

**VIRGINIA:**

A meeting of the Lancaster County Board of Supervisors and the Boat Tax Committee was held in the Administrative Building Board/Commission Meeting Room of said county on Monday, March 9, 2015.

Members Present: Jason D. Bellows, Chair  
Ernest W. Palin, Jr., Vice Chair  
F. W. Jenkins, Jr., Board Member  
William R. Lee, Board Member  
B. Wally Beauchamp, Board Member

Boat Tax Committee Members:

William H. Pennell, Jr.

Jack Larson

Bruce Sanders

Clay Holcomb

Staff Present: Frank A. Pleva, County Administrator  
Don G. Gill, Planning and Land Use Director  
George “Sonny” Thomas, Commissioner of Revenue  
Marlon Savoy, Master Deputy Commissioner of Revenue  
Crystal Whay, Building/Land Use Secretary

Mr. Bellows called the meeting to order at 6:00 p.m.

All members introduced themselves.

**PRESENTATION**

Mr. Thomas Murray, Associate Director for Advisory Services at the Virginia Institute of Marine Sciences, presented his report entitled “Evaluation of a Recreational

Marine Hub in Lancaster County, Virginia”. He stated that the report came out of a request for VIMS to evaluate the potential development of Lancaster and Northumberland counties as a Mid-Atlantic marine hub. He stated that the goal of the research was for increased economic interests and employment. He stated that because the marine industries are here in the area already, they felt it was important to see how they could be retained.

Mr. Murray stated that they received information from business focus group discussions, regional boaters’ groups for boating trends and an economic assessment to evaluate the economic activity associated with recreational boating in the County. He stated that their findings were presented in a Visions meeting on March 2, 2014. He stated that after that presentation, it was decided to do more research on the boat tax aspect, because it was an important topic to some. He stated that they realized they were missing the federally documented vessels, specifically, recreational vessels that are five net tons and over. He stated that they obtained the Coast Guard documentation list and sent out surveys to owners of documented vessels whose residence was listed as Lancaster County and owners of documented vessels whose boats were said to be located in Lancaster County, regardless of where the owner lived.

Mr. Murray discussed some of the findings, which included reasons why one may not bring or keep their boat in the County. He stated that some of these reasons included: needing more water access, fuel costs, aging population and lack of community infrastructure.

Mr. Murray referred to the documented vessel survey findings and stated that the most important factor that those owners stated for locating their boat was accessibility from their home, with local taxes and fees being the second most important factor.

Mr. Murray referred to various tables, which separate the boat classes based on value and stated that the boat owners with the lesser valued boats are not as concerned about the boat tax.

Mr. Murray stated that, based on their model, if Lancaster County dropped the boat tax by fifty percent, it would lead to an estimated 9.5% increase in boats over 25 feet or approximately 40 boats. He stated that a total elimination of the tax, according to their model, would lead to an estimated 19.9% increase in boats over 25 feet or approximately 75 boats. He stated that using information from the expenditure surveys, estimated boater spending would increase between \$400,000 and \$800,000 per year.

Mr. Sanders stated that the information is just based on registered boats and can give a skewed view by leaving out the documented vessels.

Mr. Murray stated that he believed the majority of the documented vessels are not in the database used for the findings. He stated that anytime they receive the documented vessel list, it is a point in time and there is limited information to be gathered unlike with the Department of Game and Inland Fisheries and the registered boats.

Mr. Beauchamp asked if localities where the boat tax had been reduced or eliminated had any data gathered concerning an increase in jobs, boats or real estate sales.

Mr. Murray replied that he did not know about any studies concerning real estate sales. He said that he was involved in a study for the City of Hampton after their boat tax was eliminated and felt that there was a positive impact on the economy in that community.

Mr. Holcomb stated that he would like to read an excerpt of the minutes from the April 8, 2008 Hampton meeting regarding their boat tax. Mr. Holcomb read “ Councilman Randy Gilliland explained in 2002, Council effectively adopted a no boat tax policy at that time and Council said they wanted to allow this policy to continue for a period of time for it to be evaluated as to its effectiveness. He said Council directed the City Council Finance Committee to conduct a study of the economic impact of recreational boating in the City and Council directed the Finance Committee to manage that process. Councilman Gilliland explained the Finance Committee, in turn as it does with a number of issues, created a Boat Tax Subcommittee and that committee included several citizen members. Councilman Gilliland said boats at the Hampton marinas increased 37% and the economic impact from 2002 to 2007, in 2007 dollars, increased 53%. He said the number of larger vessels, those that spend more money than smaller vessels, grew 145% and they had grown in terms of economic impact and slip rentals at the local marinas. Councilman Gilliland said the ultimate conclusion of the report is that as an economic development strategy, the no boat tax policy implemented in 2002 has been successful and the recommendation of the Boat Tax Subcommittee and the City Council Finance Committee and in turn, the Finance Committee, unanimously voted to recommend to Council continuation of the No Boat Tax Policy.”

Mr. Holcomb then read an excerpt from the minutes of the May 8, 2010 Hampton Council meeting, where the Hampton City Manager suggested adding thirty cents back to the boat tax. He read “ The proposal in the recommended budget of Hampton City Manager Mary Bunting is for a modest tax and she stated a nominal rate of thirty cents will enable us to recover some of the costs associated with servicing the boater community, such as police and fire boat services, while not setting an effective tax so large that boaters will feel forced to leave our community.”

Mr. Holcomb read another excerpt from the minutes of the May 8, 2010 Hampton Council meeting, where a business owner, Earle Hall of Bluewater Yacht Sales, stated “the city’s no boat tax policy had allowed his business to grow its workforce by over forty percent since 2002 at a time when the boating industry had gone into free fall and Mr. Hall stated that he did not want to give any of his employees a pink slip.”

## **PUBLIC INPUT**

Mr. George Bott, a District 1 citizen, stated that he wanted to thank Mr. Murray for his efforts in the study and understood the impacts of the study for Lancaster County

was for registered boats and not documented boats. He asked if the County were to eliminate or greatly reduce the boat tax, could Mr. Murray measure the impacts over time given the information that he has.

Mr. Murray replied that a hindcast could be done.

Mr. Ron Mihills, a citizen, stated that he recently attended a Chamber of Commerce meeting with local business leaders. He stated that the business owners all stated that they needed more new customers to help stimulate their businesses. He stated that the challenge is attracting new customers to our area. He stated that is also the challenge of every boatyard and marine business in Lancaster County. He stated that the infrastructure is in place, but they all have excess capacity.

Mr. Mihills stated that the current personal property boat tax yields approximately \$395,000 annually. He stated that continuing to scrutinize the current County budget for opportunities to capitalize on potential inefficiencies is critical and applauded Mr. Bott for his efforts as a conscientious citizen. He stated that the marine businesses would not have to launch a big marketing campaign if the boat tax was eliminated because the news would resonate throughout the Chesapeake Bay area.

## **RECOMMENDATIONS**

Mr. Pennell stated that since leaving full-time employment, he has been involved in many organizations including Visions, Rappahannock Community College and the Economic Development Authority. He stated that he thought Mr. Murray's report was accurate, but it leads to one pressing question, and that is if the County gives up \$400,000 in tax revenue, how will it be made up? He stated that the only way he sees it is to raise real estate taxes.

Mr. Bellows stated that is the main question for the committee.

Mr. Larson stated that he has continued to look at the budget for Lancaster County since his retirement and he agreed with Mr. Pennell that the \$400,000 figure is very important and there is no other way to make it up, as far as he was aware of, besides an increase in real estate taxes.

Mr. Larson stated that he lives across from the Yankee Point Marina and he has made a point of watching the dramatic number of boats that were moved from the last week in December as compared to the first week in January. He stated that he understood the situation with the boat tax and boat owners moving their boats to a tax haven. He stated that he could not believe people would not buy a home in Lancaster County because of the boat tax. He suggested targeting the bigger boats and the ones that are moved from the marinas. He further stated that a boat is not a basic need, but a home is, thus he did not believe that real estate taxes should be raised to accommodate boaters.

Mr. Larson stated that he has watched the County's budget closely for years. He stated that the upcoming audit would probably show that the fund balance is down by approximately one million dollars. He stated that the Board will be looking at having to raise real estate taxes again this year. He stated that the increase in emergency services and the capital improvement items are all things to consider with the budget.

Mr. Sanders stated that the County has the legal authority to have a two-tier tax system for documented versus non-documented boats. He stated that the VIMS study showed that the higher the value of the boat, the less likely it is to stay in the County. He stated that the main issue is the value of the boat, not necessarily the size of the boat.

Mr. Holcomb stated that he did not like the idea of discriminating against a boater because he owns a small boat. He stated that he thought it should be everybody or nobody. He stated that he owns a marina and his customers tell him exactly why they do not stay in the County with their boats.

Mr. Holcomb stated that he has gone on record before stating that if he thought the boat tax reduction had to be passed on to any other citizen in the County, he would not be in favor of it. He further stated that he thought there was a two-part question, 1) is it worth doing, and he thought it was, and 2) should there be another committee formed that can explore the financial side of the issue in more depth, and he thought that there should be. He stated that he had been told that there were some opportunities to handle the money in different ways as far as the County is concerned.

Mr. Larson asked if Mr. Holcomb could be more explicit on his last statement.

Mr. Holcomb replied that he did not know enough about it to discuss it at the present time.

Mr. Larson stated that he had been in financial management for over thirty years and Lancaster County's budget is one of the tightest that he has ever seen. He stated that he did not see money being wasted within the County. He stated that he had seen the Board cut \$100 from a cost center and spending has stayed flat in the present economy and with a demand for increased services. He stated that the extra money is just not there.

Mr. Holcomb stated that they should get a group of people together to see if the money is there.

Mr. Jenkins stated that the purpose of the discussion is to find out if eliminating or reducing the boat tax would encourage an influx of new revenue.

Mr. Larson stated that he thought that it was no question if taxes were eliminated or reduced that it would make a difference.

Mr. Jenkins stated that the real issue is if the boat tax is eliminated or reduced would it eventually bring boats back to the County and attract new boaters. He stated that

if Lancaster County reduced or eliminated the boat tax, other nearby localities would do the same to stay competitive.

Mr. Sanders stated that the boat tax in Lancaster County is a small percentage of the overall revenue as compared to Middlesex County. He suggested forming another committee to take a look at the issue from the financial side.

Mr. Jenkins stated that they are trying to promote the Rappahannock River as a destination and that would include trying to showcase the boating industry. He stated that the decision to be made is whether or not to invest and possibly cut back on something else. He further stated that Lancaster County is different from the City of Hampton in many ways and one of them being that the County would not see a huge increase in sales taxes, because most of the restaurants and businesses that may benefit from more boating are located in the incorporated towns.

Mr. Sanders stated that if everyone sitting at the table wanted to see the boat tax reduced or eliminated, it would happen.

Mr. Pennell stated that there is a red herring floating around and that is the comparison of the County to Hampton. He stated that is not realistic. He stated that Hampton is a city and Lancaster is a county. He stated that Hampton has the ability to tax many more things than Lancaster can and the real estate taxes are doubled.

Mr. Sanders stated that the only reason they have been using Hampton is because that locality has data concerning the issue. He stated that he is asking the County to make an investment in the water-based businesses. He stated that the working waterfront is deteriorating and very expensive to replace.

Mr. Pennell stated that he agreed about the working waterfront, but wondered how it would be paid for.

Mr. Beauchamp stated that some of his constituents had referred to the Board considering a reduction in boat taxes that would primarily benefit three businesses in the County and asked what the County would do to benefit other businesses.

Mr. Jenkins stated that it would be an investment in improving the economic situation in Lancaster County, not just the three marinas. He mentioned grocery stores, convenience stores, restaurants and insurance companies.

Mr. Bellows stated that the Board needed to look at the issue as more of an investment. He stated that when other localities are looking to grow businesses, they give tax incentives. He stated that they need to look towards the future and if something is not done, the marinas will be closed and replaced with residences. He stated that ways to pay for this need to be explored and it needs to be thought of as an investment in the County's future.

Mr. Pleva stated that the County has a finance committee within the Board of Supervisors. He stated that the County is at the beginning of the budget process and this could be considered during the process.

Mr. Bellows stated that the County should just be a part of it and more people and businesses and towns that may benefit from the reduction or elimination need to come to the table.

Mr. Pleva stated that, except for Irvington, the other two towns do not have marinas and he would be surprised if they would contribute.

Mr. Bellows stated that other localities are aware of these meetings and will be watching what Lancaster does on this topic. He further stated that if something is done, benchmarks will be important to see how the progress is going.

Mr. Lee stated that there had been much discussion, but the bottom line is how would the County make up for the lost tax revenue. He stated that issue cannot be solved tonight, but they needed to decide what would be the next step.

Mr. Thomas stated that he wanted to remind everyone about the difficulty in comparing different localities because everyone uses different assessment methods. He stated that comparisons should be made specifically by boat. He stated that looking at effective rates-Lancaster is \$1.52 per \$100 of value, Middlesex is about a third less with their effective rate and Northumberland is about half.

Mr. Bellows suggested looking into a two-tier rate for taxes as well. He stated that Lancaster should be more competitive in their effective rate with nearby localities.

Mr. Holcomb stated that it was easier to advertise no boat tax as opposed to a reduced boat tax, but anything the County could do would be appreciated.

Mr. Bellows stated that he believed a consensus had been reached that eliminating or reducing the boat tax was a good idea, but the issue was how to pay for it.

Mr. Beauchamp stated that it needed to be treated as an investment in the future.

Mr. Bellows stated that it will cost some money to grow the community. He stated that changes needed to be proactive and not reactive.

Mr. Palin stated that he agreed with what was being said, but he was concerned about a sufficient return on the investment. He stated that they were talking about \$400,000 per year and the County budget was already lean with more demands being made this year.

Mr. Sanders asked what else does the County have to invest in if not the working waterfront and tourism.

Mr. Pennell stated that one could argue the County needs to invest in the schools and the children.

Mr. Bellows stated that the children's parents need somewhere to work as well. He stated that the Board of Supervisors is charged with planning for the future of Lancaster County.

Mr. Larson asked about the impact on jobs if real estate taxes go up.

Mr. Bellows stated that is one of the concerns that needs to be discussed.

Mr. Larson stated that there are citizens in the County whose only concern is the basic necessities in life-food, shelter and clothing and if their taxes are increased, they may not be able to pay their bills. He stated that he did not see it as an investment and each year the County is faced with more and more organizations coming to the table for more money.

Mr. Jenkins suggested that the issue be referred to the finance committee, receive more citizen input and give some thought to a marketing plan.

Mr. Bellows stated that he thought as the budget process moves along, this issue should stay in the discussions and not be pushed off.

Mr. Jenkins made a motion that the Board of Supervisors refer the boat tax issue to the County's finance committee.

Mr. Sanders asked who was on the County's finance committee.

Mr. Pleva replied that Mr. Bellows and Mr. Jenkins were on the County's finance committee.

Mr. Sanders asked if Mr. Bellows and Mr. Jenkins would appoint people from the outside.

Mr. Jenkins stated that they were not there yet.

Mr. Bellows asked if there was any further discussion on Mr. Jenkins' motion.

VOTE:	Jason D. Bellows	Aye
	Ernest W. Palin, Jr.	Aye
	F. W. Jenkins, Jr.	Aye

William R. Lee                      Aye

B. Wally Beauchamp              Aye

Mr. Murray was thanked for his presentation.

**ADJOURNMENT**

Mr. Lee made a motion to adjourn.

VOTE:                      Jason D. Bellows                      Aye

Ernest W. Palin, Jr.                      Aye

F. W. Jenkins, Jr.                      Aye

William R. Lee                      Aye

B. Wally Beauchamp                      Aye