

## **THE ASSESSMENT CAP FORECASTS A DISMAL FUTURE**

By William Nicoson

How much should Restonians pay for maintaining ballfields, swimming pools, tennis courts, pathways, lakes and other town-scale open space? These are vital components of the Reston experience and confer exceptional value upon residents and businesses alike, though only residents pay.

In 1984, Reston Association reviewed and revised its governing documents, inserting into its Deed of Dedication provisions for an overall cap on property assessments pegged to the Consumer Price Index (CPI). Placing a cap on assessments was a reasonable means of protecting property values: new home buyers would be assured that a future runaway RA board could not impose a burden on property which was unrealistically high.

The trouble was that the index chosen was unrealistic. The CPI measures price increases for a basket of goods bought by a typical consumer. RA is not primarily a consumer of goods, typical or otherwise. RA is a service provider and employer. Ray Leonhard, RA's Chief Financial Officer, estimates that at least half of RA's costs are not represented in the CPI basket of goods.

As a result, year by year since 1984 RA's reasonable assessments have risen closer and closer to the CPI cap. The danger is that the unrealistic cap will in the future prevent RA from appropriately maintaining recreation facilities and open space essential to support Reston's reputation for community excellence.

When that happens, property values in Reston will not be protected by the cap: property values will in fact decline because of the cap.

The Bureau of Labor Statistics publishes a compensation index which helps measure increases in employment costs. Substitution of this index for the CPI in the RA Deed would greatly assist appropriate future management of RA's assets.

The 1984 cap should also be adjusted to reflect the 1991 elimination of recreation pass fees which effectively rolled related costs into the annual assessments. RA estimates that the roll-in reduced the cap margin by at least \$50, resulting in a 2.5% average assessment increase in every year since 1991. The average inflation increase in each of these years was 2.4%.

Last January 5<sup>th</sup> RA's Special Committee on Governing Documents Review approved proposed adjustments of the overall assessment cap to (i) substitute an employment index for the CPI and (ii) reflect the transfer to assessments of former recreation fees.

The RA Board of Directors has taken these and other proposals of the Committee under

advisement and, at its meeting on March 8, voted preliminary approval. Public hearings will be scheduled in preparation for final Board approval in July, followed by a referendum of members. Amendment of the Deed of Dedication will require that 40% of members return their ballots. The favorable votes of two-thirds of voting property owners are required to adopt the amendment.

The future of Reston will be determined by the outcome of a mammoth get-out-the-vote effort on the dry and dusty issue of the assessment cap, an issue of easy appeal only to eye-shaded accountants and sharp-penciled lawyers. Worse, unless offered a referendum dedicated to the cap alone, voters will be swamped with a plethora of other dry and dusty amendments of minor consequence by which the cap may easily be obscured.

Let the prayers begin.

*William Nicoson is a lawyer who has served as a member of the RA Board of Directors, chaired its Fiscal Committee and served as a member of the Special Committee on Governing Documents Review.*