



**Alliance of Reston Clusters and Homeowners**  
*Supporting Homeowner Groups In All of Reston's Neighborhoods*

## **ISSUES BULLETIN 2004-1**

**December 13, 2004**

### **RESTON ASSOCIATION HEADQUARTERS REFERENDUM**

On Dec. 10, the Reston Association (RA) mailed ballots to its membership seeking authorization to buy or build a headquarters building (RA can lease without specific membership authorization). RA must seek new headquarters because its current lease expires in August 2005 and the landlord has advised it will not renew the lease. Ballots must be returned to RA by Jan. 7.

As an issue that directly and substantially affects many of ARCH's Members, the ARCH Issues Committee decided to research the question to determine how, if at all, ARCH could be helpful to its Members in understanding the referendum question. ARCH representatives kept abreast of the RA Board drafting sessions, attended various meetings at which the referendum was discussed, and met with several concerned citizens to obtain their input. Through that process, the Issues Committee sought to identify material questions of interest to ARCH Members, especially those that had not yet been addressed in the public discussion on the referendum. It then presented those questions in a meeting with RA's President Rick Beyer and RA Treasurer John Higgins, who provided responses. The complete set of questions, together with the full responses provided, can be found at <http://www.restonarch.org/bulletins>. This Issues Bulletin provides a summary of the key points.

Questions or comments on this bulletin may be addressed to [issuescommittee@restonarch.org](mailto:issuescommittee@restonarch.org).

#### **Why is buying or building, as opposed to leasing, in the RA membership's interest?**

- As an owner, RA would not be vulnerable to a landlord's whim;
- By fixing RA's annual costs via mortgage/construction loan, owning protects RA against lease increases resulting from rising property values;
- The RA Board's calculations suggest owning is less expensive than leasing equivalent space; and
- Building equity over time may have a future benefit.

#### **If approved, is RA committed to buying or building?**

- No, this only provides authorization to consider these options, in addition to leasing.
- RA may opt to lease again if an appropriate building or land on which to build one is not available or within RA's price range, or if financing options aren't in the best interests of the RA membership.

#### **Will RA's membership be involved in evaluating/implementing these options?**

RA's President stated that, if the referendum is approved, he would immediately appoint a "blue ribbon" panel comprised of experts within the community to assist the RA Board in identifying, evaluating, and implementing the various buy, build, and lease options.

#### **What is RA's vision for the new headquarters?**

- RA's officers report they will seek approximately 20,000 sq. ft. of Class B space (RA's current lease is for 19,000 sq. ft. of Class B space); the membership is not being asked to fund a high-end option.



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- It will be a utilitarian space only, providing office space and, if possible, one or two conference rooms for use by the RA Board and membership.
- RA's President stated that these limitations may make it harder to find an acceptable solution, and underscored that RA's Board is prepared to lease if an acceptable buy or build option is not available.

### **What if only a larger-than-needed building is available?**

- This will be a factor to be weighed in determining the best option.
- RA's President reports there is "zero interest" on the current RA Board in buying a building larger than it needs and leasing out unneeded space, and its preference is not to buy commercial condominium space (where it would be partial owner of a building).

### **How was the \$5 Million Base Cost Calculated?**

Local commercial real estate professionals advised RA that \$240/sq. ft. is the current low-end average for Class B space. That number multiplied by 20,000 sq. ft. equals approximately \$5 million. (RA's current lease is triple net, with RA paying taxes, utilities, and maintenance.)

### **How will the Escalation Clause (adjusting the base price by any increase in the "average market price" up to the time of a build/buy) be applied?**

- RA's President confirmed RA will look first at comparable sales for Class B space only for the area in Reston where the new building would be located.
- Only if comparable sales records for that area are inadequate to provide a basis for comparison will RA then look to comparable figures for a broader area within Reston.

### **If a down payment or other equity investment is required, where will that come from?**

- The RA officers stated the Board's preference is to do a "zero down" deal (this may affect the interest rate, but probably not materially since RA is a settled member of the community) or to manage working capital to fund any initial equity required. The Fiscal Committee, with input from the blue ribbon panel, would make the recommendation it feels is in the membership's best interest.
- The Board could also seek a special assessment (approx. \$50/unit for a 20% down payment on \$5 million), or borrow on RA's equity at its service center site or from RA's Repair and Replacement Reserve. However, RA's President emphatically stated the Board has no interest in these options, and under "no circumstances" would it use the Repair and Replacement Reserves.

### **Why is there no sunset provision in this referendum?**

- The RA Board was concerned a sunset provision might handicap its ability to negotiate with sellers/landlords.
- However, RA's President stated it is the Board's intention that this authorization be used for this next move only; future moves will be treated as if additional authorization is required.

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