



Town of Hilton Head Island

Housing Action Committee Meeting

Monday, November 27, 2023, 10:00 AM

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

- 1. Call to Order**
- 2. Adoption of Agenda**
- 3. Approval of the Minutes**
 - a. Regular Meeting Minutes of October 4, 2023
- 4. Appearance by Citizens**
- 5. Unfinished Business**
 - a. Workforce Housing Program progress updates
- 6. New Business**
 - a. Overview of Act 57
 1. Attorney General Opinion
 2. Utilization of ATAX Funding
 - b. Discussion of Housing Impact Analysis
 - c. Presentation Regarding Habitat for Humanity of the Lowcountry Funding Request to Support Workforce Housing
 - d. Presentation Regarding Coastal Community Development Corporation Funding Request to Support Workforce Housing
 - e. Consideration of Rules of Procedure and Possible Adoption
 - f. Discussion of 2024 Meeting Calendar

g. Discussion on Work Groups and Assignments

1. Draft List of Work Groups

7. 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
Housing Action Committee
Wednesday, October 4, 2023, 9:00 a.m.
MEETING MINUTES

Present from the Committee: Candace Birkenhauer; Sarah Jones-Anderson; Sandy West; Marc Okner; Jack Alderman; Sandy Gillis

Present from Town Staff: Marc Orlando, *Town Manager*; Shawn Colin, *Assistant Town Manager*; Missy Luick, *Director of Planning*; Nite Barrientos, *Planner-Economic Development*; Karen Knox, *Senior Administrative Assistant*

Present from Town Council: Patsy Brison; Alex Brown

Other's Present: Tammie Hoy Hawkins, *Together Consulting*

1. Call to Order

Ms. Luick called the meeting to order at 9:00 a.m.

2. FOIA Compliance

3. Roll Call

As noted above.

4. Approval of Minutes

a. August 22, 2023

Mr. Alderman moved to approve. Ms. Gillis seconded. The Minutes of August 22, 2023 were unanimously approved.

5. Appearance by Citizens

Public comments concerning agenda items were to be submitted electronically via the Open Town Hall portal. No comments were received.

6. New Business

a. Mission Statement Discussion

Ms. Luick briefly reviewed the Mission Statement with the Committee and discussed the Northpoint Public Private Partnership with the Committee. Ms. Luick also advised that the Mission Statement will be discussed further at their next meeting in November.

Both Mr. Marc Orlando and Mr. Shawn Colin welcomed the Committee and mentioned that housing is a top priority and that they look forward to working with the Committee.

b. Establish Committee Structure

- i. Agenda Coordination Process – The Committee decided that the Agenda Coordination Process would be a 50/50 collaboration between the Chair and Chief Housing Officer.

The Committee discussed term limits for the Chair and Vice Chair would be two consecutive term limits of three years. Mr. Shawn Colin advised that the Committee Structure, Term Limits, etc. would be set forth in the By-Laws.

ii. Public Meeting Rules

1. FOIA

Each meeting will be held in compliance with FOIA requirements.

2. Quorum

In order to conduct the Meeting a quorum of five (5) members of the Committee must be present.

iii. Communication

- 1. To and from Staff
- 2. To Town Council
- 3. To Community

Mr. Shawn Colin stated that the Committee should not conduct business outside of the public meeting.

iv. Housing Action Committee Expectations of Town Staff

It was discussed and decided that staff will prepare the work and should also be a collaboration between the Chair and the future Chief Housing Officer.

v. Staff Points of Contact

Ms. Luick reviewed with the Committee staff points of contact.

c. Election of Officers (if applicable)

Ms. West nominated Mr. Alderman for the position of Chairman. Ms. Gillis seconded. Mr. Jack Alderman was elected Chairman unanimously.

Mr. Okner nominated Ms. West as Vice Chair. Ms. Jones-Anderson seconded. Ms. West was elected Vice Chair unanimously.

d. Proposed Meeting Dates for Remainder of 2023 and 2024

Ms. Gillis moved to approve the meeting dates for the remainder of 2023. Ms. Birkenhauer seconded. The meeting dates for 2023 were unanimously approved. The proposed meeting dates for 2024 will be reviewed at the next meeting.

i. Workshops

It was discussed that the next meeting will be a Workshop.

e. Components of an Anti-Displacement Strategy and Support Plan

Discussion was had regarding interaction between the Committee and the State Housing Agency. Committee Members will review the asset map and provide input on any missing entities. The Committee discussed at length a possible displacement of 50 affordable housing units on the Island.

f. Draft Town of Hilton Head Housing Toolkit

The Committee discussed the strategies, incentives and tools to support an effective and sustainable Workforce Housing Plan as outlined in the PowerPoint presentation.

7. Adjournment

Ms. West moved to adjourn the meeting. Ms. Anderson-Jones seconded. The meeting was adjourned at 10:58 a.m.

Submitted by: Karen Knox
Senior Administrative Assistant

Approved: _____



TOWN OF HILTON HEAD ISLAND

Housing Action Committee

TO: Housing Action Committee Members
FROM: Joshua Gruber, *Deputy Town Manager*
CC: Marc Orlando, *Town Manager*
DATE: November 20, 2023
SUBJECT: Discussion of Act 57 of the 2023 South Carolina General Assembly Legislation Session, Development of Workforce Housing

RECOMMENDATION:

The Housing Action Committee will be provided with an overview of the recently adopted Act 57 of 2023 and the corresponding regulations that will need to be satisfied in order for the Town to lawfully allocate Accommodation Tax revenues to be used in the development of qualified workforce housing. The Housing Action Committee should provide staff with any questions that it may have on this legislation or what must be done procedurally in order to allocate accommodation tax funds under these provisions.

BACKGROUND:

The Town of Hilton Head Island was instrumental in the passage of Act 57 of the 2023 South Carolina General Assembly Legislative Session. This Act allows local governments to utilize a portion of either its state or local accommodations taxes, or both, to be utilized in the development of qualified workforce housing as a tourism related expenditure.

However, the legislation that was ultimately adopted by the General Assembly contained several provisions that were not included within the draft legislation that had been proposed and supported by the Town. As such, it is important to understand that nature and applicability of these requirements from a procedural standpoint so that the Committee and ultimately Town Council is aware of what steps may have to be undertaken should it desire to utilize accommodation tax funding for this purpose.

ANALYSIS:

Act 57 of 2023 changed the legislative provisions applicable to both State and Local Accommodation Taxes. These changes have some similarities to each other as well as some key differences. The following information will be covered in greater detail during the staff's presentation to the Committee. However, a summary outline of this information is included for reference purposes within the Memorandum.

Local Accommodation Taxes – 3% (Hilton Head Island – 1%)

Act 57 amended Section 6-1-530 of the South Carolina Code of Laws to provide that the development of workforce housing, which must include programs to promote home ownership, is now a permissible use of these revenues. However, this amendment goes on further to state that such expenditures are capped at fifteen percent (15%) of the local government's annual collections. For the Town of Hilton Head Island, its 2023 Local Accommodation Taxes were \$6,948,465. Therefore, a maximum of \$1,042,269.75 of Local Accommodation Taxes could be utilized to develop qualifying workforce housing. However, this assumes that such funding has not otherwise been allocated. As part of the Town's adopted FY24-25 Budget, all \$6,948,465 was transferred to the General Fund.

State Accommodation Taxes – 2%

Act 57 amended several sections of the South Carolina Code of Laws. The first amendment allows for the development of qualified workforce housing as an allowable "tourism-related expenditure." However, before a local government may utilize state accommodation taxes for workforce housing, it must first complete a Housing Impact Analysis that meets several criteria set forth under the new Act. Additionally, this Housing Impact Analysis must be shared with several state and local governmental entities. The Town must then update its Comprehensive Plan to include/adopt the Housing Impact Analysis as a part of its housing element.

The Act also limits the expenditure of State Accommodation Taxes to 15%. However, it is unclear if this calculation applies to the entirety of the State Accommodation Taxes or only to the 65% that is allocated for tourism-related expenditures. The Town has sought an opinion from the South Carolina Attorney General on this matter. In 2023, the Town collected a total of \$13,344,903. However, the amount of funding that was available under the 65% allocation was \$8,857,735.44. Therefore, either \$2,001,735.45 or \$1,328,660.32 of State Accommodation Taxes would be the maximum amount permissible for the development of workforce housing depending on the outcome of Attorney General Opinion. However, in order to avoid potential conflict staff would recommend that Town Council utilize the more conservative approach of calculating the 15% from the 65% funds when identifying the maximum amount that can be used for developing workforce housing.

South Carolina Attorney General Opinion Questions:

1. Does Act 57 of 2023 authorize the dedication of fifteen percent of the entire amount of the state accommodation taxes received by a local government, or does it authorize the dedication of fifteen percent of the "65%" fund described in 6-4-10 (4)?

Response: "[G]iven the design of section 6-4-10 as laid out by the Legislature and reading section 6-4-10(4)(b)(ix) in the context of the provision as a whole, a court will likely find the Legislature intended any allocations for the development of workforce housing be included in the sixty-five percent allocation allowed for 'tourism-related expenditures.' However, we do not believe the fifteen percent limitation is based on this amount.

Section 6-4-10(4)(b)(ix) clearly states local governments "may not expend or dedicate more than fifteen percent of its annual local accommodations tax revenue for the purposes set forth in this item (4)(b)(ix)." A plain reading of this provision indicates the fifteen percent limitation is calculated based on the total annual local accommodations tax a local government receives, not on the amount allocated for tourism-related expenditures. As such, we believe the plain language of the statute best expresses the intent of the Legislature to base the fifteen percent limitation on the annual local accommodations tax received rather than the amount allocated for tourism-related expenditures under section 6-4-10(4)(a)."

2. May a local government allocate all or any part of the funds described in item (4)(b)(ix) to a non-profit organization to be used to develop workforce housing, so long as the non-profit organization complies with the requirements of the statutes?

Response: "We noted whether to disburse Accommodations Tax funds to a nonprofit is ultimately the decision of the municipality or the county. However, we concluded "it is our opinion that a municipality possesses the discretion, pursuant to the State Constitution and the Accommodations Tax statute, to disburse funds to a nonprofit, nonsectarian organization to be used in furtherance of 'tourism-related expenditures' such as you describe in your letter. While the Legislature amended section 6-4-10(4) to specify that development of workforce housing is a 'tourism-related expense,' we believe the reasoning of our 2003 opinion applies and a local government may allocate such funds to a non-profit, nonsectarian organization so long the allocation complies with the four-part test expressed in *Nichols* and satisfies the requirements under section 6-4-10(4)."

3. Would the answer to this question change if the recipient of the grant or donation is a for-profit entity that develops affordable housing for the workforce?

Response: "You ask whether the answer to this question changes if the entity is for-profit. We do not believe it does. We agree with the ALC's analysis finding no evidence that the Legislature intended to restrict disbursements of tourism-related expenses, including those for the development of workforce housing, to non-profit entities. Nonetheless, as we concluded regarding disbursements to non-profit entities, we stress that the local government must ensure compliance with the four-part test expressed in *Nichols* and satisfy the requirements under section 6-4-10(4)(ix)."

4. If a local government has identified the lack workforce housing as an impediment to the economic growth, health and wellbeing of its community, would making a donation or grant from the local government's general fund to a non-profit entity that develops affordable housing for the workforce meet the public purpose requirement of S. C. Const., Article X, Sec, 5 and not violate the prohibition against pledging the credit of the State set out in S. C. Const., Art. X, Sec. 11 of the South Carolina Constitution?

Response: "In 2009, we summarized various prior opinions addressing the ability of local governments to allocate funds to private entities under these provisions. In each

opinion, we stressed that our Constitution, pursuant to article X, section 5 and article X, section 11, requires that public funds only be used for public purposes. However, our courts recognize that public funds may be expended for the benefit of private non-profit entities without violating our Constitution, so long as the non-profit uses such funds for the performance of a public function.

In accordance with this opinion, if the donation to the non-profit entity is for a public purpose and facilitates accomplishment of what is a public function in keeping with the local government's authority, it would likely not violate sections 5 or 11 of article X of the South Carolina Constitution. However, as we explained in our 2009 opinion, the local government must maintain some control over these expenditures to ensure the funds are used for the purposes for which they are expended.”

CONCLUSION:

The Housing Action Committee should provide staff with any questions that it may have on this legislation or what must be done procedurally in order to allocate accommodation tax funds under these provisions.

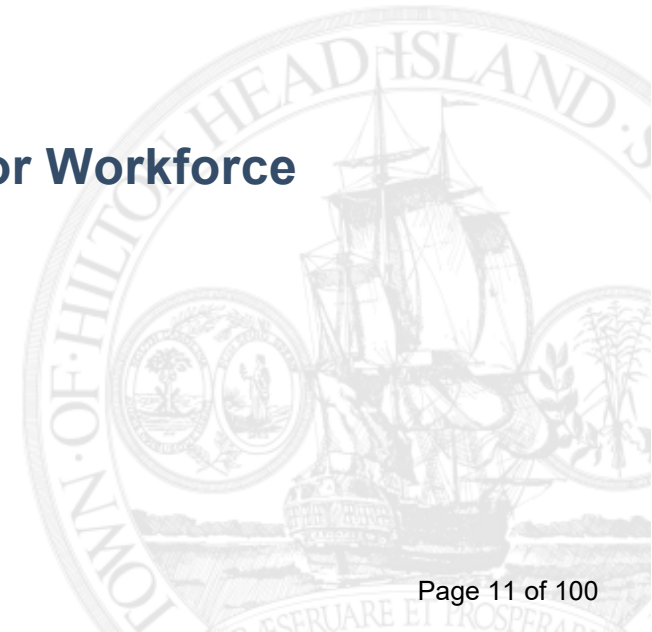
Act 57 of the 2023 South Carolina General
Assembly Legislative Session,
Development of Workforce Housing

November 27, 2023 – Housing Action Committee



PRESENTATION OVERVIEW:

- 1. How are Local Accommodation Taxes Collected?**
 - a) Application of Act 57 to Local Accommodation Taxes.**
 - b) Procedural Outline for Allocation of Local Accommodation Taxes for Workforce Housing.**
- 2. How are State Accommodation Taxes Collected?**
 - a) How are State Accommodation Taxes Allocated?**
 - b) Application of Act 57 to State Accommodation Taxes.**
 - c) Procedural Outline for Allocation of State Accommodation Taxes for Workforce Housing.**
- 3. Review of Attorney General Opinion Request.**
- 4. Critical Path Outline and Timeline for Implementation.**



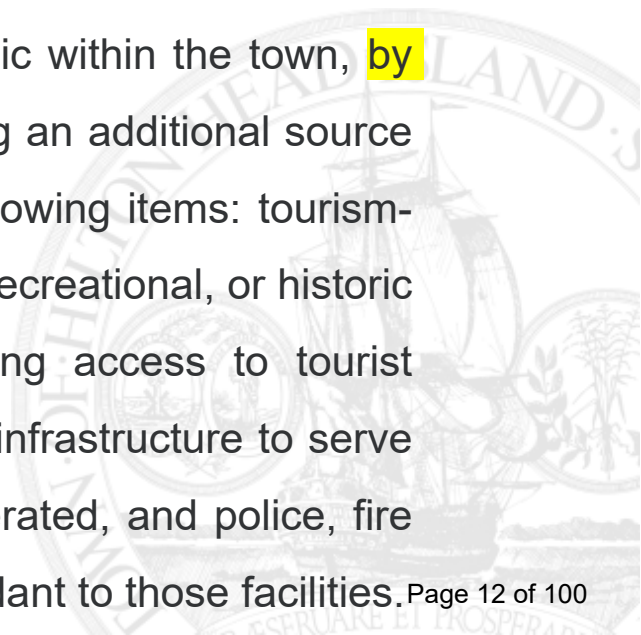
How are Local Accommodation Taxes Collected?

SECTION 6-1-520. Imposition of local accommodations tax.

(A) A local governing body may impose, by ordinance, a local accommodations tax, not to exceed three percent. However, an ordinance imposing the local accommodations tax must be adopted by a positive majority vote. The governing body of a county may not impose a local accommodations tax in excess of one and one-half percent within the boundaries of a municipality without the consent, by resolution, of the appropriate municipal governing body.

Town of Hilton Head Island Code Sec. 4-10-20. - Declaration of purpose and intent.

This chapter is enacted to preserve the general health, safety and welfare of the general public within the town, by enacting a one (1) percent local accommodations tax to be collected for the purpose of creating an additional source of funding to pay, in whole or in part, for the current and future needs of the town, for the following items: tourism-related buildings, including, but not limited to, civic centers, coliseums, and aquariums; cultural, recreational, or historic facilities; beach access and renourishment; highways, roads, streets, and bridges providing access to tourist destinations; advertisements and promotions related to tourism development; water and sewer infrastructure to serve tourism-related demand; and, the operation and maintenance of those items previously enumerated, and police, fire protection, emergency medical services, and emergency-preparedness operations directly attendant to those facilities.



ACT 57 of the 2023 South Carolina General Assembly Legislative Session, Development of Workforce Housing – Application to Local Accommodation Taxes

SECTION 6-1-530. Use of revenue from local accommodations tax.

(A) The revenue generated by the local accommodations tax must be used exclusively for the following purposes:

- (1) tourism-related buildings including, but not limited to, civic centers, coliseums, and aquariums;
- (2) tourism-related cultural, recreational, or historic facilities;
- (3) beach access, renourishment, or other tourism-related lands and water access;
- (4) highways, roads, streets, and bridges providing access to tourist destinations;
- (5) advertisements and promotions related to tourism development;
- (6) water and sewer infrastructure to serve tourism-related demand; or
- (7) development of workforce housing, which must include programs to promote home ownership. However, a county or municipality may not expend or dedicate more than fifteen percent of its annual local accommodations tax revenue for the purposes set forth in this item. The provisions of this item are no longer effective after December 31, 2030.

(B)(1) In a county in which at least nine hundred thousand dollars in accommodations taxes is collected annually pursuant to Section 12-36-920, the revenues of the local accommodations tax authorized in this article may also be used for the operation and maintenance of those items provided in (A)(1) through (6) including police, fire protection, emergency medical services, and emergency-preparedness operations directly attendant to those facilities.

So, what are the procedural steps that must be taken to utilize Local Accommodation Taxes for workforce housing purposes?

1. Update the Town Code to allow for Local Accommodation Taxes to be used for workforce housing.
2. Identify the maximum allowable amount of Local Accommodation Taxes that can be used for workforce housing based on the prior year's collections.
3. If the funding will be provided mid-year, a budget amendment will need to be adopted via an Ordinance. Otherwise, include the funding request as part of the Town's annual budget adoption. If the funding will be provided to an external entity, consider including them as part of the Affiliated Agency funding process.
4. If the funding will be given to an external entity, create a Memorandum of Understanding or other similar agreement that will document how the funding will be utilized to ensure that the requisite workforce housing standards are understood and will be met.
5. Identify any financial reporting/auditing requirements that will be needed during the terms of the Memorandum of Understanding or as may otherwise be outlined by Town Council as a condition of receiving funding.

How are State Accommodation Taxes Collected?

SECTION 12-36-920. Tax on accommodations for transients; reporting.

(A) A sales tax equal to **seven percent** is imposed on the gross proceeds derived from the rental or charges for any rooms, campground spaces, lodgings, or sleeping accommodations furnished to transients by any hotel, inn, tourist court, tourist camp, motel, campground, residence, or any place in which rooms, lodgings, or sleeping accommodations are furnished to transients for a consideration.

SECTION 12-36-2630. Seven percent sales tax on accommodations for transients composed of three components.

The tax imposed by Section 12-36-920(A) is composed of three taxes as follows:

(3) a **two percent local accommodations tax**, which must be credited to the political subdivisions of the State in accordance with Chapter 4, Title 6. The proceeds of this tax, less the department's actual increase in the cost of administration and the expenses of the Tourism Expenditure Review Committee established pursuant to Section 6-4-35, must be remitted quarterly to the municipality or the county in which it is collected. The two percent tax provided by this item may not be increased except upon approval of two-thirds of the membership of each House of the General Assembly. However, the tax may be decreased or repealed by a simple majority of the membership of each House of the General Assembly.

How are State Accommodation Taxes Allocated?

SECTION 6-4-10. Allocation to general fund; special fund for tourism; management and use of special fund. The funds received by a municipality or a county in county areas collecting more than fifty thousand dollars from the local accommodations tax provided in Section 12-36-2630(3) must be allocated in the following manner:

- (1) The first twenty-five thousand dollars must be allocated to the general fund of the municipality or county and is exempt from all other requirements of this chapter.
- (2) Five percent of the balance must be allocated to the general fund of the municipality or county and is exempt from all other requirements of this chapter.
- (3) Thirty percent of the balance must be allocated to a special fund and used only for advertising and promotion of tourism to develop and increase tourist attendance through the generation of publicity....
- (4)(b) The funds received by a county or municipality which has a high concentration of tourism activity may be used to provide additional county and municipal services including, but not limited to, law enforcement, traffic control, public facilities, and highway and street maintenance, as well as the continual promotion of tourism. The funds must not be used as an additional source of revenue to provide services normally provided by the county or municipality but to promote tourism and enlarge its economic benefits through advertising, promotion, and providing those facilities and services which enhance the ability of the county or municipality to attract and provide for tourists.

How are State Accommodation Taxes Allocated?

SECTION 6-4-10. Allocation to general fund; special fund for tourism; management and use of special fund.

(4)(a) The remaining balance plus earned interest received by a municipality or county must be allocated to a special fund and used for tourism-related expenditures. This section does not prohibit a municipality or county from using accommodations tax general fund revenues for tourism-related expenditures.

"Tourism-related expenditures" include:

- (i) advertising and promotion of tourism so as to develop and increase tourist attendance through the generation of publicity;
- (ii) promotion of the arts and cultural events;
- (iii) construction, maintenance, and operation of facilities for civic and cultural activities including construction and maintenance of access and other nearby roads and utilities for the facilities;
- (iv) the criminal justice system, law enforcement, fire protection, solid waste collection, and health facilities when required to serve tourists and tourist facilities. This is based on the estimated percentage of costs directly attributed to tourists;
- (v) public facilities such as restrooms, dressing rooms, parks, and parking lots;
- (vi) tourist shuttle transportation;
- (vii) control and repair of waterfront erosion, including beach renourishment;
- (viii) operating visitor information centers;

ACT 57 of the 2023 South Carolina General Assembly Legislative Session, Development of Workforce Housing – Application to State Accommodation Taxes

Under Act 57 of 2023, the definition of "Tourism-related Expenditures" was amended to include:

(ix) development of workforce housing, which must include programs to promote home ownership. However, a county or municipality may not expend or dedicate more than fifteen percent of its annual local accommodations tax revenue for the purposes set forth in this item (4)(b)(ix). The provisions of this item (4)(b)(ix) are no longer effective after December 31, 2030.

This is very similar to the language that was adopted pertaining to the use of Local Accommodation Taxes for workforce housing purposes. However, the General Assembly adopted additional conditions that pertain to the use of State Accommodation Taxes that do not appear to apply to the use of Local Accommodation Taxes.

ACT 57 of the 2023 South Carolina General Assembly Legislative Session, Development of Workforce Housing – Application to State Accommodation Taxes

Amended Section 6-4-12 to require the following:

- (A) If a local government intends to use the funds for the development of workforce housing, then the local government **shall prepare a housing impact analysis prior to giving second reading to the ordinance.**
- (B) The analysis required by subsection (A) must include:
- (1) information about the effect of the ordinance on housing, including the effect of the ordinance on each of the following:
 - (a) the cost of developing, construction, rehabilitating, improving, maintaining, or owning single-family or multifamily dwellings;
 - (b) the purchase price of new homes or the fair market value of existing homes;
 - (c) the cost and availability of financing to purchase or develop housing;
 - (d) housing costs; and
 - (e) the density, location, setback, size, or height development on a lot, parcel, land division, or subdivision; and
 - (2) an analysis of the relative impact of the ordinance on low- and moderate-income households.
- (C) The following applies to information on housing costs required to be included in the analysis conducted pursuant to subsection (B)(1)(d):
- (1) the analysis must include reasonable estimates of the effect of the ordinance on housing costs, expressed in dollar amounts. The local government shall include a brief summary of, or worksheet demonstrating, the computations used in determining the dollar amounts. However, if the local government determines that it is not possible to make an estimate expressed in dollar amounts, then the analysis must include a statement setting forth the reasons for the local government's determination; and
 - (2) the analysis must include descriptions of both the immediate effect and, to the extent ascertainable, the long-term effect of the ordinance on housing costs.

ACT 57 of the 2023 South Carolina General Assembly Legislative Session, Development of Workforce Housing – Application to State Accommodation Taxes

Section 6-4-12:

(D) Except as otherwise provided in this section, a housing impact analysis required pursuant to this section must be based on costs associated with the development, construction, financing, purchasing, sale, ownership, or availability of a median-priced single-family residence. However, the analysis may include estimates for larger developments as part of an analysis of the long-term effects of the ordinance.

(E) A local government may request information from any state agencies, local units of government, universities or colleges, organizations, or individuals as necessary to prepare a housing impact analysis pursuant to this section.

(F) The local government shall provide the housing impact analysis for an ordinance to the members of the legislative body of the local government, the Department of Revenue, and the Tourism Expenditure Revenue Committee* before the ordinance is considered by the legislative body. The Department of Revenue may not disburse any accommodations taxes to the local government for purposes of development of workforce housing unless and until the local government has provided the housing impact analysis to the parties required pursuant to this subsection.

*See Legal Opinion of R. Walker Humphrey, II, Esq. to South Carolina Tourism Expenditure Review Committee.

- Act 57 was signed by the Governor on May 10, 2023. The Town contracted with Tammie Hoy Hawkins to Conduct the required Housing Impact Analysis on June 7, 2023. She has recently completed the initial draft of this document and it is being reviewed by staff. Once finalized, it will be shared with all of the entities referenced in this above statute.

ACT 57 of the 2023 South Carolina General Assembly Legislative Session, Development of Workforce Housing – Application to State Accommodation Taxes

When the new code language speaks to “an ordinance” what is it referring to?

SECTION 7. Section 6-29-510(D)(6) of the South Carolina Code of Laws pertaining to the development of a local Government’s Comprehensive Plan is amended to read:

(6) a housing element which considers location, types, age, and condition of housing, owner and renter occupancy, and affordability of housing. This element includes an analysis to ascertain nonessential housing regulatory requirements, as defined in this chapter, that add to the cost of developing affordable housing but are not necessary to protect the public health, safety, or welfare and an analysis of market-based incentives that may be made available to encourage development of affordable housing, which incentives may include density bonuses, design flexibility, and streamlined permitting processes. **The planning commission must solicit input for this analysis from homebuilders, developers, contractors, and housing finance experts when developing this element;**

ACT 57 of the 2023 South Carolina General Assembly Legislative Session, Development of Workforce Housing – Application to State Accommodation Taxes

So, what are the procedural steps that must be taken to utilize State Accommodation Taxes for workforce housing purposes?

1. Complete a Housing Impact Analysis.
2. Distribute the Housing Impact Analysis to the required entities.
3. Update/Ratify the Town's Comprehensive Plan.
 - a) Share the Housing Impact Analysis with the Planning Commission.
 - i. Solicit input from homebuilders, developers, contractors, and housing finance experts.
 - b) Adopt an Ordinance incorporating the Housing Impact Analysis into the Comprehensive Plan.
4. If funding will be provided mid-year, adopt an Ordinance providing for a budget amendment. Otherwise, include the funding request as part of the FY24-25 Budget/Affiliated Agency funding process.

Request for an Opinion from the South Carolina Attorney General

Several questions have arisen regarding the interpretation of the language contained within Act 57 of 2023 as well as how certain provisions of that legislation can be applied. The Town has sought a formal opinion from the South Carolina Attorney General on the following questions:

1. Does Act 57 of 2023 authorize the dedication of fifteen percent of the entire amount of the state accommodation taxes received by a local government, or does it authorize the dedication of fifteen percent of the "65%" fund described in 6-4-10 (4)?

Answer: The statute sets a cap at 15% of total annual accommodation tax collections for either local or state accommodation taxes.

2. May a local government allocate all or any part of the funds described in the Act to a non-profit organization to be used to develop workforce housing, so long as the non-profit organization complies the requirements of the statutes?

Answer: Yes.

Request for an Opinion from the South Carolina Attorney General

Several questions have arisen regarding the interpretation of the language contained within Act 57 of 2023 as well as how certain provisions of that legislation can be applied. The Town has sought a formal opinion from the South Carolina Attorney General on the following questions:

3. Would the answer to this question change if the recipient of the grant or donation is a for-profit entity that develops affordable housing for the workforce?

Answer: Yes, a local government could provide funding to a for-profit entity.

4. If a local government has identified the lack workforce housing as an impediment to the economic growth, health and wellbeing of its community, would making a donation or grant from the local government's general fund to a non-profit entity that develops affordable housing for the workforce meet the public purpose requirement of S. C. Const., Article X, Sec, 5 and not violate the prohibition against pledging the credit of the State set out in S. C. Const., Art. X, Sec. 11 of the South Carolina Constitution?

Answer: Yes, so long as the expenditure constitutes a public purpose as defined by judicial precedent.

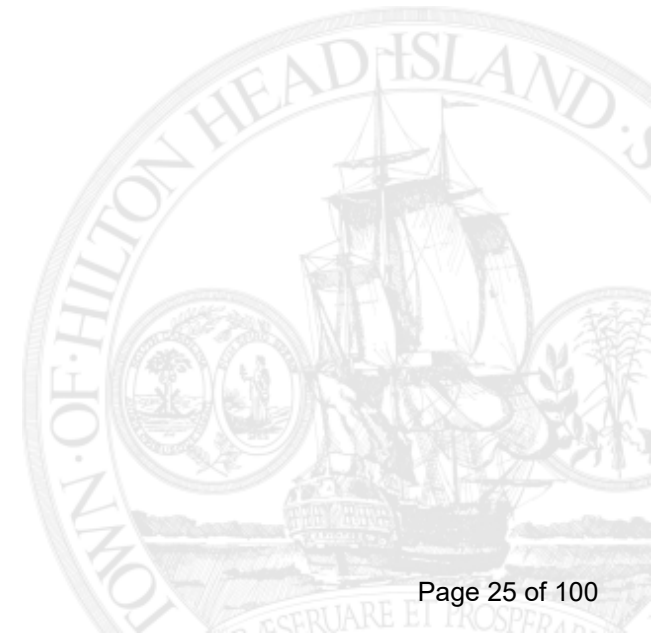
Current Accommodation Tax Availability FY23 – 24 Budget

Local Accommodation Tax Availability:

- 2023 Collections - \$6,948,465
- Transfer to General Fund Per FY23 – 24 Adopted Budget - \$6,948,465
- Available Balance - \$0.00
- 15% Cap Permissible for Workforce Housing - \$1,042,270

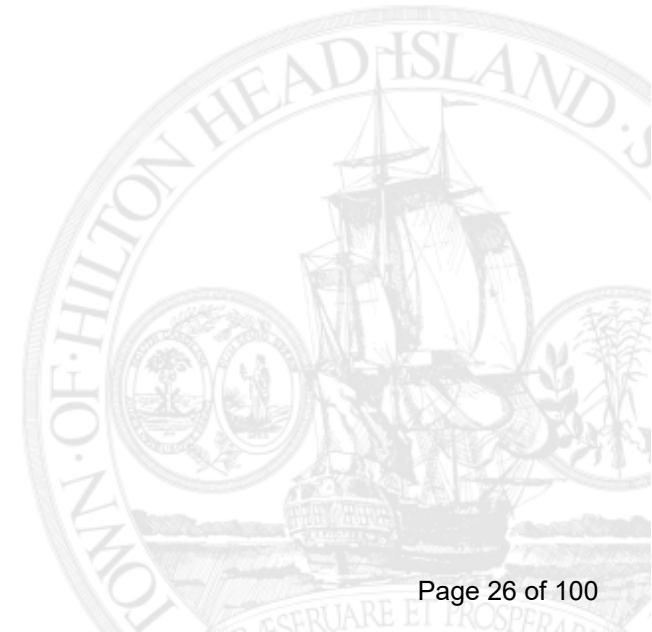
State Accommodation Tax Availability:

- Reserve/Carry Over from FY22 -23 - \$1,139,792
- 2023 Collections - \$13,344,903
- First \$25,000 to General Fund - \$13,319,903
- Next 5% to General Fund (\$665,995.15) - \$12,653,907.80
- 30% to the Destination Marketing Organization (DMO) (\$3,995,971) - \$8,657,937
- Transfer to General Fund Per FY23 – 24 Adopted Budget - \$3,515,021
- Transfer to CIP Per FY23 – 24 Adopted Budget - \$3,000,000
- Accommodation Tax Grants – \$4,773,193 (2023 Requests)
- Available Balance - \$1,537,007 (appx.)
- 15% Cap Permissible for Workforce Housing - \$2,001,735



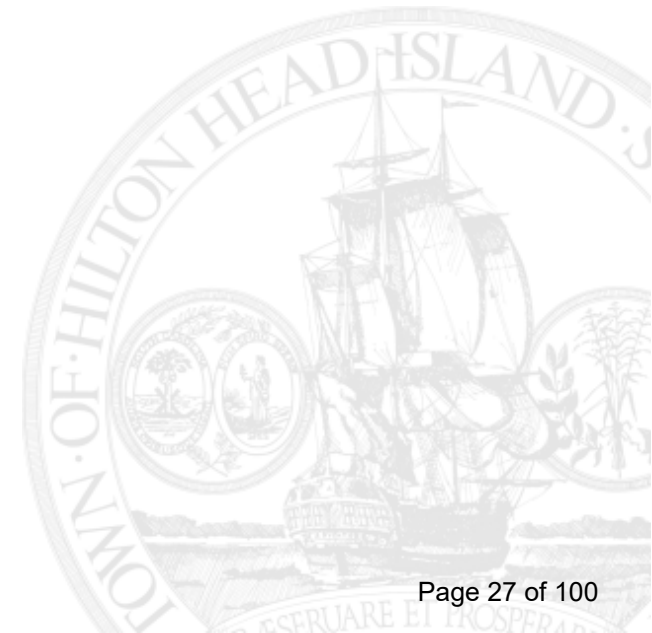
Critical Path and Timeline for Implementation – Local Accommodation Taxes

1. Receive Attorney General Opinion Responses – **Received October 16, 2023**
2. Amend Town Code Section – 6-1-530
 - a) Public Planning Committee – 1st Quarter 2024
 - b) Town Council
 - i. First Reading – 1st Quarter 2024
 - ii. Second Reading – 1st Quarter 2024
3. Budget Ordinance (Depending on Source of Funding)
 1. First Reading – 1st Quarter 2024
 2. Second Reading – 1st Quarter 2024
4. Adoption of FY24-25 Budget
 1. Affiliated Agency Presentations – March 19, 2024
 2. Finance and Administrative Committee Recommendations – April 16, 2024
 3. Town Council Approval
 1. First Reading – May 2024
 2. Second Reading – June 2024



Critical Path and Timeline for Implementation – State Accommodation Taxes

1. Receive Attorney General Opinion Responses – **Received October 16, 2023**
2. Complete the Housing Impact Analysis – **Completed**
3. Distribute Housing Impact Analysis to Required Entities – To Be Distributed in November
4. Adopt an Ordinance Updating/Ratifying the Town's Comprehensive Plan
 - a) Planning Commission – 1st Quarter 2024
 - b) Public Planning Committee – 1st Quarter 2024
 - c) Public Hearing by Town Council – 1st Quarter 2024
 - i. First Reading – 1st Quarter 2024
 - ii. Second Reading – 1st Quarter 2024
5. Budget Amendment Ordinance (Depending on Source of Funding)
 - a) First Reading – 2nd Quarter 2024
 - b) Second Reading – 2nd Quarter 2024
6. Adoption of FY24-25 Budget
 - a) Affiliated Agency Presentations – March 19, 2024
 - b) Finance and Administrative Committee Recommendations – April 16, 2024
 - c) Town Council Approval
 - i. First Reading – May 2024
 - ii. Second Reading – June 2024





TOWN OF HILTON HEAD ISLAND

Housing Action Committee

TO: Housing Action Committee
FROM: Nicte Barrientos, Planner- Economic Development
VIA: Tammie Hoy Hawkins, Together Consulting

VIA: Missy Luick, Director of Planning
VIA: Shawn Colin, Assistant Town Manager- Community Development
DATE: November 27, 2023
SUBJECT: Discussion of Housing Impact Analysis (HIA)

BACKGROUND:

The Town of Hilton Head Island was instrumental in the passage of Act 57 of the 2023 South Carolina General Assembly Legislative Session. This Act allows local governments to utilize a portion of either its state or local accommodations taxes, or both, to be utilized in the development of qualified workforce housing as a tourism related expenditure.

A key component of Act 57 necessary for the Town to utilize up to 15% of Accommodations Tax revenue for workforce housing is the requirement to complete a **Housing Impact Analysis** which must be adopted by ordinance as an amendment to the Town's Comprehensive Plan Housing Element. As part of this process the planning commission must solicit input for this analysis from homebuilders, developers, contractors, and housing finance experts when developing this element.

The Town worked with Together Consulting to Draft the Town's Housing Impact Analysis. In addition to researching and compiling the data required for the Housing Impact Analysis from local, state and national sources, Together Consulting also received information and data from the Hilton Head Island Realtors Association, Hilton Head Island Homebuilders Association, local builders and developers.

Housing Impact Analysis (HIA) required by Act 57:

If local governments OPT to use ATAX for workforce housing needs, they will be required to prepare a Housing Impact Analysis (as outlined in Section 6-4-12 in the Act) prior to second reading of the ordinance allowing such usage. This Analysis will help to define the actual needs in their communities and how these funds will help solve the local workforce housing needs.

For the purposes of this Act, workforce housing has been defined below:

(4) **"Workforce housing"** means residential housing for rent or sale that is appropriately priced for rent or sale to a person or family whose income falls **within thirty percent**

(30%) and one hundred twenty percent (120%) of the median income for the local area, with adjustments for household size, according to the latest figures available from the United States Department of Housing and Urban Development (HUD).

Steps Necessary:

1. Local Government's must complete a **Housing Impact Analysis** (by second reading of a local ordinance). The Housing Impact Analysis Must Include:

1) How the Housing Ordinance Effects the Following:

- A. Cost of Developing, Construction, Rehabilitation, Improving, Maintaining, or owning single family or multifamily dwellings:
- B. The Purchase Price of New Homes or the Fair Market Values of Existing Homes
- C. The Cost and Availability of financing to purchase or develop housing:
- D. Housing Costs:
 - a. Housing Cost in Dollar Amounts:
 - b. Include a brief summary or worksheet demonstrating the computations used in determining the dollar amount (if not possible to make an estimate in dollar amounts, then the analysis may include a statement setting forth the reason for the local government determination (income /housing disparity)
 - c. The analysis must include descriptions of both (effect of the ordinance):
 - i. Immediate effect on housing cost (to the extent ascertainable)
 - ii. Long term effect on housing cost
- E. The Density, Location, Setback, Size or Height development on a lot, parcel, land development or subdivision

2) How the Ordinance Effects Low to Moderate Income Households:

3) Impact Analysis must be based on:

- A. Cost associated with the development, construction, financing, purchasing, sale, ownership or availability of median-priced single-family residence.
 - B. Analysis may include estimates for larger developments as of an analysis of long-term effects of the ordinance.
2. The **Housing Impact Analysis** must be provided to the following bodies **prior** to the Department of Revenue allowing the release of any ATAX funds for the purposes of the development of workforce housing:

- a. Members of the legislative body of the local government,
- b. Department of Revenue, and
- c. Tourism Expenditure Revenue Committee before the ordinance is considered by the legislative body.

“The Department of Revenue may not disburse any accommodations taxes to the local government for purposes of development of workforce housing unless and until the local government has provided the housing impact analysis to the parties required pursuant to this subsection **6-4-12 (F)**” (mentioned above).

RECOMMENDATION:

Town staff recommends the Housing Action Committee learn about the requirements and eligible uses outlined in Act 57 since the Town may pursue ATAX as a funding source to support the Town’s Multi Year Housing Action Plan. The Committee should review the Housing Impact Analysis which is a required document for Act 57. The Committee is not required to approve the Housing Impact Analysis but at a minimum should review the document and be familiar with the implementation process.

ATTACHMENTS:

1. DRAFT Town of Hilton Head Island Housing Impact Analysis (HIA)



THE TOWN OF HILTON HEAD ISLAND



HOUSING IMPACT ANALYSIS

NOVEMBER 2023

DRAFT V2

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ACKNOWLEDGEMENTS

The information and resources within this Housing Impact Analysis was made possible thanks to several community partners .

Community Partners:

- Town of Hilton Head Realtors Association (HHIRA)
- Jean Beck, Director of HHIRA
- Town of Hilton Head Island Home Builder Associations (HHIHBA)
- Meg James, HHIHAB
- Local Developers and Homebuilders

Town Staff:

- Ben Brown, Senior Advisor to the Town Manager
- Josh Gruber, Deputy Town Administrator
- Katie Kabala, Customer Service Manager
- Missy Luick, Director of Planning
- Nicte Barrientos, Planner-Economic Development
- Shari Mendrick, Floodplain Administrator
- Shawn Colin, Assistant Town Manager, Community Development



Created and Presented by:



Designed by: **Virginia Howat**



EXECUTIVE SUMMARY



Housing Impact Analysis

EXECUTIVE SUMMARY



In November 2022, The Town of Hilton Head Island Town Council adopted the Town of Hilton Head Island's Workforce Housing Framework, Finding Home. The goal of the Framework is to provide the Town and municipal leaders with the specific strategies and define actionable tactics that address both the need for housing preservation and new production of workforce housing. The foundation of the Framework was built on previous planning efforts and broad community engagement through a multi-day planning charrette. The Finding Home Framework is organized by prioritizing four core Pillars: Community, Planning, Revenue and Management. Each of the Pillars includes key strategies and critical first steps.

An essential part of the Framework, outside of developing a Multiyear Housing Action Plan that will include various levels of community engagement and partnership development, will be the ability for the Town to fund and finance many of the strategies, tactics and action items defined within the Framework and the eventual Multiyear Action Plan.

The Town has already committed:

- Town owned land to support the development of public private partnerships that will help to support and deliver newly constructed workforce housing units.
- \$3.3M in the Town's 2024 FY Budget to support workforce housing initiatives, partners, and projects on the Island
- Established a community-led Housing Action Committee that will provide advice and guidance on policies and programs the Town will consider for implementation to meet the Town's housing goals.
- Hiring a full time Chief Housing Officer who will lead, in partnership with Planning and Community Development leadership, the development and implementation of a Multiyear Housing Action Plan.

EXECUTIVE SUMMARY



CONTINUED

The passage of Senate Bill “S284 Development of Workforce Housing” led by local state Senator Tom Davis, will enable the Town of Hilton Head Island to access a new funding source to support the Town’s Workforce Housing Framework objectives. The passage of this Bill enables local governments to use up to 15% of their Accommodations Tax (ATAX) revenue to support local workforce housing projects and programs. In order to designate any percentage of ATAX funds to workforce housing, the local government must prepare a Housing Impact Analysis (HIA) and provide a copy of that analysis to the South Carolina TERC, South Department of Revenue and the members of the local government’s legislative body for review prior to the second reading of the ordinance designating ATAX for the purposes of workforce housing. The Housing Impact Analysis must be developed along with the local government’s comprehensive plan or be included as an amendment to the local government previously adopted comprehensive plan.

Over 25% of the Town of Hilton Head Island’s workforce are employed in the hospitality and accommodation sectors. The growing demand for affordable housing for these households continues to be a focus for the Town and area employers. The availability of ATAX revenue to support the Town’s workforce housing goals including programs and projects as part of the Town’s Multiyear Workforce Housing Plan. The availability of ATAX as funding source also aligns with the strategies and critical action steps defined in the Revenue Pillar outlined in the 2022 Workforce Housing Framework, Finding Home. The following Housing Impact Analysis addresses the questions outlined as part S284 requirements to utilize ATAX as an eligible funding source to support local workforce housing needs.

The following Housing Impact Analysis per the S284 Ordinance requirements will include:

- Current housing and employment trends on Hilton Head Island
- Local analysis of housing and development costs
- Market rate Housing Prices
- Cost of available financing to purchase or develop housing.
- Local determination of need for workforce housing including income and housing disparities
- ATAX revenue impacts on short- and long-term housing costs

INTRODUCTION



Housing Impact Analysis

INTRODUCTION



The Town of Hilton Head Island is a key economic engine within Beaufort County and the broader region. However, the Town of Hilton Head Island is increasingly competing with the Town of Bluffton and other communities for workers. A lack of workforce housing on the Island is an impediment to recruiting and retaining both private-sector and public-sector employees.

There is a real risk that a lack of a qualified, stable workforce will lead to a decline in services and quality of life on the Island. Population shifts over the last 20 years show a significant increase in residents moving to these surrounding communities.

The Lowcountry Council of Governments, *2022 People and the Economy Report* indicated 1.5% population growth for the Town of Hilton Head Island versus neighboring Town of Bluffton that has seen 113.6% increase in population.

Table 1: Population Change 2000-2021

	Census 2000	Census 2010	Census 2020	Estimates 2021	Percent Change 2000-2010	Percent Change 2010-2020	Percent Change 2020-2021
Beaufort County	120,937	162,233	187,117	186,007	34.1%	15.3%	-0.6%
City of Beaufort	12,950	12,361	13,607	12,899	-4.5%	10.1%	-5.2%
Town of Bluffton	1,275	12,978	27,716	27,596	917.9%	113.6%	-0.4%
Town of Hilton Head Island	33,862	37,099	37,661	38,068	9.6%	1.5%	1.1%
Town of Port Royal	3,950	10,678	14,220	12,734	170.3%	33.2%	-10.5%

INTRODUCTION

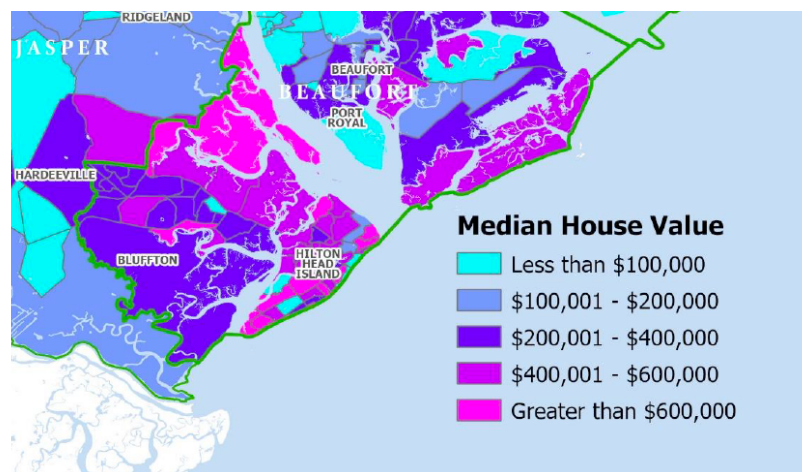
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The Hilton Head Island community is facing a growing challenge around ensuring there is a sufficient supply of affordable and appropriate housing to support its workforce. Employers are having a harder time recruiting and retaining workers for Island employment. Working individuals and families are increasingly being priced out of the community. Everyone on Hilton Head Island—from long-term, year-round residents to seasonal visitors—will feel the impact if the community cannot sustain a qualified workforce.

The ability to attract needed private- and public-sector workers depends in part on the ability of workers to afford housing near their jobs. The growth of employment centers in other parts of Beaufort County means that Hilton Head Island employers will have a more difficult time finding workers as there are more employment options off Island, closer to communities where housing is more affordable, and commutes are shorter. Without an intentional effort to expand workforce housing options on Hilton Head Island, both the economic sustainability and quality of life on the Island may be at risk. (*WFH Strategic Plan*) As shown in the Map below from the Lowcountry Council of Governments, *2022 People and the Economy Report* median home values are almost double on Hilton Head versus neighboring communities off the Island.

The Town of Hilton Head Island is at a critical juncture to ensure the development and preservation of diverse housing options that are available and affordable for its workforce. Over the last few years, Town Council and Town leadership have consistently indicated this as a top strategic priority. Key recommendations and strategic direction have been defined in the Town's 2019 Workforce Housing Strategic Plan, the Town's Our Plan (Comprehensive Plan) and the recently adopted 2022 Workforce Housing Framework.



BACKGROUND



Housing Impact Analysis

BACKGROUND



In 2019, Town Council adopted the Workforce Housing Strategic Plan in an effort to advance policy that is favorable to address the housing needs of the Island. It includes a set of recommendations that are designed to address current and future workforce housing needs within the Town of Hilton Head Island.

On November 4, 2020, Town Council adopted amendments to the Town's Land Management Ordinance to create a Workforce Housing Program. This included incentives for the conversion of commercial square footage to residential units. On February 16, 2021, Town Council adopted amendments to the Town's Land Management Ordinance to allow for a housing density bonus provided in exchange for workforce housing units.

On February 22, 2022, Town Council held a special meeting where they discussed housing initiatives and proposed next steps. This resulted in three primary efforts that led to the execution of an intergovernmental agreement for participation in the Beaufort Jasper Housing Trust, the pursuit of a public private partnership to develop affordable/workforce housing on the Town-owned Northpoint Tract and the creation of two new public assistance programs for Home Safety and Repair Program and Sewer Connection Program.

On April 1, 2022, the Town released an RFQ seeking a Developer Partner for the Northpoint Tract project. Since that time, an advisory committee reviewed all submittals and the Town Manager announced a development partner in October 2023 and will negotiate a development agreement for Town Council review and consideration.



An increased sense of urgency arose around this issue when an estimated 300 residents, most part of the Island's workforce, were issued eviction notices on August 12, 2022, and residents were only provided one month to move out. The property owner was pursuing plans to redevelop the site. In response to the rising concerns by the community, a special Town Council meeting was held on September 6, 2022, to discuss the status of current workforce housing initiatives. Town Council held a workshop on September 14, 2022 and directed staff to create a housing framework by November 1, 2022.

The Town held a multi-day charette in October 2022 with over 30 community stakeholders along with the Town's Senior staff. These two days led to the creation of the Town's Finding Home Workforce Housing Framework, *Finding Home* which was adopted by Town Council on November 1, 2022. The Framework recommendations are aligned by four pillars, Community, Planning, Management and Revenue with each Pillar defining very specific goals, strategies, and critical first steps for action. This framework outlines the Town's commitment to the creation and preservation of affordable workforce housing on the Island. Key to the implementation of the Framework will be the Revenue pillar, where the Town will define funding and financing sources to support projects and programs that deliver diverse affordable housing options on the Island.

With the passage of South Carolina Senate Bill 284, now known as Act 57, ratified May 17, 2023, and approved and signed by the Governor May 19, 2023, provides a direct nexus between the Accommodations and Hospitality industry and the ability to support workforce housing opportunities. Local governments now have access to a new funding source to support the development of additional housing to meet the growing demand for workforce housing on the Island to support the local tourism economy. The recent escalation in housing cost on the Island has made this choice more difficult for this critical workforce.



EMPLOYMENT & HOUSING ANALYSIS



Housing Impact Analysis

The Lowcountry Council of Governments, *2022 People and the Economy Report* indicated Beaufort County as one of the top tourist destinations in the state, with the Town of Hilton Head Island being a significant draw for visitors. Yet with the increased cost of housing on the Island, employers are finding it difficult to retain workers within the tourism industry employment sectors on the Island.

Tourism Industry

Tourism is vital for the success of the region's economy. As reflected in Table 17, the region's expenditures had increased until 2019, then declined in 2020 due to the COVID-19 pandemic. Beaufort County, is considered one of the top tourism destinations in the state, having the greatest amount of visitor spending and the largest tourism-generated jobs. Colleton County, nationally recognized for the ACE Basin eco-tourism destination and several 1-95 interchanges, ranks second for tourism expenditures and payrolls.

Table 17: Economic Impact of Visitors 2017-2020

	2017	2018	2019	2020	Percent Change 2017-2020
Beaufort County					
Tourism Employment	14,170	14,590	15,280	14,620	5.6%
Payroll from Tourism	\$261,570,000	\$270,780,000	\$294,880,000	\$307,230,000	23.1%
Expenditures by Visitors	\$1,374,800,000	\$1,433,990,000	\$1,539,740,000	\$1,379,800,000	5.8%

There is already evidence of the workforce housing impact. Some local restaurant owners are closing down one day a week because they cannot find sufficient staff. Hilton Head Regional Healthcare has been having difficulty retaining key employees, like nurse technicians. Landscaping companies on the Island struggle to find enough people to mow lawns, trim trees and install and maintain landscaping. The public school system faces challenges with teacher recruitment and turnover. Employers consider housing availability and affordability on Hilton Head Island as essential for attracting and keeping qualified workers.

Many people working on Hilton Head Island commute from elsewhere in Beaufort County and beyond. **More than 14,000 workers commute onto the Island each day for work, with the number of in-commuters rising steadily each year.**

People who work on Hilton Head Island commute longer distances than those commuting to either the Town of Bluffton or City of Beaufort. **About 17 percent of workers on Hilton Head Island—or nearly 4,400 workers—commute 50 miles or more each way to get to work.** On their way into and home from Hilton Head Island, those commuters will pass by growing areas in Bluffton, Hardeeville, Port Royal and other communities where employment opportunities are expanding. More job options in other parts of the county will make it less attractive for workers to continue to commute onto Hilton Head Island to work. (*WFH Framework 2022*)

EMPLOYMENT ANALYSIS

CONTINUED



Based on 2021 data, the largest employers on Hilton Head Island are mainly in the service industry and health care. These employment sectors median salaries are between \$25,000 and \$57,000 depending on experience and tenure as reported by the Bureau of Labor Statistics, May 2022. Based on these salaries service workers in Hilton Head can afford to pay \$575 a month in rent while the median rent in Hilton Head as of 2020 was \$1,330, while health care employees can afford to pay \$1,250 which is still not enough to afford the median priced apartment on the Island.

The May 2022, a US Bureau of Labor Statistics Occupational Employment and Wages study indicated the following averages for Hilton Head Island employment sectors. Workers in the Hilton Head Island-Bluffton-Beaufort, SC Metropolitan Statistical Area **had an average (mean) hourly wage of \$22.21 in May 2022, 25 percent below the nationwide average of \$29.76.** Regional Commissioner Victoria G. Lee of BLS, noted that, after testing for statistical significance, wages in the local area were lower than their respective national averages in 21 of the 22 major occupational groups.

TOP ISLAND EMPLOYERS (2021)

EMPLOYER	EMPLOYEES
SERG GROUP RESTAURANTS	1,244
MARRIOTT VACATION CLUB INTL	580
SEA PINES RESORT	536
HILTON HEAD MEDICAL CENTER AND CLINICS	506
COASTAL RESTAURANTS AND BARS	500
BEAUFORT COUNTY SCHOOL DISTRICT	438

Source: Town of HHI Comprehensive Annual Financial Report

"WHAT'S AFFORDABLE?" BY WORKER SEGMENTS



Source: US Census Bureau, 2018 Workforce Housing Strategic Plan

When compared to the nationwide distribution, Hilton Head Island area employment was more highly concentrated in 7 of the 22 occupational groups, including food preparation and serving related, sales and related, and building and grounds cleaning and maintenance. Thirteen groups had employment shares significantly below their national representation, including production, transportation and material moving, and business and financial operations.

One occupational group—food preparation and serving related—was chosen to illustrate the diversity of data available for any of the 22 major occupational categories. Hilton Head Island had 12,450 jobs in food preparation and serving related, accounting for 16.0 percent of local area employment, significantly higher than the **8.5-percent share nationally.**

EMPLOYMENT ANALYSIS

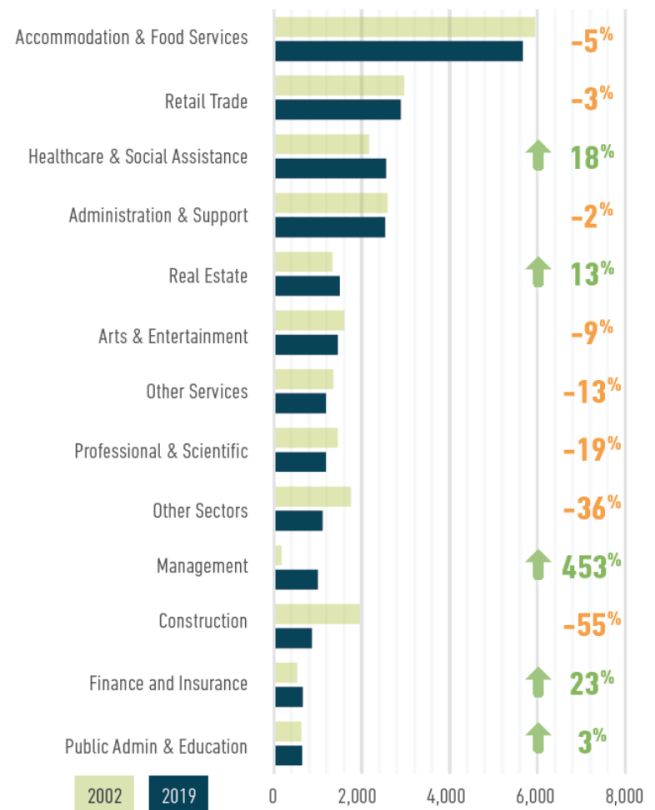
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This chart based on the US Census Bureau data shows the size of the top employment sectors on the Island along with the percentage of change over time. Although accommodations and retail related positions have decreased slightly compared to other employment sectors, they remain the top two employment sectors with healthcare and administration within the top five. Accommodations and food service have the largest percentage of employment in the region.

The chart below shows specific employment segments from the top three employment sectors to include accommodations and food service, retail, healthcare and administration to show average hourly and annual salaries aligned with what would be considered affordable rents. Housing affordability is determined by the percentage of an individual's gross pay that is absorbed by housing costs. An "affordable" unit should cost no more than 30% of that individual's or family's total income. Households are considered "cost burdened" when their housing costs exceed this figure. A household is considered to be "extremely cost burdened" if they are spending over 50% of their income on housing.

SECTOR SIZE & CHANGE, 2002-2019



Source: US Census Bureau, 2000 to 2021 Censuses

Employment and wage data for Top related occupations, Hilton Head Island metropolitan area, May 2022					
Occupation (1)	Levels	Hourly	Annual Salary	Housing Affordability (30%)	Cost Burden (50%)
Total Food preparation and serving related occupations	12,450	\$ 13.32	\$ 27,700.00	\$ 692.50	\$ 1,154.17
Total Office and Administrative Support Occupations	10,050	\$ 18.52	\$ 38,520.00	\$ 963.00	\$ 1,605.00
Total Sales and Related Occupations	9,450	\$ 18.55	\$ 38,580.00	\$ 964.50	\$ 1,607.50
Total Building and Grounds Cleaning and Maintenance Occupations	4,220	\$ 15.84	\$ 32,950.00	\$ 823.75	\$ 1,372.92
Total Personal Care and Service Occupations	2,910	\$ 15.38	\$ 31,980.00	\$ 799.50	\$ 1,332.50



Based on the 2023 National Low Income Housing Coalition's Out of Reach Data the following Zip Code data shows the hourly wage necessary to afford a market rate rental unit within 29926 and 29928 areas.

Based on the chart shown on the previous page, the average hourly wage for the top occupational group, accommodations and food preparation for Hilton Head Island was \$13.32, significantly below the national wage of \$15.45, while an employee must earn at least \$25.96 to afford a one-bedroom apartment on the Island as defined in the charts to the left as indicated by the National Low Income Housing Coalition's Out of Reach Data. Based on this analysis, all major employment sector employees on the Island would be considered "Cost Burdened".

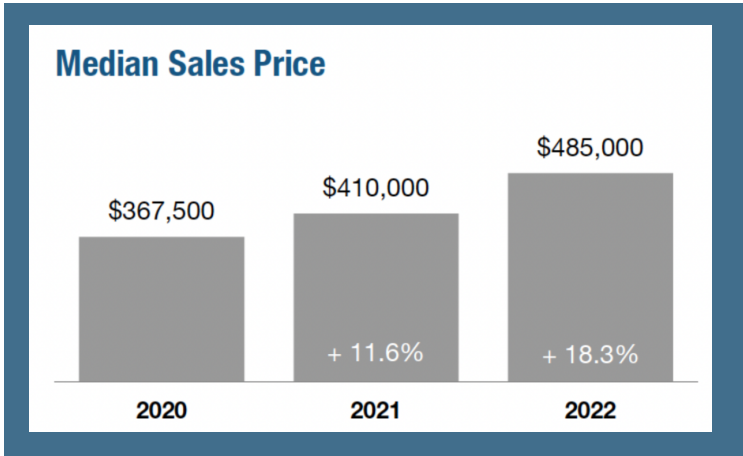
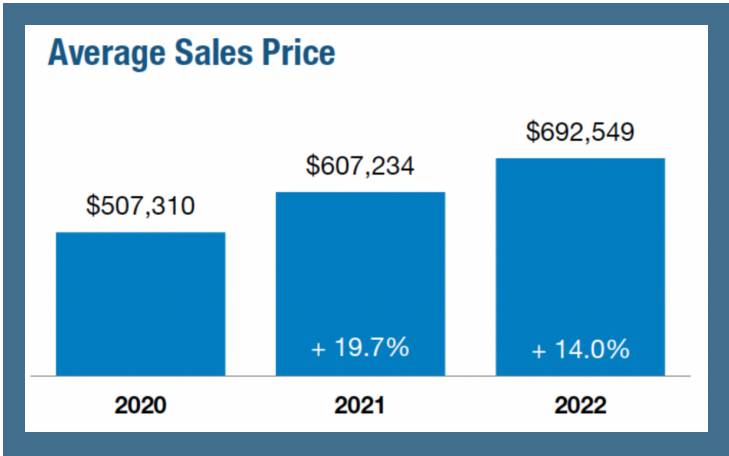


National Low Income Coalition Zip Code Analysis for Housing Wage

The dollar amount shown for each zip code is the two-bedroom Housing Wage, which are only available within metropolitan areas. Zip code-level Housing Wages are based on HUD's Small Area Fair Market Rents (FMRs) for Zip Code Tabulation Areas (ZCTAs) from the U.S. Census Bureau, which differ slightly from U.S. Postal Service zip codes.

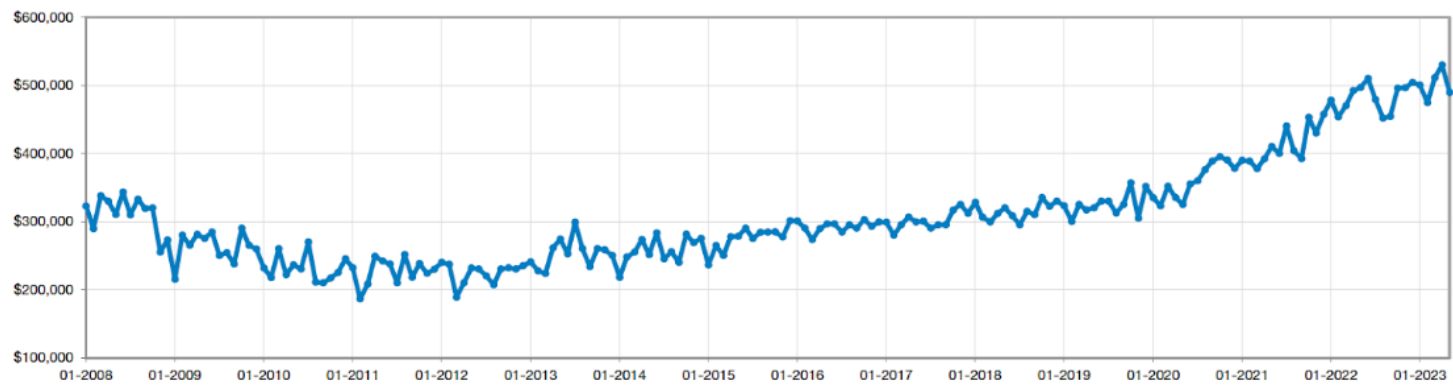
The Hilton Head Realtors Association 2022 Year-end Market Trend Analysis indicated a significant increase in ownership housing costs on the Island in both single family attached and detached from 2021, and an even greater increase over the last five months of 2023.

The accompanying charts show these increases. From 2021 to 2022, the overall median sales price increased 18.3 percent to \$485,000 for the year. Detached home prices were up 15.0 percent compared to last year, and attached home prices were up 20.0 percent.



2022 Year-End Report Hilton Head Island Housing Market Report

Historical Median Sales Price by Month

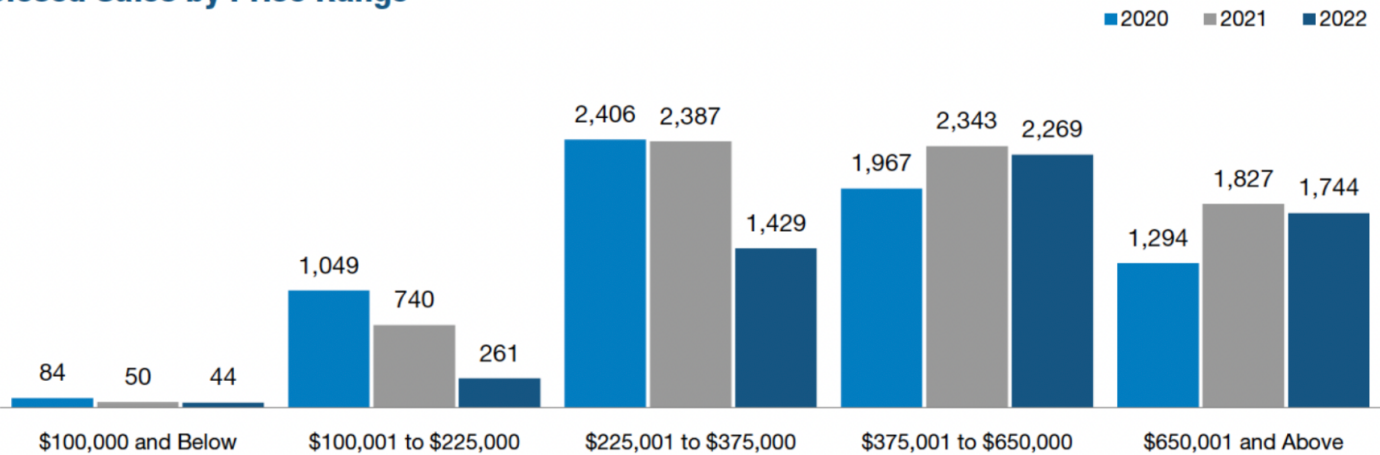




In addition, the number of housing units closed below \$225,000 has historically declined significantly over the last few years showing a huge loss in affordable inventory.

(See Sales closed by Price Range Chart below)

Closed Sales by Price Range



Recent data from May 2023 indicated historical housing affordability continuing to decline significantly on the Island. The chart below shows a continual trend as housing becomes less affordable based on average incomes on the Island. The lower the number the less affordable community. Home ownership keeps getting tougher for buyers as average 30-year home-mortgage rates in the U.S. have risen above 7 percent, from under 3 percent in 2021. Those latest price and interest rate hikes, along with other forces, continue to push the typical cost of major ownership expenses up far faster than wages, resulting in declining home affordability.

Historical Housing Affordability Index by Month



RENTAL MARKET DATA:

These trends are unsustainable to meet the growing demands for workforce housing on the Island. With increased costs in construction, labor, materials, insurance and interest rates, affordability of housing will play a huge role in the future population and workforce on the Island if the Town does not address these growing needs.

Preliminary housing analysis revealed only about 400 “protected “(meaning they are income restricted or deed restricted based on income) affordable housing rental units on the Island and about 2,000 “naturally occurring affordable housing” (NOAH) rental units. NOAH units are not income restricted or protected by income related deed restrictions; therefore, they are not protected from the possibility of large-scale rental hikes or future redevelopment into luxury or short-term rentals.

Many of these historically affordable housing units are at the greatest risk of being redeveloped into to higher end housing as the overall rental housing supply continues to remain low of the Island. Building permit data indicated only two multifamily rental communities have been built on the Island in the last 20 years both of which are market rate communities. Over the last decade, average monthly rents grew by almost 40%.



HOUSING MARKET CONDITIONS



Housing Impact Analysis

Factors in Housing Market Cost:

Although the South Carolina population continues to have strong population growth, building has not kept up with the growth. **The 2023 Palmetto State Housing Study** published by SC State Housing indicated that a decade of underbuilding has culminated in a shortage of housing inventory. South Carolina’s population has grown steadily at an average annual rate of roughly 1.2% from 2002 to 2021 (compared to 0.8% for the overall US), yet the average annual growth rate in the number of new housing permits in South Carolina dropped by nearly half after the Great Recession of 2008. The decline includes both single and multi-family housing, therefore creating gaps in the supply and demand for housing and escalating the cost of housing due to the shortage of supply. **The lack of housing inventory in South Carolina is especially pronounced among lower price points.**

Although a lack of demand in the immediate aftermath of the Great Recession helped temporarily increase the availability of entry-level homes, **the number of homes sold in South Carolina for less than \$100,000 has decreased by 14.8 percent each year since 2014.”** (2023 Palmetto Study) The decrease in supply is most pronounced in coastal regions of South Carolina. **In 2022, the percentage of homes sold in South Carolina for under \$100,000 fell below 5 percent for the first time.**

Figure 6 – S.C. Multi-Family Housing Permits vs. Pop. Growth

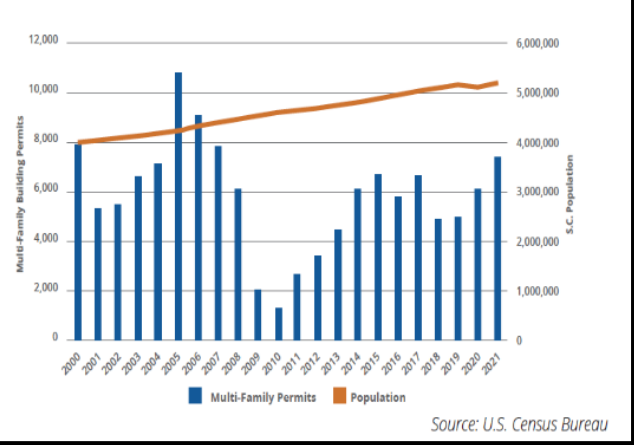
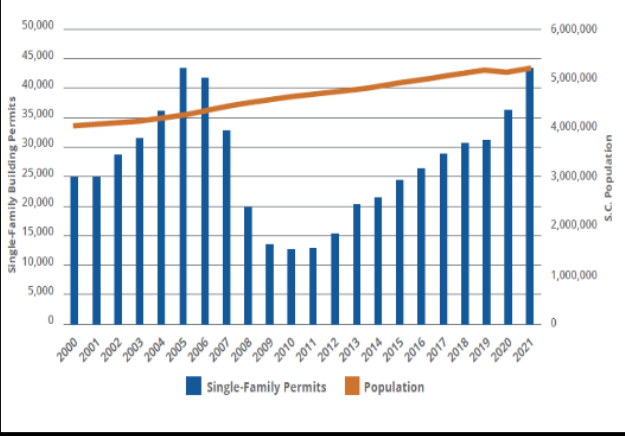


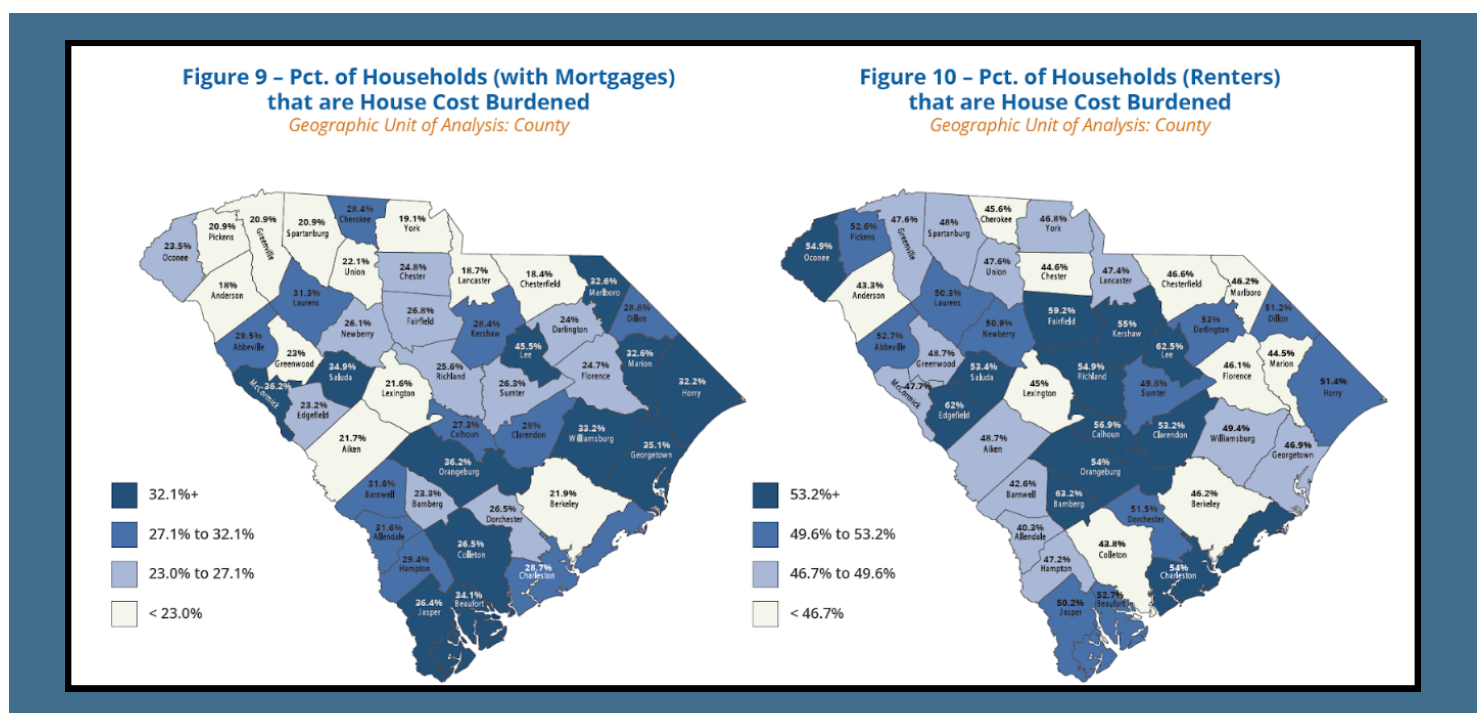
Figure 5 – S.C. Single-Family Housing Permits vs. Pop. Growth



The 2023 Palmetto Housing Study highlights in the charts below the combination of a strong housing demand coupled with relatively low levels of housing inventory has led to an imbalanced housing market in South Carolina, this has created affordability challenges for many South Carolinians. Housing affordability is usually measured by examining the extent to which families are considered to be housing cost burdened.

The U.S. Department of Housing and Urban Development (HUD) defines a cost burdened household as one that pays more than 30 percent of its income for housing.

By this measure, approximately 50 percent of renting households and 25 percent of households with a mortgage are housing cost burdened in South Carolina. Examining housing cost burdens by county reveals that renters are most likely to be cost burdened in the Midlands and coastal regions of South Carolina. By contrast, households with mortgages are most likely to be cost burdened in the Pee Dee and coastal regions, as shown in **Figures 9 and 10. On average, housing cost burdens across the state are higher for renters than they are for households with mortgages.**



HOUSING MARKET CONDITIONS

CONTINUED



Housing affordability is often considered to be a challenge that is either mostly or exclusively concentrated among households with lower income. Approximately 90% of South Carolina's lower income households, defined as those earning less than \$35,000 annually are estimated to be housing cost burdened based on the 2023 Palmetto Housing Study.

However, in South Carolina there is also a significant population base of middle-income households that also face affordability challenges. Specifically, this study estimates that more than one-third (34.5%) of households earning between \$35,000 and \$75,000 annually are also housing cost burdened by traditional measures.

Existing statewide workforce housing initiatives are often designed for this population.

The cost burden of this segment of the population is especially high in coastal South Carolina as shown in Figures 13 and 14. The data demonstrates that while housing affordability is nearly a universal challenge for lower-income households, it is also a significant strain on working-class families. **Policies directed at improving housing affordability should also include attainable housing programs and new inventory for middle-income families.** Individuals in these households are often employed as teachers, first responders, and health care support workers.

Figure 13 – Pct. of Households that are House Cost Burdened
Annual Household Income: Less than \$35,000

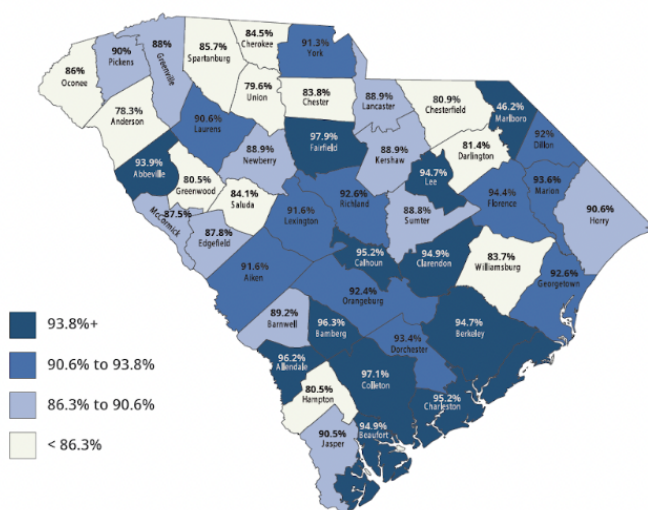
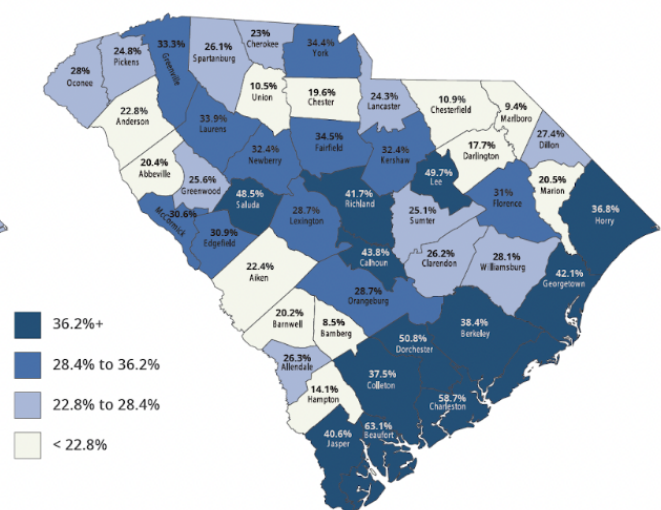


Figure 14 – Pct. of Households that are House Cost Burdened
Annual Household Income: \$35,000 - \$75,000



For Homeownership:

- **The average salary in Hilton Head Island is \$68,437.**
- **The median home cost in Hilton Head Island is \$724,900**

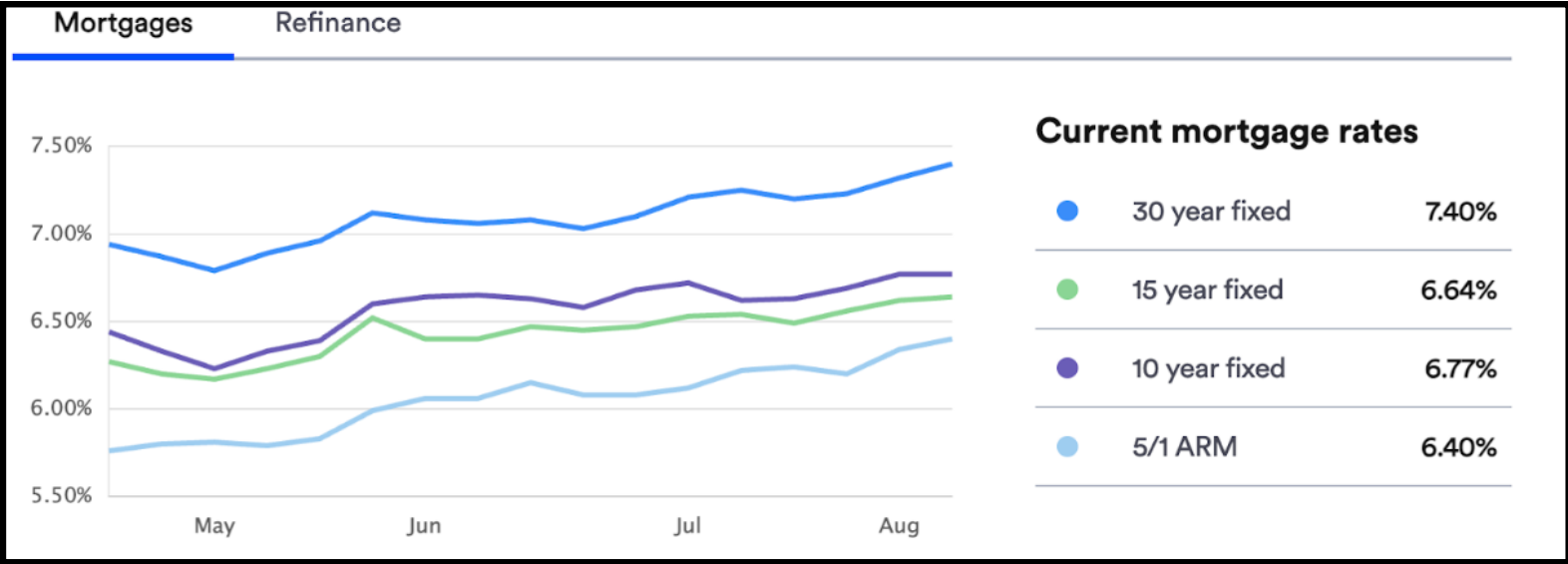
Based on the US Department of Housing and Urban Development (HUD) rule of thumb for defining “affordability,” a household should spend **no more than 3 times** their annual salary for their housing cost for ownership and **no more than 30% of household income** on rental housing. Based on the above-mentioned average salary in Hilton Head, **\$205,311** would be the maximum “affordable” home for a family in the Town of Hilton Head. Over \$500,000 less than the median priced homes on the Island.

With the increase in mortgage interest rates over the last year, homeownership is becoming more and more difficult for households. As of August 2023, interest rates were between 6.40% – 8% depending on the loan type and the amount of down payment provided.

This rate also considers credit score between 580-800. In these scenarios rates are significantly higher for those with lower down payment and lower credit scores. On average a \$200,000 home as mentioned above would cost a household approximately **\$1,444/month to as low as \$1,221/month**, but the lower rate would be a VA or FHA type loan. This scenario also considers 3% down payment and a credit score of 780, which for many working families can be difficult to meet. This monthly estimate does not include insurance, taxes, or any HOA fees.



The below chart shows a snapshot of mortgage rate options nationally for single family purchases.



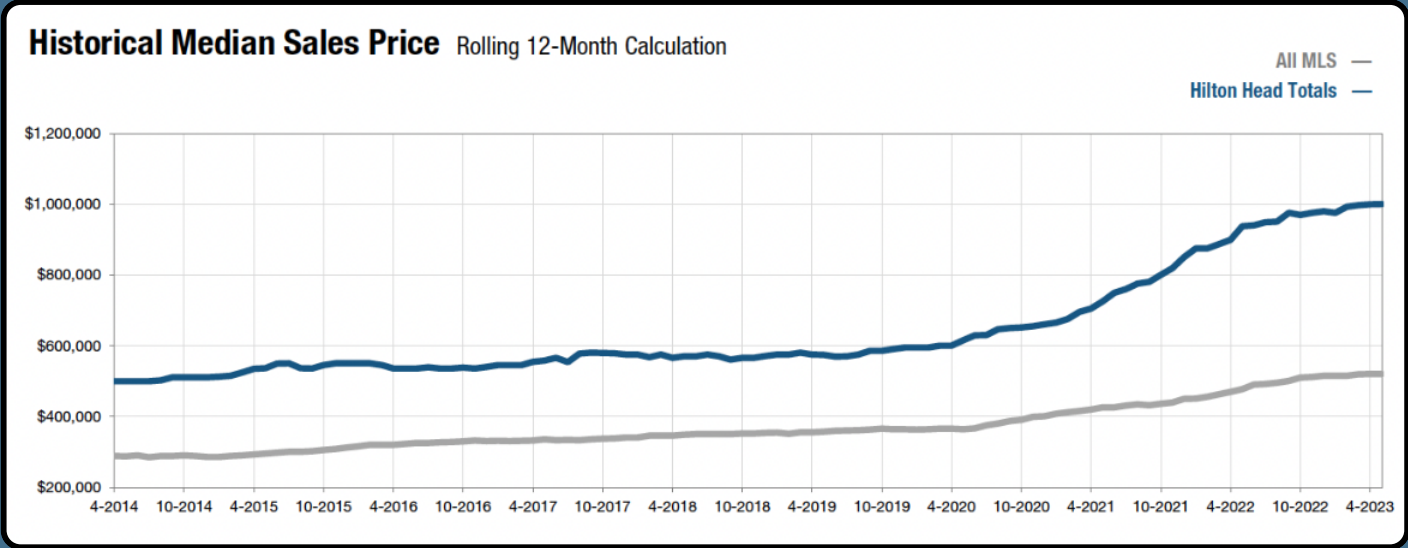
In a recent interview with the Hilton Head Island Realtors Association, Jean Beck, she indicated that there have been double digit increases in housing costs in both attached and detached housing. In 2018-2019 there was 26 month's worth of inventory, all of which has been sold.

There is currently only 2 month's worth of inventory on the Island. The reports on the next page show almost double digit increases in all housing sectors from 2020 to 2023. From \$600,000 for detached single family homes to over \$1M and \$350,000 to over \$600,000 in attached (condo/villa) homes.

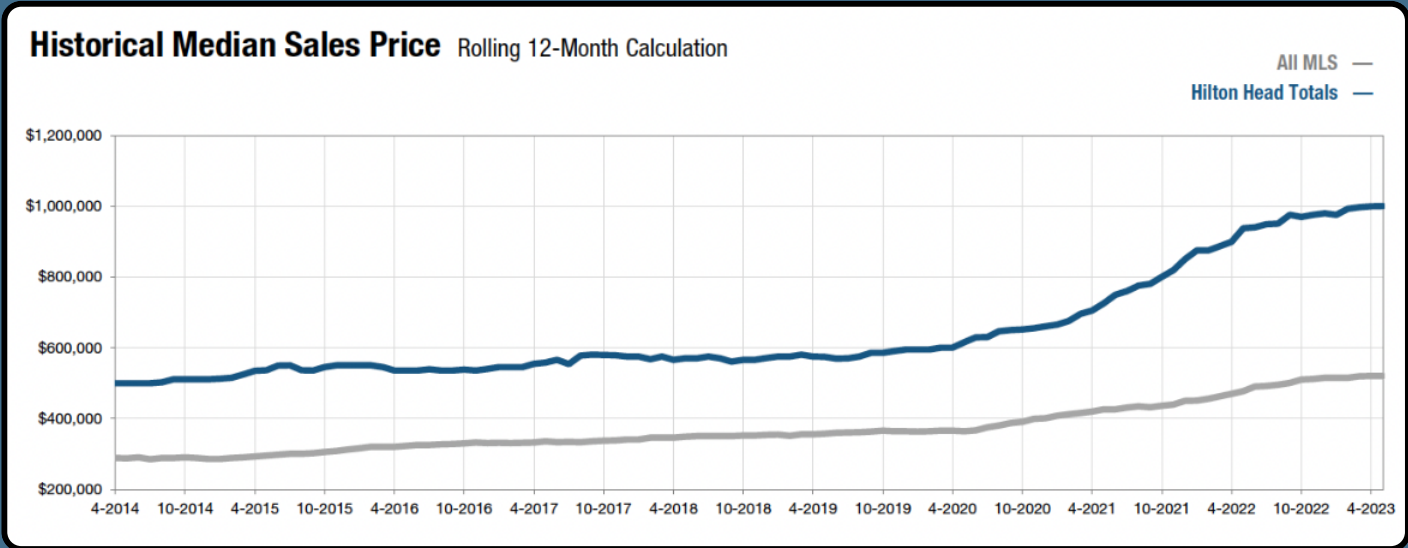




All Hilton Head Island Detached (Single Family Home)



All Hilton Head Island Attached (Condo/Villa)



HOUSING MARKET CONDITIONS

CONTINUED



The above Market Reports from May 2023 year over year for Attached (Condo/Villas) and Detached (Single Family Homes) include all Hilton Head Island properties. 70% of land on Hilton Head Island is located within a Planned Unit Development (PUD) limiting the amount of available and eligible land that could be used to support the demand for workforce housing.

Of the 30% of land outside of the PUD's, there is limited developable land due to various conservation easements, environmentally protected areas, wetland areas and tidal marsh.

The HHI Realtor Association 2023 General Reports includes listings and sales not included in housing units that are located within gated communities, in a PUD or in an established designated area or community, which would most likely be areas in which new workforce housing would be built. The charts on the following page show those area changes year over year.



HH General

Detached Homes Only

Key Metrics	May			Year to Date		
	2022	2023	Percent Change	2022	2023	Percent Change
New Listings	20	22	+ 10.0%	86	51	- 40.7%
Closed Sales	17	8	- 52.9%	70	23	- 67.1%
Median Sales Price*	\$635,000	\$649,500	+ 2.3%	\$580,000	\$615,950	+ 6.2%
Percent of List Price Received*	99.5%	98.4%	- 1.1%	100.2%	98.0%	- 2.2%
Days on Market Until Sale	100	73	- 27.3%	98	70	- 28.6%
Inventory of Homes for Sale	27	32	+ 18.5%	--	--	--

* Does not account for sale concessions and/or downpayment assistance. † Percent changes are calculated using rounded figures and can sometimes look extreme due to small sample size.

HH General

Condos / Villas Only

Key Metrics	May			Year to Date		
	2022	2023	Percent Change	2022	2023	Percent Change
New Listings	44	29	- 34.1%	187	137	- 26.7%
Closed Sales	21	26	+ 23.8%	173	117	- 32.4%
Median Sales Price*	\$295,000	\$262,522	- 11.0%	\$280,000	\$292,500	+ 4.5%
Percent of List Price Received*	100.9%	97.9%	- 2.9%	100.0%	97.2%	- 2.8%
Days on Market Until Sale	57	56	- 2.2%	76	80	+ 5.0%
Inventory of Homes for Sale	42	37	- 11.9%	--	--	--

* Does not account for sale concessions and/or downpayment assistance. † Percent changes are calculated using rounded figures and can sometimes look extreme due to small sample size.

In addition to the lack of available land for new developments and the cost of existing inventory due to the high demand for housing with the growth of immigration on the Island, the costs of existing housing are being impacted by the escalation in insurance for wind and flood. In some cases, insurance costs have doubled for residential and commercial properties, pricing people out of their homes. For the rental market, insurance premiums are passed along to renters by apartment owners therefore increasing the cost of rent for many families on the Island, while incomes have not kept up with housing costs.

In some cases, rental property owners have converted their "previously affordable" rental properties into higher cost luxury apartments or short-term rentals, taking them out of the affordable housing inventory.

In addition to the environmental and market driven costs and lack of affordable housing inventory, although the Town of Hilton Head recently reduced the mileage rate for the Town, a recent **4M increase** in property tax for the school district will impact those properties that are already at a 6% tax rate. These increases are typically passed along to the end renters.





Market Research and the Cost of Housing:

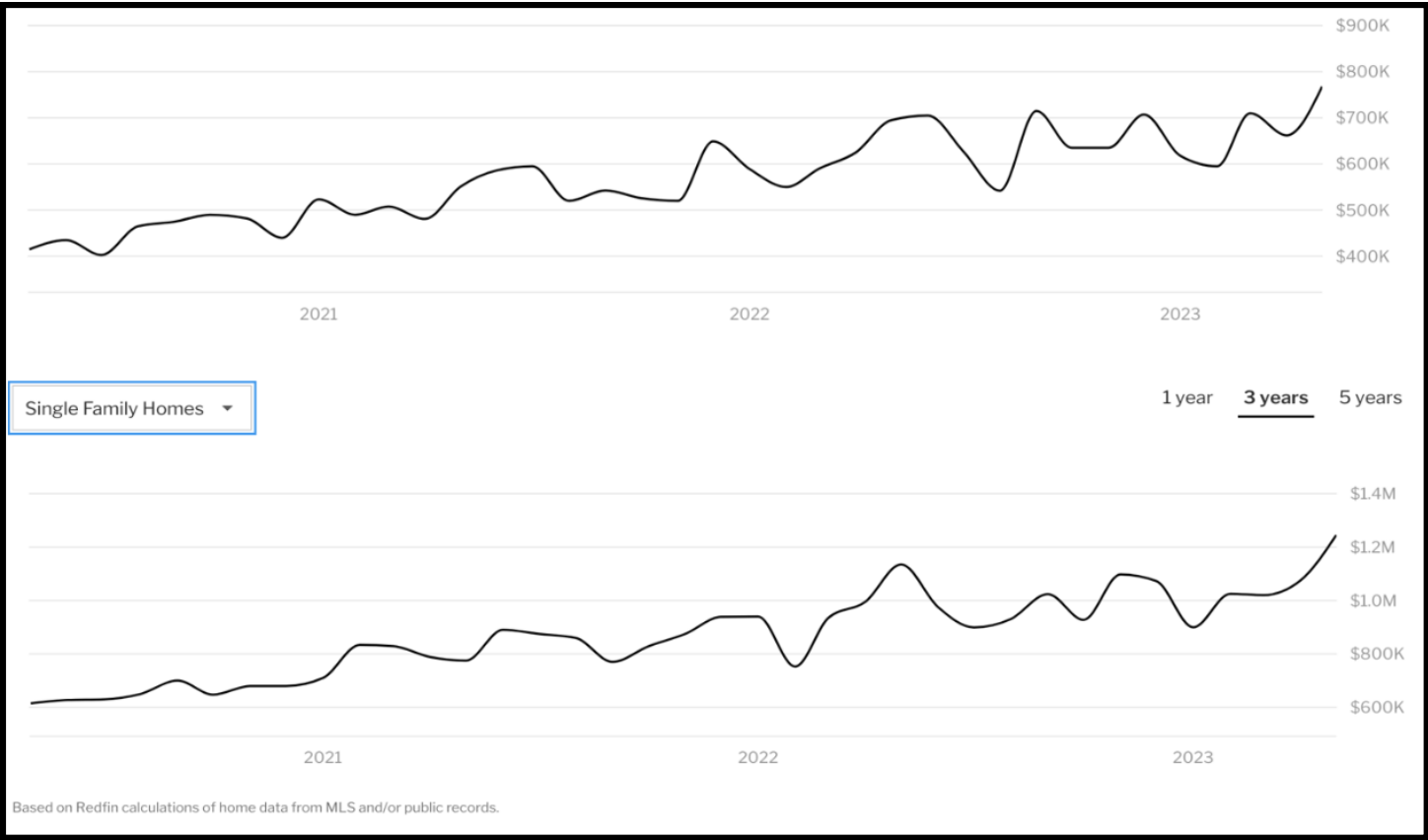
In May 2023, Hilton Head Island home prices were up 10.5% compared to last year, selling for a median price of \$768K. On average, homes in Hilton Head Island sell after 20 days on the market compared to 48 days last year. There were 176 homes sold in May this year, down from 185 last year. (Redfin.com)

Hilton Head is significantly higher compared to other South Carolina Cities.

Location	Median Price	% Change from 2022 to 2023
Town of Hilton Head Island	\$768,000	+10.5%
Charleston	\$563,500	+10.7%
Beaufort	\$390,000	+12.4%
Myrtle Beach	\$325,000	+10.6%
Greenville	\$377,500	-10.1%
Charlotte MSA	\$410,000	+1.5%

Based on recent data pulled from Redfin calculations of home data from MLS listings and public records the following charts show the continued rise in housing cost over the last 3-year.

The chart below shows overall housing types (condos, townhomes and single-family ownership) showing a trend of almost doubling the median sale price from 2020 to 2023. If we just look at single family homes, the median home price is over \$1M.



The overall cost of living in Hilton Head Island is 7% higher than the National average.

CONSTRUCTION AND DEVELOPMENT COSTS



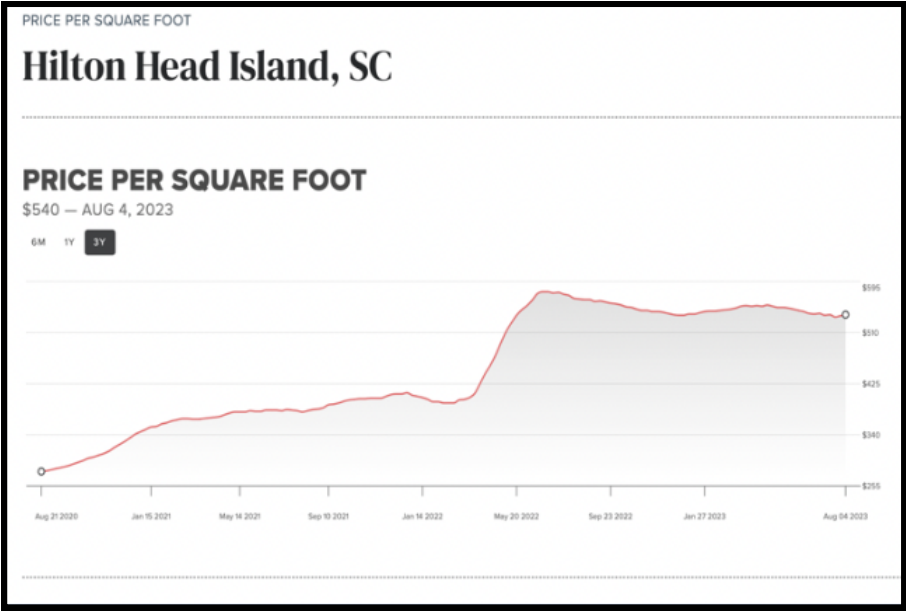
Ownership Market Costs

As mentioned earlier, construction costs have significantly increased the cost of housing on the Island over the past few years. As of June 2023, single family homes were selling on average for \$1.7M with about 100 days on market. The average price per square foot was \$541.

Rate.com research indicated over \$261 per square foot increase from \$279/square foot to \$540/square foot from August 2021 to August 2023. Based on a simple analysis of a 1,000 sq ft house, not taking other costs into consideration such as land, fees, insurance, and taxes, etc., shows a difference between \$279,000 cost to construct vs now \$540,000 to construct. Townhomes and Condos sold on average for \$495,000 and spent 86 days on the market. The average price per square foot was \$542. Median home price in June 2023 was \$454,300 compared to \$1,153 the median rent.

As previously noted, the population of Hilton Head Island is 39,666 and the median age is 55.7. Among Hilton Head Island residents, there is a homeowner vacancy rate of 3.3% and a rental vacancy rate of 19.8% from a total of 33,990 units.

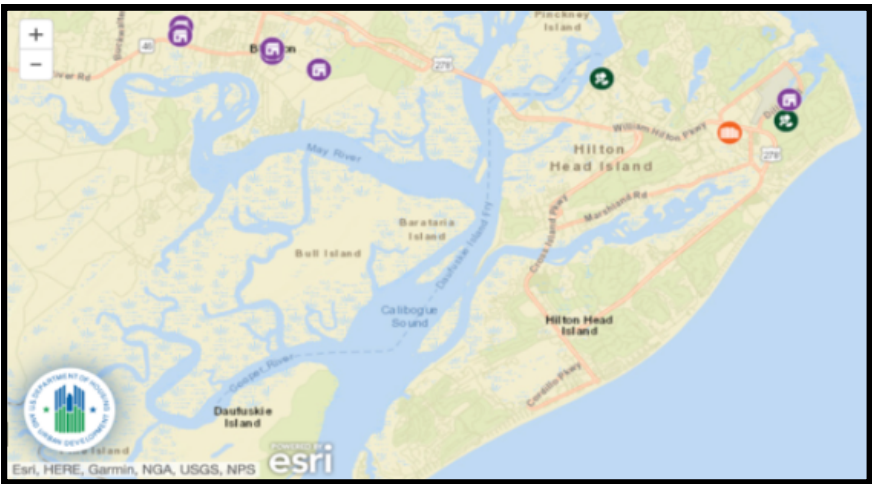
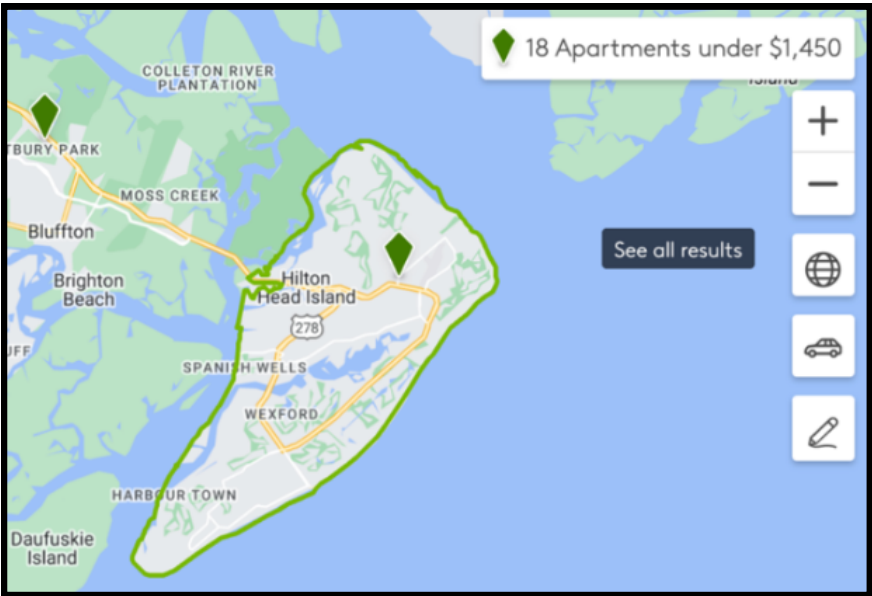
The average employee on the Island would need to earn close to \$100,000 to afford a \$500,000. In August 2023, BankRate.com indicated to afford a \$500,000 house, you need to make a minimum of \$91,008 a year — and probably more to make sure you're not house-poor and can afford day-to-day expenses, maintenance, HOA, taxes, and other debt, like student loans or car payments. One good guideline to follow is not to spend more than 30 percent of your income on housing.



Rental Market Costs

There is limited affordable inventory available on the Island to support workforce housing needs. Based on recent research on Apartments.com there was only one apartment listed for rent on the Island below \$1,450/month, a studio apartment.

Other available apartments were in Bluffton. There were only two properties that are listed on the HUD website as considered subsidized “affordable housing” on the Island. As mentioned earlier there has been very limited apartments built on Hilton Head over the decade. A 2022 market study for an apartment development in Bluffton, just over the bridge from Hilton indicates escalating rental prices across the region.



In a market study, conducted by RPRG for a proposed tax credit project in Bluffton, it indicated market rents (including the cost of trash removal, water, and sewer) for: One-bedroom were on average \$1,608 per month. The average one-bedroom unit size was 735 square feet resulting in a net rent per square foot of \$2.19. Two-bedroom effective rents average \$1,747 per month. The average two-bedroom unit was 1,052 square feet resulting in a net rent per square foot of \$1.66.

CONSTRUCTION AND DEVELOPMENT COSTS



A recent rental development proposed for the Beaufort area (not on the Island) that would produce about 100 units of multifamily rental housing for households with income below 60% of the area median income, estimated total development costs (without land cost) would be over \$17M, approximately \$172,000/per unit. Depending on the project design requirements and number of units allowed based on zoning, a recent 3-story, 24 unit garden style apartment development cost approximately, \$145/square foot to build (not including land). Another project recently completed cost over \$213/square foot, approximately \$272,000/unit. All these examples are located in Bluffton or Oaktie area but highlights overall escalating construction and labor costs in the region without even including specific land costs.

Developers interviewed indicated land cost in southern Beaufort can be as much \$25,000/door or apartment in areas like Hilton Head were available, developable land is extremely scarce. Other fees such as permit fees and impact fees (water and sewer etc.) can also increase per unit cost to over \$3,000/unit. Parking requirements and site restrictions including setbacks, lot size requirements and lower densities allowed can significantly impact the cost of development. One multifamily developer interviewed indicated that as much as \$50/square per unit could be added to the costs of a project based on some of these limitations. For example, the need for podium parking (parking under the building structure) can increase the cost of a 100-unit development by as much as 18% in development costs. Design flexibility and developer incentives will be also important to implement as the Town looks to address it workforce housing needs, in addition to financing to support projects funding needs.



CONSTRUCTION AND DEVELOPMENT COSTS

Land Costs:

Land costs are extremely high on Hilton Head due to limited amount of land available on the Island. Over 70% of the land is in a planned unit development (PUD), minimizing the availability of land for affordable developments even further. For example, a recent search on Land Watch for vacant lots for sale on the Island showed .11 acres (1 lot) in the Mid-Island area for \$359,000 for just the land.



Recent property acquisitions by the Town indicates average land costs anywhere between \$500,000 and \$1M per acre including the Town's acquisition of 71 Shelter Cove Lane. The recent acquisition the old Wild Wings property was \$4M for 1.8 acres. Although the Town is making aggressive steps to acquire property for future development opportunities these opportunities are extremely scarce due to the overall limits on available land.

Land Management Ordinance (LMO):

In addition to land acquisition strategies that support workforce housing, the Town is also in the process of updating its Land Management Ordinance (LMO) as part of it's Comprehensive Plan Update which will include a variety of planning and zoning tools that would encourage and incentive private developers to participate in building workforce housing. The Town already offers a density bonus for developers who include a percentage of workforce housing in larger developments. The Town also has a Commercial Conversion ordinance to support converting under-utilized retail or commercial space into workforce housing.

The Town has made workforce housing a priority as a part of the Housing Element within Our Plan (Town's Comprehensive Plan) and are currently involved in doing a lot of planning and revisions to the LMO to ensure changes and adjustments will support workforce housing efforts.



CONSTRUCTION AND DEVELOPMENT COSTS



Development Fees:

Although development fees can vary depending on the type of development, the size and the location, these fees can add significant costs to the overall development of both single family and multifamily projects. For example, on Hilton Head, assuming a \$20M development with approximately 50 dwelling units, each unit about 2,500 sq ft on 2 acres, the Town's total fees could be as much as \$346,347. This cost includes the demolition of an existing building and a pool. That is approximately, \$6,900 per unit in development fees. As part of the Town's Workforce Housing program the Town will be evaluating these fees as it relates to developing workforce housing. The reality is many of these fees are necessary to pay for the staffing and support needed to manage the development process. Also some of these impact and development fees are not controlled by the Town and are required to be paid based on state law and county requirements.

Insurance:

Dramatically rising insurance costs have hit owners, operators, and developers of rental housing hard in recent years. And in an environment of slower rent growth and rising interest rates, these costs have become increasingly tough for many rental housing providers to shoulder. As a result, many firms are in the difficult position of choosing whether to absorb the higher costs, knowing it means less reinvestment in other areas of their businesses or higher rents for residents, or find ways to scale back policies to mitigate the costs, raising their risk exposure. Continued uncertainty around costs and greater risk burdens creates negative repercussions for multifamily investment and development at a time when more housing is needed to meet an array of growing demand. Government policies intended to tackle the nation's housing shortage and address affordability challenges need to account for the structural problems in today's insurance markets.

A June 2023 article in the Island Packet indicated some insurance costs have increased by 500% from 2022. Several insurance policies for Island properties have doubled or tripled in the past two years.



CONSTRUCTION AND DEVELOPMENT COSTS

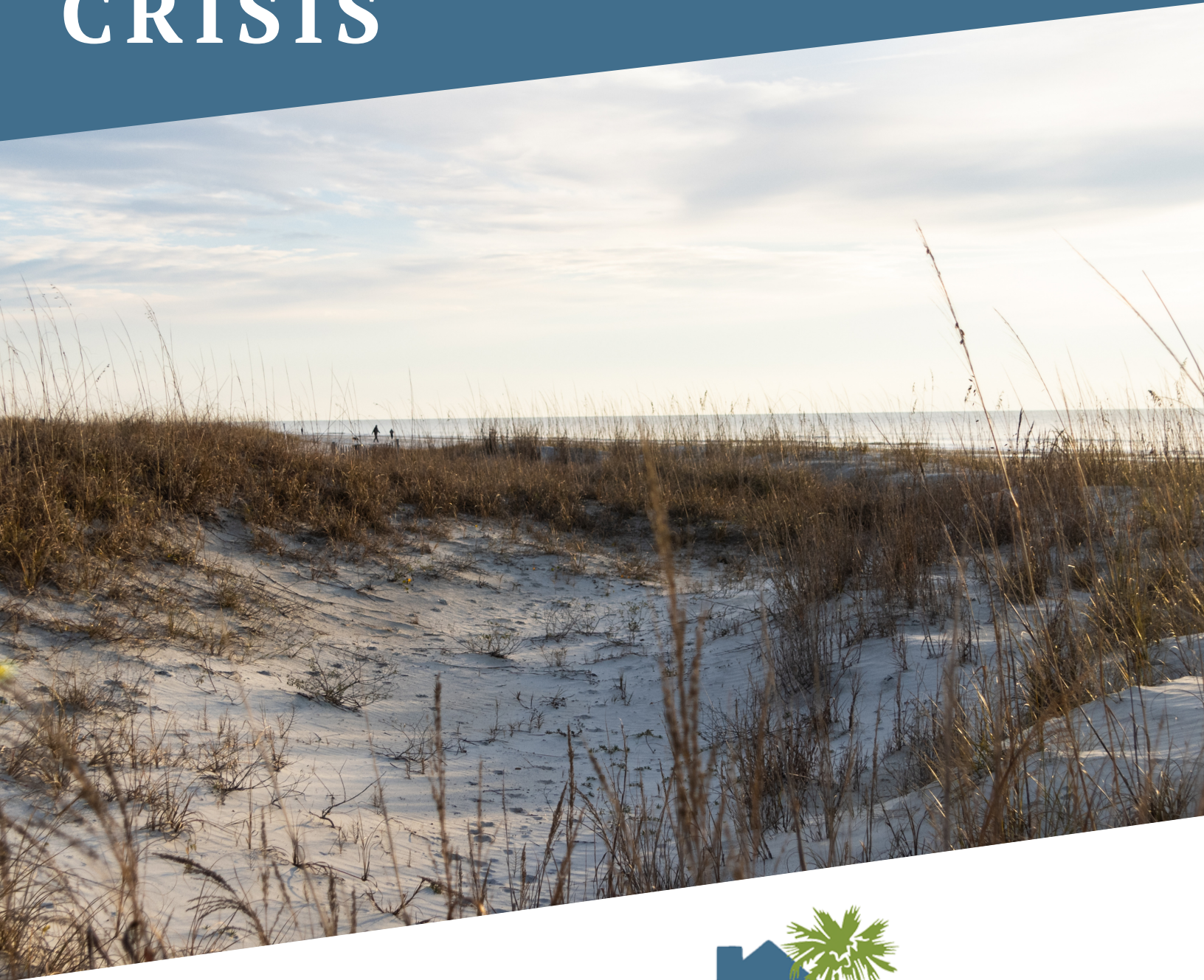


One homeowner in Sea Side Villas, in the same Island Packet article indicated the master building policy went from \$115,223 to \$690,000. Although this example is on the high side, condos owners across Beaufort County are seeing up to 500% increases, according to several property management companies. Condos tend to be less expensive than single-family homes on the Island, so these increases largely impact more affordable housing options on the Island.

"In May 2023, the average price of a condo on the island was \$452,500, less than half of the \$1,255,000 average home price, according to Hilton Head Area Realtor market reports. For those with a smaller budget, looking to rent to make extra money or hoping to downsize, condos provide the opportunity to purchase property in a destination location. Not to mention owners aren't responsible for outside maintenance. Now, increasing insurance rates are adding thousands of dollars each year to the relatively cost-conscious option."



SOLVING THE ISLAND'S HOUSING CRISIS



Housing Impact Analysis

SOLVING THE ISLAND'S HOUSING CRISIS



Over the past five years, Town Council has made affordable workforce housing a number one priority for the future of the Island, recognizing the critical need to produce and preserve diverse housing options that can meet the workforce and community needs. In the Town of Hilton Head Island, over 63% of local jobs are filled by non-locals, a 12% increase since 2002.

This trend is making it more difficult for sustainable economic growth as the Island's workforce is traveling through similarly paying and more proximate job centers on their way to work on the Island, causing even greater competition for labor on the Island. Increased regional competition for workers and the rising housing costs on the Island will continue to exacerbate the ability to attract and maintain a sustainable workforce on the Island. Additionally, the direct effect this level of daily commuters to and from the Island will have long term impacts on the overall community's quality of life due to increased traffic and infrastructure needs.

The Town is committed to solving its workforce housing challenges by not just supporting sustainable job growth opportunities but also by focusing on the preservation and production of diverse affordable housing options that meet the workforce needs. Maintaining tourism related employment and employees are core focus as part the Town's strategy.

The Town is unique among peer communities for its year-round population and relatively diverse local economy. Tourism and hospitality, however, drive all major sectors and have set records following the disruption caused by the COVID-19 pandemic.

SOLVING THE ISLAND'S HOUSING CRISIS



According to a 2021 Tourism Impact Report from the Hilton Head Island-Bluffton Chamber of Commerce, visitor expenditures generated a total of \$69.17 million in tax revenue in Hilton Head Island through the accommodations tax, the hospitality tax, and beach preservation fees.

To further support the implementation of the Town's Workforce Housing Framework, and with the adoption of the Housing Impact Analysis as an amendment to the Town's Comprehensive Plan, the Town can utilize up to 15% of its Accommodation Tax (ATAX) to support critical steps and strategies that will increase the production and preservation of workforce housing on the Island. Access to this new eligible source of funding could help leverage the Town's initial \$3.3M already committed to their housing program. The Town recognizes that funding alone cannot solve the workforce housing shortage and has also committed land for additional housing opportunities and has implemented a policy for commercial conversion and density bonus programs to encourage and incentivize developers to provide workforce housing inventory needs.

In addition, the Town will commit full time staff to the program and recently set up a citizen led Housing Action Committee to help provide local expertise and recommendations on new and innovative housing programs.

SOURCES



- <https://nlihc.org/oor/about>
- <https://nhc.org/paycheck-to-paycheck/>
- https://www.bestplaces.net/jobs/city/south_carolina/hilton_head_isl_and
- https://www.bls.gov/regions/southeast/news-release/occupationalemploymentandwages_hiltonheadisland.htm
- [2023 Palmetto State Housing Study](#)
- [HHI Area Realtors Association](#)
- [HHI HBA](#)
- [NAHB SC Housing Data](#)
- [Living Wage Calculator](#)
- [US Bureau Labor Statistics](#)
- [People and the Economy 2022, LCOG](#)
- [Town Studies: Our Plan, 2019 WFH Strategic Plan, 2022 WFH Framework](#)
- [https://www.nerdwallet.com/mortgages/mortgage-calculator/south-carolina\(mortgage rates\)](https://www.nerdwallet.com/mortgages/mortgage-calculator/south-carolina(mortgage rates))
- https://www.rate.com/research/hilton_head_island-sc/price-per-square-foot
- <https://www.bankrate.com/real-estate/income-needed-for-500k-home/>

APPENDIX





TOWN OF HILTON HEAD ISLAND

Housing Action Committee

TO: Housing Action Committee
FROM: Nichte Barrientos, Planner- Economic Development
VIA: Tammie Hoy Hawkins, Together Consulting
VIA: Missy Luick, Director of Planning
VIA: Shawn Colin, Assistant Town Manager- Community Development
DATE: November 27, 2023
SUBJECT: Presentation Regarding Coastal Community Development Corporation Funding Request to Support Workforce Housing

BACKGROUND:

The Housing Action Committee (HAC) was formed by Town Council as a part of priorities defined within the 2022 Workforce Housing Framework *Finding Home*, adopted by Town Council November 2022.

As part of the Committee's roles and responsibilities, the Committee on occasion will review workforce housing programs, funding and partnership requests to the Town by both non profit and for profit affordable housing developers and service providers. Although the Committee will not have direct funding approval authority, they will review program and project requests on occasion for information purposes to ensure:

- Requests align with Finding Home Framework.
- Requests also align with the defined Multi Year Housing Action Plan.

The Coastal Community Development Corporation (CCDC), a new 501 c 3 nonprofit, is focused on the acquisition, rehabilitation, and preservation of existing rental properties on Hilton Head and Bluffton that will support workforce housing needs. Leadership from the CCDC presented to the Town's Finance and Administrative Committee on July 25, 2023. The purpose of the presentation was to share the organization's business model and their goals to support workforce housing rental needs. The CCDC would like the Town to consider a partnership and/or the Town's participation and support for their proposed endeavors to address workforce housing. The CCDC is also seeking support from other jurisdictions and organizations.

SUMMARY:

The CCDC presented information to the Finance and Administrative Committee to share their story and seek input on possible initial Town interest in either a partnership or support of these endeavors. The CCDC requested the Town consider a \$600,000 grant in initial funding to support the acquisition of several existing properties on Hilton Head and would also help the CCDC leverage an additional \$3M in other debt and equity funding sources and investments to acquire 13 units of rental housing. The CCDC is seeking to purchase all 13 properties for a total of up to \$3,000,000 utilizing down payment equity of 40% or \$1.2 million, raised through private donations and community financing. The other 60% or \$1.8 million of capital will be provided through mortgages on each property with local banks on a fixed 30-year term.

The CCDC would like The Town of Hilton Head Island to consider a public private partnership for this initial 13 property purchases in which the Town would provide \$600,000, or 20% of the total purchase price, representing half of the equity needed to complete the purchase of all 13 units. The additional \$600,000 will be raised through local fundraising and community resources.

These funds will help the CCDC to preserve local workforce housing by purchasing existing homes in the region to serve local residents with household incomes between 50% - 120% AMI. The CCDC will restrict the access to the units it owns through an application process that prioritizes workers in the area based on length of time working and or living in the region. The units the CCDC purchases will be deed restricted to satisfy the AMI requirements for a period of 99 years and will be managed by local long term rental companies who apply through an open application process. To date the CCDC has closed on 3 properties on Hilton Head Island.

RECOMMENDATION:

Town staff recommends the Housing Action Committee learn more about the Coastal Community Development Corporation (CCDC) as they may be an affordable partner to support the goals outlined in the Finding Home Framework and the Multi Year Housing Action Plan and could be considered for funding as an Affiliated Agency in the future.

ATTACHMENTS:

1. CCDC Power Point Presentation
2. CCDC Overview



501c-3 Non-Profit formed in May to address workforce affordable housing shortage across Beaufort and Jasper counties.

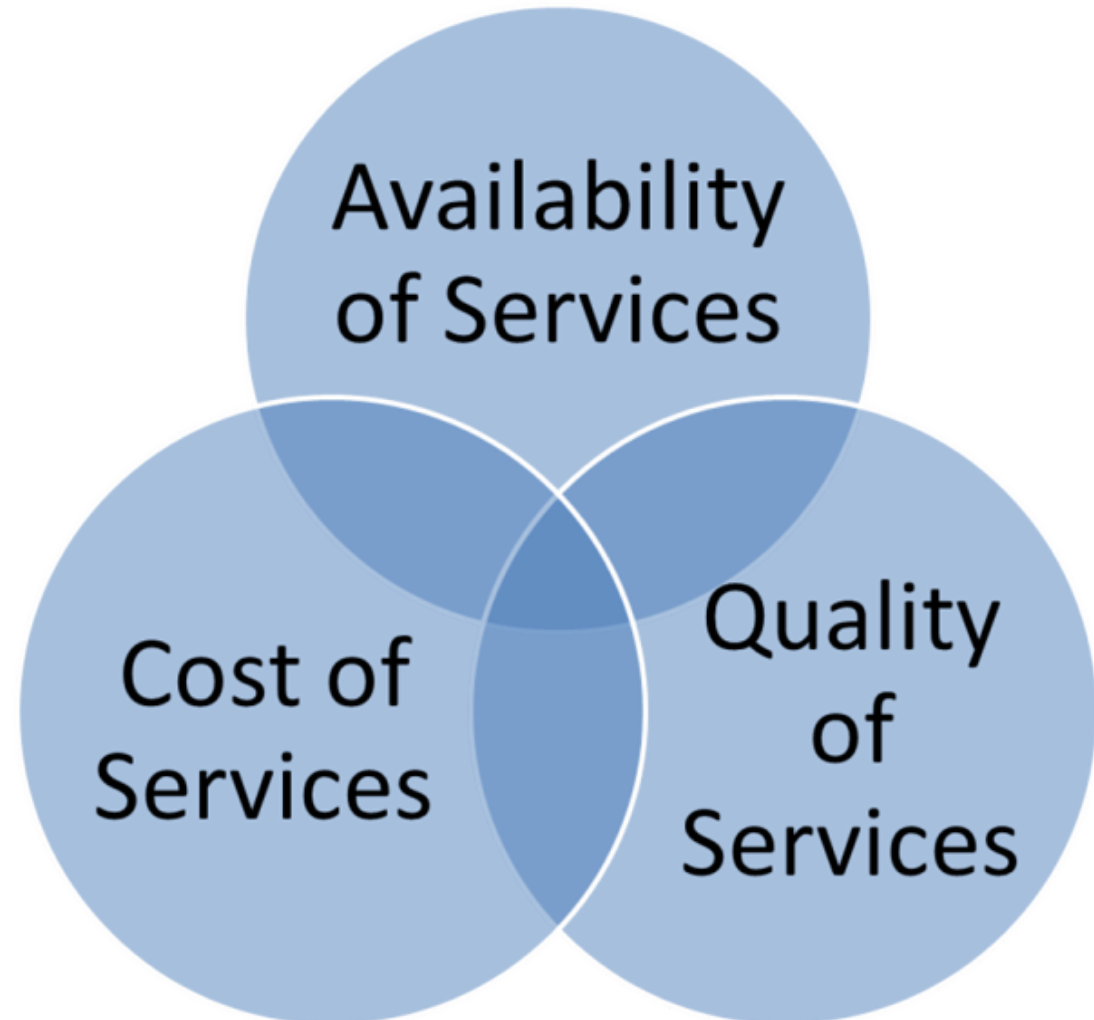
<https://ccdc-sc.org/>

WHO
We Are

The Challenge:

Resident quality of life on throughout the Lowcountry is at risk due to workforce housing.

Ensuring Resident Quality of Life





Coastal Community Development Corporation Mission

The Coastal Community Development Corporation (CCDC) seeks to increase the availability of homes for our local and regional workforce by preserving existing housing, redeveloping existing property and developing new property to meet the demand of our region while serving working residents.

Mechanisms to Serve Workforce



Targeted rents that serve 50%-150% AMI



Units will be deed restricted for 99 years

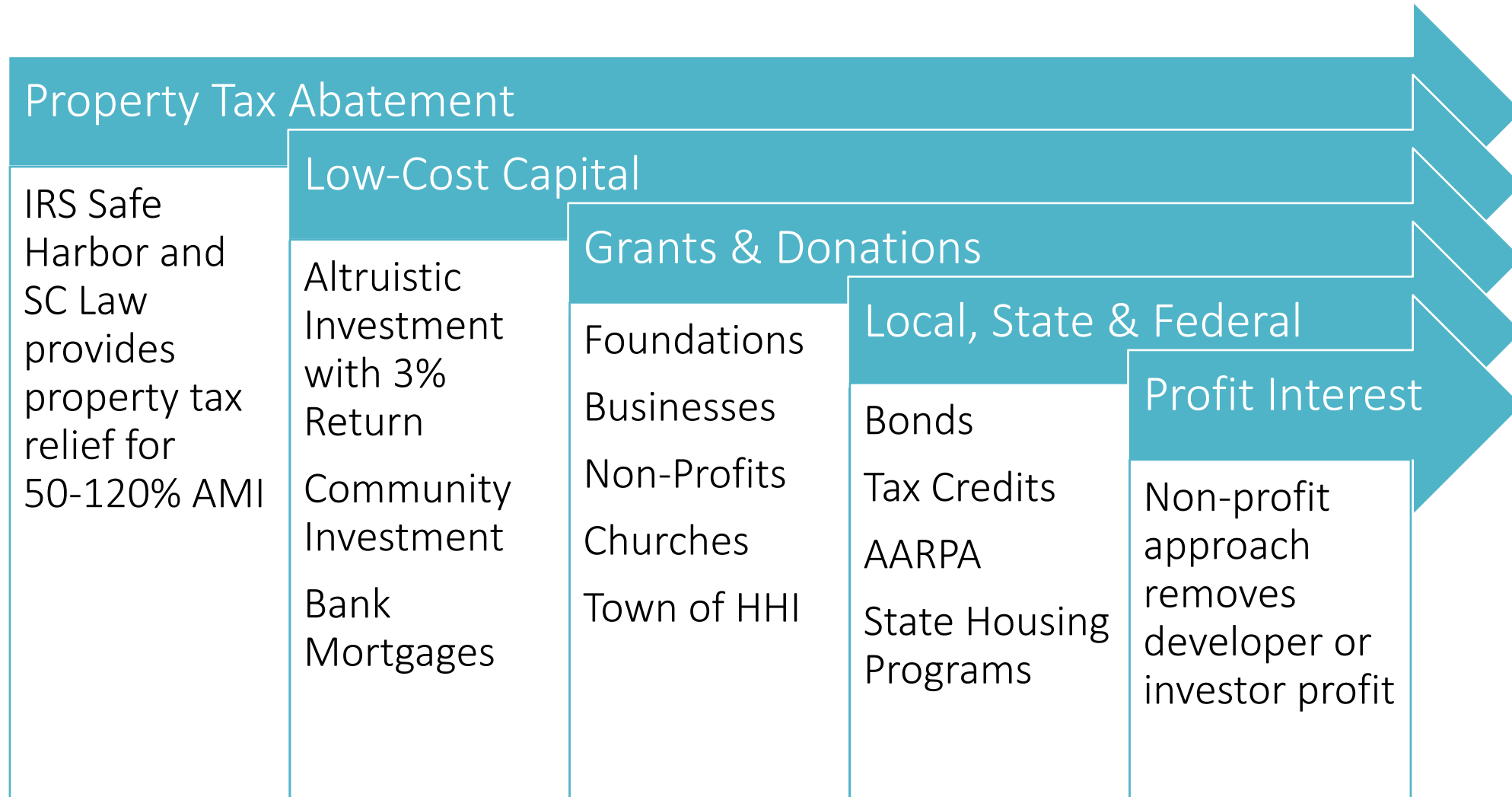


Application process will ensure workers have first access to CCDC owned housing inventory in the community they work in



No short term rentals, i.e. AIR BnB

Cost Curve Bending Strategies





- Matching Grant of \$100,000 from CFL along with \$125,000 in donations has provided administrative operating funds for first year.
- Closed on 3 units on Hilton Head Island
 - Two Woodlake 2 Bedroom Units
 - One Marshside 1 Bedroom Unit
- Welcome Carletha Frazier Project Manager

[Tenant Testimonial Video](#)

WHAT
we have
accomplished.

Recent Acquisition

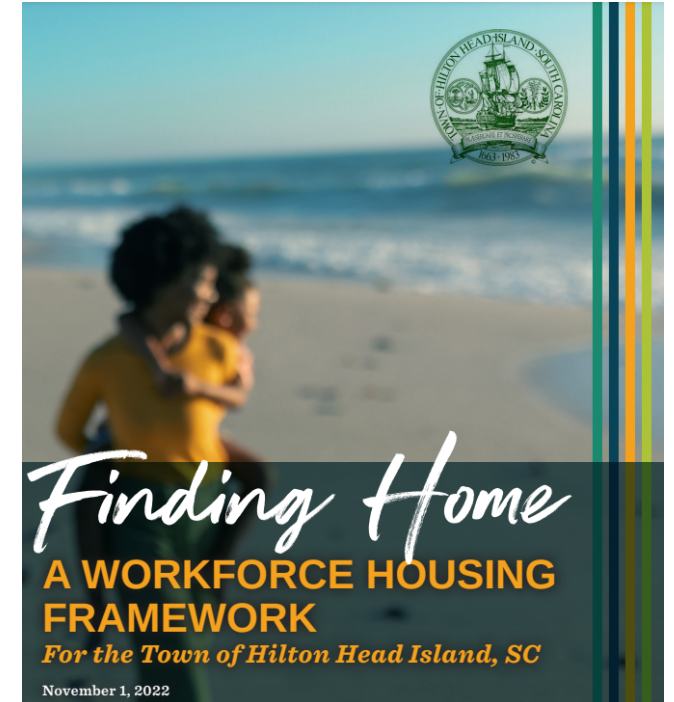
1 Bedroom Marshside



CCDC Phased Approach

Phase One – 13 Units on Hilton Head Island

- Submitted formal request for \$600K of funds
- Targeting 13 units on Hilton Head Island
- \$3.0m total budget for acquisition



Phase 1 HHI 13 Unit Model

Source of Funds			
	Town of Hilton Head	\$	600,000
	Investors (CFL)	\$	592,000
	Bank Loan	\$	1,788,375
	Total	\$	2,980,375
Recapitalization Table at End of Year 10	Original Loan	\$	1,788,375
	Plus:		
	Principal Return to Investor	\$	600,000
	Appreciation Return to Investor	\$	131,397
	Less:		
	Principal Paydown	\$	(338,567)
	Available Cash	\$	(97,069)
	New Loan for Years 11-20	\$	2,084,135
Max Loan Amount End of Year 10 that Year 11 Can Find & Maintain Positive Cash Flow (Maintaining Working Capital Minimum of \$20K in Year 11)			\$ 2,200,000



Take a leadership role in our region by supporting our effort with grant request of \$600,000 to facilitate Phase 1 on HHI.

WHERE do you fit in?

Why Partner with ?

- Immediate Preservation of Workforce Housing
- Strategy Supports Growth Management
- 99 Year Covenants Tied to AMI
- Prioritizes Home Ownership
- Community Solution



Coastal Community Development Corporation (CCDC) Overview

Mission: The Coastal Community Development Corporation (CCDC) seeks to increase the availability of homes for our local and regional workforce by preserving existing housing, redeveloping existing property and developing new property to meet the demand of our region while serving working residents.

Initial Focus: Purchase existing housing from MLS market and rent to workers at AMI's between 50-150%.

- Applicants will be prioritized based community in which they are employed
- Targeting 50 units per year

Funding Sources:

- Securing promissory notes as unsecured debt from altruistic investors with 3% return over 10 year period
- Bank mortgages with 30 year amortization and 5-6% interest rate
- Bonding and municipal funds
- Grants & Donations

Advantages:

Immediacy: The CCDC can begin immediately preserving existing housing for the workforce without the lengthy time associated with development.

Growth Management: The purchase of existing homes supports the growth management priorities of the Lowcountry.

Short-term Rental Mitigation: Our strategy helps mitigate the impact of the growing short-term rental market in the Lowcountry.

Home Ownership Opportunities: Through a fund accrual program, the CCDC will empower tenants to save for a home down payment. This program combined with our controlled rental prices enables tenants who earn out of their restricted rental income limits, as well as those who desire to own a home in our community to achieve their home ownership dreams!

99 Year AMI Covenant Protection: The CCDC properties will have covenants tied to AMI for 99 years. During this time period, the units are capped for resale purposes based on any growth of the area AMI. This ensures affordability for the next 99 years.

Homes for Everyone: Our approach will provide housing options to workers across the workforce spectrum. Civil, medical, educational, hospitality, service and trade workers will have the ability to find affordable workforce housing where they work.

Footprint: Beaufort & Jasper County

Team: The Board of Directors receive no compensation and is comprised of a group of community leaders with a wide range of experience to address this problem. Our Project Manager, Carletha Frazier, manages applications and income recertifications. We outsource property management to 3rd party long term rental companies.

Website: www.ccdc.sc.org

Contact: Alan Wolf – 843-226-2840 – awolf@sergggroup.com



TOWN OF HILTON HEAD ISLAND

Housing Action Committee

TO: Housing Action Committee
FROM: Nichte Barrientos, Planner- Economic Development
VIA: Tammie Hoy Hawkins, Together Consulting
VIA: Missy Luick, Director of Planning
VIA: Shawn Colin, Assistant Town Manager- Community Development
DATE: November 27, 2023
SUBJECT: Consideration of Rules of Procedure and Possible Adoption

BACKGROUND:

The Housing Action Committee (HAC) was formed by Town Council as a part of priorities defined within the 2022 Workforce Housing Framework *Finding Home*, adopted by Town Council November 2022.

The role of the HAC is to:

- Advise and recommend to the Town various workforce housing strategies for their consideration, adoption, and implementation.
- Review the Town's Workforce Housing Strategic Plan, the Housing Element of the Town's Our Plan, the Workforce Housing Framework, and all other plans that may be created or adopted to address the Town's Workforce Housing needs and thereafter will make recommendations and suggestions for implementation.
- Additionally, the Committee shall assist the Town in determining relevant housing policies that will be necessary to accomplish the identified goals and objectives outlined in the plans mentioned above and provide recommendation on any new or innovative ideas as part of a Town adopted Housing Tool Kit that might help the Town accomplish its workforce housing goals.

As part of this priority the Committee will review and evaluate Rules of Procedure.

SUMMARY:

I. Purpose

The Town of Hilton Head Island's Housing Action Committee is established as a citizen's advisory committee, comprising diverse community members. The primary objective is to research, evaluate, advise, and recommend various workforce housing

strategies to the Town for consideration, adoption, and implementation. The Committee operates solely in an advisory capacity to the Town's Planning and Community Development department leadership staff and does not have programmatic, funding, or policy decision-making powers.

II. Mission

The Housing Action Committee (HAC) aims to enhance the Town's capacity to address housing affordability challenges and expedite progress toward meeting workforce housing goals.

III. Rules of Procedure

These Rules of Procedure, adopted by the Committee, outline the conduct of meetings and can be suspended by a majority vote when necessary. In situations not covered, the most recent edition of Robert's Rules of Order shall govern.

IV. Membership and Terms

The Committee comprises no less than seven (7) and no more than eleven (11) members appointed by the Town Council. Members serve a term of three (3) years, with a maximum of two (2) consecutive terms. Vacancies are filled based on the industry representation vacated.

V. Elections, Officers, Staff Support, and Member Duties

The Committee elects a Chair and Vice-Chair annually. A Town employee may act as the Secretary, responsible for meeting minutes. The Town's Chief Housing Officer provides support for Committee coordination.

VI. Duties of the Committee

The Committee reviews relevant plans, including the Town's Workforce Housing Strategic Plan and Our Plan's Housing Element. It assists in identifying housing programs, policies, and revenue sources, providing recommendations for a Town-adopted Housing Tool Kit.

VII. Ad Hoc Committees

Town Council may establish ad hoc committees as needed, reporting regularly to the Housing Action Committee and periodically to Town Council.

VIII. Meetings

Regular meetings are held at least four times per year, with special meetings called by the Chair as needed. The order of business, quorum requirements, and procedures follow outlined rules.

IX. Vote and Conflict of Interest

Members vote on issues before the Committee, requiring a simple majority of a quorum. Members must disclose conflicts of interest and abstain from relevant discussions or votes.

X. Virtual Meetings and Executive Sessions

Virtual meetings may be held when necessary, with notice provided to all members. Executive sessions are permitted under specific circumstances.

XI. Communication with Outside Parties

Committee members refrain from discussions on decided agenda items with applicants. Communication with non-Committee members on Committee matters is at the discretion of the Chair or by majority vote.

XII. Amendments to the Rules

Rules of Procedure may be amended with an affirmative vote of at least five (5) members, provided the proposed amendment is presented in writing at a preceding meeting.

ATTACHMENTS:

1. HAC Rules of Procedure

TOWN OF HILTON HEAD HOUSING ACTION COMMITTEE

Rules of Procedure

I. Purpose

The Town of Hilton Head Island's Housing Action Committee is organized as a citizen's advisory committee made up of diverse community members with the sole purpose of researching, evaluating, advising and recommending to the Town various workforce housing strategies for their consideration, adoption, and implementation. Recommendations would include but are not limited to workforce housing programs, planning and zoning policies, revenue and funding sources, priorities and implementation strategies. The action committee does not have programmatic, funding or policy decision making powers, but shall serve solely in an advisory capacity to the Town of Hilton Head Island's Planning and Community Development department leadership staff.

II. Mission

The Housing Action Committee (HAC) will help to expand the Town's capacity to develop and implement effective responses to the Town of Hilton Head Island's housing affordability challenges and accelerate progress toward meeting the Town's workforce housing goals.

III. Rules of Procedure

These Rules of Procedure are adopted by the Committee pursuant to SC Code 6-29-360 and Appendix A.2 of the LMO. Any subcommittee of the Committee so appointed by the Chair shall follow these Rules of Procedure to the extent applicable to the conduct of its proceedings. These Rules of Procedure can be suspended by a majority vote of the Commission or Committee members to meet circumstances that may arise in the course of the deliberations. If a situation arises in which these Rules of Procedure are not specific concerning an issue, then the most recent edition of Robert's Rules of Order shall govern the conduct of meetings of the Commission or Committee on the issue not covered.

IV. Membership and Terms

The Committee shall consist of no less than seven (7) and no more than eleven (11) members appointed by the Town Council. The Council shall seek members with varying backgrounds and expertise related to housing and

community development. Members shall represent to the extent feasible, the following areas of expertise and background: general home building, banking/finance, affordable/workforce housing developer (for-profit), affordable workforce housing developer (non-profit), community representative (concerned citizen), affordable housing tenant or homeowner (and an alternate), employment sector representative, realtor or real estate professional, workforce housing advocate (or social service representative), and a representative of a philanthropic organization.

The committee members shall be appointed for a term of three (3) years; provided, however, no member may serve more than two (2) consecutive terms except for extraordinary circumstances where town council believes it to be in the best interest of the community to have a continuation, for a specified period, of a particular member of the commission.

Vacancies are filled based on the industry representation vacated and will serve for the remainder of the unexpired term.

Members may be reappointed at the expiration of their term, however, no member may serve more than two (2) full consecutive terms.

V. Elections, Officers, Staff Support and Member Duties

The Housing Action Committee shall elect from its members two officers, a Chair and a Vice-Chair, said officers shall serve a term of one (1) year. Election will occur at the first regular meeting following June 30 of any year and after all appointments to the Housing Action Committee have been made by the Town Council for the Town of Hilton Head Island, South Carolina, the Housing Action Committee shall elect a Chair and a Vice-Chair.

A. Duties of Officers

1. Chair

A Chair shall be elected by the voting members of the Housing Action Committee and shall serve for a period of one year. The Chair may be re-elected for additional terms as Chair subject to their appointed term.

The Chair shall preside at all meetings of the Housing Action Committee and decide all points of order and procedure, subject to these rules, unless directed otherwise by a majority of the Housing Action Committee members in session at the time.

2. Vice-Chair

The voting members of the Housing Action Committee shall elect a

Vice-Chair in the same manner and for the same term as the Chair. The Vice-Chair shall serve as acting Chair in the absence of the Chair and at such time the Vice-Chair shall have the same powers and duties as the Chair.

The Vice-Chair shall succeed the Chair; if the office is vacated before the term has expired, to serve the remainder of the term of the Chair. A new Vice-Chair shall be elected at the next regular meeting to complete the term.

3. *Secretary*

At the discretion of the Town Manager, a Town employee may act as the Secretary of the Housing Action Committee and shall be responsible for the taking, transcribing and maintaining the minutes of each regular or special meeting of the Housing Action Committee.

4. *Replacement*

In the event either the Chair or the Vice Chair is unable to complete their terms, the Committee shall, as soon as reasonably possible, elect a replacement from among its members.

C. *Staff Coordinator*

The Town's Chief Housing Officer shall assist the Chair and the Secretary, if one is appointed, in Committee coordination, including meeting preparation, defining agenda items and any other item that needs attention for the efficient running of the Committee's meetings.

D. *Duties of the Committee*

The Housing Action Committee shall have the powers and duties that are outlined below.

The Housing Action Committee shall review:

- The Town's Workforce Housing Strategic Plan
- The Housing Element of the Town's Our Plan
- The Workforce Housing Framework and
- Any and all other plans that may be created and adopted to address the Town's Workforce Housing needs

Additionally, the Housing Action Committee shall assist the Town in determining relevant housing programs, policies and potential revenues sources that will help the Town in accomplishing the identified goals and objectives outlined in the plans mentioned above. The Committee will also provide recommendations on any new or innovative ideas as part

of a Town adopted Housing Tool Kit that might help the Town accomplish its workforce housing goals.

E. Attendance/Absences.

Committee members are expected to attend all Committee meetings to which they are appointed. If a Committee member is unable to attend a meeting, the Chair or Secretary of the Committee shall be notified in advance of the scheduled meeting. The Chair will determine if the absence is excused or unexcused. The Secretary shall keep records on an annual basis of the number of unexcused absences of members.

F. Removal.

If a Committee member has a total of three unexcused absences from the annually scheduled regular meetings, the Committee shall consider and may recommend to the Town Council that the Committee member's appointment be revoked. The Town Council may remove a Committee member for cause, according to Section 2-13-70(b) of the Code of the Town of Hilton Head Island. The cause may include, but shall not be limited to, nonattendance at the Committee's meetings.

G. Ad Hoc Committees

From time-to-time Town Council may establish an *ad hoc* committee with its membership and charge determined by Town Council, and such committee may be designated a subcommittee of the Housing Action Committee with duty to report regularly to the Housing Action Committee and periodically to Town Council.

VI. Meetings

A. Regular Meetings

Regular meetings of the Housing Action Committee shall be held at least four times per year based on an adopted meeting calendar.

B. Special Meetings

Special Meetings of the Housing Action Committee or an appointed committee may be called at any time by the Chair. At least twenty-four (24) hours public notice, including the time, place and agenda for the Special Meeting shall be given.

C. Cancellation of Meetings

The Chair may cancel a Regular Meeting, if there is no business to conduct, by giving notice to all Housing Action Committee members and the public not less than twenty-four (24) hours prior to the scheduled Regular Meeting.

D. Notification of Absence

All members of the Housing Action Committee shall notify the Secretary to the Housing Action Committee, as soon as possible, of any anticipated absences from a scheduled Regular Meeting.

The Secretary shall notify the Chair in the event the projected absence(s) will produce a lack of a quorum. The Chair, in the event of excessive absences of a member, may make a recommendation to the Town Council to reconsider the appointment of that member.

E. Quorum

A quorum shall consist of a simple majority of the Housing Action Committee.

F. Conduct of Regular and Special Meetings

1. Freedom of Information Act Compliance

All meetings shall be open to the public and meet all requirements of the South Carolina Freedom of Information Act [S.C. Code Amn. 30-4-10. *et seq.* (Supp. 1994)] shall be complied with in the conduct of meetings of the Housing Action Committee.

2. Applicability of Roberts Rules of Order

Roberts' Rules of Order are hereby adopted for the conduct of Regular and Special Meetings of the Housing Action Committee, unless otherwise provided herein. In the case of a conflict between these Rules and Roberts Rules of Order, these Rules shall govern.

3. Order of Business

The order of business at Regular and Special Meetings shall be as follows:

- I. Call to Order;
- II. Pledge of Allegiance to the Flag;
- III. Adoption of Agenda;
- IV. Approval of Minutes;
- V. Appearance by Citizens;
- VI. Unfinished Business;
- VII. New Business;
- VIII. Committee Reports;
- IX. Staff Reports; and
- X. Adjournment.

G. Vote

All members of the Housing Action Committee shall be voting members and shall be entitled to vote on any issue before the Housing Action Committee, unless they are in a conflict of interest on the matter being determined.

A vote of a simple majority of a quorum shall be required to pass a motion.

H. Conflict of Interest

It is the obligation of all members of the Housing Action Committee to disclose a conflict of interest. At a minimum, the South Carolina law regarding conflicts of interest shall control the Housing Action Committee member's actions.

Any member of the Housing Action Committee who believes that he or she has or may have a conflict of interest of any nature on any matter before the Housing Action Committee, shall notify the Chair of such conflict, abstain from any discussion or vote on the matter and complete any necessary and required Town potential conflict of interest forms at the meeting.

I. Virtual Meetings

Meetings of the Board can be conducted virtually under the authority of, and procedure described in Town Code: § 2-5-10, *et seq. Municipal Code of the Town of Hilton Head Island, South Carolina* (1983, As Amended).

J. Executive Sessions

The Housing Action Committee may go into executive sessions: (1) on matters permitted under the South Carolina Freedom of Information Act; (2) after disclosure of the nature of the subject matter and (3) the understanding that no vote on any issue may take place while in executive session.

VII. Communication (Written or Oral) with Outside Parties

1. Once a decision or action has been rendered by the Committee on any agenda item, discussions between Committee members and applicants and their attorneys on that agenda item should no longer take place. All further communications should be handled through the Town Attorney.
2. Communication with non-Committee members on behalf of the Committee on any matter will be at the discretion of the Chair or by a majority vote of the majority of the committee members.
3. Committee members shall refrain from discussions other than administrative matters regarding a pending agenda item with staff prior to the public meeting. All discussion of a pending matter before the Committee shall take

place in the public meeting. This is to avoid the appearance of improper ex-parte communications and comply with the Freedom of Information Act.

VIII. Amendments to the Rules

These *Rules of Procedure* may be amended at any time by an affirmative vote of not less a simple majority of the Housing Action Committee, provided however that such amendment shall have first been presented to the entire Housing Action Committee in writing at a Regular or Special Meeting preceding the Regular or Special Meeting at which the vote is taken.

**For the Housing Action Committee
Town of Hilton Head Island, South Carolina**

Date of Approval: _____, 2023

By: _____
Its Chair

Housing Action Committee - Work Group Assignments - Preliminary Draft for Discussion

Work Groups		Jack Alderman	Stuart Bell	Candace Birkenhauer	Ayaks Castellanos	Sandy Gillis	Sarah Jones- Anderson	Marc Okner	Luana Graves Sellars	Sandy West	Community Members
1	Displacement - Fully develop anti-displacement plan, coalitions, and action steps for rapid response					√			√	√	
2	Communications - Report progress, increase citizen understanding, provide speakers to the community			√		√			√		
3	Tracking - Document workforce housing progress from all sources in the community	√	√					√			
4	Land & Planning - Study potential workforce housing tracts and encourage pre-planning to expedite	√			√		√				
5	The Market - Understand all segments of workforce housing demand and appropriate AMI guidelines			√	√			√			
6	Funding - Identify and understand resources that match with Town and private housing initiatives		√				√			√	
	Other Work Groups...										

JDA Draft 11/9/2023