

AT A MEETING OF THE MIDDLESEX COUNTY BOARD OF SUPERVISORS HELD
ON TUESDAY, MARCH 22, 2022, IN THE BOARD ROOM OF THE HISTORIC
COURTHOUSE, SALUDA, VIRGINIA:

Present: Wayne H. Jessie, Sr., Jamaica District
Don R. Harris, Saluda District
John B. Koontz, Jr., Hartfield District
Reginald A. Williams, Sr., Harmony Village District
Lud H. Kimbrough, III, Pinetop District

Matthew L. Walker, County Administrator
Betty S. Muncy, Assistant County Administrator
Ann Marie Ricardi, Assistant County Administrator

CALL TO ORDER

Chairman Kimbrough called the meeting to order at 5:00 p.m. Supervisor Williams led the group in prayer; Mr. Walker led in the Pledge of Allegiance.

ROLL CALL

Attendance was taken by Ms. Muncy with the following roll call: Supervisor Williams – Present; Supervisor Koontz – Present; Supervisor Harris – Present; Supervisor Jessie – Present; and Chairman Kimbrough – Present. There was a quorum.

BOAT TAX DISCUSSION

Jon Farinholt said he had been asked to speak on behalf of the county's marine industry by his fellow marina and boatyard operators. He said he had last spoken to the Board in 2019, so his report today would cover from 2019 to the present. He said he communicates frequently with other marine operators to ascertain the state of their businesses. He said that 2020 had been a major challenge due to the pandemic. The marine industry was able to make accommodations fairly easily since it is a mostly outside business. In 2020 and 2021, the marinas had an influx of short-term customers that dropped their boats off and went overseas to take care of their families. Boat sales increased, but most large boats did not stay in the County. The large boats continue to leave for Lancaster and Gloucester, the closest tax-free areas. The marinas had to deal with capacity issues due to the influx of short-term customers. Many of those boats have now left. The yards in the tax-free counties took many of the long-term projects from Middlesex County. Those customers left because of their worry of their boats being taxed in Middlesex. The County is seeing a reduction in the number of slips being used, and that is because boats are going to tax-free counties. Middlesex marinas continue to be sold for lower values than those in tax-free counties which translates to lower property taxes for the County. He said the industry is employing less people now than it did when the industry was thriving.

He said another major issue that happened in 2021 was the closure of Deagle's Marine Railway on Fishing Bay Road. It closed because there are fewer large vessels to work on. The closure means another business loss and lower tax revenues for the County.

To turn the tide, Mr. Farinholt said the County needs to stop penalizing businesses and making them less competitive. County watermen, who use many different size boats, are also affected by the taxing of the boats. The County needs to find ways to help these industries be more competitive than the surrounding counties. The County should feature the things that bring people to the County, like waterfront residential properties, farms and produce markets, the seafood industry, including oysters, crabs, and fishing. The boating environment, RV parks, and festivals should be featured. All of these activities bring people to the County, and they spend money at grocery stores, farmers markets, restaurants, or on the waterfront. He said that more businesses need to be brought into the County, and each Supervisor needs to advertise the businesses in their district.

LAND USE PROGRAM DISCUSSION

Brian Johnson, Virginia Farm Bureau Regional Director of Membership and Field Services, said land use assessment has been a powerful tool for Middlesex County and other rural communities, which has been essential in keeping agriculture and forestry very strong, viable industries. Some people refer to land use assessment as a tax break, but he believes it is more closely described as tax equity. Land use assessment more closely aligns taxes with a productive value of the land and its current use. In addition, it more closely aligns taxes with a local government cost of providing services to the qualifying land. Land use assessment is one very important tool for local governments who wish to achieve the following three items: 1) retain rural land; 2) limit the growth of spending; and 3) manage residential growth, which is a goal of Middlesex County. Farm and forest lands require few services and, in most cases, generate three to four times the tax revenue that they require in services. Farm and forest lands are profitable for local government. In contrast, residential development typically requires \$1.16 in services for each dollar in revenue. In short, farm and forest lands support services demanded by residential development, so it makes sense to preserve and promote the land that provides excess income by using tools such as land use assessment. If land use assessment is discontinued, landowners may be forced to convert the land to another use because agricultural and forest lands do not generate enough net income to pay for the taxes that would be levied. Land conversion would most likely mean conversion to residential properties. Residential properties cost more in governmental services than it generates in tax revenue. Land conversion would impact all property owners in the County with the conversions resulting in tax rates going up every year to cover the cost of the additional residential development. Land conversion would also impact the scenic beauty of the County and negatively impact wildlife and environmental resources, specifically, water quality and groundwater.

Supervisor Koontz said that land use assessment had pros and cons, and one of the cons seemed to be that it inhibited residential growth when the County has a real need for affordable housing. He said it is up to the Commissioner of the Revenue to assign the rates, and there is a myriad of ways to use the SLEAC (State Land Evaluation Advisory Council) tools, but he would like to find a solution that would please the landowners and preserve the agricultural heritage but also offer the growth of affordable housing for those having a hard time finding somewhere to live in the County.

Andrew Smith, Virginia Farm Bureau Associate Director of Government Relations, said that the values set by the Commissioner of the Revenue are determined by looking at the SLEAC numbers and then those numbers could be adjusted locally based on local knowledge. He said when land values are extremely low, it is advisable to use land use taxation. He said that in some cases, land is best used for other purposes, like low-cost housing, when it does not make sense anymore to farm it. The landowner will need to decide whether to take it out of farming, pay the rollback taxes, and sell it for some other purpose.

Mr. Smith said that all 50 states have land use programs that provide property tax relief for farm and forest land. In Virginia, 94 counties and 38 cities have land use ordinances. He said that land use assessment has proven to be a net plus for local county governments, and he believes that it supports lower-income housing projects because it carries some of the load for those services not needed for farm and forest land but needed by developments so, in a way, they are paying their fair share of the tax base.

Supervisor Jessie said that he feels that the land use assessment program is working fine, and Middlesex County is a rural county. Building more housing developments is not going to solve all the County's problems. As far as he is concerned, the County is having smart, economical growth. Farmland and forestry do not require the services that residential developments do.

Mr. Johnny Fleet addressed the Board, saying that he had worked with the previous Commissioner of the Revenue to make a small adjustment to put Middlesex County's rate somewhere in the middle of the surrounding counties, but it does need to be reviewed periodically. When the County's comprehensive plan was established, every area was canvassed, and the citizens were shown plats of the County and where the land use program was being applied. The majority of citizens, approximately 80/20, encouraged the County to continue the land use program. Sixteen years later, while updating the Comprehensive Plan, after canvassing the County again, the results were the same, with the overwhelming majority of citizens approving the land use program. Many of the waterfront farms have been owned for generations. If those are sold, developments will come. The waterfront farms are protecting the rivers and bay. The land use assessment is not a relief from personal property taxes, taxes on a home or equipment. It is only a relief from the use of the land. The farmer and the forester do not cost the County hardly anything at all.

Mr. Fleet suggested that the Board look at the growth of the government versus the growth of the population. The footprint of the County and the population have changed very little, but the government has grown tremendously. He said the Board should look at why the County needs more money.

BOARD DISCUSSION

The Board had much discussion regarding the boat tax and land use program. Supervisor Jessie said that Middlesex has 36 marinas, more than any of the surrounding counties. He said that the marinas also have experts working in them that draw boats, large and small, into Middlesex. He said there could be any number of reasons why some of the bigger boats left, not just the boat tax. Fluctuations naturally occur. He said the Commissioner of the Revenue will deal with the land use assessment and he will rely on her expertise.

Supervisor Harris said the County's rural and waterfront appeal, as well as the marine industry, is very important. The rural and waterfront aspects of the County is what draws people to the County.

Supervisor Koontz said that Middlesex County is not a poorly managed community. It is not a community that overspends, but it is one that spends on the interests of a very diverse population. He said it will be the Commissioner of the Revenue's decision on how to set the values in the land use program by looking at the SLEAC numbers. He said that he believes that reassessments should be done more regularly so that taxpayers have a better sense of what their properties are worth and what their tax liability is going to be. He said that regarding the budget, his number one request would be to increase the disabled and elderly tax relief, to at least get it in line with surrounding counties. Middlesex could at least do as much as Mathews County at \$1,000 rather than the \$500 it is doing now. The over 7% inflation is disproportionately impacting the disabled and elderly in the community. His second request would be to give significant raises within the school system to help catch up with inflation and the Springstead study that was done a few years ago. Higher salaries may also help relieve the teacher shortage being experienced currently. He said that as a community, 70% of the budget goes to the schools, so the primary focus should be the public schools.

Supervisor Williams said that one of the things in the land use program that he does not like is the rollback feature. He feels the Commissioner of the Revenue is doing a good job with the land use assessment program. He stated he does not believe that boats are moving to other localities because they have no boat taxes there. In his opinion, if someone has a mechanic they trust in Middlesex, that is where the boat will be left to have the work done. He said that he agrees with Supervisor Koontz on the tax relief for the elderly, but everything taken away from one group will be paid by another group. He said the County is paying \$267,000 on a payment now to run water to Deltaville that the marinas will use, but everybody in Middlesex is paying for it.

The Water Authority says it can make it on its own, but the numbers are not supporting that right now.

Chairman Kimbrough gave a PowerPoint presentation on his thoughts about the boat tax and land use assessment program. His goal is to position Middlesex County to be successful in the future, and that means encouraging people to stay here, move here, and be residents here. Boats have moved from Middlesex to Lancaster because of the boat tax. He reviewed statistics that showed that Lancaster's boat registrations have grown while Middlesex's have shrunk. Middlesex used to have a waiting list for marina slips and now there are vacancies. Marinas have lost value, which results in less real estate tax revenue for the County. While marinas have decreased in value, residential waterfront properties have increased in value by about 20%. Marina owners are having to compensate for the boat tax by offering a lower, more attractive slip fee than Lancaster, which is less profitable and makes their business less valuable. The County loses significant tax revenue due to the declines in value of the marinas. He reviewed a study performed by VIMS that stated that five-ton boats have an annual average spending of \$34,000, and five-ton sailboats have an annual average spending of \$26,000. Even though those boats have a lower tax rate, they are creating much more of a benefit for the County. The marine industry has many direct and indirect impacts on the County. It is a smart decision for the County to promote recreational boating because it is the main asset that the County can grow from. He thinks that the County should be focusing on growing the number of boats, not chasing after them.

Chairman Kimbrough said the Comprehensive Plan is the long-term guide for land use decisions related to growth and development within the County. It is a general guide that outlines our public priorities and directs expenditures for public facilities and programs and is the long-range work program for the County. He said the County needs to preserve its beautiful, rural look. According to the Comprehensive Plan, the County needs to enhance the rural and environmental character of the County through the preservation of agricultural and forest lands, wetlands, flood hazard areas, and Chesapeake Bay resource protection areas. The land use program is important to control development. He said he is all for managing growth in a smart way and making it attractive. The County needs to create jobs and economic growth. The driving asset in the County is the marine industry and the County needs to do everything it can to help it grow.

ADJOURN

The Board agreed, by consensus, to adjourn the meeting.

Lud H. Kimbrough, III, Chairman
Board of Supervisors