

Rappahannock News

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\$1

Supervisors back big broadband expansion plan

▶ County may contribute \$5.9 million as part of regional project ▶ Akre family pledges \$3.5 million

BY JULIA SHANAHAN
Rappahannock News Staff

The Rappahannock County Board of Supervisors and Broadband Authority voted to continue forward into phase 2 of their agreement with All Points Broadband that could greatly expand internet service in the county.

The bodies (made up of the same people) could not reach a decision at their meeting on Sept. 1, and held a continuation of the meeting on Tuesday.

Hampton Supervisor Keir Whitson, Stone-wall-Hawthorne Supervisor Chris Parrish, and Wakefield Supervisor Debbie Donehey voted in favor

of moving forward with the agreement, Jackson Supervisor Ron Frazier voted against the agreement and Piedmont Supervisor Christine Smith abstained.

All Points is estimating the project to cost \$19.5

See **BROADBAND**, Page 18

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 unequalled rural

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ANALYSIS

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

A Foothills Forum - Rappahannock News special report

At the county park, good fences make good neighbors

▶ Page 6

Another brewery in Sperryville OK'd — with conditions

▶ Page 8

Supervisors approve paid fire & rescue department

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9-11: 20 years later, memories endure

"I felt it was my duty to make the children feel safe," said Deborah Flinchum, who was teaching at the elementary school. Four residents reflect on their Sept. 11 experiences. 12



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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.

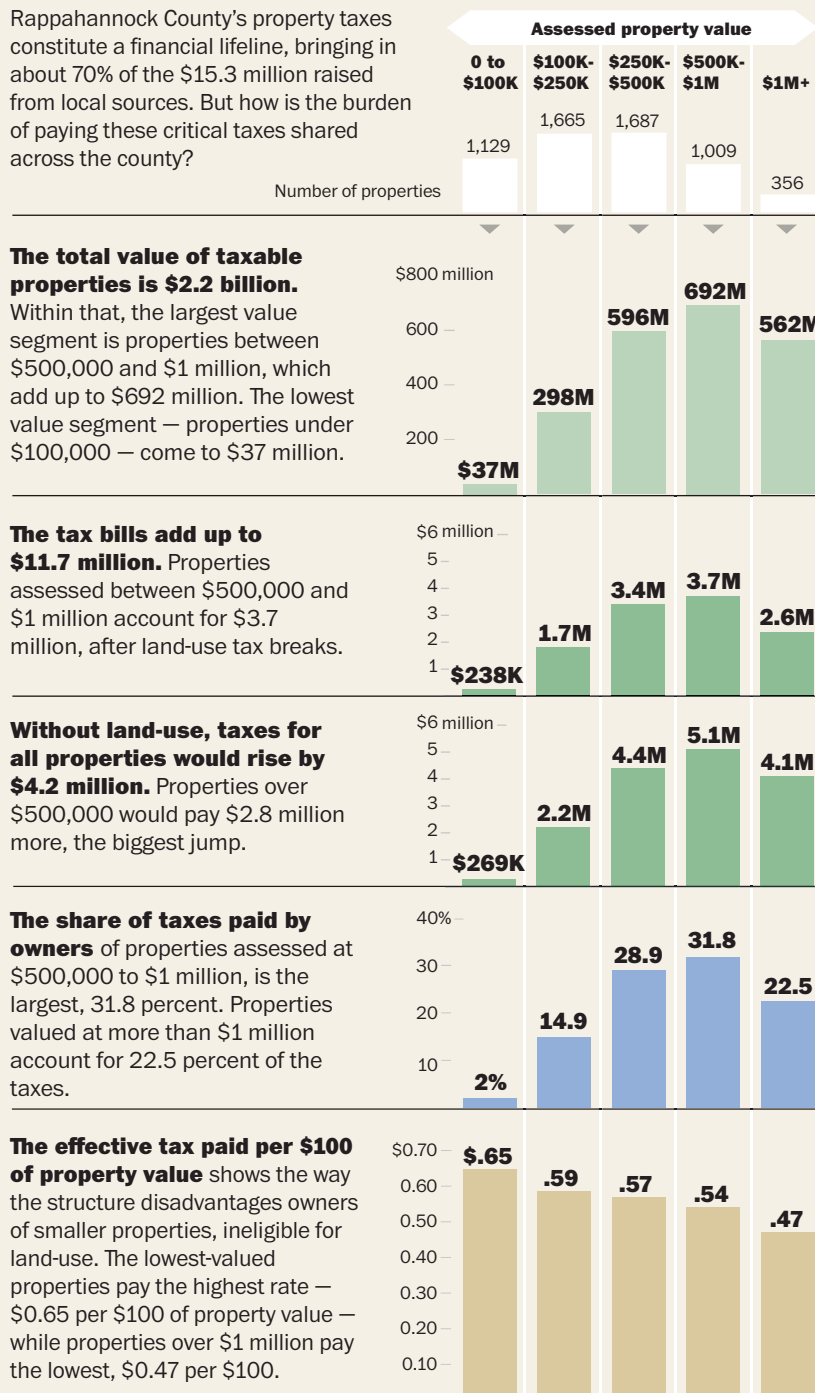
Nationwide, property taxes fund local government. But as in so many other ways, Rappahannock is special – opting for a small population and an open landscape that excludes big-box retailers, car dealerships and many other commercial sources of tax revenue. As a result, Rappahannock has less to tax than 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 FOOHILLS 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

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

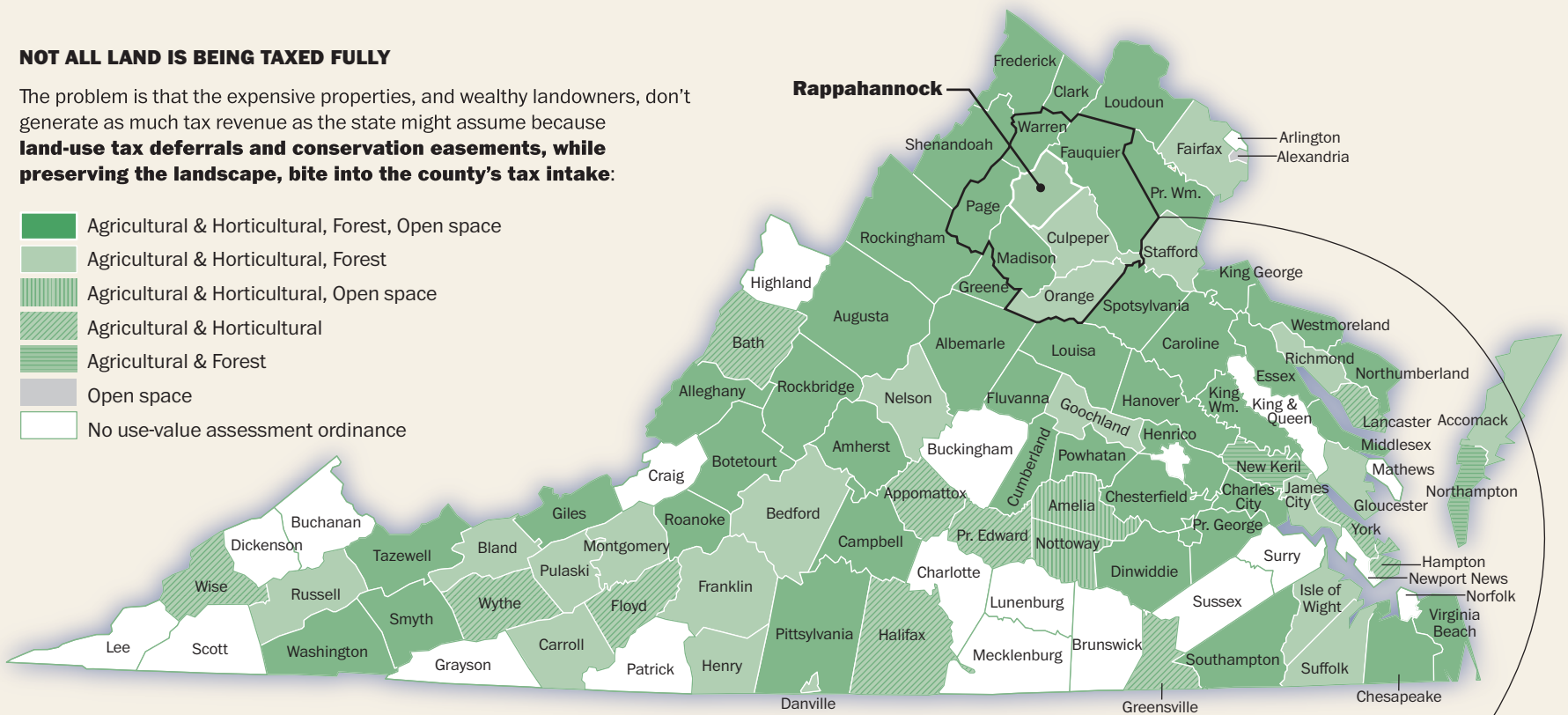
Rappahannock County depends on property taxes to support its schools and other basic services, partly because of what it isn't receiving from the state of Virginia. Residents often chafe about the meager help coming from the Assembly in Richmond, particularly for the schools. Headwaters, a nonprofit 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%
Rappahannock	\$27,749,884	\$7,310,928	26%

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 FOOHILLS 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 FOOHILLS 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

What do you think?

Send feedback to 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