act reaffirms the federal government's jurisdiction over the operation of foreign missions and international organizations in the U.S. and establishes an Office of Foreign Missions within the Department of State to review and set out the process by which the foreign missions will be located in the District of Columbia.

The National Capital Planning Commission is the federal government's central planning agency in the District of Columbia and surrounding counties in Maryland and Virginia. The Commission provides overall planning guidance for federal land and buildings in the region. It also reviews the design of federal projects and memorials, oversees long-range planning for future development, and monitors capital investment by federal agencies.

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