Impacts of Rising Real Estate Assessments/Tax Burden on Vulnerable Residents: The Arlington County Manager's FY2023 Proposed Budget
Arlington County Civic Federation Revenues & Expenditures Committee
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"Among single-family homes that enjoy the same set of property tax-funded amenities and pay the same statutory property tax rate, owners of inexpensive houses pay almost 50% higher effective tax rates than owners of expensive houses."[1]

—**Why Are Residential Property Tax Rates Regressive?** Natee Amornsiripanitch, Federal Reserve Bank of Philadelphia

OVERVIEW

The Arlington County Manager's proposed $1.47-billion budget for fiscal year (FY) 2023 represents a 5.5% increase over the current fiscal year (FY2022), which will end on July 1, 2022.[2]

As we consider the County Manager's proposed FY2023 budget, let's review how we obtain the money we use to fund local government.

About 70% of local tax revenue comes from real estate taxes paid by commercial (office, retail, apartment and light industrial space) and residential (detached/attached single-family homes and condos) taxpayers.

In 2022, residential properties will contribute 54% of real estate revenue, with commercial properties contributing 46%.[3] As recently as 2019, the commercial share of county revenue stood at 49%, with the residential share at 51%.[4] Residential property owners have seen their share grow (along with skyrocketing assessments), while many commercial property owners have seen their share shrink (along with static or declining property values).

Assessments rise. In calendar year (CY) 2022, commercial property assessments increased 0.6% overall, up from a 1.4% decline in 2021 but far lower than the 4.9% increase in 2020. Increased apartment and hotel property assessments offset declines in the values of other types of commercial properties in 2022.[5]

In CY2022, residential real estate assessments are up 5.8%, year over year. This year's increase eclipsed the 5.6% rise in residential assessments in CY2021 and the 4.3% increase in 2020.[6] Sounds like good news, right? In truth, rising property values are a mixed blessing—increasing county revenues but also your tax bill—even in years when the nominal, or base, tax rate remains the same, as the County Manager has proposed for FY2023.

Nominal vs. effective rate. Even when the nominal/base real-estate tax rate remains constant—$1.013 per $100 of assessed value in CY2021 and CY2022—your tax bill still goes up when your real estate assessment goes up. This is what is known as the "effective" tax rate increase.

Arlington's *effective* tax rate for FY2023—applying the unchanged nominal rate to the higher assessed value of real estate—equals **$1.036 per $100 of assessed value**, an effective increase in the rate of 2.3% or $0.023 (2.3 cents) per $100 of assessed value.[7] This 2.3-cent increase would generate roughly $19 million in new revenue (above the amount generated in CY2021).[8]

The real estate tax rates listed above ($1.013 and $1.036) do <u>NOT</u> include the additional stormwater tax of $0.017 per $100 of assessed value (paid by commercial and residential properties on top of the real estate tax), nor do they include the additional commercial transportation tax of $0.125 per $100 of assessed value that applies only to commercial real estate. See Note 7 for more details.

Lowered rate. The way to avoid a real estate tax increase when assessments are rising is to reduce the tax rate to offset rising assessment values, which keeps the amount of revenue the county receives constant. This adjusted rate is called the "lowered" rate. For FY2023, the base tax rate would need to be *lowered* to $0.99 per $100 of assessed value (a reduction of $0.023 or 2.3 cents) in order to fully offset the impact of higher assessments.[9]

<u>*NOTE: Even at this lowered rate, the county would continue to generate the same amount of real estate tax revenue in 2022 as it did in 2021.*</u>

County Board's budget advice to Manager. Though state law[10] requires the county to advertise the effective rate increase and the lowered rate, most taxpayers are unaware of them. Moreover in its advice given to the County Manager for his upcoming budget proposal, the Arlington County Board largely ignores the impact of assessment increases. Instead, the board typically sets parameters based on the nominal (base) tax rate, which doesn't accurately reflect the budget's real-world impact on those paying the taxes.

Impact on homeowners AND renters. In dollar terms, the average "single-family homeowner" (which includes detached and attached homes, townhouses and condos) will have seen his/her real estate tax bill (not including other local taxes or fees) rise from $4,977 in CY2012 to $7,726 in CY2022—a percentage change of 55% in actual dollar cost to homeowners over 10 years.[11] This 5.5% average annual increase is well above the average annual inflation rate (ranging from 0.1% to 4.7%) for each year, from 2012 to 2021.[12]

$7,726 [avg. 2022 RE tax bill] – $4,977 [avg. 2012 RE tax bill] = $2,749 [cumulative tax increase]

Over this 10-year period, it is important to remember that even though the county lowered the tax rate twice—a 1-cent reduction in 2014 and a ½ cent in 2016—it still generated more tax revenue from higher assessed values, which has increased the average residential tax bill each and every year since 2011.[13]

And let's not forget renters. Yes, renters **DO** indirectly or directly pay property taxes, which are baked into rents for apartments[14] and are often a pass-through cost paid by the commercial office and retail tenants on top of rent.[15]

Consequently, rising property tax bills—via increases in assessments or the tax rate—push already high housing costs higher and make homeownership and renting even less affordable for all Arlingtonians, especially for those living on lower or fixed incomes[16] as well as those who have experienced job loss, income reduction or other pandemic-related financial hardship.[17] For details, see the section on **Housing Costs, Economic Hardship and the Real Estate Tax Burden** below.

Rising property tax bills also can make Arlington's commercial space less competitive and less attractive, exacerbating stubbornly high vacancy rates.[18] Conversely, persistent vacancies can reduce assessments and contribute to a decline in commercial property owners' share of real estate tax revenue, shifting more of the burden onto residential property owners.

Subsequent sections of this report delve into the impact of real estate taxes on vulnerable residents and the current economic climate, existing county government vacant positions and the County Manager's FY2023 proposal to use the residential real estate revenue windfall to expand the county workforce (creating 115.5 new positions)—whether or not they can be filled in FY2023 or beyond.

R&E's recommendation. The Real Estate Assessment and Tax Burden Resolution asks County Board members to consider adjusting their annual budget guidance[19] to the County Manager so that it fully integrates the effective rate increase (the assessment increase in addition to the nominal/base tax rate) and its impact on residents and businesses into the budget planning process.

Planning for the upcoming fiscal year always should take into account the real-world, cumulative impact of successive real estate tax assessment increases on vulnerable county residents (senior, disabled, low- fixed- and middle-income residents) for whom the resulting increase in housing costs can be a real hardship.

Given the board's continual focus on housing affordability (or lack thereof), equity and the regressive nature of the real estate tax, one naturally would expect the Arlington County Board to consider the effective tax increase's impact on residents who may be less financially able to absorb the burden and to provide meaningful budget guidance to the County Manager in this regard.

Housing Costs, Economic Hardship and the Real Estate Tax Burden

According to Tax-Rates.org, "Arlington County has **one of the highest median property [real estate] taxes** in the United States, and is ranked 40th of the 3,143 counties in order of median property taxes."[20] Taxes are an integral cost of housing, which affects both homeowners and renters.[21]

At the state level, Virginia tops the list for foreclosure rates associated with property tax increases:[22]

> Knock's analysis focused on the impact of home price appreciation, unemployment rates, debt-to-income ratios, income inequality, and the length of the foreclosure process on real estate-owned (REO) transactions, found that those already struggling to meet their mortgage payments are at the greatest risk of losing their home to foreclosure as property taxes rise. [NOTE: See Note 32 for an example of an REO/bank-owned property in Arlington.]

2021 Top Foreclosure States (January to September 2021)

Rank	State	Real estate-owned transactions	Average House Price Index % change YOY	Average unemployment rate	Debt-to-income ratio	Income inequality*	Average length of foreclosure process (days)
1	Virginia	3%	18%	4.6%	1.82	0.47	393
2	Georgia	2%	21%	4.1%	1.46	0.48	442
3	New Jersey	2%	20%	7.4%	1.46	0.48	841
4	Mississippi	2%	14%	6.1%	1.56	0.48	133
5	New York	2%	19%	8.0%	0.74	0.51	885
	National	1%	20%	5.6%	1.50	0.46	614

*Gini coefficient

knock.com

Though certain demographics are more vulnerable to housing cost increases, the financial shocks accompanying the pandemic have exacerbated preexisting housing affordability problems—spreading the pain to a wider segment of the population.

Arlington County has recognized residents' emotional strain, leveraging American Rescue Plan Act (ARPA) funds to bolster the social safety net.[23] The County Manager has proposed adding approximately 14.5 grant-funded, full-time-equivalent (FTE) positions to support behavioral health and meet other safety-net needs. As grant-funded positions, staff considers them to be short-term positions that will not continue beyond the initial grant period unless future grant funding can be obtained.

The Manager also has proposed 19 FTEs funded in the FY2023 budget with ARPA funds.[24] These positions include staffing for the county's Crisis Intervention Center, and budget staff expects these positions to be funded by local taxpayer dollars once federal funds are exhausted. See the **New Spending—115.5 New County Positions Added in 1 Fiscal Year** section for additional information on the new positions proposed for FY2023 as well as over 400 existing vacant positions.

Unfortunately, the county seems far less focused of the ongoing financial stress experienced by local residents as we continue to grapple with economic fall-out from the pandemic.

Tax burden on seniors. Roughly 1 in 10 Arlingtonians is age 65+.[25] Though repeated tax assessment increases can be difficult for many households to absorb, retirees and the disabled—frequently living on fixed incomes—typically have even less ability to absorb them. This is especially true for seniors of modest means who bought years ago when housing prices were much lower.

Seniors are at risk of tax-related displacement, with increases of as little as $100 being significant:

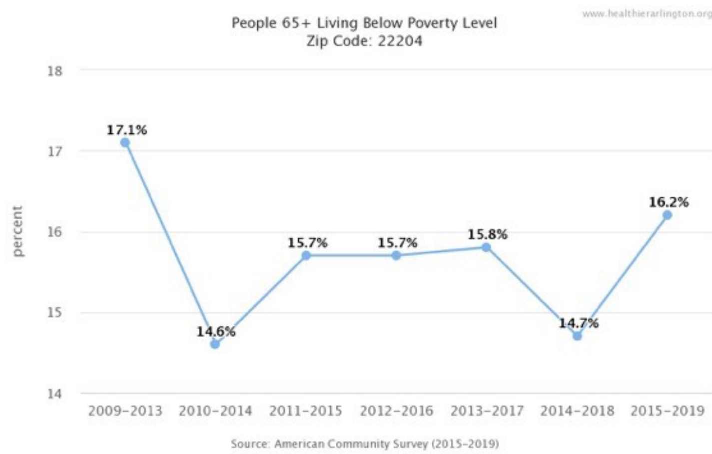
> Housing-rich but income-poor elderly homeowners often complain about rising tax burdens, and anecdotal evidence suggests that some move to reduce their tax burden.... The findings provide evidence suggesting that higher property taxes raise mobility among elderly homeowners... [I]nstruments suggest that a $100 increase in annual property taxes is associated with a 0.73 percentage point increase in the two-year mobility rate for homeowners over the age of 50. This is an eight percent increase from the baseline two-year mobility rate of nine percent.[26]

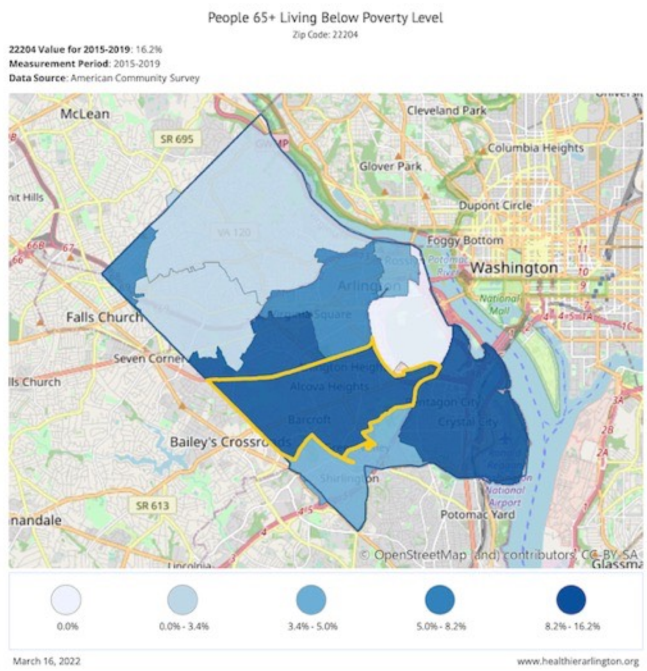
Arlington County lacks a homestead exemption, like Philadelphia,[27] that could help insulate seniors from rising assessments—especially in replanned areas undergoing gentrification/redevelopment.

Arlington does have a homeowner real estate tax relief program for low-income seniors and disabled residents.[28] However, it is poorly advertised, the income and asset restrictions are often too low to be helpful to many struggling seniors, and the county has consistently limited funding to the program. If the dwelling is a condo, this program will provide no relief for condo fees, and the condo association could still foreclose on a unit with delinquent fees.

Arlington provides more money for its housing grant program (a county rent subsidy)[29] that assists primarily very low-income seniors and disabled residents. But as with the real estate tax relief program, it is budget limited and not everyone who needs help may get it.

So where do Arlington's seniors of modest means live? Arlington seniors living below the poverty line are heavily concentrated in three ZIP codes: 22202, 22203 and 22204.[30]





As noted in the map above, the 22204 ZIP code includes the Columbia Pike corridor. Gentrification, frequently facilitated by upzoning and redevelopment, places rapid upward pressure on property values and thus tax assessments (more so than in neighborhoods without upzoning/redevelopment), which can lead to the displacement of existing lower income residents who lack meaningful tax relief.[31] See Note 32 for a comparison of the assessment history of two similar Arlington properties: one in the Columbia Pike corridor and one in North Arlington.[32] Seniors are especially at risk due to the rapid property value spikes associated with gentrification.[33]

While it is not possible under Virginia law to single out groups or individuals for a special tax rate (every Arlington taxpayer pays the same base rate), Arlington's seniors and other at-risk groups should be given due consideration with respect to any effective tax increase when the County Board crafts its annual budget guidance to the County Manager.

Economic headwinds for residents continue. Beyond seniors, fallout from the pandemic has increased the financial stress on many households. Some workers lost jobs. Other workers lost hours. Many of those with lost income were women with children.

School closings and extended remote learning forced many mothers (and some fathers) to exit the workforce to care for children. For some, the return to work has been hamstrung by childcare issues.[34] Others have faced subtle discrimination in trying to return to work because they took a career "break" during the pandemic.[35]

In a high-cost-of-living area like Arlington, any interruption in employment can be devasting to a household budget, and reversing that damage can take time.[36]

Much was made of the alleged income gains of workers during the pandemic. However, here in Arlington, those "gains" proved illusory:[37]

> What happens when large, and largely low-paid, sectors of the economy are derailed by a pandemic?
>
> Average wages rise to the stratosphere.
>
> It's largely a statistical anomaly, and doesn't mean those keeping their jobs saw big boosts in pay – if they saw any at all – but the average weekly wage in the fourth quarter of 2020 was up 13 percent from a year before to $1,339, according to new data from the federal Bureau of Labor Statistics.

The recent rise in inflation also would tend to offset any gains in real wages or income.[38]

Though it is unclear whether Arlington will see an uptick in REO or "pre-foreclosure" properties, there are multiple sites with listings for local properties in this category:

- https://www.bankownedproperties.org/bankhomes/VIRGINIA/ARLINGTON.html
- https://www.foreclosure.com/listings/arlington-county-va/
- https://homefinder.com/foreclosures/VA/county/Arlington
- https://www.bankforeclosuressale.com/list/va/arlington.html?lview=2

And some financial experts are warning of a pent-up wave of bankruptcies:[39]

> "[M]ost people seem to think that the foreclosure moratoriums will start to expire. And when that happens, foreclosures will increase, followed by bankruptcies," says [Ann T.] Marshall. [Hon. Charles N.] Clevert [Jr. (ret)], whose cases during the pandemic have thus far related primarily to credit issues, has a slightly different hypothesis: "When people go back to work, and they have income, creditors are more likely to pursue them," he says. When that happens, he explains, "individuals are more likely to file petitions in bankruptcy court or in state court for some type of debt relief."

Whereas it may be too soon to fully understand the extent of the pandemic's economic impact in CY2022, it is also too soon to automatically assume that most Arlington residents have escaped unscathed and can easily sustain large increases in the tax and fee burden.

New Spending—115.5 New County Positions Added in 1 Fiscal Year

In reviewing the County Manager's proposal for FY2023, there are two noteworthy and related items: the 5.5% increase in the annual budget and the addition of 115.5 new county positions (not including APS) in a single year.

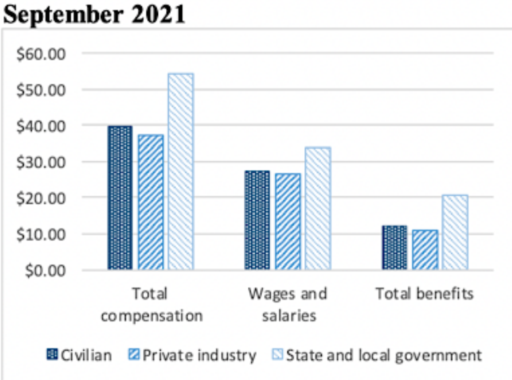
Though revenues took a hit during the pandemic, the county's budget kept on growing—albeit at a slower pace. And whereas the manager "froze" (i.e., defunded) some vacant positions during the pandemic, there were no significant cuts to staff. (Many of the frozen public safety positions were frozen prior to the pandemic.) In fact the county added 16 new positions in FY2020 and another 55 new positions in FY2021.[40]

A growing budget along with adding a significant number of new positions during the pandemic sits in stark contrast to the significant budget and personnel cuts that the county undertook during the Great Recession to maintain a balanced budget. As a point of reference, it took the county eight years—from 2009 to 2017—to add 106.5 new full-time-equivalent positions,[41] whereas today we are adding 115.5 positions in one year.

Why focus so much attention on the number of new positions to be added? The reasons are twofold.

First, employee total compensation represents a large percentage of most organizations' operating costs, and this is especially true of public employers. According to Paycor, a human capital management software and services provider, labor costs (salary + benefits, or total compensation) "can account for as much as 70% of total business costs."[42] State and local governments' compensation costs tend to exceed those of private industry:[43]

Chart 1. Employer costs per hour worked, September 2021



The more employees added, the greater the costs. And these costs aren't limited just to salary, which provokes a question of long-term sustainability when large numbers of new positions are added.[44] (Part of the County Board's budget guidance for FY2023 included a "financial sustainability" provision.)

Second, the need for new positions must be considered in the context of the number of existing vacant positions. R&E filed a Freedom of Information Act (FOIA) request to obtain a comprehensive list of currently vacant county (not including APS) positions. That list contains over 400 vacant full-time positions,[45] which is roughly 10% of the county's workforce (see Attachment A, FOIA response). Some long-unfilled positions are remarkably similar in function to new positions the County Manager has included in his FY2023 budget proposal. And a few new positions offer a weak rationale to justify their creation.

Below, we further explore the true cost of employees to county government, the types and number of vacant positions, and a sample of positions with questionable justification or ones that appear to duplicate existing vacant positions.

How much do employees really cost? Salary or wages are just the beginning of an organization's labor costs. Benefits add another layer of costs, often referred to as total compensation.

Governing.com explains public employee total compensation costs in a 2014 article:[46]

> What a particular government worker receives in salary and benefits is significantly different from what a given staff position may cost his or her public employer. A $50,000 salary, for example, generates about $5,000 more in public-employer costs due to Social Security/Medicare taxes and various unemployment and payroll expenses. Employer-paid health-care benefits can cost another $10,000 (or even $20,000) for a typical employee. Pension costs can be just as large -- but even trickier to measure accurately.
>
> In 2012, a research team for our Center for Public Service at Portland State University decided to delve into what we dubbed "Total Employer Costs of Compensation" (TECC)....
>
> The result surprised many, even those within the public sector: On a typical salary of approximately $50,000, we calculated the TECC at approximately $100,000.... And there's the multiplier effect: When a worker receives even a small raise, other payroll-based costs, such as employer-paid pension contributions, also rise. Add in higher health-insurance premiums and other cost drivers, such as pension-contribution-rate hikes, and a seemingly modest 2 percent salary hike can disguise a 5 percent or even 8 percent rise in the TECC.

The doubling of the salary figure to estimate total compensation cost seems reasonably in line with September 2021 Bureau of Labor Statistic figures:[47]

> State and local government worker compensation costs for employers averaged $54.46 per hour worked in September 2021. Wage and salary costs averaged $33.76. Wage and salary costs averaged $33.76….

Using the BLS figures, total compensation (which includes benefits) would be 1.6 times the amount of the salary/wages figure.

Using an average of Arlington's FY2021 midpoint salary figures for county employees—$90,328[48]—we estimate the salary cost of 115.5 new employees to the county (presuming all positions are filled). Salary (wages) alone would cost roughly $10 million. Add in the benefits (1.6 times salary/wages), and the total compensation figure rises to approximately $16.7 million.

However, the question remains whether all 115.5 new positions should be considered. Some are grant-funded positions that budget staff considers "temporary," as stated earlier. In other words, about 14.5 of the new positions are not funded by local taxes and would not likely continue once the grant funding is exhausted. So we will subtract those from the total, leaving us with 101 new positions.

The result would be a salary/wage cost of around $9.1 million with a total compensation cost of around $14.6 million for 101 new positions, assuming that they all would be filled in FY2023. As discussed below, this seems highly improbable.

Where do surplus funds go? The obvious question is what happens to funds allocated to new (or existing) positions when the positions remain unfilled for part or all of a fiscal year? The answer is complicated.

Surplus cash not used to pay for a department's unfilled positions can be retained by the department but must used for other human-resources-related expenses during the fiscal year, according the Department of Management and Finance (DMF). One such legitimate diversion is for overtime expense.

But other uses are possible, like paying bonuses to existing managers and staff. DMF has assured R&E that such bonuses (using surplus funds) cannot be paid UNLESS the Human Resources Department approves them, leaving open the possibility that these funds could be used to pay bonuses to existing staff under certain circumstances.

Any funds not used by the end of the fiscal year for human-resource-related expenses are then collected from the department at budget close-out (June 30), and the County Board reallocates this money to one-time uses that typically do not cover personnel costs (an ongoing expense).

Below is a discussion of existing county government vacancies, which represent a significant amount of surplus funds irrespective of any new positions that might be added. Unfortunately, there is little or no publicly available accounting of how these dollars are being spent in actual practice.

Reviewing vacant county positions. DMF considers the Human Resources Department's FOIA list of 478 vacant county positions to be "raw," in that it may contain some positions that shouldn't be counted as "active." For example, staff believes the list contains 24.6 still-frozen (unfunded) positions (10 sheriff FTEs, 12.6 police FTEs, 1 Commissioner of the Revenue FTE and 1 juvenile domestic court FTE).

Subtracting those frozen positions, leaves us with 453 unfilled positions. Some seasonal positions (8 lifeguards) also probably should be dismissed as these positions routinely won't be filled until the summer. To simplify, R&E assumes that the number of legitimate existing vacant positions is somewhere above 400.

Given that the county lists just over 4,000 positions in FY2021 CAFR, this would mean a vacancy rate in the range of at least 10%. Such a large number of vacancies could easily increase the strain on remaining employees in public-facing, front-line positions and could contribute to retention problems. Unfortunately, simply adding more positions, if they, too, are unlikely to be filled, won't cure existing recruitment or retention issues nor will it reduce the strain on current staff.

Among the departments/areas with multiple vacant positions (of the same or similar types) are at least 18 unfilled behavioral health positions (vacant from 38 to 266 days) in the Department of Human Services; 11 water, sewer and street technician, plus 3 trainee positions (vacant from 12 days to 545 days) in the Department of Environmental Services; 4 code inspector positions (all vacant over 330 days) in Community Planning, Housing and Development (CPHD) division; 6 librarian positions (vacant from 67 to 625 days) and 5 library assistant positions (vacant from 61 to 165 days) in the Arlington Public Library division; 32 police officer positions—not including 13 frozen positions or ranked-officer positions—(vacant from 11 days to 361 days) in the Arlington County Police Department; 6 deputy sheriff positions—not including 10 frozen positions or ranked positions—(vacant from 25 days to roughly 83 days); and 35 firefighter/EMT positions (vacant from 53 days to 277 days) in the Arlington County Fire Department.

Another unanswered question is why some of these long-term, still-funded vacant positions (ones remaining unfilled for a year or more) could not be reallocated to other areas in need instead of adding new positions?

Below, we review a sample of positions proposed in the Fy2023 budget. Some appear to duplicate similar already-vacant positions; some appear to lack a reasonable-need justification.

Questionable utility of some positions proposed for FY2023. At the 3-8-2022 CPHD budget work session, a County Board member asked CPHD management about the significant number unfilled building/code inspector positions. In response to further questioning as to how CPHD would fill the new positions (proposed for FY2023) with so many existing positions remaining unfilled, management replied that it would be "a challenge" to fill them. Little in the way of concrete answers as to how CPHD would fill these positions (existing or new) was given.

Unfortunately, no one asked whether filling current positions might negate the need for additional positions.

Below are positions about which R&E has questions:[49]

• "**Add a Permit Processing Specialist I (1.0 FTE)"**—the permit office remains closed and all filings must be submitted online. It appears the permit office will reopen sometime in FY2023, with in-person visits/consultations allowed. However, fully automating the process should have freed up sufficient staff time to allow for timely permit application processing. No justification, in terms of any increase in the number of permit applications or workload, has been provided—though an existing permit processing specialist position became vacant on 2-26-2022. Note that this new Permit Processing Specialist I position for DES is in addition to a **temporary Permit Processing Specialist (1.00 FTE)** to be added to CPHD's Development Fund.

Given that FY2022 budget states that "three limited term permitting positions were recently converted to permanent staff," it's unclear why CPHD needs additional permit office personnel: https://www.arlingtonva.us/files/sharedassets/public/budget/documents/fy-2022-proposed-budget-all-in-one-02.20.21-with-interactive-toc-updated-20-may.pdf.

• "Add the following positions for permitting services: … **a permanent Building Inspector (1.00 FTE)"**—this position is similar to the 4 existing code inspector positions that have been vacant for 330 or more days. It is unclear how adding another position in FY2023 will fix apparent recruitment and retention problems. Note that this position is similar to the CPHD Development Fund's new **temporary Code Enforcement Inspector (1.00 FTE)** position.

• "Add the following positions for permitting services: … **Add temporary Customer Experience Staff Receptionists (2.00 FTEs)"**—as noted above, the permit office appears to be reopening. There is no indication of any front desk reception positions having been previously frozen or otherwise eliminated in the FY2022 budget. Presumably the same staff that served the permit office's reception desk before its closure would be available to resume their former duties. No justification, in terms of any increase in workload, has been provided. And now that the permit process has been fully automated, there is no reason given as to why existing staff should not be able to handle the reduced number of customers who may visit the office in person.

• "**Add a Human Services Clinician for the Adult Protective Services Program/ADSD (1.00 FTE)"**—in addition to the many behavioral health vacancies noted in the previous section, there are 3 similar, existing, unfilled clinician positions for adult services whose vacancies range from 24 to 159 days. If those 3 positions are difficult to fill, it is unclear how a fourth position would be filled in FY2023.

• "**Add a Children's Librarian at Bozman Library (1.0 FTE)"**—one of 9.52 library positions to be added—this is the old Courthouse Plaza library, which is **closed** and began undergoing renovations in Sept. 2021 for a period of "16 months": http://thewash.org/2021/09/28/pre-renovations-underway-at-the-bozman-government-center/. According to the library website, the Plaza/Bozman branch apparently will reopen in July 2022.

However, as this branch is located in a government office building, its previous operating hours have been limited to regular business hours, Monday through Friday. New hours for the reopened branch haven't been announced. Nor is it clear how many children it might serve: Most children of reading age attend school on weekdays (APS schools have their own libraries). It is unclear why a part-time children's librarian rotating in from another library would not meet this need. After all, the county jail has a 24/7 population of +/–300 adult residents, and its small library has only part-time librarians who rotate into the facility from other branches.

• **Add an Assistant Facility Manager for Lubber Run Community Center (1.0 FTE)** and **Add a Customer Service Representative for Lubber Run Community Center (1.0 FTE)**—when the former Lubber Run Community Center building closed, the existing staff was transferred to other community centers. The building footprint roughly doubled when the new building was built, but the majority of the added space has been allocated to Department of Parks and Recreation staff, which relocated from the Trades Center.

The amount of space in the building allocated to the new community center is roughly equal to the square footage of the old community center building. These 2 positions are not identified as reactivation of previously "frozen" positions, and no rationale in terms of additional workload is provided to justify the need for more staff.

In Summary

Given the time constraints, R&E has just scratched the surface with respect to examining county workforce issues. However, adding so many new positions when so many existing positions remain vacant should give us all pause. Chronic vacancies are a sign that something is wrong. And salary has not been listed as the chief complaint in exit interviews.[50]

From a budget standpoint, allocating millions in revenue to so many new positions—ones that either may remain vacant or have weak justification—leaves less money available for other, more fruitful uses. Addressing existing vacancies should take priority over attempting to add more of the same positions; only then can actual need for additional staffing be determined.

Considering the circumstances, it is reasonable to ask whether the County Manager truly requires and can fill all the positions his is requesting for the coming fiscal year. A residential-assessment revenue windfall should not be considered valid justification for adding over 100 new positions, especially when many similar positions have remained unfilled for months or even longer.

Revenue not truly needed for actual labor costs in FY2023 should be considered, instead, for offsetting a reasonable amount of the FY2023 effective tax increase to give residents (and businesses) some relief from their growing tax burden, particularly while so many are still recovering from pandemic-related hardship.

NOTES

[1] Why Are Residential Property Tax Rates Regressive?: https://www.philadelphiafed.org/consumer-finance/mortgage-markets/why-are-residential-property-tax-rates-regressive

[2] "Budget proposal to cost Arlington homeowners": https://sungazette.news/budget-proposal-to-cost-arlington-homeowners/

[3] ARLnow, "JUST IN: County reports another jump in residential real estate assessments," https://www.arlnow.com/2022/01/14/just-in-county-reports-another-jump-in-residential-real-estate-assessments/

[4] ARLnow, "Property Values, and Thus Property Taxes, Are Rising," https://www.arlnow.com/2020/01/21/property-values-and-thus-property-taxes-are-rising/

[5] Arlington County 1-14-2022 News Release https://www.arlingtonva.us/About-Arlington/News/Articles/2022/Arlington-Real-Estate-Property-Values-See-Modest-Increase-for-2022

[6] ARLnow, "JUST IN: County reports another jump in residential real estate assessments," https://www.arlnow.com/2022/01/14/just-in-county-reports-another-jump-in-residential-real-estate-assessments/

[7] "PUBLIC NOTICE: March 31, 2022—Notice of Proposed Real Property Tax and Tax Rate Public Hearing": https://content.govdelivery.com/accounts/VAARLINGTON/bulletins/30cbe37. NOTE: The current real estate tax rate of $1.013/$100 of assess value does NOT include the additional stormwater surcharge of $0.017/$100 of assessed value, or 1.7¢/$100 of assessed value. With the stormwater surcharge included, the tax rate on all properties equals $1.03/$100 of assessed value. The stormwater portion of the tax rate is eventually expected to be replaced by a stormwater utility fee based on impervious lot coverage. Some property owners will see their overall tax-and-fee burden rise or fall, depending on the county's calculation of their property's impervious cover. The current tax rate of $1.013/$100 of assessed value also does NOT include the commercial transportation tax surcharge of $0.125 per $100 of assessed commercial real estate value. For commercial properties, the tax rate (including both the stormwater and transportation surcharges) would be $1.155/$100 of assessed value. See also County Board Report 30A. (Posted 02-10-2022) request to advertise hearing for proposed tax rate for CY2022: https://arlington.granicus.com/MetaViewer.php?view_id=2&event_id=1743&meta_id=208669.

[8] "PUBLIC NOTICE: March 31, 2022—Notice of Proposed Real Property Tax and Tax Rate Public Hearing": https://content.govdelivery.com/accounts/VAARLINGTON/bulletins/30cbe37. NOTE: An estimate of new revenue generated by the 2.3-cent effective tax rate increase is calculated by multiplying CY2021 total assessed value ($83,049,154,800) by $0.023 and dividing by 100.

[9] "PUBLIC NOTICE: March 31, 2022—Notice of Proposed Real Property Tax and Tax Rate Public Hearing": https://content.govdelivery.com/accounts/VAARLINGTON/bulletins/30cbe37.

[10] Code of Virginia §58.1-3321 "Effect on the rate when assessment results in tax increase; public hearings": https://law.lis.virginia.gov/vacode/title58.1/chapter32/section58.1-3321/

[11] NOTE: "Single-family residence is based on all residential property including single family detached, semi-detached dwellings, condominiums, cooperatives, and townhouse residences." See County Board Report 33A. (Posted 02-19-2021) request to advertise hearing for proposed tax rate for CY2021 (Attachment II) for the CY2012 average figure: https://arlington.granicus.com/MetaViewer.php?view_id=2&clip_id=3876&meta_id=201114." See County Board Report 30A. (Posted 02-10-2022) request to advertise hearing for proposed tax rate for CY2022 (Attachment II): https://arlington.granicus.com/MetaViewer.php?view_id=2&event_id=1743&meta_id=208669 for the CY2022 average figure.

[12] Current US Inflation Rates: 2000-2022: https://www.usinflationcalculator.com/inflation/current-inflation-rates/.

[13] County Board Report 27A (Posted 02-20-2020), Attachment II: https://arlington.granicus.com/MetaViewer.php?view_id=2&clip_id=3722&meta_id=192494

[14] Apartment Search website, "Do Renters Pay Property Taxes?": https://blog.apartmentsearch.com/city-living-2/do-renters-pay-property-taxes/ and ITEP "Who Pays?" (6th Edition) web page: https://itep.org/whopays/

[15] MIT Center for Real Estate, "Can landlords really pass on higher property taxes to tenants?" https://mitcre.mit.edu/news/blog/can-landlords-really-pass-higher-property-taxes-tenants

[16] ITEP "Who Pays?" (6th Edition, p. 12) https://itep.sfo2.digitaloceanspaces.com/whopays-ITEP-2018.pdf and "Property tax burdens fall on nation's lowest-income homeowners, study finds": https://news.uchicago.edu/story/property-tax-burdens-fall-nations-lowest-income-homeowners-study-finds and "Property Taxes and Elderly Mobility": https://www.ncbi.nlm.nih.gov/pmc/articles/PMC2811882/ and "Houses, Apartments, and Property Tax Incidence," Joint Center for Housing Studies Harvard University: https://www.jchs.harvard.edu/sites/default/files/w05-2.pdf.

[17] County Board Report, "Adoption of recommendations for the allocation of American Rescue Plan Act (ARPA) funds" (dated 11-12-2021): https://arlington.granicus.com/MetaViewer.php?view_id=2&event_id=1667&meta_id=206489; Thousands Still Waiting on Unemployment Status in Virginia (Dec. 2021): https://www.nbcwashington.com/news/consumer/thousands-still-waiting-on-unemployment-status-in-virginia/2911026/; Arlington Food Assistance Center (AFAC) FY22 Fact Sheet: https://afac.org/fact-sheet/

[18] "County office-vacancy rate going in wrong direction": https://sungazette.news/county-office-vacancy-rate-going-in-wrong-direction/

[19] "Final Direction to the County Manager for Preparation of the FY 2023 Budget": https://www.arlingtonva.us/files/sharedassets/public/budget/documents/county-board-budget-guidance-for-fy-2023-101921.pdf

[20] Tax-Rates.org website, "The 2021 Tax Resource": http://www.tax-rates.org/virginia/arlington_county_property_tax (accessed 3-15-2022).

[21] "Property Tax Circuit Breakers": https://community-wealth.org/sites/clone.community-wealth.org/files/downloads/report-bowman-et-al.pdf and "Where is the property tax relief for struggling renters?": https://smhttp-ssl-58547.nexcesscdn.net/nycss/images/uploads/pubs/Shorted_Renters_Final_LR.pdf

[22] "Property Tax Increases Force Rise in Foreclosure Rates": https://dsnews.com/daily-dose/12-14-2021/property-tax-rise

[23] American Rescue Plan Act Goals & Guiding Principles County Board Presentation (9-21-2021): https://www.arlingtonva.us/files/sharedassets/public/budget/documents/arpa-overview-and-board-guiding-principles-september-2021.pdf

[24] FY 2023 Proposed Budget Position Changes (p. 42): https://www.arlingtonva.us/files/sharedassets/public/budget/documents/fy-2023/fy-2023-proposed/fy-2023-proposed-budget-all-in-one-02.15.22.pdf

[25] CPHD Profile 2021: https://www.arlingtonva.us/files/sharedassets/public/arlington/documents/profile_2021.pdf

[26] "Property Taxes and Elderly Mobility": https://www.ncbi.nlm.nih.gov/pmc/articles/PMC2811882/

[27] City of Philadelphia Homestead Exemption application: https://www.phila.gov/documents/homestead-exemption-application/ (accessed 3-272022)

[28] Arlington County Real Estate Tax Relief Program webpage: https://www.arlingtonva.us/Residents/Taxes/Tax-Relief/Real-Estate-Tax-Relief (accessed 3-16-2022)

[29] Arlington County Housing Grant webpage: https://www.arlingtonva.us/Government/Programs/Housing/Get-Help/Rental-Services/Local-Housing-Grants (accessed 3-16-2022)

[30] Healthier Arlington websites, "People 65+ Living Below the Poverty Line": https://www.healthierarlington.org/indicators/index/view?indicatorId=343&periodId=4523&localeId=40717 (accessed 3-16-2022)

[31] "Effects of gentrification on homeowners: Evidence from a natural experiment" (July 2020): https://www.sciencedirect.com/science/article/abs/pii/S0166046219300900

[32] 1021 South Dinwiddie Street, Arlington VA 22204 https://propertysearch.arlingtonva.us/Home/Assessments?lrsn=44387: SFH detached (now an investment property), lot=5,451 sq ft, built=1942, total assessed value ↑55% 2013–2022, assessed land value ↑64% 2013–2022. 875 North Greenbrier Street, Arlington VA 22205 https://propertysearch.arlingtonva.us/Home/Assessments?lrsn=18717: SFH detached, lot=5,500 sq ft, built=1939, total assessed value ↑49% 2013–2022, ↑54% assessed land value 2013–2022. Note: 875 N. Greenbrier St. is listed as an REO; however, it is unclear whether the bank actually took possession before the sale was completed: https://www.bankownedproperties.org/pre-foreclosure/N-GREENBRIER-ST-ARLINGTON-VA-22205/29942597/. "Preforeclosure" appears to be the current term being applied to troubled properties that lenders have not formally foreclosed upon.

[33] "Beyond Housing: Perceptions of Indirect Displacement, Displacement Risk, and Aging Precarity as Challenges to Aging in Place in Gentrifying Cities": https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6927009/

[34] "Why haven't U.S. mothers returned to work? The child-care infrastructure they need is still missing." https://www.washingtonpost.com/politics/2021/11/08/why-havent-us-mothers-returned-work-child-care-infrastructure-they-need-is-still-missing/

[35] "#BreakTheBias: How Women Returners Are Combining Careers With Caregiving": https://www.forbes.com/sites/sap/2022/03/03/breakthebias-how-women-returners-are-combining-careers-with-caregiving/?sh=3e3fca0077a4.

[36] "Thousands Still Waiting on Unemployment Status in Virginia" (Dec. 2021): https://www.nbcwashington.com/news/consumer/thousands-still-waiting-on-unemployment-status-in-virginia/2911026/;

[37] "Data: Average weekly wages spike, but only statistically": https://sungazette.news/data-average-weekly-wages-spike-but-only-statistically/

[38] "Despite higher wages, inflation gave the average worker a 2.4% pay cut last year": https://www.cnbc.com/2022/01/12/higher-pay-eclipses-inflation-bite-for-some-.html

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[40] FY2021 Comprehensive Annual Financial Report, p. 284: https://www.arlingtonva.us/files/sharedassets/public/budget/documents/accounting-reporting-and-control/online-version_12032021-acfr-fy2021.pdf

[41] FY2017 Comprehensive Annual Financial Report, p. 249, 3,931.3 FTEs in FY09 – 3,824.8 FTEs in FY17: https://www.arlingtonva.us/files/sharedassets/public/budget/documents/cafr-fy2017-online-version.pdf

[42] Paycor website (updated 2-23-2022): https://www.paycor.com/resource-center/articles/closer-look-at-labor-costs/ (accessed 3-17-2022)

[43] BLS News Release, "Employer Costs for Employee Compensation – September 2021": https://www.bls.gov/news.release/pdf/ecec.pdf

[44] "FY 2016 Proposed Budget Work Session Follow-up (April 14, 2015)," FTEs & Personnel Cost to General Fund Budget (less School transfer): https://arlingtonva.s3.dualstack.us-east-1.amazonaws.com/wp-content/uploads/sites/18/2015/04/B-8-DMF-County-FTEs-and-Personnel-Costs.pdf. "[I]n response to a question from Mr. Vihstadt on March 11th [2015] regarding the number of County authorized FTEs historically and the percentage that personnel represents of the County's total budget," that cost ranged from 53.9% of the total budget to 55.6% over the period of FY2007–FY2016..

[45] NOTE: See Attachment A – FOIA Response-Arlington County HR Vacancy Report as of 3-9-22. Though there are 478 vacant positions listed in the county's FOIA response, R&E has reduced the figure to "over 400" in order to account for part-time, seasonal and still-frozen positions that might skew the analysis.

[46] "What a Public Employee *Really* Costs" (September 2014) https://www.governing.com/archive/col-public-employees-total-employer-costs-compensation.html

[47] BLS "Employer Costs for Employee Compensation Summary": https://www.bls.gov/news.release/ecec.nr0.htm#

[48] Fiscal Year 2021 Pay Schedule for County Employees: https://arlingtonva.s3.amazonaws.com/wp-content/uploads/sites/18/2020/09/FY21A-Glossary-Appendices-combined.pdf. NOTE: Avg. county employee salary figure is an average of the midpoint salary of all positions listed in the FY2021 pay schedule.

[49] FY 2023 Proposed Budget Position Changes (pp. 41–44): https://www.arlingtonva.us/files/sharedassets/public/budget/documents/fy-2023/fy-2023-proposed/fy-2023-proposed-budget-all-in-one-02.15.22.pdf

[50] "Arlington County Government Total Compensation FY2020," exit interview responses: https://arlington.granicus.com/MetaViewer.php?view_id=2&clip_id=3614&meta_id=184853