IS THERE A GERIATRIC CURE FOR RA?

By William Nicoson

In terms of longevity, the human condition is vastly inferior to the indefinite and pristine term of most companies and other institutions to which humans give birth on paper. But there’s an exception: under a deed amendment, the Reston Association has been bequeathed an almost human future of advancing decrepitude as it ages. Now the wrinkles are beginning to show.

RA at 35 faces the prospect of accelerating repair and replacement of deteriorating facilities. Not until 1996 did its board put in place a capital funding policy mandating allocation to capital reserves of a minimum portion of annual assessments and, by 2000, all investment income. Over the past three years, capital reserves have increased by 86%.

Under the RA deed assessment income is now capped for some 33% of RA units (mostly apartments owned by absentee landlords) below the current annual assessment of $370, and a 1984 deed amendment threatens a cap on all assessments by reference to the Consumer Price Index (currently at $383). Had all units paid $370 this year, RA’s income would be up by $607,000. Worse, the cap on 33% of units forces the assessment upward on other units at a pace exceeding any expected rise in the Price Index.

Deficit May Day is forecast by RA’s able CFO, Ray Leonhard, in 2002. That’s when enfeebling arthritis deepens the wrinkles.

Members who voted for the 1984 amendment hadn’t expected that the RA board in 1991 would abolish user fees for pools and tennis courts as a source of income. Suddenly $62 of the cap margin evaporated. Nor had they expected that Town Center residential units would be withheld from RA’s jurisdiction over a dispute with the developer concerning design review jurisdiction. In the absence of these two decisions, it’s estimated the annual assessment today would be $250 rather than $370.

In 1984, repair and replacement of RA facilities cost $541,000, compared to a budgeted cost this year of $2.1 million. The difference reflects the toll of 15 aging years. To make matters worse, with residential build-out complete outside Town Center, the growth of units subject to RA assessment ceased this year. The free lunch of new sources of revenue with minimum added expenditures is over.

What’s the elixir that will transform RA’s creeping decrepitude into the bloom of everlasting life? The RA deed contains a provision permitting modification of the Price Index cap with board approval and a “majority vote” of members in single-family units. Elsewhere the deed defines “majority vote” to mean a majority of at least 10% of those entitled to vote rather than a majority of all those entitled to vote. This makes all the difference, since RA elections these days usually motivate the return of more than 10%, but rarely more than 20%, of ballots mailed.
The effect of any proposed modification of the cap should be to compensate only for events not anticipated in the 1984 deed amendment. Then RA should consider how best to make common cause with Reston Community Center in a way that will keep both of them perpetually young.

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