

# Fast-forward to 2031: Older residents, fewer school kids, more remote workers

How a changing county will fund its schools and other priorities in the decade ahead

BY TIM CARRINGTON

*For Foothills Forum*

It's springtime, 2031. The dogwoods and red-buds are as spectacular as anyone can remember, and the machinery for preparing an annual county budget is churning out the numbers. The March presentation shows a balanced budget — as it must by law — and two months of refinement and horse-trading will yield a final blueprint before the summer humidity sweeps in.

**1 in 4**

**is age 65+**

in Rappahannock



But what conditions and circumstances will surround that far-off 2031 budget? Today's trends predict many of tomorrow's realities, even though some of the most important influences arrive as surprises.

The reason planners and policymakers track the trend lines is that many of them continue their slow progression into the future after absorbing the shockwaves of a financial crash or a pandemic. And long-term, many residents look at the trends and worry about how the county will fund its largest single commitment: The Rappahannock County school system.

# 2031

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For Rappahannock County, the landscape of the next decade has both clear markers and question marks. If current trends play out, county homeowners in 2031 will be older, wealthier and wobblier on their feet; Rappahannock school children will be fewer; public safety will be costlier; and the cows may have lost some fans and friends as a result of general decline in beef-eating. The county will remain heavily dependent on property taxes, critical to funding the schools as well as public safety, emergency services, law enforcement and public administration.

Assuming its current plans materialize, The Inn at Little Washington will have more rooms, a spa and an event space, with well over 200 employees and more well-heeled guests enjoying the evolving splendors. AirBnB operators will extend and broaden the hospitality sector.

By 2031, an undefined but likely growing number of remote workers will move in, plumping up the property tax receipts and protecting current landowners from the tax hikes they dread.

Of lesser importance, online buying — now subject to local sales taxes — will continue to grow, though people can only guess the extent of digital sales, which surged during the pandemic.

Absent from the 2031 landscape are big-box retailers and cookie-cutter housing developments, both of which would add to tax receipts at the expense of an open landscape that residents and visitors treasure. The county's Comprehensive Plan characterizes Rappahannock as "scenic," and emphasizes agriculture and tourism, noting that these sectors are "not dependent on traditionally defined growth patterns as have developed in jurisdictions nearby."

For its part, the Commonwealth of Virginia is seen as unlikely to revamp its school funding formula, meaning that state infusions to the schools will continue to grow only slightly. But the formula is likely to continue penalizing a county like Rappahannock which shows a shrinking school population together with comparatively high real estate values and incomes.

This means that Rappahannock schools — the county's biggest single investment — will be competing for their share of the property tax harvest, alongside other programs needing money.

The schools, though smaller, will seek to become more nimble and responsive to diverse needs of the students. Gary Aichele, board chair of the nonprofit Headwaters, says if the schools are smaller, they must "create a story that says, 'We take every individual student's situation seriously.'"

Funding from local patrons and various grant-making organizations, including Headwaters, will become more important if state, federal and county support increasingly faces limits. It is also likely that the property tax pool will grow modestly, without turning Rappahannock County into the next Haymarket, a once-quiet town 25 miles to the east now crammed with housing developments and cathedral-sized retailers.

## Guessing post-pandemic behaviors

The most gripping question being discussed in Rappahannock County — as well as in money-center banks and commercial real estate offices throughout the United States — is whether pandemic behaviors will continue into the next decade. Countrywide, work-from-home arrangements broadly succeed-

ed, despite frustrations. The downside was acutely felt by young families with school-aged children also at home, reacting to teachers speaking from screens. As students return to classrooms, many of their parents are opting to work from home in relative peace. Some employers applaud the shift, since it radically lowers real estate and relocation costs. In many cases, the remote workers were measured to be more productive than their in-office colleagues.

The Piedmont Environment Council figures that in Rappahannock and eight neighboring counties, there will be 25,000 workers who will not be commuting to work as they were before the pandemic. If remote-work patterns persist and expand, the number could double. If so, Rappahannock and its schools could gain by attracting working families choosing to locate their homes in the rural county while deriving their income from Washington, D.C., New York or San Francisco.

Says County Administrator Garrey Curry: "The ability for city workers to effectively work from home in much of the county has drastically changed over the years and will likely continue to change as connection to the internet grows more available. This dynamic would seem to me to have the greatest impact on our future."

The extent of remote work in Rappahannock County will depend on various factors, starting with effective broadband access, but will also include availability of housing, land and construction services.

According to the Pew Research Center, 62 percent of the workers with a bachelor's degree or above say their work can be done from home. And many are finding that homes in Rappahannock County carry a range of advantages. Alexander Neill-Dore, co-owner of Hillcrest Contracting LLC (and a Foothills Forum board member), says that "since March 2020, we've been inundated with requests for renovations and new houses." The bulk of the demand, he adds, is "from weekenders who are becoming permanent residents." His firm, which he co-owns with his father, Jonathan, keeps a group of eight carpenters, painters and electricians busy on the contracts.

The construction projects translate to more economic activity, and in the case of new houses, more robust property taxes. Al Henry, a member of the county Planning Commission, figures that 20 new houses a year "seems a comfortable call." If the home values average \$500,000 (an admittedly high estimate today), the building activity would add \$10 million to the aggregate value of property, generating \$73,000 more in annual real estate taxes.

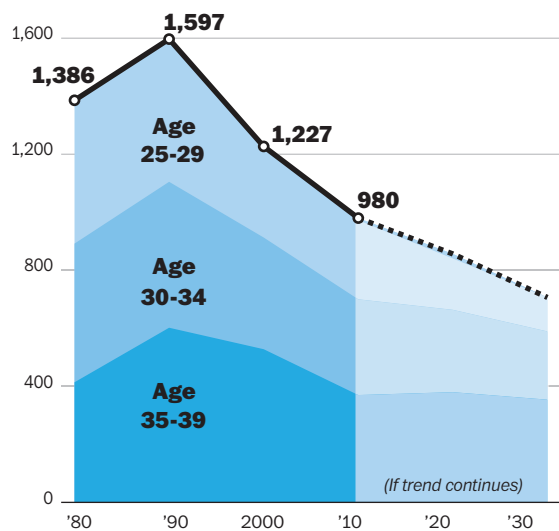
## Aging patterns

A central question is whether the building activity will alter a powerful demographic shift to an older population, with fewer school children. Shrinking schools affect many rural school districts, which are smarting because reduced student populations translate into less financial support from Richmond. The state formula for funding schools factors the number of students together with home values and incomes of residents. Be- ➔

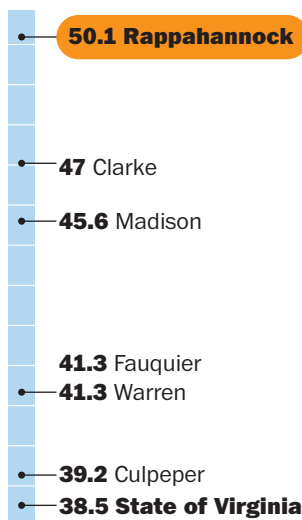
## Aging in place

Rappahannock County is growing older. . . than the rest of Virginia, and surrounding counties.

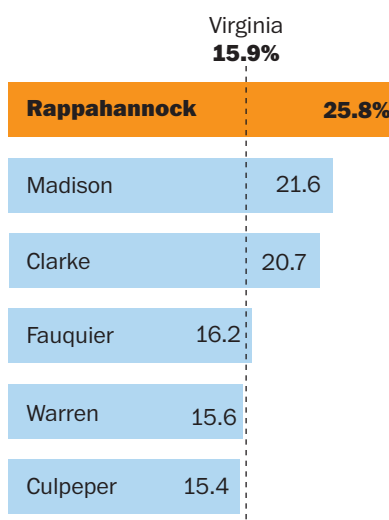
Family-formation age block shrinks



Median Age



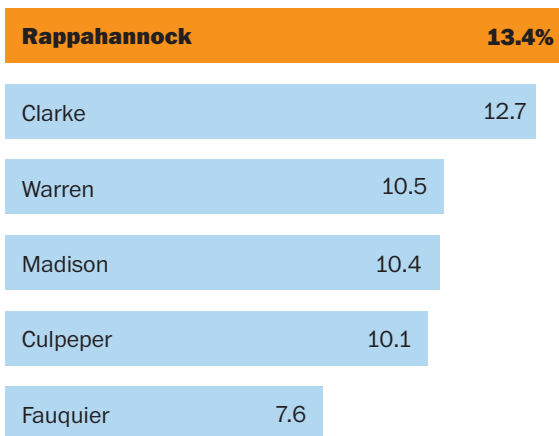
Percentage who are age 65+



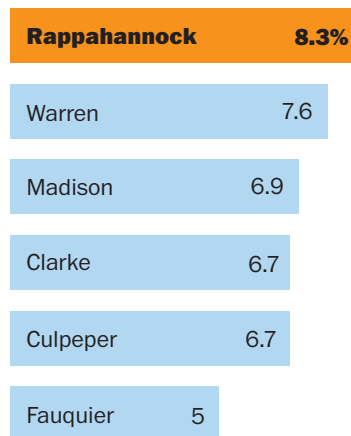
## Older and more vulnerable

Rappahannock's population is both older and more vulnerable, topping the list of area counties for percentage of those who . . .

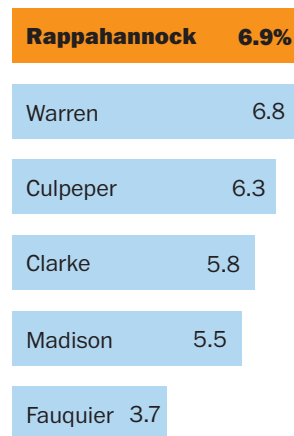
. . . are uninsured



. . . have difficulty walking



. . . have difficulty living independently

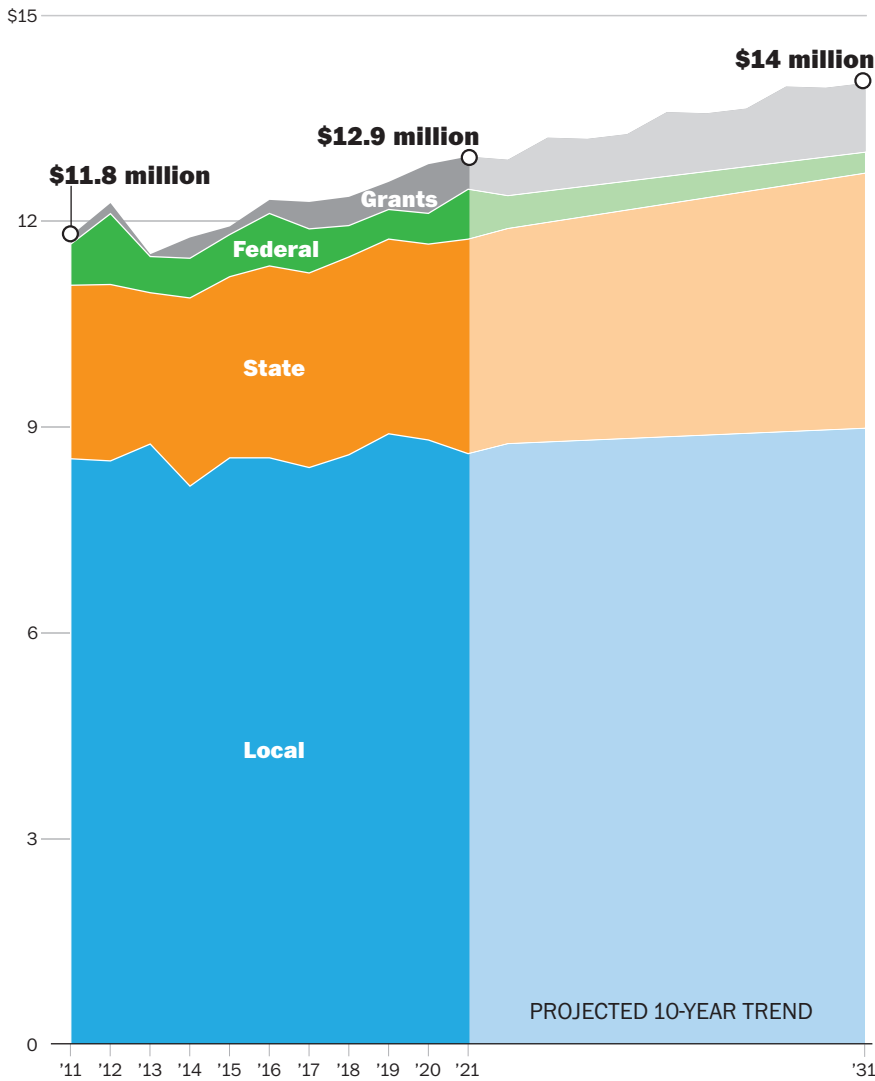


Source: U.S. Census

# Ten years onward

Considering the many variables county planners must factor in, what might Rappahannock County's schools funding formula look like in 2031?

Ten-year school funds in millions



Source: Rappahannock County Public Schools

➔ cause real estate values in Rappahannock are comparatively steep, and income levels comparatively high, the schools receive proportionately less state support than counties with shrinking student populations and depressed real estate values and incomes.

The Average Daily Membership, based on daily attendance rather than enrollment, is the number the state uses in its funding calculations. This critical figure has been shrinking steadily, coming in at 869 in the school year 2015-2016, and dropping to 765 for the current year, according to calculations at the time of the mid-March FY2022 budget presentation.

The shrinking student body, and shakier school funding, could brand Rappahannock County as friendlier to retirees than to young families, which could undercut the potential growth from younger remote workers.

Rappahannock County's pattern of fewer students and more elderly people is pronounced and well-established. Cross the county line from Culpeper into Rappahannock, and the median age leaps from 39 to 50. In Culpeper, 15 percent of the population is 65 or older; in Rappahannock Census data has that at 26 percent — more than one of every four residents.

Here's why the school shrinkage won't quickly reverse itself: In 1990,

there were 1,597 residents between the ages of 25 and 39, the main years for forming families. By 2010, residents in this age group had plummeted to 980, a 61 percent drop. Census figures for 2020 aren't yet available, but national trends point to a general postponement in marriage and family formation. Compared to the rest of the state, Rappahannock shows a measurable shortage of kids ages five and younger: 4.8 percent in the county, compared to 5.9 percent in the state.

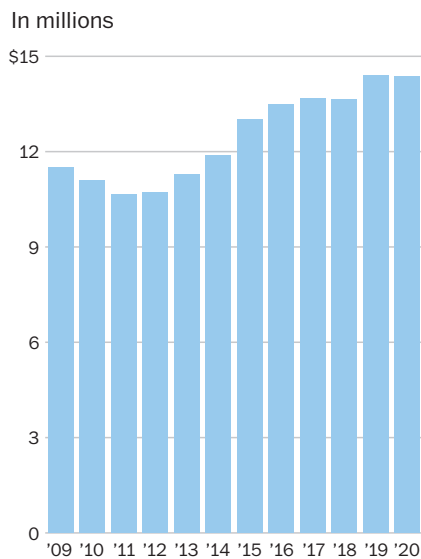
Older populations go hand in hand with vulnerabilities. Difficulty walking affects 8.3 percent of Rappahannock residents, higher than the counties of Clarke, Warren, Madison, Culpeper or Fauquier. Similarly, 6.9 percent of Rappahannock residents face difficulty living independently, higher than all of the five neighboring counties. The vulnerabilities translate into higher demands on county social workers and a greater likelihood of emergency calls. Those needs will increasingly compete for public resources with the educational and social missions of the schools.

## Costlier emergency services

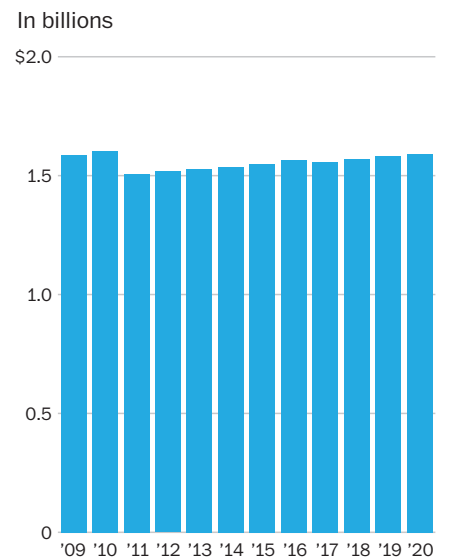
Meanwhile, emergency services provided by the county's seven Fire and

Property taxes have risen at a faster rate than the assessed value of taxable property

Property taxes

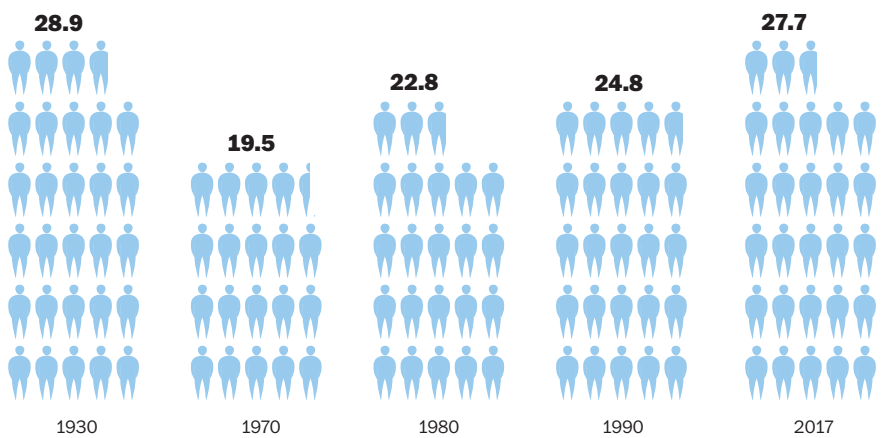


Assessed value of taxable property



Population Density

Persons per square mile



GRAPHICS BY LAURA STANTON FOR FOOTHILLS FORUM

Rescue companies are becoming more costly, as Rappahannock, like most neighboring counties, shifts toward paid staff. The slow attrition of volunteers in the companies is both a cultural trend throughout Virginia and another demographic phenomenon; volunteers age into retirement, with fewer young firefighters and emergency medical practitioners to take their places. The county will be hiring a paid emergency services coordinator in coming months, the first step in a transition to paid staff.

Difficult decisions lie ahead, including whether fire and rescue companies might merge and cover broader areas. Once staffed up, the fire companies will likely require about \$2.5 million a year of additional funds. While these budgets are covered by a separate fire levy, says one seasoned firefighter, "it's still Joe Taxpayer" who will be footing the bill.

## Sacred land

In Rappahannock County, cows aren't sacred but the land they graze on is. The widespread use of conservation easements and land-use tax deferrals preserves the county's exceptional vistas and viewsheds, but cuts into the key revenue source of property taxes. That worries the schools' most dedicated supporters.

Once the various tax breaks are taken into account, only 14 percent of the county's taxable land is subject to taxes calculated at fair-market value.

Policymakers have shown no appetite for tax changes that would add to the financial burdens facing the county's farmers. But one additional land-use option will probably receive a fair hearing some time before that far-off 2031 budget is presented. This is the open-space tax deferral, which the state allows but which Rappahannock's tax playbook doesn't currently include. The county would be free to allow a higher tax break for land in agriculture or forestry, and a smaller advantage for open-space land set aside for hunting, walking trails or wildlife sanctuaries.

Advocates of this approach, like Casey Eitner of Castleton, see adding the open-space option as a win-win.

"The open space designation applies to a wide range of natural preservation uses, and I believe a lot of people would opt for that," says Eitner. "They would voluntarily pay a little more tax to get out from under agricultural land use requirements. This could be a source of much needed new revenue to finance our schools and emerging needs like fire and rescue."

# Inside the rate debate: Washington wastewater worries rile town

A costly sewer plant has become a chronic money pit. Proposed rate increases hit the “company town’s” anchor, The Inn at Little Washington, hard, raising tensions

BY TIM CARRINGTON  
For Foothills Forum

Washington, Virginia — home to the celebrated Inn at Little Washington — is known for meals and memories so beautiful they can’t be forgotten.

The difficulty involves the leftovers — wastewater, sludge and a 10-year-old town structure of pipes, tanks and grinders that has proved too expensive and too divisive to manage easily. As rancorous as the local hospitality is gracious, the wastewater debate inches toward a solution that may prove provisional — with crucial decisions expected at a Town Council meeting on May 10.

After revealing worsening financial losses in the wastewater system, the Town Council in March proposed the first rate increase in five years. But last weekend the plan was pushed into limbo, after fierce protests from the system’s largest user — and payer — by far: The Inn at Little Washington.

The clash has exposed fault-lines in the sewage system’s finances, but also in the town itself, where policymakers must balance the interests of 133 residents with those of a world-renowned, voluminously awarded culinary mecca that boasts a waiting list for every meal.

Throughout the spring, Washington’s Town Council has been scrutinizing a worrisome set of numbers. Here are highlights:

▶ The town owes \$1.8 million on the sewer plant loans, or \$198,000 a year for the next decade. Three bonds tied to the less indebted water system require payments of \$24,000 a year.

▶ Deferred maintenance and repair projects have piled up. The 110 water meters, some of which can no longer be deciphered, need to be replaced — for about \$300,000, which could be spread over five years. Rusty tanks need sand-blasting and repainting with industrial epoxies. Pumps in sewage grinder pots require attention. A backup well might be advisable in case the current one dries up.

▶ Wastewater fees that users pay tend to fall short of expenses by about \$75,000 a year. For the fiscal year ending in June, the gap will be about \$100,000.

▶ The water system presents a success, ending a typical year about \$20,000 in the black.

The proposed 25 percent rate increase would deliver a resounding, though far from crippling, whack to the Inn, which estimates that the new plan would hike the transfers from inn



PHOTOS BY LUKE CHRISTOPHER FOR FOOTHILLS FORUM

**Council member Brad Schneider, at the Town of Washington’s water and waste management facility, said that the town can seek grant funding for some of the system’s much-needed structural improvements.**

to town by \$36,000. But this would come on top of a hefty base: last year, the Inn calculated that it paid the town \$430,000 in taxes and fees last year under the existing rates.

The typical Washington household would see water and sewer bills rise by about \$300 annually, and reductions would be available for lower-income households. It’s inevitable that the largest private business in the town — and also the county — would bear special burdens. But the wastewater standoff points to a core identity problem: is Washington a town that has an inn, or an inn that has a town?

“We are a company town,” said longtime resident Nancy Buntin, whose father served as a state trooper and later county sheriff. “It’s just like

a steel town. But there are benefits. I made my peace with the Inn a long time ago.”

However, peace was in short supply when the Town Council met April 12 in the 1857 Town Hall, where frictions over the rate hike boiled over. The Inn’s Chief Proprietor Patrick O’Connell, who serves on the Town Council, remarked that “it’s a very difficult town to do business in.” Washington Mayor Fred Catlin later came back: “We have a deficit staring us in the face.”

As happens at a town council meeting, the sobering financial discussions gave way to a debate of a possible town ordinance on fireworks, which are most often ignited by the Inn to punctuate wedding vows or celebrate a special occasion. The periodic blasts upset animals in the town, even though the Inn

limits fireworks displays to four minutes. A Washington cat was recently unhinged by the explosions and went missing for a day and a half.

## Trouble in paradise

In 2009, when the water and sewer system went in, it was considered “state of the art,” Town lawyer John Bennett said. The effluent flowing from the wastewater treatment plant was considered the cleanest in Virginia. But the ill-timed recession following the financial crash of 2008 translated into sluggish economic activity, reduced user fees, and many fewer connections than planners had assumed. The costly plant wasn’t covering its costs, but sensitive to the financial strains already facing long-time Washington residents, the town hesitated to push through rate increases until 2015 and 2016, when economic conditions were more propitious.

If wastewater routine revenues fell below expenses, as they regularly did, the town tapped a reserve known as the Local Government Investment Pool, or LGIP. The pool plunged from \$343,000 in 2014 to \$41,000 in 2016. The sale of Avon Hall propped it up to \$324,000 in 2019, but it started to decline again, sliding to \$260,000 in 2020.

In 2019, after election to the Town Council, Joe Whited recalls thumbing through Washington’s budget and concluding, “Life is pretty good.”

**A proposed wastewater rate increase would cost the Inn an additional \$36,000 per year.**



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## TOWN

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Turning to the water accounts, he saw higher costs than he expected but he remained sanguine. Then, when he got to the wastewater spreadsheets, he had a chilling realization: The system wasn't paying for itself. He figured that if the pattern continued, the LGIP would continue to shrink, and finally disappear, leaving the town without a viable financial cushion.

Working with Treasurer Gail Swift, Whited began poring through the numbers. They perceived a perfect storm of three intersecting financial challenges: continuing payments on loans that funded the system's construction a decade ago; a buildup of postponed replacements and repairs; and an operational deficit where fees for the wastewater plant chronically fall short of expenses.

Soon after Swift and Whited concluded that a rate increase was necessary, the COVID-19 crisis hit, and Rappahannock County spun into a state of emergency. It wasn't the time to raise anyone's taxes on anything. Instead, Washington negotiated a pause in debt repayments with the wastewater system's lenders.

As the pandemic year unfolded, the Inn, the town and the county all managed to avoid the most wrenching setbacks many had feared. Remote workers settled into weekend homes or AirBnB rentals, and digital sales ballooned, generating online sales taxes. After a short break, guests returned to the Inn at Little Washington, greeted by the characteristically theatrical touch of mannequins in the dining room to assure safe distancing.

## Rate increases vs. unstoppable growth

Meanwhile, Whited and Swift crunched the numbers, finding they hadn't improved. The two argued that rate increases — never popular — were needed to prevent the town from exhausting its financial reserves and risking default on debt payments to the lenders. Should the town be unable to repay the loans, the lending contracts would require immediate taxes on property-owners at whatever level was necessary to restore the scheduled repayments.

Notwithstanding the warnings, the Inn recoiled at the proposed rate increases. Being told to pay an additional \$36,000 to the town on top of past and ongoing infusions felt like being taken for granted. But at root, the Inn's argument against the new rates was based on its own assumptions of unstoppable growth. General Manager Robert Fasce pointed out that guest rooms and dining tables are now booked months ahead, and that expansion plans include more rooms, a cafe, a grocery store, a spa and an event space. The resulting gush of revenue for the Inn will translate into increased tax money for the town under the meals and lodging levy, set at 2.5 percent of gross revenues. "They're going to get significantly higher meals and lodging tax-



BY LUKE CHRISTOPHER FOR Foothills Forum

**Town Treasurer Gail Swift, above, and fellow Council member Joe Whited concluded that water rate increases were necessary.**

es," he said. "They don't have to touch anything." He also pointed out that other businesses, such as one potentially coming to the soon-to-be-sold Tula's building, will add to the town's revenue.

At a Zoom-based Saturday morning budget working session, Fasce asked Council members to name the gap they immediately needed to fill, and offered to guarantee that increased meals and lodging taxes would take care of the problem. Mayor Catlin pointed out that the ongoing meeting was a working session on the budget, not an official council meeting, and that neither financial negotiations nor binding decisions were possible. Fasce pressed his case for allowing the Inn's growth to solve the wastewater problem, stating that he could guarantee another \$60,000 in meals and lodging taxes. "I'm not sure a meteor could hit and stop the momentum," he added.

Though the council members were restrained from making binding decisions, Fasce's message about the Inn's growth prospects sunk in. Town council members incorporated the perspective that the necessary revenue boost could come not only from water and sewage fees but other sources, particularly meals and lodging taxes. Council member Brad Schneider said that the town also can seek grant funding for some of the structural improvements. He argued that there may be funds still available from federal COVID-19 assistance, and later in the year, monies allocated under the Biden infrastructure financing package now being debated in Congress. In addition, Schneider said, existing grant programs administered by the U.S. Department of Agriculture can be explored.

County Supervisor Keir Whitson representing the Hampton District urged the town to explore possible savings that could come through co-

# \$198,000

Annual sewer plant loan payments for the next decade, one of several wastewater-related expenses the Town of Washington faces.

ordination with the waste system run out of Sperryville, and with the Commonwealth of Virginia. For example, joint purchasing agreements for costly chemicals used in water treatment could help the town cut expenses.

A cautious treasurer, Swift warned against budgeting on promises, possibilities or expectations of future growth. Nonetheless, the budget plan will contain new flexibility on the contentious rate increases, which may be held in abeyance or come in far smaller than initially proposed, based on an expected jump in meals and lodging taxes. Whited also emphasized that any rate increases that go through can be rolled back later. Responding to critics who said that governments never roll back taxes, he pointed out that the federal government regularly votes through sweeping tax reductions. "There would be no stronger advocate than myself for rolling back taxes or fees if we're solidly in the black," he insisted. "What would be the motivation of keeping them high?"

## How little?

The wastewater fracas underscores not only the dominant role of the Inn, but a central challenge for the town: Little Washington is too little for its own best interests. In 1900, some 300 residents ambled through the compact grid of streets; today, despite repeated statements that a larger population would be good for the town, there are 133 residents.

Following the contentious meeting on the sewer rates, Mayor Catlin said that the wastewater system — now operating at about 50 percent capacity — would be in better shape if the town population was about 170 rather than 133. The town's Comprehensive Plan, issued in 2017, called the water and sewer system "a boon to the town," but it also reasoned that "the cost of maintenance and service would be better apportioned if the Town population were closer to the sewer system's optimum capacity of 250 users."

A mixed-use development project led by Washington resident Chuck Akre would bring offices, rental housing, and nonprofit space to the town,

which would boost the finances of the wastewater system by bringing new connection charges and usage fees. First presented as Black Kettle Commons, the project was renamed this week and is now Rush River Commons (see related story), with a crucial change: rather than fight through a controversial boundary adjustment placing Akre's entire nine-acre land parcel into the town, the reconfigured idea would construct the planned buildings and paths on the land already within Washington, and expand to the county section as Phase Two if the needed boundary shift eventually is accepted.

The boundary adjustment had ignited opposition in parts of the county even before any formal proposal was surfaced from the project backers, and the County Board of Supervisors debate promised to be bruising, and drawn-out. By keeping immediate construction plans inside Washington, where decision-makers tend to view the project positively, the process will likely be simpler and faster. Having invested in a considerable engineering and hydrological analysis, Akre says he hopes to start construction late this year or early in 2022.

Landscape and architectural features will receive painstaking scrutiny, along with a slew of environmental and legal. But if the project goes through, it might begin to define a path for carefully guided growth, rather than no growth. Speaking about the Akre mixed-use proposal, and others of similar scale, Washington's Nancy Buntin said, "For me, it's just allowing the town to grow a little. It's not the suburbanization of the town or the county."

## Company town

Broadly, Washington's diverse residents and managers accept the established symbiosis of a company town. The Inn unleashed, heightened and extended the latent beauty of the place, creating an enterprise that is both a work of art and an economic engine. The town supplied a name, a history and an authenticity that includes neighbors, sewer pipes and traumatized cats. Without the Inn, basking in yet another Michelin Three Star recognition, the town would have fewer flowers, less revenue, and more neglected buildings. But without the sometimes exasperating town, the Inn would be an exquisite fantasy park.

With respect to the troubled water and sewer system, the interdependence is equally strong. "They're the biggest commercial user and we love them," former town clerk Laura Dodd said of the Inn. "But we also saved them because they could never have run that kind of establishment on a drain field."

O'Connell's critique of the town carried an impact, but also an irony: he is a member of the Town Council he was criticizing, and would have signed off on decisions that involve the wastewater system. "It's not the Inn versus the town," Fasce said. "We're all in it together."

Council member Whited agreed: "We're all going to win or we're all going to lose."

# County real estate taxes are inequitable and comparatively high, yet vital to preserving Rappahannock's identity

By TIM CARRINGTON

*For Foothills Forum*

Rappahannock County property taxes are a financial lifeline, a tool for preservation and an algebra of minute calibrations, some of which benefit large properties over small.

For all its complexities, it's the indispensable tax, raising money from what everyone values – real estate – which gets converted into the services Rappahannock residents need.

But the taxes involve trade-offs which go to the heart of the Rappahannock identity,

including its stresses and contradictions. The county's land-use valuations give large landowners a significant tax break that isn't available to owners of small properties, unfairly saddling these residents with a higher rate of taxation. The tax breaks also cut into local county revenue, meaning there's less money available for the county's largest single investment— its schools.

At the same time, however, the land-use tax breaks are crucial to Rappahannock's defining commitment to protect an unequaled rural

See **TAXES**, Page 20

## ANALYSIS

**A look at the lifeline: For richer, for poorer, property taxes fund the county**

A Foothills Forum - Rappahannock News special report



# TAXES

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landscape. Without the land-use system, analysts and citizens say, the county could expect fewer farms and more sales to developers.

A Foothills Forum analysis of tax data provided by the Commissioner of Revenue and the County Treasurer renders a distinct profile of Rappahannock's lifeline property tax:

- ▶ It's comparatively high; surrounding counties pay less.
- ▶ It's inequitable; large landowners enjoy hefty tax breaks that aren't available to owners of smaller parcels. That results in an effective tax rate that is higher for lower-priced properties – what economists call “regressive.” Still, properties valued at \$500,000 or more currently account for more than half of the total property tax bill.

▶ It's dependable; taxable values for real estate fluctuate, sometimes significantly, but real estate doesn't evaporate, while once-profitable businesses can migrate or become worthless, wiping out the tax stream they once supplied.

▶ Schools – the county's single largest investment – are dependent on the property taxes, but the principal factor that pushes those taxes higher – pricey real estate – results in less support from the state, reinforcing the dependence on property taxes.

▶ Big houses push up taxes more than big land. The tax on houses can't be chopped by any available tax break, while the tax on land can be reduced through land-use tax deferrals.

Property owners have just opened the tax bills they'll pay in December, and meanwhile, a countywide reassessment nearing completion will mark up the taxable value of thousands of properties to reflect the recent surge in real estate prices. The new values will apply in 2022.

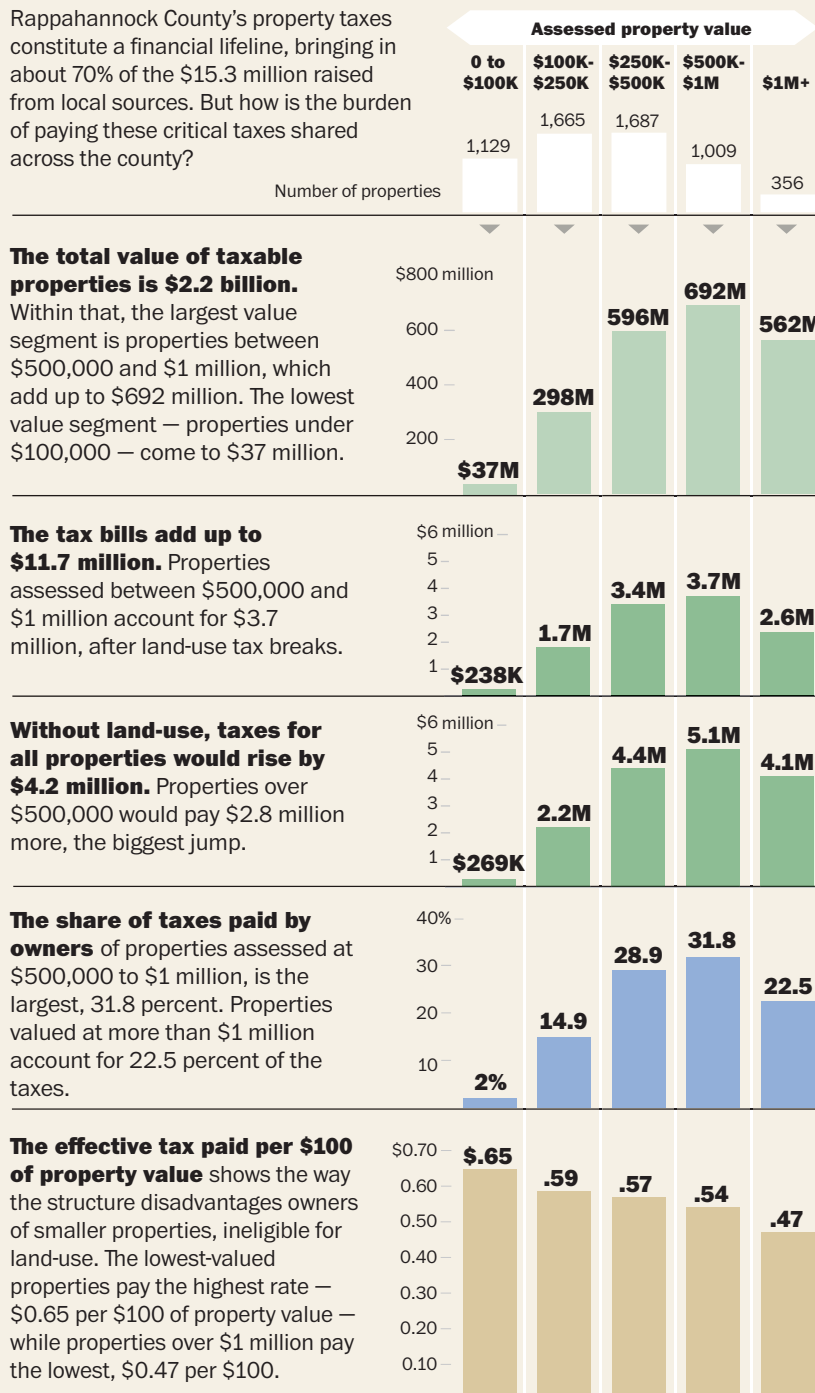
Nationwide, property taxes fund local government. But as in so many other ways, Rappahannock is special – opting for a small population and an open landscape that excludes big-box retailers, car dealerships and many other commercial sources of tax revenue. As a result, Rappahannock has less to tax than more economically diverse places. So for now, property taxes remain the invisible force that keeps school buses and emergency vehicles on the road, and teachers in front of their students.

In Fiscal Year 2021, which ended June 30, property taxes generated \$10.7 million, or 70% of the \$15.3 million Rappahannock brought in from local sources. That makes Rappahannock far more dependent on this revenue stream than most local governments. According to Property Tax 101, a nonprofit information platform, property taxes normally account for about 30% of local revenue. The same national estimates show that local governments typically pull in about 32% of their budget from the states where they're located.

However, Rappahannock counts on about 26% of its budget coming from the Commonwealth of Virginia, a smaller percentage than six neighboring counties. The FY 2021

## Are Rappahannock County's taxes fair?

Rappahannock County's property taxes constitute a financial lifeline, bringing in about 70% of the \$15.3 million raised from local sources. But how is the burden of paying these critical taxes shared across the county?



SOURCE: Rappahannock Commissioner of Revenue, Foothills Forum data analysis of 2021 tax figures  
NOTE: The missing tax revenue under land-use is restored when individual land-owners drop the arrangement, and are then asked to pay up to five years in back taxes.

Graphics by LAURA STANTON for Foothills Forum



BY LUKE CHRISTOPHER FOR FOOTHILLS FORUM

**“It's going to go up.”**

Rappahannock County Commissioner of Revenue Mary Graham says of the new property assessments

budget contained 56 other sources of local revenue. Some, such as sales taxes, are growing, but none came close to the contribution derived from property, and none is expected to any time soon.

## A high-tax county, for a reason

Rappahannock emerges as a high-tax county in statewide or Piedmont region comparisons. According to Property Tax 101, the median property tax in Rappahannock is \$2,287, well above a statewide median of \$1,862, and far higher than Madison County's median tax of \$1,169, or Culpeper's \$1,788. However, the higher Rappahannock taxes mirror the higher Rappahannock real estate values. According to the same study, Rappahannock shows a median home value of \$428,700, while the comparable figure in Madison is \$250,900. Page County comes in with a median property tax of \$967, the lowest of six neighboring counties, but this is explained by the similarly low median home value of \$168,700.

Right now, Rappahannock's taxes are calibrated from out-of-date property valuations based on assessments worked up in 2015 and sent out to property owners in 2016. Since then, according to Zillow, the national real estate data firm, median home values in Rappahannock have surged 23% from \$340,523 to \$417,448. (That's a slightly different figure than that of Property Tax 101, though both show a comparable rise; the appraisal process takes into account multiple barometers and sales records.)

Anticipating the new property assessments, Rappahannock County Commissioner of Revenue Mary Graham says flatly: “It's going to go up.” She's quick to add that to protect local homeowners from the tax consequences of a rising real estate market, Rappahannock's Board of Supervisors likely will consider adjusting the tax rate, now 73 cents per \$100 of property value.

Hampton District Supervisor Keir Whitson anticipates higher assessments when the new numbers surface this fall, but not higher tax bills, since the supervisors can offset the higher property values with a reduction in the tax rate. “I don't see why we would place an additional burden on our citizens,” he said. “I would not be inclined to leave the real property tax rate the same and hit people hard when they don't need to be hit hard.” If the supervisors continue a historic commitment for steady levels of taxation and ratchet tax rates downward to offset the higher assessments, it will be included in the budget presented in March 2022.

There is no push to eliminate or water down the land-use tax deferrals, but if there were, the change probably wouldn't result in more revenue for the county. As with the expected increase in property assessments, supervisors want to keep tax bills level. And in the unlikely event of even partly doing away with the land-use tax breaks, the rates of taxation would likely drop, keeping the county's revenue, and residents' taxes, about where they are now. ➔

## The fairness problem

➔ Still, a fairness deficit seems to be built into the county's current tax structure. Rappahannock's property taxes are inequitable in that owners of big properties have access to big tax breaks denied their small-parcel neighbors. That sounds unfair, and in many ways, it is.

Consider this actual example from the Fiscal Year 2021 tax rolls: A resident with just over two acres in Chester Gap must pay \$1,614 in property taxes; while just south in Huntly, another Rappahannock denizen is billed the only slightly higher levy of \$1,734 – but on 25 times more land.

The reason for the uneven treatment is that the 50-acre property in Huntly enjoys the land-use tax deferral that blankets more than



BY LUKE CHRISTOPHER FOR FOOTHILLS FORUM

**Properties with a taxable value over \$500,000 will pay 55% of the county's property taxes this year.**

Rappahannock County Treasurer Debra Knick

83,000 acres of Rappahannock County – 60% of the 136,581 county acres that are taxable.

When land goes into land use, the commissioner of revenue assigns it a new taxable value — always less than its fair market value. An acre with an agricultural or horticultural land use designation is revalued for tax purposes at \$400. An acre designated for forestry is assigned a taxable value of \$325. How much of a discount this is depends on what the value of the land would be if it weren't in land use. Altogether, the county will forego \$4.2 million in tax revenue this year as a result of the land-use arrangement.

Some of those lost revenues are restored when a resident ends a land-use arrangement. The county then

See TAXES, Page 22

## The Richmond road: Rappahannock County wants more help from the state

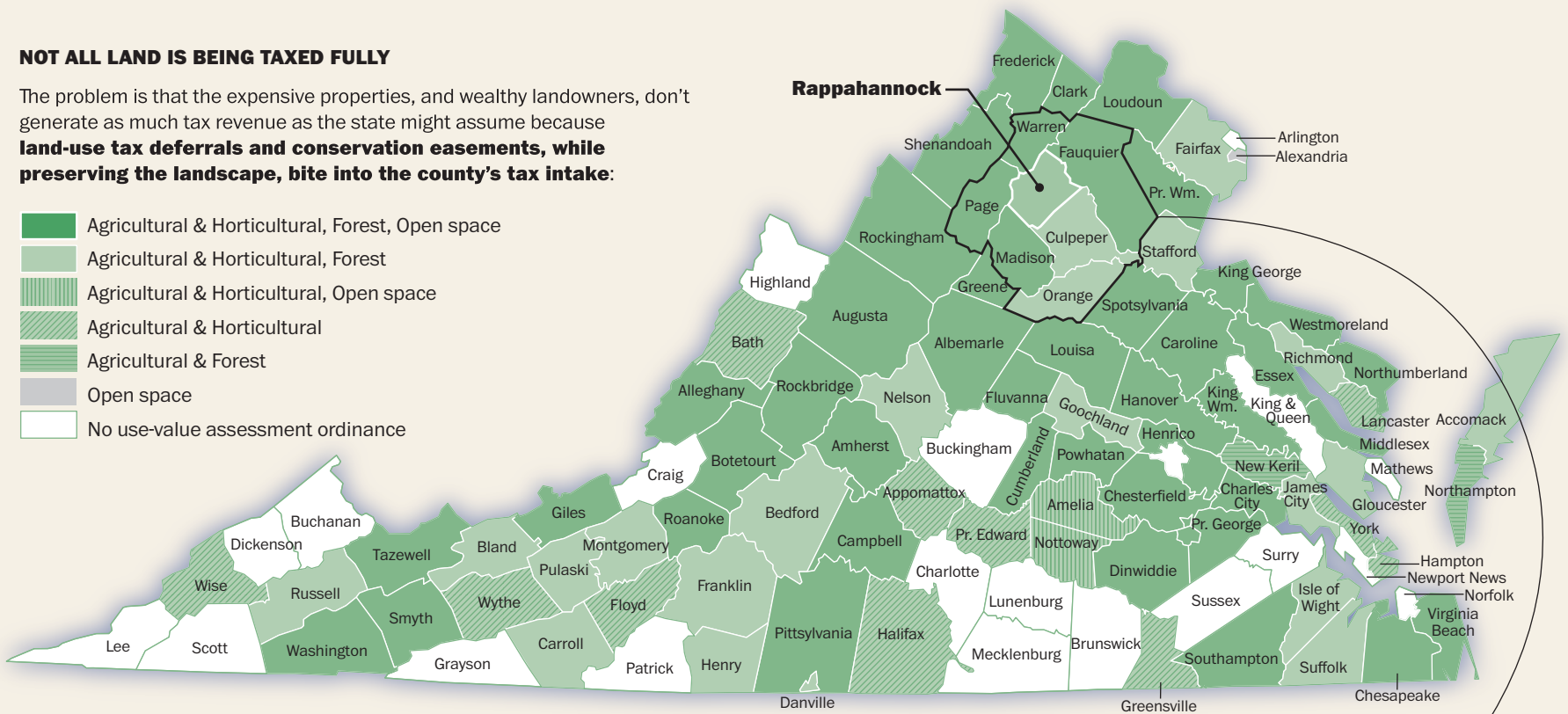
Rappahannock County depends on property taxes to support its schools and other basic services, partly because of what it isn't receiving from the state of Virginia. Residents often chafe about the meager help coming from the Assembly in Richmond, particularly for the schools. Headwaters, a nonprofit advocate for Rappahannock's schools, finds that local educators strive to meet various state mandates, but only get 18 to 20 cents from the state for every dollar they spend doing it. **The state formula for schools' financial support disadvantages Rappahannock for three reasons:**

- 1 School population** is comparatively **small**
- 2 Property values** are comparatively **high**
- 3 New residents** are comparatively **rich**

### NOT ALL LAND IS BEING TAXED FULLY

The problem is that the expensive properties, and wealthy landowners, don't generate as much tax revenue as the state might assume because **land-use tax deferrals and conservation easements, while preserving the landscape, bite into the county's tax intake:**

- Agricultural & Horticultural, Forest, Open space
- Agricultural & Horticultural, Forest
- Agricultural & Horticultural, Open space
- Agricultural & Horticultural
- Agricultural & Forest
- Open space
- No use-value assessment ordinance



### STATE HELP LAGS

A comparison with neighboring counties suggests that Rappahannock has grounds for finding the State of Virginia somewhat stingy: **it provides Rappahannock 26% of its total revenue, the lowest of seven neighboring Piedmont counties,** and well below the 43% sent to Page County.

County	Total Revenue	\$ from Virginia	Percent of total revenue
Page	\$71,590,378	\$30,457,131	43%
Culpeper	\$175,377,536	\$68,888,067	39%
Orange	\$112,416,281	\$42,004,081	37%
Madison	\$43,838,726	\$16,281,595	37%
Warren	\$128,361,383	\$46,143,387	36%
Fauquier	\$290,730,885	\$80,905,476	28%
<b>Rappahannock</b>	<b>\$27,749,884</b>	<b>\$7,310,928</b>	<b>26%</b>

SOURCE: University of Chicago, for year ended June 30, 2020



Detail of a tax map at the county Commissioner of Revenue's office.



PHOTOS BY LUKE CHRISTOPHER FOR Foothills FORUM

**Homes in the most expensive bands were found to have been under-assessed at 81% of their market value, and less expensive homes were over-assessed at 12% of their market value.**

**WHAT IS FOOTHILLS FORUM?**



Foothills Forum is an independent, community-supported nonprofit tackling

the need for in-depth research and reporting on Rappahannock County issues. The group has an agreement with Rappahannock Media, owner of the Rappahannock News, to present this and other reporting projects.

► More at [foothillsforum.org](http://foothillsforum.org)

**What do you think?**

Send feedback to [editor@rappnews.com](mailto:editor@rappnews.com)

➔ market value. The years covered by the study weren't typical, including the fallout of the financial crisis and collapse in the housing market, and the uneven recovery that followed. The study, while highlighting a documented inequity, doesn't include more recent data, which might show different, or less pronounced, patterns.

There is always an assessment lag of five or six years, during which the market value of a property may have changed significantly. That is borne out in the Zillow finding that Rappahannock real estate is up 23% from the 2016 assessment. Also, wealthier homeowners more often pay for expansions and improvements to their properties. And while permits associated with these projects are filed and reflected in yearly adjustments, they don't always reflect the actual costs, since home improvement jobs initially priced at \$50,000 can end up costing \$100,000.

Moreover, because appraisers don't regularly inspect houses' interiors, they miss the refinements that push up the prices for costly houses, as well as the deferred maintenance problems that bring down the value of lower end houses.

No one envisions an easy fix, since more frequent appraisals, including more intrusive inspections, would be costly to carry out.

Al Henry, a member of the Rappahannock County Planning Commission that produced the Comprehensive Plan, figures property taxes broadly are "the correct tax." He reasons that "people tend to live in the homes that they can afford and that match their standard of living. They pay their real estate tax accordingly."

**Where to turn?**

Though the county's cash position is considered strong - with debt levels falling - the dependence on property taxes ignites worries about funding future investments, particularly in the schools. Policymakers and

advocates are essentially resigned to Virginia's school subsidy formula remaining fixed at the lowest levels of state help.

Gary Aichele, chair of Headwaters, the Rappahannock Public Education Foundation, has a wish list including continuing education for teachers, housing supplements to help them live in a costly county, hiring bonuses for sought-after instructors, and added support for career-oriented programs such as the agricultural academy that prepares interested students for the demands and opportunities in 21st century farming.

"Right now, they're stretching dollars and maximizing grants," he says. But he recognizes the reluctance to raise property taxes in any way when the level is already comparatively high. He adds that farmers with school-age children have told him, "If we have to pay another penny in tax, we can't stay in this school district." That, of course, cuts the student population, which has been shrinking for the past decade, which, in turn, results in less funding from the state.

His solution: raise funds outside the property tax structure to strengthen the schools, building the county's reputation as a home for families seeking an exceptional public school system. More people move in, buying or building homes. These, in turn, feed the Rappahannock lifeline - property taxes.



**"Not many cows take up seats in our school, and hayfields very rarely call 911."**

Rappahannock County Administrator  
Garrey Curry