



Town of Hilton Head Island

Planning Commission Special Meeting

Monday, March 3, 2025, 4:00 PM

**1 Town Center Court, Hilton Head Island, SC
Benjamin M. Racusin Council Chambers**

The meeting can be viewed on the [Town's YouTube Channel](#), the [Beaufort County Channel](#), and Spectrum Channel 1304.

- 1. Call to Order**
- 2. Pledge to the Flag**
- 3. Adoption of the Agenda**
- 4. Approval of the Minutes**
- 5. Unfinished Business**
 - a. Consideration of an Ordinance to Amend Title 16 of the Municipal Code of the Town of Hilton Head Island, the Land Management Ordinance, to amend Chapter 16-4, Use Standards, to add a new Adaptive Re-Use Hotel/Motel Conversion Program to the following section: 16-4-106.
- 6. New Business**
- 7. Public Comment - Non Agenda Items**
- 8. Commission Business**
- 9. Chairman's Report**
- 10. Staff Reports**
- 11. Adjournment**

FOIA Compliance: Public notification of this meeting has been published, posted, and distributed in compliance with the South Carolina Freedom of Information Act and the requirements of the Town of Hilton Head Island.

In accordance with the requirements of Title II of the Americans with Disabilities Act of

1990 ("ADA"), the Town of Hilton Head Island will not discriminate against qualified individuals with disabilities on the basis of disability in its services, programs, or activities. Auditory accommodations are available. Any person requiring further accommodation should contact the Town of Hilton Head Island ADA Coordinator as soon as possible but no later than 48 hours before the scheduled event.

Municipal Association of South Carolina (MASC) Civility Pledge:
"I pledge to build a stronger and more prosperous community by advocating for civil engagement, respecting others and their viewpoints, and finding solutions for the betterment of my city or town."



TOWN OF HILTON HEAD ISLAND

Planning Commission

TO: Planning Commission
FROM: Missy Luick, Director of Planning
CC: Shawn Leininger, Assistant Town Manager
CC: Marc Orlando, Town Manager
DATE: March 3, 2025
SUBJECT: Consideration of an Ordinance to Amend Title 16 of the Municipal Code of the Town of Hilton Head Island, the Land Management Ordinance, to amend Chapter 16-4, Use Standards, to add a new Adaptive Re-Use Hotel/Motel Conversion Program as Section 16-4-106

RECOMMENDATION:

Planning Commission consider an Ordinance to Amend Title 16 of the Municipal Code of the Town of Hilton Head Island, the Land Management Ordinance, to amend Chapter 16-4, Use Standards, to add a new Adaptive Re-Use Hotel/Motel Conversion Program as Section 16-4-106, and forward a recommendation to Town Council. Town Staff recommends denial of the proposed Text Amendment.

BACKGROUND:

On September 16 and 24, 2024, Town Council held workshops to review the LMO Amendments Plan, including an amendment to allow the adaptive reuse of hotels/motels for multifamily housing. Currently, properties that are developed as hotels/motels and are no longer suited for such use have limited reuse options. These reuse options are limited to the zoning of the property and generally include other commercial, retail, or office uses, group living, and residential allowances of varying densities depending on the zoning district.

Based on comments and direction provided by Town Council at the workshops, Town staff drafted a proposed code amendment to allow the adaptive reuse of hotels/motels for multifamily housing. This Town staff proposal was introduced to the Planning Commission in January 2025 and is anticipated to be scheduled for a public hearing at a future meeting.

On December 11, 2024, applicant Chris Breen, with Blue Hour Housing, submitted a proposed text amendment to LMO Sections 16-4, Use Standards, and 16-10, Rules of Measurement, to allow for a new use to be established called Adaptive Re-Use Hotel/Motel Conversion, and to establish minimum unit sizes for the use.

Representatives of Blue Hour Housing submitted the hotel/motel adaptive reuse text amendment to propose regulations meeting their needs and allow more control of the text amendment review schedule.

On January 15, 2025, the Planning Commission held a Public Hearing to consider the Blue Hour Housing text amendment application to allow an adaptive Re-Use Hotel/Motel Conversion. During the public hearing, Town staff and the applicant made presentations to the Planning Commission, the public was provided an opportunity to make public comment, and after deliberation, the Planning Commission, on a 5-3 vote, made a motion to recommend denial to Town Council.

On January 17, 2025, Blue Hour Housing, submitted proposed modifications to the text amendment from what was reviewed and recommended by Planning Commission.

On February 4, 2025, Town Council considered the proposed text amendment, following public comments and discussions, Town Council voted 4-3 to remand the application back to the Planning Commission to review proposed changes to the amendment. Attachment A, Town Council Meeting Notes, outlines the questions and concerns raised at the meeting.

On February 22, 2025, Blue Hour Housing, submitted a revised text amendment that included proposed further modifications of the proposed text amendment for review recommendation by the Planning Commission. The following is a summary of the amendment as currently proposed. Changes are indicated in parentheses where applicable.

PROPOSED TEXT AMENDMENT

As revised, the proposed amendment would create a new use called Adaptive Re-Use Hotel/Motel Conversion Program that is permitted on properties located within the following five zoning districts: (Reduced from 12 Zoning Districts.)

- Light Commercial (LC) District;
- Main Street (MS) District;
- Mitchelville (MV) District;
- Waterfront Mixed-Use (WMU) District; and
- Stoney (S) District.

Further, the proposal would allow and require the following:

1. Applicable only to existing hotels and motels in place at the time of the adoption of this Ordinance.
2. Short-term rentals are not permitted.
3. A hotel or motel converted to a multi-family residential development under the Adaptive Re-Use Hotel/Motel Conversion Program shall be entitled to a density conversion ratio of up to 9 **dwelling units** for every 10 **guest rooms** (Changed from a 1:1 ratio to a 10% density reduction.)
4. Existing guest rooms are not permitted to be reduced or increased in size in order to increase the number of units; however, it is permitted to combine multiple dwelling units into a singular dwelling unit.

5. 6% minimum required building square footage dedicated as interior communal space requirements. Laundry areas, elevators, hallways, stairwells, and other areas used exclusively for ingress and egress cannot be counted towards the square footage for this requirement. (Changed from 6% maximum.)
6. Minimum required open space shall be provided at a rate of 10% of the building square footage. (Changed from 10% maximum.)
7. No less than seventy-five (75%) percent of the dwelling units in the development shall be occupied by at least one person that is a full-time employee of a lawfully licensed business located within the Town of Hilton Head. (Changed from 25%.)
8. Onsite property manager required. (Added.)
9. Micro Efficiency and Studio units are limited to 2 occupants per dwelling unit. (Added.)
10. COE submitted to Town on a quarterly basis verifying employment requirements. (Added.)
11. Program agreement recorded between the Town and developer that establishes the number of units required to meet the employment criteria, the square footage and numbers of beds for all units and the terms and conditions set forth in Sec 16-4-106. (Added.)
12. Minimum unit sizes are as follows:

Unit Type	Market-Rate Conversion Minimum Unit Size	Workforce Housing Conversion Minimum Unit Size	Adaptive Re-Use Conversion Program Minimum Unit Size
Micro Efficiency	NA	280 square feet	250 square feet (Increased from 210)
Studio	NA	400 square feet	350 square feet (Increased from 300)
1-bedroom	800 square feet	560 square feet	450 square feet (Increased from 420)
2-bedroom	1,075 square feet	750 square feet	650 square feet (Increased from 562)
3-bedroom	1,330 square feet	930 square feet	850 square feet (Increased from 698)

The table above compares the minimum unit sizes to the Town's existing workforce housing commercial conversion requirements. Attachment B, Comparative Table, compares the applicant's original text amendment with the revised text amendment, and Town's workforce housing commercial conversion program.

STAFF ANALYSIS:

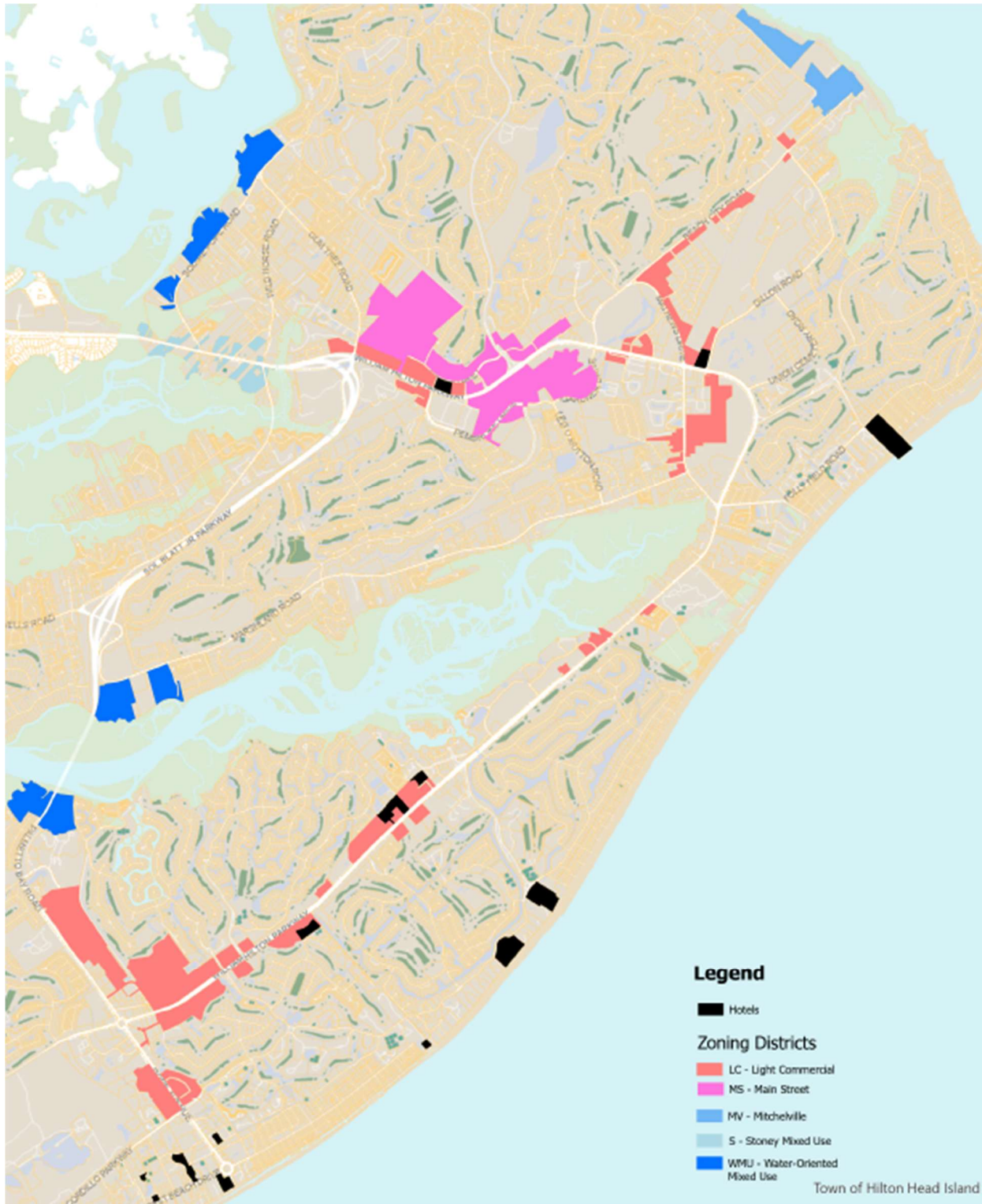
In addition to the review criterial in LMO Sec. 16-2-103.B.3, Ordinance Text Amendment Review Standards, which is covered below, staff also reviewed the questions and concerns expressed from the Planning Commission and Town Council during the review process. The following addresses those considerations.

Applicability:

The proposed amendment identifies existing hotels and motels in place at the time of the adoption of this Ordinance as qualifying properties. The amendment does not clearly exclude timeshare units. There is one timeshare located within the zoning districts proposed by this amendment within the WMU zoning district.

Zoning:

The use is proposed in five (5) zoning districts: LC,MS, MV, WMU, and S Districts. Of the 5 zoning districts proposed, only one district has existing hotel/motel properties where this ordinance would apply (LC – Light Commercial). Below is a map depicting Hilton Head Island hotel properties in the subject zoning districts.



Existing hotels and motels in these zoning districts include:

#	Hotel	Address	Zoning
1	Simple Rewards Inn	200 Museum Street	LC
2	Hampton Inn	1 Dillon Rd	LC
3	Hotel Carolina A Days Inn	9 Marina Side Dr	LC
4	Home 2 Suites	836 William Hilton	LC
5	SpringHill Suites Hilton Head Island	1 Marina Side Dr	LC
6	Red Roof Inn	5 Regency Pkwy	LC
7	Palmera Inn & Suites	12 Park Ln	LC

Workforce Housing Requirements, Timeframe, Enforcement:

The proposed amendment does not align with stated workforce housing guidelines for the Town Workforce Housing Program. It proposes 75% of the dwelling units in the development shall be occupied by at least one person that is a full-time employee of a lawfully licensed business located within the Town of Hilton Head Island. This does not include any limitations on room rates or affordability.

Added provisions require that it is the responsibility of the property owner to hire an on-site property manager that will manage the property and oversee program requirements and report on a quarterly basis. In addition, a recorded agreement must be in place prior to a Certificate of Occupancy being issued. Each year, an annual affidavit will be submitted to the Town certifying that all requirements are met.

Properties converted as part of the Adaptive Re-Use Hotel/Motel Conversion Program properties must be maintained as such in perpetuity. Although this ensures that the units will continue to be available, it does not address the declining conditions of aging structures or establish any maintenance requirements.

Unit Size, Communal Amenities & Livability:

The minimum unit size for units proposed in this amendment, although increased slightly from earlier versions, remains smaller than the size that is currently required for the Workforce Housing Commercial Conversion. Micro Efficiency and Studio Units are proposed to permit a maximum of two people. There is no limit on how many Micro Efficiency or Studio Units can be built.

The communal amenities as proposed require a minimum of 6% of the building square footage to be dedicated as interior communal space, which excludes laundry facilities elevators, hallways, stairwells, and other areas used exclusively for ingress and egress from being counted towards the square footage for this requirement. Also proposed is a minimum open space requirement calculated at a rate of 10% of the building square footage.

Minimum laundry requirements were added.

Parking:

The proposal calls for a minimum off-street parking requirement of 1 off-street parking space for each guest room. The LMO requires multifamily off-street parking as follows: 1.4 spaces for a 1-bedroom dwelling unit; 1.7 spaces for a 2-bedroom dwelling unit and 2 spaces for 3-or more bedroom dwelling units. As part of this amendment, they are proposing two workers per room but only a one to one parking ratio. This amendment does not require any exterior site elements that would improve connectivity or site features to encourage multimodal transportation options.

Density:

The Adaptive Re-Use Hotel/Motel Conversion proposes a 9-guest room to 10 dwelling unit density conversion ratio (10% reduction) with conditions. Hotel density is 35 rooms per net acre. Existing residential density varies within the 5 districts proposed for this Adaptive Re-Use Hotel/Motel Conversion and ranges from 4 to 16 dwelling units per net acre. An Adaptive Re-Use Hotel/Motel Conversion will likely result in residential densities that exceed the existing residential density allowances per district.

Public Notification & Transparency:

No public notice or adjacent property owner notices are required by the proposed amendment.

TEXT AMENDMENT REVIEW CRITERIA:

LMO Sec.16-2-103.B.2.b states that the Official shall review the application, prepare a staff report with a recommendation for action on the application, and transmit the application and staff report to the Planning Commission in accordance with Sec. 16-2-102.D.

The Official's recommendation shall be based on the standards in Sec. 16-2-103.B.3, Ordinance Text Amendment Review Standards.

- a. Is in accordance with the Comprehensive Plan;
 - The Comprehensive Plan, Our Plan, recommends long-term goals for the Town related to several factors associated with this amendment. Considerations include workforce housing, land use planning and the redevelopment of aging properties, among others that could be supported by this application.
 - The Comprehensive Plan (p. 321) defines workforce housing as: "According to the Town's Workforce Housing Strategic Plan Executive Summary: rental housing affordable to households with incomes up to 80 percent of the area median income (AMI) or for-sale housing affordable to households with incomes up to 100 percent of AMI." The proposed text amendment does not meet this definition.
- b. Is required by changed conditions;
 - There are changing conditions associated with some of the specific properties, which are declining hotels that have transitioned into long-term rentals. The proposed amendment may not account for the broader range of conditions at play, including property maintenance, infrastructure needs, and the impact on surrounding properties.

- c. Addresses a demonstrated community need;
 - The need for workforce housing in the community is well-documented. However, the extent to which this amendment effectively addresses that need remains uncertain. Additional analysis as part of current comprehensive planning is necessary to determine whether the proposed changes represent the most appropriate policy and land use solution.
- d. Is consistent with the purpose and intent of the zoning districts in this Ordinance, or would improve compatibility among uses and ensure efficient development within the Town;
 - As currently proposed, the amendment introduces the Adaptive Reuse Hotel/Motel Conversion Program across five zoning districts, four of which contain existing hotel or motel properties that would qualify for this use.
 - There are current hotel/motels within the Light Commercial (LC) District. The purpose of the Light Commercial (LC) District “is to provide lands for light commercial uses such as offices, banks, restaurants, and lower intensity retail sales and services uses. Permitted uses are generally auto-oriented and easily accessed.”
- e. Would result in a logical and orderly development pattern; and
 - It is anticipated that the amendment would result in adaptive reuse of the existing built environment with possible site modifications for parking or common open space. The amendment may result in an orderly and logical development pattern, but it does not include provisions that assess this potential impact in the proposed ordinance.
- f. Would not result in significantly adverse impacts on the natural environment, including but not limited to water, air, noise, stormwater management, wildlife, vegetation, wetlands, and the natural functioning of the environment.
 - It is anticipated that the amendment would not result in significant impacts on the natural environment as it will be an adaptive reuse of an existing site; however it may result in adverse impacts of increased noise due if a conversion results in higher occupancy and more vehicles on site.

STAFF RECOMMENDATION:

Planning Commission consider an Ordinance to Amend Title 16 of the Municipal Code of the Town of Hilton Head Island, the Land Management Ordinance, to amend Chapter 16-4, Use Standards, to add a new Adaptive Re-Use Hotel/Motel Conversion Program as Section 16-4-106, and forward a recommendation to Town Council. Town Staff recommends denial of the proposed Text Amendment.

PLANNING COMMISSION ACTION:

LMO Sec.16-2-103-B.2.d states that the Planning Commission's recommendation shall be based on the standards in Sec. 16-2-103.B.3, Ordinance Text Amendment Review Standards.

The Planning Commission has the following options when considering this agenda item. These include:

1. Recommend approval to Town Council.
2. Recommend denial to Town Council.
3. Recommend approval with conditions to Town Council.

SUMMARY:

On December 11, 2024, applicant Chris Breen, with Blue Hour Housing, submitted proposed text amendment to LMO Sections 16-4, Use Standards, and 16-10, Rules of Measurement, to allow for a new use to be established called Adaptive Re-Use Hotel/Motel Conversion, and to establish minimum unit sizes for the use.

ATTACHMENTS:

1. Attachment A – Town Council Meeting Notes – February 4, 2025
2. Attachment B - Comparative Table
3. Attachment C - Proposed Ordinance and Text Amendment Language (Exhibit A)
4. Attachment D – Applicant Presentation

Town Council Meeting Notes – February 4, 2025 Meeting

Discussion (Item 4d) – Adaptive Reuse Hotel/Motel LMO Amendment First Reading

Key Concerns & Questions

1. Property Management & Oversight

- Who will oversee and manage these properties? Will it be the responsibility of the developer?
- Who will track employment status and required documentation of tenants?

2. Public Notification & Transparency

- The residents within 350–500 feet of proposed conversions should be notified, in addition to the standard public hearing advertisement.

3. Capacity & Living Conditions

- Does the amendment define occupancy limits for the 210 sq. ft. units?
- Will the units be shared (dormitory-style), or will renters know each other beforehand?
- Is 210 sq. ft. a livable space for long-term housing?
- Are these units more suited to temporary housing rather than permanent workforce housing?
- How will increased density impact local districts, traffic, and the island's character?
- If these are seasonal rentals, what happens during the off-season?
- More clarity is needed on how many hotel rooms could be converted one-to-one into housing units.

4. Parking & Infrastructure

- If multiple tenants share a unit, will there be enough parking to accommodate them?

5. Workforce Housing Definition & Policy Alignment

- Hilton Head has a workforce housing policy, but does it outline what qualifies as a workforce housing project?
- The proposed locations are not consistent with district planning objectives.

6. Scope of Zoning Changes

- Concerns about the number of zoning districts included in the text amendment.
- How would the amendment impact future uses across multiple districts?
- Staff should work with the Planning Commission and the applicant to narrow down suitable locations.

7. Unit Size & Communal Amenities

- The amendment does not specify a minimum unit size for workforce housing conversions.
- This should be outlined in the workforce housing section of the Land Management Ordinance (LMO), including following the existing Commercial Conversion standards.

- The amendment should also address communal space requirements, including:
 - Laundry facilities
 - Amenities available to tenants

11. Longevity & Future Use of Workforce Housing

- Blue Hour’s proposal only guarantees workforce housing for 15 years.
 - After that period, there is no provision to prevent units from transitioning into market-rate housing.

12. Livability Considerations

- Even for seasonal workers, conditions must be livable.
 - Locations that are currently for permanent residents, and repurposing those for transient residents.
 - Consider out-of-the-box ideas.

13. Lack of Clarity on Transient Workers

- The amendment does not specify whether these units will be for transient workers or permanent residents.
- There need to be clear requirements for:
 - Eligibility criteria
 - Management oversight
 - Compliance enforcement

14. Rushed Timeline & Decision-Making

- Why is this being pushed through quickly?

Variables	Blue Hour -December 11, 2024 submittal	Bue Hour - February 22, 2025 submittal	HHI Town's Existing Workforce Housing Commercial Conversion Program
Applicability	Applicable only to existing hotels and motels in place at the time of the adoption of this Ordinance.	same as originally written	Existing structures in SPC, CC, MS, WMU, S, MV, LC, MED, PD-1
Communal Space	Maximum 6% of the building square footage must be dedicated. Elevators, hallways, stairwells, and other areas used exclusively for ingress or egress do not qualify.	A minimum of 6% of the building sq. footage must be dedicated to communal space. Laundry Facilities, elevators, hallways, stairwells, and other areas used exclusively for ingress and egress do not qualify for this requirement. Existing hotel/motel lobbies are permitted as interior communicable space only if they are renovated to be interior communal space dedicated for tenant use.	NA
Density	Existing guest rooms are not permitted to be reduced or increased in size to increase the number of dwelling units; however, it is permitted to combine multiple dwelling units into a singular dwelling unit.	A hotel or motel converted to a multi-family residential development under the Adaptive Re-Use Hotel/Motel Conversion Program shall be entitled to a density conversion ratio of up to 9 dwelling units for every 10 guest rooms (i.e. a 10% density reduction) if the following requirements are met: Existing guest rooms are not permitted to be reduced or increased in size to increase the number of dwelling units; however, it is permitted to combine multiple dwelling units into a singular dwelling unit.	The density for the redevelopment/conversion of an existing nonresidential structure to mixed-use shall be based on the existing gross floor area and minimum unit sizes as described in Sec. 16-10-102.B.1. Multifamily use in the CC District shall only be permitted as part of a commercial conversion per Sec. 16-10-102.B.1.
Density: Micro Efficiency	210 square feet	250 square feet	280 square feet
Density: Studio	300 square feet	350 square feet	400 square feet
Density: 1-bedroom	420 square feet	450 square feet	560 square feet
Density: 2-bedroom	562 square feet	650 square feet	750 square feet
Density: 3-bedroom	698 square feet	850 square feet	930 square feet
Management/ Enforcement Standards	no conditions	The property owner, or their designee, must employ a property manager that lives on-site and performs customary property manager property oversight duties.	NA
HHI Employment regulations	No less than 25% of the dwelling units shall be occupied by at least one person that is a full time employee of a lawfully licensed business located within the Town of HHI.	No less than 75% of the dwelling units shall be occupied by at least one person that is a full time employee of a lawfully licensed business located within the Town of HHI.	Households must meet the income requirements of 60-80% AMI for rental units and 80-100% AMI for owner-occupied units.

Variables	Blue Hour -December 11, 2024 submittal	Bue Hour - February 22, 2025 submittal	HHI Town's Existing Workforce Housing Commercial Conversion Program
HHI Employment regulations	no conditions	Property owner shall submit a COE to the Town on a quarterly basis verifying that the applicable employment regulations of 16-4-106 have been met.	The property owner, or their designee, of a workforce housing unit shall upon lease renewal, but not less than annually, submit a COE to the Town, or its designee, verifying that the applicable income and employment regulations of this Section are met by all households occupying said workforce housing unit(s).
HHI Employment regulations	no conditions	Per 16-8-102, failure to submit the required verification shall be a violation of the restrictive covenants, the conditions of the certificate of occupancy, and this section, and is subject to code enforcement action by the Town per sec. 16-8-106	Per Sec. 16-8-102, failure to submit the required verification shall constitute a violation of the restrictive covenants, the conditions of the certificate of occupancy, and this Section, and is subject to code enforcement action by the Town per Sec. 16- 8-106.
HHI Employment regulations	no conditions	The property owner shall be required to submit a sworn affidavit on an annual basis to the Town, certifying that the adaptive reuse hotel/motel conversion property requirements of 16-4-106 have been met	The owner of the rental unit(s) shall be required to submit a sworn affidavit on an annual basis to the Town or its designee, certifying that the workforce housing unit rental rate(s) meets the requirements of Sec. 16-4-105.F.1
Laundry	no conditions	Communal laundry facilities on site are required at a rate of one washer and one dryer per 12 units. When laundry facilities are provided in a unit, that unit is excluded from the calculation of communal laundry machines required.	NA
Occupancy	no conditions	Micro efficiency and studio units shall only allow a maximum of 2 occupants per dwelling unit (no conditions set for 1 bedroom, 2 bedroom, 3 bedroom units)	Any person or household who purchases or rents a workforce housing unit must occupy the unit as their sole residence. Households must meet the income requirements of 60-80% AMI for rental units and 80-100% AMI for owner-occupied units.
Occupancy: Terms	no conditions	no conditions	Rental workforce housing units shall not be occupied for a period less than 90 days.
Open Space	Maximum required open space shall be provided at a rate of 10% of building sq. footage	Minimum open space shall be provided at a rate of 10% of building sq. footage	NA

Variables	Blue Hour -December 11, 2024 submittal	Bue Hour - February 22, 2025 submittal	HHI Town's Existing Workforce Housing Commercial Conversion Program
Parking	1 off street parking space for each guest (1 per guest room)	same as originally written	The parking requirements for Workforce Housing and Mixed-Use development containing WFH will be determined by developer submitted parking data per Sec. 16-5-107.D.2
Standards for Units	no conditions	Prior to the issuance of a building permit for any units in an Adaptive Re-Use Hotel/Motel Conversion Program development, the applicant shall execute any and all documents required by the Town, including, without limitation, restrictive covenants, deed restrictions, and related instruments to ensure all requirements of this program are met.	Prior to the issuance of a building permit for any units in a workforce housing development, the applicant shall execute any and all documents required by the Town, including, without limitation, restrictive covenants, deed restrictions, and related instruments to ensure affordability of workforce housing units in accordance with Section 16-4-105.B.4.
Program Agreement	no conditions	Developers shall enter into an Adaptive Re-Use Hotel/Motel Conversion Agreement with the Town of Hilton Head Island, or its designee. Following execution of the agreement by all parties, the completed Adaptive Re-Use Hotel/Motel Conversion Agreement, or memorandum thereof, shall be recorded and the conditions therefrom filed and recorded on the parcel or parcels designated for the Adaptive Re-Use Hotel/Motel Conversion Program. The Adaptive Re-Use Hotel/Motel Conversion Agreement shall be binding to all future owners and successors in interest. The agreement shall be in a form reviewed and approved by the Administrator	Developers shall enter into a Workforce Housing Agreement with the Town of Hilton Head Island, or its designee. Following execution of the agreement by all parties, the completed Workforce Housing Agreement, or memorandum thereof, shall be recorded and the conditions therefrom filed and recorded on the parcel or parcels designated for the construction of workforce housing units. The Workforce Housing Agreement shall be binding to all future owners and successors in interest. The agreement shall be in a form reviewed and approved by the Administrator.
Program Agreement	no conditions	The agreement, at a minimum, shall establish the number of Adaptive Re-Use Hotel/Motel Conversion Program units that are required to meet the employment criteria of Sec. 15-4-106, and the square footage and number of bedrooms for all units in the development. The agreement will also include the terms and conditions as set forth in Sec. 16-4-106.	The agreement, at a minimum, shall establish the number of workforce housing units including their square footage, number of bedrooms, and location within the development. The agreement will also include terms and conditions of affordability, rental rate provisions, and other standards as set forth in Sec. 16-4-105.

Variables	Blue Hour -December 11, 2024 submittal	Bue Hour - February 22, 2025 submittal	HHI Town's Existing Workforce Housing Commercial Conversion Program
Program Agreement	no conditions	All Adaptive Re-Use Hotel/Motel Conversion Program properties that are provided under Sec. 16-4-106 are subject to an Adaptive Re-Use Hotel/Motel Conversion Program Agreement and shall remain as Adaptive Re-Use Hotel/Motel Conversion Program properties in perpetuity.	Rental workforce housing units shall remain in the WFH Program for a minimum of 30 years from the date of the initial certificate of occupancy.
Program Agreement	no conditions	A certificate of occupancy will not be issued until complete certified and recorded copies of the Adaptive Re-Use Hotel/Motel Conversion Program Agreement have been provided to the Town.	Occupancy of a rental unit not consistent with this Section shall be considered a breach of the restrictive covenants, conditions, and restrictions set forth in the Section and the Town shall be entitled to seek such remedies as may be available by law.
Rental rates	no conditions	no conditions	Maximum monthly rental rates for workforce housing shall be calculated using 80% of the most recently published HUD AMI for Beaufort County, multiplying by 30% and dividing by 12. Rental rates shall remain consistent throughout the term of the lease.
STR	Units shall not be used as STRs	same as originally written	Rental workforce housing units shall not be occupied for a period less than 90 days.
Unit Conversion	No limitations on the number of units that can be micro-efficiency and/or studio units	same as originally written	Density for commercial conversion will be based on minimum unit sizes and the existing building envelope. Commercial conversion incentives for developments that include at least 20% workforce housing units will be a reduction in minimum unit size by 30% and the ability to use micro-efficiency and studio units in 50% of the development.
Zoning Districts	RM 4, RM 8, RM 12, CC, LC, MS, MV, WMU, S	LC, MS, MV, WMU, S	Existing structures in SPC, CC, MS, WMU, S, MV, LC, MED, PD-1

AN ORDINANCE OF THE TOWN OF HILTON HEAD ISLAND

ORDINANCE NO.

AN ORDINANCE OF THE TOWN OF HILTON HEAD ISLAND TO AMEND CHAPTER 16 OF THE MUNICIPAL CODE, THE LAND MANAGEMENT ORDINANCE, TO ADD SECTION 16-4-106 TO ESTABLISH AN ADAPTIVE RE-USE HOTEL/MOTEL CONVERSION PROGRAM FOR THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA AND PROVIDING FOR SEVERABILITY AND AN EFFECTIVE DATE.

WHEREAS, the Town Council for the Town of Hilton Head Island, South Carolina, has identified a continued need for the adoption of LMO Amendments to address needs and issues in the Town as such arise; and,

WHEREAS, the Town Council seeks to amend the Land Management Ordinance to expand the Town's commercial conversion programs to expand opportunities for hotels/motels to convert into multifamily residential units; and,

WHEREAS, on January 15, 2025, the Planning Commission held a Public Hearing to consider the proposed amendments related to the conversion of hotels/motels to multifamily residential, and the public had an opportunity to comment on the proposed amendments, and the Planning Commission voted 5-3 to forward a recommendation of denial to Town Council with the understanding that the parties come together for a solution; and,

WHEREAS, on February 4, 2025, the Town Council remanded the amendment back to the Planning Commission.

WHEREAS, on March 3, 2025, the Planning Commission held a public meeting to consider changes to the proposed amendment and voted _____ to forward a recommendation of _____ to Town Council.

WHEREAS, on _____, the Community Services and Public Safety Committee of Town Council held a public meeting to consider changes to the proposed amendment.

WHEREAS, after due consideration of said LMO amendment, the Town Council, upon further review, finds it is in the public interest to approve the proposed LMO Amendments.

NOW, THEREFORE, BE IT ORDERED AND ORDAINED BY THE TOWN COUNCIL FOR THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA, AND IT IS HEREBY ORDERED AND ORDAINED BY AND UNDER AUTHORITY OF SAID TOWN COUNCIL, AS FOLLOWS:

Section 1. Amendment. That the Land Management Ordinance is amended as shown on Exhibit “A” to this Ordinance. Newly added language is illustrated with double underline and deleted language is illustrated with ~~strikethrough~~.

Section 2. Severability. If any section, phrase, sentence, or portion of this Ordinance is for any reason held invalid or unconstitutional by any court of competent jurisdiction, such portion shall be deemed a separate, distinct, and independent provision, and such holding shall not affect the validity of the remaining portions thereof.

Section 3. Effective Date. This Ordinance shall be effective upon its adoption by the Town Council of the Town of Hilton Head Island, South Carolina.

PASSED, APPROVED, AND ADOPTED BY THE COUNCIL FOR THE TOWN OF HILTON HEAD ISLAND ON THIS ____ DAY OF _____, 2025.

THE TOWN OF HILTON HEAD
ISLAND, SOUTH CAROLINA

Alan R. Perry, Mayor

ATTEST:

Kimberly Gammon, Town Clerk

First Reading:

Second Reading:

APPROVED AS TO FORM:

Curtis L. Coltrane, Town Attorney

Chapter 16-4: Use Standards

Sec.16-4-106. Adaptive Re-Use Hotel/Motel Conversion Program

A. Adaptive Re-Use Hotel/Motel Conversion Program Purpose

The purpose of the Adaptive Re-Use Hotel/Motel Conversion Program is to conditionally permit the redevelopment of older hotels and motels into useable, safe and efficient multifamily housing, thereby advancing efforts to address attainable housing shortages through the rehabilitation of existing facilities while limiting the environmental impact of new construction.

B. Adaptive Re-Use Hotel/Motel Conversion Program Specific Conditions.

A property owner may elect to convert existing hotel or motel uses to multifamily use according to the standards in this Section 16-4-106 of the **Ordinance** provided that the applicant complies with the conditions stated herein.

- i. Applicable only to existing hotels and motels in place at the time of the adoption of this Ordinance.
- ii. Approved applications under the Adaptive Re-Use Hotel/Motel Conversion Program shall not be used as a **Short-Term Rental Property** as defined in the Municipal Code Section 10-2-20(6).
- iii. The Adaptive Re-Use Hotel/Motel Conversion Program is permitted on properties located within the Light Commercial (LC) District, Main Street (MS) District, Mitchelville (MV) District, Waterfront Mixed-Use (WMU) District, and Stoney (S) District.
- iv. **Development** under the Adaptive Re-Use Hotel/Motel Conversion Program shall comply with the Commercial Conversion Standards of Sec. 16-10-102.B.1; however, there will be no limitations on the number of units that can be Micro-Efficiency and/or Studio units.
- v. *Site Design Review and Specifications.* **Development** under the Adaptive Re-Use Hotel/Motel Conversion Program shall, at a minimum, be in compliance with the following development standards:
 - a. Health and safety regulations as stated by the Building Official, the Fire Marshal and the Floodplain Manager.
 - b. The State of South Carolina Existing Building Code (IEBC) and other applicable codes and regulations.
 - c. Except as otherwise provided in this Section, a **change in use** of a **structure** pursuant to the Adaptive Re-Use Hotel/Motel Conversion Program shall be required to comply with Chapter 16-5 of the **Ordinance** to the extent reasonably practical. In such circumstances where an existing **structure** is or, upon conversion under the Program will be, a **nonconforming structure**, the Applicant shall make reasonable efforts to eliminate the nonconformities and lessen the extent of any such nonconformities to the extent reasonably practical. Examples of existing nonconformities that may not be reasonably practical to eliminate include, but are not limited to the following: setbacks, buffers, and lot coverage.

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- d. A hotel or motel converted to a multi-family residential development under the Adaptive Re-Use Hotel/Motel Conversion Program shall be entitled to a density conversion ratio of up to 9 **dwelling units** for every 10 **guest rooms** (i.e. a 10% density reduction) if the following requirements are met:
- i. Existing guest rooms are not permitted to be reduced or increased in size to increase the number of dwelling units; however, it is permitted to combine multiple dwelling units into a singular dwelling unit.
 - ii. Minimum 6% of the building square footage must be dedicated as interior communal space. Laundry Facilities, elevators, hallways, stairwells, and other areas used exclusively for ingress and egress cannot be counted towards the square footage for this requirement. Existing hotel / motel lobbies are permitted as interior communal space only if they are renovated to be interior communal space dedicated for tenant use.
 - iii. Minimum **open space** shall be provided at a rate of 10% of the building square footage.
 - iv. Communal laundry facilities on site are required at a rate of one washer and one dryer per 12 units. When laundry facilities are provided in a unit, that unit is excluded from the calculation of communal laundry machines required.
- e. Notwithstanding anything to the contrary in Table 16-5-107.D.1 of this Ordinance, a **change in use** pursuant to the Adaptive Re-Use Hotel/Motel Conversion Program shall require a minimum of 1 off-street parking space for each **guest room** in the **development** prior to conversion (1 per guest room).
- vi. Standards for Adaptive Re-Use Hotel/Motel Conversion Program Properties
- a. The property owner, or their designee, must employ a property manager that lives on-site and performs customary property manager property oversight duties.
 - b. Micro Efficiency and Studio Units shall only allow a maximum of 2 occupants per dwelling unit.
- vii. Adaptive Re-Use Hotel/Motel Conversion Program Employment Regulations
- a. No less than seventy-five (75%) percent of the **dwelling units** in the **development** shall be occupied by at least one person that is a full-time employee of a lawfully licensed business located within the Town of Hilton Head.
 - b. The property owner, or their designee, of an Adaptive Re-Use Hotel/Motel Conversion Program units shall submit a COE to the Town, or its designee, on a quarterly basis verifying that the applicable employment regulations of Sec. 16-4-106 have been met.
 - c. Per Sec. 16-8-102, failure to submit the required verification shall constitute a violation of the restrictive covenants, the conditions of the certificate of occupancy, and this Section, and is subject to code enforcement action by the Town per Sec. 16-8-106. The Town shall be entitled to seek such remedies as may be available by law

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- d. The property owner, or their designee, shall be required to submit a sworn affidavit on an annual basis to the Town or its designee, certifying that the Adaptive Re-Use Hotel/Motel Conversion property requirements of Sec. 16-4-106 have been met.
- viii. Adaptive Re-Use Hotel/Motel Conversion Program Agreement
- a. Prior to the issuance of a building permit for any units in an Adaptive Re-Use Hotel/Motel Conversion Program development, the applicant shall execute any and all documents required by the Town, including, without limitation, restrictive covenants, deed restrictions, and related instruments to ensure all requirements of this program are met.
- b. Developers shall enter into an Adaptive Re-Use Hotel/Motel Conversion Agreement with the Town of Hilton Head Island, or its designee. Following execution of the agreement by all parties, the completed Adaptive Re-Use Hotel/Motel Conversion Agreement, or memorandum thereof, shall be recorded and the conditions therefrom filed and recorded on the parcel or parcels designated for the Adaptive Re-Use Hotel/Motel Conversion Program. The Adaptive Re-Use Hotel/Motel Conversion Agreement shall be binding to all future owners and successors in interest. The agreement shall be in a form reviewed and approved by the Administrator.
- c. The agreement, at a minimum, shall establish the number of Adaptive Re-Use Hotel/Motel Conversion Program units that are required to meet the employment criteria of Sec. 15-4-106, and the square footage and number of bedrooms for all units in the development. The agreement will also include the terms and conditions as set forth in Sec. 16-4-106.
- d. All Adaptive Re-Use Hotel/Motel Conversion Program properties that are provided under Sec. 16-4-106 are subject to an Adaptive Re-Use Hotel/Motel Conversion Program Agreement and shall remain as Adaptive Re-Use Hotel/Motel Conversion Program properties in perpetuity.
- e. A certificate of occupancy will not be issued until complete certified and recorded copies of the Adaptive Re-Use Hotel/Motel Conversion Program Agreement have been provided to the Town.

Chapter 16-10: Rules of Measurement

Sec.16-10-102. Rules of Measurement

B. Density

1. Commercial Conversion

For conversion of non-residential square footage (commercial conversion) to residential or mixed-use development, density shall be based on the existing gross floor area and the minimum unit sizes established below:

Minimum Unit Sizes

Unit Type	Market-Rate Conversion Minimum Unit Size	Workforce Housing Conversion Minimum Unit Size	Adaptive Re-Use Hotel/Motel Conversion Program Minimum Unit Size
Micro Efficiency	NA	280 square feet	<u>250 square feet</u>
Studio	NA	400 square feet	<u>350 square feet</u>
1-bedroom	800 square feet	560 square feet	<u>450 square feet</u>
2-bedroom	1,075 square feet	750 square feet	<u>650 square feet</u>
3-bedroom	1,330 square feet	930 square feet	<u>850 square feet</u>

2. Density

A measurement of intensity of the **development** of a **parcel** of **land**, calculated by dividing total number of **dwelling units** by the **net acreage** of the **parcel** for residential **development**; by dividing the total number of guest rooms by the net acreage of the **parcel** for **hotel development**; and by dividing the total number of square feet of **gross floor area** by the **net acreage** of the parcel for other nonresidential **development**. In **mixed-use** developments, acreage allocated to residential **use** shall not be used to calculate nonresidential **density**, and acreage allocated for nonresidential **uses** shall not be used to calculate residential **density**; and acreage allocated to **hotel use** shall not be used to calculate other nonresidential **density**, and acreage used for other nonresidential **uses** shall not be used to calculate **hotel density**. Where residential and nonresidential **uses** are combined in a single **building**, the **density** of each **use** within the **building** shall be calculated separately. When computation of the **density** results in a fraction, the result shall not be rounded up to the nearest whole number.

(Revised 5-17-2016 - Ordinance 2016-07)

3. Gross Floor Area

The area within the inside perimeter of the exterior walls of a **building** or other **structure** with no deduction for corridors, stairs, closets, thickness of walls, columns or other features, exclusive of areas open and unobstructed to the sky. Unless expressly provided otherwise, **gross floor area** is measured in square feet.

4. Net Acre

A measurement of the area of a **parcel** of **land**. A **net acre** includes all **land** and fresh water **wetlands** lying within the perimeter boundary of the **parcel**.

(Revised 11-4-2020 - Ordinance 2020-26)

Hotel / Motel Conversion Text Amendment Updates

Hotel / Motel Conversion Text Amendment Updates		
	Concern	Update
Density	1:1 conversion	10 Guest Room to 9 Dwelling Unit Density Conversion (10% Reduction)
Unit Size	210 sq. ft. minimum size may be too small	Micro-Efficiency units increased to 250 SF minimum; Increases to Studio: 350 SF, 1-bedroom: 450 SF, 2-bedroom: 650 SF, 3-bedroom: 850 SF
On-Site Management	Who will oversee and manage these properties? Will it be the responsibility of the developer?	On-Site management is required
Max Occupancy	The amendment doesn't define occupancy limits for the 210 sq. ft. units	Micro efficiency and studio units shall only allow a maximum of 2 occupants per dwelling unit; Micro-efficiency units increased to minimum 250 SF
Laundry Facilities	Communal space requirements such as laundry should be addressed	Communal laundry facilities on site are required at a rate of one washer and one dryer per 12 units
Local Workforce Requirement	Limited to 25% of units housing people who are employed on Hilton Head Island	75% of units must house at least 1 person who is employed by a lawfully licensed business based on Hilton Head Island
Parking	If multiple tenants share a unit, will there be enough parking to accommodate them?	Reduction in density & occupancy limits will help parking; units will be assigned a parking spot
Regulation	Need clear requirements for eligibility criteria, management oversight, compliance enforcement	Eligibility criteria well defined in updated text along with management oversight; Compliance through owner provided quarterly and annual compliance COE / affidavits
Zoning Districts	Concerns about the number of zoning districts included in the text amendment	Districts are now limited to only areas where hotels exist: Light Commercial (LC) District, Main Street (MS) District, Mitchelville (MV) District, Waterfront Mixed-Use (WMU) District, and Stoney (S) District
Longevity of Housing Guarantee	Blue Hour's proposal only guarantees workforce housing for 15 years.	Conversions and restrictions on housing exist in perpetuity

Blue Hour / Town Amendment Comparison

Amendment Similarities	
	Proposed Text Amendment / Initial Town Text Amendment
Length of Stay	No Short-Term Rentals
Unit Breakdown	No Limit on Micro-efficiency & studio units
Common Space / Open Space	6% Interior Common Space & 10% Exterior Open Space
Applicable Hotels	Applicable only to existing hotels and motels at time of conversion

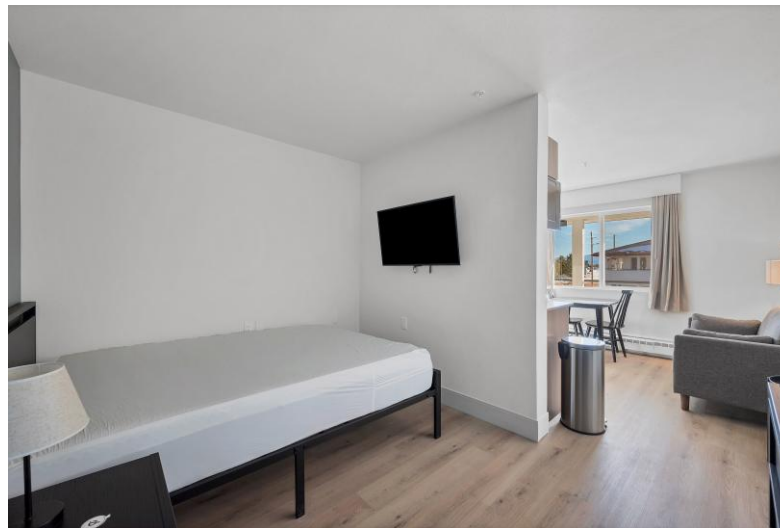
Amendment Differences		
	Updated Blue Hour Text Amendment	Initial Town Text Amendment Proposal
Density	10 Guest Room to 9 Dwelling Unit Density Conversion (10% Reduction)	1 Guest Room to 1 Dwelling Unit Density Conversion
Unit Size	Micro-Efficiency: 250 SF, Studio: 350 SF, 1-bedroom: 450 SF, 2-bedroom: 650 SF, 3-bedroom: 850 SF	Micro-Efficiency: 210 SF, Studio: 300 SF, 1-bedroom: 420 SF, 2-bedroom: 562 SF, 3-bedroom: 698 SF
On-Site Management	On-site property management required	No requirements for property management
Max Occupancy	Micro efficiency and studio units shall only allow a maximum of 2 occupants per dwelling unit	No maximum occupancy
Laundry Facilities	Communal laundry facilities on site are required at a rate of one washer and one dryer per 12 units.	No requirement for on-site laundry
Parking	1 parking spot for every guest room prior to conversion	Parking determined by planning department with additional information provided
Local Workforce Requirement	75% of units must house at least 1 person who is employed by a lawfully licensed business based on Hilton Head Island	100% of units must house at least 1 person who is employed by a lawfully licensed business based on Hilton Head Island
AMI Restrictions	No AMI or income-based restrictions	Only allowable for tenants with an income between 60-80% of AMI
Administrative Requirement	Owner must send quarterly and annual compliance affidavits	Administrative need for Town to pre-approve income and tenant eligibility prior to any application acceptance
Building Code	Building will be required to comply with South Carolina's currently adopted version of the IEBC	Building will be required to comply with South Carolina's currently adopted version of the IBC
Zoning Districts	Districts are limited to Light Commercial (LC) District, Main Street (MS) District, Mitchelville (MV) District, Waterfront Mixed-Use (WMU) District, and Stoney (S) District.	Allowed in all Workforce Housing Program districts including districts where hotels are not permitted

Hotel Conversion Examples

Before



Renovated Studio Unit



Renovated 1-BR Unit



Before



After









Adaptive Re-Use Hotel/Motel Conversion Program

Text Amendment To The Hilton Head Island Land Management Ordinance (LMO)

Hilton Head Island, SC
December 2024

Prepared By:
Blue Hour Housing
Richardson LaBruce (Finger, Melnick, Brooks & LaBruce, P.A.)

Overview

Hilton Head Island's Housing Challenges: Hilton Head's workforce faces several challenges including long commute times, poor living conditions, and overcrowding, which have led to staffing shortages for businesses on the Island. Rent prices have forced the workforce to live in areas far from work, such as Bluffton and Okatie, which leads to long commute times, increased transportation costs for employers, and traffic congestion. On Island, many workers are forced to live in overcrowded and substandard conditions so they can afford rent in areas close to where they work. These workers are critical to sustaining Hilton Head's businesses and driving future growth. Without them, businesses may be forced to limit operating hours or even shutdown.

Changes to Current Zoning: The existing Hilton Head Workforce Housing (WFH) Program has not adequately addressed these housing challenges., Many of the program's restrictions like minimum room sizes, specific unit mix requirements, and limitations on which members of the workforce can live in the converted properties have contributed to the lack of utilization for this program. A text amendment to the LMO that enables conversions of hotels to workforce housing will allow all members of Hilton Head's workforce to live affordably on Island, with high livability standards, without the need for Town funding.

Hotel Conversion Opportunity: Many hotels have struggled to perform in recent years due to the growth of hotel supply on the Island, rising expenses, and declining room rates. This has led to several select service hotels being under-capitalized over the years. While a lack of investment in these hotels could pose a problem for the Island, it also creates a unique opportunity for adaptive reuse into multifamily housing.

These hotels make ideal candidates for conversion to housing through their efficient layouts, central locations, and reduced costs compared to new construction. First, utilization of more efficient studio and 1-BR units will reduce overcrowding in large units (3-BR+ apartments, condos, or homes) on the Island and free up those units for families who need larger spaces. Second, these hotels are well positioned on the Island in central locations, often close to bike paths and the trolley route, which will make it easier for future tenants to commute to their jobs on Island. Finally, adaptive reuse of hotels enables developers to deliver housing without any Town subsidies, allowing Town dollars to flow towards other initiatives including partnering on new development.

By converting these hotels to residential use through addition of kitchens in each room and upgrades to residential building code, Hilton Head Island can ensure livability standards while solving one of the largest challenges the island faces – lack of obtainable housing. These conversions have proven to be effective across the country, including in many resort communities such as Vail, CO, Breckenridge, CO, Miami, FL, Cape Cod, MA, and Las Vegas, NV, among others.

Key Outcomes: Studio and 1-BR units focused on the Island's workforce will allow both domestic and international workers to live affordably on the Island, which is an opportunity that is increasingly unavailable. Increased housing availability will reduce commute times, improve living conditions, and increase satisfaction for the Island's workforce, ultimately reducing worker shortages and turnover, allowing Hilton Head businesses and community to thrive into the future.

Ordinance Text Amendment Review Standards

In determining whether to recommend that Town Council adopt or deny the proposed text amendment, the Planning Commission may weigh the relevance of and consider whether the proposed Text Amendment addresses the following items:

a. Is in accordance with the Comprehensive Plan

Housing is a core component of the Comprehensive Plan. The word “housing” is mentioned 234 times in Hilton Head’s Comprehensive Plan and the need for additional supply of housing is well-documented. This text amendment will fulfill the Comprehensive Plan’s goals of creating Additional Housing Supply (Obtainable efficiency units) through Commercial Redevelopment (Hotel conversions) using Zoning Incentives (Increased density) without the need for Town funding. Key statements from the Comprehensive Plan that address each underlined area are included below:

Additional Housing Supply

- “The Town is actively seeking opportunities to foster an increase in housing to accommodate the needs of existing and future populations.” (Pg. 61) and this text amendment will enable this goal.
- The Workforce Housing Strategic Plan suggests the Island should set a goal to facilitate constructing 200 total net new, obtainable housing units yearly. (Pg. 61)
- Availability / Affordability was the top mention of impediments to housing on the Island. (Pg 65)
- Many young professionals and families are also settling or working in Bluffton, Hardeeville, Savannah, and other communities in between. Recently, the Island has seen a decrease in its available workforce and many service jobs go unfilled. (Pg 139)
- Encourage a variety of housing types to meet the needs of the population. (Pg 144)
- Identify methods to support construction of new workforce housing by 2024. (Pg 146)
- Work toward regional solutions to workforce housing issues that result in the construction of quality workforce housing. (Pg 185)

Commercial Redevelopment

- Through the workforce housing initiative, Town planners have been looking at ways to make the redevelopment of commercial properties more accessible to allow for housing and other commercial opportunities. (Pg 74)
- Monitor areas that have high concentrations of aging structures to target for potential redevelopment. (Pg 144)
- Research opportunities to encourage property owners of dilapidated structures to rehabilitate and convert the buildings to workforce housing as a means to provide both redevelopment and additional housing. (Pg 144)
- Continue to encourage re-purposing or revitalization of existing commercial spaces/structures or buildings through flexibility or incentives for redevelopment. (Pg 144)
- Monitor trends in housing development to provide housing options that meet market demands. (Pg 144)

Zoning Incentives

- Opportunities for the economy “leverage ways to attract young professionals and families so more people live and work on the Island”
- Evaluate opportunities for diversity in housing costs and transportation modes by establishing incentives for redevelopment of abandoned and underutilized spaces. (Pg 159)
- Create incentives and/or public/private partnerships for redevelopment with goals of diversity in housing types and cost, and types of transportation modes. (Pg 172)
- Encourage employer assisted housing programs to entice more employees of various professions (teachers, police officers, fire fighters, etc) to live within Town limits. (Pg 159)
- The Town should continue to assess development standards and building codes to foster private sector development of needed and diverse, obtainable housing options. (Pg 196)

As shown in the numerous references above, creating pathways to redevelop properties through adaptation of the zoning code is critical to alleviate the housing shortage on Hilton Head Island. This amendment takes properties with a current use that has many shared characteristics with residential properties and adapts these properties to be fully suitable for long-term use. Further, these conversions do not require capital investment from the Town, which allows capital to be allocated towards furthering other parts of the Comprehensive Plan.

b. Is required by changed conditions

Over time, hotels have struggled to perform financially due to the growth of select service hotel keys on the island, rising expenses, and declining room rates. For example, when the Home2 Suites and SpringHill Suites were developed along William Hilton Pkwy, the neighboring hotel properties (Days Inn and Red Roof Inn) suffered significant declines in profitability and value. This has occurred across the Island and has led to several hotels being under-capitalized over the years. While a lack of investment in these hotels poses a current problem for the Island, it also creates a unique opportunity to convert these properties into housing and through adaptive reuse. The other changed condition is the lack of obtainable housing options on the Island that has been an issue for over 5 years now with no other solution in sight. This issue will only get worse if not addressed and the best way to solve it is to increase housing supply. Given the lack of developable land, adaptive reuse is an attractive solution.

c. Addresses a demonstrated community need

The word “housing” is mentioned 234 times in Hilton Head’s Comprehensive Plan and the need for additional supply of housing is a well-documented community need. As stated in the Comprehensive Plan, “14,500 commute onto the Island for work. The demands of the tourism economy and service industry requiring a large workforce is evident; however, with little obtainable housing, higher cost of living, or by choice, many people employed on the Island live elsewhere.” (Pg 76) Further the Comprehensive Plan looks to “improve transit and housing to meet workforce needs” (Pg 141) These conversions will increase obtainable housing on-Island and reduce commuter traffic.

d. Is consistent with the purpose and intent of the zoning districts in this Ordinance, or would improve compatibility among uses and ensure efficient development within the Town

Similar to the Workforce Housing Program, which was approved for higher density housing, the proposed districts where this amendment applies are Low to Moderate Density Residential (RM-4) District, Moderate

Density Residential (RM-8) District, Moderate to High Density Residential (RM-12) District, Community Commercial (CC) District, Light Commercial (LC) District, Main Street (MS) District, Sea Pines Circle (SPC) District, Medical (MED) District, Mitchelville (MV) District, Planned Development Mixed Use (PD-1) District, Waterfront Mixed-Use (WMU) District, Stoney (S) District. These districts would all benefit from an increase in housing supply, specifically to ensure that businesses are able to sustain within and around them.

e. Would result in a logical and orderly development pattern

The proposed text amendment only pertains to currently developed sites that are set up for accommodations. This text amendment only pertains to the redevelopment of hotels that are underperforming due to newer product in the market, through reuse to solve one of the Town's most pressing needs, housing. Therefore, this would not result in a disorderly development pattern on the Island as it will not be of interest to most other hotel owners. This text amendment enables the conversion of underperforming hotels into multifamily, preventing these properties from falling into further disrepair. Through multifamily conversion with large capital improvements, the Town can ensure the longevity and safety of these properties, while guaranteeing that they meet community standards.

f. Would not result in significantly adverse impacts on the natural environment, including but not limited to water, air, noise, stormwater management, wildlife, vegetation, wetlands, and the natural functioning of the environment

This text amendment does not propose to change the existing topography for any properties, other than minor site modifications that may be required for accessibility/ADA compliance and additional open space for tenants. Environmental resources and hazards should not be affected. It should be noted that many of these hotel sites have functioned well for 25+ years.

FAQ

Why are there no income restrictions?

We believe that these units are naturally occurring obtainable housing given the room sizes. Income restrictions would restrict many essential Island workers from the opportunity to rent these units due to income that is too high or too low. We do not want any of the units to sit vacant and limiting the units to a small subset of workers / wages could create an issue. Instead, this text amendment focuses on maximizing usability and protecting units for individuals or families whose primary residence is on Hilton Head Island and are working on the Island. We have found that municipalities that have focused more on prioritizing local workforce housing vs prioritizing income restrictions have had more success in addressing their housing needs.

Will this cost the Town anything financially?

These conversions do not require any capital or subsidy from the Town. This will allow for the town to allocate capital to other projects, while still supporting the goal of increasing housing supply on Island for all members of the Hilton Head Community.

Can units be used for short-term rentals?

No, units are not permitted to be used as short-term rentals. As is, units are already being used for short-term rentals so this would eliminate those temporary uses.

How will this text amendment ensure additional housing for Island workforce?

A minimum of 25% percent of the dwelling units in a conversion shall be occupied by at least one person that is employed by a lawfully licensed business located within the Town of Hilton Head. Paired with the length of stay requirement, we expect these properties to be filled almost entirely with people who are working on the Island.

Why is there a 1:1 conversion?

A 1:1 conversion is key to maintaining obtainable pricing. When units are combined, that rent is shared across all the remaining units at the property, driving up rental rates for the other tenants. Additionally, combining units creates increased costs. 1:1 density will allow developers to minimize renovation costs due to room layout changes, which will maximize the ability to provide rents affordably.

Why is there a reduction in minimum room size compared to the Workforce Housing Conversion Program?

Similar to the 1:1 conversion reasoning above, the minimum unit sizes ensure rooms do not have to be combined to meet unit size requirements. More units and less construction keeps rents obtainable. Often when units are combined, they don't reduce the number of people living in those rooms, rather it forces residents to share fewer cooking facilities. We believe the current minimum room size has prohibited most developers from utilizing this program due to the heavy cost burden of reconfiguring room layouts.

Why is this not a part of the Workforce Housing (WFH) Program?

The Workforce Housing Program was designed for new development and conversion of commercial properties but was not written with specific consideration for hotels. This program has put limitations on size of units and income limits which restrict who is able to live in the units, leading to a lack of program utilization. The goal of this conversion program is to create a simple, efficient process by which hotels on the Island can convert to

long-term housing, with an opportunity to increase Hilton Head's housing capacity. Creating a simplified, easier to administer process, with appropriate language to ensure the intent of the text amendment is met, will reduce the Town of Hilton Head's nearly impossible burden of managing and monitoring properties and their tenants.

Who will be living in the units?

We expect both domestic and international workforce, which are key to Hilton Head Island's businesses to live at the property. These tenants will be individuals throughout all stages of their life, specifically providing an opportunity for individuals out of college to live, work, and establish roots on the Island. Rooms are expected to have either 1 or 2 individuals living in them. These units will be for long-term tenants. We expect converted properties to contain a mix of furnished and unfurnished units based on tenant needs.

Why is there only one parking spot required per room?

These units will be focused on housing 1 or 2 people, who are domestic or international workers. For the rooms rented to international workforce (H-2B), there will not be a need for cars. Given this, we expect most tenants to not have a car and therefore will not need a parking space. These properties are located near bike paths and trolley stops which encourage tenants to utilize bikes and public transportation to get around the Island. Traffic congestion should be alleviated with more people living on the Island and using intra-island forms of transportation rather than needing to drive onto the Island each day.

What will be included in the units?

All units will be required to include personal kitchens, which will be equipped with a stove / stovetop, refrigerator, sink, and microwave. Each unit will also have its own private / attached bathroom and closet. While not required, we expect conversion renovations to include new paint, flooring, hardware, bathroom finishes, among other items.

What will the building code requirements be for a conversion?

The change of use to residential will require the building to have fire and life safety systems that are up to code. This includes sprinklers, emergency exit, and fire alarm systems. In addition, buildings will address ADA needs, and any other building code requirements need for a change of use.

How fast can these units be converted?

Unlike new construction, a hotel property can be converted into housing in less than 6 months. This is vastly faster than the time needed for new construction projects, which can take years. A program like this can quickly reduce the housing shortages Hilton Head Island currently faces.

What amenities will be provided to ensure livability?

The proposed amendment requires 6% of building square footage is dedicated as interior communal space. In addition, 10% of the property shall be dedicated as open space. Examples of amenities that may be provided may include a gym, bike storage areas, excess storage facilities, shared laundry facilities, indoor lounge area, outdoor picnic tables, pools, and other gathering spaces.

Prospective Property Map

Although there are multiple properties that could be converted using this text amendment, many will likely not be converted as there are several factors such as whether the property is up for sale, the purchase price, the capex required for conversion, and the location, among others that will limit the feasibility. As shown below, this amendment is effectively limited to five hotels, The Days Inn, Simple Rewards, Hampton Inn, S.R. Hotel, and the Red Roof Inn. As properties phase out over their lifetime and new supply is added, other properties may become feasible candidates for conversion.

