



Town of Hilton Head Island

Town Council Meeting

Tuesday, October 21, 2025, 3:00 PM

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

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

- 1. Call to Order**
- 2. Pledge to the Flag**
- 3. Invocation – Father Christopher Loester, Holy Family Church**
- 4. Adoption of the Agenda**
- 5. Approval of the Minutes**
 - a. Workshop Meeting Minutes of September 30, 2025
 - b. Regular Meeting Minutes of October 7, 2025
 - c. Special Meeting Minutes of October 13, 2025
- 6. Presentations and Recognitions**
 - a. Report of the Town Manager
 - b. Parks and Recreation Commission Annual Report - William Zurilla, Board Chair
 - c. Lowcountry Regional Transportation Authority (LRTA/ Palmetto Breeze) Annual Update — Brian Sullivan, Executive Director
- 7. Reports from Members of Town Council**
 - a. General Reports from Town Council
 - b. Report of the Lowcountry Area Transportation Study – Councilmember Tamara Becker
 - c. Report of the Lowcountry Council of Governments – Councilmember Steve Alfred

- d. Report of the Beaufort County Airports Board – Councilmember Melinda Tunner
- e. Report of the Southern Lowcountry Regional Board – Councilmember Patsy Brison
- f. Report of the Island Recreation Association Board – Mayor ProTempore Alex Brown
- g. Report of the Beaufort County Economic Development Corporation - Mayor Alan Perry
- h. Report of the Gullah Geechee Historic Neighborhoods Community Development Corporation - Mayor ProTempore Alex Brown
- i. Report of the Community Services and Public Safety Committee – Councilmember Tamara Becker
- j. Report of the Finance and Administrative Committee – Mayor ProTempore Alex Brown

8. Consent Agenda

- a. Consideration of an Ordinance to Repeal and Replace Title 10, Chapter 2 of the Municipal Code of the Town of Hilton Head Island Entitled Short-Term Rentals; and Providing for Severability and an Effective Date - Second Reading - Shawn Leininger, Deputy Town Manager

9. New Business

- a. Consideration of an Ordinance of the Town of Hilton Head Island to Amend Municipal Code Title 10, Section 10-1-250, the Business License Ordinance, to Update the Business License Class Schedule as Required by Act 176 of 2020 for the Town of Hilton Head Island, South Carolina and Providing for Severability and an Effective Date - First Reading - April Akins, Interim Revenue Manager
- b. Consideration of an Ordinance Providing for the Issuance and Sale of the Town of Hilton Head Island Special Obligation Bonds (Beach Preservation Fee Pledge), in One or More Series, in the Principal Amount of Not Exceeding \$19,000,000; Delegating the Authority to the Town Manager to Determine Certain Matters with Respect to the Bonds; Prescribing the Form and Details of Such Bonds; Other Matters Relating Thereto; and Providing Severability and an Effective Date - First Reading - John McGowan, Assistant Finance Director

10. Public Comment - Non Agenda Items

11. Executive Session

- a. Discussion Incident to Proposed Contractual Arrangements (Pursuant to the South Carolina Freedom of Information Act Section 30-4-70 [a][2]) related to:
 - 1. Town of Hilton Head Island Destination Marketing Organization Request for

Qualifications

- b. Discussion of Negotiations Incident to Proposed Contractual Arrangements and Discussions for the Proposed Sale or Purchase of Property (Pursuant to the South Carolina Freedom of Information Act Section 30-4-70 [a][2]) related to:
 - 1. Main Street
 - 2. Old Wild Horse Road
 - 3. Fire Rescue Headquarters
- c. Discussion of Appointment to Boards, Commissions, and Committees [Pursuant to the South Carolina Freedom of Information Act Section 30-4-70 (a)(1)] related to:
 - 1. Land Management Ordinance Task Force
- d. Discussion of Legal Updates from the Town Attorney on Matters Covered Under the Attorney-Client Privilege [Pursuant to the South Carolina Freedom of Information Act Section 30-4-70(a)(2)]

12. Action from Executive Session

13. 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 TOWN COUNCIL WORKSHOP Tuesday, September 30, 2025, 1:00 PM Minutes

Call to Order

Mayor Perry called the meeting to order at 1:00 p.m.

Council Members present: Alan Perry, Mayor; Alex Brown, Ward 1, Mayor Pro-Tempore; Patsy Brison, Ward 2; Steve DeSimone, Ward 3; Tammy Becker, Ward 4; Steve Alfred, Ward 5; Melinda Tunner, Ward 6

Others Present: Marc Orlando, Town Manager; Curtis Coltrane, Town Attorney; Kim Gammon, Town Clerk

Adoption of the Agenda

Mr. Alfred moved to approve. Ms. Becker seconded. Motion carried 7-0.

Workshop Discussion

Stormwater Utility Program Update

Mayor Perry invited Jeff Netzinger to address Council. Mr. Netzinger conducted a detailed presentation regarding the following items.

He noted that investing in Stormwater Management Infrastructure is listed as number 2 in the Strategic Action Plan Goals. Mr. Netzinger stated he anticipates a collaborative discussion with Town Council, to better understand and how to best advance planned Stormwater Utility Program initiatives in accordance with the FY26-28 Town Council Strategic Action Plan.

He explained the today's agenda would consist of not only the FY2026-2028 Strategic Action Plan Priorities but the following:

- Overview of Staffing, Funding Source, Revenues and Balances
- Status of Current FY2026 Stormwater CIP Projects
- Planned FY-2027-2030 Stormwater CIP Projects
- Funding Options to Support Planned Stormwater CIP Projects
- General Discussion



GOAL #2

Invest in Stormwater Management Infrastructure

Protect the Island's environmental quality, community resilience, and public safety by upgrading and maintaining a high-performing, island-wide stormwater system that adapts to changing conditions, leverages regional coordination, and aligns with Town priorities.

Strategy

Modernize stormwater infrastructure through capital investments, strategic program evaluation, funding partnerships, and improved system management. Ensure the Stormwater Utility (SWU) Program is sustainable, fair, and effective in mitigating flood risk, enhancing water quality, and supporting resilient growth.

Action Items

		FY26	FY27	FY28
2.1	Conduct a comprehensive Stormwater Utility Program assessment of Town, County, State and private systems infrastructure to improve operations, system management, and storm preparedness and recovery	☒	☒	☐
2.2	Prioritize capital project investment in stormwater infrastructure	☒	☒	☒
2.3	Prepare an Island Wide Stormwater Master Plan	☐	☒	☒
2.4	Assess the SWU reserves, revenues and stormwater utility rate and revenue model to support Town funding priorities	☐	☐	☒
2.5	Develop a funding strategy with local, regional, state, and federal agencies	☐	☐	☒



GOAL #2

Invest in Stormwater Management Infrastructure

Key Performance Indicators

- ☐ Number and total value of stormwater capital projects implemented annually
- ☐ Completion of SWU program assessment and prioritization framework
- ☐ Completion of updated SWU rate model adopted and aligned with capital needs
- ☐ Amount of external funding secured from federal, state, or regional sources
- ☐ Frequency and coverage of stormwater system inspections and maintenance
- ☐ Reduction in flood events or drainage complaints in targeted areas



Overview of Funding Source, Revenues, and Balances

Town of Hilton Head Island Town Council
Workshop Minutes
9/30/2025

- The Stormwater Utility (SWU) formed in 2001 to provide a funding source for addressing stormwater deficiencies throughout Beaufort County.
- Beaufort County collects the fees annually and includes the fee on annual property tax bills.
- The Town sets the base Single-Family Unit (SFU) rate and determines the rate structure to be utilized. The Town is afforded an opportunity to adjust the SFU rate annually, based on the SWU IGA with Beaufort County.
- The SFU is set based on 4,906 square feet of impervious area. Fees for various parcel categories are calculated based on the base rate per the chart to the right.
- Fees for Commercial properties vary based on parcel size

and total measured impervious area.

- The Current SFU rate of \$150.00 is determined based on 3 components: 1. Administrative Fee Component (AFC) \$ 24.00; 2. Impervious Area Component (IAC) \$ 105.00; and 3. Gross Area Component (GAC) \$ 21.00.

Status of Current FY2026 Stormwater Capital Improvement Program (CIP) Projects

Current Status of Stormwater CIP Projects

Planning 5 Projects
Design 8 Projects
Construction 4 Projects

Project Delivery Challenges & Opportunities

Easement / right-of-way acquisition
Contractor availability / capacity
Staff capacity to manage projects

FY2027-2030 Stormwater CIP Projects Overview

Major investment in stormwater infrastructure is needed to preserve and enhance public safety and protect property

Project scopes and costs are not yet fully realized for all fiscal year 2027-2030 projects

Town considerations for project delivery include:

Prioritization
Scope
Schedule
Phasing
Cash versus debt

Challenges and opportunities moving forward

Easement acquisition
Contractor availability / capacity
Staff capacity to manage projects



FY 2026 Stormwater Program Capital Improvement Projects

Project Name	FY26 Budget	Status	Project Description
Stormwater Maintenance & Improvement Program *	\$ 1,800,000	Construction	Public System Corrective Maintenance Projects
Stormwater Maintenance Agreement Program *	\$ 2,000,000	Construction	Agreements Program Projects and Reimbursements
Moonshell Road / Folly Field Neighborhood Improvements	\$ 60,000	Design	Improve ditch capacity within the neighborhood and increase pipe and ditch capacity downstream
75 Helmsman Way Drainage Improvements	\$ 50,000	Planning	Increase pipe capacity and install tidal backflow prevention devices
Bryant Road Pond Restoration	\$ 25,000	Planning	Remove organics and sediment from shallow lagoons and connect the pond to the outfall with a new pipe
Cordillo Courts Drainage Improvements	\$ 95,880	Design	Install a new piped system to address road ponding issues adjacent to the tennis courts
Gum Tree Road Drainage Improvements	\$ 120,000	Design	Adding new pipe connections and improving ditches in several locations between School Drive & Wild Horse Rd
Jarvis Creek Outfall	\$ 50,000	Design	Installing new backflow preventive devices in two locations underneath the Cross Island Parkway
Jarvis Creek Pump Station - Pump Replacements	\$ 300,000	Planning	Replacing one of four existing pumps approaching the end of their useful life
Main Street Drainage Improvements	\$ 50,000	Planning	Pipe cleaning and video inspection
Old Woodlands-26 Indian Trail Improvements	\$ 80,000	Design	Install pipe and improve ditch connections adjacent to Aquatera
Palmetto Hall Outfall Improvements	\$ 150,000	Design	Install new pipe and backflow prevention devices to mitigate risk of roadway and structure flooding in the upstream system
Water Level Monitoring	\$ 75,000	Construction	Install devices to dynamically monitor water surface elevations to aid in pre-storm preparation and to inform future CIP design
Weather Monitoring	\$ 50,000	Construction	Install weather stations to provide real-time data during storm events and to inform future CIP design
Central Island Pump Station Overhaul and Resilience Improvements	\$ 750,000	Design	Install new infrastructure and replace aging infrastructure at this critical facility located between Wexford and Log Cove Club.
Gum Tree Channel Capacity Improvements at Chinaberry Crossing	\$ 120,000	Design	Improve capacity and address public safety concerns at the roadway culvert crossing
Arrow Road Laydown Yard Improvements	\$ 75,000	Planning	Install rock in the yard to address chronic roadway tracking issues
Total	\$ 6,350,880		Including the \$500,000 Stormwater Program contingency

21

Planned FY2027-2030 Stormwater CIP Projects



Stormwater Program Planned Capital Improvement Projects

Project Name	FY26	FY27	FY28	FY29	FY30	5-Year Total
Water Level Monitoring	\$ 75,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 875,000
Weather Monitoring	\$ 50,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 210,000
Central Island Pump Station Overhaul and Resiliency Improvements	\$ 750,000	\$ 3,000,000	\$ 3,500,000			\$ 7,250,000
Ashmore Channel Resilience/278 Backflow Prevention Port Royal		\$ 15,000	\$ 30,000	\$ 300,000		\$ 345,000
Gum Tree Channel Capacity Improvements at Chinaberry Crossing	\$ 120,000	\$ 350,000				\$ 470,000
24 Pope Avenue Outfall to Shipyard			\$ 40,000	\$ 70,000	\$ 100,000	\$ 210,000
25 Dunnagans Alley Parking Lot Drainage Improvements		\$ 30,000				\$ 30,000
Airport Outfall Ditch Relocation				\$ 200,000	\$ 700,000	\$ 900,000
Arrow Road Laydown Yard Improvements	\$ 75,000					\$ 75,000
Arrow Road Outfall at Greenery			\$ 30,000	\$ 100,000	\$ 300,000	\$ 430,000
Burkes Beach Area Drainage Improvements			\$ 40,000	\$ 100,000	\$ 300,000	\$ 440,000
Gardner Channel Capacity Improvements at 278			\$ 30,000	\$ 50,000	\$ 150,000	\$ 230,000

29



Stormwater Program Planned Capital Improvement Projects

Project Name	FY26	FY27	FY28	FY29	FY30	5-Year Total
Marshland Road Pathway Drainage Issues		\$ 120,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 420,000
Muddy Creek South Outfall				\$ 50,000	\$ 80,000	\$ 130,000
North Forest Beach Pipe Replacements/Rehabilitation		\$ 160,000	\$ 160,000	\$ 160,000	\$ 160,000	\$ 640,000
Shipyard Pump Station Overhaul			\$ 100,000	\$ 250,000	\$ 1,800,000	\$ 2,150,000
Squire Pope Outfalls- Backflow Prevention (2 Locations)		\$ 60,000	\$ 60,000			\$ 120,000
The Links at Port Royal Improvements		\$ 50,000	\$ 100,000	\$ 500,000		\$ 650,000
Woodlake Villas/Mathews Drive Outfall Improvements		\$ 20,000	\$ 50,000	\$ 300,000		\$ 370,000
Woodward Avenue Pipe Rehabilitation			\$ 575,000			\$ 575,000
Arrow Road Powerline Channel Excavation- Capacity Improvements					\$ 200,000	\$ 200,000
Point Comfort – Sea Olive Road Outfall Improvements *	\$ 20,000	\$ 50,000				\$ 90,000
Shell Midden / Cordillo Parkway Drainage Improvements *	\$ 82,000	\$ 800,000				\$ 882,000
Stormwater Contingency **	\$ 398,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
TOTALS	\$ 6,350,880	\$ 10,175,000	\$ 10,555,000	\$ 7,170,000	\$ 9,430,000	\$ 41,802,880

» * Recently identified and added to the Stormwater CIP Program ** Contingency account utilized to fund recently added projects

Stormwater CIP Funding Options

- The Stormwater fee brings in just over \$5 million annually – all operating & maintenance costs are covered by these fees
- Current Stormwater Fee Rate Structure allows the Town to utilize approximately \$2.5 million in annual capital improvements if no borrowing occurs
- The Finance Team suggests the Town could borrow with a 20 or 25-Year Payback period to finance more projects sooner
- The budget process would be used to prioritize specific Stormwater projects for funding
- The Finance Team recommends the Town consider any Stormwater borrowing to align with FY27 Budget Approval process timing
- Stormwater Revenue Borrowing History:
 - \$3,200,000 in 2018 Bonds payable through April 1, 2028 (\$360k payments due April 1, 2027 & 2028)
 - \$5,630,000 in 2021 Refunding Bonds will be paid off April 1, 2026, with the final \$950,000 payment
 - Future fixed payments on debt limits future budget flexibility

Council members made comments, asked questions and held discussion regarding the Program and following discussion Mr. Orlando reviewed what he felt was necessary to move forward with the goals for Stormwater Utility. He stated the need to dive into the Stormwater Master Plan and it will tell us the issues and what projects the Town needs to invest in with probable costs, etc. Staff

will continue working on projects this year and work on refining the Five-Year CIP Program. Staff will also work towards producing a FY27 plan for funding which will most likely include a form of borrowing some funds. He added that once the Master Plan is complete, that will drive the rate study in order to move forward. He added that it will further drive a much bigger project list and the need to do a debt service assessment in FY27. Mr. Orlando stated that for FY27 he will work with staff to put together a small, lean Public Service Department which will help take pressure off the stormwater inspectors so they can concentrate on water quality, not project management.

Mayor Perry asked for public comment.

Robert Brown addressed Council regarding problems with drainage in the Cordillo Cabana area. He asked for guidance as to who is responsible for the problem.

Public Comment - Non Agenda Items

Jay Sudowski addressed Council regarding his frustration with how short-term rental requirements are being handled. He stated the ordinance is flawed, there has been enough time to gather data, and there is a lack of enforcement.

Adjournment

Mayor Perry adjourned the workshop at 3:05 p.m.

Kimberly Gammon, Town Clerk

Alan R. Perry, Mayor

The full recording and a transcript of this meeting can be found on the Town's website at www.hiltonheadislandsc.gov



Town of Hilton Head Island TOWN COUNCIL MEETING Tuesday, October 7, 2025, 3:00 PM Minutes

Call to Order

Mayor Perry called the meeting to order at 3:00 p.m.

Council Members present: Alan Perry, Mayor; Alex Brown, Ward 1, Mayor Pro-Tempore; Patsy Brison, Ward 2; Steve DeSimone, Ward 3; Tammy Becker, Ward 4; Steve Alfred, Ward 5; Melinda Tunner, Ward 6

Others Present: Marc Orlando, Town Manager; Curtis Coltrane, Town Attorney; Kim Gammon, Town Clerk

Invocation – Pastor Michael Carr, Central Church

Pastor Carr delivered the invocation.

Adoption of the Agenda

Mr. Alfred moved to approve. Ms. Brison seconded. Motion carried 7-0.

Approval of the Minutes

Regular Meeting Minutes of September 16, 2025

Mr. Alfred moved to approve. Ms. Tunner seconded. Motion carried 7-0.

Presentations and Recognitions

Fire Prevention Week Proclamation - Mayor Alan Perry

Russell Rogers, Deputy Fire Marshall and the Hilton Head Island Fire Rescue Community Risk Reduction Team accepted the proclamation.

Breast Cancer Awareness Month Proclamation — Mayor Alan Perry

Mayor Perry invited Council Member Tunner to speak prior to the presentation. Ms. Tunner stated she is a ten-year breast cancer survivor and was looking forward to the proclamation from the Town. Lisa Stauffer, Director of Human Resources accepted the proclamation.

Reports from Members of Town Council

General Reports from Town Council

Ms. Brison stated she attended the 50th Anniversary of the Hilton Head Choral Society on Friday, September 26. She reviewed the list of upcoming concerts for the Choral Society and encouraged all to attend their events. She urged all to go to the website for the Office of Cultural Affairs for the Town of Hilton Head Island for upcoming events being held on Hilton Head Island.

Mr. Alfred reported there was a meeting held regarding Sea Pines Circle held on September 30 with members of the SCDOT, CSA, and Town representatives. They worked on establishing objectives and cost estimates regarding funds needed.

Ms. Tunner expressed appreciation to Town Manager Marc Orlando and staff for the transformation of Fish Haul Beach Park as a result of the beach renourishment. She stated it has added so much usable beach and the feedback she has received has been very positive.

Consent Agenda

Consideration of an Ordinance of the Town of Hilton Head Island to Amend Chapter 16 of the Municipal Code, the Land Management Ordinance, to Amend the Traffic Impact Analysis Plan Requirements and Traffic Analysis Standards in Land Management Ordinance Sections 16-2-103, 16-5-106 and Appendix D, and Providing for Severability and an Effective Date - Second Reading - Shawn Leininger, Deputy Town Manager

Consideration of an Ordinance of the Town of Hilton Head Island Authorizing the Execution and Delivery of a Non-Exclusive Easement for Ingress, Egress, and Utilities on Town Property Located in the Area of Mingo Lane and Providing for Severability and an Effective Date - Second Reading - Ben Brown, Strategic Initiatives Director

Ms. Brison moved to approve the Consent Agenda as presented. Mr. Alfred seconded.

Mayor Perry asked for public comment. There was none.

Motion carried 7-0.

New Business

Consideration of 2026 Meeting Schedule for Town Council Regular Meetings, Workshops, and Subcommittees of Council - Shawn Leininger, Deputy Town Manager

Ms. Becker moved to approve. Ms. Brison seconded.

Mayor Perry asked for public comment.

Richard Bisi addressed Council expressing concern about workshop procedures and stated his opposition to the meeting times.

Public Comment - Non Agenda Items

Susan Wheatley addressed Council regarding her concern over the proposed Short-Term Rental regulations and rushing implementation with a foundation to support the changes.

Mare Baracco addressed Council her about concerns regarding the Hilton Head Island - Bluffton Chamber of Commerce grant application to the South Carolina Department of Parks, Recreation and Tourism 2025 Destination Specific Marketing. She stated she is of the opinion the Town's Destination Marketing should be in house.

Angie Hutchins addressed Council regarding her general concerns over the Short-Term Rental regulations stating staff time and energy is not well spent working on them when they should be focused on the Land Management Ordinance re-write. She added there is a need for positive culture building regarding the Town.

Executive Session

At 3:28 p.m. Mr. Orlando stated the need to enter Executive Session for the reasons listed below. **Mr. Alfred moved to enter Executive Session for the reasons cited by the Town Manager. Ms. Brison seconded. Motion carried 7-0.**

Discussion Incident to Proposed Contractual Arrangements (Pursuant to the South Carolina Freedom of Information Act Section 30-4-70 [a][2]) related to:

1. Hilton Head Island Destination Marketing Organization Request for Qualification

Discussion of Negotiations Incident to Proposed Contractual Arrangements and Discussions for the Proposed Sale or Purchase of Property (Pursuant to the South Carolina Freedom of Information Act Section 30-4-70 [a][2]) related to:

1. Main Street
2. Old Wild Horse Road
3. Pope Avenue
4. Fire Rescue Headquarters

Discussion of Legal Advice from the Town Attorney on Matters Covered Under the Attorney-Client Privilege (Pursuant to the South Carolina Freedom of Information Act Section 30-4-70 [a][2]) related to:

1. Port Royal Proposal - Settlement Agreement with ArborNature, LLC

Discussion of Personnel Matters Relating to Town Manager Performance Evaluation [Pursuant to South Carolina Freedom of Information Act 30-4-70 (a)(1)]

Action from Executive Session

Council returned to the dais at 4:51 p.m. **Ms. Brison moved to end the Executive Session and return to the regular meeting. Ms. Tunner seconded.**

Consideration of a Resolution of the Town Council of the Town of Hilton Head Island, South Carolina, Authorizing the Town Manager to Negotiate a Proposed Contract for the Purchase of Properties Located on or Near U. S. Highway 278 in the Town of Hilton Head Island, South Carolina

Mr. Brown moved to approve. Ms. Brison seconded.

Mayor Perry asked for public comment. There was none.

Motion carried 7-0.

Adjournment

Mayor Perry adjourned the meeting at 4:52 p.m.

Kimberly Gammon, Town Clerk

Alan R. Perry, Mayor

The full recording and a transcript of this meeting can be found on the Town's website at www.hiltonheadislandsc.gov



Town of Hilton Head Island TOWN COUNCIL SPECIAL MEETING Monday, October 13, 2025, 3:00 PM Minutes

Call to Order

Mayor Perry called the meeting to order at 3:00 p.m.

Council Members present: Alan Perry, Mayor; Alex Brown, Ward 1, Mayor Pro-Tempore; Patsy Brison, Ward 2; Steve DeSimone, Ward 3; Tammy Becker, Ward 4; Steve Alfred, Ward 5; Melinda Tunner, Ward 6

Others Present: Marc Orlando, Town Manager; Curtis Coltrane, Town Attorney; Kim Gammon, Town Clerk

Adoption of the Agenda

Mr. Alfred moved to approve. Ms. Brison seconded. Motion carried 7-0.

New Business

Consideration of an Ordinance to Repeal and Replace Title 10, Chapter 2 of the Municipal Code of the Town of Hilton Head Island Entitled Short-Term Rentals; and Providing for Severability and an Effective Date - First Reading - Shawn Leininger, Deputy Town Manager

Mayor Perry stated the new business item was consideration of an Ordinance to Repeal and Replace Title 10, Chapter 2 of the Municipal Code of the Town of Hilton Head Island Entitled Short-Term Rentals; and Providing for Severability and an Effective Date - First Reading

He noted that on October 7, 2025, the Community Development & Public Services Committee recommended Town Council approve the proposed Ordinance with the following amendments:

1. Remove the requirement for proof of insurance as part of the application and permit requirements.
2. Permit fees shall be \$500 for 0-4 bedrooms and \$1,000 for 5 or more bedrooms.
3. The fire alarm system shall only be required for short-term rentals having 3,600 or more square feet.
4. Parking shall be based on the site plan and there shall be a maximum of 6 parking spaces.
5. Maximum occupancy shall be 2 people per bedroom plus 2 people for the short-term rental. Studios shall have a maximum occupancy of 4 people.
6. Remove the requirement for any floor plan as part of the application and as a posting at the short-term rental property.
7. The effective date shall be determined by Town Staff.

He added that regarding amendment #2, after additional discussion the Committee did not take action on an amendment to Ordinance 2025-27 amending the FY26 Consolidated Budget fee schedule and short-term rental permit fees. This was to allow the Town Manager the opportunity to evaluate the operational impacts and costs to implement, administer, enforce, communicate, and maintain the resulting short-term rental program, should a revised Short-Term Rental Ordinance be adopted by Town Council. Changes to short-term rental permit fees will be brought forward for Town Council consideration as part of a future budget ordinance or amendment.

Ms. Brison moved adoption of the draft ordinance before Council with the following two changes:

- 1. Under Section 10-2-20 b. Compliance to add language which provides that any application for a new STR permit on or after the adoption date will comply with the terms, regulations and requirements established in this Chapter on or before January 1, 2026**
- 2. In regard to Section 10-2-60 c., the table be revised to provide that for those STR properties which have 7 bedrooms and above, and which are 3600 square feet or more in size, the maximum occupancy may be increased by 2 upon compliance with all other terms, regulations and requirements established by this Chapter.**

Mr. Alfred seconded.

Mayor Perry invited Shawn Leininger to conduct a presentation regarding the item.

Mr. Leininger referenced the background of the item included in the agenda packet.

On May 17, 2022, Town Council adopted a Short-Term Rental Ordinance to address the impacts of short-term rentals on neighborhoods by establishing expectations for their management and operation, specifically regarding safety, trash, noise, and parking.

Implementation of the Ordinance began by establishing an operational program for administration of the Ordinance. This included securing necessary software and equipment; recruiting, hiring, and training new employees; creating and testing application and complaint portals; and creating and executing an education and communications plan.

The effective date of the Short-Term Rental Ordinance began January 1, 2023, and is managed by the Town's Finance Department Revenue Services Division and Public Safety Department who work proactively to educate owners, agents, and renters of the requirements and enforce compliance.

Past and current Town Council strategic action plans identified the assessment of the short-term rental program to evaluate program effectiveness on addressing the negative impacts to neighborhoods including:

1. Environmental impacts;
2. Demands on Fire Rescue services;
3. Impacts to public utilities and infrastructure, and
4. Impacts of land use intensity, to determine if further regulation is necessary.

In that regard, on September 16 and 24, 2024, Town Council held workshops to review numerous priority amendments to the Land Management Ordinance (LMO) and Municipal Code that seek to address important and urgent issues in advance of a full LMO Overhaul. This review included an assessment and proposed amendment to the Short-Term Rental Ordinance to address parking, occupancy, fire and life safety, enforcement and fee regulations.

Town staff held meetings and discussions with Town Council, members of the public, and representatives of the short-term rental industry. This assessment of the short-term rental program resulted in the following key findings:

1. Need the ability to manage property owners who violate short-term rental regulations through escalating fines instead of criminal charges;
2. Need the ability to manage property owners who operate a short-term rental property without a valid permit with fines that are greater than the cost of a permit;
3. Short-term rental properties and over occupancy can inconvenience permanent residents who have expressed concerns about parking, noise pollution, trash collection, and other consequences;
4. High occupancy homes do not have adequate fire and emergency safety mechanisms; and
5. Structures are being built for the purpose of short-term rental resulting in properties that are out of scale and context with existing neighborhoods.

The primary goal in considering Short-Term Rental Ordinance amendments is to protect and enhance the quality of life for residents and visitors. As such, the following items were identified to be addressed through proposed amendments:

1. Parking and Enforcement
 - a. Parking is a critical issue.
 - b. Address parking regulations specifically within the Short-Term Rental Ordinance.
 - c. There needs to be limits on the number of vehicles associated with a short-term rental.
 - d. It needs to be clear where vehicles can and cannot park.
2. Occupancy
 - a. Over-occupancy of short-term rental units is a concern.
 - b. Define occupancy clearly for consistent regulation and enforcement.
 - c. Consider if the size of the home should be factored into occupancy regulations.
 - d. Occupancy enforcement presents challenges.
3. Fire and Life Safety
 - a. Ensure adequate fire and life safety measures are required in short-term rentals.

4. Short-Term Rental Permits and Regulations

- a. Require short-term rental owners and agents communicate key regulations during the rental process and at time of occupancy.
- b. Align the short-term rental permit fee with community impacts and associated Town operational and infrastructure expenditures.

5. Compliance, Fines, and Penalties

- a. Provide for administrative citations as a tool to penalize and remedy violations.
- b. Establish a clear directive for escalating fines based on the number of offenses.
- c. Maintain ability to suspend or revoke permits for repeat offenders.
- d. Continue to enhance the Town relationship with gated communities to support enforcement of short-term rental regulations.

6. Implementation

- a. Provide additional time for existing short-term rentals to comply with new regulations, while ensuring new short-term rentals are compliant at the time of permit issuance.

7. Balance Business and Community Needs

- a. Strive for a balance between maintaining the island's character and supporting business practices related to short-term rentals.

On February 18, 2025, Town Council reviewed first reading of an Ordinance amending Chapter 10-2 Short-Term Rentals of the Municipal Code to add additional requirements for occupancy, fire and safety alarms and equipment, parking of vehicles, enforcement, fines, definitions and other text amendments, and providing for severability and an effective date. Generally, the proposed amendments included:

1. Grammatical and clarity of language clean-ups to help support understanding and readability;
2. Key definition additions and refinements that support the existing and proposed regulatory framework;
3. Requirement that owners must be compliant and current on all licenses, permits, fees, taxes, fines, and other materials;
4. For short-term rental properties 3,600 square feet and more, a monitored automatic smoke detection system and manual fire alarm must be installed;
5. Any exterior gas grill must be equipped with an automatic shut off timer;
6. The short-term rental permit number must be included in any advertisement for the property;
7. Establish a maximum occupancy based on the number of bedrooms to which the short-term rental property can be rented;
8. Require that the location of parking be identified and not allow more than six (6) vehicles to be parked on the property;
9. Prohibit vehicles from being parked off-site, on-street and access easements, in a required buffer, or any unimproved surface; and
10. Establish a procedure to issue administrative citations and appeal process.

Following review, a motion by Town Council to approve first reading and advance the amendments to seconding reading failed (3-4). Town Council requested the discussion related to this topic continue at a later date.

On September 15, 2025, the Community Services and Public Safety Committee held a discussion to review previously proposed amendments to the Short-Term Rental Ordinance and provided direction on additional amendments to address parking, occupancy, fire and life safety, enforcement, and fees. The remaining sections of this report provide for the recommended amendments to the Short-Term Rental Ordinance.

On October 7, 2025, the Community Development & Public Services Committee recommended Town Council approve the proposed Ordinance with the amendments noted by Mayor Perry and in the staff report in the agenda packet.

He stated three items that the ordinance does not include which are:

1. There is no requirement for a minimum stay;
2. It does not include a cap on the number of short-term rentals that can be issued; and
3. It does not include a restriction on where short-term rentals can and cannot be located.

Council members held discussion, made comments and asked questions following the presentation. It was clarified that the fee structure will be taken up at a later date as it was not presented to Council through the subcommittee as a result of their October 7 Community Development and Public Services Committee.

Mr. DeSimone moved to amend Ms. Brison's motion to approve the first reading of the ordinance to repeal and replace Title 10 Chapter 2 of the Municipal Code entitled Short-Term Rentals as recommended by the CDPSC with the following:

Remove Section 10-2-60-c. and all other references to occupancy limitations at this time.

Further recommended that Council address occupancy, location and use as we further discuss the Land Management Ordinance and the rewrite of the Land Management Ordinance

Ms. Becker seconded. Motion passed 5-2 (Brison, Alfred against).

Mr. Brown requested that the motion be changed to state up to a maximum of 6 exterior parking spaces allowed and not count the garage spaces as parking spaces as they are not always used for parking. Mr. DeSimone as maker of the amendment to the motion, did agree to the change Mr. Brown seconded Mr. DeSimone's change. Motion carried 6-1 (Brison against).

Ms. Becker moved to amend Mr. DeSimone's motion reflecting Chief Blankenship's

updated recommendation as follows:

1. Section 3 Change “in accordance” to “meeting the intent of the National Fire Alarm and Signaling Code”

2. Item 3.b. – remove in its entirety. Mr. DeSimone seconded. Motion carried 7-0.

Mayor Perry asked for public comment.

Peter Savarese addressed Council expressing his concern about the effects these changes will have on businesses.

Steve Birdwell addressed Council stating the need to enforce current regulations and his opposition to any fee increase.

Rob Reichel addressed Council stating he feels Council is listening to a few and ignoring the majority. He stated his opposition to the proposed ordinance.

Michael Mulvihill addressed Council stating he feels the occupancy changes are not good and will cause a decline in all areas for Hilton Head Island as the Island runs on a tourist economy.

Christian Powers addressed Council questioning the timeline for the fire suppression regulations, stated the parking regulations are too stringent, expressed his opposition to the occupancy limits and an increase in fees. He stated the need for a study to determine decision-making.

Beth Ann Dickie addressed Council stating her strong opposition to the 2 plus 2 occupancy limit noting she felt it is arbitrary and capricious.

Eric Quisenberry addressed Council stating the proposed changes do more harm than good and this is an unreasonable approach. He added there is a need for enforcement of the existing regulations.

Lisa Cotter addressed Council sharing her timeline when she was building a home on Bradley Circle. She encouraged Council to step back from these regulations and not use personal interests to guide them.

Katie McCullion addressed Council encouraging Council to take occupancy off the table as the limitations do not make sense. She stated the issues don't rely solely on the number of people in the house, noting the enforcement division needs more support and resources.

Patricia Courtney addressed Council stating many short-term rental owners like her own short-term rentals to supplement income and are very responsible. She stated she feels the problem is code enforcement and the Land Management Ordinance.

Richard Bisi addressed Council stating his opinion that the temporary moratorium on short-

term rentals and major subdivisions was the right course of action all along. He stated crafting good policy takes time and these proposed regulations feel hasty and incomplete.

Beth Petro addressed Council stating the problem can be solved through enforcement of the regulations already in place. She asked the Council to keep in mind their implementation deadlines as many 2026 bookings are already being made.

Dru Brown addressed Council stating that resort heritage is a foundation that built this community and the revenue funds the economy on Hilton Head Island.

Chester Williams addressed Council stating it is never a good thing to adopt ordinances or regulations you cannot enforce.

Angie Hutchins addressed Council stating her opinion that compliance is the issue and there is a need for enforcement. She expressed concern for what will be coming next.

Joseph Gill addressed Council stating second property owners have no voice.

Jay Sudowski addressed Council expressing his concern regarding occupancy limits. He stated visitors contribute to the economy and a study needs done first as well as enforcement of the existing regulations.

Terry Sundling addressed Council stating enforcement of the existing regulations needs to be addressed.

Richard Ross addressed Council stating his opinion that Council is not listening to the Community.

Tricia Lynch addressed Council inquiring about the increase in fees and if the increase was cost-based or revenue-based.

Chase O'Dell addressed Council stating tourism is Hilton Head Island's lifeblood and short-term rentals are a key part of that. He questioned the cap on occupancy and what it would do to the industry.

Bill Miles addressed Council stating visitors are a part of the story that built Hilton Head Island and contribute to funding roads, supporting nonprofits, strengthening public safety, replenishing beaches and sustaining the amenities. He added that these decision will ripple through real families and real livelihoods.

Katie Clewell addressed Council requesting that Hilton Head Beach and Tennis Resort be considered exempt from the proposed ordinance as they are self-contained and have their own regulations, security and facility service department.

Tony Faulkner addressed Council stating the impact from this proposed ordinance could be devastating to the community as a whole.

Ginny Jackson addressed Council stating there should have been an economic impact study done and if any Council member is personally involved in a situation regarding these issues, they should recuse themselves from being an active part in the decision making.

Henry Criss addressed Council in opposition to the proposed ordinance as it moves away from one of Hilton Head Island core values which is limited government and personal responsibility. He expressed concerns of overregulation. He encouraged Council to vote against the proposed ordinance and instead, have a full analysis of the situation conducted.

Keith Walston addressed Council stating the proposed ordinance is a serious threat to the Island's way of life. He stated that annual visitors contribute greatly and we need a vibrant tourism based economy which will benefit everyone.

Susan Wheatley addressed Council stating her opinion that the data is not reliable and decisions are being based on emotions. She encouraged Council to move the Land Management Ordinance re-write forward.

Alan Prochazaka addressed Council in opposition to the proposed ordinance, stating this is taxation without representation. He stated the need to revisit the issues and figure out what problem they want to solve.

Cathie Rasch addressed Council proposing they not make any changes until analysis is completed, and the work is done in redesigning the Land Management Ordinance. She suggested the make-up of the Community Development and Public Services Committee be changed due to the drama.

Matt Garling addressed Council stating most short-term rentals are used as stepping stones to retire here. He feels the proposed is rushed and urged Council to take the proposal off the table.

At the conclusion of public comment there was a five minute break. When Council returned to the dais, Mayor Pro Tempore Brown called the question. Mayor Perry reviewed the motions on the floor.

Ms. Brison moved to add the following to Mr. DeSimone's amended motion:

- 1. Under Section 10-2-20 b. Compliance to add language which provides that any application for a new STR permit on or after the adoption date will comply with the terms, regulations and requirements established in this Chapter on or before January 1, 2026 . Mr. Alfred seconded. Motion failed 2-5 (Perry, Tunner, Brown, Becker, DeSimone against)**

Mr. DeSimone moved to adopt regulations presented by staff with three amendments that were voted on previously. Mr. Brown seconded motion passed 6-1 (Brison

against).

Public Comment - Non Agenda Items

None.

Adjournment

Mayor Perry adjourned the meeting.

Kimberly Gammon, Town Clerk

Alan R. Perry, Mayor

The full recording and a transcript of this meeting can be found on the Town's website at www.hiltonheadislandsc.gov



TOWN OF HILTON HEAD ISLAND

Town Council

TO: Town Council
FROM: Bill Zurilla, Chair of the Parks and Recreation Commission
VIA: Shawn Leininger, Deputy Town Manager
VIA: Jeff Netzing, Engineering and Projects Director
CC: Marc Orlando, Town Manager
DATE: October 21, 2025
SUBJECT: Parks and Recreation Commission Annual Report

BACKGROUND – In calendar year 2025, January 1 – December 31, the Parks and Recreation Commission held two meetings, one on May 22 and one on September 18. During each of the first two meetings, the Commission was presented with updates on:

- Island Parks and Recreation Association programs and activities by Frank Soule, Island Parks and Recreation Executive Director;
- Facilities Department activities related to landscaping and park maintenance by Derrick Coaxum, Facilities Director;
- Capital Improvement Program parks projects by Richard Loudin, Public Projects Program Manager; and
- Capital Improvement Program pathway projects by Jeff Netzing, Engineering & Projects Director.

The Commission has a third and final 2025 meeting scheduled on November 20.



TOWN OF HILTON HEAD ISLAND

Town Council

TO: Town Council
FROM: Shawn Leininger, AICP, Deputy Town Manager
CC: Marc Orlando, ICMA-CM, Town Manager
DATE: October 21, 2025
SUBJECT: Consideration of an Ordinance to Repeal and Replace Title 10, Chapter 2 of the Municipal Code of the Town of Hilton Head Island Entitled Short-Term Rentals; and Providing for Severability and an Effective Date

RECOMMENDATION:

Consideration of Second Reading of an Ordinance to repeal and replace Title 10, Chapter 2 of the Municipal Code of the Town of Hilton Head Island Entitled Short-Term Rentals; and providing for severability and an effective date (Attachments 1-3).

Town Council approved First Reading of the Ordinance as recommended by the Community Development & Public Services Committee on October 13, 2025, with the following amendments:

1. Remove Section 10-2-60(c) and all other references to occupancy limitations and that Town Council address occupancy, location, and use as part of discussions regarding the rewrite of the Land Management Ordinance.
2. The maximum of 6 exterior parking spaces are allowed and that garage spaces are not counted (Section 10-2-60(f)(1)(d)).
3. Section 10-2-60(b)(3) be amended to:
 - a. Change "in accordance with" to "meeting the intent of" the national Fire Alarm Signaling Code (NFPA 72); and
 - b. Remove 10-2-60(b)(3)(b) regarding manual fire alarm system.

BACKGROUND:

On May 17, 2022, Town Council adopted a Short-Term Rental Ordinance to address the impacts of short-term rentals on neighborhoods by establishing expectations for their management and operation, specifically regarding safety, trash, noise, and parking. Implementation of the Ordinance began by establishing an operational program for administration of the Ordinance. This included securing necessary software and equipment; recruiting, hiring, and training new employees; creating and testing application

and complaint portals; and creating and executing an education and communications plan.

The effective date of the Short-Term Rental Ordinance began January 1, 2023, and is managed by the Town's Finance Department Revenue Services Division and Public Safety Department who work proactively to educate owners, agents, and renters of the requirements and enforce compliance.

Past and current Town Council strategic action plans identified the assessment of the short-term rental program to evaluate program effectiveness on addressing the negative impacts to neighborhoods including:

1. Environmental impacts;
2. Demands on Fire Rescue services;
3. Impacts to public utilities and infrastructure, and
4. Impacts of land use intensity, to determine if further regulation is necessary.

In that regard, on September 16 and 24, 2024, Town Council held workshops to review numerous priority amendments to the Land Management Ordinance (LMO) and Municipal Code that seek to address important and urgent issues in advance of a full LMO Overhaul. This review included an assessment to the Short-Term Rental Ordinance to address parking, occupancy, fire and life safety, enforcement and fee regulations.

Town staff held meetings and discussions with Town Council, members of the public, and representatives of the short-term rental industry. This assessment of the short-term rental program resulted in the following key findings:

1. Need the ability to manage property owners who violate short-term rental regulations through escalating fines instead of criminal charges;
2. Need the ability to manage property owners who operate a short-term rental property without a valid permit with fines that are greater than the cost of a permit;
3. Short-term rental properties and over occupancy can inconvenience permanent residents who have expressed concerns about parking, noise pollution, trash collection, and other consequences;
4. High occupancy homes do not have adequate fire and emergency safety mechanisms; and
5. Structures are being built for the purpose of short-term rental resulting in properties that are out of scale and context with existing neighborhoods.

The primary goal in considering Short-Term Rental Ordinance amendments is to protect and enhance the quality of life for residents and visitors. As such, the following items were identified to be addressed through proposed amendments:

1. *Parking and Enforcement*
 - a. Parking is a critical issue.

- b. Address parking regulations specifically within the Short-Term Rental Ordinance.
- c. There needs to be limits on the number of vehicles associated with a short-term rental.
- d. It needs to be clear where vehicles can and cannot park.

2. *Occupancy*

- a. Over-occupancy of short-term rental units is a concern.
- b. Define occupancy clearly for consistent regulation and enforcement.
- c. Consider if the size of the home should be factored into occupancy regulations.
- d. Occupancy enforcement presents challenges.

3. *Fire and Life Safety*

- a. Ensure adequate fire and life safety measures are required in short-term rentals.

4. *Short-Term Rental Permits and Regulations*

- a. Require short-term rental owners and agents communicate key regulations during the rental process and at time of occupancy.
- b. Align the short-term rental permit fee with community impacts and associated Town operational and infrastructure expenditures.

5. *Compliance, Fines, and Penalties*

- a. Provide for administrative citations as a tool to penalize and remedy violations.
- b. Establish a clear directive for escalating fines based on the number of offenses.
- c. Maintain ability to suspend or revoke permits for repeat offenders.
- d. Continue to enhance the Town relationship with gated communities to support enforcement of short-term rental regulations.

6. *Implementation*

- a. Provide additional time for existing short-term rentals to comply with new regulations, while ensuring new short-term rentals are compliant at the time of permit issuance.

7. *Balance Business and Community Needs*

- a. Strive for a balance between maintaining the island's character and supporting business practices related to short-term rentals.

On February 18, 2025, Town Council reviewed first reading of an Ordinance amending Chapter 10-2 Short-Term Rentals of the Municipal Code to add additional requirements

for occupancy, fire and safety alarms and equipment, parking of vehicles, enforcement, fines, definitions and other text amendments, and providing for severability and an effective date. Generally, the proposed amendments included:

1. Grammatical and clarity of language clean-ups to help support understanding and readability;
2. Key definition additions and refinements that support the existing and proposed regulatory framework;
3. Requirement that owners must be compliant and current on all licenses, permits, fees, taxes, fines, and other materials;
4. For short-term rental properties 3,600 square feet and more, a monitored automatic smoke detection system and manual fire alarm must be installed;
5. Any exterior gas grill must be equipped with an automatic shut off timer;
6. The short-term rental permit number must be included in any advertisement for the property;
7. Establish a maximum occupancy based on the number of bedrooms to which the short-term rental property can be rented;
8. Require that the location of parking be identified and not allow more than six (6) vehicles to be parked on the property;
9. Prohibit vehicles from being parked off-site, on-street and access easements, in a required buffer, or any unimproved surface; and
10. Establish a procedure to issue administrative citations and appeal process.

Following review, a motion by Town Council to approve first reading and advance the amendments to seconding reading failed (3-4). Town Council requested the discussion related to this topic continue at a later date.

On September 15, 2025, the Community Services and Public Safety Committee held a discussion to review previously proposed amendments to the Short-Term Rental Ordinance and provided direction on additional amendments to address parking, occupancy, fire and life safety, enforcement, and fees. The remaining sections of this report provide for the recommended amendments to the Short-Term Rental Ordinance.

On October 7, 2025, the Community Development & Public Services Committee unanimously recommended (by a vote of 3-0) Town Council approve the proposed Ordinance with the following amendments:

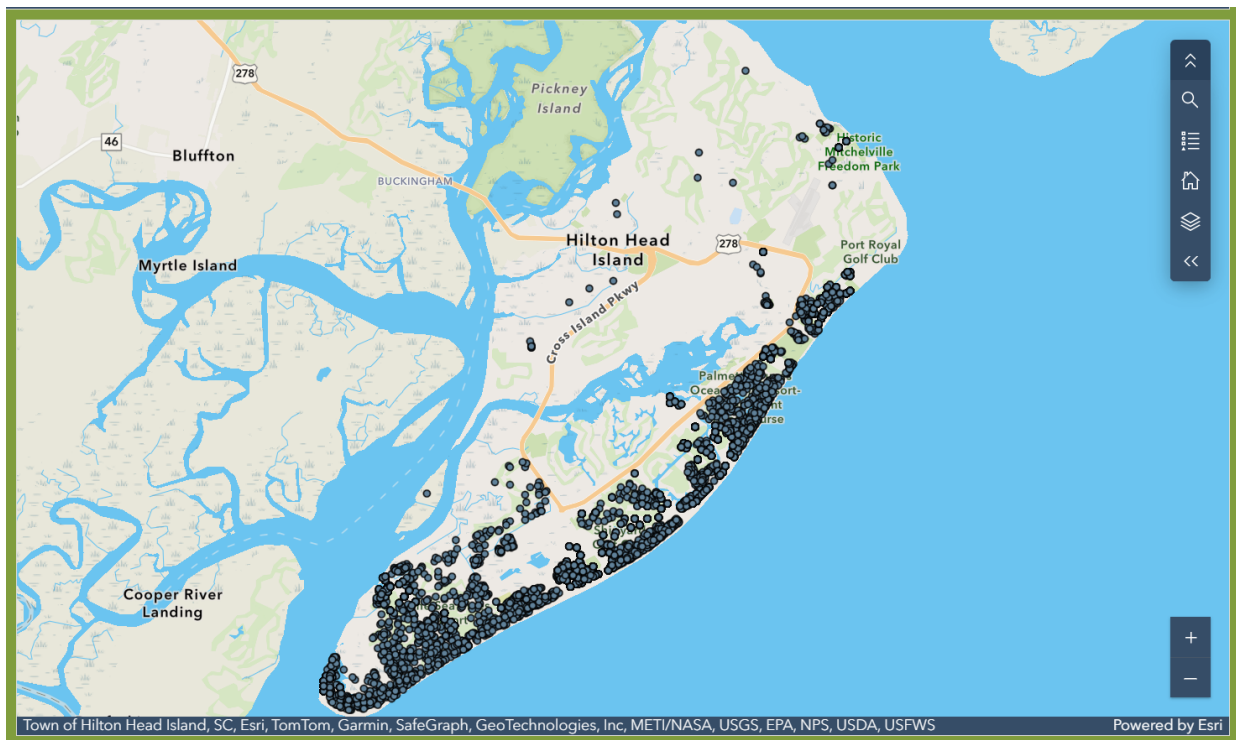
1. Remove the requirement for proof of insurance as part of the application and permit requirements.
2. Permit fees shall be \$500 for 0-4 bedrooms and \$1,000 for 5 or more bedrooms.
3. The fire alarm system shall only be required for short-term rentals having 3,600 or more square feet.
4. Parking shall be based on the site plan and there shall be a maximum of 6 parking spaces.
5. Maximum occupancy shall be 2 people per bedroom plus 2 people for the short-term rental. Studios shall have a maximum occupancy of 4 people.

6. Remove the requirement for any floor plan as part of the application and as a posting at the short-term rental property.
7. The effective date shall be determined by Town Staff.

Regarding amendment #2, after additional discussion the Committee did not take action on an amendment to Ordinance 2025-27 amending the FY26 Consolidated Budget fee schedule and short-term rental permit fees. This was to allow the Town Manager the opportunity to evaluate the operational impacts and costs to implement, administer, enforce, communicate, and maintain the resulting short-term rental program, should a revised Short-Term Rental Ordinance be adopted by Town Council. Changes to short-term rental permit fees will be brought forward for Town Council consideration as part of a future budget ordinance or amendment.

SUMMARY:

As of September 1, 2025, the Town has 7,042 short-term rental permits. These permits are located generally in proximity to the island's beaches and are depicted on the following map.



The properties subject to these permits range in size from studio units to ten (10) bedroom homes and are more specifically described in the table below:

Summary of Key 2025 Short-Term Rental Permit Data

Number of Bedrooms	Number of Permits	% of Total Permits	Average Square Feet	Maximum Occupancy	Average Occupancy	Number 3,600 Square Feet or Greater
Studio	6	0.09%	432	4	3	0
1	1,012	14.37%	639	7	4	0
2	2,985	42.39%	1,125	12	6	1
3	1,423	20.21%	1,742	14	8	1
4	735	10.44%	2,365	18	10	54
5	406	5.77%	3,522	30	14	164
6	310	4.40%	4,253	28	18	208
7	127	1.80%	4,996	30	19	116
8	26	0.37%	5,337	32	23	23
9	7	0.10%	6,088	28	22	7
10	5	0.07%	5,662	34	24	4
Total	7,042	100.00%	-	-	-	578

Short-Term Rentals by Property Type

Property Type	Number	% of Total
Single Family Residence	1,989	28.24%
Villas/ Condos	5,053	71.76%
Total	7,042	100.00%

Short-Term Rentals by Neighborhood

Neighborhood	Number	% of Total
Forest Beach	1,811	25.72%
Sea Pines	1,708	24.25%
Palmetto Dunes	1,409	20.01%
Folly Field	991	14.07%
Shipyards	464	6.59%
All Other Neighborhoods	659	9.36%
Total	7,042	100.00%

Short-Term Rentals by Zoning District

Zoning District	Number	% of Total
PD-1	3,733	53.01%
RD	2,338	33.20%
RSF-5	394	5.60%
RM-8	389	5.52%
All Other Districts	188	2.67%
Total	7,042	100.00%

The Public Safety Department conducts proactive patrols and responds to complaints regarding short-term rentals, building and land management sites, general code enforcement, parking enforcement, and beach patrol. In 2024, the department completed over 36,500 site checks, responses to complaints, and compliance actions. Below is a summary of this activity:

Community Code Enforcement Summary of 2024 Actions

Short-Term Rentals	
Complaints	349
Violations	218
Building Sites	
Site Checks	1,017
Violations	116
Stop Work Orders	60
Land Management Sites	
Site Checks	200
Violations	163
Stop Work Orders	17
Citations	31
Code Enforcement	
Business License Checks	554
Sign Violations	433
Sea Turtle Light Violations	170
Other Code Violations	146
Citations	37
Town Park Checks	11,016
Parking Enforcement	
Violations	504
Vehicles Towed	12
Beach Patrol	
Alcohol Violations	11,766
Dogs Violations	992
Glass on Beach Violations	1,464
Metal Shovels / Holes Violations	1,484
People / Bikes in Dunes Violations	4,761
Fishing License Checks	850
Fishing License Violations	181
Other Violations	207
Citations	7
Total	36,755

As it pertains to short-term rentals, complaints are related to the trash, noise, parking, and permit status. Through September 1, the Public Safety Department responded to

349 complaints received through the short-term rental permit call center, MyHHI app, and email. This does not include complaints provided to property owner association security (Sea Pines, Palmetto Dunes, Shipyard, etc.) or other private security utilized by other owner associations. More than 50% of all short-term rental units are supported by property owner association or other private security. Additional details can be found below:

Community Code Enforcement 2025 Short-Term Rental Property Actions

Issue	Verbal	Written	Admin Citation	Municipal Citation	Total
Trash	7	0	0	0	7
Noise	78	1	1	0	80
Parking	56	5	4	0	65
Permit	1	3	0	0	4
Total	142	9	5	0	156

The Fire Resue Department began mandatory reporting of short-term rental emergency response calls in September 2024. In the 12-month period from September 1, 2024 - August 31, 2025, the Fire Rescue Department completed the following calls for short-term rentals:

Fire Rescue Call Types to Short-Term Rental Properties

Call Type	Number
EMS	348
Fire Alarm Activations	361
Fire	9
Other (i.e., public service, canceled, no incident)	82
Total	800

Fire Rescue Calls to Short-Term Rental Properties - Location

Location	Number
Sea Pines	177
Palmetto Dunes	121
Shipyard	58
Port Royal	31
Other	413
Total	800

During this same reporting period, Fire Rescue responded to 10,146 incidents. Short-term rental incidents accounted for nearly 8% of all incidents.

PROPOSED AMENDED SHORT-TERM RENTAL ORDINANCE:

Based upon feedback and direction from Town Council members, and as recommended by the Community Development & Public Services Committee these proposed amendments aim to balance the growing popularity of short-term rentals with the needs and quality of life of residents and visitors, providing a framework for responsibility, protection of quality of life, enforcement, and compliance while supporting a vital industry in our community.

Establishing enhanced and additional regulations related to parking, fire and life safety, and enforcement, allow for reduced impacts on existing neighborhoods and help ensure the safety of visitors. Existing building and fire codes do not control occupancy in residential structures and require the kind of safety equipment that is necessary where there is high occupancy, and the occupants are unfamiliar with the structure and the exit routes in the case of an emergency.

Below is a section-by-section summary of the proposed ordinance and what it intends to accomplish and regulate. This proposal builds from the February 18, 2025, version reviewed by Town Council, addresses the recent comments and direction, and includes the recommendations of the Community Development & Public Services Committee. The amended Town Code overview is as follows:

1. *Section 10-2-10. Purpose and Intent.*

- a. To regulate privately owned residential properties rented to transient occupants for less than 30 consecutive days.
- b. Focus on promoting the health, safety, and welfare of residents and visitors.
- c. Minimize potential adverse effects on surrounding neighborhoods.
- d. Clarify that this ordinance does not apply to hotels, motels, or other similar uses.

2. *Section 10-2-20. Compliance Dates.* (new section establishing effective date of regulations)

- a. Adoption Date. The date which the Town Council officially approves the Ordinance.
- b. Compliance Date. Any application for a short-term rental permit issued on or after May 1, 2026, shall be issued in compliance with the terms, regulations and requirements established in this Ordinance.
- c. Compliance Exception. Any short-term rental permit issued prior to, and valid on, the Adoption Date shall comply with the requirements established in Section 10-2-60(b)(3) – fire safety alarm – no later than May 1, 2027.

3. *Section 10-2-30. Definitions.* (key definitions as paraphrased)

- a. Agent: An individual authorized to act on behalf of an owner for a short-term rental property.
- b. Bedroom: A designated sleeping area meeting safety code requirements.
- c. Natural Person: Individual human being, as distinguished from a legal or business entity.
- d. Owner: Any individual or entity owning one or more short-term rental properties.
- e. Short-Term Rental: Rentals of residential property for periods of less than thirty (30) consecutive days.
- f. Short-Term Rental Permit: An annual permit required for short-term rental operation.
- g. Short-Term Rental Tenant: Individuals occupying a short-term rental property.
- h. Official: The Town Manager's designated officer for short-term rental administration and enforcement.
- i. Written Notice: Legal notices provided in writing or electronically per short-term rental regulations.

4. *Section 10-2-40. Short-Term Rental Permit.* (Attachments 4-6)

- a. Must obtain a permit prior to advertising, offering, using or operating a short-term rental, and each property must obtain its own permit.
- b. Permits are valid for a 12-month period beginning May 1 – April 30. Currently this period is January 1 – December 31. This change will align with business licenses allowing for consistency and coordination of the two programs. To facilitate the change, short-term rental permits issued for the 2025 calendar year will be extended until April 30, 2026. This will allow time for applications and processes to be updated prior to the permit renewals being accepted on March 1, 2026 rather than November 1, 2025.
- c. Permits are not valid without a Certificate of Occupancy issued.
- d. Permits are non-transferrable and non-refundable.
- e. Owner must update the Town with any changes associated with the property; ownership, contact information, agent information, etc.
- f. Application fee is set each year in the annual budget ordinance.
- g. False or inaccurate information provided on the application shall be grounds for suspension or revocation.
- h. Permits can only be issued to a Natural Person. If the property is held by a business or trust, a Natural Person must be identified.

5. *Section 10-2-50. Licenses, Permits, Payment of Fees and Taxes Required.*

- a. Owners cannot advertise, offer, use or operate a short-term rental without:
 - i. A valid and current permit and Town business license.
 - ii. Payment made for all fees associated to the permit and business license and be current on all taxes associated, all ad valorem taxes and government fees, and all fines/late fees/similar charges.

6. *Section 10-2-60. Regulations for Short-Term Rentals and Short-Term Rental Properties.*

- a. Response to complaints:
 - i. The Owner or Agent shall be available during the occupancy of any Short-Term Rental to respond to a complaint or any other matter related to the behavior of any Short-Term Rental Tenant or the operation of the Short-Term Rental.
 - ii. The Owner or Agent shall be available by telephone at all times during the occupancy of any Short-Term Rental and capable of being physically present at the Short-Term Rental Property, or taking other responsive action as required within one (1) hour of notification by the Town of a complaint or any other matter related to the Short-Term Rental Property.
- b. Fire and Life Safety:
 - i. Maintain the proper equipment (smoke, carbon monoxide, combustible gas detectors; fire extinguishers) in the short-term rental property.
 - ii. For any Short-Term Rental having more than 3,600 or more square feet, install monitored fire alarm systems including automatic smoke detection system.
 - iii. Equip outdoor gas-fired grills with automatic shut-off timers.
 - iv. Ensure unobstructed escape routes.
- c. Noise Regulations: Shall adhere to Title 17, Chapter 4 of the Town Code (noise regulations, nighttime hours between 10:01 p.m. and 6:59 a.m.)
- d. Trash Regulations: Establishes regulations for proper trash disposal, trash container area.
- e. Parking Regulations:
 - i. Owner must identify the location of off-street parking within the short-term rental permit application;
 - ii. No more than 6 exterior parking spaces may be provided;
 - iii. Parking regulations of how and where to park;
 - iv. Must have minimum spaces required by Section 16-1-101; and
 - v. No expansion of a driveway or construction of new parking areas shall be permitted for the primary purpose of increasing the parking capacity of a short-term rental property.
- f. Inspection and Compliance Regulations: Properties are subject to inspection with a 48-hour notice from the Town to ensure all applicable materials are displayed as required and ensure continuous compliance.

7. *Section 10-2-70. Advertisement and Display Requirements.* (new section organizing related requirements into a single location – Attachment 7)

- a. Advertisements must show short-term rental permit number and include the same information as provided for in the short-term rental permit application (e.g. number of bedrooms, parking spaces, etc.)

- b. Establishes required information to be displayed in the short-term rental including:
 - i. Owner and Agent contact information;
 - ii. Noise restrictions and reference to Town Code section;
 - iii. Instructions for managing trash disposal and location of trash container locations;
 - iv. Notice of a swimming pool or hot tub with safety equipment (if applicable); and
 - v. Any Town-provided outreach and awareness materials.

8. *Section 10-2-80. Suspension or Revocation of STR Permit.*

- a. Establishes grounds for suspension and limits suspensions to one (1) year.
- b. Establishes grounds for revocation and explains the revocation process and proceedings.

NEXT STEPS:

Implementation of the proposed amendments will require modifications to the Town intake and permitting system and processes that will take 90-120 days to fully implement. As such, and as directed in recent discussions on this topic at Committee and Town Council meetings held on September 15, 2025, and September 16, 2025, respectively, the following review schedule is being implemented:

- 1. (Complete) October 7, 2025. Community Development and Public Services Committee.
- 2. (Complete) October 13, 2025. Town Council First Reading.
- 3. October 21, 2025. Town Council Second Reading.

If adopted by Town Council, the following implementation schedule would be in effect:

- 1. October 21, 2025. Adoption date of Short-Term Rental Ordinance.
- 2. March 1, 2026. Short-term rental permit renewal period opens.
- 3. April 30, 2026. Permits issued for January 1, 2025 – April 30, 2026, permit period expire.
- 4. May 1, 2026.
 - a. Effective date of adopted Short-Term Rental Ordinance. All short-term rentals must comply with new Short-Term Rental Ordinance with the following exception:
 - i. Any short-term rental permit issued prior to, and valid on, the Adoption Date shall comply with the requirements established in Section 10-2-60(b)(3) – fire safety alarm – no later than May 1, 2027.
 - b. May 1, 2026 – April 30, 2027, short-term rental permit period begins.
- 5. May 1, 2027.

- a. Any short-term rental permit issued prior to, and valid on, the Adoption Date shall comply with the requirements established in Section 10-2-60(b)(3) – fire safety alarm.
- b. May 1, 2027 – April 30, 2028, short-term rental permit period begins.

ATTACHMENTS:

1. Ordinance - Short-Term Rentals
2. Exhibit A of Ordinance: Text – Short-Term Rentals
3. Track Changes from First Reading: Text – Short-Term Rentals
4. Short-Term Rental Application Checklist
5. Fire Rescue Safety Checklist
6. Fire Rescue Community Risk Reduction Information
7. Town Required Information for Display in Short-Term Rentals

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

ORDINANCE NO. _____

AN ORDINANCE TO REPEAL AND REPLACE CHAPTER 2 TITLE 10 OF THE MUNICIPAL CODE OF THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA (1983) TO ADDRESS HEALTH, SAFETY AND WELFARE ISSUES ARISING FROM SHORT-TERM RENTALS

WHEREAS, on May 17, 2022, the Town Council for the Town of Hilton Head Island, South Carolina (“*Town Council*”), adopted Town of Hilton Head Island Code Chapter 2 Title 10 of the Municipal Code of the Town of Hilton Head Island, South Carolina, establishing regulations for Short-Term rentals in the municipal limits of the Town of Hilton Head Island, South Carolina (“*Town*”) to be effective January 1, 2023; and,

WHEREAS, the Town Council finds that from and after the effective date of Chapter 2 Title 10 there have been ongoing health, safety and welfare issues arising at properties that are used for Short-Term Rentals. Specifically, Short-Term Rental properties that are rented to numbers of occupants that are higher than can be readily accommodated by the structure, by the property and by the public infrastructure serving the neighborhoods where Short-Term Rental properties are located, leading to:

- (i) Safety issues arising from high occupancy where the occupants are unfamiliar with the structure and the escape routes in the event of an emergency;
- (ii) Safety issues arising from the lack of an interconnected, monitored smoke detection and manual fire alarm system capable of notifying all occupants in a structure;
- (iii) Safety issues arising from the lack of shut-off timers for gas-fired grills;
- (iv) Negative impacts on neighborhoods where Short-Term Rental properties are located due to lack of compliance with the Town’s Noise Ordinance [17-4-1111, *et seq.*, *Municipal Code of the Town of Hilton Head Island, South Carolina (1983)*]; and
- (v) Negative impacts on neighborhoods where Short-Term Rental properties are located due to the parking of vehicles by Short Term Rental occupants at locations off of the Short-Term Rental property, including public streets, rights of way or access easements.

WHEREAS, the Town Council finds that the issues stated above are important health, safety and welfare issues that affect the citizens, residents, and visitors of and to the Town; and,

WHEREAS, the Town Council finds that the text of 10-20-10, *et seq.*, *Municipal Code of the Town of Hilton Head Island, South Carolina (1983)*, will be improved by repealing and replacing the text to provide revisions to the definitions and other text amendments, and create clarity to the text; and,

WHEREAS, the Town Council finds that by repealing and replacing the text of 10-2-10, *et seq.*, *Municipal Code of the Town of Hilton Head Island, South Carolina (1983)*, to address the health, safety and welfare issues described above to add additional requirements for Occupancy Limits, Smoke and Safety Alarms And Equipment, Parking Of Vehicles Enforcement, Fines, Definitions and Other Text Amendments related to Short-Term Rentals and Short-Term Rental Properties are in the best interests of, and will promote the health, safety and welfare of the Town and the citizens, residents and visitors of and to the Town; and,

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

Section 1. Amendment. That 10-2-10, *et seq.*, *Municipal Code of the Town of Hilton Head Island, South Carolina (1983)* is repealed in its entirety and replaced as shown on Exhibit “A” attached hereto and incorporated herein by reference.

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

Section 3. Effective Date. This Ordinance shall have an effective date of May 1, 2026.

Section 4. Permit Extension. The permit period set forth in the currently adopted and effective Section 10-2-30(a)(1) shall be extended from December 31, 2025 through April 30, 2026.

PASSED, APPROVED, AND ADOPTED BY THE COUNCIL FOR THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA, ON HIS _____ DAY OF _____, 2025.

(SIGNATURES ON FOLLOWING PAGE)

THE TOWN OF HILTON HEAD ISLAND,
SOUTH CAROLINA

Alan R. Perry, Mayor

ATTEST:

Kimberly Gammon, Town Clerk

First Reading: _____

Second Reading: _____

APPROVED AS TO FORM:

Curtis L. Coltrane, *Town Attorney*

EXHIBIT A**TITLE 10 – BUSINESS AND PROFESSIONAL LICENSING; FRANCHISING AND REGULATION
CHAPTER 2 SHORT-TERM RENTALS****Sec. 10-2-10. Purpose and intent.**

It is the purpose and intent of this Chapter to establish regulations for privately owned residential property that is rented to transient occupants for periods of less than thirty (30) consecutive days in the municipal limits of the Town of Hilton Head Island, South Carolina (“Town”), to promote the health, safety and welfare of residents of and visitors to the Town and to minimize the potential adverse effects of short-term rental uses on surrounding residential properties and neighborhoods, and to preserve the character, integrity, and stability of residential neighborhoods in which short-term rental properties are located. This Chapter is not intended to regulate hotels, motels, hospitals or interval occupancy uses [as defined in section 16-10-103(D)(2), *Municipal Code of the Town of Hilton Head Island, South Carolina* (1983)].

Sec. 10-2-20. Compliance Dates.

- (a) *Adoption Date.* The date which the Town Council officially approves the Ordinance establishing this Chapter (“Adoption Date”).
- (b) *Compliance Date.* Unless otherwise established in this Section, any application for a STR Permit issued on or after May 1, 2026, shall be issued in compliance with the terms, regulations and requirements established in this Chapter.
 - (1) *Compliance Exception.* The requirements established in Section 10-2-60(b)(3) shall be effective and compliance shall be enforced as stated in this Section.
 - a. Prior to Adoption Date. Any application for a renewal of a STR Permit issued prior to, and valid on, the Adoption Date shall comply with the requirements established in Section 10-2-60(b)(3) no later than May 1, 2027.
 - b. After Adoption Date. Any application for a STR Permit, where said application is not regulated by Section 10-2-20(b)(1)(a), received after the Adoption Date shall only be approved if the STR Property is in compliance with Section 10-2-60(b)(3) as of May 1, 2026.

Sec. 10-2-30. Definitions.

The following terms are defined terms and when capitalized in the text of this Chapter, mean:

- (1) *Agent* means an individual designated by an Owner to act on the Owner's behalf in connection with a STR Property or STR, to respond on behalf of the Owner to complaints, and receive Written Notices.
- (2) *Bedroom* means a room within a STR Property that is designated, designed and used as a sleeping area rather than a living, dining, or common space. The room must meet building and safety codes and be primarily used for sleeping and typically contains at least one window, a door, a closet, and a bed or other sleeping furniture. As used in this Chapter, “Bedroom” has the same meaning as “Sleeping Area” in the National Fire Alarm and Signaling Code (NFPA 72).
- (3) *Natural Person* means an individual human being, as distinguished from a legal or business entity such as a corporation, limited liability company, partnership, trust, or other juridical person.
- (4) *Official* means the officer, employee or agent designated by the Town Manager to administer and implement the requirements and regulations of this Chapter.
- (5) *Owner* means the owner of record and includes any individual, firm, partnership, limited liability partnership, limited liability company, cooperative non-profit membership, corporation, joint venture, association, estate, trust, business trust, receiver, syndicate, holding company, or other group or combination acting as a unit, in the singular or plural, who or which owns one or more STR Properties.

-
- (6) *Short-Term Rental ("STR")* means the advertising, offering, leasing, use and/or operation of any STR Property or permitting the occupancy of any STR Property or any other property by a lease or any other form of agreement for periods less than thirty (30) consecutive days.
 - (7) *Short-Term Rental Permit ("STR Permit")* means an annual permit that an Owner must obtain from the Town for each of an Owner's STR Properties.
 - (8) *Short-Term Rental Property ("STR Property")* means any residential property in the municipal limits of the Town, that, in whole or in part, is advertised, offered, leased, used, operated, and/or occupied under a lease or any other form of agreement for a STR.
 - (9) *Short-Term Rental Tenant ("STR Tenant")* means any individual, or group of individuals, occupying all or any part of a STR Property, however described, in any agreement for a STR. For purposes of this Chapter, STR Tenant includes the terms lessee, renter, or any other term used in any agreement for a STR between the Owner and any person or group of individuals.
 - (10) *Written Notice* means any notice required or authorized by this Chapter. A Written Notice may be delivered by personal service to the Owner, or by certified mail, return receipt requested, addressed to the Owner at the address for the Owner shown on the current STR Permit application or the most recent address provided in writing to the Official by the Owner. The Written Notice will be deemed to have been delivered on the date of personal service as documented on an affidavit of service, or on the date that the certified mail return receipt is signed for by, or on behalf of, the Owner.

An Owner may authorize the delivery of any Written Notice authorized or required by the Chapter in the form of electronic mail in the STR Permit application. By authorizing delivery of Written Notice by electronic mail, the Owner acknowledges that any Written Notice delivered by way of electronic mail to the electronic mail address shown in the STR Permit application, or the most recent electronic mail address provided to the Town by the Owner in writing complies with the requirements of this Chapter and any other law regarding delivery of legal notices. The Written Notice by way of electronic mail shall be deemed to have been delivered on the date the electronic return receipt is received by the Official.

An Owner may designate an Agent to act on the Owner's behalf and authorize Written Notices to be delivered to the Agent by providing the necessary information on the STR Permit.

The defined terms include the plural of any term set out in this Section 10-2-30.

Sec. 10-2-40. Short-Term Rental Permit.

- (a) *STR Permit Generally.* A STR Permit shall be obtained prior to a property being advertised, offered, used, and/or operated as a STR.
 - (1) STR Permits issued for calendar year 2025 to expire December 31, 2025, shall be extended and deemed valid until April 30, 2026. In all years following 2025, STR Permits shall be valid for the twelve month period of May 1 to April 30 and shall only be valid for the period which the STR Permit is issued, irrespective of the date on which the STR Permit is issued.
 - (2) A separate STR Permit must be obtained for each STR Property. If multiple units, regardless of building type, are located on one parcel of land, then a STR Permit is required to be obtained for each individual unit.
 - (3) A STR Permit shall not be valid if a Certificate of Occupancy has not been issued by the Town for the STR Property.
 - (4) STR Permits are non-transferrable and non-refundable and are only valid for the Owner, Agent, and the STR Property described in the STR Permit.
 - (5) The Owner shall notify the Town, of any changes to the contact information provided on the STR Permit application.
-

-
- (6) The application fee and late fees for a STR Permit shall be set each year by the Town Council in the annual budget ordinance.
 - (7) The STR Permit application shall be made on a form published by the Town, must be delivered to the Town with the application fee, and must include the following:
 - a. A STR Permit application for a single-family detached residence or any residence that does not have community trash facilities or shared parking must include a site plan showing compliance with the requirements of Section 10-2-60(d) and 10-2-60(e); and,
 - b. A copy of at minimum one (1) advertisement for the STR; and,
 - c. If applicable, a letter from the homeowners or property owners' association approving the use of the STR Property as a STR; and,
 - d. An affidavit signed by the Owner affirming compliance with the requirements of this Chapter; and,
 - e. Provide parking information as required in Section 10-2-60(e).
 - (8) Review of a STR Permit application shall be conducted by the Official, and the STR Permit shall be granted unless the Owner fails to demonstrate compliance with this Chapter and applicable Town Code requirements and regulations.
 - (9) Any false, inaccurate, or untrue statements or information provided with the STR Permit application shall be grounds for revocation or suspension of the STR Permit and imposition of penalties, including denial of future STR Permit applications.
- (b) *Application by Agent.* A STR Permit application submitted by an Agent must be signed by the Owner.
- (c) *Natural Person Required.* If the Owner of the STR Property is held in the name of a trust, entity, legal partnership or business, the STR Permit application must designate a Natural Person who has legal authority to act on behalf of said Owner.

Sec. 10-2-50. Licenses, permits, payment of fees and taxes fees required.

Prior to a property being advertised, offered, used, and/or operated as a STR, the Owner shall first and on a continuing basis thereafter:

- (1) Obtain and maintain a valid and current STR Permit for the property and Town business license; and,
- (2) Pay all applicable fees associated with any STR Permit application and Town business license; and,
- (3) Pay all sales, use or any other similar taxes in connection with any STR and/or STR Property, and,
- (4) Pay all *ad valorem* taxes and government fees for any STR Property; and,
- (5) Ensure there are no outstanding fines, late fees or any other similar charges arising from any STR or the operation, occupancy and use of any STR Property.

Upon identification of delinquent fees, fines or any other monies required by this Section to be current and are due to the Town, the Official has the authority to establish payment plans, revenue procedures, and reduce or waive penalties. The authority provided in this Section shall not conflict with any other Town Code section, and if a conflict occurs then this Section shall be superseded by the conflicting Town Code section.

Sec. 10-2-60. Regulations for Short-Term Rentals and Short-Term Rental Properties.

- (a) *Response to Complaints.* Following the Town's receipt of a complaint against a STR or a STR Property, the Town shall contact the Owner or Agent as soon as practical following receipt of a substantiated complaint. The Owner or Agent shall be available in accordance with the requirements established in this Section.

-
- (1) The Owner or Agent of any STR shall be available during the occupancy of any STR to respond to a complaint or any other matter related to the behavior of any STR Tenant or the operation of the STR.
- (2) The Owner or Agent of any STR shall be available by telephone at all times during the occupancy of any STR and capable of being physically present at the STR Property, or taking other responsive action as required within one (1) hour of notification by the Town of a complaint or any other matter related to the STR Property.
- (b) *Fire and Life Safety.* During any STR and while in possession of a current and valid STR Permit, the STR must remain in compliance at all times with the requirements established in this Section, regardless of whether a STR Tenant or any other individual is occupying the STR Property.
- (1) Maintain fully operable smoke, carbon monoxide, and, if propane is used inside the STR Property, combustible gas detectors in the STR Property in such number and in such locations as required by this Chapter and any other applicable building, fire or safety code; or any other code, regulation or law.
- (2) Maintain at minimum one (1) fully operable and charged fire extinguisher in the STR Property. Additional fire extinguishers must be in the STR Property and located in the STR Property as required by any applicable building, fire or safety code; or any other code, regulation or law.
- (3) Any STR Property measuring 3,600 square feet or more that does not have a fire suppression system shall have a fire alarm system installed. For purposes of this section the STR Property square footage shall be determined by the Beaufort County tax record; and if a tax record does not exist for the STR Property, then the Town's building records will be used to determine the square footage of the STR Property. The fire alarm system shall be monitored by a supervising station (i.e., monitoring company) meeting the intent of the National Fire Alarm and Signaling Code (NFPA 72). The fire alarm system shall include a functioning automatic smoke detection system that activates an occupant notification system. Single- or multiple-station smoke alarms shall be installed in all of the following locations:
- i. Bedrooms and sleeping areas; and,
 - ii. Every room in the path of the means of egress from the Bedroom or sleeping area to the door leading from the Bedroom or sleeping unit; and,
 - iii. Each story within the STR Property, including basements. For STR Properties with split levels and without an intervening door between the adjacent levels, a smoke alarm installed on the upper level shall suffice for the adjacent lower level provided that the lower level is less than one full story below the upper level.
- (4) Equip any exterior gas-fired grill at any STR Property with an automatic shut-off timer allowing no more than sixty (60) minutes of gas flow.
- (5) Maintain unobstructed escape routes in the STR Property in the event of fire.
- (c) *Noise regulations.* A STR shall remain in compliance with all applicable Town ordinances including, but not limited to, Title 17 Chapter 14. Any activity which unreasonably disturbs the peace and quiet of those in their homes and public places is strictly prohibited. During any STR the occupants, whether a STR Tenant or other occupant, shall adhere to the regulations placed on nighttime hours (between 10:01 p.m. and 6:59 a.m.), though Town noise regulations are enforced twenty-four (24) hours each day.
- (d) *Trash regulations.* Each STR Property shall have a designated trash storage area that is fenced or screened so that trash containers are not seen from public streets and neighboring property, except during designated pick-up times. Outdoor trash containers must remain secured with a lid at all times to avoid spills and prevent pests from disturbing the trash contained within the containers.
- Trash containers shall not be placed curbside for more than twenty-four (24) hours prior to scheduled pick-up times and will be removed no more than twenty-four (24) hours after pick-up.
-

-
- (e) *Parking regulations.* During any STR and while in possession of a current and valid STR Permit, the parking regulations and requirements established in this subsection shall be followed.
- (1) The only parking permitted at a STR Property shall be those areas:
 - a. Identified in the STR Permit application as the location of off-street parking spaces; and,
 - b. Shown on an approved site plan that are located off-street parking spaces within a driveway, be arranged in a row and aligned parallel to one another, and not block any sidewalk, pathway, or other pedestrian access crossing the driveway; and,
 - c. Approved by the Town to provide the minimum number of parking spaces as required by Section 16-1-101, et seq., Municipal Code of the Town of Hilton Head Island, South Carolina (1983); and,
 - d. In compliance with the regulations established in this Section and shall not exceed six (6) exterior parking spaces on any one STR Property. The parking space maximum established in this subsection does not include those parking spaces located inside of a garage.
 - (2) The areas identified for the parking of vehicles must be improved with either a pervious or impervious surface. Parking areas must include a space at least nine (9) feet by eighteen (18) feet for each vehicle allowed to be parked at the STR Property. Areas for parking must comply with all other applicable requirements of Section 16-1-101, et seq., Municipal Code of the Town of Hilton Head Island, South Carolina (1983).
 - (3) No expansion of a driveway or construction of new parking areas shall be permitted for the primary purpose of increasing the parking capacity of a STR Property without prior written approval by the Town.
 - (4) No vehicles associated with the STR Property shall be parked in a place not designated for parking, off-site, on-street (including adjacent rights-of-way or access easements), in a required buffer (excluding in driveways crossing a required buffer), or on any unimproved surface on the STR Property. No vehicle shall park anywhere in conflict with the parking plan approved by the Town in the STR Permit application.
- (f) *Inspections and Compliance Regulations.*
- (1) Any STR Property is subject to inspection by the Town to verify compliance with the provisions of this Chapter. Prior to entering the STR Property, the Town shall provide a forty-eight (48) hour written notice using the contact information provided in the STR Permit application.
 - (2) The Owner is responsible for inspecting the STR Property to ensure continued compliance with this Chapter and all other applicable zoning, building, health and life-safety code requirements.
 - (3) In addition to the requirements of this Chapter, any STR Property must also comply with all other statutes, ordinances, regulations or private covenants applicable to the STR Property. Nothing in this Chapter is intended to authorize waiver of or limitations on compliance with any other applicable statutes, ordinances, regulations or requirements.

Sec. 10-2-70. Advertisement and Display Requirements.

- (a) *Advertisement Requirements.* Any advertisement for a STR shall list the STR Permit number and contain the same information provided to the Town on the STR Permit application including, but not limited to, the number of Bedrooms, and maximum number of vehicles permitted at the STR Property.
 - (b) *STR Property Displays.* Upon receipt of necessary approvals and receipt of a STR Permit, and prior to any occupancy, the STR Property shall display in a prominent location the following:
 - (1) Contact information for the Owner or Agent responsible for responding to complaints and any other matters in accordance with Section 10-2-60(a); and
-

-
- (2) Noise restrictions, whereby the following statement shall be on display “It is unlawful to unreasonably disturb the peace and quiet of those in their homes and public places. Nighttime hours are between 10:01 p.m. and 6:59 a.m., though Town noise regulations are enforced twenty-four (24) hours each day as established in Title 17, Chapter 4 of the Town Code”; and,
 - (3) Instructions for managing trash disposal at the STR Property. In accordance with Section 10-2-60(d), the instructions shall include the location of the trash containers, location for trash containers to be picked up, and the designated pick-up times for the trash containers; and,
 - (4) If applicable, notice of the existence of any swimming pool or hot tub at the STR Property and the location of safety equipment related to the swimming pool or hot tub; and,
 - (5) Town-provided outreach and awareness materials related to applicable Town requirements.

Sec. 10-2-80. Violations and Penalties.

- (a) *Violations.* It shall be a violation of this Chapter to enter into any agreement, lease, offer, advertise, operate, occupy, or use any property for a STR without first complying with the requirements of this Chapter. A violation has occurred for any failure to comply with the requirements established in this Chapter.
- (b) *Administrative Citations and Fines.* Violations of any provision of Chapter are subject to an Administrative Citation as established in Hilton Head Island Code, Section 1-5-11.
 - (1) Penalties and Fines. Administrative Fines for violations of this Chapter are as follows:
 - i. Two Hundred Fifty (\$250) Dollars for first infraction;
 - ii. Five Hundred (\$500) Dollars for a second infraction within one (1) year of the first infraction; and,
 - iii. One Thousand (\$1000) Dollars for a third or any subsequent infraction within one (1) year of the second or any subsequent infraction.
 - (2) Failure to pay an Administrative Fine with thirty (30) days of being issued shall result in a twenty-five (\$25.00) Dollar late fee.
- (c) *Other Penalties and Remedies.* Violations of this Chapter are also subject to the penalties and remedies authorized under Title 12 Chapter 3, Parking; Section 1-5-11, Administrative Citation; Section 1-5-10, General penalty; continuing violation, Section 10-1-150, Business and professional licenses; suspension or revocation of license, Section 9-1-111, et seq. These remedies are in addition to any other remedies available in this Code or at law or in equity for a violation.
- (d) *Parking Violation and Towing.* The Public Safety Director Code Enforcement Officer, Official, or the Beaufort County Sheriff's Office may immobilize, tow, or impound any vehicle parked in violation of this Chapter if, in their sole discretion, deem it necessary for public safety purposes. Any and all charges or fees associated with towing or immobilization shall be the expense of the owner of the vehicle.

Sec. 10-2-90. Suspension or Revocation of STR Permit.

- (a) *Suspension.* A STR Permit may be suspended when the Public Safety Director or Official determines:
 - (1) A STR Permit has been mistakenly or improperly issued or issued contrary to law;
 - (2) Any condition upon which the STR Permit was issued has been breached;
 - (3) The STR Permit was obtained through fraud, misrepresentation, a false or misleading statement, or evasion or suppression of a material fact in the STR Permit application;
 - (4) An Owner is delinquent in the payment to a fee, fine, or tax as established in Section 10-2-50;
 - (5) The operation of a STR Property has been declared a nuisance;
 - (6) More than two (2) convictions for violations of this Code arising from any activities at or connected with a STR Property occur within any twelve-month period; or,

-
- (7) More than three (3) Administrative Citations arising from any activities at or connected with a STR Property occurring within any twelve-month period.

The Public Safety Director or Official is authorized to issue a Written Notice to the Owner that the STR Permit is suspended for a period of one-year and may be revoked, pending a single hearing before Town Council for the purpose of determining whether the suspension should be upheld or whether the STR Permit should be revoked.

- (b) *Revocation.* The Written Notice of suspension and proposed revocation shall state the time and place at which the hearing before Town Council is to be held and shall contain a brief statement of the reasons for the suspension or proposed revocation of a STR Permit.
- (1) The hearing before Town Council on the suspension and proposed revocation of a STR Permit shall be held by Town Council within thirty (30) days after delivery of the Written Notice described in this section 10-2-90. The hearing shall be held upon Written Notice at a regular or special meeting of Town Council. The hearing may be continued to another date by agreement of all parties. At the hearing, all parties shall have the right to be represented by counsel, to present testimony and evidence, and to cross-examine witnesses. The proceedings shall be recorded and transcribed at the expense of the party so requesting. The South Carolina rules of evidence and procedure prescribed by Town Council shall govern the hearing. Following the hearing, Town Council by majority vote of its members present, shall render a written decision setting out its findings of fact and conclusions. The written final decision shall constitute the final decision of Town Council. The written final decision shall be delivered to the Owner in the same manner as any other Written Notice under this Chapter unless a different person and method of delivery is requested by the Owner at the hearing.
- (2) The written decision of Town Council may be appealed to the circuit court in the same manner as appeals are made from the decisions of other administrative bodies of the Town. An appeal, in and of itself, does not stay the effect of Town Council's decision.

EXHIBIT A**TITLE 10 – BUSINESS AND PROFESSIONAL LICENSING; FRANCHISING AND REGULATION
CHAPTER 2 SHORT-TERM RENTALS****Sec. 10-2-10. Purpose and intent.**

It is the purpose and intent of this Chapter to establish regulations for privately owned residential property that is rented to transient occupants for periods of less than thirty (30) consecutive days in the municipal limits of the Town of Hilton Head Island, South Carolina ("Town"), to promote the health, safety and welfare of residents of and visitors to the Town and to minimize the potential adverse effects of short-term rental uses on surrounding residential properties and neighborhoods, and to preserve the character, integrity, and stability of residential neighborhoods in which short-term rental properties are located. This Chapter is not intended to regulate hotels, motels, hospitals or interval occupancy uses [as defined in section 16-10-103(D)(2), *Municipal Code of the Town of Hilton Head Island, South Carolina* (1983)].

Sec. 10-2-20. Compliance Dates.

- (a) *Adoption Date.* The date which the Town Council officially approves the Ordinance establishing this Chapter ("Adoption Date").
- (b) *Compliance Date.* Unless otherwise established in this Section, any application for a STR Permit issued on or after May 1, 2026, shall be issued in compliance with the terms, regulations and requirements established in this Chapter.
 - (1) *Compliance Exception.* The requirements established in Section 10-2-60(b)(3) shall be effective and compliance shall be enforced as stated in this Section.
 - a. Prior to Adoption Date. Any application for a renewal of a STR Permit issued prior to, and valid on, the Adoption Date shall comply with the requirements established in Section 10-2-60(b)(3) no later than May 1, 2027.
 - b. After Adoption Date. Any application for a STR Permit, where said application is not regulated by Section 10-2-20(b)(1)(a), received after the Adoption Date shall only be approved if the STR Property is in compliance with Section 10-2-60(b)(3) as of May 1, 2026.

Sec. 10-2-30. Definitions.

The following terms are defined terms and when capitalized in the text of this Chapter, mean:

- (1) *Agent* means an individual designated by an Owner to act on the Owner's behalf in connection with a STR Property or STR, to respond on behalf of the Owner to complaints, and receive Written Notices.
- (2) *Bedroom* means a room within a STR Property that is designated, designed and used as a sleeping area rather than a living, dining, or common space. The room must meet building and safety codes and be primarily used for sleeping and typically contains at least one window, a door, a closet, and a bed or other sleeping furniture. As used in this Chapter, "Bedroom" has the same meaning as "Sleeping Area" in the National Fire Alarm and Signaling Code (NFPA 72).
- ~~(3) *Maximum Occupancy* means the maximum number of persons permitted to be in a STR Property overnight between the hours of 10:01 p.m. and 6:59 a.m. as listed on the STR Permit and as set forth in Section 10-2-60(c) below.~~
- ~~(34)~~ *Natural Person* means an individual human being, as distinguished from a legal or business entity such as a corporation, limited liability company, partnership, trust, or other juridical person.
- ~~(54)~~ *Official* means the officer, employee or agent designated by the Town Manager to administer and implement the requirements and regulations of this Chapter.

-
- (56) *Owner* means the owner of record and includes any individual, firm, partnership, limited liability partnership, limited liability company, cooperative non-profit membership, corporation, joint venture, association, estate, trust, business trust, receiver, syndicate, holding company, or other group or combination acting as a unit, in the singular or plural, who or which owns one or more STR Properties.
- (76) *Short-Term Rental ("STR")* means the advertising, offering, leasing, use and/or operation of any STR Property or permitting the occupancy of any STR Property or any other property by a lease or any other form of agreement for periods less than thirty (30) consecutive days.
- (87) *Short-Term Rental Permit ("STR Permit")* means an annual permit that an Owner must obtain from the Town for each of an Owner's STR Properties.
- (98) *Short-Term Rental Property ("STR Property")* means any residential property in the municipal limits of the Town, that, in whole or in part, is advertised, offered, leased, used, operated, and/or occupied under a lease or any other form of agreement for a STR.
- (190) *Short-Term Rental Tenant ("STR Tenant")* means any individual, or group of individuals, occupying all or any part of a STR Property, however described, in any agreement for a STR. For purposes of this Chapter, STR Tenant includes the terms lessee, renter, or any other term used in any agreement for a STR between the Owner and any person or group of individuals.
- (140) *Written Notice* means any notice required or authorized by this Chapter. A Written Notice may be delivered by personal service to the Owner, or by certified mail, return receipt requested, addressed to the Owner at the address for the Owner shown on the current STR Permit application or the most recent address provided in writing to the Official by the Owner. The Written Notice will be deemed to have been delivered on the date of personal service as documented on an affidavit of service, or on the date that the certified mail return receipt is signed for by, or on behalf of, the Owner.

An Owner may authorize the delivery of any Written Notice authorized or required by the Chapter in the form of electronic mail in the STR Permit application. By authorizing delivery of Written Notice by electronic mail, the Owner acknowledges that any Written Notice delivered by way of electronic mail to the electronic mail address shown in the STR Permit application, or the most recent electronic mail address provided to the Town by the Owner in writing complies with the requirements of this Chapter and any other law regarding delivery of legal notices. The Written Notice by way of electronic mail shall be deemed to have been delivered on the date the electronic return receipt is received by the Official.

An Owner may designate an Agent to act on the Owner's behalf and authorize Written Notices to be delivered to the Agent by providing the necessary information on the STR Permit.

The defined terms include the plural of any term set out in this Section 10-2-30.

Sec. 10-2-40. Short-Term Rental Permit.

- (a) *STR Permit Generally.* A STR Permit shall be obtained prior to a property being advertised, offered, used, and/or operated as a STR.
- (1) STR Permits issued for calendar year 2025 to expire December 31, 2025, shall be extended and deemed valid until April 30, 2026. In all years following 2025, STR Permits shall be valid for the twelve month period of May 1 to April 30 and shall only be valid for the period which the STR Permit is issued, irrespective of the date on which the STR Permit is issued.
 - (2) A separate STR Permit must be obtained for each STR Property. If multiple units, regardless of building type, are located on one parcel of land, then a STR Permit is required to be obtained for each individual unit.
 - (3) A STR Permit shall not be valid if a Certificate of Occupancy has not been issued by the Town for the STR Property.

-
- (4) STR Permits are non-transferrable and non-refundable and are only valid for the Owner, Agent, and the STR Property described in the STR Permit.
 - (5) The Owner shall notify the Town, of any changes to the contact information provided on the STR Permit application.
 - (6) The application fee and late fees for a STR Permit shall be set each year by the Town Council in the annual budget ordinance.
 - (7) The STR Permit application shall be made on a form published by the Town, must be delivered to the Town with the application fee, and must include the following:
 - a. A STR Permit application for a single-family detached residence or any residence that does not have community trash facilities or shared parking must include a site plan showing compliance with the requirements of Section 10-2-60(f) and 10-2-60(e); and,
 - b. A copy of at minimum one (1) advertisement for the STR; and,
 - c. If applicable, a letter from the homeowners or property owners' association approving the use of the STR Property as a STR; and,
 - d. An affidavit signed by the Owner affirming compliance with the requirements of this Chapter; and,
 - e. Provide parking information as required in Section 10-2-60(e).
 - (8) Review of a STR Permit application shall be conducted by the Official, and the STR Permit shall be granted unless the Owner fails to demonstrate compliance with this Chapter and applicable Town Code requirements and regulations.
 - (9) Any false, inaccurate, or untrue statements or information provided with the STR Permit application shall be grounds for revocation or suspension of the STR Permit and imposition of penalties, including denial of future STR Permit applications.
- (b) *Application by Agent.* A STR Permit application submitted by an Agent must be signed by the Owner.
- (c) *Natural Person Required.* If the Owner of the STR Property is held in the name of a trust, entity, legal partnership or business, the STR Permit application must designate a Natural Person who has legal authority to act on behalf of said Owner.

Sec. 10-2-50. Licenses, permits, payment of fees and taxes fees required.

Prior to a property being advertised, offered, used, and/or operated as a STR, the Owner shall first and on a continuing basis thereafter:

- (1) Obtain and maintain a valid and current STR Permit for the property and Town business license; and,
- (2) Pay all applicable fees associated with any STR Permit application and Town business license; and,
- (3) Pay all sales, use or any other similar taxes in connection with any STR and/or STR Property, and,
- (4) Pay all *ad valorem* taxes and government fees for any STR Property; and,
- (5) Ensure there are no outstanding fines, late fees or any other similar charges arising from any STR or the operation, occupancy and use of any STR Property.

Upon identification of delinquent fees, fines or any other monies required by this Section to be current and are due to the Town, the Official has the authority to establish payment plans, revenue procedures, and reduce or waive penalties. The authority provided in this Section shall not conflict with any other Town Code section, and if a conflict occurs then this Section shall be superseded by the conflicting Town Code section.

Sec. 10-2-60. Regulations for Short-Term Rentals and Short-Term Rental Properties.

- (a) *Response to Complaints.* Following the Town's receipt of a complaint against a STR or a STR Property, the Town shall contact the Owner or Agent as soon as practical following receipt of a substantiated complaint. The Owner or Agent shall be available in accordance with the requirements established in this Section.
- (1) The Owner or Agent of any STR shall be available during the occupancy of any STR to respond to a complaint or any other matter related to the behavior of any STR Tenant or the operation of the STR.
 - (2) The Owner or Agent of any STR shall be available by telephone at all times during the occupancy of any STR and capable of being physically present at the STR Property, or taking other responsive action as required within one (1) hour of notification by the Town of a complaint or any other matter related to the STR Property.
- (b) *Fire and Life Safety.* During any STR and while in possession of a current and valid STR Permit, the STR must remain in compliance at all times with the requirements established in this Section, regardless of whether a STR Tenant or any other individual is occupying the STR Property.
- (1) Maintain fully operable smoke, carbon monoxide, and, if propane is used inside the STR Property, combustible gas detectors in the STR Property in such number and in such locations as required by this Chapter and any other applicable building, fire or safety code; or any other code, regulation or law.
 - (2) Maintain at minimum one (1) fully operable and charged fire extinguisher in the STR Property. Additional fire extinguishers must be in the STR Property and located in the STR Property as required by any applicable building, fire or safety code; or any other code, regulation or law.
 - (3) Any STR Property measuring 3,600 square feet or more that does not have a fire suppression system shall have a fire alarm system installed. For purposes of this section the STR Property square footage shall be determined by the Beaufort County tax record; and if a tax record does not exist for the STR Property, then the Town's building records will be used to determine the square footage of the STR Property. The fire alarm system shall be monitored by ~~an approved~~ a supervising station (i.e., monitoring company) ~~in accordance with the~~ meeting the intent of the National Fire Alarm and Signaling Code (NFPA 72) ~~consisting of the following:~~
 - ~~a. The fire alarm system shall include a~~ functioning automatic smoke detection system that activates an occupant notification system. Single- or multiple-station smoke alarms shall be installed in all of the following locations:
 - i. ~~In~~ Bedrooms and sleeping areas; and,
 - ii. ~~In e~~ Every room in the path of the means of egress from the Bedroom or sleeping area to the door leading from the Bedroom or sleeping unit; and,
 - iii. ~~In e~~ Each story within the STR Property, including basements. For STR Properties with split levels and without an intervening door between the adjacent levels, a smoke alarm installed on the upper level shall suffice for the adjacent lower level provided that the lower level is less than one full story below the upper level.
 - ~~b. A manual fire alarm system that activates the occupant notification system with such activation device being located in the primary egress path near the primary entrance.~~
 - (4) Equip any exterior gas-fired grill at any STR Property with an automatic shut-off timer allowing no more than sixty (60) minutes of gas flow.
 - (5) Maintain unobstructed escape routes in the STR Property in the event of fire.
- ~~(c) *Occupancy Regulations.* During the occupancy of a STR Property, the Maximum Occupancy limits established in Table 10-2-60(c) shall not be exceeded.~~
-

Table 10-2-60(c)	
Number of Bedrooms	Maximum Occupancy
Studio	4
1	4
2	6
3	8
4	10
5	12
6	14
7	16
8	18
9	20
10	22

(c**d**) *Noise regulations.* A STR shall remain in compliance with all applicable Town ordinances including, but not limited to, Title 17 Chapter 14. Any activity which unreasonably disturbs the peace and quiet of those in their homes and public places is strictly prohibited. During any STR the occupants, whether a STR Tenant or other occupant, shall adhere to the regulations placed on nighttime hours (between 10:01 p.m. and 6:59 a.m.), though Town noise regulations are enforced twenty-four (24) hours each day.

(c**e**) *Trash regulations.* Each STR Property shall have a designated trash storage area that is fenced or screened so that trash containers are not seen from public streets and neighboring property, except during designated pick-up times. Outdoor trash containers must remain secured with a lid at all times to avoid spills and prevent pests from disturbing the trash contained within the containers.

Trash containers shall not be placed curbside for more than twenty-four (24) hours prior to scheduled pick-up times and will be removed no more than twenty-four (24) hours after pick-up.

(c**f**) *Parking regulations.* During any STR and while in possession of a current and valid STR Permit, the parking regulations and requirements established in this subsection shall be followed.

(1) The only parking permitted at a STR Property shall be those areas:

- a. Identified in the STR Permit application as the location of off-street parking spaces; and,
- b. Shown on an approved site plan that are located off-street parking spaces within a driveway, be arranged in a row and aligned parallel to one another, and not block any sidewalk, pathway, or other pedestrian access crossing the driveway; and,
- c. Approved by the Town to provide the minimum number of parking spaces as required by Section 16-1-101, et seq., Municipal Code of the Town of Hilton Head Island, South Carolina (1983); and,
- d. In compliance with the regulations established in this Section and shall not exceed six (6) exterior parking spaces on any one STR Property. The parking space maximum established in this subsection does not include those parking spaces located inside of a garage.

(2) The areas identified for the parking of vehicles must be improved with either a pervious or impervious surface. Parking areas must include a space at least nine (9) feet by eighteen (18) feet for each vehicle allowed to be parked at the STR Property. Areas for parking must comply with all other applicable requirements of Section 16-1-101, et seq., Municipal Code of the Town of Hilton Head Island, South Carolina (1983).

(3) No expansion of a driveway or construction of new parking areas shall be permitted for the primary purpose of increasing the parking capacity of a STR Property without prior written approval by the Town.

-
- (4) No vehicles associated with the STR Property shall be parked in a place not designated for parking, off-site, on-street (including adjacent rights-of-way or access easements), in a required buffer (excluding in driveways crossing a required buffer), or on any unimproved surface on the STR Property. No vehicle shall park anywhere in conflict with the parking plan approved by the Town in the STR Permit application.

~~(f)~~ *Inspections and Compliance Regulations.*

- (1) Any STR Property is subject to inspection by the Town to verify compliance with the provisions of this Chapter. Prior to entering the STR Property, the Town shall provide a forty-eight (48) hour written notice using the contact information provided in the STR Permit application.
- (2) The Owner is responsible for inspecting the STR Property to ensure continued compliance with this Chapter and all other applicable zoning, building, health and life-safety code requirements.
- (3) In addition to the requirements of this Chapter, any STR Property must also comply with all other statutes, ordinances, regulations or private covenants applicable to the STR Property. Nothing in this Chapter is intended to authorize waiver of or limitations on compliance with any other applicable statutes, ordinances, regulations or requirements.

Sec. 10-2-70. Advertisement and Display Requirements.

- (a) *Advertisement Requirements.* Any advertisement for a STR shall list the STR Permit number and contain the same information provided to the Town on the STR Permit application including, but not limited to, the number of ~~b~~Bedrooms, ~~maximum occupancy~~, and maximum number of vehicles permitted at the STR Property.
- (b) *STR Property Displays.* Upon receipt of necessary approvals and receipt of a STR Permit, and prior to any occupancy, the STR Property shall display in a prominent location the following:
 - (1) Contact information for the Owner or Agent responsible for responding to complaints and any other matters in accordance with Section 10-2-60(a); and
 - ~~(2) The Maximum Occupancy of the STR Property in accordance with Table 10-2-60(c); and,~~
 - ~~(3)~~(2) Noise restrictions, whereby the following statement shall be on display “It is unlawful to unreasonably disturb the peace and quiet of those in their homes and public places. Nighttime hours are between 10:01 p.m. and 6:59 a.m., though Town noise regulations are enforced twenty-four (24) hours each day as established in Title 17, Chapter 4 of the Town Code”; and,
 - ~~(4)~~(3) Instructions for managing trash disposal at the STR Property. In accordance with Section 10-2-60~~(d)~~(e), the instructions shall include the location of the trash containers, location for trash containers to be picked up, and the designated pick-up times for the trash containers; ~~and,~~
 - ~~(5)~~(4) If applicable, notice of the existence of any swimming pool or hot tub at the STR Property and the location of safety equipment related to the swimming pool or hot tub; and,
 - ~~(6)~~(5) Town-provided outreach and awareness materials related to applicable Town requirements.

Sec. 10-2-80. Violations and Penalties.

- (a) *Violations.* It shall be a violation of this Chapter to enter into any agreement, lease, offer, advertise, operate, occupy, or use any property for a STR without first complying with the requirements of this Chapter. A violation has occurred for any failure to comply with the requirements established in this Chapter.
- (b) *Administrative Citations and Fines.* Violations of any provision of Chapter are subject to an Administrative Citation as established in Hilton Head Island Code, Section 1-5-11.
 - (1) Penalties and Fines. Administrative Fines for violations of this Chapter are as follows:
 - i. Two Hundred Fifty (\$250) Dollars for first infraction;

-
- ii. Five Hundred (\$500) Dollars for a second infraction within one (1) year of the first infraction; and,
 - iii. One Thousand (\$1000) Dollars for a third or any subsequent infraction within one (1) year of the second or any subsequent infraction.
- (2) Failure to pay an Administrative Fine with thirty (30) days of being issued shall result in a twenty-five (\$25.00) Dollar late fee.
- (c) *Other Penalties and Remedies.* Violations of this Chapter are also subject to the penalties and remedies authorized under Title 12 Chapter 3, Parking; Section 1-5-11, Administrative Citation; Section 1-5-10, General penalty; continuing violation, Section 10-1-150, Business and professional licenses; suspension or revocation of license, Section 9-1-111, et seq. These remedies are in addition to any other remedies available in this Code or at law or in equity for a violation.
- (d) *Parking Violation and Towing.* The Public Safety Director Code Enforcement Officer, Official, or the Beaufort County Sheriff's Office may immobilize, tow, or impound any vehicle parked in violation of this Chapter if, in their sole discretion, deem it necessary for public safety purposes. Any and all charges or fees associated with towing or immobilization shall be the expense of the owner of the vehicle.

Sec. 10-2-90. Suspension or Revocation of STR Permit.

- (a) *Suspension.* A STR Permit may be suspended when the Public Safety Director or Official determines:
- (1) A STR Permit has been mistakenly or improperly issued or issued contrary to law;
 - (2) Any condition upon which the STR Permit was issued has been breached;
 - (3) The STR Permit was obtained through fraud, misrepresentation, a false or misleading statement, or evasion or suppression of a material fact in the STR Permit application;
 - (4) An Owner is delinquent in the payment to a fee, fine, or tax as established in Section 10-2-50;
 - (5) The operation of a STR Property has been declared a nuisance;
 - (6) More than two (2) convictions for violations of this Code arising from any activities at or connected with a STR Property occur within any twelve-month period; or,
 - (7) More than three (3) Administrative Citations arising from any activities at or connected with a STR Property occurring within any twelve-month period.
- The Public Safety Director or Official is authorized to issue a Written Notice to the Owner that the STR Permit is suspended for a period of one-year and may be revoked, pending a single hearing before Town Council for the purpose of determining whether the suspension should be upheld or whether the STR Permit should be revoked.
- (b) *Revocation.* The Written Notice of suspension and proposed revocation shall state the time and place at which the hearing before Town Council is to be held and shall contain a brief statement of the reasons for the suspension or proposed revocation of a STR Permit.
- (1) The hearing before Town Council on the suspension and proposed revocation of a STR Permit shall be held by Town Council within thirty (30) days after delivery of the Written Notice described in this section 10-2-90. The hearing shall be held upon Written Notice at a regular or special meeting of Town Council. The hearing may be continued to another date by agreement of all parties. At the hearing, all parties shall have the right to be represented by counsel, to present testimony and evidence, and to cross-examine witnesses. The proceedings shall be recorded and transcribed at the expense of the party so requesting. The South Carolina rules of evidence and procedure prescribed by Town Council shall govern the hearing. Following the hearing, Town Council by majority vote of its members present, shall render a written decision setting out its findings of fact and conclusions. The written final decision shall constitute the final decision of Town Council. The written final decision shall be delivered to the Owner in the same manner as any other Written Notice under this Chapter unless a different person and method of delivery is requested by the Owner at the hearing.

-
- (2) The written decision of Town Council may be appealed to the circuit court in the same manner as appeals are made from the decisions of other administrative bodies of the Town. An appeal, in and of itself, does not stay the effect of Town Council's decision.

Short-Term Rental Checklist



✉ Application Requirements

- ☐ Site Plan showing trash location and number of designated 9' X 18' parking spots
- ☐ Copy of advertisement
- ☐ If applicable, letter of approval from HOA
- ☐ Business License

✉ Other Regulations

- ☐ Certificate of Occupancy
- ☐ Permit must be issued to a person and not a business entity
- ☐ List valid short-term rental permit number on advertisement(s)
- ☐ Owner/Short-Term Rental Agent must be available by phone at all times during rental
- ☐ Owner/Short-Term Rental Agent must take responsive action within (1) hour of receiving a complaint
- ☐ Must display whether pool and/or hot tub is available for use and any safety measures in place
- ☐ Provide guests with the up to (6) of 9' X 18' parking spots available on driveway
- ☐ Inform guests of the trash pick-up instructions and to ensure all garbage is stored in containers at all times
- ☐ Display the noise ordinance rules
- ☐ Bedrooms must meet building and safety codes and be primarily for sleeping rather than a living, dining or common space

✉ Fire & Safety Regulations

- ☐ Please refer to Fire & Safety regulation checklist for information regarding Fire & Safety requirements





HILTON HEAD ISLAND FIRE RESCUE SHORT TERM RENTAL



Fire Extinguishers	YES	NO
Not less than one 2A: 10BC rated extinguisher		
Not less than one per level, within 75' of all portions of the building		
Maintained at a visible and accessible location either mounted on the wall at least 4" above the floor, and no higher than 48" above the floor or an easily identifiable location		
Serviced and tagged by a licensed fire extinguisher vendor within the last 12 months		
Smoke Alarms (Smoke Detectors)		
Smoke alarms are installed inside and outside of every sleeping area and at least 1 on every level		
Smoke alarms are operational and not expired (less than 10 years old)		
Interconnected smoke alarms should cause all alarms to activate when tested (if applicable)		
Test monthly and replace batteries twice a year. (Exception for 10 year battery alarms)		
Carbon Monoxide (CO) Alarms		
Required if the property has an attached garage or utilizes fuel burning equipment, fireplaces, or similar.		
CO alarms installed on every level near the sleeping areas.		
Sleeping rooms served by a forced air furnace or has a fuel burning appliance must have CO alarm within the room		
Escape Routes		
Escape routes are unobstructed, clear of storage or items that restrict exit width		
Doors and windows are easily accessible, operable, and unobstructed		
Stairs are free of hazards, equipped with handrails, and in good repair		
Combustible Gas (Propane) Alarms		
Combustible Gas Alarm installed approximately 12 inches off the ground (height of electrical outlets)		



HILTON HEAD ISLAND FIRE RESCUE SHORT TERM RENTAL



Monitored Fire Alarm System - 3,600 or More Square Feet		
Compliant Monitored Fire Alarm system installed and tested		
Automatic smoke detection installed		
Occupant Notification		
Exterior Gas Fired Grill Shutoff Timer		
Required if exterior propane fueled gas grill is present		
General Safety		
Property street address and unit # easily identifiable from the street (Minimum 4 inch tall)		
Electrical hazards are not present such as loose outlets, exposed wiring, or similar		
Residential fire sprinkler systems must be inspected, tested and maintained in operable condition (records provided to Hilton Head Island Fire Rescue) including no painted sprinkler heads per code.		



HILTON HEAD ISLAND FIRE RESCUE Community Risk Reduction



Short Term Rental (STR)

Fire Extinguishers

Selection of a fire extinguisher for resident use should be made with the understanding of an extinguisher's capacity (or its rating) along with the potential fire hazards in the residence.

The following are minimum per floor level:

- A single extinguisher rated 2-A:10-B:C or higher
- Or one extinguisher rated 2-A or higher and a second extinguisher rated 10-B:C or higher
- The most common type is a dry chemical
- Annual inspections by licensed fire extinguisher vendor
- Must be at a visible and accessible location

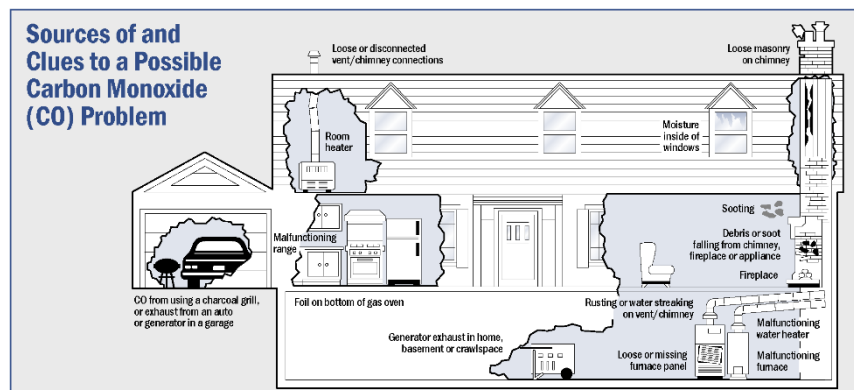


Attached Garages.

- One extinguisher rated 2-A:10-B:C or higher should be provided to protect an attached garage that is under the residence or connected to the residence by a common wall.

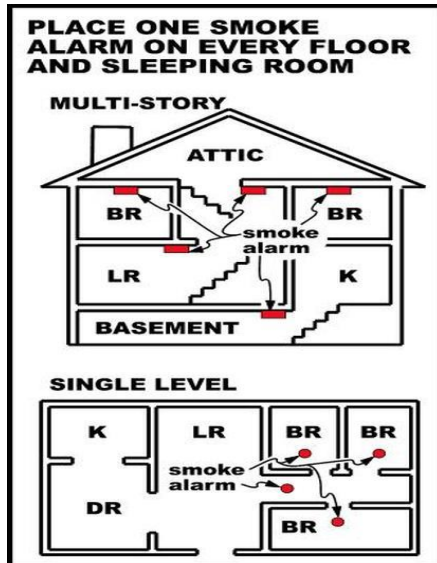
Carbon Monoxide (CO Alarms)

- Carbon monoxide (CO) is a colorless, odorless, poisonous gas produced by fuel-burning appliances and machines.
- The only way to detect CO in your home is with a CO alarm.
- Every home with a fuel-burning appliance, attached garage, or fireplace should have a CO alarm. Install one alarm per level in the hallway near each bedroom or sleeping area.
- Alarms should be placed at least 5 feet away from a CO source.





HILTON HEAD ISLAND FIRE RESCUE Community Risk Reduction

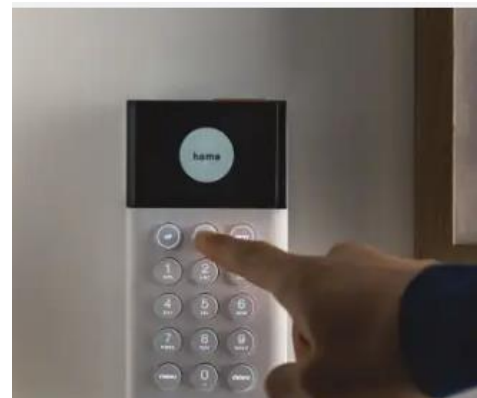


Local Smoke Alarms (Under 3600 sq ft)

- Installed inside and outside of every sleeping area/bedroom and on every level of the home
- Interconnected: when one smoke alarm sounds, they all sound (Alarms can be wired or wireless)
- Smoke alarms should be installed at least 10 feet (3 meters) from a cooking appliance to minimize false alarms when cooking.
- Mount smoke alarms high on walls or ceilings (remember, smoke rises). Wall-mounted alarms should be installed not more than 12 inches away from the ceiling (to the top of the alarm).
- Not expired or greater than 10 years old

Monitored Fire Alarm System (Required 3600 Sq Ft and larger homes)

- Whether self-installed or professionally installed, you must provide smoke detectors monitored by the alarm system in all areas defined below
- Automatic smoke detection
 - In sleeping areas
 - In every room in the path of egress
 - In each story
- Alarm/siren heard throughout home
- Monitored by approved company
- Meets the intent of NFPA 72



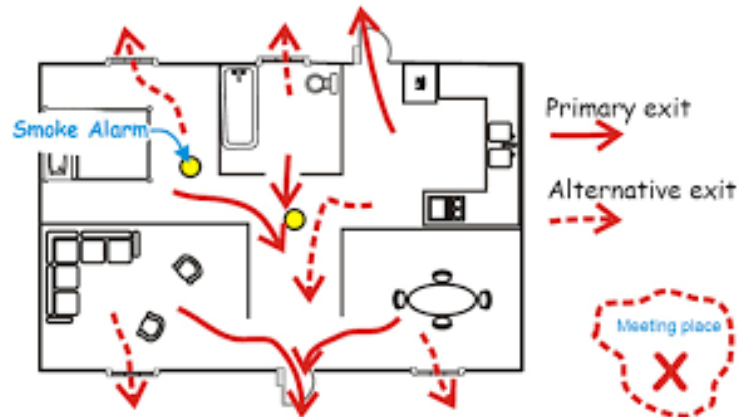


HILTON HEAD ISLAND FIRE RESCUE Community Risk Reduction



Escape Routes

- Ensure 2 ways out of every room
- No obstructions such as furniture blocking exits, stairs, or paths
- Ensure doors and windows are in operable condition



Combustible Gas (Propane) Alarms

- Capable of detecting propane (heavier than air)
- Must be mounted near the ground
- Sometimes referred to as explosive gas alarms

Exterior Gas Fired Grill Shutoff Timer

- Automatic shutoff timer not more than 60 minutes



Additional Requirements

- Address shall be easily identifiable from the street/road minimum 4" tall
- We recommend inline shutoff timers for fireplaces or similar devices
- Eliminate any electrical hazards including loose outlets, open circuits, etc.
- Properties with a residential fire sprinkler systems must be inspected annually and maintained in operable condition (records provided upon request) including ensuring sprinkler heads are not painted



BE A GOOD NEIGHBOR!

Just a few things to know so that we can all leave our beautiful island the same way we found it.



Noise Regulations for the Town of Hilton Head Island:

1. In the Town of Hilton Head Island, South Carolina, it is unlawful to unreasonably disturb the peace and quiet of those in their homes and public places (Title 17, Chapter 4, Town Code).
2. Quiet hours are between 10:00 p.m. and 7:00 a.m., though town noise regulations are in force twenty-four (24) hours each day (Title 17, Chapter 4, Town Code).



Trash containers must be stored in a designated storage area and not be seen from the street. Please follow the trash pick-up schedule provided to you by the short-term rental owner.



Please park only in the designated parking spots as provided by the Owner of property. Please do not park off-site on street, grass, or pine straw.



Please do not disturb sea turtle nesting areas. Be sure beachfront lights are turned off after dark and only use red beamed lights when walking on the beach at night.

To report an issue with a short-term rental, please contact our
Nuisance Management Hotline: (843) 341-6864.



MyHHI

You can report non-emergency issues to the Town from your smartphone, tablet, or computer. Download at hiltonheadislandsc.gov/myhhi.



Always ride with traffic on the right side of the road and obey all traffic signs and signals. Obey pedestrian signal alerts at crosswalks and use hand signals in advance of turns.



Animal Beach Visiting Hours

October - March	Anytime	On Leash or Under Voice Control
April - Thursday before Memorial Day	10 am - 5 pm	On Leash
	5 pm - 10 am	On Leash or Under Voice Control
Friday before Memorial Day - Labor Day	10 am - 5 pm	Not Allowed on Beach
	5 pm - 10 am	On Leash or Under Voice Control
Tuesday after Labor Day - September	10 am - 5 pm	On Leash
	5 pm - 10 am	On Leash or Under Voice Control



For More Information

Visit our website at hiltonheadislandsc.gov/short-termrentals

Contact our hot line to report any trash, parking or noise complaints against guests of a short-term rental property:

843-341-6864
HOTLINE

for trash, noise or parking complaints against
guests of a short-term rental property

Beaufort County Sheriff's Department
(843) 524-2777
For any noise or criminal complaints after 10 pm



Short-Term Rental Permit Information for Guests

Please note Noise Regulations for the Town of Hilton Head Island:

- A. *In the Town of Hilton Head Island, South Carolina, it is unlawful to unreasonably disturb the peace and quiet of those in their homes and public places (Title 17, Chapter 4, Town Code); and*
- B. *Quiet hours are between 10:00 p.m. and 7:00 a.m., though town noise regulations are in force twenty-four (24) hours each day (Title 17, Chapter 4, Town Code)*

For questions regarding your short-term rental please contact:

Name of Owner/ Short-Term Rental Agent: _____

Phone Number of Owner/ Short-Term Rental Agent: _____

Email of Owner/ Short-Term Rental Agent: _____

Trash Disposal Instructions for guests: _____

- *Trash containers must be placed in a designated area that is fenced or screened and must not be visible from the public street or neighboring property*
- *In addition, Trash container is not to be placed curbside more than (24) hours prior to pick- up and must be removed from curb within (24) hours after pick- up*

Parking Regulations:

(Maximum of (6) 9' X 18' Parking spots per property)

Number of designated parking spots _____ Please Park in designated parking areas only no parking on grass or pine straw

Maximum Occupancy for unit: _____ (2) occupants per bedroom plus (2) occupants for the total dwelling

Thank you for being a Town of Hilton Head Island Good Neighbor!

Enjoy your stay!



TOWN OF HILTON HEAD ISLAND

Town Council

TO: Town Council
FROM: April Akins, Interim Revenue Manager
VIA: John Troyer, Interim Finance Director
CC: Marc Orlando, ICMA-CM, Town Manager
DATE: October 21, 2025
SUBJECT: Consideration of an Ordinance of the Town of Hilton Head Island to Amend Municipal Code Title 10, Section 10-1-250, the Business License Ordinance, to Update the Business License Class Schedule as Required by Act 176 of 2020 for the Town of Hilton Head Island, South Carolina and Providing for Severability and Effective Date

RECOMMENDATION:

Consideration of first reading to amend the Current Business License Ordinance, Title 10, Section 10-1-250 of the Municipal Code of the Town of Hilton Head Island to update the Business License Class Schedule as required by Act 176 of 2020. The Finance and Administrative Committee reviewed and recommended this amendment on September 30, 2025.

In addition, as recommended by the Finance and Administrative Committee, Town Council's consideration of first reading to amend the Current Business License Ordinance, Title 10, Section 10-1-250 of the Municipal Code of the Town of Hilton Head Island to adopt the updated Business License Rate Schedule to rebalance the Town's business license tax rates to ensure revenue neutral results.

BACKGROUND:

SC General Assembly passed Act 176, the Business License Standardization Act, in September 2020. The law required every local government levying a business license tax to administer the tax in the same way across the state starting January 1, 2022. The Municipal Association of South Carolina (MASC) created the Business License Model Ordinance to ensure compliance with Act 176. Town Council adopted the Business License Model Ordinance in September 2021 so that the Town could administer the business license tax according to state law.

SUMMARY:

Every odd year, Act 176 requires every taxing jurisdiction levying a business license tax to adopt by ordinance the latest Standardized Business License Class Schedule as recommended by MASC and adopted by the Revenue and Fiscal Affairs Office. MASC shall determine and revise the Standardized Business License Class Schedule every even year using the latest available nationwide Internal Revenue Service profitability statistics. MASC published the latest Standardized Business Class Schedule in the spring of 2025. Town staff completed a detailed business license revenue analysis in July 2025 to determine the impact of the class schedule changes on the Town and on the business community. The revenue analysis revealed that by applying the new class schedule changes, the total business license tax revenue loss to the Town is \$348,745. Staff recommend rebalancing the Town's business license tax rates to ensure revenue neutral results with a rate increase across all business license class rates of 4.9%.

ATTACHMENTS:

1. Amended Business License Ordinance Title 10, Section 10-1-250
2. Text Amendment of Ordinance
3. FY 2025 Business License Revenue Analysis
4. PowerPoint Presentation- Business License Class Schedule Update

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

ORDINANCE NO.:2025-_____

**AN ORDINANCE OF THE TOWN OF HILTON HEAD ISLAND TO AMEND
MUNICIPAL CODE TITLE 10, SECTION 10-1-250, THE BUSINESS LICENSE
ORDINANCE, TO UPDATE THE CLASS SCHEDULE AS REQUIRED BY ACT 176 OF
2020 FOR THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA AND
PROVIDING FOR SEVERABILITY AND AN EFFECTIVE DATE.**

WHEREAS, the Town of Hilton Head Island (the “Municipality”) is authorized by S.C. Code Section 5-7-30 and Title 6, Chapter 1, Article 3 to impose a business license tax on gross income;

WHEREAS, by Act No. 176 of 2020, known as the South Carolina Business License Tax Standardization Act and codified at S.C. Code Sections 6-1-400 to -420 (the “Standardization Act”), the South Carolina General Assembly imposed additional requirements and conditions on the administration of business license taxes;

WHEREAS, the Standardization Act requires that by December thirty-first of every odd year, each municipality levying a business license tax must adopt, by ordinance, the latest Standardized Business License Class Schedule as recommended by the Municipal Association of South Carolina (the “Association”) and adopted by the Director of the Revenue and Fiscal Affairs Office;

WHEREAS, following the enactment of the Standardization Act, the Municipality enacted Ordinance No. 2021-16 on September 21, 2021, in order to comply with the requirements of the Standardization Act (the “Current Business License Ordinance”);

WHEREAS, the Town of Hilton Head Island Council of the Municipality (the “Council”) now wishes to amend the Current Business License Ordinance to adopt the latest Standardized Business License Class Schedule, as required by the Standardization Act;

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

SECTION 1. Amendments to Appendix A. Appendix A to the Current Business License Ordinance, the “Business License Rate Schedule,” is hereby amended and restated as set forth on the attached Exhibit A.

SECTION 2. Amendments to Appendix B. Appendix B to the Current Business License Ordinance, the “Business License Class Schedule,” is hereby amended as follows:

- (a) Classes 1 through 8 in Appendix B to the Current Business License Ordinance, the “Business License Class Schedule,” are hereby amended and restated as set forth on the attached Exhibit B.
- (b) Class 9 in Appendix B to the Current Business License Ordinance, the “Business License Class Schedule,” shall remain in full force and effect as set forth in the Current Business License Ordinance.

SECTION 3. Repealer, Effective Date. All ordinances in conflict with this ordinance are hereby repealed. This ordinance shall be effective with respect to the business license year beginning on May 1, 2026.

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

THE TOWN OF HILTON HEAD ISLAND,
SOUTH CAROLINA

Alan R. Perry, Mayor

ATTEST:

Kimberly Gammon, Town Clerk

First Reading:

Second Reading:

APPROVED AS TO FORM:

Curtis L. Coltrane, Town Attorney

**Exhibit A: Amendment to the Business License Rate Schedule in Appendix A of
the Current Business License Ordinance**

**APPENDIX A
BUSINESS LICENSE RATE SCHEDULE**

	Income: \$0—\$2,000	Income Over \$2,000
Rate Class	Base Rate	Rate Per \$1,000 or Fraction Thereof
1	\$48.60	\$.80
2	\$56.70	\$1.10
3	\$64.60	\$1.20
4	\$72.80	\$1.40
5	\$80.90	\$1.50
6	\$89.00	\$1.60
7	\$97.00	\$1.80
8.1	\$64.60	\$1.20
8.2	Set by state statute-Railroad Companies	
8.3	MASC Telecommunications	
8.4	MASC Insurance	
8.51	\$12.50 + \$12.50 per machine	
8.52	\$12.50 + \$180.00 per machine	
8.6	\$64.60 plus \$5.00 -OR- \$12.50 per table	\$1.20
9.10	\$187.50	\$3.24
9.30	\$56.70	\$1.10
9.70	\$113.20	\$1.80

Exhibit B: Amendment to Classes 1 – 8 in Appendix B of Attachment 1
the Current Business License Ordinance

APPENDIX B
Classes 1 – 8: Business License Class Schedule by NAICS Codes

NAICS Sector/Subsector	Industry Sector	Class
11	Agriculture, forestry, hunting and fishing	1
21	Mining	3
22	Utilities	1
31 - 33	Manufacturing	3
42	Wholesale trade	1
44 - 45	Retail trade	1
48 - 49	Transportation and warehousing	2
51	Information	4
52	Finance and insurance	7
53	Real estate and rental and leasing	6
54	Professional, scientific, and technical services	4
55	Management of companies	7
56	Administrative and support and waste management and remediation services	3
61	Educational services	3
62	Health care and social assistance	3
71	Arts, entertainment, and recreation	3
721	Accommodation	1
722	Food services and drinking places	2
81	Other services	3
Class 8	Subclasses	
23	Construction	8.1
482	Rail Transportation	8.2
517111	Wired Telecommunications Carriers	8.3
517112	Wireless Telecommunications Carriers (except Satellite)	8.3
517122	Agents for Wireless Telecommunications Services	8.3
5241	Insurance Carriers	8.4
5242	Insurance Brokers for non-admitted Insurance Carriers	8.4
713120	Amusement Parks and Arcades	8.51
713290	Non-Payout Amusement Machines	8.52
713990	All Other Amusement and Recreational Industries (pool tables)	8.6

2025 Class Schedule is based on a three-year average (2019 - 2021) of IRS statistical data.

Sec. 10-1-250. Classification and rates.

- (a) The business license tax for each class of businesses subject to this chapter shall be computed in accordance with the current business license rate schedule, designated as appendix A to this chapter, which may be amended from time to time by the council.
- (b) The current business license class schedule is attached hereto as appendix B. Hereafter, no later than December 31 of each odd year, the municipality shall adopt, by ordinance, the latest standardized business license class schedule as recommended by the Municipal Association of South Carolina and adopted by the Director of the South Carolina Revenue and Fiscal Affairs Office. Upon adoption by the municipality, the revised business license class schedule shall then be appended to this chapter as a replacement appendix B.
- (c) The classifications included in each rate class are listed with NAICS codes, by sector, subsector, group, or industry. The business license class schedule (appendix B) is a tool for classification and not a limitation on businesses subject to a business license tax. The classification in the most recent version of the business license class schedule adopted by the council that most specifically identifies the subject business shall be applied to the business. The license official shall have the authority to make the determination of the classification most specifically applicable to a subject business.
- (d) A copy of the class schedule and rate schedule shall be filed in the office of the municipal clerk.

(Ord. No. 2021-16, 9-21-21)

**APPENDIX A
BUSINESS LICENSE RATE SCHEDULE**

	Income: \$0—\$2,000	Income Over \$2,000
Rate Class	Base Rate	Rate Per \$1,000 or Fraction Thereof
1	\$46.30 \$48.60	\$1.75 \$1.80
2	\$54.00 \$56.70	\$1.00 \$1.10
3	\$61.60 \$64.60	\$1.10 \$1.20
4	\$69.40 \$72.80	\$1.30 \$1.40
5	\$77.10 \$80.90	\$1.40 \$1.50
6	\$84.80 \$89.00	\$1.50 \$1.60
7	\$92.50 \$97.00	\$1.70 \$1.80
8.1	\$61.60 \$64.60	\$1.10 \$1.20
8.2	Set by state statute-Railroad Companies	
8.3	MASC Telecommunications	
8.4	MASC Insurance	
8.51	\$12.50 + \$12.50 per machine	
8.52	\$12.50 + \$180.00 per machine	
8.6	\$61.60 \$64.60 plus \$5.00 -OR- \$12.50 per table	\$1.10 \$1.20
9.10	\$187.50	\$3.24
9.30	\$54.00 \$56.70	\$1.00 \$1.10
9.70	\$107.90 \$113.20	\$1.70 \$1.80

NON-RESIDENT RATES

Unless otherwise specifically provided, all taxes and rates shall be doubled for nonresidents and itinerants having no fixed principal place of business within the municipality.

Created: 2025-03-19 12:32:50 [EST]

(Supp. No. 34)

CLASS 8 RATES

Each NAICS number designates a separate subclassification. The businesses in this section are treated as separate and individual subclasses due to provisions of state law, regulatory requirements, service burdens, tax equalization considerations, and other factors that are deemed sufficient to require individually determined rates. In accordance with state law, the municipality also may provide for reasonable subclassifications for rates, described by an NAICS sector, subsector, or industry, that are based on particularized considerations as needed for economic stimulus or for the enhanced or disproportionate demands on municipal services or infrastructure.

Non-resident rates do not apply except where indicated.

8.1 NAICS 230000—Contractors. Construction. All types [non-resident rates apply].

Resident rates, for contractors having a permanent place of business within the municipality:

Minimum on first \$2,000 ~~\$61.60~~ **\$64.60** PLUS

Per \$1,000, or fraction, over \$2,000 ~~\$1.10~~ **\$1.20**

Non-resident rates apply to contractors that do not have a permanent place of business within the municipality. A trailer at the construction site or structure in which the contractor temporarily resides is not a permanent place of business under this ordinance.

No contractor shall be issued a business license until all state and municipal qualification examination and trade license requirements have been met. Each contractor shall post a sign in plain view on each job identifying the contractor with the job.

Sub-contractors shall be licensed on the same basis as general or prime contractors for the same job. No deductions shall be made by a general or prime contractor for value of work performed by a sub-contractor.

No contractor shall be issued a business license until all performance and indemnity bonds required by the Building Code have been filed and approved. Zoning permits must be obtained when required by the zoning ordinance.

Each prime contractor shall file with the license official, or its designee, a list of sub-contractors furnishing labor or materials for each project.

For licenses issued on a per-job basis, the total tax for the full amount of the contract shall be paid prior to commencement of work and shall entitle the contractor to complete the job without regard to the normal license expiration date. An amended report shall be filed for each new job and the appropriate additional license fee per one thousand (\$1,000.00) dollars of the contract amount shall be paid prior to commencement of new work. Only one (1) base tax shall be paid in a license year. Licensees holding a per-job license shall file, by each April 30 during the continuation of the construction project, a statement of compliance, including but not limited to a revised estimate of the value of the contract. If any revised estimate of the final value of such project exceeds the amount for which the business license was issued, the licensee shall be required to pay a license fee at the then-prevailing rate on the excess amount.

8.2 NAICS 482—Railroad companies (see S.C. Code § 12-23-210).

8.3 NAICS 517111, 517112—Telephone companies.

With respect to "retail telecommunications services" as defined in S.C. Code § 58-9-2200, the municipality participates in a collections program administered by the Municipal Association of South Carolina. The municipality has approved participation in the collections program with the rates, terms, conditions, dates, penalties, appeals process, and other details of the business license applicable to retail telecommunications services as set forth in this chapter.

8.4 NAICS 5241, NAICS 5242—Insurance companies/brokers premium tax:

Independent agents, brokers, and their employees are subject to a business license tax based on their natural class. With respect to insurers subject to license fees and taxes as defined in S.C. Code 1996, §§ 38-45-10 and 38-45-60, the municipality participates in a collections program administered by the Municipal Association of South Carolina. The municipality has approved participation in the collections program with the rates, terms, conditions, dates, penalties, appeals process, and other details of the business license applicable to insurers and brokers are set forth in this ordinance.

8.51 NAICS 713120—Amusement machines, coin operated (except gambling).

Music machines, juke boxes, kiddy rides, video games, pin tables with levers, and other amusement machines with or without free play feature licensed by SC Department of Revenue pursuant to S.C. Code § 12-21-2720(A)(1) and (A)(2) [Type I and Type II]. For operation of all machines (not on gross income), pursuant to S.C. Code § 12-21-2746:

Per machine \$12.50 PLUS

Business license \$12.50

Distributors that sell or lease machines and are not licensed by the state as an operator pursuant to § 12-21-2728 are not subject to subclass 8.51.

8.52 NAICS 713290—Amusement machines, coin operated, non-payout.

Amusement machines of the non-payout type or in-line pin game licensed by SC Department of Revenue pursuant to S.C. Code § 12-21-2720(A)(3) [Type III].

For operation of all machines (not on gross income), pursuant to S.C. Code § 12-21-2720(B):

Per machine \$180.00 PLUS

Business license \$12.50

Distributors that sell or lease machines and are not licensed by the state as an operator pursuant to § 12-21-2728 are not subject to subclass 8.52.

8.6 NAICS code varies—Billiard or pool tables.

A business that offers the use of billiard or pool tables shall be subject to business license taxation under its natural class for all gross income of the business excluding the gross income attributable to the billiard or pool tables. In addition, the billiard or pool tables shall require their own separate business licenses pursuant to SC Code § 12-21-2746, and shall be subject to a license tax of five dollars (\$5.00) per table measuring less than three and one-half (3½) feet wide and seven (7) feet long, and twelve dollars and fifty cents (\$12.50) per table longer than that.

CLASS 9 RATES

9.10 NAICS 561599—All other travel arrangement and reservation services.

Establishments primarily engaged in providing travel arrangements and reservation services (except travel agencies, tour operators, and convention and visitors bureaus).

Minimum on first \$2,000 \$187.50 PLUS

Per \$1,000, or fraction, over \$2,000 \$3.24

9.30 NAICS 441100—Automobile dealers [non-resident rates apply].

Establishments primarily engaged in retailing new and used automobiles and light trucks, such as sport utility vehicles, and passenger and cargo vans.

Minimum on first \$2,000 ~~\$54.00~~ **\$56.70** PLUS

Per \$1,000, or fraction, over \$2,000 ~~\$1.00~~ **\$1.10**

9.31 NAICS 4412000—Other motor vehicle dealers [non-resident rates apply].

Establishments primarily engaged in retailing new and used vehicles (except automobiles, light trucks, such as sport utility vehicles, and passenger and cargo vans).

Minimum on first \$2,000 ~~\$54.00~~ **\$56.70** PLUS

Per \$1,000, or fraction, over \$2,000 ~~\$1.00~~ **\$1.10**

9.40 NAICS 454390—Other direct selling establishments (peddlers).

The NAICS codes corresponding to Classes 9.40 have been eliminated. Businesses that were previously classified into 9.40 shall be required to apply and pay for a business license in their natural class.

9.70 NAICS 722410—Drinking places (alcoholic beverages).

Establishments known as bars, taverns, nightclubs, or drinking places primarily engaged in preparing and serving alcoholic beverages for immediate consumption. These establishments may also provide limited food services.

Minimum on first \$2,000 ~~\$107.90~~ **\$113.20** PLUS

Per \$1,000, or fraction, over \$2,000 ~~\$1.70~~ **\$1.80**

(Ord. No. 2021-16, 9-21-21; Ord. No. 2023-21, § 2, 10-17-23)

APPENDIX B
Classes 1 - 8: Business License Class Schedule by NAICS Codes

NAICS Sector/Subsector	Industry Sector	Class
11	Agriculture, forestry, hunting and fishing	1
21	Mining	2 3
22	Utilities	1
31-33	Manufacturing	3
42	Wholesale trade	1
44-45	Retail trade	1
48-49	Transportation and warehousing	1 2
51	Information	4
52	Finance and insurance	7
53	Real estate and rental and leasing	7 6
54	Professional, scientific, and technical services	5 4
55	Management of companies	7
56	Administrative and support and waste management and remediation services	3
61	Educational services	3
62	Health care and social assistance	4 3
71	Arts, entertainment, and recreation	3
721	Accommodation	1
722	Food services and drinking places	2
81	Other services	4 3
Class 8	Subclasses	

Created: 2025-03-19 12:32:50 [EST]

(Supp. No. 34)

23	Construction	81
482	Rail Transportation	8.2
517111	Wired Telecommunications Carriers	8.3
517112	Wireless Telecommunications Carriers (except Satellite)	8.3
517122	Agents for Wireless Telecommunications Services	8.3
5241	Insurance Carriers	8.4
5242	Insurance Brokers for non-admitted Insurance Carriers	8.4
713120	Amusement Parks and Arcades	8.51
713290	Non-Payout Amusement Machines	8.52
713990	All Other Amusement and Recreational Industries (pool tables)	8.6
Class 9	Subclasses	
561599	All other travel arrangement and reservation services	9.10
4411	Automobile Dealers	9.30
4412	Other Motor Vehicle Dealers	9.30
722410	Drinking Places	9.70

~~2023 Class Schedule is based on a three-year average (2017—2019) of IRS statistical data.~~

2025 Class Schedule is based on a three-year average (2019-2021) of IRS statistical data.

(Ord. No. 2021-16, 9-21-21; Ord. No. 2023-21, § 2, 10-17-23)

TOWN OF HILTON HEAD ISLAND: FY25 BUSINESS LICENSE REVENUE ANALYSIS

NAICS Sector/Subsector	Industry Sector	Current Class Rate	FY 2025 Actual Business License Revenue Collected	New Class Rate	Business License Revenue Based on New Class Rate	Revenue Impact to Town	Average Revenue loss or Gain in Sector/Subsector for Town	Percentage of Businesses Impacted by Reclassification
Class 1-7								
11	Agriculture, Forestry, Hunting and Fishing	Class 1	\$ 319	Class 1	\$ 319	\$ -	0.0%	
21	Mining	Class 2	\$ -	Class 3	\$ -	\$ -	0.0%	0%
22	Utilities	Class 1	\$ 100	Class 1	\$ 100	\$ -	0.0%	
31-33	Manufacturing	Class 3	\$ 56,546	Class 3	\$ 56,546	\$ -	0.0%	
42	Wholesale Trade	Class 1	\$ 89,948	Class 1	\$ 89,948	\$ -	0.0%	
44-45	Retail Trade	Class 1	\$ 704,285	Class 1	\$ 704,285	\$ -	0.0%	
48-49	Transportation and Warehousing	Class 1	\$ 41,691	Class 2	\$ 54,359	\$ 12,668	24.7%	1%
51	Information	Class 4	\$ 20,127	Class 4	\$ 20,127	\$ -	0.0%	
52	Finance and Insurance	Class 7	\$ 131,357	Class 7	\$ 131,357	\$ -	0.0%	
53	Real Estate and Rental and Leasing	Class 7	\$ 2,376,652	Class 6	\$ 2,123,281	\$ (253,371)	-9.7%	60%
54	Professional, Scientific, and Technical Services	Class 5	\$ 391,650	Class 4	\$ 362,081	\$ (29,569)	-8.6%	4%
55	Management of Companies Administrative and Support Waste Management	Class 7	\$ 9,105	Class 7	\$ 9,105	\$ -	0.0%	
56	Remediation Services	Class 3	\$ 466,897	Class 3	\$ 466,897	\$ -	0.0%	
61	Educational Services	Class 3	\$ 13,214	Class 3	\$ 13,214	\$ -	0.0%	
62	Health Care and Social Assistance	Class 4	\$ 303,044	Class 3	\$ 257,055	\$ (45,989)	-14.2%	1.0%
71	Arts, Entertainment, and Recreation	Class 3	\$ 189,405	Class 3	\$ 189,405	\$ -		
721	Accommodation	Class 1	\$ 123,313	Class 1	\$ 123,313	\$ -		
722	Food Services and Drinking Places	Class 2	\$ 533,489	Class 2	\$ 533,489	\$ -		
81	Other Services	Class 4	\$ 226,699	Class 3	\$ 194,216	\$ (32,483)	-12.6%	6.0%
Class 8								
23	Construction	Class 8.1	\$ 1,541,345	Class 8.1	\$ 1,541,345	\$ -	0.0%	
482	Rail Transportation	Class 8.2	\$ -	Class 8.2	\$ -	\$ -	0.0%	
5171	MASC Telecommunications	Class 8.3	\$ -	Class 8.3	\$ -	\$ -	0.0%	
524	MASC Insurance	Class 8.4	\$ -	Class 8.4	\$ -	\$ -	0.0%	
7131	Amusement Machines, Coin Operated	Class 8.51	\$ 973	Class 8.51	\$ 973	\$ -	0.0%	
7132	Amusement Machines, Non-Payout	Class 8.52	\$ -	Class 8.52	\$ -	\$ -	0.0%	
7139	Pool Tables	Class 8.6	\$ 30	Class 8.6	\$ 30	\$ -	0.0%	
Class 9								
5615	All Other Travel Arrangement and Reservation Services	Class 9.10	\$ 200,063	Class 9.10	\$ 200,063	\$ -	0.0%	
4411	Automobile Dealers	Class 9.30	\$ 54	Class 9.30	\$ 54	\$ -	0.0%	
4412	Other Motor Vehicle Dealers	Class 9.31	\$ 1,171	Class 9.31	\$ 1,171	\$ -	0.0%	
7224	Drinking Places	Class 9.70	\$ 2,378	Class 9.70	\$ 2,378	\$ -	0.0%	
			\$ 7,423,855	Total	\$ 7,075,111	\$ (348,745)		72%



TOWN OF HILTON HEAD ISLAND

Business License Class Schedule Update

Town Council Meeting

October 21, 2025



Business License Ordinance

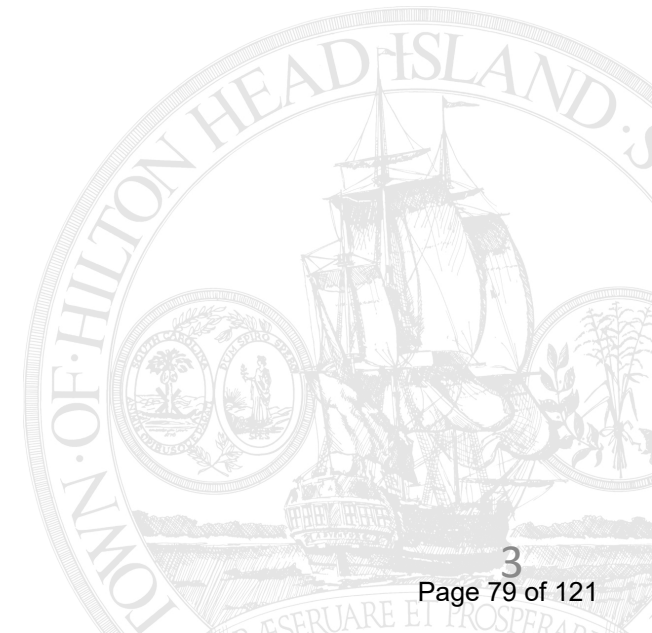
- SC General Assembly passed Act 176, the Business License Standardization Act, in September 2020. The law required every local government levying a business license tax to administer the tax in the same way across the state beginning January 1, 2022.
- The Municipal Association of South Carolina (MASC) created the Business License Model Ordinance to ensure compliance with Act 176 requirements.
- Town Council adopted the new Business License Model Ordinance in September 2021. The Town currently administers business license taxes according to the standardized state law and model ordinance.





Standardized Business License Class Schedules

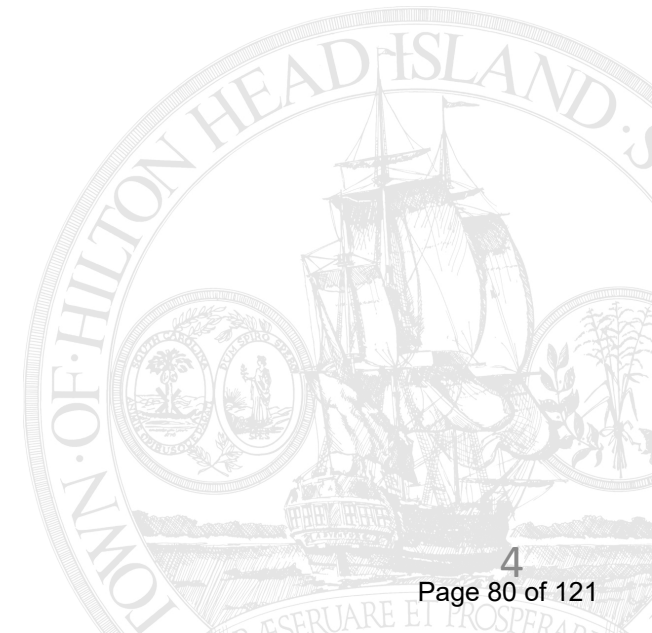
- Act 176 requires jurisdictions with business licenses to use a standard class schedule for categorizing businesses accurately.
- A standardized class schedule promotes clarity by providing businesses with the understanding of their licensing requirements based on their specific business activity.
- Act 176 established an ongoing process that municipalities must maintain to keep their business license practices compliant with state law.
- While the business license class schedules are determined at the state level, the Town's business license rate schedule is determined at the local level by Town Council.





Standardized Business License Class Updates

- Act 176 requires the Town to adopt through an ordinance the latest Standardized Business License Class Schedule as recommended by MASC and approved by the SC Revenue and Fiscals Affair Office **every odd year**.
- MASC determines and revises the Standardized Business License Class Schedule every even year using a three-year average of the latest available nationwide IRS profitability statistics.
- The 2025 Class Schedule is based on tax years 2019-2021.
- The goal of the process is to stabilize and limit large fluctuations in business classes.

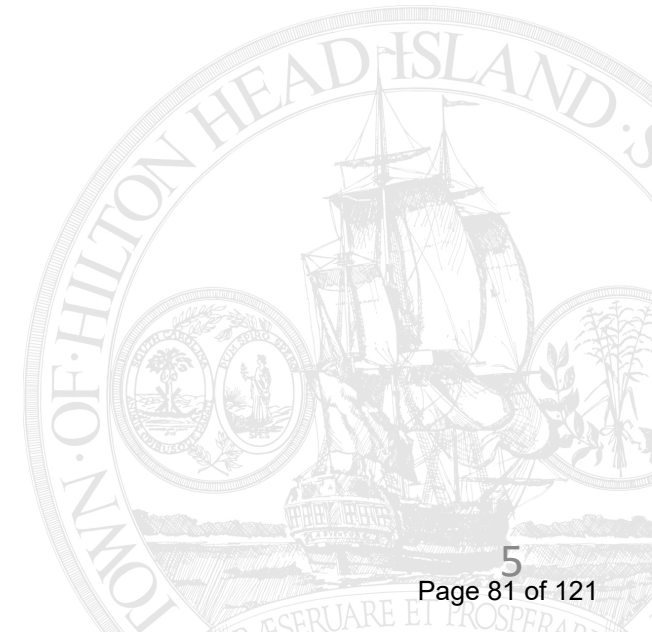




Standardized Business License Class

Previous Framework

- In **2021**, the Town completed a business license revenue analysis based on the required class schedule changes .
 - The analysis revealed the reclassifications caused a shortfall of **\$339,892** in business license tax revenue.
 - Business license tax rates were increased by **7.2%** to offset the shortfall and achieve a revenue neutral result as required by law.
-
- In **2023**, the Town completed a business license revenue analysis based on the required class schedule changes.
 - The analysis revealed the reclassifications caused a shortfall of **\$32,834** or less than 1% of the Town's business license revenue.
 - The Town maintained its current business license tax rates with ***no adjustments to rates.***





2025 Business License Revenue Analysis

- The Town completed a detail revenue analysis on approximately 14,000 business license accounts in July 2025 to determine the impact of the class schedule changes on the Town and on the business community.
- There are thirty (30) industry sectors in the class schedule.
- Five (5) industries will be impacted by the class schedule changes in the 2026 business license tax year.
- Four (4) industries or 71% of the Town's businesses will have a tax rate reduction.
- One (1) industry or 1% of the Town's businesses will have a tax rate increase.
- By applying the new class schedule changes, the total business license tax revenue loss for the Town is **\$348,745.**



Standardized Business License Class Schedule

TOWN OF HILTON HEAD ISLAND: FY25 BUSINESS LICENSE REVENUE ANALYSIS



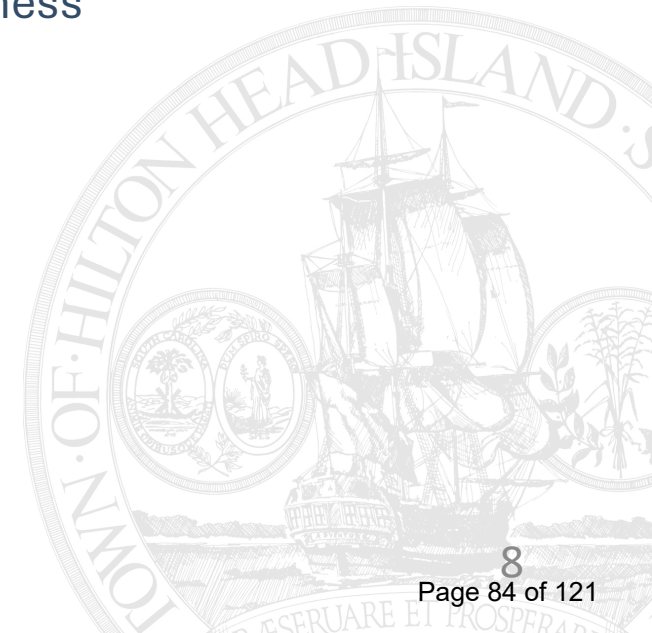
NAICS Sector/Subsector	Industry Sector	Current Class Rate	FY 2025 Actual Business License Revenue Collected	New Class Rate	Business License Revenue Based on New Class Rate	Revenue Impact to Town	Average Revenue loss or Gain in Sector/Subsector for Town	Percentage of Businesses Impacted by Reclassification
Class 1-7								
11	Agriculture, Forestry, Hunting and Fishing	Class 1	\$ 319	Class 1	\$ 319	\$ -	0.0%	
21	Mining	Class 2	\$ -	Class 3	\$ -	\$ -	0.0%	0%
22	Utilities	Class 1	\$ 100	Class 1	\$ 100	\$ -	0.0%	
31-33	Manufacturing	Class 3	\$ 56,546	Class 3	\$ 56,546	\$ -	0.0%	
42	Wholesale Trade	Class 1	\$ 89,948	Class 1	\$ 89,948	\$ -	0.0%	
44-45	Retail Trade	Class 1	\$ 704,285	Class 1	\$ 704,285	\$ -	0.0%	
48-49	Transportation and Warehousing	Class 1	\$ 41,691	Class 2	\$ 54,359	\$ 12,668	24.7%	1%
51	Information	Class 4	\$ 20,127	Class 4	\$ 20,127	\$ -	0.0%	
52	Finance and Insurance	Class 7	\$ 131,357	Class 7	\$ 131,357	\$ -	0.0%	
53	Real Estate and Rental and Leasing	Class 7	\$ 2,376,652	Class 6	\$ 2,123,281	\$ (253,371)	-9.7%	60%
54	Professional, Scientific, and Technical Services	Class 5	\$ 391,650	Class 4	\$ 362,081	\$ (29,569)	-8.6%	4%
55	Management of Companies Administrative and Support Waste Management	Class 7	\$ 9,105	Class 7	\$ 9,105	\$ -	0.0%	
56	Remediation Services	Class 3	\$ 466,897	Class 3	\$ 466,897	\$ -	0.0%	
61	Educational Services	Class 3	\$ 13,214	Class 3	\$ 13,214	\$ -	0.0%	
62	Health Care and Social Assistance	Class 4	\$ 303,044	Class 3	\$ 257,055	\$ (45,989)	-14.2%	1.0%
71	Arts, Entertainment, and Recreation	Class 3	\$ 189,405	Class 3	\$ 189,405	\$ -		
721	Accommodation	Class 1	\$ 123,313	Class 1	\$ 123,313	\$ -		
722	Food Services and Drinking Places	Class 2	\$ 533,489	Class 2	\$ 533,489	\$ -		
81	Other Services	Class 4	\$ 226,699	Class 3	\$ 194,216	\$ (32,483)	-12.6%	6.0%
Class 8								
23	Construction	Class 8.1	\$ 1,541,345	Class 8.1	\$ 1,541,345	\$ -	0.0%	
482	Rail Transportation	Class 8.2	\$ -	Class 8.2	\$ -	\$ -	0.0%	
5171	MASC Telecommunications	Class 8.3	\$ -	Class 8.3	\$ -	\$ -	0.0%	
524	MASC Insurance	Class 8.4	\$ -	Class 8.4	\$ -	\$ -	0.0%	
7131	Amusement Machines, Coin Operated	Class 8.51	\$ 973	Class 8.51	\$ 973	\$ -	0.0%	
7132	Amusement Machines, Non-Payout	Class 8.52	\$ -	Class 8.52	\$ -	\$ -	0.0%	
7139	Pool Tables	Class 8.6	\$ 30	Class 8.6	\$ 30	\$ -	0.0%	
Class 9								
5615	All Other Travel Arrangement and Reservation Services	Class 9.10	\$ 200,063	Class 9.10	\$ 200,063	\$ -	0.0%	
4411	Automobile Dealers	Class 9.30	\$ 54	Class 9.30	\$ 54	\$ -	0.0%	
4412	Other Motor Vehicle Dealers	Class 9.31	\$ 1,171	Class 9.31	\$ 1,171	\$ -	0.0%	
7224	Drinking Places	Class 9.70	\$ 2,378	Class 9.70	\$ 2,378	\$ -	0.0%	
			\$ 7,423,855 Total	\$ 7,075,111	\$ (348,745)		72%	



Standardized Business License Class Schedule

Staff Recommendations

1. Adopt the Standardized Business License Class Schedule as required by Act 176.
2. Rebalance the Town's business license tax rates to ensure revenue neutral results with a rate increase across all business license class rates of 4.9%.
3. Request that the Finance & Administrative Committee recommend to Town Council to amend the Current Business License Ordinance to update the Business License Class Schedule as required by Act 176 of 2020.

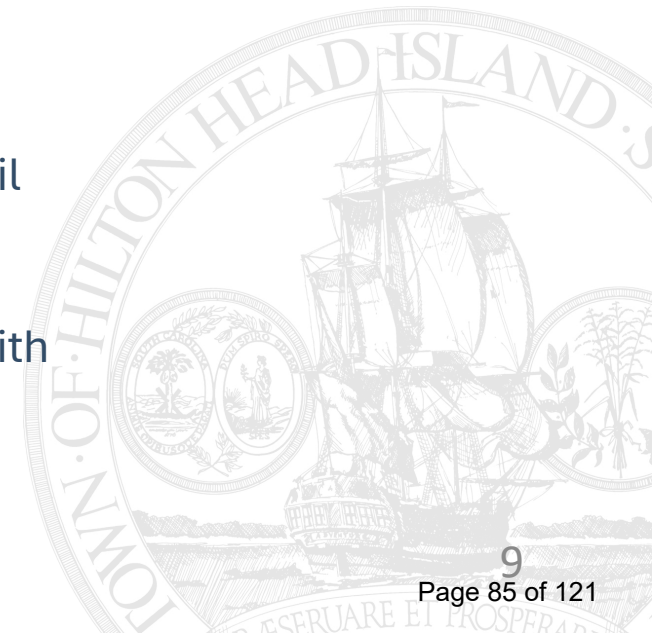




Standardized Business License Class Schedule

Timeline of Events

- **September 30, 2025:** Presentation to the Finance & Administration Committee.
- **October 21, 2025:** First reading of the ordinance by Town Council.
- **November 4, 2025:** Second and final reading of the ordinance by Town Council.
- **November 2025:** Business license software system will be updated with new class schedules to prepare for 2026 business license tax year.
- **December 2025:** Process 2026 business license renewals and prepare to mail renewals to businesses.
- **January 2026:** New Business License Class Schedule will be implemented with notification to businesses of class schedule changes.



Questions?



ORDINANCE NO. _____

PROPOSED ORDINANCE NO. _____

THIRD SUPPLEMENTAL ORDINANCE

PROVIDING FOR THE ISSUANCE AND SALE OF TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA, SPECIAL OBLIGATION BONDS (BEACH PRESERVATION FEE PLEDGE), IN ONE OR MORE SERIES, IN THE PRINCIPAL AMOUNT OF NOT EXCEEDING \$19,000,000; DELEGATING THE AUTHORITY TO THE TOWN MANAGER TO DETERMINE CERTAIN MATTERS WITH RESPECT TO THE BONDS; PRESCRIBING THE FORM AND DETAILS OF SUCH BONDS; OTHER MATTERS RELATING THERETO; AND PROVIDING FOR SEVERABILITY AND AN EFFECTIVE DATE.

WHEREAS, the Town Council (the "Council") of the Town of Hilton Head Island, South Carolina (the "Town"), enacted an Ordinance (the "General Bond Ordinance") on September 6, 2011, to authorize generally the issuance of Bonds (as defined in the General Bond Ordinance); and

WHEREAS, pursuant to the General Bond Ordinance, the Bonds are payable from and secured by a pledge of Beach Preservation Fees (as defined in the General Bond Ordinance); and

WHEREAS, the Town is presently undertaking, and contemplating the future undertaking, of the New Projects (as defined herein); and

WHEREAS, the Town desires to issue not exceeding \$19,000,000 principal amount of its Special Obligation Bonds (Beach Preservation Fee Pledge), in one or more series (the "New Bonds") to finance, among other things, the Costs of Acquisition and Construction of the New Projects; and

WHEREAS, the Council has been advised that in order to finance the New Projects, the Council must enact an appropriate ordinance supplemental to the General Bond Ordinance authorizing the issuance of the New Bonds;

BE IT ORDERED AND ORDAINED BY THE TOWN COUNCIL OF THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA, IN COUNCIL ASSEMBLED:

Section 1. Definitions. The terms in this Section 1 and all words and terms defined in the General Bond Ordinance (such General Bond Ordinance as from time to time amended or supplemented by Supplemental Ordinances being defined in the Ordinance as the "Ordinance") (except as herein otherwise expressly provided or unless the context otherwise requires), shall for all purposes of this Third Supplemental Ordinance have the respective meanings given to them in the Ordinance and in Section 1 hereof.

"Beneficial Owner" shall mean any purchaser who acquires beneficial ownership interest in any Initial Bond held by the Depository. In determining any Beneficial Owner the Town, the Trustee, the Registrar and the Paying Agent may rely exclusively upon written representations made and information given to the Town, the Trustee, the Registrar and the Paying Agent, as the case may be, by the Depository or its Participants with respect to any New Bond held by the Depository or its Participants in which a beneficial ownership interest is claimed.

"Bond Purchase Agreement" shall mean one or more Bond Purchase Agreements relating to the sale of the New Bonds, to be dated the date of execution and delivery thereof between the Underwriter and the Town, as amended or supplemented thereto.

“Book-Entry Form” or “Book-Entry System” shall mean with respect to the New Bonds, a form or system, as applicable, under which (a) the ownership of beneficial interests in the New Bonds may be transferred only through a book-entry and (b) physical bond certificates in fully registered form are registered only in the name of a Depository or its nominee as Holder, with the physical bond certificates “immobilized” in the custody of the Depository. The book-entry maintained by the Depository is the record that identifies the owners of participatory interests in the New Bonds, when subject to the Book-Entry System.

“Business Day” shall mean, with respect to the New Bonds issued pursuant to this Third Supplemental Ordinance, any day other than a Saturday, a Sunday or a day which shall be in the State or the state in which the respective office of the Trustee, the Paying Agent and the Registrar is located a legal holiday or a day on which banking institutions are authorized by law or executive order to close.

“Code” shall mean the Internal Revenue Code of 1986, as amended.

“Continuing Disclosure Certificate” shall have the meaning given that term in Section 15 hereof.

“Custodian” shall mean one or more banks or financial institutions to hold the Series Construction Fund, if any, as selected by the Town Manager pursuant to Section 11 hereof.

“Depository” shall mean any securities depository that is a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended, operating and maintaining, with its participants or otherwise, a Book-Entry System to record ownership of beneficial interests in the New Bonds, and to effect transfers of the New Bonds, in Book-Entry Form, and includes and means initially The Depository Trust Company (a limited-purpose trust company).

“General Bond Ordinance” shall mean Ordinance No. 2011-18 enacted by the Town Council on September 6, 2011, authorizing the issuance from time to time of Bonds.

“Initial Bonds” shall mean the New Bonds initially issued in Book-Entry Form as provided in Section 4 hereof.

“Insurer” shall mean each insurance company providing a Surety Bond, or any successor thereto or assignee thereof.

“Insurer Default” shall mean there shall exist a default in the payment by the Insurer of principal of or any interest on any New Bond when required to be made by the applicable Surety Bond.

“Interest Payment Date” shall mean any February 1 and August 1 of each year, commencing February 1, 2026, or such other date as the Town Manager may determine pursuant to Section 11 hereof.

“Letter of Credit” shall mean, subject to Section 8 hereof, a letter of credit (if any) issued by a bank or other financial institution satisfactory to the Town, to satisfy all or a portion of the Series Reserve Fund Requirement.

“New Bonds” shall mean the Town of Hilton Head Island, South Carolina, Special Obligation Bonds (Beach Preservation Fee Pledge), issuable in one or more series, in the aggregate principal amount of not exceeding \$19,000,000 authorized to be issued hereunder.

“New Projects” shall mean, collectively, any of the following Projects (as defined in the General Bond Ordinance) which may be financed in whole or in part with the proceeds of the New Bonds, including

South Beach/South Island, Central Island, The Heel, Fish Haul Creek and Pine Island, and such other Projects as may be approved by the Town Manager and permitted by the Beach Preservation Fee Ordinance.

“Paying Agent” shall mean the bank or financial institution appointed by the Town Manager as Paying Agent under the Ordinance.

“Principal Payment Date” shall have the meaning given to such term in Section 3(a).

“Purchaser” shall mean the respective original purchasers of such New Bonds that are issued on a private placement basis, and their successors or assignees.

“Registrar” shall mean the bank or financial institution appointed by the Town Manager as Registrar under the Ordinance.

“Series Construction Fund” shall mean one or more Funds established pursuant to Section 9 hereof into which a portion of the proceeds of a Series of the New Bonds will be deposited and from which such proceeds will be disbursed to pay the Costs of Acquisition and Construction of the New Projects (including the Costs of Issuance). Pursuant to Section 9, each Series Construction Fund shall be further identified or designated to relate to the specific Series of the New Bonds issued hereunder.

“Series Debt Service Fund” shall mean one or more Funds established pursuant to Section 7 hereof to provide for the payment of the principal of and interest on the Series of the New Bonds related thereto. Pursuant to Section 7, each Series Debt Service Fund shall be further identified or designated to relate to the specific Series of the New Bonds issued hereunder.

“Series Debt Service Reserve Fund” shall mean one or more Funds, if any, established pursuant to Section 8 hereof (a) to insure the timely payment of the principal and interest on the New Bonds related thereto; and (b) to provide for the redemption of the Series of the New Bonds related thereto. Pursuant to Section 8, each Series Debt Service Reserve Fund shall be further identified or designated to relate to the specific Series of the New Bonds issued hereunder.

“Series Reserve Fund Requirement” shall mean the amount, if any, established pursuant to Section 8 hereof.

“Surety Bond” shall mean, subject to Section 8, the reserve policy or surety bond, if any, issued by the Insurer in connection with the New Bonds and payable to the Paying Agent.

“Third Supplemental Ordinance” shall mean shall mean this Third Supplemental Ordinance enacted by the Town Council authorizing the New Bonds, which amends and restates the Prior Ordinance in its entirety.

“Trustee” shall mean Regions Bank, or any bank or financial institution appointed by the Town Manager as successor Trustee under the Ordinance.

“Underwriter” shall mean such bank or financial institution selected by the Town Manager pursuant to Section 11 hereof, if the New Bonds are issued through a public offering, and their successors or assignees.

“Value” or “Values” means, if a Surety Bonds is in effect for a Series of New Bonds, with respect to any Permitted Investments for the Series Debt Service Fund and Series Debt Service Reserve Fund established for such Series of New Bonds, the amount calculated under the Ordinance determined as of any date of calculation as follows:

- (a) the bid price published by a nationally recognized pricing service as selected by the Town in its sole discretion;
- (b) as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest; and
- (c) as to any investment not specified above: the value thereof established by prior agreement between the Town and the Insurer.

Section 2. Certain Findings and Determinations.

The Town hereby finds and determines:

(a) The Ordinance, the Bond Act and the Accommodations Fee Act authorize the Town to issue Bonds in order to finance Projects (as defined in the General Bond Ordinance). This Third Supplemental Ordinance supplements the Ordinance, constitutes and is a "Supplemental Ordinance" within the meaning of such quoted term as defined and used in the Ordinance, and is enacted under and pursuant to the Ordinance.

(b) The New Bonds constitute and are "Bonds" within the meaning of the quoted word as defined and used in the Ordinance. As of the date hereof, there are no other Bonds Outstanding (as such terms are defined in the Ordinance) under the Ordinance.

(c) The Beach Preservation Fees pledged under the Ordinance are or will not be encumbered by any lien and charge thereon or pledge thereof, other than the pledge thereof created by the General Bond Ordinance and this Third Supplemental Ordinance for the payment and security of the New Bonds.

(d) There does not exist an Event of Default (as defined in the General Bond Ordinance), nor does there exist any condition which, after the passage of time or the giving of notice, or both, would constitute such Event of Default.

(e) The estimated Costs of Acquisition and Construction (as defined in the General Bond Ordinance) of the New Projects are \$47,500,000.

(f) The Town proposes to issue the New Bonds, in one or more Series (as defined in the General Bond Ordinance), for one or more of the principal purposes: (1) financing all or a portion of the Costs of Acquisition and Construction of the New Projects, (2) funding the Series Debt Service Reserve Fund (if any) in an amount equal to the Series Reserve Fund Requirement through the deposit of cash, the purchase of a Surety Bond, the provision of a Letter of Credit or any combination thereof, and (3) paying the Costs of Issuance of the New Bonds.

(g) The period of usefulness of the New Projects will be in excess of seven (7) years from the date of the acquisition thereof.

(h) It is necessary and in the best interest of the Town to authorize the issuance of the New Bonds in the principal amount of not exceeding \$19,000,000 in accordance with the Bond Act, the Accommodations Fee Act, the Ordinance and this Third Supplemental Ordinance for the purposes set forth above.

Section 3. Authorization of New Bonds.

(a) There is hereby authorized to be issued one or more Series of Bonds designated “Town of Hilton Head Island, South Carolina, Special Obligation Bonds (Beach Preservation Fee Pledge), Series (year)” (the “New Bonds”), including such further words, numbers or letters as may be necessary or desirable to identify individual series thereof, the purposes thereof, or the taxable status thereof, in the aggregate principal amount of not exceeding \$19,000,000. The proceeds of the New Bonds shall be used for the purposes set forth in Section 2(f) hereof.

Unless otherwise determined by the Town Manager pursuant to Section 11 hereof, the New Bonds shall mature on August 1 in each of the years (the “Principal Payment Dates”) and in the principal amounts, and bear interest at the rates per annum (calculated on the basis of a 360-day year comprised of twelve 30-day months), as determined by the Town Manager, pursuant to Section 11 hereof.

(b) Such of the New Bonds as the Town Manager shall determine pursuant to Section 11 hereof shall be subject to mandatory redemption at a redemption price equal to the principal amount of the New Bonds to be redeemed, together with interest accrued from the date of redemption, in the years and in the amounts determined by the Town Manager, pursuant to Section 11 hereof.

At its option, to be exercised on or before the sixtieth (60th) day prior to any mandatory redemption date, the Town may (i) deliver to the Trustee for cancellation New Bonds which are subject to mandatory redemption in any aggregate principal amount desired or (ii) receive a credit in respect of its mandatory redemption obligation for any such New Bonds which, prior to such date, have been purchased or redeemed (otherwise than through the operation of the mandatory redemption requirement) by the Town and cancelled by the Trustee and not theretofore applied as a credit against any mandatory redemption obligation. Each New Bond so delivered or previously purchased or redeemed shall be credited by the Trustee, at one hundred percent (100%) of the principal amount thereof, to the obligation of the Town on those respective mandatory redemption obligations in chronological order or such other manner as directed in writing by the Town to the Trustee, and the principal amount of the New Bonds to be redeemed by operation of the mandatory redemption requirement shall be accordingly reduced.

(c) The Trustee, without further authorization or direction from the Town, shall give notice of all mandatory redemptions within the time periods and in the manner specified in Article V of the General Bond Ordinance.

(d) The New Bonds shall originally be dated the date of delivery of the New Bonds, or such other date as the Town Manager shall determine pursuant to Section 11 hereof, and shall be issued as fully registered Bonds in the denominations of \$5,000 and integral multiples thereof, or in such other denominations determined by the Town Manager pursuant to Section 11 hereof. The New Bonds shall be numbered and lettered in such a fashion as to maintain a proper record thereof.

(e) Principal of and redemption premium, if any, on the New Bonds shall be payable at the designated corporate trust office of the Paying Agent. Interest on the New Bonds shall be payable on each Interest Payment Date, in each case to the Holders as of the immediately preceding Record Date, such interest to be paid by the Paying Agent by check or draft mailed to each Holder at the address as it appears on the Books of Registry maintained at the designated corporate trust office of the Paying Agent, and in the case of a Holder of \$1,000,000 or more in principal amount of New Bonds, by wire transfer to an account within the continental United States upon the timely receipt of a written request of such Holder. Payment of the principal of and interest on such New Bonds may be payable to the Holder thereof without presentation and surrender of such New Bonds.

(f) The New Bonds shall be in substantially the form set forth in Exhibit A hereto, with such necessary or appropriate variations, omissions and insertions as are incidental to the series, numbers, denominations, maturities, dates, interest rate or rates, redemption provisions, the purpose of issuance and other details thereof or as are otherwise permitted or required by law or by the Ordinance, including this Third Supplemental Ordinance. The New Bonds shall be executed in the name and on behalf of the Town by the manual or facsimile signatures of the Mayor and Town Clerk.

(g) A copy of the approving opinion to be rendered on the New Bonds shall be printed on the back of such New Bonds, preceding the same a certificate shall appear, which shall be signed on behalf of the Town by a facsimile signature of the Town Clerk. Such certificate shall be in the form substantially as follows:

IT IS HEREBY CERTIFIED that the following is a true and correct copy of the approving opinion of Burr & Forman LLP, Columbia, South Carolina, the original of which was manually executed, dated and issued as of the date of the delivery of and payment for the bonds, and a copy of which is on file with the Town.

THE TOWN OF HILTON HEAD, SOUTH CAROLINA

By: _____
Town Clerk

Section 4. Book-Entry System; Recording and Transfer of Ownership of the New Bonds.

The Initial Bonds will be eligible securities for the purposes of the Book-Entry System of transfer maintained by the Depository, and transfers of beneficial ownership of the Initial Bonds shall be made only through the Depository and its participants in accordance with rules specified by the Depository. Such beneficial ownership must be of \$5,000 principal amount of Initial Bonds of the same Series and maturity or any integral multiple of \$5,000.

The Initial Bonds will be issued in fully-registered form, as a single bond representing the entire principal amount of each Series of the New Bonds or one New Bond for each of the maturities of each Series of the New Bonds, in the name of Cede & Co., as the nominee of the Depository. When any principal of, premium, if any, or interest on the Initial Bonds becomes due, the Town shall transmit or cause the Paying Agent to transmit to the Depository an amount equal to such installment of principal, premium, if any, and interest. Such payments will be made to Cede & Co. or other nominee of the Depository as long as it is owner of record on the applicable Record Date. Cede & Co. or other nominee of the Depository shall be considered to be the owner of the Initial Bonds so registered for all purposes of this Third Supplemental Ordinance, including, without limitation, payments as aforesaid and receipt of notices. The Depository shall remit such payments to the Beneficial Owners of the New Bonds or their nominees in accordance with its rules and regulations.

Notices of redemption of the Initial Bonds or any portion thereof shall be sent to the Depository in accordance with the provisions of the General Bond Ordinance.

The Depository is expected to maintain records of the positions of Participants in the Initial Bonds, and the Participants and persons acting through Participants are expected to maintain records of the Beneficial Owners in the Initial Bonds. The Town, the Trustee, the Registrar and the Paying Agent make no assurances that the Depository and its Participants will act in accordance with such rules or expectations on a

timely basis, and the Town, the Trustee, the Registrar and the Paying Agent shall have no responsibility for any such maintenance of records or transfer of payments by the Depository to its Participants, or by the Participants or persons acting through Participants to the Beneficial Owners.

The Town, the Trustee, the Paying Agent and the Registrar may treat the Depository (or its nominee) as the sole and exclusive owner of the New Bonds registered in its name for the purpose of payment of the principal of, interest or premium, if any, on the New Bonds, giving any notice permitted or required to be given to Bondholders under the General Bond Ordinance or this Third Supplemental Ordinance, registering the transfer of the New Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever, and shall not be affected by any notice to the contrary. The Town, the Trustee, the Paying Agent and the Registrar shall not have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the New Bonds under or through the Depository or any Participant, or any other person which is not shown on the Books of Registry of the Town maintained by the Registrar as being a Bondholder, with respect to: the accuracy of any records maintained by the Depository or any Participant or the maintenance of any records; the payment by the Depository or any Participant of any amount in respect of the principal of, interest or premium, if any, on the New Bonds; the sending of any transaction statements; the delivery or timeliness of delivery by the Depository or any Participant of any notice which is permitted or required to be given to Bondholders thereunder; the selection of Bondholders to receive payments upon any partial redemption of the New Bonds; or any consent given or other actions taken by the Depository as a Bondholder.

If (a) the Depository determines not to continue to act as securities depository for the New Bonds, and gives reasonable notice to the Registrar or the Town, or (b) the Town has advised the Depository of the Town's determination that the Depository is incapable of discharging its duties, then the Town shall attempt to retain another qualified securities depository to replace the Depository. Upon receipt by the Town or the Registrar of the Initial Bonds together with an assignment duly executed by the Depository, the Town shall execute and deliver to the successor depository, the New Bonds of the same principal amount, interest rate and maturity. If the Town is unable to retain a qualified successor to the Depository, or the Town has determined that it is in its best interest not to continue the Book-Entry System of transfer or that interests of the Beneficial Owners of the New Bonds might be adversely affected if the Book-Entry System of transfer is continued (the Town undertakes no obligation to make any investigation to determine the occurrence of any events that would permit it to make any such determination), and has made provision to so notify Beneficial Owners of the New Bonds by mailing an appropriate notice to the Depository, upon receipt by the Town of the Initial Bonds together with an assignment duly executed by the Depository, the Town shall execute, authenticate and deliver to the Depository Participants the New Bonds in fully-registered form, in authorized denominations; provided, however, that the discontinuation of the Book-Entry System of registration and transfer with respect to the New Bonds or the replacement of the Depository or any successor depository shall be subject to the applicable rules and procedures of the Depository or such successor depository on file or otherwise approved by the Securities and Exchange Commission.

Section 5. Optional Redemption of New Bonds. Such of the New Bonds as may be determined by the Town Manager pursuant to Section 11 hereof shall be subject to redemption prior to maturity, at the option of the Town, in whole or in part at any time in such order of their maturities as the Town shall determine and by lot within a maturity, at the respective redemption prices with respect to each New Bond, expressed as a percentage of principal amount of the New Bonds to be redeemed, as shall be determined by the Town Manager pursuant to Section 11 hereof, together, in each such case, with the interest accrued on such principal amount to the date fixed for redemption. The Trustee shall give notice of redemption of the New Bonds by first-class mail, postage prepaid, to the Holders thereof as shown on the Books of Registry of the Town not less than thirty (30) days prior to the date fixed for the redemption thereof.

Section 6. Payment of the New Bonds. The New Bonds, together with the interest thereon, shall be payable, in such coin or currency of the United States of America which at the time of such payment is legal tender for public and private debts, solely from the Beach Preservation Fees of the Town in accordance with the provisions of the Ordinance and this Third Supplemental Ordinance. The New Bonds shall be secured by a pledge of Beach Preservation Fees on a parity with the pledge of Beach Preservation Fees securing the payment of any Bonds hereafter issued in compliance with the provisions of the General Bond Ordinance.

The New Bonds do not constitute an indebtedness of the Town within any State constitutional provisions (other than Article X, Section 14, Paragraph 10 of the South Carolina Constitution authorizing obligations payable solely from special sources not involving revenues from any tax or license) or statutory limitation. The New Bonds shall not be a debt of the Town, nor a charge, lien or encumbrance, legal or equitable, upon any property of the Town or upon any income, receipts or revenues thereof, other than the aforesaid Beach Preservation Fees of the Town. No recourse shall be had for the payment of the New Bonds or the interest thereon against the general fund of the Town, nor shall the credit or taxing power of the Town be deemed to be pledged thereto. The full faith, credit and taxing powers of the Town are not pledged to the payment of the principal of or interest on the New Bonds.

Section 7. Establishment of Series Debt Service Fund. In accordance with Section 6.6 of the General Bond Ordinance, the Series Debt Service Fund is hereby directed to be established by the Trustee on the date of the original delivery of the New Bonds for the benefit of the Holders of the New Bonds; provided, however, that upon the issuance of one or more Series of New Bonds, separate funds or accounts may be established for the payment of debt service on such Series of New Bonds, with such additional numbers or letters to identify its relevance, but each such separate fund or account will be considered the "Series Debt Service Fund" with respect to the related Series of New Bonds. In accordance with Section 6.6(a), (b) and (c) of the General Bond Ordinance, there is hereby directed to be established within each respective Series Debt Service Fund an Interest Account, a Principal Account and, if applicable, a Bond Redemption Account for the payment of interest, principal and sinking fund installment requirements of Term Bonds, respectively, on the New Bonds as the same become due and payable.

Section 8. Establishment of the Series Reserve Fund Requirement and Series Debt Service Reserve Fund.

In accordance with Section 6.7 of the Ordinance, the Town Manager may determine whether it is necessary or desirable to establish a Series Debt Service Reserve Fund for the benefit of the Holders of one or more Series of New Bonds (if any) and the amount of the applicable Series Reserve Fund Requirement, and, if so, such Series Debt Service Reserve Fund shall be established on the date of the original delivery of such Series of New Bonds and held by the Trustee, all as provided in the Ordinance; provided, however, that (1) upon the issuance of one or more Series of New Bonds, separate funds or accounts may be established (if at all) for each Series of New Bonds, with such additional numbers or letters to identify its relevance, but each such separate fund or account will be considered the "Series Debt Service Reserve Fund" with respect to the related Series of New Bonds; and (2) in the event of any full or partial defeasance of a Series of New Bonds under Article X of the Ordinance, then the Series Reserve Fund Requirement established for such Series of New Bonds shall be recalculated based on the then Outstanding principal amount of such Series.

If the Series Debt Service Reserve Fund is established, the Series Reserve Fund Requirement initially will be satisfied by the Town by the deposit of cash into the Series Debt Service Reserve Fund, with the purchase of a Surety Bond, the provision of a Letter of Credit or any combination of the foregoing, in each case for the benefit of the Holders of the New Bonds. A Series Reserve Fund Requirement shall be deemed permanently satisfied to the extent a Surety Bond or Letter of Credit is deposited with the Trustee for the benefit of the Holders of the applicable Series of New Bonds notwithstanding any downgrade to bond insurer ratings to the provider of such Surety Bond or Letter of Credit.

Section 9. Series Construction Fund.

There is hereby created and established the Series Construction Fund, which fund shall be held by the Town or by a Custodian; provided, however, that upon the issuance of one or more Series of New Bonds, separate funds or accounts may be established for such Series of New Bonds, with such additional numbers or letters to identify its relevance, but each such separate fund or account will be considered the "Series Construction Fund" with respect to the related Series of New Bonds. If the Series Construction Fund is held by a Custodian, the Town Manager is authorized and directed to negotiate, execute and deliver such construction fund agreements or other agreements with such bank or other financial institution as may be necessary or desirable in connection therewith. The Series Construction Fund established for a particular Series of New Bonds shall be accounted for as a single fund, however the moneys on deposit therein may be held by one or more Custodians. The moneys on deposit in the Series Construction Fund shall be used and applied to pay all or a portion of the Costs of Acquisition and Construction of the New Projects, including all Costs of Issuance related to the New Bonds.

Moneys held for the credit of the Series Construction Fund shall be invested to the fullest extent practicable and reasonable, in Permitted Investments, maturing at such times and in such amounts as shall be required to provide moneys to make the payments required to be made from such Fund.

Withdrawals from the Series Construction Fund shall be made in the manner withdrawals from other funds of the Town are made.

If after the payment in full of all costs of the New Projects and Costs of Issuance or after adequate provision has been made for such payment any moneys remain in the Series Construction Fund, such excess shall be paid into the related Series Debt Service Fund and shall be used only for the payment of the principal of and interest on the related Series of New Bonds or, in the alternative, to acquire Outstanding New Bonds at a price (exclusive of accrued interest) not exceeding the face amount thereof.

Section 10. Designation of Trustee, Registrar, and Paying Agent. It is hereby desired that Regions Bank be appointed to serve as Trustee, Registrar and Paying Agent under the Ordinance and Town Council hereby delegates to the Town Manager the authority to execute such documents and take such actions as necessary in connection therewith, and to designate or appoint a successor bank or financial institution (as applicable) as the Trustee, Registrar and Paying Agent under the terms and conditions provided in the Ordinance. The Trustee, Registrar and Paying Agent shall signify their acceptances of their respective duties upon delivery of the New Bonds.

Section 11. Sale and Issuance of New Bonds.

- (a) Without further authorization, the Council hereby authorizes the Town Manager to:
 - (i) determine the respective sale date, original issue date and date of delivery for each Series of the New Bonds;
 - (ii) determine whether to issue the New Bonds in one or more series;
 - (iii) determine the aggregate principal amounts and authorized denominations of each Series of New Bonds;
 - (iv) determine the principal repayment schedule for the applicable New Bonds and the Principal Payment Dates of the applicable New Bonds if different from that set forth herein;

(v) determine the Interest Payment Dates and initial Interest Payment Date for the applicable New Bonds if different from that set forth herein;

(vi) determine the optional and mandatory redemption terms for the applicable New Bonds, and determine whether all or a portion of a Series of New Bonds shall be issued as term bonds and, if so, the principal amounts and maturity dates of the bonds subject to mandatory sinking fund redemption;

(vii) determine the Trustee, Paying Agent, Registrar with respect to the New Bonds and the Custodian, if any, for the Series Construction Fund;

(viii) determine whether a Series Debt Service Reserve Fund will be established and funded with respect to each respective Series of New Bonds and, if so, the amount of the Series Reserve Fund Requirement and the manner in which the Series Reserve Fund Requirement will be satisfied (including, but not limited to, whether to purchase a Surety Bond);

(ix) determine whether a Letter of Credit will be procured with respect to the respective Series of New Bonds;

(x) determine whether a portion of the proceeds of a Series of New Bonds shall be used to pay a portion of the interest due and payable on such Series of New Bonds;

(xi) determine the manner of sale of the applicable Series of New Bonds (i.e., whether such New Bonds shall be sold through a private placement transaction with a bank or other financial institution, or sold to an Underwriter pursuant to one or more Bond Purchase Agreements (as such term is defined below)), and determine whether the Book-Entry System of transfer will apply to such New Bonds;

(xii) in the event a Series of New Bonds is not sold to an Underwriter:

1. negotiate the sale of the applicable Series of New Bonds with one or more prospective Purchasers on such terms as the Town Manager may determine to be most advantageous to the Town, or, in the alternative, approve the forms of one or more Requests for Proposals with respect to the applicable New Bonds and the distribution of such Requests for Proposals to various banks and other financial institutions in the Town and other areas as the Town Manager or Finance Director of the Town determines;

2. determine the dates and times for receipt of bids under the applicable Request for Proposals;

3. award the sale of the applicable New Bonds to the bidder or bidders providing the most advantageous proposals therefor in accordance with the terms of the applicable Request for Proposals, or reject all bids and negotiate the sale of the applicable Series of New Bonds directly with one or more prospective Purchasers (without regard to whether such prospective Purchasers submitted proposals in response to a Request for Proposals) and award the sale of the applicable Series of New Bonds to one or more Purchasers on such terms as the Town Manager may determine to be most advantageous to the Town;

(xiii) in the event a Series of New Bonds is sold to an Underwriter:

1. determine the date and time of sales of the respective New Bonds and the interest rates for each Series of New Bonds;

2. approve any original issue discount or original issue premium at which each Series of New Bonds will be sold, or whether any Underwriter's discount or other fee will be paid to the purchasers of such Series of New Bonds;

3. enter into, on behalf of the Town, one or more bond purchase agreements (each a "Bond Purchase Agreement") to be dated the date of their execution. Upon the submission of any such Bond Purchase Agreement by the applicable Underwriter, the Town Manager shall further determine that the Bond Purchase Agreement is fair and reasonable and in the best interest of the Town; that the applicable Series of New Bonds shall be sold to the applicable Underwriter upon the terms and conditions set forth in such Bond Purchase Agreement and upon the basis of the representations therein set forth, and that all conditions precedent to or concurrent with the acceptance of the Bond Purchase Agreement have been met. The Town Manager is authorized and directed to execute such Bond Purchase Agreement, and deliver such executed Bond Purchase Agreement to the applicable Underwriter, the execution and delivery of the Bond Purchase Agreement constituting conclusive evidence of the Town Manager's approval of the matters therein contained;

4. negotiate and approve one or more Preliminary Official Statements relating to one or more Series of New Bonds. The Town Manager is hereby authorized to "deem final" the Preliminary Official Statement for purposes of complying with the requirements set forth in Rule 15c2-12 of the Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934, as amended;

5. approve a final Official Statement of the Town to be dated of even date with the execution and delivery of the applicable Bond Purchase Agreement relating to the Series of New Bonds substantially in the form of the Preliminary Official Statement, with such modifications as the Town Manager may approve. The Town Manager is hereby authorized and directed to execute copies of the final Official Statement and deliver the same to the applicable Underwriter, which execution and delivery shall be conclusive evidence of the approval of any such modifications; and the Town hereby authorizes the use of the Preliminary Official Statement, the final Official Statement, the General Bond Ordinance, this Fifth Supplemental Ordinance, and the information contained herein and therein in connection with the public offering and sale of a Series of New Bonds by the applicable Underwriter;

(xiv) negotiate the terms of, execute in the name and on behalf of the Town, and deliver any escrow agreements, investment agreements, forward delivery agreements, repurchase agreements, guaranteed investment contracts, agreements related to Surety Bonds or Letters of Credit, and any other agreements in connection with each Series of New Bonds, to prepare and solicit bids for providers of such agreements and to execute, in the name and on behalf of the Town, written confirmations of any such agreements and other documents as may be necessary in connection therewith;

(xv) determine whether any Series of New Bonds shall be issued on a federal tax-exempt basis and, if issued on a federal tax-exempt basis, whether any Series of New Bonds shall be designated as a "qualified tax-exempt obligation" under Section 265(b)(3) of the Code;

(xvi) determine whether the provisions of Section 6.11 of the General Bond Ordinance

shall be applicable to the payment of the New Bonds; and

(xvii) agree to any other covenants, terms, provisions and matters necessary or advisable to effect the issuance of the New Bonds, including such terms as may be requested by the respective Purchasers or Underwriter.

In the event any of the foregoing items (i) through (xvii) have already been determined or undertaken by the Town Manager, such actions are hereby ratified by the Council.

(b) A copy of this Third Supplemental Ordinance shall be filed with the minutes of the meeting at which this Third Supplemental Ordinance was enacted.

(c) The Town Council hereby authorizes and directs all of the officers and employees of the Town to carry out or cause to be carried out all obligations of the Town hereunder and to perform such other actions as they shall consider necessary or advisable in connection with the issuance, sale and delivery of the New Bonds.

Section 12. Disposition of Proceeds of New Bonds and Certain Other Moneys. The proceeds derived from the sale of the New Bonds, net of any original issue discount or premium (or both), any Underwriter's discount or fees payable to the purchaser thereof and any premiums paid to providers of Surety Bonds or Letters of Credit (if any), shall be deposited with (or at the order of) the Town, the Trustee or the Custodian, as applicable, and used for the following purposes:

(a) If the Town Manager determines that a Series Debt Service Reserve Fund shall be established for a Series of New Bonds and the Series Reserve Fund Requirement shall be funded with a portion of the proceeds of a Series of the New Bonds, there shall be deposited with the Trustee for deposit into such Series Debt Service Reserve Fund an amount equal to the applicable Series Reserve Fund Requirement.

(b) The remainder of the proceeds of any Series of the New Bonds shall be deposited into the Series Construction Fund established in Section 9 hereof to pay all or a portion of the Costs of Acquisition and Construction for the New Projects, including Costs of Issuance, for such Series of New Bonds.

The respective amounts specified in this Section 12 shall be determined by the Town upon delivery of any Series of the New Bonds.

Section 13. Federal Tax Covenant. The Town hereby covenants and agrees with the Holders of the New Bonds issued as tax-exempt obligations (the "Tax-Exempt Bonds") that it will not take any action which will, or fail to take any action which failure will, cause interest on the Tax-Exempt Bonds to become includable in the gross income of the Bondholders thereof for federal income tax purposes pursuant to the provisions of the Code and regulations promulgated thereunder in effect on the date of original issuance of the Tax-Exempt Bonds and that no use of the proceeds of the Tax-Exempt Bonds shall be made which, if such use had been reasonably expected on the date of issue of the Tax-Exempt Bonds would have caused the Tax-Exempt Bonds to be "arbitrage bonds," as defined in the Code; and to that end the Town hereby shall:

(a) comply with the applicable provisions of Section 103 and Sections 141 through 150 of the Code and any regulations promulgated thereunder so long as the Tax-Exempt Bonds are Outstanding;

(b) establish such funds, make such calculations and pay such amounts, if necessary, in the manner and at the times required in order to comply with the requirements of the Code relating to required rebate of certain amounts to the United States; and

- (c) make such reports of such information at the times and places required by the Code.

The Town Manager shall be authorized and directed to prepare and adopt written procedures with respect to tax-exempt debt, including but not limited to the Tax-Exempt Bonds.

To the extent that the Town Manager determine that a Series of New Bonds will be designated as a “qualified tax-exempt obligation” as defined in Section 265 of the Code, the Town Manager are authorized and directed to make and deliver all necessary or desirable certifications and determinations on behalf of the Town in connection with such designation.

This Third Supplemental Ordinance shall constitute the Town’s declaration of official intent pursuant to Regulation §1.150-2 of the Code to reimburse the Town from a portion of the proceeds of the New Bonds for expenditures the Town anticipates incurring (the “Expenditures”) with respect to the Projects prior to the issuance of the Series of New Bonds relating thereto. Expenditures which may be reimbursed are limited to Expenditures which are: (a) properly chargeable to capital account (or would be so chargeable with a proper election or with the application of the definition of placed in service under Regulation §1.150-2 of the Code) under general federal income tax principles; or (b) certain *de minimis* or preliminary Expenditures satisfying the requirements of Regulation §1.150-2(f) of the Code. The sources of funds for the Expenditures with respect to the Projects will be available Beach Preservation Fees and general funds of the Town. To be eligible for reimbursement of the Expenditures, the reimbursement allocation must be made not later than 18 months after the later of (a) the date on which the Expenditures were paid; or (b) the date the applicable Projects were placed in service, but in no event more than three (3) years after the original Expenditures.

Section 14. Continuing Disclosure. So long as and to the extent required pursuant to Section 11-1-85 of the Code of Laws of South Carolina 1976, as amended (“Section 11-1-85”), the Town covenants that it will file with a central repository for availability in the secondary bond market when requested:

- (i) An annual independent audit, within 30 days of the Town's receipt of the audit; and
- (ii) Event-specific information within 30 days of an event adversely affecting more than 5% percent of Beach Preservation Fees or the Town's tax base.

The only remedy for failure by the Town to comply with the covenant of this Section 14 shall be an action for specific performance of this covenant; and failure to comply shall not constitute a default or an “Event of Default” under the Ordinance or this Third Supplemental Ordinance. The Trustee shall have no responsibility to monitor the Town’s compliance with this covenant. The Town specifically reserves the right to amend or delete this covenant in order to reflect any change in Section 11-1-85, without the consent of the Trustee or any Holder of any New Bonds.

In addition, the Town Manager is hereby authorized and directed to approve the form of, and execute and deliver, a Continuing Disclosure Certificate of the Town, related to one or more Series of the New Bonds as required by applicable law, and the Town hereby covenants and agrees that it will comply with and carry out all of the provisions of such Continuing Disclosure Certificate. Notwithstanding any other provisions of this Third Supplemental Ordinance, failure of the Town to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default, and no liability for damages shall attach therefor. The sole remedy for such failure to comply shall be that any New Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Town to comply with its obligations under this paragraph.

Section 15. Modification of General Bond Ordinance. The following provisions of the General Bond Ordinance are hereby amended, which amendments to the General Bond Ordinance hereinafter set forth below shall not become effective until the earlier of: (1) all the Outstanding Bonds (other than the New Bonds) shall cease to be Outstanding; or (2) the Holders of 66 2/3% in principal amount of the Bonds (as defined in the General Bond Ordinance) then Outstanding assent to and authorize any modification or amendment to the General Bond Ordinance as amended in accordance with Article IX of the General Bond Ordinance; provided, that the holders of the New Bonds are deemed to have consented to such amendments by their purchase and acceptance of such New Bonds. Any Bonds (as defined in the General Bond Ordinance), including the New Bonds, issued after the date of enactment of this Third Supplemental Ordinance shall contain a reference to the amendments herein made:

(1) Section 1.1 of the General Bond Ordinance shall be amended by:

(a) inserting the following text at the end of the definition of “Debt Service”:

; and provided further, that, in the case of Bonds which have been or shall be issued as obligations for which the Town has or shall be entitled to receive a payment or other form of credit that effectively reduces the Town’s debt service payment obligation therefor, the amount to be paid or set aside in the applicable Debt Service Fund in each Fiscal Year for such payment of Debt Service shall be reduced by the payment that the Town has or shall be entitled to receive for such purpose.

(b) inserting the following text at the end of the definition of “Maximum Debt Service”:

and, in the case of Bonds which have been or shall be issued as obligations for which the Town has or shall be entitled to receive a payment or other form of credit that effectively reduces the Town’s debt service payment obligation therefor, the amount to be paid or set aside in the applicable Debt Service Fund in each Fiscal Year for such payment of Debt Service shall be reduced by the payment that the Town has or shall be entitled to receive for such purpose.

(2) Section 3.3 of the General Bond Ordinance shall be amended by deleting paragraph (C) in its entirety and replacing it with the following text:

C. For the issuance of Bonds to finance the Costs of Acquisition and Construction, or a portion thereof, of any Projects (other than the Series 2011 Bonds issued pursuant to this Ordinance and the First Supplemental Ordinance), there shall be delivered a certificate or report from the Town Manager or the Finance Director of the Town, which report need not be based upon audited financial statements of the Town, stating that the amount of the Beach Preservation Fees collected by the Town during any consecutive twelve (12) month period out of the last twenty-four (24) month period prior to the date on which the Bonds are proposed to be issued is not less than 120% of the sum of the Maximum Annual Payments (as defined in the 2006 Installment Sale Agreement) relating to the 2006 Certificates and the Maximum Debt Service on Bonds then Outstanding and the Bonds then proposed to be issued.

(3) Section 4.1 of the General Bond Ordinance shall be amended by replacing “Mayor of the Town” with the language “Mayor of the Town (or in his or her absence the Mayor Pro Tempore).”

(4) Section 6.6 of the General Bond Ordinance shall be amended by deleting paragraphs (a), (b), (c) and (d) thereof in their entirety and replacing them with the following text:

(a) *Interest Account.* There shall be established and maintained for the purpose of paying the interest on each Series of Bonds as the same becomes due and payable an Interest Account in the respective Debt Service Funds. Unless and except as is otherwise set forth herein or in a Supplemental Ordinance, not later than the tenth (10th) Business Day preceding an Interest Payment Date, the Town shall transfer or cause to be transferred to the Trustee for deposit into the respective Debt Service Funds and ratably with respect to separate Series of Bonds to the credit of the Interest Account Beach Preservation Fees in an amount which will, together with any other funds on deposit from whatever source in the Interest Account of the respective Debt Service Fund, on such date be equal to the installment of interest then falling due on the respective Series of Bonds then Outstanding. In making any of the deposits to the Interest Account required by this paragraph (a), consideration shall be given to and allowance made for accrued interest received upon delivery of each Series of Bonds to the initial purchasers and for any other credits (including but not limited to capitalized interest with respect to each Series of Bonds) otherwise made to such Interest Account. To the extent moneys derived from other sources have been transferred or allocated for credit to the Interest Account on or before ten (10) Business Days prior to the Interest Payment Date as described above, the amount of Beach Preservation Fees to be transferred or allocated for credit to such Interest Account shall be reduced or eliminated by the amount of such moneys transferred or allocated for credit to the Interest Account. To the extent the provisions of Section 6.11 hereof are incorporated into the Supplemental Ordinance relating to a particular Series of Bonds, if at any time the Finance Director of the Town determines that sufficient Beach Preservation Fees or other amounts will not be available for transfer to the Trustee for deposit into the applicable Interest Account relating to such Series of Bonds by the tenth (10th) Business Day prior to an Interest Payment Date, the Finance Director of the Town or the Town Manager shall request Council to make a budgetary appropriation from sources or funds lawfully available in the amount of the insufficiency and, subject to the provisions of Section 6.11 hereof, the Town shall, on or before the fifth (5th) Business Day prior to such Interest Payment Date, transfer amounts to the Trustee for deposit into the applicable Interest Account (until the moneys on deposit therein equal the amount needed) such that the aggregate of the amounts so paid and credited to the Interest Account would on such Interest Payment Date be equal to the installment of interest then falling due.

(b) *Principal Account.* There shall be established and maintained for the purpose of paying the principal of each Series of Bonds as they mature a Principal Account in the respective Debt Service Funds. Unless and except as is otherwise set forth herein or in a Supplemental Ordinance, not later than the tenth (10th) Business Day preceding any Principal Payment Date, the Town shall transfer or cause to be transferred to the Trustee for deposit into the respective Debt Service Funds and ratably with respect to separate Series of Bonds to the credit of the Principal Account Beach Preservation Fees in an amount which will, together with any other funds on deposit from whatever source in the Principal Account of the respective Debt Service Fund, provide sufficient funds to pay the aggregate amount of the principal of Bonds coming due on such Principal Payment Date. In making any of the deposits to the Principal Account required by this paragraph (b), consideration shall be given to and allowance made for any other credits otherwise made to such Principal Account. To the extent moneys derived from other sources have been transferred or allocated for credit to the Principal Account on or before ten (10) Business Days prior to the Principal Payment Date as described above, the amount of Beach Preservation Fees to be transferred or allocated for credit to such Principal Account shall be reduced or eliminated by the amount of such moneys transferred or allocated for credit to the

Principal Account. To the extent the provisions of Section 6.11 hereof are incorporated into the Supplemental Ordinance relating to a particular Series of Bonds, if at any time the Finance Director of the Town determines that sufficient Beach Preservation Fees or other amounts will not be available for transfer to the Trustee for deposit into the applicable Principal Payment Account relating to such Series of bonds by the tenth (10th) Business Day prior to a Principal Payment Date, the Finance Director of the Town or the Town Manager shall request Council to make a budgetary appropriation from sources or funds lawfully available in the amount of the insufficiency and, subject to the provisions of Section 6.11 hereof, the Town shall, on or before the fifth (5th) Business Day prior to such Principal Payment Date, transfer amounts to the Trustee for deposit into the applicable Principal Account (until the moneys on deposit therein equal the amount needed) such that the aggregate of the amounts so paid and credited to the Principal Account would on such Principal Payment Date be equal to the installment of principal then falling due.

(c) *Bond Redemption Account.* There shall be established and maintained, in order to meet the specified sinking fund installment requirements of Term Bonds and to otherwise retire Term Bonds prior to maturity, a Bond Redemption Account in the respective Debt Service Fund. Unless and except as is otherwise set forth herein or in a Supplemental Ordinance, not later than the tenth (10th) Business Day preceding the date a sinking fund installment of Term Bonds of each Series falls due the Town shall transfer or cause to be transferred to the Trustee for deposit into the respective Debt Service Fund and ratably with respect to separate Series of Bonds to the credit of the Bond Redemption Account Beach Preservation Fees in an amount that would be equal to the sinking fund installment of principal then falling due on the respective Series of Term Bonds then Outstanding. The Trustee shall apply the moneys credited to the Bond Redemption Account as sinking fund installments to the retirement of the Term Bonds of each respective Series by redemption in accordance with the Supplemental Ordinance providing for the issuance of such Series of Bonds, without further authorization or direction, on each date upon which a sinking fund installment is due with respect to the Term Bonds of such Series. The Trustee shall keep and retain accurate records of application of each deposit of funds under this paragraph (c). The Trustee shall give notice of all such redemptions in the name and on the behalf of the Town in accordance with the provisions of Article V hereof. In making any of the deposits to the Bond Redemption Account required by this paragraph (c), consideration shall be given to and allowance made for any other credits otherwise made to such Bond Redemption Account. To the extent moneys derived from other sources have been transferred or allocated for credit to the Bond Redemption Account on or before ten (10) Business Days prior to the date a sinking fund installment of Term Bonds of each Series falls due as described above, the amount of Beach Preservation Fees to be transferred or allocated for credit to such Bond Redemption Account shall be reduced or eliminated by the amount of such moneys transferred or allocated for credit to the Bond Redemption Account. To the extent the provisions of Section 6.11 hereof are incorporated into the Supplemental Ordinance relating to a particular Series of Bonds, if at any time the Finance Director of the Town determines that sufficient Beach Preservation Fees or other amounts will not be available for transfer to the Trustee for deposit into the applicable Bond Redemption Account relating to such Series of Bonds by the tenth (10th) Business Day preceding the date a sinking fund installment is due, the Finance Director of the Town or the Town Manager shall request Council to make a budgetary appropriation from sources or funds lawfully available in the amount of the insufficiency and, subject to the provisions of Section 6.11 hereof, the Town shall, on or before the fifth (5th) Business Day prior to the date such sinking fund installment is due, transfer amounts to the Trustee for deposit into the applicable Bond Redemption Account (until the moneys on deposit therein equal the amount

needed) such that the aggregate of the amounts so paid and credited to the Bond Redemption Account would on the date such sinking fund installment is due be equal to the sinking fund installment then falling due on the respective Series of Bonds then Outstanding.

(d) If, on the dates when the payments required by paragraphs (a), (b) and (c) of this Section are to be made, the aggregate of (i) the payments actually made pursuant to said paragraphs (a), (b) and (c), and (ii) the remaining payments to be made prior to the next succeeding date on which principal or interest, or both, as the case may be, will be due and payable, are less than the sum required to be transferred to a Debt Service Fund to effect the payment of the succeeding installment of principal or interest, or both, as the case may be, moneys in the applicable Debt Service Reserve Fund, if any, equal to such deficiency shall be added to the payment to be made pursuant to said paragraphs (a), (b) and (c). In the event of such transfer, the Trustee shall promptly give telephonic notice of such transfer to the Town and, within ten days after making the transfer, provide written notice to the Town of the amount and date of such transfer.

(5) Section 6.7 of the General Bond Ordinance shall be amended by adding the language “following such partial redemption” at the end of paragraph (b)(3) thereof and by deleting paragraph (d) thereof in its entirety and replacing it with the following text:

(d) Unless otherwise provided in a Supplemental Ordinance, if the Trustee sends written notice to the Town stating that a deficiency exists in the applicable Debt Service Reserve Fund (whether due to a transfer therefrom pursuant to Section 6.6(d) or a valuation thereof determined as of the valuation dates and in accordance with the method specified in Section 6.10 hereof), then there shall be deposited from available Beach Preservation Fees (remaining after required deposits have been made into the Debt Service Funds) into the applicable Debt Service Reserve Fund over the next succeeding twelve (12) months, successive equal monthly installments of the amount necessary to re-establish in the applicable Debt Service Reserve Fund its respective Reserve Fund Requirement (upon receipt of each of which installments, the Trustee shall promptly send an updated written notice to the Town as to the remaining deficiency therein). To the extent the provisions of Section 6.11 hereof are incorporated into the Supplemental Ordinance relating to a particular Series of Bonds, in the event sufficient Beach Preservation Fees or other amounts have not been transferred to the Trustee for deposit into the applicable Debt Service Reserve Fund relating to such Series of Bonds by the end of the twelve (12) month period set forth above, the Finance Director of the Town or the Town Manager shall request Council to make a budgetary appropriation from sources or funds lawfully available in the amount of the insufficiency and, subject to the provisions of Section 6.11 hereof, the Town shall, within thirty (30) Business Days of the end of such twelve (12) month period, transfer sufficient amounts to the Trustee for deposit into the applicable Debt Service Reserve Fund so that the moneys on deposit therein equal the applicable Reserve Fund Requirement relating thereto.

(6) Section 6.10 of the General Bond Ordinance shall be amended by:

(a) deleting the first two sentences of the second paragraph in their entirety and replacing them with the following text:

The Trustee shall evaluate on an annual basis Permitted Investments in the Debt Service Reserve Fund, if any, established by this Ordinance and forward such valuation to the Town. Until changed pursuant to written instructions from the Town, such valuation shall be made not less than one time each calendar year.

(b) deleting the last sentence of the second paragraph in its entirety and replacing it with the following text:

Deficiencies in the amount on deposit in the Debt Service Reserve Funds resulting from a decline in market value shall be restored in equal, successive monthly installments within twelve (12) months of such shortage.

(c) deleting the third paragraph in its entirety and replacing it with the following text:

The value of Permitted Investments (except investment agreements) shall be determined by the Trustee or the Custodian or other depository at the market value or the amortized cost thereof, whichever is lower, exclusive of accrued interest, provided, however, Permitted Investments in any Debt Service Reserve Fund shall be valued at the original cost thereof if the maturity thereof is one year or less and shall be valued at market value and marked to market annually if the maturity thereof is longer than one (1) year.

(7) The following text will be added as a new Section 6.11 of the General Bond Ordinance:

Section 6.11. Appropriation of Moneys for Debt Service. A Supplemental Ordinance may incorporate by reference the provisions of this Section 6.8. If prior to any Interest Payment Date or Principal Payment Date, or both, there are insufficient Beach Preservation Fees to make the transfers required by Section 6.6 hereof to any Debt Service Fund or required by Section 6.7 hereof to any Debt Service Reserve Fund, subject to appropriation by Council, by ordinance duly enacted, from sources or funds lawfully available therefor, the Town shall transfer to the Trustee, on or prior to the date a payment is due to such Debt Service Fund or Debt Service Reserve Fund, an amount equal to such shortfall, for further credit or allocation by the Trustee to the appropriate accounts in the applicable Debt Service Funds or Debt Service Reserve Funds. The payment obligation described in this Section 6.11 shall constitute a current expense of the Town and shall not in any way be construed to be a debt of the Town in contravention of any applicable constitutional or statutory limitations or requirements concerning the creation of indebtedness of the Town, nor shall anything contained herein constitute a pledge of the general tax revenues, funds, moneys or credit of the Town. Any such budgetary appropriation shall be subject in all respects to the discretion of Council, and any failure to make such an appropriation, notwithstanding any provision of this Ordinance or a Supplemental Ordinance to the contrary, shall not constitute a default or Event of Default under this Ordinance or a Supplemental Ordinance.

(8) Section 9.1(B) of the General Bond Ordinance shall be amended by adding the following text prior to the last sentence of such paragraph:

The Town expressly authorizes the underwriter or purchaser of any Series of Bonds, or provider of bond insurance for any Series of Bonds, to assent to and consent to such amendments to this General Bond Ordinance as contemplated by this paragraph in the same manner as the Holders of the Bonds.

Section 16. Further Actions. The Mayor, the Town Manager, the Finance Director of the Town, and the Town Clerk are hereby authorized and directed to take any and all such further actions as shall be deemed

necessary or desirable in order to effectuate issuance of the New Bonds, to elect to purchase the Surety Bond and to carry out the intentions of this Third Supplemental Ordinance.

Section 17. Headings. The headings and titles of the several sections hereof shall be solely for convenience of reference and shall not affect the meaning, construction, interpretation or effect of this Third Supplemental Ordinance.

Section 18. Notices. All notices, certificates or other communications hereunder or under the Ordinance shall be sufficiently given and shall be deemed given when mailed by registered mail, postage prepaid, or given when dispatched by telegram addressed as follows:

If to the Town:

Hilton Head Island, South Carolina
Attn: Town Manager
One Town Center Court
Hilton Head Island, South Carolina 29928

If to the Paying Agent, the Registrar or the Trustee, the address so designated by them to the Town Manager when the New Bonds are issued.

The Town, the Paying Agent, the Registrar and the Trustee may, by notice given to the other parties, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 19. Repeal of Inconsistent Ordinances and Resolutions. All ordinances and resolutions of the Town, and any part of any ordinance or resolution, inconsistent with this Third Supplemental Ordinance are hereby repealed to the extent of such inconsistency.

Section 20. Severability. If any sections, phrase, sentence or portion of this Third Supplemental Ordinance is for any reason held invalid or unconstitutional by any court of competent jurisdiction, such portion shall be deemed a separate, distinct and independent provision, and such holding shall not attest the validity of the remaining portions thereof.

Section 21. Effective Date. This Third Supplemental Ordinance shall be effective upon its adoption by the Town Council for the Town of Hilton Head Island, South Carolina.

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

Alan Perry, Mayor

ATTEST:

Kimberly Gammon
Town Clerk

APPROVED AS TO FORM:

Curtis L. Coltrane, Town Attorney

First Reading:
Second Reading:

Introduced by Council Member:

[Signature page]

FORM OF NEW BOND

[DTC Legend]

THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA
SPECIAL OBLIGATION BONDS (BEACH PRESERVATION FEE PLEDGE),
SERIES _____

No. R-____

Interest RateMaturity DateIssue DateCUSIP

Registered Holder:

Principal Amount:

THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA (the “Town”) a public body corporate and politic and a political subdivision of the State of South Carolina (the “State”), created and existing by virtue of the laws of the State, acknowledges itself indebted and for value received hereby promises to pay, solely as hereinafter provided, to the Registered Owner named above or registered assigns, the Principal Amount set forth above on the Maturity Date stated above, unless this Bond be subject to redemption and shall have been redeemed prior thereto as hereinafter provided, upon presentation and surrender hereof at the corporate trust office of Regions Bank, in Atlanta, Georgia, as trustee (the “Trustee”), and to pay interest on such Principal Amount at the annual Interest Rate stated above (calculated on the basis of a 360-day year of twelve (12) 30-day months), until the obligation of the Town with respect to the payment of such Principal Amount shall be discharged. Interest on this Bond shall be payable in semiannual installments on February 1 and August 1 of each year beginning February 1, 2026 (each, an “Interest Payment Date”), until maturity or earlier redemption. All payments shall be paid to the person in whose name this Bond is registered at the close of business on the fifteenth day of the calendar month (each, a “Record Date”) preceding each Interest Payment Date or Principal Payment Date (as defined in the hereinafter defined Ordinances). The payments shall be payable by check or draft mailed at the times provided herein to the person in whose name this Bond is registered at the address shown on the registration books of the Town held by Regions Bank, as registrar (the “Registrar”), or, in the case of a Registered Holder of \$1,000,000 or more in principal amount of this Bond, by wire transfer to on account within the continental United States upon the timely receipt of a written request of such Registered Holder. The payments are payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

THIS BOND HAS BEEN ISSUED UNDER THE PROVISIONS OF TITLE 6, CHAPTER 21, TITLE 6, CHAPTER 1, ARTICLE 5, AND SECTION 6-1-760, CODE OF LAWS OF SOUTH CAROLINA, 1976, AS AMENDED (COLLECTIVELY, THE "ACT"); THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE TOWN WITHIN THE MEANING OF ANY STATE CONSTITUTIONAL PROVISION (EXCEPT ARTICLE X, SECTION 14(10) OF THE STATE CONSTITUTION AUTHORIZING INDEBTEDNESS PAYABLE SOLELY FROM A SOURCE OF REVENUE DERIVED OTHER THAN A TAX OR LICENSE) OR STATUTORY LIMITATION. THE TOWN IS NOT OBLIGATED TO PAY ANY OF THE BONDS OR THE INTEREST THEREON EXCEPT FROM BEACH PRESERVATION FEES (AS DEFINED IN THE ORDINANCES). THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE TOWN, THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF AND NEITHER THE FULL FAITH AND CREDIT NOR THE GENERAL CREDIT NOR TAXING POWERS OF THE TOWN, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF.

This Bond shall not be valid or obligatory for any purpose until the Certificate of Authentication hereon shall have been duly executed by the Trustee.

This Bond is one of an issue of bonds of the Town in the aggregate principal amount of _____ Million Dollars (\$ _____) (the "Bonds") of like tenor, except as to number, rate of interest, date of maturity and redemption provides, issued pursuant to and in accordance with the Constitution and statutes of the State, including particularly the Act, Ordinance No. 2011-18 duly enacted by the Town Council of the Town (the "Council") on September 6, 2011 (the "General Bond Ordinance"), and Ordinance No. _____ duly enacted by the Council on _____, 2025 (the "Third Supplemental Ordinance") (the General Bond Ordinance and the Third Supplemental Ordinance are herein collectively referred to as the "Ordinances") for the purpose of providing moneys, to (i) finance a portion of all or a portion of the New Projects, (ii) satisfy the Series Reserve Fund Requirement (if any) with respect to the Bonds, and (iii) pay all costs of issuing the Bonds.

Certain capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Ordinances. Certified copies of the Ordinances are on file in the office of the Trustee and in the office of the Clerk of Court for Beaufort County, South Carolina.

The Ordinances contain provisions defining terms, set forth the revenues pledged for the payment of the principal of and interest on this Bond and the Bonds of other series herewith which may hereafter be issued on a parity herewith under the Ordinances; set forth the nature, extent and manner of enforcement of the security of this Bond and of such pledge, and the rights and remedies of the Holder hereof with respect thereto; set forth the terms and conditions upon which and the extent to which the Ordinances may be altered, modified and amended; set forth the terms and conditions upon which this Bond is issued upon which other bonds may be hereinafter issued payable as to principal, premium, if any, and interest on a parity with this Bond and equally and ratably secured herewith; sets forth the rights, duties and obligations of the Town thereunder; set forth the terms and conditions upon which the pledge made in the Ordinances for the security of this Bond and upon which the covenants, agreements and other obligations of the Town made therein may be discharged at or prior to the maturity or redemption of this Bond with provisions for the payment thereof in the manner set forth in the Ordinances; and sets forth certain amendments to the General Bond Ordinance, including specifically such amendments set forth in Section 18 of the Third Supplemental Ordinance. Reference is hereby made to the Ordinances to all of the provisions of which any holder of this Bond by the acceptance hereof thereby assents. The provisions of the Act and the Ordinances shall be a contract with the holder of this Bond.

This Bond and the series of Bonds of which it is one and the interest thereon are special obligations of the Town and are secured by and payable solely from, and secured equally and ratably by a pledge of and lien upon, the Beach Preservation Fees imposed and collected by the Town, which pledge is on a parity with the pledge thereof securing any Bonds (as defined in the General Bond Ordinance) issued from time to time hereafter. [In addition, subject to the limitations and provisions in Section 6.11 of the General Bond Ordinance, in the event there are insufficient Beach Preservation Fees to make the transfers required by the Ordinances to the Series Debt Service Fund [or the Series Debt Service Reserve Fund] established in connection with this Bond, subject to appropriation by Council, by ordinance duly enacted, from sources or funds lawfully available therefor, the Town has agreed to transfer to the Trustee an amount equal to such shortfall, for further credit or allocation by the Trustee to the appropriate accounts in the Series Debt Service Fund [or the Series Debt Service Reserve Fund]. Such payment obligation constitutes a current expense of the Town and shall not in any way be construed to be a debt of the Town in contravention of any applicable constitutional or statutory limitations or requirements concerning the creation of indebtedness of the Town, and such obligation shall not constitute a pledge of the general tax revenues, funds, moneys or credit of the Town. Any such budgetary appropriation shall be subject in all respects to the discretion of the Council, and any failure to make such an appropriation shall not constitute a default or Event of Default under this Bond or the Ordinances.]

The General Bond Ordinance authorizes the issuance of additional bonds on a parity with the Bonds of this issue which, when issued in accordance with the provisions of the General Bond Ordinance, will rank equally and be on a parity herewith.

This Bond and the interest hereon are exempt from all State, county, municipal, school district, and all other taxes or assessments imposed within the State, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise, except inheritance, estate, transfer and certain franchise taxes.

This Bond is transferable, as provided in the Ordinances, only upon the registration books of the Town kept for that purpose and maintained by the Registrar, by the Holder hereof in person or by his duly authorized attorney, upon (a) surrender of this Bond and an assignment with a written instrument of transfer satisfactory to the Registrar, duly executed by the Holder hereof or his duly authorized attorney and (b) payment of the charges, if any, prescribed in the Ordinances. Thereupon a new Bond of the same aggregate principal amount, maturity and interest rate shall be issued to the transferee in exchange therefor as provided in the Ordinances. The Town, the Trustee and the Registrar may deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of or on account of the principal or redemption price hereof and interest due hereon and for all other purposes.

For every exchange or transfer of this Bond, the Town or the Trustee or Registrar, as the case may be, may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer.

[Redemption Provisions]

If less than all the Bonds of any maturity are called for redemption, the Bonds of such maturity to be redeemed shall be selected at random by the Trustee. In the event any of the Bonds or portions thereof are called for redemption, the Trustee shall give notice, in the name of the Town, of redemption of Bonds by first-class mail, postage prepaid, to the Holder thereof as shown on the Books of Registry of the Town not less than thirty (30) days and not more than sixty (60) days prior to the date fixed for the redemption thereof. If this Bond be redeemable and shall have been duly called for redemption and notice of the redemption hereof mailed as aforesaid, and if on or before the date fixed for such redemption, payment

thereof shall be duly made or provided for, interest hereon shall cease or accrue from and after the redemption date hereof.

It is hereby certified and recited that all conditions, acts and things required by the Constitution and statutes of the State to exist, be performed or happen precedent to or in the issuance of this Bond, exist, have been performed and have happened, that the amount of this Bond, together with all other indebtedness of the Town, does not exceed any limit prescribed by such Constitution or statutes.

This Bond shall not be valid or obligatory for any purpose until the Certificate of Authentication hereon shall have been duly executed by the Trustee.

IN WITNESS WHEREOF, THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA has caused this Bond to be signed by the manual or facsimile signature of its Mayor, its corporate seal to be reproduced hereon and the same to be attested by the manual or facsimile signature of its Town Clerk.

THE TOWN OF HILTON HEAD ISLAND,
SOUTH CAROLINA

By: _____
Mayor

(SEAL)

ATTEST:

By: _____
Town Clerk

FORM OF CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds of the issue described in the within mentioned Ordinance.

REGIONS BANK, as Trustee

By: _____
Its: _____

Date: _____

IT IS HEREBY CERTIFIED that the following is a true and correct copy of the approving opinion of Burr & Forman LLP, Columbia, South Carolina, the original of which was manually executed, dated and issued as of the date of the delivery of and payment for the bonds, and a copy of which is on file with the Town.

THE TOWN OF HILTON HEAD, SOUTH CAROLINA

By: _____
Town Clerk

FORM OF ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

(please print or type name and address of Transferee and Social Security or other identifying number of Transferee)

the within Bond and all rights and title thereunder, and hereby irrevocably constitutes and appoints attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Date: _____

STAMP Language

Signature Guaranteed: _____

NOTICE: Signature(s) must be guaranteed
By an institution which is a participant in the
Securities Transfer Agent Medallion Program
(STAMP) or similar program.

NOTICE: The signature to this assignment
must correspond with name as it appears
upon the face of the within bond in every
particular, without alteration or enlargement
or any change whatever.

Request for Proposals
\$19,000,000*
Town of Hilton Head Island, South Carolina
Special Obligation Bond (Beach Preservation Fee Pledge), Series 2025

Bid Date: Wednesday, November 12, 2025
Bid Time: 12:00 pm

The Town of Hilton Head Island, South Carolina (the "Town"), is requesting proposals from financial institutions with respect to a commercial loan to be evidenced by its \$19,000,000* Special Obligation Bond (Beach Preservation Fee Pledge), Series 2025 (the "Bond"). Your response to this Request for Proposals ("RFP") would be greatly appreciated. The following key assumptions and information are to be utilized in preparing your proposal:

- Issuer:* Town of Hilton Head Island, South Carolina.
- Use of Proceeds:* Proceeds of the Bond, together with other funds of the Town, will be used to (a) finance the renourishment of beaches adjacent to certain areas within the Town as well as such other projects as may be approved by the Town Manager and permitted by the Beach Preservation Fee Ordinance (as defined below) and (b) pay cost of issuance of the Bond.
- Tax Treatment:* Tax-Exempt.
- Bank Qualified:* No.
- Authorization:* The Bond will be issued by the Town pursuant to the provisions of Title 6, Chapter 21, Title 6, Chapter 1, Article 5, and Section 6-1-760 of Code of Laws of South Carolina 1976, as amended, and pursuant to a General Bond Ordinance enacted by the Town Council of the Town (the "Council") on September 6, 2011 (the "General Bond Ordinance"), as amended and supplemented by a Third Supplemental Ordinance to be enacted by the Council on or about November 4, 2025 (the "Supplemental Ordinance" and together with the General Bond Ordinance, the "Ordinance"). Certain capitalized terms used herein and not otherwise defined shall have the meaning ascribed thereto in the Ordinance. The General Bond Ordinance and a draft of the Supplemental Ordinance are provided under separate cover.
- Security:* The Bond shall be secured by a pledge of the Town's Beach Preservation Fee (as further described in "Beach Preservation Fee" below). In addition, pursuant to certain amendments to the General Bond Ordinance contained in and effected pursuant to the Supplemental Ordinance, the Ordinance provides that if sufficient Beach Preservation Fee revenues are not available to make the debt service payments on the Bond, Council may, in its discretion, appropriate funds from other lawfully available sources to make such payments. Any such budgetary appropriation shall be subject in all respects to the discretion of Council and any failure to make such an appropriation shall not constitute an event of default. The full faith, credit and taxing powers of the Town are not pledged for the payment of the Bond and the interest thereon.
- The winning bidder (the "Bank") will be the holder of the Bond and therefore a bondholder under the Ordinance. The Town will not grant the Bank any special or additional rights that are not otherwise provided to bondholders in the Ordinance.**
 By its acceptance of the Bond, the Bank will be deemed to consent to the

amendments to the General Bond Ordinance contained in the Supplemental Ordinance.

Beach Preservation Fee:

South Carolina law authorizes the governing bodies of municipalities, upon compliance with certain terms, conditions, and limitations, to impose a local accommodations tax, not to exceed three percent (3.00%).

Pursuant to such authorization, the Council enacted an ordinance in November 1993, as amended by ordinances enacted in May 1994 and June 2006 (collectively, the "Beach Preservation Fee Ordinance"), providing for the imposition, collection and disbursement of a uniform fee of two percent (2%) on gross proceeds derived from the rental of rooms (excluding meeting rooms), campground spaces, recreational vehicle spaces, lodging or sleeping accommodations furnished to transients by any hotel, inn, condominium, motel, "bed and breakfast," residence or any other place in which rooms, lodgings or sleeping accommodations are furnished to transients for a consideration within the Town, said fee being known as the "Beach Preservation Fee." The Beach Preservation Fee Ordinance provides that the gross proceeds derived from the lease or rental of sleeping accommodations supplied to the same person for a period of 90 continuous days or more are not considered proceeds from transients.

The following table sets forth the Town's Beach Preservation Fee revenue for the past five fiscal years (FY2021-2025). **As of August 1, 2025, the Town has no outstanding debt secured by the Beach Preservation Fee.**

Fiscal Year (6/30)	Beach Preservation Fees
2021	11,123,801
2022	14,053,062
2023	13,896,931
2024	13,889,049
2025*	14,668,782

*Unaudited

Additional Bonds Test: While the Town does not currently have any outstanding debt secured by the Beach Preservation Fee, pursuant to the Ordinance, the Town may from time to time issue additional Bonds provided that Beach Preservation Fee revenues collected by the Town during the Fiscal Year prior to the Fiscal Year in which the Bonds are proposed to be issued are not less than 120% of the sum of the Maximum Debt Service on Bonds then Outstanding and the Bonds (as such terms are defined in the Ordinance) then proposed to be issued.

Par Amount: \$19,000,000*.

Amortization: The Town has provided a preliminary amortization below which should be used in preparation of your bid. The Town reserves the right to adjust the borrowing amount or adjust the principal structure to generate its desired repayment structure. **A single fixed rate for the entire term of the amortization is required.**

Principal Payment Date	Principal Amount*
8/1/2026	\$ 2,380,000
8/1/2027	2,485,000
8/1/2028	2,590,000
8/1/2029	2,705,000
8/1/2030	2,820,000
8/1/2031	2,945,000
8/1/2032	3,075,000
Total	\$ 19,000,000
Avg. Life	3.887 Years

- Principal Payments:* Annual principal payments on August 1, beginning August 1, 2026.
- Interest Payments:* Semi-annual interest payments (calculated on a 30/360 basis) on February 1 and August 1, beginning February 1, 2026.
- Optional Prepayment:* The Town is flexible with respect to redemption provisions. Proposals with multiple redemption options, including non-callable options or make-whole/prepayment premiums, are permitted.
- Audit:* The Town's annual comprehensive financial reports and budgets are available on the Town's website at the following link: <https://hiltonheadislandsc.gov/finance/>
- Rating:* No credit rating is expected to be obtained for the Bond. However, the Town's Special Obligation Bonds (Beach Preservation Fee Pledge), Series 2017 that were redeemed in full on August 1, 2025 carried ratings of Aa2 and AA+ from Moody's and S&P, respectively. In addition, the Town currently maintains General Obligation Bond ratings of Aaa / AAA / AAA from Moody's, S&P and Fitch, respectively.
- Closing Costs:* None anticipated to be paid to or on behalf of the Bank. Please specify any exceptions.
- Annual/Ongoing Costs:* None anticipated to be paid to or on behalf of the Bank. Please specify any exceptions.
- Closing:* Closing is anticipated to take place on December 3, 2025. The interest rate bid must be held firm until at least this date.
- Ongoing Disclosure:* In accordance with its customary practice, the Town will post its annual financial statements to its website when available. The Town expects these filings will satisfy all financial reporting requirements. If additional information will be requested beyond these filings, describe the specific level, type and frequency of such additional requirements.
- Award:* *The Town expects to accept the successful proposal by the close of business on Thursday, November 13, 2025 (the "Award Date").* The Town reserves the right to request additional information from the bidders and to waive any irregularity or informality and to negotiate provisions and covenants directly with any bidder. The Town also reserves the right to reject all proposals for any reason. Although the selection will be based substantially on lowest total financing cost (including both interest cost and upfront fees and expenses), the Town reserves the right to award the Bond to the bidder that best meets the needs of the Town in the Town's sole and absolute discretion.

Bids containing rates of interest which may adjust upon the occurrence of specified events, including changes in the Internal Revenue Code of 1986, as amended, changes in the bidder's capital requirements or cost of capital or loss of tax exemption (other than due solely to the actions or inactions of the Town), will be rejected. In the event of a tie bid and absent other factors favoring one proposal over another in the Town's sole and absolute discretion, the Bond will be awarded to the bidder whose bid was received first in the Town's sole and absolute discretion.

*Bond Counsel /
Documentation:*

Burr & Forman LLP ("Burr"), Columbia, South Carolina, will serve as Bond Counsel to the Town in connection with the Bond. The legal documentation necessary for the Bond will be prepared by Burr, subject to the review and approval by the Bank and its counsel (if any).

Delivery:

The Bond is expected to be delivered on December 3, 2025. The purchase price then due must be paid in federal funds or other immediately available funds. All proceeds from the purchase of the Bond will be disbursed in accordance with a closing memo distributed prior to closing.

Representations:

The Bank will be required to execute and deliver at closing a letter addressed to the Town and Burr acknowledging, among other things, that (1) no official statement or other offering material has been furnished other than this Request for Proposals ("RFP"); (2) the Bank had an opportunity to make inquiries of, and receive answers from such officials, employees, agents and attorneys of the Town; (3) the Bank has knowledge and experience in financial and business matters, is capable of evaluating the merits and risks of making the loan to be evidenced by the Bond and is financially able to bear the economic risk of holding the Bond; (4) the Bank is acquiring the Bond as a vehicle for making a commercial loan and without a present view to the distribution or resale thereof (subject, nevertheless, to any requirement of law that the disposition of its property shall at all times be under its control) within the meaning of the Federal securities laws; and (5) the Bank is acquiring the Bond solely for its own account and no other person now has any direct or indirect beneficial ownership or interest therein.

The Bank will also be required to covenant that it will not voluntarily dispose of all or any portion of the Bond unless it procures from each assignee thereof representations and covenants in form and content substantially the same as those made by the Bank.

LOAN TREATMENT:

BY SUBMITTING A BID IN RESPONSE TO THIS RFP, EACH BIDDER ACKNOWLEDGES AND REPRESENTS TO THE TOWN AND ITS PROFESSIONAL ADVISORS THAT (1) NO OFFICIAL STATEMENT OR OTHER OFFERING MATERIAL WILL BE FURNISHED OTHER THAN THIS RFP; (2) THE BIDDER HAS KNOWLEDGE AND EXPERIENCE IN FINANCIAL AND BUSINESS MATTERS, IS CAPABLE OF EVALUATING THE MERITS AND RISKS OF MAKING THE COMMERCIAL LOAN TO BE EVIDENCED BY THE BOND AND IS FINANCIALLY ABLE TO BEAR THE ECONOMIC RISK OF HOLDING THE BOND; (3) NO CUSIP NUMBER WILL BE OBTAINED FOR THE BOND; AND (4) THE BIDDER INTENDS TO ACQUIRE THE BOND SOLELY FOR ITS OWN ACCOUNT AS A VEHICLE FOR MAKING A COMMERCIAL LOAN AND WITH NO PRESENT INTENTION TO DISTRIBUTE OR RESELL THE BOND OR ANY PORTION THEREOF.

Confidentiality:

If requested by a bidder, the Town and its professional advisors will maintain the confidentiality of such bid and the contents therein beginning from the Town's receipt of such bid until the Award Date; however, neither the Town nor its professional advisors shall be subject to any term or provision relating to the confidentiality of any bid or the contents therein following the Award Date. Notwithstanding anything to

the contrary, in no event shall any confidentiality term or provision contained in any bid prevent any disclosure by the Town required by any applicable law or regulation (including continuing disclosure undertakings by the Town required thereby) or as a result of any legal or administrative procedure.

To be considered, a proposal must be received by 12:00 pm on Wednesday, November 12, 2025. Email submission of the proposal to the following individuals is preferred:

johnmc@hiltonheadislandsc.gov
johntr@hiltonheadislandsc.gov
mseezen@burr.com
fheizer@burr.com
dcheatwood@firsttryon.com
asmith@firsttryon.com

Proposals should include: the name, address, telephone number of your institution; the primary contact; and identity of legal counsel, if any.

Questions may be addressed to the Town through its bond counsel or municipal advisor:

Bond Counsel
Frannie Heizer / Michael Seezen
Burr & Forman LLP
(803) 753-3232 / (803) 753-3257
mseezen@burr.com
fheizer@burr.com

Municipal Advisor
David Cheatwood / Andy Smith
First Tryon Advisors
(704) 926-2447 / (704) 703-3747
dcheatwood@firsttryon.com
asmith@firsttryon.com

No questions may be directed to, or contacts made, with the Mayor, other members of Council or any Town staff not identified in this Request for Proposals as points of contacts during the period of time that this Request for Proposals is made public until the final selection is made, except as otherwise provided for herein. Violation of this prohibition may disqualify the bidder from further consideration.



Proposed Series 2025 Special Obligation Bonds

(Beach Preservation Fee Pledge)

Supplemental Information
October 21, 2025 Town Council Meeting

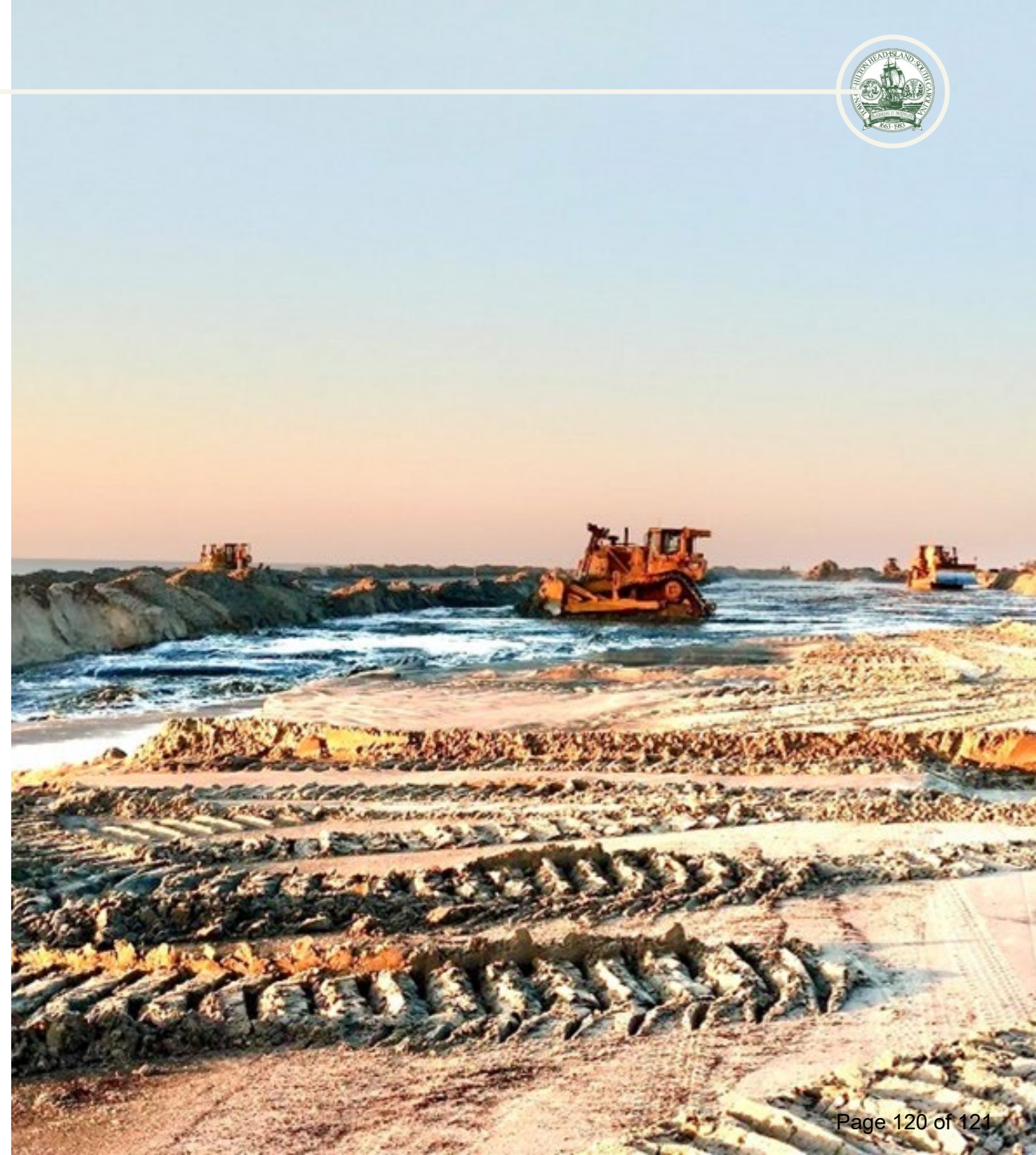
Beach Renourishment: Review of Funding Option

- Approximately \$47.5M in Expected Capital Expenditures
- Cash Financed: Approximately \$28.5M (60%)
- Debt Financed: Approximately \$19M (40%)
- Source of Repayment: Future Beach Preservation Fee Revenues
- Term: 7 Years
- Approximate Annual Payment: \$3.1M
- Series 2017 Beach Preservation Fee Bonds (retired): \$30,075,000 in Principal, 10 Year Term, Annual Payments of \$4.0M
- FY2024 Annual Beach Preservation Fee Revenues are more than double FY2017 Fees:
 - FY2017: \$6,860,758
 - FY2024: \$13,889,049
- Closing Date: Early December 2026



Beach Renourishment: Anticipated Bond Issuance Schedule

- **9/23/25:** Finalize Supplemental Ordinance/Bank RFP
- **9/30/25:** F&A Committee: Review Plan of Finance/Ordinance
- **10/21/25:** Town Council Meeting: 1st Reading of Ordinance
- **10/22/25:** Send RFP to Bidders
- **11/4/25:** Town Council Meeting: 2nd Reading of Ordinance
- **11/12/25:** Bank Bids Due
- **12/3/25:** Closing
- **2/1/26:** First Interest-only Payment Due
- **8/1/26:** First Principal & Interest Payment Due





Potential Series 2025 Special Obligation Bonds
(Beach Preservation Fee Pledge): Debt Service & FY2026 Cash Flow

Town of Hilton Head Island									
Delivery Date: 12/3/2025									
Period Ending	Principal	Interest	Debt Service	FY 2026 Beach Preservation Fee Fund Balance Cash Flow					
06/30/2026		\$ 122,444	\$ 122,444	July 1, 2025 Fund Balance:					\$ 55,324,863
06/30/2027	\$ 2,400,000	\$ 712,000	\$ 3,112,000	August 1, 2025 Payment of 2017 Bond Issue:					\$ (3,567,000)
06/30/2028	\$ 2,500,000	\$ 614,000	\$ 3,114,000	Retirement of 2017 Bonds:					\$ (7,495,000)
06/30/2029	\$ 2,600,000	\$ 512,000	\$ 3,112,000	Expected Revenues:					\$ 13,625,000
06/30/2030	\$ 2,705,000	\$ 405,900	\$ 3,110,900	FEMA Estimated Past Storm Reimbursements:					\$ 7,000,000
06/30/2031	\$ 2,815,000	\$ 295,500	\$ 3,110,500	Budgeted Operating & Non-Beach Renourishment CIP:					\$ 968,548
06/30/2032	\$ 2,930,000	\$ 180,600	\$ 3,110,600	Beach Renourishment CIP:					\$ (47,500,000)
06/30/2033	\$ 3,050,000	\$ 61,000	\$ 3,111,000	Series 2025 Bond Proceeds:					\$ 18,750,000
	\$ 19,000,000	\$ 2,903,444	\$ 21,903,444	February 1, 2026 Scheduled Payment on New Bonds:					\$ 122,444
				FY2025 CIP Carry Forward Adjustment:					\$ (266,694)
Estimated True Interest cost (TIC): 4.00%									
The debt will be competitively bid				FYE Estimated Fund Balance*:					\$ 36,962,161
Principal & Interest due annually on August 1				Minimum Fund Balance Policy:					\$ 20,000,000
Interest only payment due annually on February 1									
				*FYE Fund Balance is above the minimum fund balance policy amount					
Estimated Coverage Ratio*: 4.38x				to provide Town Council flexibility for possible future priorities, including					
*Estimated FY2026 Revenues/Estimated Debt Service				storm-related emergencies.					