neering and Applied Sciences. Lacking such breadth, Kirby writes, “we cannot be sure (or at least I cannot be sure) that we are doing our best.”

The commitment to “doing our best” requires more than programmatic measures. The dean’s letter takes pains to restate the faculty's clear commitment to the fundamental principles of free speech in the wake of heated campus disputes during the fall term (see “Raised Voices,” November-December 2002, page 52, and “Poetry and Politics,” January-February, page 72).

Financially, it means tempering expectations built up after the success of the University Campaign and the booming endowment growth through fiscal year 2000. Although FAS continues to generate surpluses, the $22.5 million cushion in fiscal year 2002 was half that of the year before. Those reserves, Kirby said, are a significant source of funding for future construction.

His letter outlines “a time of serious constraint.” Distributions from the endowment and investment income now make up half of FAS’s income—but after three years of large increases in the endowment payout (as much as 28 percent in fiscal year 2000), such revenue will grow only 2 percent this year and for the foreseeable future. Tuition, the principal source of unrestricted funds, will grow only modestly—and actually declined during the past fiscal year, after disbursements for scholarship aid. Operating expenses are growing, as anticipated—a reflection of those endowment funds used to expand the faculty and create new facilities—but are now outstripping revenue growth (10.3 percent versus 9.3 percent), according to the financial exhibits in the dean’s letter. Computing, faculty and staff compensation, and operation and maintenance of new and expanded buildings show particularly pronounced rises. The letter projects operating deficits two fiscal years hence, and depletion of unrestricted reserves by fiscal year 2007, if current projections are sustained. So, beyond exhorting thrift, Kirby said he foresaw “serious decisions soon to avoid the serious situations our sister universities are in” (an allusion to budget cuts at institutions such as Stanford, Dartmouth, and Duke).

Withal, the dean found reason in the faculty’s situation for “optimism combined with the need to be practical.” He manifestly enjoys the work he has gotten himself into. His letter deems the revised FAS website “positively cool.” Citing abundant comment from faculty members, students, and alumni on the curriculum review, he pronounced himself “really delighted,” full of anticipation of academic and organizational rewards to come.

“Our present situation is sound,” his letter concludes. “Our ambitions for the future are great. Our financial outlook is sobering.” Hence the imperative of an “agenda of renewal” proceeding from a base of “humility, self-reflection, and, where needed, self-criticism.” All are urged to take inspiration once again from China’s wisdom: “Xing yuan zi er, deng gao zi bei: ‘To go a great distance, one sets out from the nearby; when ascending heights, one starts from below.’”

The Watertown Agreement

The fact that Harvard has agreed to pay Watertown $3.8 million annually plus 3 percent compounded over 52 years (see “Watertown-Gown,” November-December 2002, page 54) as part of a revenue-protection agreement has not gone unnoticed in the University’s other host communities. In the public discussion following the annual town-gown report presented by Harvard to the Cambridge planning board, one resident noted that the University pays $6.3 million in taxes and payments in lieu of taxes (PILOT) on its entire Cambridge campus while Watertown receives $3.8 million (with an escalator for the 30-acre Arsenal property). But the Watertown payments, says University administrators, reflect the tremendous impact that Harvard’s acquisition of a fully improved property—representing one-third of that town’s commercial tax base—could one day have on Watertown.

Because the payment was based on property taxes due on the Arsenal property during a booming economy, and the vacancy rate there recently has soared as high as 50 percent, the deal appears to be a win for Watertown. Harvard has yet to convert any of the property to tax-exempt use, yet is still responsible for making the payment as though the property were fully occupied. But chief University planner Kathy Spiegelman, director of the Allston initiative, says that during the 52-year term of the agreement, fluctuations in the real-estate market will dwindle to relative unimportance. What the University really

values, and what led to a breakthrough in the year-and-a-half-long negotiation process, was Watertown’s agreement to allow Harvard to use the buildings and the property for a range of academic purposes without having to seek special zoning permission each time.

“That is a surprisingly valuable commodity for Harvard,” echoes Mary Power, the University’s senior director of community relations, “particularly in the face of downzoning petitions and neighborhood objections to use of Harvard’s campus in Cambridge.”

But even the road to the Watertown agreement was not without its share of media hoopla and political intrigue. Watertown’s initial negative reaction to news of the Harvard acquisition was understandable, says Spiegelman, given the property’s history. Town leaders had worked diligently to turn the former military installation into a viable, commercially zoned, business center. They had secured millions in federal funding to clean up the site and intended to lease it to a developer—but were persuaded, in a late negotiation, to sell it to him instead. When the developer resold the property, and residents learned that a tax-exempt institution was the buyer, it seemed their worst fears had been realized—all their work

The main Arsenal complex building, now home to several commercial businesses
had been for naught. The town enlisted the help of the media and initiated state legislation that would have limited non-profits’ tax exemption under certain circumstances.

In the State House, Harvard was a sitting duck. “Within the nonprofit sector,” says Kevin Casey, Harvard’s senior director of state and federal relations, “Harvard is a unique institution in terms of its scope, its size, and its financial wherewithal,” and that makes it difficult to explain to people why the University merits its nonprofit status for education and research. Yet, “regardless of size, we have only three major sources of income,” he explains: “Tuition, room, and board, which doesn’t cover the cost of the service provided; federal research funding, which does not cover the full cost of the research; and donations, which go to support education and research.” None of those are profit-making centers, “but it is hard for people to conceptualize that when they think of a multibillion-dollar endowment and a place as large as this University,” Casey says. “Those are perceptions that are hard to run away from.”

Harvard “never felt that the Watertown purchase would be a detriment to the community,” says Casey. “We always thought that we would come to an equitable agreement because we have always had PILOT agreements with our host communities. We were the first university in the country to have a PILOT agreement, going back to the 1920s.”

“If the University is going to expand its real-estate holdings,” says Spiegelman, “then we have to take into consideration what the impact of that expansion is. Unlike the case in Allston, where we have a whole series of investments that we are going to make in infrastructure and other community benefits, in Watertown our one single acquisition was a literal revenue source for a small town. The land was on the tax rolls, so it was appropriate to guarantee some form of income stream.”

The Watertown agreement is unique, but Harvard’s principle of keeping communities whole when property, newly acquired for academic use, is taken off the tax rolls applies in each of Harvard’s host communities. Says Alan Stone, vice president for government, community, and public affairs, “Obviously we knew that when the Watertown PILOT was completed, other communities would take notice. This is a natural thing.”

Legacy at Law

Reflecting on his 14-year tenure, ending June 30, as dean of Harvard Law School (HLS), Robert C. Clark discerns three distinct periods. In the first six years, he says, “I was obsessed with getting good appointments to happen, and making the campaign a success.” Next came a “delightful” interval focused on implementing the major projects enabled by the campaign’s $183-million bounty: renovation of Langdell Hall (which houses the enormous law library) and Areeda and Austin Halls, and the expansion of the clinical program. Finally, the dean engaged the faculty at large in devising a strategic plan (see “The Law School Looks Ahead,” September-October 2001, page 64). That “launches the process again” for a new $400-million capital campaign scheduled to kick off publicly June 13 and 14, the precursor to the next round of growth in faculty, research, and facilities.

Why does Clark emphasize faculty appointments in surveying his administration? Because, as he puts it, appointments—subject to a vote of the entire faculty at HLS—were “deadlocked” when he assumed office in 1989. A professoriate riven by disputes over methodology, ideology, the social context of the law, and diversity could not renew itself (see “The Law School and the Law,” January-February 2000, page 42). Having completed 39 tenure-track appointments—ultimately expanding the core faculty by more than one quarter, to 81 positions today—ranks as Clark’s “happiest” achievement. He says