

Governor's housing ideas stir worries of lost local control over land use

BY TIM CARRINGTON | *For Foothills Forum*

Virginia needs more houses — tens of thousands of them, including as many as 300,000 affordable rental units. Zoning restraints, land-use policies and environmental regulations have been getting in the way.

This is the core message in Gov. Glenn Youngkin's initiative, "Make Virginia Home." Unveiled late last year, it

presents a problem: the state's housing supply has been lagging population growth for almost two decades and, as a result, homes have gotten wildly more expensive in parts of Virginia. They now are out of reach for people who, for a variety of reasons (youth, age, ethnicity), find themselves on the lower rungs of the income ladder.

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HOUSING

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Youngkin has also named a significant culprit: zoning policies, land-use rules and building codes that snarl up homebuilders' various development projects. His campaign for more housing hasn't been translated into a specific set of proposed laws or rules, but that's coming. And it could have far-reaching implications for Rappahannock County, which is passionately identified with protecting a landscape where cows outnumber people and where developers can expect a grim-faced reception.

PEC PRESSES WORRY BUTTON

"This could be something of great importance," said Board of Supervisors member Van Carney, representing the county's Stonewall-Hawthorne District. "It could be difficult to keep what we have if there's a focus on affordable housing combined with a push for deregulation."

As Carney sees it, the Youngkin program may have broad appeal by attracting conservatives who favor deregulation, plus progressives who worry about lower-income households getting priced out of the real estate market.

The Virginia Department of Housing and Community Development is hard at work on a mix of deregulation steps and financial incentives that will push Virginia's cities, towns and counties to encourage more new homes, particularly those that lower-income households might find affordable. The push has ignited consternation within organizations such as the Piedmont Environmental Council, whose president Chris Miller recently warned supporters of "potential loss of local control over land use decisions."

Conservation groups were relieved that this winter's legislative session in Richmond didn't hatch a flurry of new laws freeing up land for new homebuilding projects. Tax cuts and abortion policies captured more attention. Some speculate that Youngkin will get drawn into national politics, including a possible run for the Republican presidential nomination, before the housing plan can gain traction. But the housing stresses he's worried about aren't going away, and the Youngkin initiative may bring together a coalition of advocates committed to changing the ways local governments manage lands and homes.

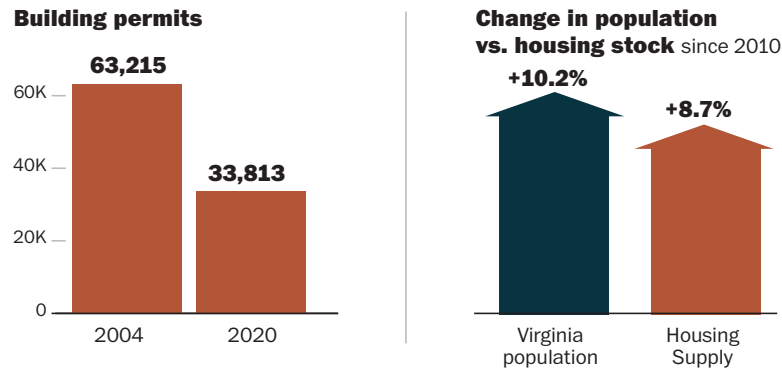


BY SARAH VOGELSONG / VIRGINIA MERCURY

In his "Make Virginia Home" initiative, Gov. Glenn Youngkin has targeted zoning policies, land-use rules and building codes that snarl up various development projects.

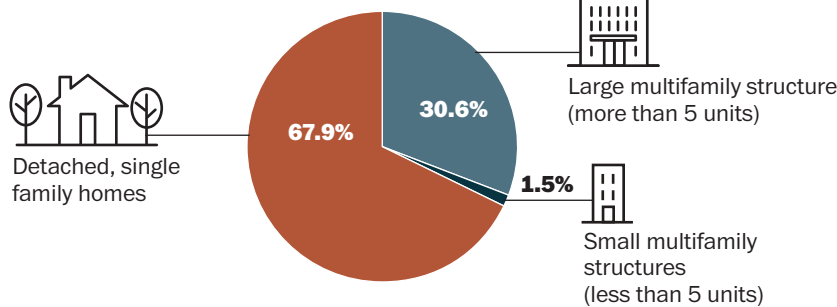
New homes in Virginia decline

A drop in building permits underscores Virginia's housing squeeze

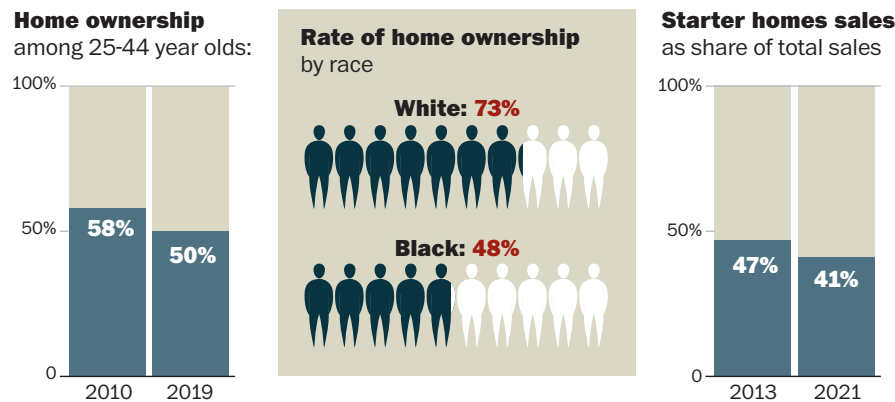


Houses for the wealthy dominate

As a share of all current houses



Inequalities by age, race



Source: Statewide Housing Study by Virginia Housing, Virginia Department of Housing and Community Development

By Tim Carrington and Laura Stanton for Foothills Forum

VIRGINIA'S NEW HOMES FALL SHORT OF POPULATION GROWTH

Youngkin's housing push builds on a study ordered by the Virginia General Assembly and completed last winter. Managed by the nonprofit Virginia Housing and the Virginia Department of Housing and Community Development, the study found troubling gaps in the supply of houses for Virginians. Here are some of the key findings:

▶ The annual number of building permits issued in Virginia, a proxy for measuring new homes, dropped 47% from 63,215 in 2004 to 33,813 in 2020.

▶ Since 2008, Virginia's population has grown 10.2%, while housing supply has expanded only 8.7%.

▶ Housing for wealthier households dominate, with detached single-family homes accounting for 67.9% of the supply, while large multi-family structures come in at 30.6%, and small multi-family structures, 1.5%.

▶ Young households are losing ground: In 2010, 58% of Virginians between the ages of 25 and 44 owned their homes, but only 50% did in 2019. Sales of so-called starter homes are dropping: they represented 47% of all home sales in 2013, but 41% in 2021.

▶ Between 2000 and 2019, 549,000 Virginians joined the ranks of those over the age of 55; many will seek smaller, simpler homes, which are in short supply.

▶ Racial gaps in home ownership remain significant: White households in Virginia show 73% ownership, while Black households come in at 48%.

BUT WHAT EXPLAINS THE HOUSING SHORTFALL?

PEC's Miller, said in his latest letter to supporters that by blaming local planning and land-use policies for the housing shortfall, the Governor's team is "ignoring a myriad of other factors

"We've constructed a system where people who are in the community are essentially gatekeepers and get to decide who can move in after them."

JENNY SCHUETZ
Brookings Institution

contributing to a dearth of affordable housing options."

Others warn that a generalized encouragement of homebuilding might result in more large houses for the affluent, and a continued shortage of smaller homes for lower-income workers, young couples and retired people. In a recent nationwide study, the American Farmland Trust calculated that between 2001 and 2016, 2,000 acres of U.S. farmland and ranchland was lost each day to large-lot housing developments and what the group called "rural sprawl."

Part of the problem is also wages that don't keep up with living expenses. The Virginia study cited one fast-growing job category, healthcare support, which includes people who provide in-home care and staff nursing homes and rehabilitation centers. According to the findings, Virginia's healthcare support workers brought in an average annual compensation of \$28,090, below the level needed for most mortgages and many available rents.

In Rappahannock, the bulk of teachers, social workers, emergency medical staff and lower-paid employees at the Inn at Little Washington trek to work from neighboring counties, where they find more affordable housing options.

Jenny Schuetz, a senior fellow at the Brookings Institution, and author of "Fixer-Upper: How to Repair America's Broken Housing System," calculates that the poorest 20% of American households cannot afford market-rate housing. But proposals for less costly housing options are often shot down by various structures within the communities where the cheaper dwellings would be located. In a recent Brookings seminar, Schuetz said: "We've constructed a system where people who are in the community are essentially gatekeepers and get to decide who can move in after them."

YOUNGKIN'S BALANCING ACT

By any analysis, the Republican governor faces a tough balancing act: deregulation and business development are popular rallying cries among his supporters, but overbearing instructions from state and federal governments generally stir resentment at the local level.

One phrase in the "Make Virginia Home" explanatory literature points to the complexity that lies ahead: Amid the calls for fewer restraints and more homebuilding, the governor's package notes that the program will "respect the property rights of Virginia's landowners and the freedom of Virginia's communities to decide their own futures." How these multiple objectives balance out will be closely watched.

Tax hikes proposed to fill school shortfall

VICTORY IS SWEET!



COUNTY BUDGET

State spending
standoff forces
tough local choices,
\$1 million gap

BY TIM CARRINGTON
For Foothills Forum

The county budget - normally long on detail and short on drama - has been yanked into an showdown over tax increases that promises a spring of debate and painful choices.

Rappahannock's proposed tax hikes, scheduled to be presented Wednesday evening by County Administrator Garrey Curry, are fueled by a winter standoff in the Virginia General Assembly.

The Republican-controlled House passed a budget bill featuring a \$1 billion tax cut endorsed by Governor Glenn Youngkin, while the Democrat-controlled Senate dropped the tax cut, but voted in new spending, partic-

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ularly for the public schools. Then in a surprise setback for the county, a Senate committee shelved a House-approved measure lifting the ceiling on a portion of the state support for Rappahannock's schools.

That move blew a hole in the schools' spending plan for the next fiscal year, and sent the county administrator's office scrambling to fill the gap, which could exceed \$1 million. The upshot: proposed tax increases that are sure to ignite one of the toughest local budget debates in years.

"We all thought that there would be a quick (budget) session this year," said Curry, adding, "but we don't control what happens in Richmond." The House and Senate will soon begin talks to reconcile their budget approaches, and it's possible the extra funding Rappahannock had been counting on will be in the legislation sent to the governor. That would spare the county a grueling debate over a tax hike no one wants. However, Curry points out, "There's no point to conjecture; we just have to wait" - and plan for a scenario that doesn't include the levels of state support that the schools were counting on.

Tapping the lifeline

In turning to property taxes to solve the problem, the county would be tapping the financial lifeline on which it's long depended. Preserving an open landscape that excludes big-box retailers and a host of light industrial companies, Rappahannock has counted on property taxes for as much as 70% of its revenue from local tax sources. And with schools being the county's largest single expenditure, it's long been said that Rappahannock taxes land to educate kids.

What's being proposed for the fiscal year beginning next July is a cluster of increases that would bring in \$979,800 in added revenue the county can direct to the schools.

Here are the main components of the the plan being presented:

▶ **Real estate taxes** to rise to 57 cents per \$100 of assessed property value, up from 55 cents this year. That would bring in \$387,200 of added revenue, to a total intake from real estate of \$11,047,200.

▶ **The levy for fire and rescue services** would increase to 6 cents per \$100 of property value, up from 5 cents this year. The change would add \$193,600 to county revenues, bringing the total from the fire levy to \$1,161,600.

▶ **Personal property taxes** generate revenue mainly from cars, but also from motorcycles, farm vehicles, boats and airplanes, applying differing formulae. Last year, the rates were cut to offset surging car prices, which had spiked as a result of Covid-related supply chain distortions. Used-car prices have since subsided and if the lowered rates remained, revenue from personal property taxes would decline. Increases ➔

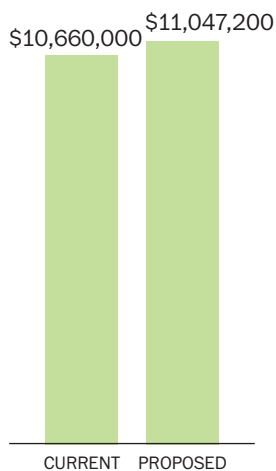
Budget plan launches tax debate: Proposed hikes to help schools

A last-minute shortfall in school funding from the state budget has sparked proposed tax increases for the county. Here's what would change if the plan goes through:



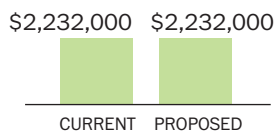
Real Estate Tax
Now: 55 cents per \$100 of assessed value
Proposed: 57 cents per \$100 of assessed value

• **Impact: +\$387,200** more than under the present rate.



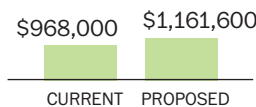
Personal Property Tax
Despite the rate increases, the county's receipts for personal property would remain steady at \$2,232,000; that's because last year the value of used cars spiked, prompting the cut in personal property rates. But then the used car prices subsided, meaning that the proposed higher rates would merely "equalize" the tax actually paid.

• **Impact: \$0**



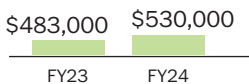
Fire & Rescue Levy
Now: 5 cents per \$100 of assessed real estate value
Proposed: 6 cents per \$100 of assessed real estate value.

• **Impact: +\$193,600** more than under the present rate.



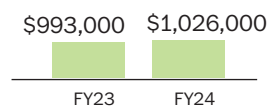
Meals & Lodging Tax
Projected to rise as a result of inflation or expanded business activity— with no change in tax rates.

• **Impact: +9.7%** from the FY2023 budget. (The Inn at Little Washington, the county's largest private business, and by far the largest payer of meals and lodging taxes, isn't part of this calculation because it pays these taxes to the Town of Washington.)



Sales Tax
Projected to rise as a result of inflation or expanded business activity— with no change in tax rates.

• **Impact: +3.3%** from the FY2023 budget.



Public Schools
With increased revenues, the County's transfer to the Rappahannock County Public Schools would rise.

• **Impact: +\$547,163** than under the current tax structure.



Source: Rappahannock County Administrator

By Laura Stanton and Tim Carrington for Foothills Forum

→ proposed in the FY2024 budget would hold these tax revenues steady at \$2,232,000, the level projected for the current year. But while taxpayers would be paying what they pay this year, the change would bring in \$399,000 more than the county would collect if this year's rates were left unchanged.

The proposed tax increases would enable the county to send \$547,163 more to the schools, bringing the total transfer to \$9,466,057.

Relatively high real estate prices in Rappahannock County translate to real estate taxes that are significantly higher than those in neighboring counties. But at the same time, the county tax revenue is chopped by the heavy use of land-use tax breaks, which allow larger landowners to reduce taxes on acreage used for agriculture, horticulture or forestry. The land-use tax deferral blankets more than 83,000 acres of the county, about 60% of the 136,581 acres that are taxable. The arrangement, which results in lower effective tax rates for larger landowners, keeps farmers on their land, and generally helps preserve the open landscapes that county residents treasure.

Two other streams of tax revenues have become more significant: Sales taxes and meals and lodging taxes. Sales taxes are projected to be \$1,026,000 in FY 2024, up 3.3% from the budgeted level in the current fiscal year. Meals and lodging taxes are expected to bring in \$530,000 in the coming fiscal year, a jump of 9.7% from this year's budget.

Notably, the county's largest private enterprise, The Inn at Little Washington, doesn't figure in the county's meals and lodging calculations because

its meals and lodging taxes are directed to the Town of Washington.

The expected increases from sales taxes and meal and lodging taxes aren't sufficient to cover the deficit that the state Senate's recent move would create in the school finances. And Curry doesn't see many opportunities to comb the school budget for potential savings. He said that Schools Superintendent Dr. Shannon Grimsley "is doing hard work to present a budget of need," rather than a wish list. His conclusion: "We have to break out county funds."

COUNTY ADMINISTRATOR GARREY CURRY:

"We all thought that there would be a quick (budget) session this year, but we don't control what happens in Richmond."

In Rappahannock's budget process, the county administrator proposes a budget to the Board of Supervisors, and following hearings and working sessions, the supervisors come back with revisions that the administrator then hammers into a final budget in mid-May. Meanwhile in Richmond, the General Assembly will be working to reconcile the two divergent budget bills for the state, one of which eliminates the hoped-for change in the state levels of support for the schools. However, the state and county budget processes operate on different calendars, and while the county budget gets wrapped up in mid-May, the state lawmakers could go on wrangling into the summer.

Expected resistance

The proposed tax increases, which some residents consider inevitable, almost certainly will ignite resistance.

Hampton Supervisor Keir Whitson led the push for last year's tax cuts. Those would be reversed if the proposed increases go through. "Last year I was very proud of the fact that we found a way to lower taxes," he said. "I want to see if we can find a way to keep the tax rate where it is."

He predicted that "we're going to learn a lot and hopefully find some breathing room."

The schools, whose funding needs now are linked to the proposed tax increases, also will face scrutiny, as public hearings on the tax increases unfold this spring. Stonewall-Hawthorne Supervisor Van Carney noted that support for the schools can differ, even within households.

Some individuals back the education budget as "indispensable," while across the table, a spouse has long suspected that the schools "have grown top-heavy." He added that in a climate where many citizens struggle to keep up with inflation, defending tax hikes is "a tough argument." Others have chafed that while the school population has declined to fewer than 800 students, the education bill has only gone up.

Larger battles loom

Alvin F. Henry Jr., a real estate appraiser and long-time Planning Commission member representing the Hampton District, predicts that once this year's school budget is resolved, larger tax battles loom. He reasoned that the tax increases at the center

of this year's budget debate will be dwarfed by those in coming years, when "the real discussion is going to be the courthouse."

Washington's courthouse renovation or replacement is still awaiting a new design that citizens and public officials find acceptable. But once the concept is embraced, the arduous, and likely rancorous, task of financing the new structure begins. Henry noted that estimates for the total cost range from \$10 million to \$14 million. The county likely will weigh a new bond issue, which would create debt service obligations that could run years into the future.

Moreover, the county can't look to a growing population to share the tax burden. "We're 7,000 people," Henry said. "It's not like we've grown to 9,000 people." He added that with the population holding steady at about 7,000, and a costly courthouse project pending, this year's debate may be only the first act of a longer drama centered on county taxes.

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.

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Supervisors shift tax burden from residents to visitors to meet schools' shortfall

BY TIM CARRINGTON

For Foothills Forum

The Board of Supervisors steered the county budget toward neutral territory by making Rapahannock a costlier place to visit, while mostly holding the line on taxes for landowning residents.

In working sessions late last week, the Board of Supervisors coalesced behind a multi-part plan to resolve the budget scramble occasioned by an impasse at the state level. The new county plan would

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ditch a proposed real estate tax increase, replacing the needed revenue by hiking the meals and lodging taxes paid by guests of the county's various inns, bed-and-breakfasts and restaurants.

The shift followed an appeal by Hampton Supervisor Keir Whitson to limit taxes on residents, igniting a search for other tactics for raising revenues and cutting spending to help the schools fill a gaping shortfall caused by a logjam at the General Assembly in Richmond.

While applauding the carefully crafted compromise, Supervisors warned that pending decisions within the General Assembly may force decision makers to plough back into the county budget. "There's a lot that's spinning," said Stonewall-Hawthorne Supervisor Van Carney. "Things could vector in from Richmond."

Notwithstanding the uncertainty at the state level, the new budget plan will be subject to public hearings April 17, after which the Supervisors will vote on the new budget. If approved, the plan will take effect for Fiscal Year, 2024, which begins July 1.

Tourism to the rescue

Though property taxes are by far the biggest source of county revenue, meals and lodging taxes have become an increasingly important source of income, reflecting the growing significance of tourism for the county. For the current fiscal year, the county budgeted \$483,000 from this tax.

The County Administrator's proposed budget for the fiscal year beginning in July envisioned \$530,000 from the tourist-paid taxes – without any rate change. The Supervisors' decision to up the rate to 6% would increase the take to \$800,000.

"It seemed that there was a consensus on the board that we didn't want to raise property taxes," said Whitson. But when the prospect of higher real estate taxes surfaced last month, no one was sure how to avoid them.

Trusting the superintendent

As part of the new plan, Dr. Shannon Grimsley, superintendent of the Rappahannock County Public Schools, accepted a \$50,000 reduction in the planned financial injection from the county. The new budget plan would respond to the falloff in state support by adding \$497,666 to the county's financial contribution to schools. The earlier budget plan called for an increase of \$547,163. The total county transfer to the schools under the new plan amounts to \$9.4 million.

"The upside is that this proposal has decreased the tax burden on county residents," Grimsley said. "The school budget constraints are challenging since even the new 'funded' mandates from the state are largely unfunded for our county. I remain confident and optimistic that if we continue to work together, we will win the fight in Richmond to alleviate this incredibly flawed

BUDGET HIGHLIGHTS

► **Real estate taxes** will remain at 55 cents per \$100 of assessed property value, though these may rise to 56 cents if the State mandates a higher than expected salary increase for public sector workers.

► **Personal property tax** bills will remain what they are this year, though the tax rate will rise to account for recent gyrations in used-car values.

► **Cigarette taxes** of 40 cents a pack will hit smokers buying cigarettes in the county. Most neighboring counties tax cigarettes, and the Rappahannock County Administrator estimates that the smoker's levy would bring in \$38,000 in the next fiscal year.

► **Fire and Rescue levy** would increase – as proposed by the County Administrator – to 6 cents per \$100 of assessed property value from the current 5 cents. The rate increase would bring in an estimated \$193,000 in additional revenue.

► **Meals and lodging taxes** will rise to 6% from the present 4%, bringing in additional revenue of \$270,000.

and unfair funding situation that impacts so few communities in the Commonwealth."

The reduction in the county's proposed allocation to the school district could result in putting off capital improvements or bus purchases, a move that "can be costly in the future," according to the superintendent.

Supervisors stood by Grimsley's assessments. Carney said: "I believe the Superintendent when she said that if we didn't do this, there would be pay slips," which would damage the quality of local education.

Surprises from Richmond

All are watching for new surprises from Richmond, where lawmakers are trying to reconcile two widely divergent state budget plans. "There are big items that are unknown at this point," said Bonnie Jewell, point-person for the county administrator's budget preparations.

One significant unknown is the level of a state-mandated salary increase for state and local employees. The county's current budget plan covers a 5% pay increase, but the General Assembly in Richmond may pass a 7% salary increase. In that event, the Supervisors would be obliged to accept what they were determined to avoid – an increase in real estate taxes. In the event the state calls for a 7% pay increase, Rappahannock real estate taxes would rise to 56 cents per \$100 of assessed property value, up from 55 cents in the current version.

Jewell maintains a list of other unknowns that, depending on what the state does, could require adjustments. In addition to the school subsidies, and salary increases, the uncertainties include funds for a forest sustainability fund, a currently unfunded position in the county treasurer's office, and as much as \$16,400 for the Rappahannock County Public Library. And



FILE PHOTO BY NED OLIVER/VIRGINIA MERCURY

Legislative developments (or lack thereof) at the Virginia State Capitol in Richmond are continuing to impact Rappahannock's budget situation.

if the state comes through with the school contribution (of up to \$1 million) that the county had counted on, it would bring about a savings for the county, which could roll back the increased school contribution that was intended to make up for the shortfall from Richmond.

The separate calendars of the state and county add to the confusion. Normally the county must adopt a school budget by May 15, but this year could be different. Though the General Assembly resumes deliberations April 12,

there is no guarantee that the wrangling won't continue well into June. State law carries a fallback deadline, allowing the county 30 days from the time it receives an estimate of the state's support. Jewell noted that the one immovable deadline is July 1, the beginning of the next fiscal year, by which time county and state must have an approved budget, and the county budget must be balanced.

Randy Rieland, for Foothills Forum, contributed reporting.

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