

STORM CLOUDS GATHER OVER RESTON ASSOCIATION

By William Nicoson

Reston Association is a club most Reston residents are legally obligated to join and support with dues, to the tune of \$6 million in 1999, all in their own best interest of course. Now, when revenue streams run dry and run-off streams overflow, the club can't even raise its cap to salute solutions to these problems.

Reston residents outside Town Center are members of RA by reason of deed covenants running with residential land. RA serves as a guardian of members' land values and life style by maintaining common amenities: 4 lakes covering 125 acres, 15 swimming pools, 49 tennis and multipurpose courts, 34 totlots, 25 ballfields, a nature center of some 73 acres, and 50 miles of pathways. RA also administers use and maintenance covenants and, through its independent Design Review Board, regulates external changes to property.

These activities are supported largely by an annual flat assessment of residential units which in 1999 is \$370, up \$15 from last year. The bills are out now with a due-date of March 1 (though for an additional \$15 fee you can pay by instalments over 5 months). If you don't like it, you have one alternative for future years: move out of Reston.

Meanwhile storm clouds are gathering over RA's financial future. That's not because residents will move away rather than pay RA's assessment, but because fewer residents will be moving to Reston than in prior years after all residential land subject to RA's deed is fully developed. This year, forecasts indicate 232 units will be added, and in 2000 and future years, none. The new millennium will find our favorite club in a new economic world.

The problem is exacerbated by the fact that assessments on an increasing number of properties, largely apartment units, have hit a cap placed in the RA deed 15 years ago at 1/2 of 1% of Fairfax County's assessed valuation. This year 29% of RA units are capped below \$370, and next year Ray Leonhard, RA's CFO, estimates capped units will rise above 30%. The result is that most of us, in uncapped units, will increasingly pay a disproportionate share of RA's expenses. There is irony in the result that assessments of some apartment owners, who make money by selling residential occupancy, are being subsidized by other owners who simply pay money to make themselves a home.

Can the cap be raised? Lawyers 15 years ago made it virtually impossible. Amendment of the RA deed on this point requires a vote of a majority of the Board of Directors, a vote of a majority of owners of multifamily units, and a referendum vote by more than a 2/3 majority of owners of single-family units in which 40% participate. Since no recent RA election has produced anything like a 40% turnout and since apartment owners have no incentive to vote to pay a higher assessment, you might say that puts a cap on the cap.

Nevertheless, recent results of operations have been positive. In 1998, RA reduced overhead costs by \$152,000 over 1997. Its no-nonsense collection program has reduced receivables conversion from 49 days in 1994 to 24 in 1998 and by culling collectibles has left 80% of overdue receivables chargeable to only 2% of members. In 1998, investment earnings hit \$320,000, up from \$298,000 in 1997.

Unfortunately RA directors are now facing two decisions with big-time financial consequences: relocation to a new headquarters and initiation of a program to repair wide-spread stream erosion contributing to heavy lake sedimentation. More on these budget-breakers next week. It's our money.

William Nicoson is a former director of RA and a former publisher of Connection Newspapers.