



Town of Hilton Head Island

Town Council Meeting

Tuesday, December 9, 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 – Fr. Leroy "Chris" Gardner, Anglican Church of the Redeemer**
- 4. Adoption of the Agenda**
- 5. Approval of the Minutes**
 - a. Regular Meeting Minutes of November 4, 2025
- 6. Presentations and Recognitions**
 - a. Report of the Town Manager
 - b. Beaufort County School District Character Education Student of the Month - Mayor Alan Perry
 - c. Town of Hilton Head Island Destination Marketing Report (FY26 Marketing Plan - Q1) - Charlie Clark, Vice President of Communications, Hilton Head Island - Bluffton Chamber of Commerce
- 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 Development and Public Services Committee – Councilmember Tamara Becker
- j. Report of the Finance and Administrative Committee – Mayor ProTempore Alex Brown

8. Unfinished Business

- a. Consideration of an Ordinance of the Town Council of the Town of Hilton Head Island, South Carolina Authorizing the Execution and Recording of a Declaration of Covenants Regarding Workforce Housing and the Execution and Delivery of a Long Term Ground Lease of Real Property, Both Related to Real Property Owned by the Town of Hilton Head Island, South Carolina at Northpoint - Second Reading - Ben Brown, Strategic Initiatives Director
- b. Consideration of an Ordinance of the Town Council of the Town of Hilton Head Island, South Carolina Authorizing the Execution and Delivery of a Non-Exclusive Easement for Ingress, Egress, and Utilities with the Hilton Head Public Service District at Northpoint - Second Reading - Ben Brown, Strategic Initiatives Director

9. New Business

- a. Consideration of Resolution of the Town Council of the Town of Hilton Head Island, South Carolina, Authorizing the Execution and Delivery of an Agreement Regarding the Payment of One Million and No/100 (\$1,000,000) Dollars for Site Improvements in Connection with the Development of the Northpoint Workforce Housing Project, and Authorizing the Execution and Delivery of an Escrow and Disbursement of the Funds, and the Completion of the Town's Obligations Described in the Agreements - Ben Brown, Strategic Initiatives Director
- b. Consideration of a Resolution of the Town of Hilton Head Approving the Recommendation from the Accommodations Tax Advisory Committee for the Calendar Year 2026 Grants - Dave Byrd, Finance Director
- c. Consideration of an Ordinance of the Town of Hilton Head Island Authorizing the Issuance of General Obligation Debt Bonds - First Reading - Dave Byrd, Finance Director
- d. Consideration of a Resolution Authorizing the Public Dedication and

Acceptance of the Private Road Rights of Way for Song Sparrow Lane, Phoebe Lane, and Goldfinch Lane from Cedar Woods Owners' Association, Inc. - Jeff Netzing, Engineering & Public Projects Director

- e. Consideration of a Resolution Authorizing the Execution of a Standardized Stormwater Agreement for the Cedar Woods Subdivision - Jeff Netzing, Engineering & Public Projects 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 Incident to Proposed Contractual Arrangements (Pursuant to the South Carolina Freedom of Information Act Section 30-4-70 [a][2]):
 - 1. Various Agreements Related to Northpoint
 - 2. Bryant Road Redevelopment Project Request for Qualifications
 - 3. Circle Center Outparcel Covenants, Parking & Access Easement, and Sign Easements
 - 4. Coligny Plaza Sign Easement
 - 5. Town Attorney Discussion
- 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. Beaufort County Airports Board
 - 2. Beaufort Jasper Housing Trust
 - 3. Board of Zoning Appeals
 - 4. Gullah Geechee Land & Cultural Preservation Task Force
 - 5. Housing Action Committee
 - 6. Land Management Ordinance Task Force
 - 7. Transportation Sales Tax Referendum for 2026 - Transportation Advisory Committee
 - 8. Northpoint Public-Private Partnership Housing Advisory Committee
 - 9. Bryant Road Partnership Advisory Committee
- d. 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 Area
 - 2. Squire Pope Road Area
 - 3. Bradley Circle Area

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 MEETING Tuesday, November 4, 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; Steve Alfred, Ward 5; Melinda Tunner, Ward 6

Council Members excused absent: Tammy Becker, Ward 4

Others Present: Marc Orlando, Town Manager; LaQuin Andrus, Assistant Town Attorney; Kim Gammon, Town Clerk

Invocation – Rev. Jonathan Tompkins, St. Andrew By-The-Sea

Reverend Tompkins delivered the invocation.

Adoption of the Agenda

Mr. Alfred moved to approve. Ms. Brison seconded. Motion carried 6-0.

Approval of the Minutes

Regular Meeting Minutes of October 21, 2025

Mr. Alfred moved to approve. Mr. Brown seconded. Motion carried 6-0.

Presentations and Recognitions

Report of the Town Manager

Mr. Orlando updated Council on Beach Renourishment; traffic signal improvements and connectivity of adaptive signals; Palmetto Hall drainage system and outfall improvements; Spanish Wells drainage pipe repair; Taylor Family Park; Patterson Park; Mitchelville Road paving project; Coligny Pocket Park; Jonesville Road Stables; Gullah Geechee Historic Neighborhood Community Development Corporation; and the Office of Cultural Affairs upcoming events.

Beaufort County School District Student of the Month - Mayor Perry

Mayor Perry stated Evelyn Sanchez Cayetano from Hilton Head Island Creative Arts

Elementary School was selected as a Beaufort County School District Student of the Month. He invited her to the podium, presented her with a certificate and a commemorative Hilton Head Island medallion and offered congratulations on behalf of the Town Council.

Smoke-Free and Vape-Free Awareness Month Proclamation - Mayor Alan Perry

Representatives from Lowcountry Alliance for Healthy Youth were present to accept the proclamation.

Community Thanksgiving Proclamation - Mayor Alan Perry

Reverend Jonathan Tompkins and Lesley Kyle from St. Andrew By-The-Sea United Methodist Church, and Andrew Carmines from Hudson's Restaurant were present to accept the proclamation.

Hilton Head Island Airport Update - Jon Rembold, Beaufort County Airports Director

Mr. Rembold presented a detailed update regarding the airport and answered questions from Council.

Beaufort County Single-Use Plastic Bag Survey Results - Juliana Zadik, Environmental Long Range Planner, Beaufort County

Ms. Zadik conducted a thorough presentation regarding the results and reviewed next steps.

Discussion of the Beaufort County 250th Revolutionary War Anniversary - Angie Stone, Assistant Town Manager

Ms. Stone shared information regarding the Beaufort County 250th Revolutionary War Anniversary planned events and informed Council they would be updated regarding scheduling.

Reports from Members of Town Council

General Reports from Town Council

Mr. Brown encouraged all to attend the Beaufort Jasper Housing Trust Symposium to be held on November 12.

Ms. Brison inquired about communication with the public regarding the new pedestrian crossing between Northridge Plaza and Sea Turtle Place regarding instructions for pedestrians and vehicles when accessing the area while they are in operation.

Report of the Lowcountry Area Transportation Study – Councilmember Tamara Becker

No report.

Report of the Lowcountry Council of Governments – Councilmember Steve Alfred

No report.

Report of the Beaufort County Airports Board – Councilmember Melinda Tunner

No report.

Report of the Southern Lowcountry Regional Board – Councilmember Patsy Brison

Ms. Brison stated the Board received the presentation regarding the Single-Use Plastic Bag Survey Results at their recent meeting and an update regarding Jasper County successful Sales Tax Referendum with information provided regarding projects planned. The next scheduled meeting is November 25 in Hardeeville Council Chambers where they will have a presentation regarding Hilton Head Happenings, a Beaufort County update on a possible 2026 Referendum, and possible 2026 agenda items.

Report of the Island Recreation Association Board – Mayor ProTempore Alex Brown

Mr. Brown reported on recent events and upcoming events for the Island Recreation Association. He added registration is ongoing for many youth and senior activities that are available at the Island Recreation Center.

Report of the Beaufort County Economic Development Corporation - Mayor Alan Perry

Mayor Perry provided an update regarding a \$10,000 grant awarded from the Corporation stating the deadline to meet the requirement of a certain number of employees has been extended until 2029.

Report of the Gullah Geechee Historic Neighborhoods Community Development Corporation - Mayor ProTempore Alex Brown

Mr. Brown reported the CDC will meet on November 19 at 10:00 a.m. to receive updates regarding the Wayfinder Application and the new website.

Report of the Community Development and Public Services Committee – Councilmember Tamara Becker

No report.

Report of the Finance and Administrative Committee – Mayor ProTempore Alex Brown

Mr. Brown reported the Committee will meet on November 18 at 10:00 a.m. and the agenda will include a Financial Update for FY2026, a funding request from LRTA/Palmetto Breeze, and the Accommodations Tax Advisory Committee recommendations regarding the 2026 grants.

Consent Agenda

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

Mayor Perry asked for public comment. There was none.

Motion carried 6-0.

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 - Second Reading - April Akins, Interim Revenue Manager

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 - Second Reading - Dave Byrd, Finance Director

Public Comment - Non Agenda Items

Chet Williams addressed Council stating it was refreshing to have a non-contentious meeting.

Executive Session

At 4:16 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 6-0.

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

1. Town of Hilton Head Island Destination Marketing Organization Request for Qualifications

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. Stoney Area
3. Shell Midden Lane
4. Indigo Park

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

1. Northpoint Ground Lease and Escrow Agreement
2. Northpoint Hilton Head Public Service District Easement

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

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 7:52 p.m. **Mr. Alfred moved to end the Executive Session and return to the regular meeting. Ms. Brison seconded. Motion carried 6-0.**

Mayor Perry asked if there was any action to be taken as a result of Executive Session.

First Reading of an Ordinance Authorizing the Execution and Recording of a Declaration of Covenants regarding Workforce and the Execution and Delivery of a Long-Term Ground Lease of Real Property, both related to Real Property, owned by the Town of Hilton Head Island, South Carolina, and Providing for Severability and an Effective Date

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

Mayor Perry asked for public comment. There was none.

Motion carried 6-0.

First Reading of an Ordinance Authorizing the Execution and Delivery of a Non-Exclusive Easement for Ingress, Egress and Utilities, and Providing for Severability and an Effective Date

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

Mayor Perry asked for public comment. There was none.

Motion carried 6-0.

Consideration of a Resolution Authorizing the Execution and Delivery of the Fifth Amendment to the January 14, 2021 Contract of Employment by and between the Town of Hilton Head Island and Marc Orlando which includes: Extension of Contract to February 21, 2031; Base Salary Increase of 4%; and a \$25,000 Bonus

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

Mayor Perry asked for public comment. There was none.

Motion carried 6-0.

Adjournment

At 7:59 p.m. Mr. Alfred moved to adjourn. Motion carried 6-0.

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



**Hilton Head Island
& Bluffton**
Chamber of Commerce

QUARTERLY REPORT FISCAL YEAR 2026 – Q1

JULY 1– SEPTEMBER 30, 2025

DESTINATION VALUES

In partnership with the town and in alignment with our community, our destination's core values support our out-marketing efforts.



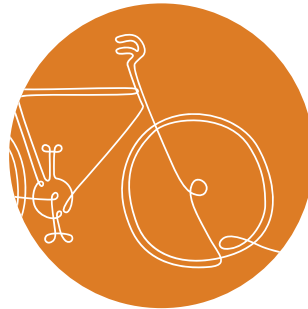
ECOTOURISM



HISTORY



ARTS & CULTURE



RECREATION



WELLNESS

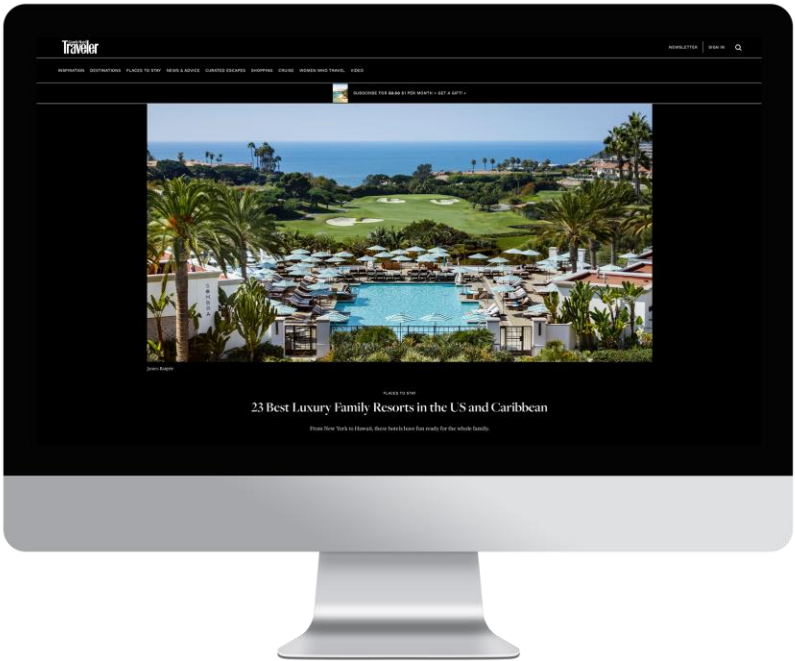
QUARTER HIGHLIGHTS

CONDÉ NAST TRAVELER: 23 BEST FAMILY LUXURY RESORT IN THE U.S.



WHY IT MATTERS

Features like this show how our destination marketing efforts continue to highlight Hilton Head Island’s history and culture, and it is clearly resonating. National coverage such as the mention of Mitchelville Freedom Park shows that storytelling around our heritage connects with top tier audiences.



Condé Nast
Traveler



“For a history of the region, a short drive to the Historic [Mitchelville Freedom Park](#) in Hilton Head is a valuable introduction to a cultural landmark that was once home to America's first self-governed community of formerly enslaved people. Today, the park includes walking trails, a picnic pavilion, beach access, and [Griot’s Corner](#), where children can enjoy immersive storytelling.”

- Conde Nast Traveler

PUBLIC RELATIONS MEDIA COVERAGE

HILTON HEAD ISLAND STORY HIGHLIGHTS JULY – SEPTEMBER



WHY IT MATTERS

PR builds awareness by showcasing our destination through the voice of national media outlets with substantial reach. This third-party endorsement highlights our island’s appeal and commitment to culture and sustainability, inspiring value-driven travelers.



WHAT OTHERS ARE SAYING ABOUT US



251
STORIES & MENTIONS



2.81B
IMPRESSIONS



\$2.08M
AD VALUE

JULY

Yahoo! Entertainment
(UVPM: 428,503,553): [Craig Melvin Shares Family Vacation Photos After Week-Long ‘Today’ Absence](#)

Travel + Leisure (UVPM: 2,455,000): [Travel + Leisure Readers' 15 Favorite Islands in the Continental U.S. of 2025](#)

CNBC (UVPM: 44,676,214): [12 U.S. islands to visit this summer—no flights required: ‘You don’t have to go too far to feel far away’](#)

AUGUST

Travel + Leisure (UVPM: 2,455,000): [11 Best Places to Live in South Carolina, According to Local Real Estate Experts](#)

Refinery29 (UVPM: 7,383,623) [Traveling With My Dad Taught Me About Legacy & The Gift Of Time](#)

TODAY (Viewership: 2,504,439) [The Melvin Family Hatchlings](#)

SEPTEMBER

Condé Nast Traveler (UVPM: 4,696,597): [23 Best Luxury Family Resorts in the US and Caribbean](#)

The Knot (UVPM: 18,212,395): [The Best Ideas for a Romantic Getaway in South Carolina](#)

Refinery29 Unbothered (Instagram: 294,000): [Traveling With My Dad Taught Me About Legacy & The Gift Of Time](#)

DESTINATION OFFICIAL VACATION PLANNER



WHY IT MATTERS

The official Vacation Planner brings our destination into the homes of our visitors, further instilling our core values and key attributes while serving as a planning tool for those looking to travel to Hilton Head Island.



TOTAL PRINTED: **65,000**

Q4 DISTRIBUTION: **9,342**

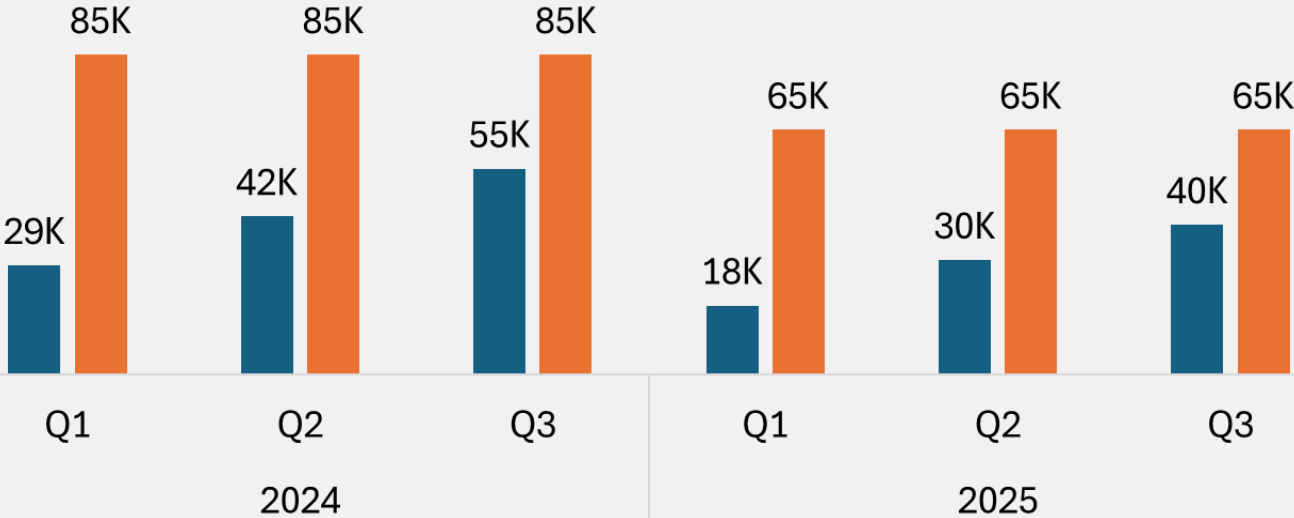
YTD DISTRIBUTION: **38,357**

[2025 VACATION PLANNER](#)



DESTINATION OFFICIAL VACATION PLANNER

■ Total Dist ■ Printed



TOTAL PRINTED 2024: **85,000**
TOTAL PRINTED 2025: **65,000**



WHY IT MATTERS

Even as print distribution trends downward, our digital reach remains robust. The 2025 Vacation Planner has accumulated 10,000 impressions to date, with a full quarter still ahead for additional visibility.

The above chart uses calendar quarters rather than fiscal quarters to align with Vacation Planner distribution schedule.

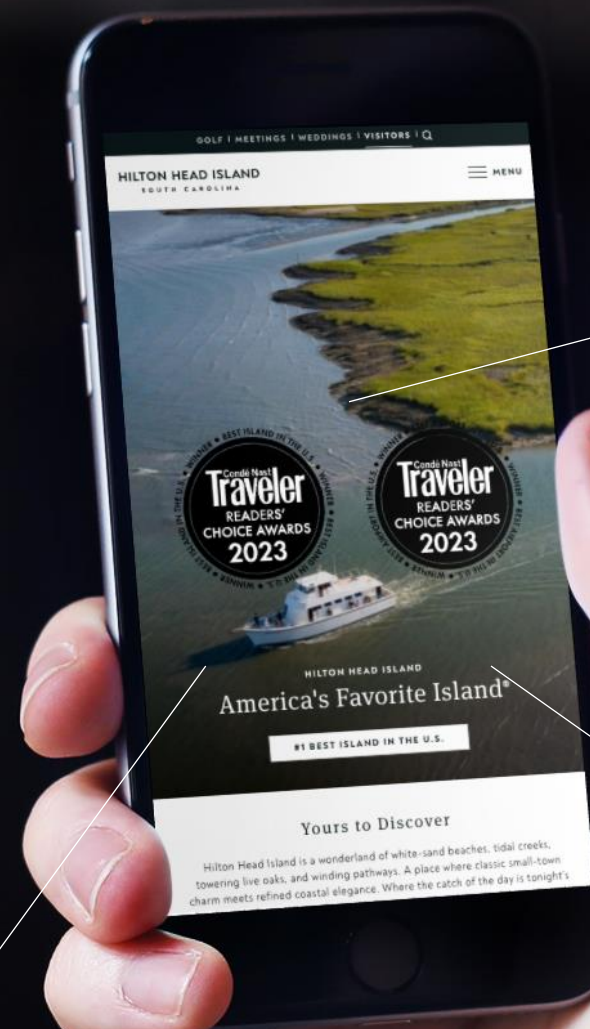


DESTINATION WEBSITE PERFORMANCE HILTONHEADISLAND.ORG



WHY IT MATTERS

The combination of website analytics and social media insights empowers data-driven decision-making, ensuring adaptability and responsiveness to digital out-marketing efforts.

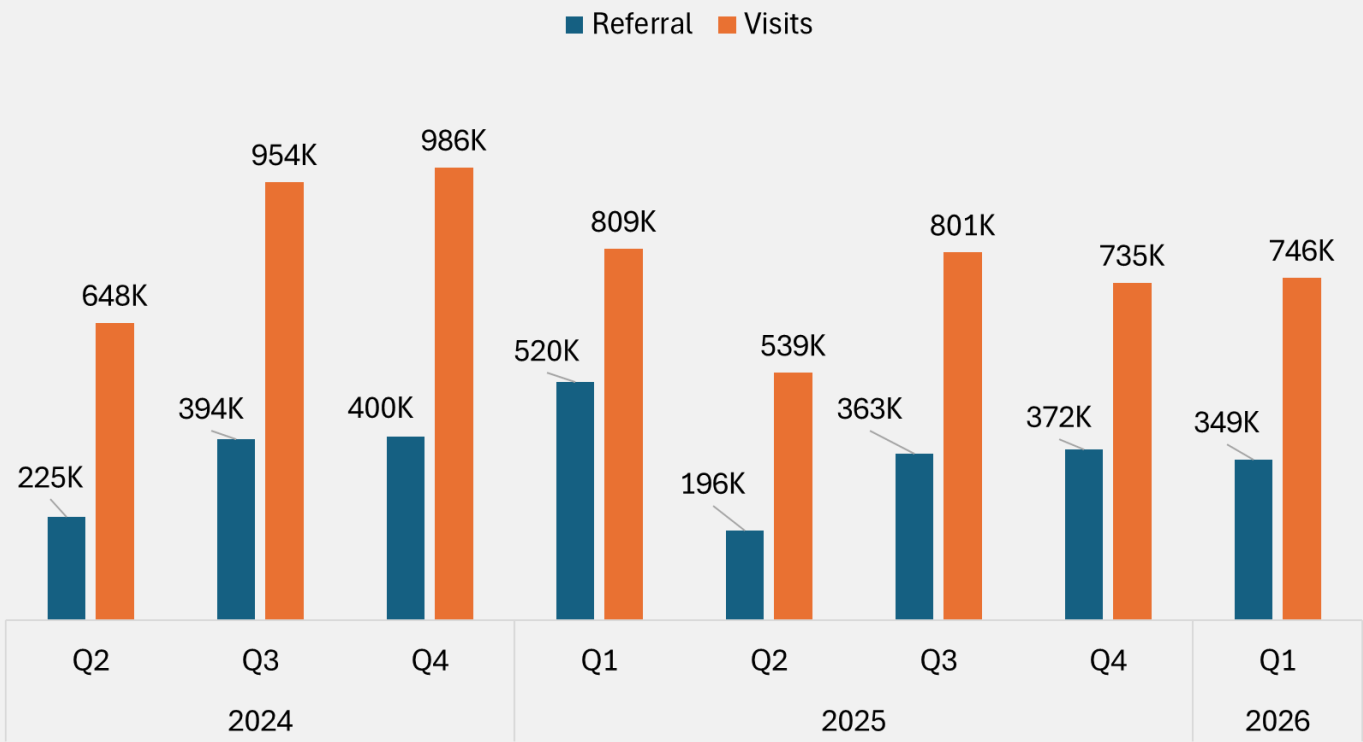


VISITS
746K
-5.6% YOY

USERS
598K
-6.2% YOY

PARTNER
REFERRALS
349K
-32.9% YOY

DESTINATION WEBSITE PERFORMANCE HILTONHEADISLAND.ORG



WHY IT MATTERS

Referral rate has strengthened meaningfully over the past two years, rising from the lower range seen in FY24 to consistently higher performance throughout FY25 and into FY26. This upward momentum is the result of a deliberate strategy to prioritize higher-value traffic as we navigate the growing headwinds of AI-driven search, reinforcing the impact of our ongoing optimization efforts.



The above chart uses fiscal year data to compare website visitors and referrals.

WEBSITE DEMOGRAPHICS

JULY – SEPTEMBER 2025



WHY IT MATTERS

This data highlights that our website audience is split evenly amongst men and women, which means our content should be tailored to their interests and values. Secondly, the data shows a strong geographic concentration in the US, followed internationally by Canada and the United Kingdom.

Website	
Age	
Age 18-24 (8.44%)	>50%
Age 25-34 (17.1%)	
Age 35-44 (18.56%)	
Age 45-54 (20%)	
Age 55-64 (21.4%)	
Age 65+ (14.3%)	
Gender	
54.8% Women	
41.9% Men	
Audience Countries	
1.	United States
2.	Canada
3.	United Kingdom
4.	Germany
5.	Philippines
Audience States	
1.	Georgia
2.	North Carolina
3.	South Carolina
4.	Florida
5.	New York

A STRATEGIC APPROACH TO GEO

GENERATIVE SEARCH



WHY IT MATTERS

An Answer to a Question

Your content is cited, summarized, or linked in the AI response.

User asks: “What are the top hotels in Hilton Head Island?”

When optimized, our content appears in the AI-generated list, with a citation or summary.

What is GEO?

Optimizing content for AI search is now essential as tools like ChatGPT, Perplexity, and Google’s AI Overviews shape discovery.

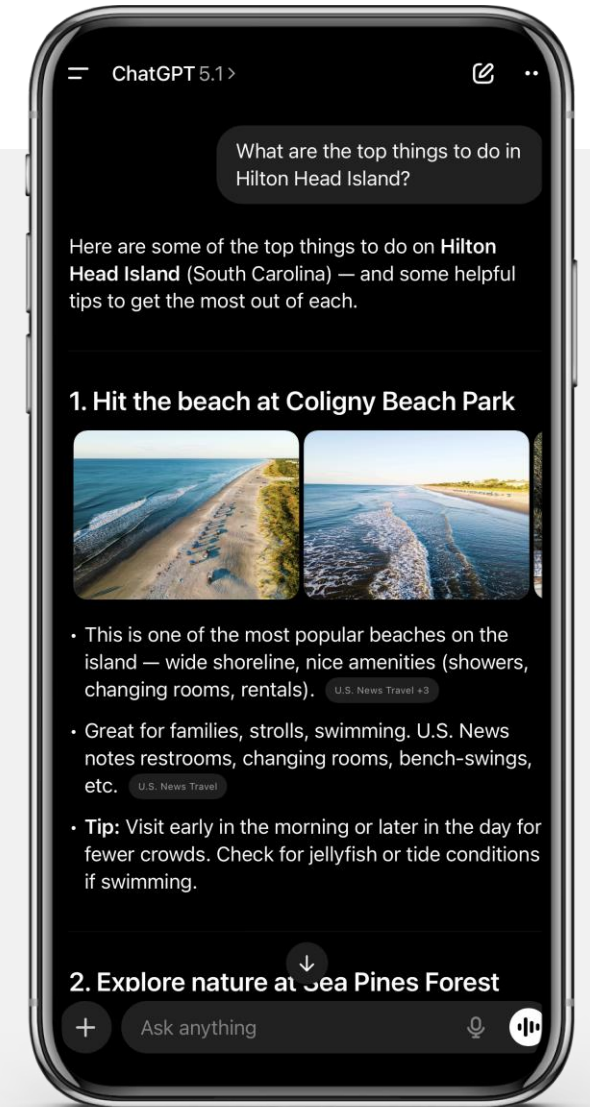
Structure for AI: Make content clear, relevant, and easy to surface.

Use Data + Story: Strong strategies work across generative and traditional search.

Embrace New UX: AI search is becoming central to user journeys.

Distribute Widely: Keep a consistent, personalized presence across channels.

A structural shift is underway. Gartner predicts that 50% of traditional search traffic will be replaced by AI by 2028. GEO is essential for ensuring your destination becomes the authoritative answer when users ask for travel recommendations.



HOW CAN WE MITIGATE THE IMPACT

GENERATIVE SEARCH & GEO

Be Technically Impeccable

Keep your site fast, error-free, and structured so AI can read and trust it. Use emerging tools (like llms.txt) to give Large Language Models extra context about your brand.

Build Digital Credibility

Cultivate partnerships, manage your online reputation, and earn authoritative backlinks. Keep your brand details (NAP) consistent so LLMs see you as a trusted source.

Create AI-Ready Content

Publish high-value, relevant, and diverse content designed to be cited in AI answers—then test and refine for the new search landscape.

HILTON HEAD ISLAND SOCIAL ENGAGEMENT

SOCIAL
SESSIONS
160K
+107.3% YOY

SOCIAL
REFERRALS
21K
+131% YOY



SOCIAL
TOTAL
AUDIENCE
363K
+24% YOY

HiltonHeadIslandofficial 

VisitHiltonHeadSC 

VisitHiltonHead 

HiltonHeadSC 

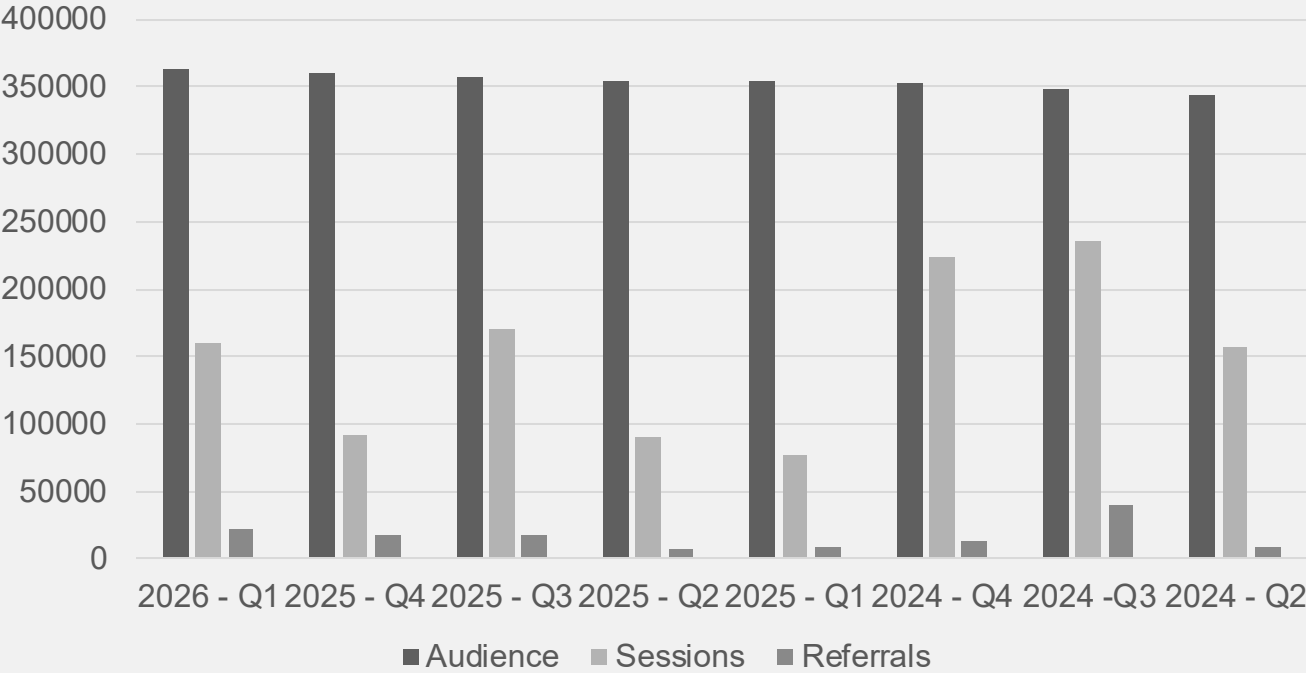
HiltonHeadSC 

VisitHiltonHead 

Source: Sprout Social

HILTON HEAD ISLAND SOCIAL ENGAGEMENT

Social Fiscal Year Metrics



WHY IT MATTERS

By continuing to capitalize on this short-form video content and strategically using user-generated content across platforms, while increasing our posting cadence on specific platforms such as TikTok, we saw notable growth in views, impressions, and overall performance PoP.



The above chart uses fiscal year data to compare website Audience, Sessions and Referrals.

SOCIAL DEMOGRAPHICS

JULY – SEPTEMBER 2025



WHY IT MATTERS

This data highlights that our audience on Instagram and Facebook is overwhelmingly female and over 35, which means our content on these platforms should be tailored to their interests and values. Secondly, the data shows a strong geographic concentration in the US, followed internationally by Canada and the United Kingdom. This data helps inform our organic social and paid social strategy when promoting the destination.

Instagram <i>July-Sept (followers)</i>	Facebook <i>Lifetime audience (followers)</i>	TikTok <i>July-Sept (followers)</i>
Age	Age	Age
Age 13-17 (0.4%)	Age 18-24 (0.3%)	Age 18-24 (7.4%)
Age 18-24 (2.8%)	Age 25-34 (4.9%)	Age 25-34 (16.4%)
Age 25-34 (15%)	Age 35-44 (16.7%)	Age 35-44 (34.5%)
Age 35-44 (28.4%)	Age 45-54 (27.7%)	Age 45-54 (26.3%)
Age 45-54 (25.8%)	Age 55-64 (24.7%)	Age 55+ (15.4%)
Age 55-64 (18.3%)	Age 65+ (25.1%)	
Age 65+ (9.3%)		
>50%	>50%	>50%
Gender	Gender	Gender
63.4% Women	79.6% Women	57% Women
20.3% Men	20.4% Men	43% Men
16.3% Unspecified		0.1% Unspecified
Audience Countries	Audience Countries	Audience Countries
1. United States	1. United States	1. United States
2. Canada	2. Canada	2. Other
3. United Kingdom	3. United Kingdom	3. Canada
		4. Australia
Audience Cities	Audience Cities	Audience Cities
1. Charlotte	1. New York	No data available
2. New York	2. Atlanta	
3. Savannah	3. Charlotte	
	4. Augusta	

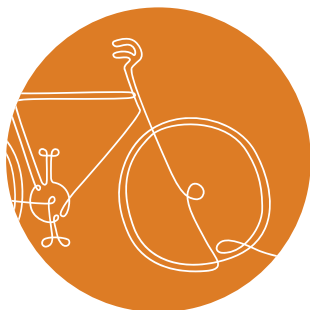
CROSS-CHANNEL PILLAR PERFORMANCE

Our destination pillars are consistently supported by high-quality content shared across our social channels.



WELLNESS

of Posts: 211
Total Engagements: 87K
Total Impressions: 2.32M



RECREATION

of Posts: 75
Total Engagements: 22K
Total Impressions: 1.18M



ARTS & CULTURE

of Posts: 72
Total Engagements: 25K
Total Impressions: 880K



ECOTOURISM

of Posts: 102
Total Engagements: 47K
Total Impressions: 1.15M



HISTORY

of Posts: 11
Total Engagements: 652
Total Impressions: 39K

HOTEL, HOME & VILLA OCCUPANCY



WHY IT MATTERS

Our analysis of Hilton Head Island accommodations, Hotel, Home & Villa, for both quarters. KeyData, provides metrics such as occupancy rates, average daily rates, and revenue per available room. This data-driven approach details actionable insights to inform strategic decisions.



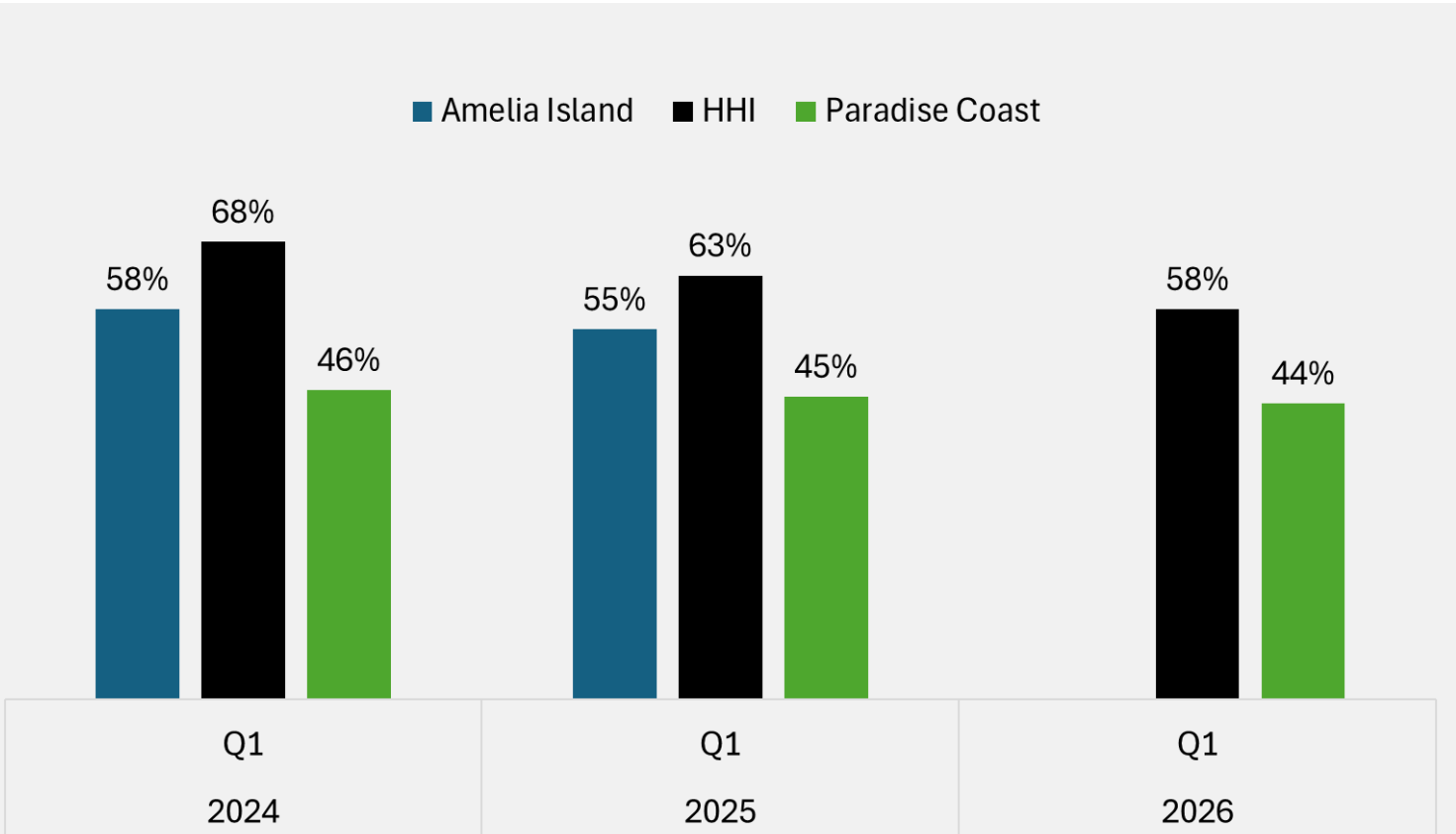
FISCAL YEAR Q1 - 2026

OCCUPANCY	ADR	REVPAR
58%	\$398	\$233
-5%	+3%	-2%

FISCAL YEAR Q1 - 2025

OCCUPANCY	ADR	REVPAR
63%	\$382	\$241

LODGING COMPARISON OCCUPANCY



WHY IT MATTERS

Hilton Head Island’s occupancy has continued a gradual, multi-year softening trend, consistent with broader patterns seen across comparable destinations. This moderation reflects shifting traveler behavior and wider industry pressures rather than destination-specific factors. Our strategy emphasizes stabilizing demand through higher-value audiences and targeted regional growth as we navigate this evolving occupancy landscape.

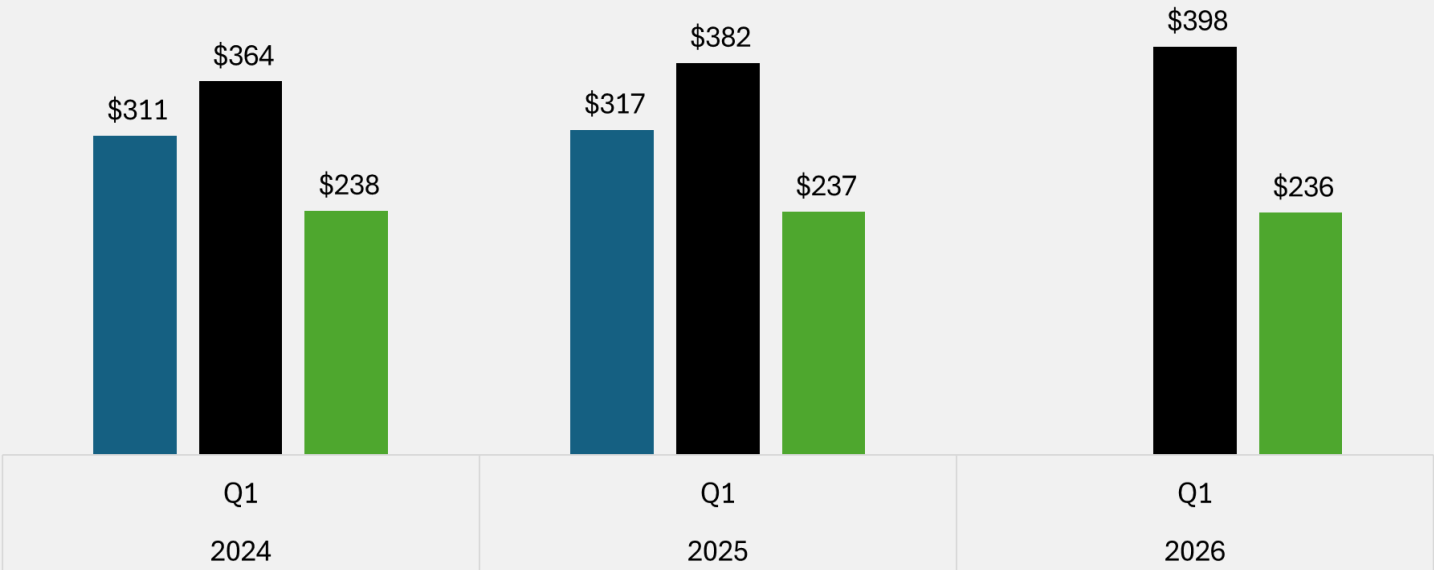


Sources: Keydata, Paradise Coast, Amelia Island CVB
Amelia Island CVB has not yet reported FY26 Q1 Statistics

LODGING COMPARISON

ADR

■ Amelia Island ■ HHI ■ Paradise Coast



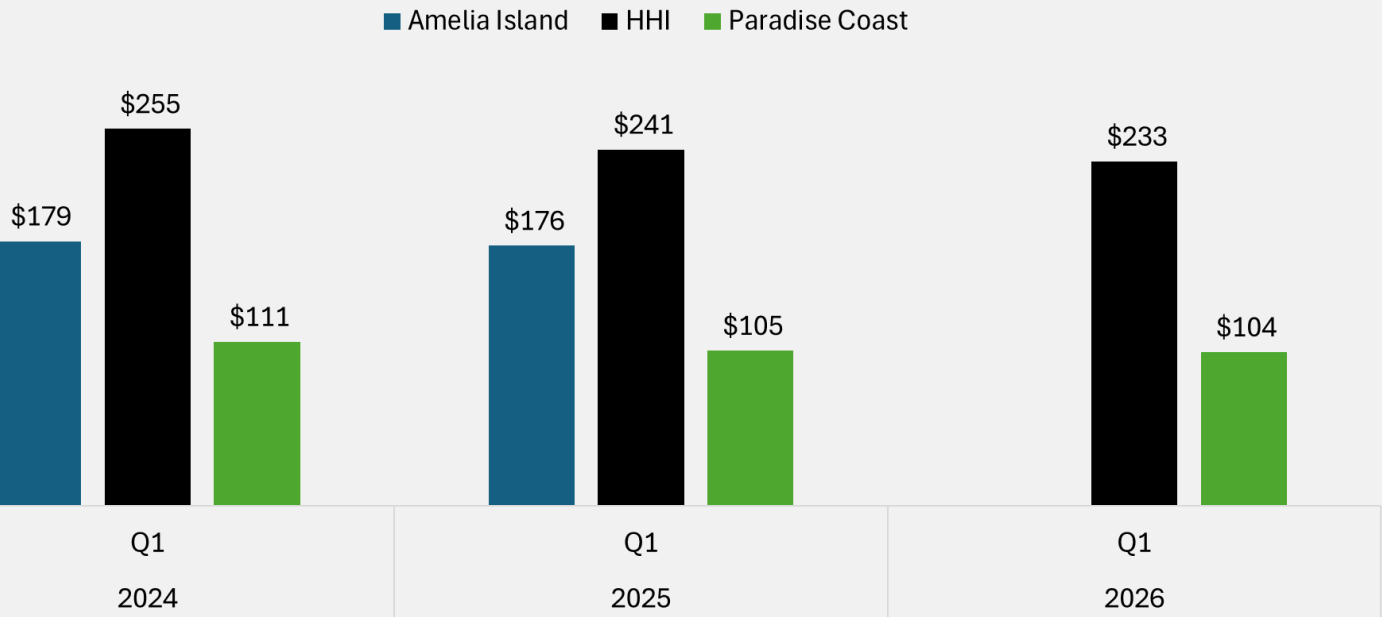
WHY IT MATTERS

Hilton Head Island's ADR continues to show steady resilience, maintaining strong year-over-year performance even as occupancy softens. This mirrors trends across peer destinations, where pricing strength remains a key stabilizing force in a shifting market. Our strategy continues to prioritize high-value demand and targeted regional growth to sustain ADR performance amid broader industry pressures.



Sources: Keydata, Paradise Coast, Amelia Island CVB
Amelia Island CVB has not yet reported FY26 Q1 Statistics

LODGING COMPARISON REVPAR



WHY IT MATTERS

RevPAR continues to show relative strength for Hilton Head Island, remaining well above peer destinations even as occupancy softens. Our STR-heavy lodging mix and strong summer rate performance help sustain higher revenue levels compared to more hotel-dominant markets like Amelia Island and Paradise Coast. This resilience reflects our focus on attracting higher-value visitors and maintaining rate discipline as we navigate the growing headwinds of AI-driven search.



Sources: Keydata, Paradise Coast, Amelia Island CVB
Amelia Island CVB has not yet reported FY26 Q1 Statistics

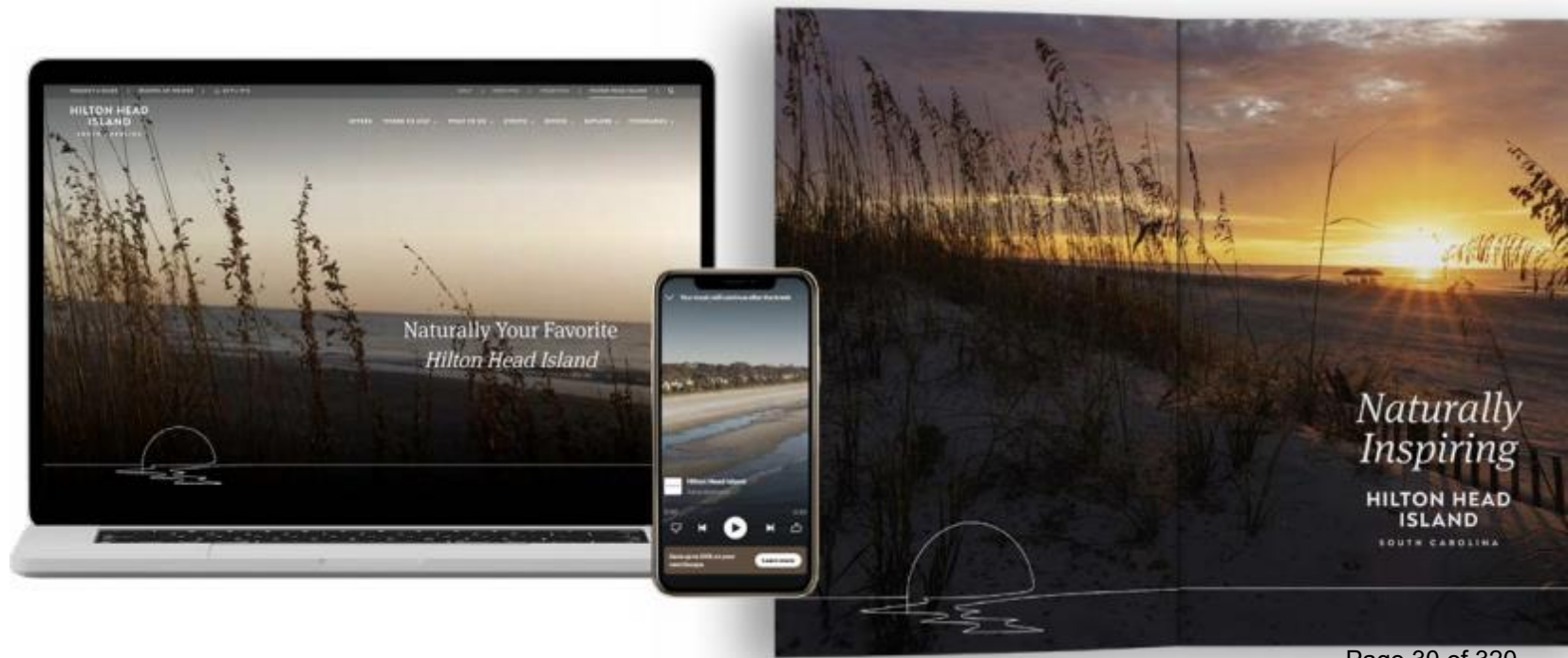
WHAT'S NEXT

NEW PROJECTS AND RESULTS COMING NEXT QUARTER.

WHY IT MATTERS

We're dedicated to keeping Hilton Head Island top of mind as one of the nation's premier destinations, driving sustainable tourism that supports our local economy while preserving the Island's natural beauty and character. Looking ahead, we're excited to share more in the coming quarter about several initiatives currently underway that are designed to strengthen year-round visitation, enhance our digital presence, and keep Hilton Head Island's brand at the forefront of today's evolving travel landscape.

HILTON HEAD ISLAND STRATEGIC PLAN



THANK YOU



**Hilton Head Island
& Bluffton**
Chamber of Commerce



QUARTERLY REPORT
FISCAL YEAR 2026-Q1

JULY 1 - SEPTEMBER 30, 2025

DESTINATION VALUES

In partnership with the town and in alignment with our community,
our destination's core values support our out-marketing efforts.



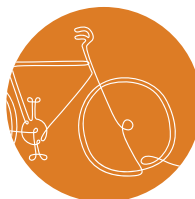
ECOTOURISM



HISTORY



ARTS & CULTURE



RECREATION



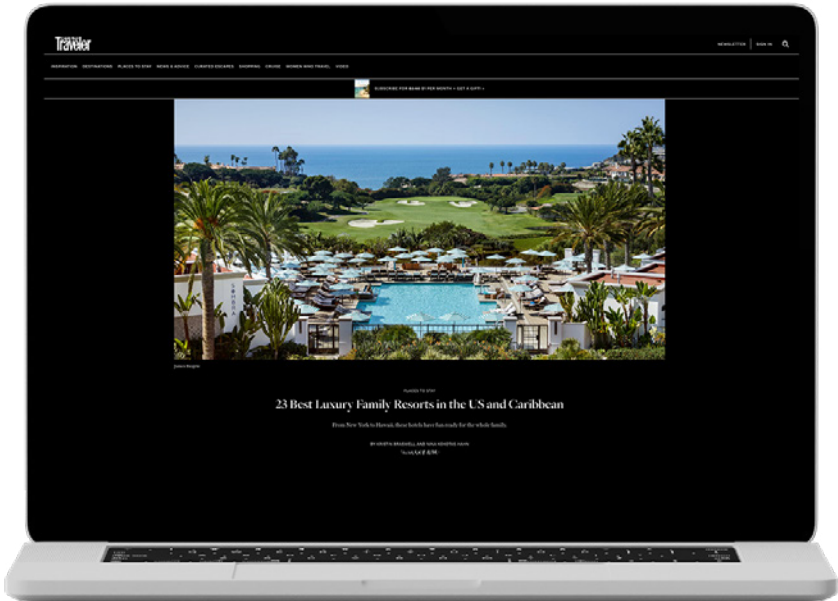
WELLNESS

CONDÉ NAST TRAVELER: 23 BEST FAMILY LUXURY RESORTS IN THE U.S.

WHY IT MATTERS

Features like this show how our destination marketing efforts continue to highlight Hilton Head Island’s history and culture, and it is clearly resonating. National coverage such as the mention of Mitchelville Freedom Park shows that storytelling around our heritage connects with top tier audiences.

“For a history of the region, a short drive to the Historic Mitchelville Freedom Park in Hilton Head is a valuable introduction to a cultural landmark that was once home to America’s first self-governed community of formerly enslaved people. Today, the park includes walking trails, a picnic pavilion, beach access, and Griot’s Corner, where children can enjoy immersive storytelling.” - Condé Nast Traveler



PUBLIC RELATIONS MEDIA COVERAGE

HILTON HEAD ISLAND MEDIA HIGHLIGHTS JULY 1 - SEPTEMBER 30, 2025



WHY IT MATTERS



PR builds awareness by showcasing our destination through the voice of national media outlets with substantial reach. This third-party endorsement highlights our island's appeal and commitment to culture and sustainability, inspiring value-driven travelers.

WHAT OTHERS ARE SAYING ABOUT US



251
MENTIONS



2.8B
IMPRESSIONS



\$2.1M
AD VALUE

QUARTERLY MEDIA HIGHLIGHTS

JULY

YAHOO! ENTERTAINMENT

(UVPM: 428,503,553)

[CRAIG MELVIN SHARES FAMILY VACATION PHOTOS AFTER WEEK-LONG 'TODAY' ABSENCE](#)

TRAVEL + LEISURE

(UVPM: 2,455,000)

[TRAVEL + LEISURE READERS' 15 FAVORITE ISLANDS IN THE CONTINENTAL U.S. OF 2025](#)

CNBC

(UVPM: 44,676,214)

[12 U.S. ISLANDS TO VISIT THIS SUMMER—NO FLIGHTS REQUIRED: 'YOU DON'T HAVE TO GO TOO FAR TO FEEL FAR AWAY'](#)

AUGUST

TRAVEL + LEISURE

(UVPM: 12,455,000)

[11 BEST PLACES TO LIVE IN SOUTH CAROLINA, ACCORDING TO LOCAL REAL ESTATE EXPERTS](#)

REFINERY29

(UVPM: 17,383,623)

[TRAVELING WITH MY DAD TAUGHT ME ABOUT LEGACY & THE GIFT OF TIME](#)

TODAY

(VIEWERSHIP: 2,504,439)

[THE MELVIN FAMILY HATCHLINGS](#)

SEPTEMBER

THE KNOT

(UVPM: 18,212,395)

[THE BEST IDEAS FOR A ROMANTIC GETAWAY IN SOUTH CAROLINA](#)

REFINERY29 UNBOTHERED

(INSTAGRAM: 294,000)

[TRAVELING WITH MY DAD TAUGHT ME ABOUT LEGACY & THE GIFT OF TIME](#)

DESTINATION OFFICIAL VACATION PLANNER

WHY IT MATTERS

The official Vacation Planner brings our destination into the homes of our visitors, further instilling our core values and key attributes while serving as a planning tool for those looking to travel to Hilton Head Island.



TOTAL PRINTED **65,000**

QUARTERLY DISTRIBUTION **9,342**

TOTAL YTD DISTRIBUTION **38,357**

DISTRIBUTION TOUCHPOINTS

- Online requests
- Phone inquiries
- Savannah/Hilton Head International Airport
- Hilton Head Island Airport
- South Carolina Welcome Centers
- AAA offices nationwide
- Hotel partners
- Tradeshows » Events
- Media

[2025 VACATION PLANNER](#)



DESTINATION WEBSITE & SOCIAL MEDIA

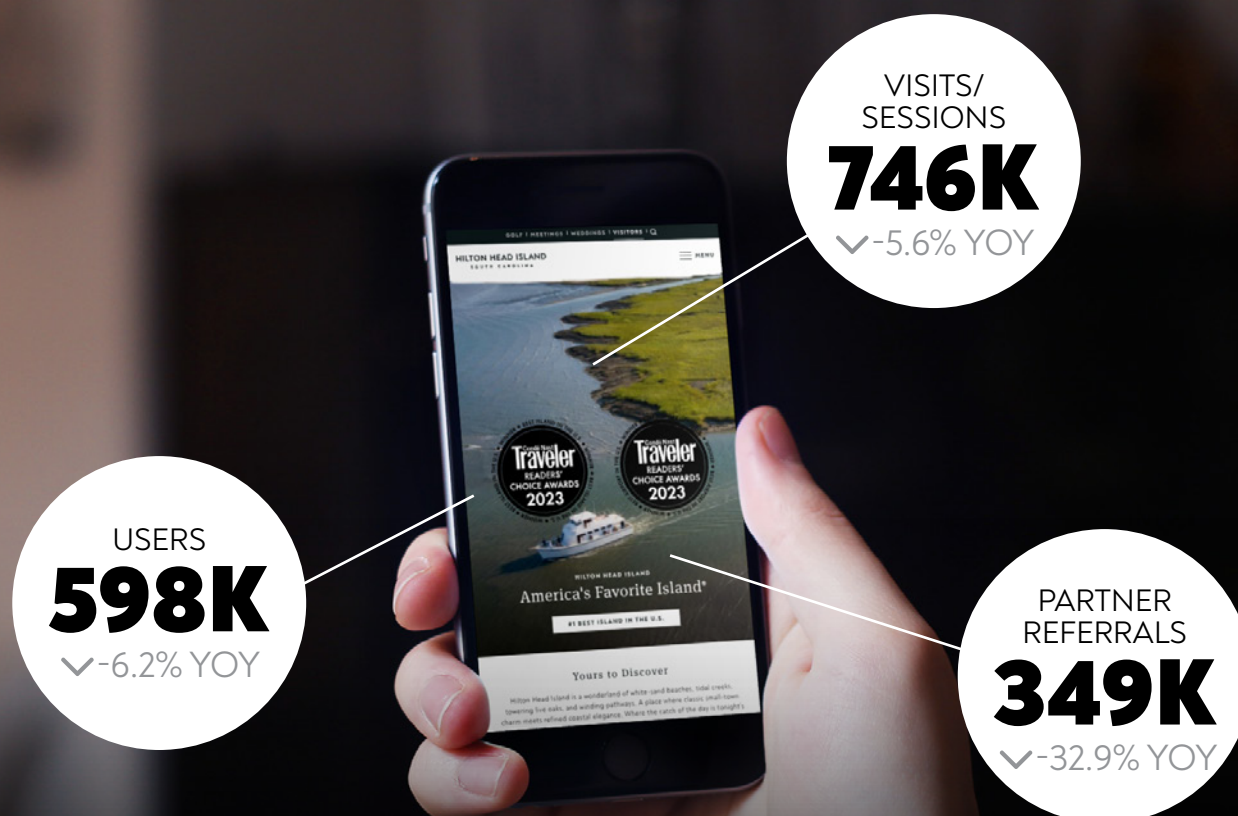


WHY IT MATTERS



The combination of website analytics and social media insights empowers data-driven decision-making, ensuring adaptability and responsiveness to digital out-marketing efforts.

HILTONHEADISLAND.ORG WEBSITE PERFORMANCE



With slight year over year declines in overall visits and users, our strategy is still effectively capturing high-value traffic and expanding our market reach in key regions. We saw triple session growth in Indiana (+275%), Michigan (+250%), and Tennessee (+218%), signaling successful regional expansion. Furthermore, our Paid Social sessions surged by +112% YoY, dramatically improving its partner referral rate, while Bing CPC is establishing itself as a top-three partner click source with a high 45% referral rate. These targeted successes provide a strong foundation for optimizing overall performance moving forward.

HILTONHEADISLAND.ORG WEBSITE PERFORMANCE

TOP VISITED WEBSITE PAGES

THE HOMEPAGE	CO-OP	SEE & DO	GOLF GETAWAY
197K	72K	37K	18K
SESSIONS	SESSIONS	SESSIONS	SESSIONS

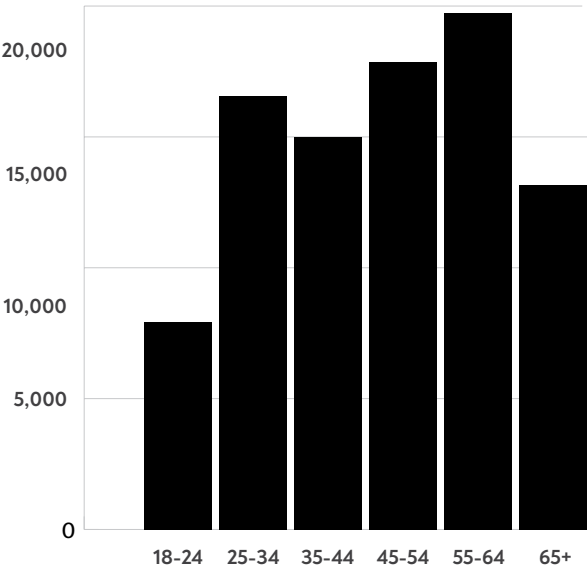
TOP REGIONAL WEBSITE TRAFFIC



WEBSITE DEMOGRAPHICS
GENDER AND AGE BREAKDOWN



Based on available data within Google Analytics, we're able to see women made up the largest percentage of visitation, while users within the 55-64 age range visited the website most frequently.



All the top 5 regions were above the average referral rate of 28% except NY which saw a 22% referral rate (-49% YoY). Florida saw a -11% YoY reduction in referral rates, SC and Georgia both saw +12% and +14% increases and NC stayed the same.

HILTON HEAD ISLAND SOCIAL ENGAGEMENT



SOCIAL
SESSIONS
160K
^+107.3% YOY

SOCIAL
REFERRALS
21K
^+131.0% YOY

SOCIAL TOTAL
AUDIENCE
363K
^+2.4% YOY

The top performing post of the quarter was a short-form video with trending audio in our wellness pillar, while the other top-performing posts were aesthetic carousels of sea turtles and landscape/scenic imagery (either UGC or owned media), as well as co-op posts referring to our partners.

By continuing to capitalize on this short-form video content and strategically using user-generated content across platforms, while increasing our posting cadence on specific platforms such as TikTok, we saw notable growth in views, impressions, and overall performance PoP. Our TikTok views increased 75.5% and engagements increased 69.8%, Instagram views increased 104.3% and engagements increased 14.3%, and Facebook impressions increased 27.8% and engagements increased 50.1%. Cross-channel our impressions are up 33.9%, our engagements are up 41.7%, link clicks are up 50%, and video views are up 74.4%.



HiltonHeadIslandofficial



VisitHiltonHeadSC



VisitHiltonHead



HiltonHeadSC



HiltonHeadSC



VisitHiltonHead

Source: Sprout Social

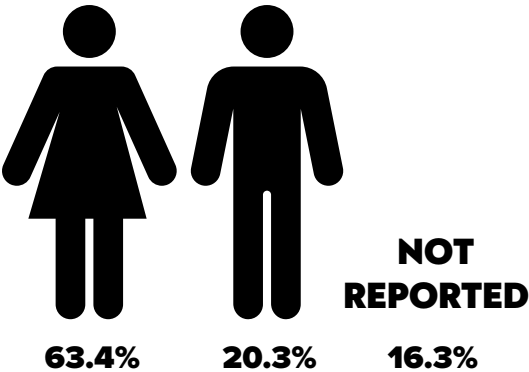
HILTON HEAD ISLAND SOCIAL DEMOGRAPHICS



INSTAGRAM

JULY-SEPTEMBER 2025 (FOLLOWERS)

GENDER



AGE RANGES

13-17	0.4%
18-24	2.8%
25-34	15.0%
35-44	28.4%
45-54	25.8%
55-64	18.3%
65+	9.3%



FACEBOOK

*LIFETIME AUDIENCE (FOLLOWERS)

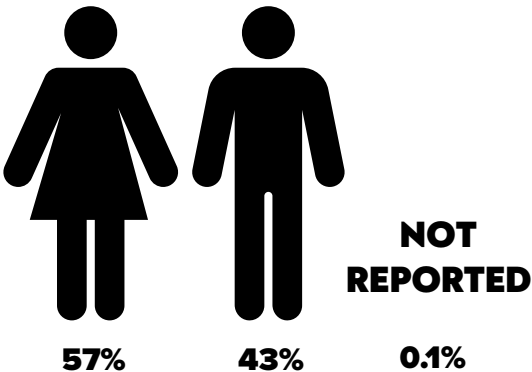
GENDER (LIFETIME)



TIKTOK

JULY-SEPTEMBER 2025 (FOLLOWERS)

GENDER



AGE RANGES

18-24	0.3%
25-34	4.9%
35-44	16.7%
45-54	27.5%
55-64	24.9%
65+	25.7%

AGE RANGES

18-24	7.4%
25-34	16.4%
35-44	34.5%
45-54	26.3%
55+	15.4%

OVERVIEW/AVERAGES ACROSS ALL SOCIAL PLATFORMS

July 1 - September 30, 2025

TOP 3 COUNTRIES

**UNITED
STATES**

CANADA

**UNITED
KINGDOM**

TOP 3 CITIES

**NEW
YORK**

ATLANTA

AUGUSTA

HILTON HEAD ISLAND SOCIAL ENGAGEMENT BREAKDOWN

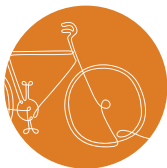
CROSS-CHANNEL TOP PERFORMING POSTS

ORGANIZED BY CONTENT PILLAR



WELLNESS

of Posts: 211
Total Engagements: 87,661
Total Impressions: 2,326,005



RECREATION

of Posts: 75
Total Engagements: 22,160
Total Impressions: 1,182,331



ARTS & CULTURE

of Posts: 72
Total Engagements: 25,183
Total Impressions: 880,852



ECOTOURISM

of Posts: 102
Total Engagements: 47,761
Total Impressions: 1,148,116

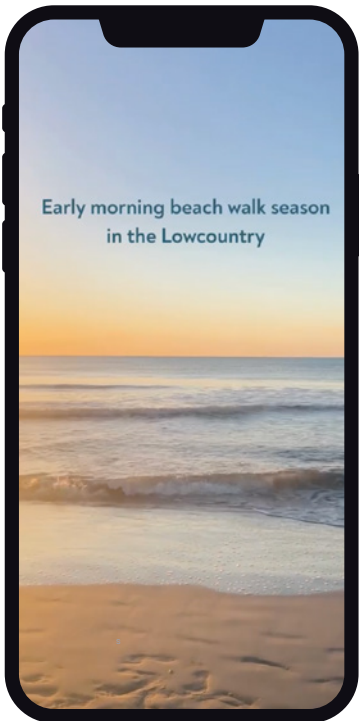


HISTORY

of Posts: 11
Total Engagements: 652
Total Impressions: 39,380

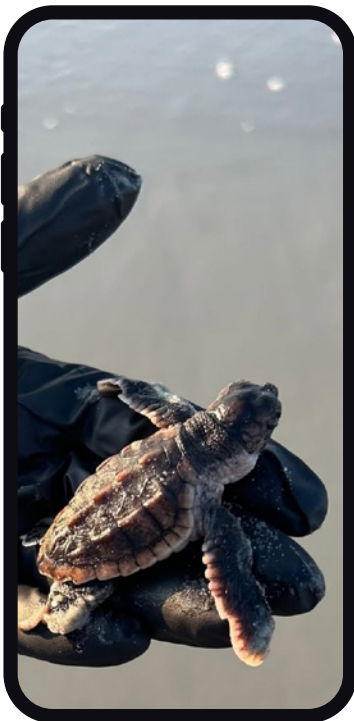
CROSS-CHANNEL TOP PERFORMING POSTS

RANKED BY OVERALL ENGAGEMENTS



EARLY MORNING
BEACH WALKS

13,975 Engagements



FIRST SEA TURTLE
HATCHLING
CAROUSEL POST

9,048 Engagements



GOLDEN HOUR
GOODNESS

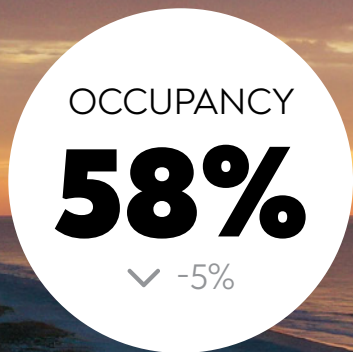
4,965 Engagements

HOTEL, HOME & VILLA OCCUPANCY

WHY IT MATTERS

Our analysis of Hilton Head Island accommodations, Hotel, Home & Villa, for a specific quarter, KeyData provides metrics such as occupancy rates, average daily rates, and revenue per available room. This data-driven approach details actionable insights to inform strategic decisions.

FISCAL YEAR 2026-Q1



FISCAL YEAR 2025 Q1

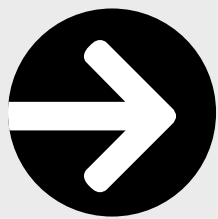
OCCUPANCY
63%

ADR
\$382

REVPAR
\$241

This quarter was relatively stable for the Island's lodging sector. Occupancy continues to lag slightly behind 2024 levels, while ADR remains ahead year-over-year, resulting in a modest overall decline in RevPAR. By segment, both hotels and homes & villas recorded single-digit occupancy decreases paired with higher ADRs. Hotels experienced a slightly steeper drop in RevPAR, while homes & villas remained largely flat. As we transition into the off-season, modest declines are expected due to the projected track of Hurricane Imelda in early October and typical seasonal slowdowns. ADR is anticipated to remain strong through the end of the quarter.

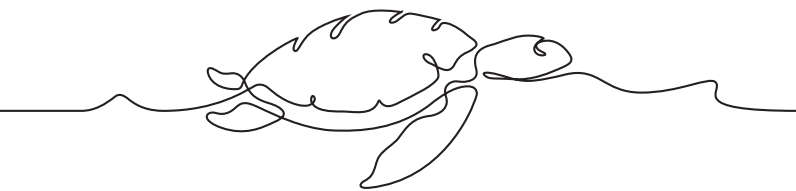
Source: KeyData



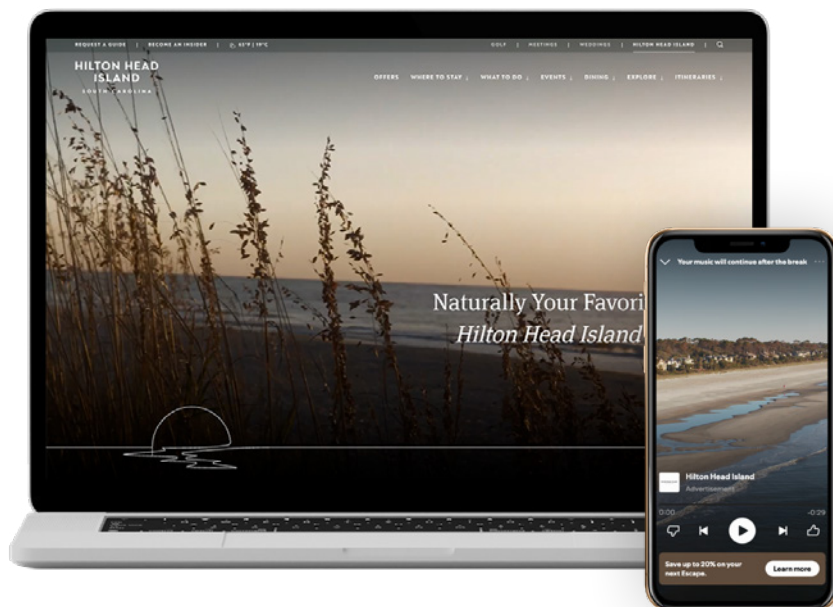
WHAT'S NEXT

We're dedicated to keeping Hilton Head Island top of mind as one of the nation's premier destinations, driving sustainable tourism that supports our local economy while preserving the Island's natural beauty and character.

Looking ahead, we're excited to share more in the coming quarter about several initiatives currently underway that are designed to strengthen year-round visitation, enhance our digital presence, and keep Hilton Head Island's brand at the forefront of today's' evolving travel landscape.



Naturally Campaign



HILTON HEAD ISLAND

STRATEGIC PLAN

GLOSSARY OF TERMS

FULFILLMENT

Fulfillment - The number of physical vacation planners distributed from requests throughout multiple platforms: online, media and home inquiries. In addition, we also distribute the planner to state and local welcome centers, airports, along with tradeshow and promotional events.

HOTEL, HOME & VILLA OCCUPANCY

Occupancy - Used within the accommodations industry to gauge the health of tourism. Occupancy percentage is calculated by dividing the occupied rooms by total room supply.

ADR (Average Daily Rate) - Metric widely used to indicate the average realized room rental per day. ADR is calculated by dividing the room revenue by the total rooms sold.

RevPAR (Revenue Per Available Room) - Used to gauge industry health and is calculated by dividing the total room revenue by total room supply within a specific time period.

MEDIA PARTNERSHIPS

Paid Media - Paid promotional efforts, such as advertising and sponsored content, where payment is made to third parties for placement across various channels.

HHI - Household Income noted in Media Partnership section.

PUBLIC RELATIONS

Media Coverage - Refers to the instances when a destination or brand is featured in content without direct payment.

Impressions - This metric quantifies the number of times destination content has been viewed.

WHY IT MATTERS: The importance of earned media is its role as a third-party endorsement for a destination. Integrating both earned and paid media plays an important role in enhancing a brand's ROI and credibility.

Ad Values - Sometimes known as AVE, or ad value equivalency, it's a calculation that estimates the value of a story or mention by comparing it to the cost of a comparable ad in the outlet for that coverage.

WHY IT MATTERS: It helps confer the value of content, however it should be used alongside other metrics of understanding with the knowledge that a news article holds different value than a paid ad.

Mentions - Any instance where a brand or individual is discussed in various media, including news articles, social media posts, blogs, and interviews. These mentions contribute to overall visibility and help assess the impact of communication efforts.

UVPM (Unique Visitors per Month) - This metric represents the number of visitors to a media outlet.

WHY IT MATTERS: The higher the UVPM, the greater the likelihood that the destination will be read about by a larger audience.

REPORTING PLATFORMS

2-Source Report - The 2-source report is an aggregated report of both Home and Villa and Hotel data.

Keydata - Keydata is a real time home and villa platform that allows users to view on the books and historical villa data.

STR - Smith Travel Research (STR) is the platform used to monitor weekly, monthly, quarterly and annually hotel occupancy, average daily rate and revenue per available room.

SOCIAL MEDIA

Impressions - The amount of times your content was seen across a feed or in search terms.

Engagements - A measurement on how much your audience interacts with your content. This can be measured in likes, comments, shares, etc.

Total Audience - Number of followers across each platform combined.

UGC (User Generated Content) - Content captured by users online, who have given permission to have their content reposted.

Social Sessions - This measures the number of times users visit the website from social media. This includes all visits to the website that originate from social media, regardless of whether its the users first visit or a return visit. It accounts for all the times users engage with the website after coming from social platforms.

Social Referrals - This focuses on the source of the traffic. It tracks how many visits or interactions were initiated by users coming from different social media platforms. This tells us how many times social media has directed users to the website, but not the total number of a users visits.

WEBSITE PERFORMANCE

Visits - A website visit in Google Analytics 4 (GA4) refers to a period of user interaction with a website. Visits help measure user engagement and interactions on a website within a specific time frame.

User - Website users in Google Analytics 4 (GA4) represent individual visitors or devices that access a website within a specified time period. Each user is identified by a unique identifier, allowing GA4 to track and analyze the behavior of distinct individuals or devices interacting with the site.

Partner Referrals - This metric refers to external link clicks to partner websites from ads or partner listings throughout the Hilton Head Island website. This helps quantify how many potential visitors we are connecting to local businesses.

CPC - Cost Per Click - Spend accrued per click. Advertising platforms charge based on clicks or impressions: Social ads charge per 1,000 impressions, while Google Ads charge per click.



TOWN OF HILTON HEAD ISLAND

Town Council

TO: Mayor Alan R. Perry & Town Council Members
FROM: Ben Brown, Director of Strategic Initiatives
CC: Marc Orlando, Town Manager, ICMA-CM
Shawn Leininger, Deputy Town Manager
Curtis Coltrane, Town Attorney
DATE: December 9, 2025
SUBJECT: Consideration of an Ordinance of the Town Council of the Town of Hilton Head Island, South Carolina Authorizing the Execution and Recording of a Declaration of Covenants Regarding Workforce Housing and the Execution and Delivery of a Long-Term Ground Lease of Real Property, Both Related to Real Property Owned by the Town of Hilton Head Island, South Carolina at Northpoint – Second Reading

RECOMMENDATION:

Consideration of Second Reading of an Ordinance of the Town Council of the Town of Hilton Head Island, South Carolina authorizing the execution and recording of a Declaration of Covenants regarding Workforce Housing and the execution and delivery of a long-term Ground Lease of real property, both related to property owned by the Town of Hilton Head Island, South Carolina at Northpoint. First Reading was approved on November 4, 2025.

BACKGROUND:

On June 18, 2024, Town Council approved the Northpoint Workforce Housing Development Agreement with OneStreet Residential (OSR), establishing the roles and responsibilities of both parties in developing and managing a workforce housing neighborhood on the Town's 11-acre Northpoint property. The Agreement outlined a phased approach culminating in a long-term Ground Lease.

The Northpoint initiative builds on the Town's 2018 Workforce Housing Strategic Plan, which identified public-private partnerships as a key strategy to expand the supply of attainable housing. Additional Town policies adopted in 2020 and 2021 further advanced these objectives by promoting workforce housing through zoning and density incentives.

Following a competitive RFQ and RFP process initiated in 2022, OSR was selected as the Town's preferred development partner based on its demonstrated experience in financing, designing, constructing, and managing high-quality affordable and mixed-income communities. The Northpoint Public-Private Partnership Housing Advisory Committee

actively participated throughout the vetting and review process, providing recommendations that informed Town Council's approval of the Development Agreement.

The 2024 Development Agreement formalized the partnership and established the framework for the Ground Lease and Affordability Covenants now before Town Council for final approval.

Upon execution of the Ground Lease, OSR anticipates closing project financing by December 12, 2025, and beginning construction in early 2026.

As part of its ongoing advisory role, the Northpoint Public-Private Partnership Housing Advisory Committee reviewed and supported the framework of the Ground Lease and Affordability Covenants at its October 6, 2025, meeting.

Summary of Schedule

- Town Council – First Reading: November 4, 2025 (*approved*)
- Town Council – Second Reading: December 9, 2025
- Close Financing: by December 12, 2025
- Commence Construction: January 2026
- First Apartments Released: early 2027
- Substantial Completion: mid 2027

CONCLUSION:

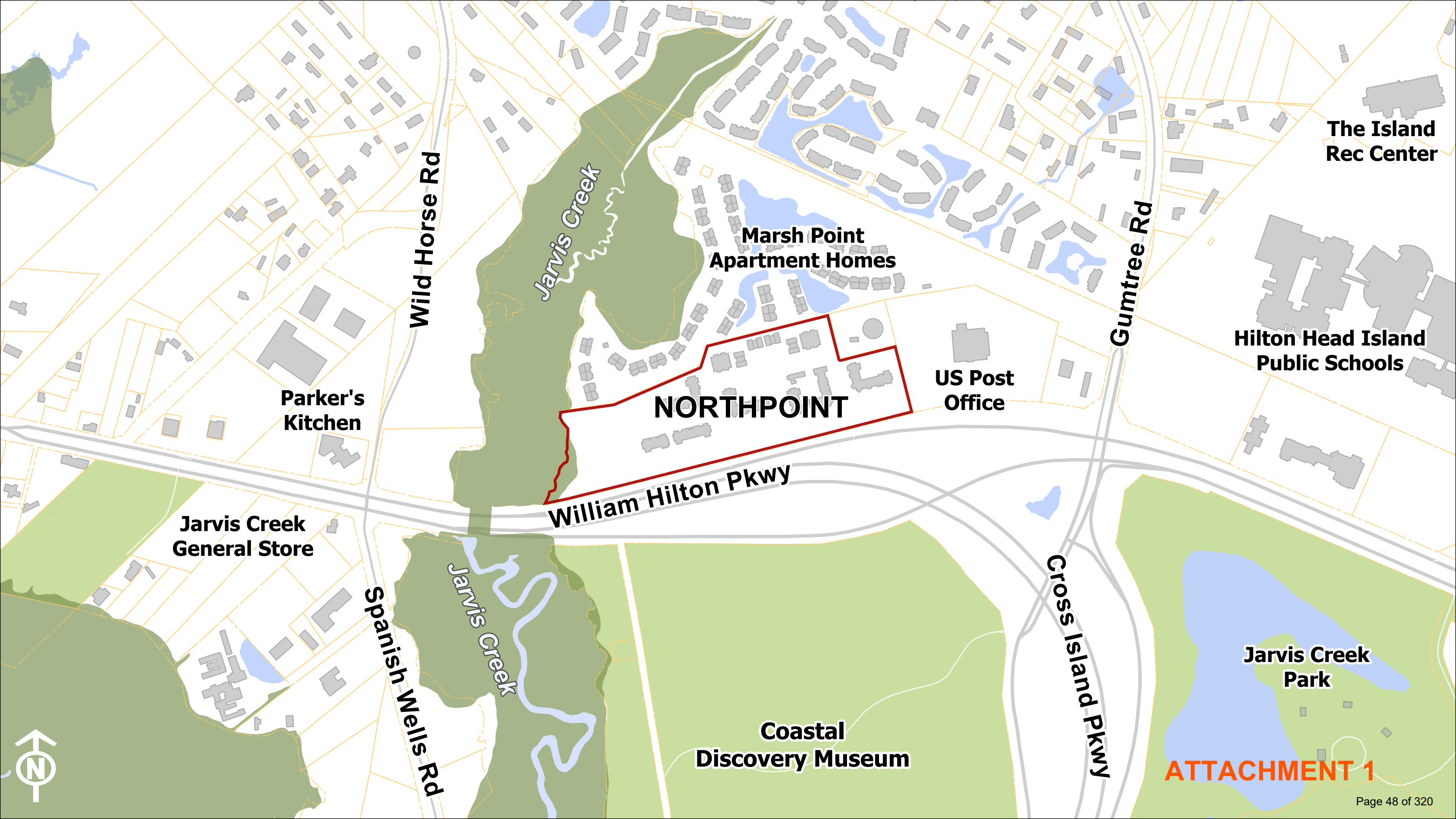
The proposed Ground Lease and Affordability Covenants represent the final implementation steps outlined in the Northpoint Workforce Housing Development Agreement approved by Town Council in June 2024. Adoption of these documents will formalize the Town's public-private partnership with OSR and enable the construction and long-term management of a high-quality, sustainable workforce housing neighborhood at Northpoint.

The documents are consistent with the terms established in the 2024 Development Agreement, with one adjustment identified during project underwriting. During due diligence, questions arose regarding long-term occupancy, specifically what would occur if, at any point during the 65-year Ground Lease, the property manager could not identify an eligible tenant who meets the Town's Workforce Housing Community standard (defined as persons employed and working within the municipal boundaries of Hilton Head Island).

To address this scenario, the Ground Lease establishes a limited, time-bound exception process. If a unit becomes vacant and no qualified Hilton Head Island workforce household is on the waiting list, and no eligible tenant contacts the property manager within forty-five days, the unit may be leased for a twelve-month term to an income-qualified tenant employed within Beaufort County. At the end of that term, the property manager must again make commercially reasonable efforts to lease the unit to a tenant who meets the Hilton Head Island Workforce Housing Community standard. While this situation is considered unlikely, inclusion of this exception is necessary to secure project financing.

ATTACHMENTS:

1. Northpoint Vicinity Map
2. Ground Lease Executive Summary
3. Ordinance Authorizing Covenants and Ground Lease with Exhibits



**The Island
Rec Center**

**Marsh Point
Apartment Homes**

**Hilton Head Island
Public Schools**

**US Post
Office**

NORTHPOINT

William Hilton Pkwy

Wild Horse Rd

Gumtree Rd

**Parker's
Kitchen**

**Jarvis Creek
General Store**

Spanish Wells Rd

Cross Island Pkwy

**Coastal
Discovery Museum**

**Jarvis Creek
Park**

ATTACHMENT 1

**GROUND LEASE
EXECUTIVE SUMMARY
(December 9, 2025)**

This is a summary of the key provisions of the Ground Lease Agreement (Lease) between the Town (“Lessor”) and HHI Northpoint, LLC (“Lessee”). The Lessee entity will be a Delaware corporation owned by RBC Workforce Housing Equity Fund-1, LP (90% investor member) and OSR Northpoint WFH, LLC (10% operating member).

1. **USE**. The Lease provides for the construction, operation and management of Workforce Housing Apartments within the municipal limits of the Town.
2. **TERM**. The Lease provides for execution by the Lessor and Lessee on the closing date of the construction loan to be made to Lessee by First-Citizens Bank & Trust Company. The Term is for sixty-five (65) years from the date of receipt of a Certificate of Occupancy for the first building comprised of units suitable for occupancy by tenants. At expiration or earlier termination of the Lease, the Lessee’s improvements will be surrendered to the Lessor.
3. **RENT**. Rent to be paid by Lessee to Lessor shall be \$100.00 annually.
4. **LESSOR’S PAYMENT**. Lessor will pay for site work mobilization, silt fencing, tree protection, erosion control, site clearing and partial grading, using the Town Grant Contribution of \$1,000,000.00 secured from the American Rescue Plan Fund. Lessee will indemnify Lessor from any additional payments, costs, expenses, or liabilities resulting from this limited work.
5. **OPERATIONS**. The residential units, amenities, roads and utilities are to be maintained by a commercially high standard on a timely basis, with the Lessee at all times maintaining sufficient reserves to assure that this is the case.
6. **MANGEMENT**. Lessee may contract with a management company to manage and operate the project. At execution of the Lease, Lessee will

enter into a management agreement approved by Lessor with its affiliate, One Street Residential Services, LLC. Lessee can later change management services by entering into a new management agreement, upon reasonable approval by the Lessor.

7. **NO SUBORDINATION.** Lessee is prohibited from subordinating Lessor's fee title to the property and its interest in the Lease.
8. **NO DISCRIMINATION.** Lessee must provide all rental units to the Workforce Housing Community in accordance with the Fair Housing Act without discrimination on account of race, color, national origin, sex, sexual orientation or physical handicap. This applies to all employment decisions, to the property manager and contracted employees.
9. **ENVIRONMENTAL.** Lessee and the Premises will comply with all applicable laws relating to public health and safety, and will defend and indemnify Lessor and its elected officials, employers and agents from all liabilities, losses or damages and expenses resulting from any Hazardous Material on or affecting the Premises in violation of applicable law, unless a pre-existing condition or caused by the Lessor. Lessee shall defend at its expense any lawsuit or administrative action resulting from such occurrence.
10. **UTILITIES AND DRAINAGE.** Lessee shall obtain all utility connections and taps necessary for the operation of the improvements at its expense, and shall pay for all utility services during the Term of the Lease. Lessee shall have the right to use, improve and maintain the existing storm water retention system located on the Premises, and shall be responsible for the cost of an additional storm water system to tie into the existing system, pursuant to plans approved by Lessor.
11. **INDEMNITY AND INSURANCE.** Lessee agrees to indemnify Lessor, its officials, agents and employees from all loss or damage to property, injury or death to persons arising from its construction or operations in connection with the Lease, and will defend at its expense all claims, damages, lawsuits or penalties arising therefrom. This does not extend to damages resulting from the sole negligence or intentional misconduct of Lessor, its officers, agents and employees. Lessee is responsible for carrying insurance in amounts necessary to cover Lessee's reasonably estimated liability.

Initially, Lessee shall carry not less than three (3) million (\$3,000,000.00) dollars combined single limited per occurrence, but at all times in accordance with commercially reasonable standards, with increases every five (5) years of the Lease Term in proportion to CPI increases since the Lease Commencement Date.

12. **TAXES, LICENSES, LIENS and FEES.** Lessee agrees to promptly pay all taxes, license and permit fees of very nature, with except of any tax levied on the Lessor's fee interest in the real property. If Lessee is required to pay a fee in lieu of ad valorem taxes on Lessee's improvements on the Premises pursuant to any agreement between Lessee, Lessor and or Beaufort County, Lessor will cooperate in arranging for such payments by Lessee.

Lessee agrees not to permit any mechanic's or other liens to attach to any of the property or improvements, and will promptly pay all bills, debts and obligations incurred in connection with its construction and operations when due.

13. **DEFAULT.** Lessee will be in default if it fails to achieve the Commencement Date within twenty-four (24) months following execution of the Lease. A six (6) month extension can be obtained if Lessee is working diligently and has not caused delays. Any unforeseen casualty can also trigger an extension for a reasonable time to recover from such event.

Lessee shall also be in default for: failure to pay rent, insolvency, transfer of its interest in the Lease without prior approval of Lessor (when required), suffers any lien that is not bonded off or contested in good faith, fails to perform any other promise, covenant or agreement set forth in the Lease for more than thirty (30) days after Lessor's written notice, or allows any illegal use to occur within the Premises after ten (10) days written notice from Lessor.

14. **REMEDIES:** If Lessee is in default, which is not timely cured, Lessor may either allow the Lease to continue, or terminate the Lease and repossess the Premises upon giving thirty (30) days written notice to Lessee.

15. **DISPUTE RESOLUTION**: The parties shall attempt to settle any dispute by negotiation, but if that fails within thirty (30) days following notice of the dispute, the dispute may be submitted to mediation in Beaufort County.
16. **FORCE MAJEURE**. If performance under the Lease is impossible or delayed as the result of Force Majeure, the time for performance shall be extended for a period equal to the time of such delay. “Force Majeure” means an Act of God or similar event, which is beyond the control of the obligated party. These include pandemics, acts of terrorism, labor strikes, extreme weather events, unavailability of materials or utilities, discovery of hazardous materials, governmental delays or failure of any third party to perform.
17. **DAMAGE, DESTRUCTION or LOSS**. Lessee may close portions of the Premises from time to time for remodeling or minor renovations, not to exceed six (6) months, or twelve (12) months if it involves more than fifty percent (50%) of the value of the improvements being renovated or redeveloped.
18. **LEASEHOLD MORTGAGE and INVESTOR RIGHTS**. Lessee has the right to mortgage its interests in the Lease, not the real property owned by the Lessor. The Lessor is entitled to a copy of any such mortgage for review and comment, and will be sent a copy of the executed mortgage.

The mortgage holder (“Lender”) has the right to approve any modification of the Lease. Prior to terminating the Lease due to a monetary default, the Lender has up to one hundred twenty (120) days to cure the default. If Lessor seeks to terminate the Lease for a non-monetary default, Lender has the right to commence foreclosure proceedings, in which case Lessor will not terminate the Lease, and the Lender would be substituted as the Lessee, subject to all terms of the Lease.

Any Investor is entitled to receive notice of an Event of Default by Lessee from the Lessor. The Lease cannot be amended or terminated by Lessor or cancelled by the Lessee without prior written consent of each Investor and Mortgagee (Lender).

Such notice shall give the Investor up to ninety (90) days to replace Lessee’s manager and cause the new manager to cure the default.

19. **PERMITTED TRANSFERS.** Lessee may make limited transfers without Lessor's consent provided that no such transfer releases Lessee from any of its obligations under the Lease, and does not result in a change of control.
20. **SALE BY LESSEE.** Lessee may sell its interest in the improvements and assign the Lease after the Project is completed and the buyer/assignee has been approved by Lessor, which approval shall not be unreasonably withheld. Any buyer must be acceptable financially to the Lessor and demonstrate no less than five (5) years' experience operating similar projects. Lessor shall be given the opportunity to purchase the Project prior to Lessee securing a third-party successor.
21. **SHORT-TERM RENTALS.** The Lessee is prohibited from allowing any subleasing or short-term rentals on the Property as defined in the Municipal Code of the Town of Hilton Head Island.
22. **GOVERNING LAW.** The Lease shall be governed by the laws of South Carolina. Any controversy or claim arising out of the Lease which leads to legal proceedings shall be heard in the state courts of Beaufort County.
23. **MANAGEMENT OF THE PROJECT.** Following completion of the first residential unit, Lessee, on written notice to Lessor, shall enter into a management agreement with an affiliate company, One Street Residential Services, LLC (the "Operator") to maintain and operate the Property and management of the Project, including enforcement of use restrictions and including the Workforce Housing Tenant Criteria Requirements, attached as Exhibit C to the Lease. The Operator will be required to comply with all obligations of the Lessee set forth in the Lease; however, Lessee will remain liable to the Lessor for all duties and responsibilities set forth in the Lease and in the Management Agreement with the Operator.
24. **WORKFORCE HOUSING COMMUNITY.** Persons employed and working within the municipal boundaries of Hilton Head Island meeting the Workforce Housing Lessee Criteria; provided, however, that following the third anniversary of the Commencement Date, if a unit becomes available to rent and there is not a person on the Lessee's waiting list that meets the Workforce Housing Community standard, nor is there a prospective tenant that contacts the Lessee to rent the applicable unit that meets the Workforce Housing Community standard, within forty-five days following the vacancy

of the unit, then the Lessee shall be entitled to rent the unit to a tenant that does not meet the Workforce Housing Community standard but (a) otherwise meets the Affordability Covenants imposed on the Property for a twelve month lease, and (b) works within Beaufort County. Following the expiration of that twelve-month period, the Lessee shall again attempt to rent the unit to a tenant that meets the Workforce Housing Community standard. In addition, if a then-current tenant wishes to renew a lease, forty-five days prior to the end of such lease, Lessee shall use commercially reasonable efforts to identify a tenant that complies with the Workforce Housing Community standards. If no tenant is identified, the Lessee is entitled to rent the unit to the then-current tenant for an additional one-year term.

25. **EXHIBITS.** There are exhibits to the Lease:

- A. Property Description
- B. Project Description
- C. Workforce Housing Tenant Criteria

Ordinance 2025-___

AN ORDINANCE OF THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA, AUTHORIZING THE EXECUTION AND RECORDING OF A DECLARATION OF COVENANTS REGARDING AFFORDABLE WORKFORCE HOUSING AND THE EXECUTION AND DELIVERY OF A LONG TERM GROUND LEASE OF REAL PROPERTY, BOTH RELATED TO REAL PROPERTY OWNED BY THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA, AND PROVIDING FOR SEVERABILITY AND AN EFFECTIVE DATE.

BE IT ORDERED AND ORDAINED BY THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA, AND IT IS ORDAINED BY THE AUTHORITY OF THE TOWN COUNCIL AS FOLLOWS.

Section 1. Findings and Conclusions.

(a) The Town of Hilton Head Island, South Carolina (the “Town”), is the owner of real property described as:

All those certain pieces, parcels or lots of land, lying and being on Hilton Head Island, Beaufort County, South Carolina, shown and described as “Lots 3, 4, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17 and Northpointe Pointe Circle 50 Foot Right of Way,” on a plat entitled “An ALTA Survey of Tract “M” A Section of U. S. Highway 278,” prepared by Antoine Vines, S.C.R.L.S. 9064, which is recorded in the Office of The Register of Deeds for Beaufort County, South Carolina, in Plat Book 64 at Page 4;

AND ALSO,

All that certain piece, parcel or lot of land, situate, lying and being on Hilton Head Island, Beaufort County, South Carolina, originally being a portion of a 3.38 acre tract more particularly shown and described on that certain plat by Terry G. Hatchell, S.C.R.L.S. 11059, entitled "A Plat of A section of Honey Horn Plantation," dated April 30, 1986, and which is recorded in the Office of The Register of Deeds for Beaufort County, South Carolina, in Plat Book 34 at Page 77;

AND ALSO,

All that certain piece, parcel or tract of land containing a total of approximately 0.27 acres, situate, lying and being in Beaufort County, South Carolina, and being shown and described as “Area to be Acquired by PIN: R510 007 000 0265” on a Plat entitled “A Lot Line Reconfiguration of Northpointe Circle,” prepared by Jeremy Reeder, S. C. P.L.S. 28139, dated

February 27, 2025, and which is recorded in the Office of The Register of Deeds for Beaufort County, South Carolina, in Plat Book 165 at Page 102. (the “Town Property”).

- (b) The Town has a policy of promoting the development of housing that is affordable by individuals in the workforce with income levels of between sixty (60%) percent and one hundred fifty (150%) percent of the Area Median Income, as defined by the United States Department of Housing and Urban Development within the Town
- (c) On June 18, 2024, the Town adopted a Resolution authorizing the execution and delivery of a Workforce Housing Development Agreement by and between the Town and One Street Residential, LLC.
- (d) The terms of the Workforce Housing Development Agreement contemplate that the Town will enter into a long term Ground Lease of the Town Property with an affiliate of One Street Residential, LLC.
- (e) One Street Residential, LLC, has identified HHI Northpoint, LLC, as the affiliate that will develop and manage a multifamily Workforce Housing project on the Town Property under the terms of the Ground Lease contemplated in the Workforce Housing Development Agreement.
- (f) The Town has negotiated a long term Ground Lease with HHI Northpoint, LLC, under which HHI Northpoint, LLC, will develop and manage a multifamily Workforce Housing project that is affordable by individuals in the workforce with income levels of between sixty (60%) percent and one hundred fifty (150%) percent of the Area Median Income on the Town Property. The proposed long term Ground Lease is attached hereto as Exhibit “A.”

(g) The Town has negotiated a Declaration of Covenants to ensure that the multifamily Workforce Housing project to be built and operated on the Town Property will remain affordable by individuals in the workforce with income levels of between sixty (60%) percent and one hundred fifty (150%) percent of the Area Median Income on the Town Property for the life of the Ground Lease and the project. The proposed Affordability Covenants document is attached hereto as Exhibit “B.”

(h) The Town finds that the execution and recording of the Affordability Covenants and the execution and delivery of the Ground Lease will: (i) promote the Town’s policies regarding housing that is affordable to the workforce in the Town; (ii) cause the near-term development of a project that is affordable to the workforce in the Town; (iii) promote business civic interests in the Town by making affordable housing available in the Town; and provide an opportunity for young people entering the workforce to live in the Town and become permanent residents in the Town.

(i) For the reasons stated in paragraph (h) above, the Town finds that the execution and recording of the Affordability Covenants and the execution, delivery and recording of the Ground Lease are in the best interests of the Town, and will promote the health, safety and welfare of the Town’s citizens, residents, property owners and businesses.

(j) S. C. Code Ann. § 5-7-40 (Supp. 2023) and § 2-7-20, *Municipal Code of the Town of Hilton Head Island, South Carolina*, (1983), require that any lease, conveyance or granting of an interest in real property owned by the Town of Hilton Head Island, South Carolina, must be authorized by Ordinance.

Section 2. Authority to Execute and Record Affordability Covenants.

(a) The Mayor and Town Manager are authorized to execute and record the “Affordability Covenants” in the form and substance as the document attached hereto as

Exhibit “B.” It is a requirement of this Ordinance that the Affordability Covenants shall be recorded in the Office of The Register of Deeds for Beaufort County, South Carolina, prior to the recording of the Ground Lease, so that the Ground Lessee and its investors and lenders are all subject to the requirements of the Affordability Covenants.

(b) The Mayor and Town Manager are authorized to execute and deliver the “Ground Lease” by and between the Town and HHI Northpoint, LLC, in the form and substance as the document attached hereto as Exhibit “A.” It is a requirement of this Ordinance that the Ground Lease shall be recorded in the Office of The Register of Deeds for Beaufort County, South Carolina, following the recording of the Affordability Covenants.

(c) The Mayor and Town Manager are authorized to take all other and further actions as may be necessary to complete the actions authorized under (a) and (B) above, and the performance of the Town’s obligations under the Affordability Covenants and the Ground Lease.

Section 3. Severability.

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

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

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

THE TOWN OF HILTON HEAD ISLAND,
SOUTH CAROLINA

Alan R. Perry, Mayor

ATTEST:

Kimberly Gammon, Town Clerk

APPROVED AS TO FORM:

Curtis L. Coltrane

First Reading: November 4, 2025

Second Reading: _____

Exhibit “A” to Ordinance Authorizing Execution and Recording of Affordability
Covenants and Execution and Delivery of a Long Term Lease Encumbering Town
Owned Property (Northpoint)

GROUND LEASE

FINAL DRAFT – OCTOBER 21, 2025

NORTHPOINT WORKFORCE HOUSING COMMUNITY

Hilton Head Island, South Carolina

Contract/Agreement: Town of Hilton Head Island (the “Lessor”) and
HHI Northpoint, LLC, a Delaware limited liability company (the
“Lessee”)

Effective Date: _____, 2025

Commencement Date: _____, 202____

Term: 65 years

Total Pages: [_____] pages (including Exhibits)

Lease Exhibits: Exhibit A: Property Description
Exhibit B: Project Description
Exhibit C: Workforce Housing Tenant Criteria

STATE OF SOUTH CAROLINA

COUNTY OF BEAUFORT

LEASE AGREEMENT

THIS LEASE AGREEMENT (“LEASE”) is made and entered into this ____ day of _____, 2025 (“Effective Date”), by and between the Town of Hilton Head Island, a political subdivision of the State of South Carolina (“Lessor”), and HHI Northpoint, LLC, a Delaware limited liability company (“Lessee”).

RECITALS

1. The Lessor is the record owner of that certain parcel of real property consisting of approximately eleven and thirty-eight hundredths (11.38) acres, more or less, located within the Town on the William Hilton Parkway known as the Northpoint Tract described more fully on Exhibit “A” attached hereto and which is fully incorporated herein by reference (the “Property”).
2. The Lessor and One Street Residential, LLC, an affiliate of Lessee and sponsor of the Project (as defined below), cognizant of the need for Workforce Housing within the municipal limits of the Town of Hilton Head Island, South Carolina, entered into a Workforce Housing Development Agreement dated June 18, 2024 (as the same may have been amended and/or extended from time to time, the “Development Agreement”), a copy of which, together with all amendments thereto, if any, has been provided to Lessee.
3. The Lessor has placed the Affordability Covenants (as defined below) on the Property restricting the Units within to Workforce Housing, as set forth therein.
4. Lessee agrees to develop, construct, own, manage, operate and maintain the Premises as required under this Lease.

NOW, THEREFORE, in consideration of the rents to be paid and the covenants and agreements to be kept and performed by the Lessee, the Lessor hereby leases to the Lessee the Property and grants unto Lessee the rights and privileges hereinafter enumerated subject to the following terms, conditions, covenants, and agreements.

SECTION 1 DEFINITIONS

- 1.1 “Affiliate” means any person (which includes any individual, partnership, corporation, limited liability company, trust, unincorporated organization, governmental authority or any other form of entity) which directly or indirectly controls, is under common control with or is controlled by any other person. For

purposes of this definition, “controls,” “under common control with,” and “controlled by” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person, whether through the ownership of voting securities or otherwise.

- 1.2 “Agency” means any agency with authority to enforce environmental laws as to the Premises.
- 1.3 “Affordability Covenants” means those covenants recorded in Book ___, Page ___, in the Office of the Register of Deeds for Beaufort County, South Carolina on ____, 2025.
- 1.4 “Applicable Law” shall mean all applicable laws, ordinances, statutes, codes, orders, decrees, rules, regulations, official policies, standards and specifications (including any ordinance, resolution, rule, regulation, standard, official policy, condition, or other measure) of the United States, the State of South Carolina, the County of Beaufort, Town of Hilton Head Island, or any other political subdivision in which the Project is located, and of any other political subdivision, agency or instrumentality exercising jurisdiction over Lessee, or the Premises.
- 1.5 “Area Median Income” or “AMI” shall mean and have reference to the median family income, based upon applicable family size of a Qualified Household for Beaufort County as most recently published by the United States Department of Housing and Urban Development (“HUD”). If HUD shall no longer compile and publish such statistical information, the most similar information compiled and published by HUD, or any other branch or department of the federal government of the state of South Carolina, or the County of Beaufort, shall be used for the purpose of determining Area Median Income. For the purposes of this Lease, AMI shall be calculated strictly as a percentage of the unadjusted AMI published by HUD, without applying any adjustments or modifications, including but not limited to those used for Section 42 of the Internal Revenue Code or Low-Income Housing Tax Credit (LIHTC) purposes.
- 1.6 “Claim” means administrative, regulatory or judicial action, suit, dispute, liability, judgment, penalty, damages, directive, order or claim.
- 1.7 “Commencement Date” shall mean the date of receipt of a Certificate of Occupancy for the first building comprised of units suitable for occupancy by tenants.
- 1.8 “Construction Lender” shall mean the lender, from time to time, providing the construction financing to the Lessee, with a leasehold mortgage securing such construction financing, for the construction and development of the Project in accordance with such financing terms as agreed to between Lessee and Construction Lender, and any successor reasonably approved in writing by the Lessor. The Construction Lender as of the date of this Lease is First-Citizens Bank & Trust Company.

- 1.10 “Developer” means One Street Development, LLC a Georgia limited liability company, and/or its successors and assigns permitted hereunder.
- 1.11 “Environmental” means relating to the management of any substances or the protection of human health, public safety, occupational safety and health, the environment or natural resources.
- 1.12 “Environmental Law” means any present or future federal, state or local law, ordinance, rule, regulation, permit, license or binding determination of any governmental authority relating to, imposing liability or standards concerning, or otherwise addressing Hazardous Materials, the environment, health or safety, including, but not limited to: the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601 et seq. (“CERCLA”); the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq. (“RCRA”); the Toxic Substances Control Act, 15 U.S.C. Section 2601 et seq. (“TSCA”); the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801 et seq.; the Clean Air Act, 42 U.S.C. Section 7401 et seq.; the Clean Water Act, 33 U.S.C. Section 1251 et seq. and any so-called “Superfund” or “Superlien” law, and the Occupational Safety and Health Act, 29 U.S.C. Section 651 et seq. (“OSHA”).
- 1.13 “Hazardous Material” means any solid, liquid, or gaseous materials, chemical, waste or substance that is regulated by a federal, state or local governmental authority and includes those substances listed or defined as “hazardous substance” under CERCLA and “hazardous waste” under RCRA or otherwise classified as hazardous, dangerous or toxic under an Environmental Law and shall specifically include petroleum, oil and petroleum hydrocarbons, radon, radioactive materials, asbestos, lead-based paint, urea formaldehyde foam insulation and polychlorinated biphenyls.
- 1.14 “Household Income” shall mean and have reference to all sources of financial support, both cash and in kind, of all members of a household, including, without limitation, wages, salaries, tips and commissions, all forms of self-employment income, interest dividends, net rental income, income from estates or trusts, social security benefits, railroad retirement benefits, supplemental security income, aid to families with dependent children or other public assistance welfare programs, other sources of income regularly received including veterans’ (VA) payments, unemployment compensation, child support and alimony, awards prizes, lottery income, government or institutional of eleemosynary loans, grants or subsidies, and contributions made by family or others for medical, financial, personal or educational needs.
- 1.15 “Improvements” shall mean all of the facilities constructed on the Property by Lessee pursuant to this Lease.
- 1.16 “Indemnify” means to indemnify, defend and reimburse the designated indemnitee and its successors and assigns.

- 1.17 “Investor” shall mean the entity that has invested equity with the Lessee into the Project through a Venture Agreement or otherwise.
- 1.18 “Invitees” means any persons who enter onto to the Premises in relation to Lessee or with Lessee's consent, and include without limitation Lessee's employees, customers, contractors, subcontractors, owners, officials and Lessees, and said Lessees’ employees, customers, contractors, subcontractors, owners, and officials.
- 1.19 “Lender” shall mean the Construction Lender and Permanent Lender for the construction and development of the Project in accordance with such financing terms as agreed to between Lessee and Lender, and any successor reasonably approved in writing by the Lessor.
- 1.20 “Month” shall mean calendar month.
- 1.21 “Permanent Lender” shall mean the institutional lender, from time to time, that provides a loan to the Lessee following the Completion of the Project in accordance with such financing terms as agreed to between Lessee and Permanent Lender, and any successor or future lender, including Lument Real Estate Capital, LLC, a Delaware limited liability company and/or Federal Home Loan Mortgage Corporation, and their successors and assigns.
- 1.22 “Permit” means permission of a public authority to conduct an activity.
- 1.23 “Project” means the Property together with the Improvements constructed thereon, as described on Exhibit “B” attached hereto and incorporated herein, as well as any changes or amendments to the Project approved by the Lessor from and after the date hereof.
- 1.24 “Property” means the real property described as approximately eleven and thirty-eight hundredths (11.38) acres, more or less, located on William Hilton Parkway, Hilton Head Island, South Carolina, as more fully described in Exhibit “A” attached hereto and incorporated herein.
- 1.25 “Release,” with respect to any material, means any spilling, leaking, pumping, emitting, emptying, discharging, injecting, escaping, leaching, dumping or disposing of such material into the environment, or any other act or event, the occurrence of which would require containment, remediation, notification or similar response under any law.
- 1.26 “Rent” shall have the meaning provided at Section 4.1 hereof.
- 1.27 “Replacement Manager” shall mean a replacement property manager (a) with at least five (5) years’ experience in the management of, together with its Affiliates, at least five (5) properties (excluding the Property) of a type, quality and size similar to the Property; (b) that is not or has not been the subject of a bankruptcy or similar

insolvency proceeding within the past ten (10) years; (c) who certifies to the Lessor that it shall lease and manage the property in accordance with the terms and conditions set forth in the Ground Lease.

- 1.28 “Response costs” means all costs necessary to assess and remediate a property to a condition satisfactory to governmental agencies with jurisdiction over contamination and other environmental conditions on the Premises.
- 1.29 “Storm water” means “storm water” as defined under the applicable Environmental Law.
- 1.30 “Town Council” shall mean the governing body of the Town of Hilton Head Island, composed of duly elected officials.
- 1.31 “Unit” shall mean one of the Apartments on the Premises offered by the Lessee to be rented by a Tenant.
- 1.32 “Venture Agreement” shall mean the operating venture agreement between the Investor and the affiliate of sponsor of the Project, and their successors and assigns.
- 1.33 “Workforce Housing Community”. Persons employed and working within the municipal boundaries of Hilton Head Island meeting the Workforce Housing Lessee Criteria set forth in Exhibit “C” attached to this Lease; provided, however, that following the third anniversary of the Commencement Date, if a unit becomes available to rent and there is not a person on the Lessee’s waiting list that meets the Workforce Housing Community standard, nor is there a prospective tenant that contacts the Lessee to rent the applicable unit that meets the Workforce Housing Community standard, within forty-five (45) days following the vacancy of the unit, then the Lessee shall be entitled to rent the unit to a tenant that does not meet Workforce Housing Community standard but (a) otherwise meets the Affordability Covenants imposed on the Property for a twelve (12) month lease, and (b) works within Beaufort County. Following the expiration of that twelve (12) month period, the Lessee shall again attempt to rent the unit to a tenant that meets Workforce Housing Community standard. The Lessor acknowledges and agrees that the Workforce Housing Community shall not require the Lessee to operate and manage the Property in a manner that is violative of state or federal law at any time during the Term, and the Workforce Housing Community standard shall be modified at any point in the term in order to so comply with future state or federal law. In addition, if a then-current tenant wishes to renew a lease, forty-five (45) days prior to the end of such lease, Lessee shall use commercially reasonable efforts to identify a tenant that complies with the Workforce Housing Community standards. If no tenant is so identified, the Lessee is entitled to rent the unit to the then-current tenant for an additional one-year term.

SECTION 2

LEASE OF PROPERTY

2.1 Grant of Lease. Upon the terms and conditions hereinafter set forth, Town grants to Lessee the right to occupy and use the Property for the purpose of developing, constructing, owning, managing, operating and maintaining the Project as a Workforce Housing Community in accordance with the terms of this Lease. The Property may be herein referred to as the “Premises.” The Lessor grants the Premises to Lessee together with the non-exclusive right to utilize all of Lessor’s rights, privileges, easements, and appurtenances in, over, and upon adjoining and adjacent public and private land, highways, roads and streets reasonably required for ingress and egress to and from the Premises. The rights and privileges granted herein are subject to prior easements, rights of way and other matters affecting title to the Property. As of today, the Developer represents that it has satisfied all conditions within the Development Agreement required in order to commence construction of the Project.

2.2 Use of Premises. Lessee shall have the right to develop, construct, manage, operate, and maintain the Premises as residential rental units for the Workforce Housing Community, and such purposes as are reasonably appurtenant or incidental thereto. The Premises shall be utilized for no other purposes without the Lessor's prior written consent, which may be withheld in the Lessor's sole discretion. Lessee shall not develop, lease or sell residential condominium units, vacation time share units, or other similar fractional residential real estate interests as Lessees in common or otherwise on the Premises.

2.3 Conditions of Premises. As Is. By executing this Lease, Lessee acknowledges that it has been given opportunities to inspect the Premises and accepts the same in “**AS IS**” condition. To the extent the Premises contains marshlands, wetlands, and/or critical areas, Lessee’s right to use such marshlands, wetlands, and/or critical areas is subject to applicable State and Federal laws restricting the use of marshlands, wetlands, and/or critical areas.

2.4 Lessor’s Work.

(a) Lessor’s Work. Lessor shall be responsible for the prompt payment of the costs of site work at the Premises up to the amount of \$1,000,000.00 from funds available to Lessor under the American Rescue Plan Act of 2021 (the “Construction Escrow Fund”). The payment into escrow and the disbursement of the Construction Escrow Fund shall be made in accordance with the terms and conditions of the “Lessor’s Work Supervision Agreement” and the “Construction Escrow Agreement” executed and delivered by the Lessor, One Street Residential, LLC, and the Construction Escrow Agent simultaneously with this Lease.

(b) Lessee responsible for all cost over-runs and Lessee Change Costs. Lessee hereby guaranties to Lessor the prompt payment of any and all costs related to Lessor’s Work greater than Construction Escrow Fund. Further, in the event that Lessee requests changes or additions to Lessor’s Work, then Lessee shall be responsible for the prompt and immediate payment to general contractor, as applicable, of any and all additional costs related to such changes (“Lessee Change Costs”), including but not limited to, the increase in construction or installation costs of such changes, the costs of plan or design changes required to make such changes, the costs of materials and equipment used in connection with such changes, and all any and other costs incidental to or required as a result of such changes.

(c) Lessee Indemnity. Lessee agrees to indemnify, defend and hold Lessor harmless from and against any claims, suits, injuries, damages or judgments of any nature whatsoever from any party, including the Lessee and the Contractor, and all sub-contractors, arising out of Lessor's Work or Lessor's Work Documents, except for claims related to the payment for completed Lessor's Work up to the amount of the Construction Escrow Fund; provided, however, the foregoing shall not require the Lessee to indemnify the Lessor for claims, suits, injuries, damages or judgments that are the direct result of the Lessor's gross negligence or intentional misconduct. Lessor may rely on the accuracy and correctness of the draw request submitted for payment without further inquiry.

SECTION 3 TERM

3.1 Lease Term. This Lease shall be executed on the closing date of the construction financing that provides funding to complete the Project (the "Effective Date"). The Lessee shall occupy and Lease the Premises from the Lessor for a term (the "Lease Term") of sixty-five (65) years from Commencement Date and, which shall expire, unless sooner terminated as provided in this Lease, on the last day of the calendar month that is sixty-five (65) years after the Commencement Date (the "Expiration Date"). Lessee shall have no right to occupy the Premises after that date. Upon Lessee's receipt of the first Certificate of Occupancy, Lessor and Lessee will execute an amendment to this Lease stating the Commencement Date and the Expiration Date.

3.2 Surrender of Premises. Upon the expiration or earlier termination of this Lease or on the date specified in any demand for possession by Lessor after any Default by Lessee, Lessee covenants and agrees that it will remove such of its equipment and personal property as it desires and shall surrender the Premises to Lessor in good order, condition, and repair, reasonable and ordinary wear and tear and damage from casualty and condemnation excepted, provided further that Lessee shall have no obligation to make capital improvements during the last three (3) years of the Term which would have a useful life beyond the expiration of the Term, except as may be required to comply with Applicable Law. Lessee's equipment and personal property not removed by Lessee at expiration or sooner termination of this Lease or within a reasonable time after the expiration or sooner termination of this Lease shall be considered abandoned and Lessor may dispose of that property, at Lessor's sole cost and expense, in accordance with the law governing abandoned property in effect at the time of abandonment.

3.3 Holding Over. If Lessee holds over after termination of this Lease, thereafter Lessee's occupancy shall be at sufferance at a monthly rental, payable in advance, equal to ten percent (10%) of the total monthly rent of all units in the Project as of the Expiration Date, but otherwise Lessee shall be bound by all terms and conditions as herein provided in the absence of a written agreement to the contrary.

Nothing herein shall be construed to give Lessee the right to hold over at any time, and Lessor may exercise any and all remedies provided herein, at law or in equity to recover possession of the Premises, as well as any actual damages incurred by Lessor.

SECTION 4

RENT

4.1 Rent. In consideration of the leasehold interest granted to Lessee under this Lease, during the Lease Term, beginning on the Commencement Date, which shall be the earlier of (i) the date on which Lessee receives a Certificate of Occupancy for a unit, or (ii) the maturity date of the loan from the Construction Lender (as may be extended), provided however, so long as Lessee has diligently and continuously pursued completion, and no material construction work stoppages or delays have occurred due to the acts or omissions of Lessee, then Lessee shall have the right to extend the twenty-four month period set forth in Section 8.1(a) for an additional six (6) months. Continuing through the Lease Term, Lessee shall pay annual "Rent" in the amount of **\$100.00**.

4.2 Place and Manner of Payments. All sums payable to Lessor hereunder shall be made without notice at the following address:

Town of Hilton Head Island
1 Town Center Court
Hilton Head Island, SC 29928

or at such other place as the Lessor may hereafter designate by notice in writing to Lessee. Lessor shall also have the option of having Rent and other payments made by automatic deposit (ACH) or other electronic method, at the Lessor's discretion. All sums shall be made in lawful money of the United States of America.

SECTION 5 OPERATION AND USE OF PREMISES

5.1 Operations. Lessee agrees to operate its facilities on the Premises in the following manner:

(a) The Lessee will be responsible for the operation, care, maintenance, repairs and security of the Project all in furtherance of the purpose of providing housing for the Workforce Housing Community. All private roads, utilities, amenities and the residential units are to be maintained to a commercially high standard and on a timely basis. Lessee will at all times maintain reserves sufficient, in the Lessor's reasonable discretion, to assure a regular and ongoing Class A maintenance of all elements of the Project at all times, provided however, any first priority Lender required reserves shall be duly considered in satisfying this requirement.

(b) Lessee shall operate its facilities in a first-class manner reasonably satisfactory to the Lessor and consistent with all Applicable Law. The operation and maintenance of the Project shall be conducted in a manner consistent, with respect to service, staffing, appearance, promotion and marketing, with the standards of commercially high quality public accommodations and meeting Grade A standards as set by the South Carolina Department of Environmental Services (or its successors) for the required licensing of sanitation and accommodation facilities; and shall be consistent with the Applicable Law including but not limited to the requirements of the Lessor's applicable zoning and architectural review ordinances and regulations, as such may be hereafter

amended and/or supplemented with Lessor's Approval.

(c) Lessee may employ or contract with a management company and other personnel to manage and operate the improvements and facilities on the Premises or any part of the Premises. Lessee is entering into a property management agreement of even date herewith with its affiliate, One Street Residential Services, LLC, pursuant to a management agreement approved by Lessor. Should Lessee seek to change management or to enter into a new management or operating contract with a third party for management or operation of all or portions of the Premises, which Lessee shall have the right to do in its reasonable discretion subject to approval by Lessor, which shall occur within fifteen (15) business days, which shall not be unreasonably withheld, (other than an assignment or sublease or ordinary course agreements with employees, vendors or contractors with respect to the operating of the property that do not transfer overall day to day or long term management authority), Lessee shall promptly provide to Lessor's counsel a copy of any such contract and any amendments to such contracts, provided that such information shall remain subject to confidentiality obligations set forth in such agreements, and shall not be disclosed or used for any purposes other than pursuant to this Lease, to the extent that Lessor's compliance with such obligations is consistent (as determined by Lessor in its sole discretion) with applicable law, including but not limited to South Carolina's Freedom of Information Act (the "**FOIA**"). If Lessee believes that any such information is subject to confidentiality obligations, then Lessee shall clearly mark each page of such information "CONFIDENTIAL" prior to providing a copy of such information to Lessor's counsel pursuant to this Section. Dollar amounts, percentages, and similar information of a sensitive nature to Lessee's business operations may be redacted from copies of the information provided by Lessee pursuant hereto, provided that Lessee will make available unredacted copies for review by Lessor's counsel. If Lessor receives a request for information pursuant to the FOIA and the response to such request would include information that Lessee has marked "CONFIDENTIAL," then Lessor shall give Lessee written notice of the FOIA request, the deadline for Lessor to respond to the FOIA request, and a deadline for Lessee to notify Lessor of any legal basis Lessee believes would authorize Lessor not to provide portions of the requested information. If Lessor believes, in Lessor's sole discretion, that there is a reasonable legal basis for not providing the requested information that Lessee desires to be withheld, then Lessor shall withhold such information; provided, however, that if an action is brought against Lessor as a result of withholding such information, then Lessee shall fully indemnify Lessor for all additional costs and expenses (including without limitation actual legal fees) arising out of or in connection with such action to the extent resulting from Lessee's request to withhold certain information.

(d) Lessor shall cooperate as Lessee reasonably requests from time to time to enable Lessee to apply for and maintain all required permits and approvals for Lessee's operation, and maintenance of the Premises in accordance with this Lease.

5.2. Permitted Use. The Premises shall be used by Lessee solely for the development construction, ownership, operation, and maintenance of residential workforce housing rental units for Lessees meeting the Workforce Housing Lessee Qualification Criteria set forth in Exhibit C and the Affordability Covenants, as may be amended from time to time in order to comply with

state or federal law. No rental unit may be used for conducting any business or commercial activity by a Lessee, provided however, the foregoing prohibition shall not apply to the telecommuting of residents of the Premises.

5.3 Community Programming. Lessee shall provide all programs and amenities as set forth in Exhibit B.

5.4 Smoking Policy. Lessee agrees that it will prohibit smoking and/or vaping by the public or its employees, tenants, or any other persons in any buildings located on the Premises.

5.5. Care of Area. Lessee agrees that it will keep the Premises in a neat, clean, safe, sanitary, and orderly condition in all material respects at all times, and further agrees that it will keep such area free at all times of all paper, rubbish, spills, and debris. Lessee, at its own expense, shall install a trash compactor in accordance with plans approved by Lessor, and collect and remove all trash and refuse at regular (no less than bi-weekly) intervals from the Premises. Lessee shall call the property manager to increase the frequency of collection if needed to prevent accumulation of trash and debris in designated areas. In addition, the Lessee shall require that the property manager prevent accumulation of boxes, cartons, barrels or other similar items, and property manager shall not permit any of the foregoing outside enclosed areas on the Premises.

5.6 Compliance with All Laws and Regulations. Lessee agrees not to use or permit the Premises to be used for any purpose prohibited by the Applicable Law and the Affordability Covenants in all material respects, or not expressly authorized hereunder, and it further agrees that it will use the Premises in accordance with the terms of this Lease and all Applicable Law in all material respects and all rules established by the Lessor for the management, operation and control of the Premises. Lessee further agrees to submit any report or reports or information which the Lessor is required by law or regulation to obtain from Lessee or which the Lessor may reasonably request relating to the compliance of Lessee's operations under this Lease.

5.7 No Subordination. Lessee acknowledges that Lessor is a political subdivision of the State of South Carolina and that the Premises are owned by Lessor. Lessee also acknowledges that Lessor's title to the Premises and its interest in this Lease cannot and shall not be subordinated to any other person or entity whomsoever and that the Leasehold Estate or any portion thereof may not be mortgaged, pledged or encumbered except as hereinafter provided in this Lease.

5.8 No Discrimination. Lessee shall assure that all rental units are provided to the Workforce Housing Community in accordance The Fair Housing Act, 42 U.S.C. 3601 et. seq. (as may be amended) without discrimination on account of race, color, national origin, sex, sexual orientation or physical handicap; and shall not discriminate on any of those grounds in its employment and hiring practices. Lessee shall require the property manager and the General Contractor not to discriminate against any person on any of those grounds in the performance of such functions, work or service. Lessor acknowledges and agrees that any amendments to The Fair Housing Act could require modifications to the terms hereunder in order to remain compliance with any Applicable Law.

5.9 Environmental Compliance.

(a) Lessee and the Premises will remain in compliance with all Applicable Law (including consent decrees and administrative orders) relating to public health and safety and protection of the environment, including those statutes, laws, regulations, and ordinances identified in this **Section 5.9**, all as amended and modified from time to time (collectively “**Environmental Laws**”) which apply by virtue of Lessee’s use, occupancy and/or possession of the Premises and/or the improvements to the Premises to be constructed by Lessee. Neither Lessee nor Lessor shall cause or permit the Premises or any portion thereof to be used to generate, manufacture, refine, transport, treat, store, handle, dispose of, transfer, produce, or process Hazardous Material (as defined herein) in any manner which violates applicable law.

(b) Lessee and Lessor shall not permit to occur any release, generation, manufacture, storage, treatment, transportation, or disposal of Hazardous Material on, in, under, or from the Premises in any manner which violates applicable law. Lessee will promptly notify Lessor in writing if Lessee has or acquires notice or knowledge that any Hazardous Material has been or is threatened to be released, discharged, disposed of, transported, or store on, in, under, or from the Premises in any manner which violates applicable law. If any Hazardous Material is found on the Premises in any manner, including but not limited to by virtue of Lessee’s use, occupancy or possession of the Premises or the improvements to be constructed by Lessee, that violates applicable law, then Lessee, at its own cost and expense, immediately will take such action as is necessary to prevent or stop the release, discharge, or spread thereof and remove the Hazardous Material to the complete satisfaction of Lessor and the appropriate governmental authorities; provided, however, (i) Lessee shall not be responsible or otherwise liable hereunder for any such Hazardous Material that was on, in, under, or from the Premises prior to the Lease Commencement Date (“**Pre-existing Hazardous Material**”), nor shall Lessee have any responsibility or obligation hereunder to take action in response to the same, and (ii) if the presence of such Hazardous Material on, in, under, or from the Premises is the result of the acts or omissions of Lessor, its agents or contractors, then Lessor shall take such action as is necessary to prevent or stop the release, discharge, or spread thereof and remove the Hazardous Material as required by the appropriate governmental authorities; provided, however, Lessor shall not be obligated hereunder to take any such action with regard to (a) Pre-existing Hazardous Material that was on or in the Premises at the time of Lessor’s acquisition of the Premises, or (b) Hazardous Material that was placed on the Premises by anyone other than Lessor, its agents or contractors. Lessee reserves the right to seek contributions from any other party, excluding Lessor, Lessor’s counsel, officers, employees, agents, servants, and attorneys for responses and remedial action taken by Lessee for which the other party is liable, responsible or caused, in whole or in part.

(c) Lessee immediately will notify Lessor and provide copies upon receipt of all written complaints, actions, claims, citations, demands, inquiries, reports, or notices asserting the presence of Hazardous Materials on, in, under or from the Premises in violations of Environmental Laws. Lessee will promptly cure and have dismissed with prejudice any of those actions and proceedings caused by the acts or omissions of Lessee or its agents or contractors and not relating to Pre-existing Hazardous Materials to the reasonable satisfaction of Lessor within ninety (90) days of the date of filing of any such action or proceeding, or such longer period as set forth below. Lessee will keep the

Premises free of any lien imposed pursuant to any Environmental Laws caused by the acts or omissions of Lessee or its agents or contractors and not relating to the acts or omissions of Lessor (pursuant to the preceding Section 5.9(c) or Pre-existing Hazardous Materials. Upon filing of any such lien, Lessee shall have the same dismissed or released within ninety (90) days of the date of filing of such lien; provided, however, in the event Lessee cannot reasonably comply with either ninety (90) day time period set forth in this Section for reasons beyond the reasonable control of Lessee, including the procedures required by Environmental Laws, Lessee will not be in default hereunder provided it has commenced the necessary compliance action (or steps or procedures required to commence the compliance action) within the ninety (90) day period, proceeds in good faith thereafter with due diligence and without unreasonable interruption in Lessee's diligent efforts until such matters are cured and during such cure period complies with all orders of any governmental agency having jurisdiction thereof.

(d) Lessor will have the right (but not the obligation) on notice to Lessee and in cooperation with Lessee so as to minimize interference with Lessee's operations, to conduct environmental audits of the Premises, and Lessee will cooperate in the conduct of those audits. The audits will be conducted by a consultant of Lessor's choice at Lessor's expense, but if a Material violation of any of the warranties, representations, or covenants contained in this **Section 5.9** by Lessee, its agents, licenses, or invitees is discovered, then the fees and expenses of such consultant for the environmental audit will be borne by Lessee and will be paid as Additional Rent under this Lease on demand by Lessor. Notwithstanding the foregoing, if the environmental audit discovers Hazardous Material placed on, in or under the Premises by Lessor, its agents or contractors, then Lessor shall be responsible for ensuring that all legal requirements are met using commercially reasonable procedures and processes to avoid materially interfering with Lessee's use, access or parking for the Premises pursuant to the terms of this Lease. Additionally, Lessor shall permit a consultant of Lessee's choice to inspect and confirm the actions taken by the Lessor with regard to any such environmental audit or Hazardous Material. Lessor shall not exercise the foregoing right more than once every three (3) years during the Term unless Lessor has reasonable belief that Hazardous Materials have been introduced on the Property and shall not conduct invasive Phase II testing on the Property without furnishing thirty (30) days notice to Lessee and consulting with Lessee and its consultants thereon.

(e) If Lessee fails to comply with any of the foregoing warranties, representations, or covenants and such failure continues for a period of thirty (30) days after written notice thereof from Lessor or, in the event Lessee is unable to comply with any of the foregoing within the thirty (30) day period for reasons beyond its reasonable control and Lessee fails to commence the necessary acts of compliance within said thirty (30) day period and/or to proceed thereafter in good faith with due diligence without unreasonable interruption in Lessee's diligent efforts until such matters are cured or fails to comply with all orders of any governmental agency having jurisdiction thereof, subject to Lessee's right to challenge through lawful means any such order, then Lessor may cause the removal (or other action as required by Environmental Laws) of any Hazardous Material from the Premises. The costs of Hazardous Material removal and any other action (including transportation and storage costs) which are the obligation of Lessee hereunder will, unless previously paid by Lessee, be Additional Rent under this Lease, whether or not a court or

governmental agency has ordered the cleanup, and those costs will become due and payable on demand by Lessor. Lessee will give Lessor, its agents, and employees access to the Premises to remove or otherwise clean up any Hazardous Material. Lessor, however, has no affirmative obligation to remove or otherwise clean up any Hazardous Material unless the Hazardous Material was released, generated, manufactured, stored, treated, transported or disposed of by Lessor, its agents or contractors. The only obligation of each of Lessor and Lessee under this Lease to clean up Hazardous Materials shall be as specifically stated in this Lease.

Indemnification.

- (f) Lessee shall protect, defend, indemnify, reimburse, and save and hold harmless Lessor and Lessor's Elected Officials, affiliates, directors, officers, employees, volunteers, attorneys, and agents from and against any and all liabilities, costs, damages (including consequential damages claimed by third parties against such indemnitees), losses, obligations, lawsuits, claims, fines or penalties, and expenses (including reasonable attorneys', consultants' and experts' fees and expenses) accruing to or incurred by Lessor and Lessor's Elected Officials, affiliates, directors, officers, employees, volunteers, attorneys, and agents (including without limitation any final judgments, awards, or penalties) to the extent resulting from:
 - (i) any Hazardous Material on, in, under or affecting all or any portion of the Premises in a manner which violates applicable law unless said Hazardous Material is a Pre-existing Hazardous Material or was placed on, in or under the Premises by Lessor, its agents or contractors;
 - (ii) any misrepresentation, inaccuracy, or breach of any warranty, covenant or agreement of Lessee contained or referred to in this Section;
 - (iii) any violation or claim of violation by Lessee or its agents, licenses or invitees of any environmental law; or
 - (iv) the imposition of any lien for the recovery of any costs for environmental cleanup or other response costs relating to the release or threatened release of Hazardous Material on, in or under the Premises in violation of any Environmental Law, unless said Hazardous Material is a Pre-existing Hazardous Material or was the result of the acts or omissions of Lessor, its agents or contractors.

(g) At its own cost and expense, Lessee shall defend (with attorneys reasonably acceptable to Lessor and at Lessee's sole cost) any lawsuits and administrative actions resulting from the above-described events or occurrences for which Lessee indemnifies Lessor and Lessor's Elected Officials, affiliates, directors, officers, employees, volunteers,

attorneys, and agents.

(h) The foregoing indemnification provisions are the obligation of Lessee and will survive termination or expiration of this Lease. To the extent that Lessor is strictly liable under CERCLA (as defined below) or any state equivalent or any similar federal or state law, regulation or ordinance now existing or enacted after the Lease Commencement Date, Lessee's obligations to Lessor under the foregoing indemnity provision shall nevertheless still apply without regard to Lessor's strict liability thereunder provided Lessee is still responsible pursuant to the terms of this Lease.

(i) For purposes of this Lease, "**Hazardous Material**" means the following, except and to the extent as permitted under Environmental Laws:

- (i) "hazardous substances" or "toxic substances" as those terms are defined by the Comprehensive Environmental Response, Compensation, and Liability Act (herein "**CERCLA**"), 42 U.S.C. 9601, et seq., or the Hazardous Materials Transportation Act, 49 U.S.C. 1802, both as amended to this date and as amended after this date;
- (ii) "hazardous wastes," as that term is defined by the Resource Conservation and Recovery Act (herein "**RCRA**"), 42 U.S.C. 6902, et seq., as amended to this date and as amended after this date;
- (iii) any pollutant, contaminant, or hazardous, dangerous, or toxic chemical, material, or substance within the meaning of any other applicable federal, state, or local law, regulation, ordinance, or requirement (including consent decrees and administrative orders) relating to or imposing liability or standards of conduct concerning any hazardous, toxic, or dangerous waste substance or material, all as amended to this date or as amended after this date;
- (iv) crude oil or any fraction of it that is liquid at standard conditions of temperature and pressure (59 degrees Fahrenheit and 14.7 pounds per square inch absolute);
- (v) any radioactive material, including any source, special nuclear, or by-product material as defined at 42 U.S.C. §2011, et seq., as amended to this date or as amended after this date;
- (vi) asbestos in any form or condition; and
- (vii) polychlorinated biphenyls (herein "**PCB's**") or substances or compounds containing PCB's.

(j) The provisions of this Section 5.9 shall survive the termination of this Lease.

(k) Notwithstanding anything to the contrary in this Lease, Lessee shall have no liability of any kind to Lessor or Lessor's Elected Officials as to Hazardous Material on the Premises caused by (i) Lessor, the County, or their agents, employees, contractors, or invitees, or, (ii) any other person or entity located outside of the Premises prior to the Effective Date. Lessor shall not authorize or cause any party (a) to bring any Hazardous Material upon the Premises in violation of applicable law or (b) to transport, store, use, generate, manufacture or release any Hazardous Material in or about the Premises in violation of applicable law.

5.10 Waste. Lessee agrees that nothing shall be done or kept on the Premises which would constitute waste or a public or private nuisance.

5.11 Structural or Electrical Overloading. Lessee agrees that nothing shall be done or kept on the Premises and no improvements, changes, alterations, additions, maintenance or repairs shall be made to the Lessee Improvements which might result in an overload of utility lines serving the Premises or interfere with electric, electronic or other equipment on the Premises. In the event of violations hereof, Lessee agrees to immediately remedy the violation at Lessee's expense.

5.12 Accessibility. Lessee shall not do or permit to be done anything which might interfere with or hinder police, firefighters or other emergency personnel in the discharge of their duties.

5.13 Title to Improvements. Fee simple title to the Lessee Improvements shall be and remain in Lessee throughout the Term of this Lease. Upon the expiration or other termination of this Agreement, fee simple title to all Lessee Improvements and any permanent fixtures remaining on the Premises shall immediately vest in the Lessor. Fee simple title to the Property shall at all times be and remain in the Lessor.

5.14 Lessor's Obligations. Lessor represents, warrants and makes the following covenants and assurances to the Lessee:

(a) The Lessor shall act reasonably to cooperate with the Lessee in executing such documents and instruments, as shall be required by governmental agencies to construct the Lessee Improvements, and to obtain the licenses and permits required by applicable law in accordance with the permitted use thereof. If necessary, Lessor shall join, but without incurring any liability or expense, in the application for any such permits, licenses, or authorizations to the extent such action may be legally required by applicable laws and shall acknowledge to issuing governmental authorities the existence of this Lease and the respective obligations of the parties under this Lease as may be necessary for the issuance of such permits, licenses, or authorizations.

(b) The Lessor covenants and agrees with the Lessee that so long as Lessee is not in default hereunder beyond any applicable notice and cure periods set forth herein, the Lessee may peaceably and quietly enjoy the Premises subject, nevertheless, to the terms and conditions of this Lease, and the Lessee's possession will not be disturbed by anyone claiming by, through, or under the Lessor.

SECTION 6

UTILITIES, DRAINAGE, MAINTENANCE AND SERVICES

6.1 Utilities.

(a) Lessee, at its sole cost and expense, shall make and obtain all utility connections, hook-ups or taps as necessary for the operation of the improvements on the Premises and shall secure all necessary applications and permits and shall pay all application and permit fees, hook-up or tap fees. Unless prohibited by the utility provider, Lessee shall contract directly with the utility provider and be responsible for the direct payment of all utilities required for operations on the Premises.

(b) Lessee shall have the right to use any and all of the existing appurtenances and easements benefiting the Premises. Upon reasonable request by Lessee, Lessor shall grant utility easements across the Property in favor of the utility companies for utilities required to serve the Premises in locations and pursuant to terms reasonably required by Lessee, subject to Lessor's reasonable approval of the locations and agreements or instruments necessary to effect the easements, which approval shall not be unreasonably withheld, conditioned or delayed. Lessee assumes full and complete responsibility for (i) locating the utilities within the portion of the easements located within the Property, (ii) coordinating the utility location, installation, and connection with existing utilities, and (iii) paying all costs and expenses and locating, installing, and connecting same.

6.2 Drainage. Lessee shall have the right to utilize, improve and maintain the existing storm water retention system (the "Storm Water System") located on the Premises. Lessee shall be responsible for the cost of designing, constructing, operating, maintaining and improving an additional storm water system ("Additional Storm Water System" to tie into the existing Storm Water System in accordance with plans approved by Lessor. Lessee shall be responsible for the developed flow from its improvements and discharging such flow to the Storm Water System and/or the Additional Storm Water System via drainage facilities constructed upon the Premises, and Lessee shall maintain such drainage facilities on the Premises. Lessee shall ensure that any drainage crossing or slope created by Lessee's construction and any discharge point from the Property shall be constructed in strict compliance with all applicable federal, state and local laws, statutes, ordinances, rules and regulations governing such construction. Lessee shall keep such drainage ways clear of debris and obstructions and maintain them in good condition for the passage of the required flow and avoid erosion degradation.

6.3 Storm Water Management and Permits. Lessee shall comply with all applicable provisions of any applicable governing authority Permit issued to the Lessor by the issuing authority or EPA, whether such permit shall have been issued in the Lessor's own name or with Lessee as a co-permittee. Lessee shall comply with the applicable provisions of all plans prepared to satisfy Permit requirements. Lessee shall not introduce any substance into the storm water discharge system of the Property, whether separately or mixed with Storm Water discharge, except as such substance is allowed by the Storm Water Permit issued to the Lessor, or to the Lessor and Lessee as co-permittees.

6.4 Maintenance. The cost and performance of all maintenance, care and any necessary

replacement of the Premises shall be borne solely by and shall be the responsibility of Lessee, including, without limitation, the following:

(a) Lessee shall keep the Premises in good order and condition and will make all necessary and appropriate repairs and replacements thereof promptly and in a good and workmanlike fashion without diminishing the original quality of such improvements;

(b) Lessee shall not permit rubbish, debris, waste materials or anything unsightly or detrimental to health, or likely to create a fire hazard, or conducive to deterioration, to remain on any part of the Premises or to be disposed of improperly;

(c) Lessee shall provide and maintain lights and all similar equipment or devices now or at any time required by any applicable law, ordinance or municipal, state or federal regulation;

(d) Lessee shall be responsible for the maintenance, replacement and upkeep of the grass, shrubs, trees and all landscaped areas on the Premises;

(e) Lessee shall appropriately light, maintain and repair all access roadways and circulation and pedestrian areas located on the Premises; and

(f) The Lessor shall have the right to make reasonable objections regarding the maintenance and appearance of the Premises that are inconsistent with the terms of this Lease. Lessee agrees to promptly discontinue or remedy any nuisance, breach of the Lease, or within fifteen (15) days after written notice by the Lessor, or if Lessee cannot discontinue or remedy said condition within fifteen (15) days, Lessee shall commence such actions to discontinue or remedy said condition and pursue the same with reasonable diligence to completion;

6.5 Trash and Refuse Removal and Recycling Services. Throughout the term of the Lease, Lessee or Lessee's property manager shall provide for its own trash and refuse removal and recycling services in accordance with Section 5.5 hereof.

6.6 Interruption of Utility Services. Lessee acknowledges that Lessor is not a provider of utility services and shall not be liable for failure of any utility services which may be temporarily discontinued by any utility service provider by reason of accident, unavailability of employees, repairs, alterations or improvements or whenever by reason of strikes, lockouts, riots, acts of God or any other happenings beyond the control of the Lessor. The Lessor shall not be liable for damages to persons or property for any such discontinuance, nor shall such discontinuance in any way be construed as cause for abatement of rent. Nothing herein shall be construed to impose any liability from Lessee to Lessor related to the failure or interruption of utility services to the Project.

6.7 Lessee's Maintenance of Access and Roadways. Lessee shall maintain in good order and repair, (a) all private roads, streets, driveways and drive isles located on the Premises, except for those dedicated to a public entity, that are reasonably required for ingress and egress to and from the Premises.

6.8 Multi-Modal Path. Lessor shall be entitled to construct the public multi-modal path shown on plans approved by Lessee and Lessor. Upon Lessor's completion of the multi modal path on the Premises, Lessor shall assume the responsibility for maintenance thereof and Lessee shall grant to Lessor such easements as may be necessary to furnish access to Lessor and the public.

SECTION 7 INDEMNITY, INSURANCE AND BONDS

7.1 Indemnity. Lessee hereby agrees to indemnify and save harmless the Lessor, its Elected Officials, officers, agents and employees from and against any and all loss of or damage to property, or injuries to or death of any person or persons, including property and employees or agents of the Lessor, and shall defend, indemnify and save harmless the Lessor, its officers, agents and employees from any and all claims, damages, suits, costs, expense, liability, actions, penalties or proceedings of any kind or nature whatsoever, including worker's compensation claims, of or by anyone whomsoever, in any way resulting from, or arising out of, directly or indirectly, its construction and/or operations in connection herewith, or its use or occupancy of the Premises and including acts and omissions of officers, employees, representatives, suppliers, invitees, contractors and agents of the Lessee; provided, that the Lessee need not indemnify or save harmless the Lessor, its officers, agents and employees from damages resulting from the sole negligence or intentional misconduct of Lessor, the Lessor's officers, agents and employees. The minimum insurance requirements prescribed limit or define the obligations of Lessee hereunder.

7.2 Insurance. Lessee, at no cost or expense to Lessor, shall, from the Lease Commencement Date and continuing through the Term, cause to be procured, maintained, paid for and kept in full force and effect, with Lessor named as an additional insured. Comprehensive general liability and property damage insurance with respect to the Premises and the operations of, or on behalf of, Lessee in, on or about the Premises, including, but not limited to, owned and non-owned automobile (vehicle) liability personal injury, blanket contractual, owner's protective broad form property damage, coverage for Lessee's indemnification obligations arising out of this Lease, worker's compensation insurance as required under applicable laws, and operations liability coverage in accordance with commercially reasonable standards, but in any case not less than Three Million and No/100 Dollars (\$3,000,000.00) combined single limit per occurrence for bodily injury, death, and property damage liability including broad notice of loss form; provided, however that the foregoing required amount of insurance coverage shall be increased every five (5) years in proportion to the percentage increase in CPI since the Lease Commencement Date (provided that the required amount of insurance coverage shall never decrease) and then rounded up to the nearest Ten Thousand and No/100 Dollars (\$10,000.00) increment or to the next higher increment of coverage written by Lessee's insurance carrier. This requirement for a minimum amount of insurance coverage is not a representation, warranty, or covenant by Lessor that the amount is adequate to cover Lessee's potential liability. Lessee is responsible for carrying insurance in amounts necessary to cover Lessee's reasonably estimated liability hereunder.

7.3 Waiver of Subrogation. The Lessor and the Lessee waive any and all rights of recovery, claims, actions, or causes of action against the other, its agents, officers, and employees for any injury, death, loss, or damage that may occur to persons or the Premises, or any personal property of such party, by reason of fire, the elements, or any other cause which is insured against under the terms of the policies of insurance maintained by the Lessor or the Lessee or that the

Lessor or Lessee is required to provide or maintain hereunder, regardless of cause or origin, including negligence by the other party, its agents, officers, or employees.

7.4 Subordinate and Subject to Leasehold Mortgage. Notwithstanding anything to the contrary contained herein, the terms and conditions of the Lease with respect to any proceeds from property insurance, condemnation proceeds and other loss proceeds, specifically including the use, application and disbursement thereof, except for any condemnation proceeds not affecting the Lessee Improvements to be constructed on the Premises, are subject and subordinate to any leasehold Deed of Trust or Leasehold Mortgage, and/or related leasehold loan documents and the rights of the Leasehold Mortgagee (all defined in Section 11, below) thereunder. To the extent the terms of this Lease with respect to proceeds from property insurance, condemnation awards and loss proceeds are inconsistent with the terms of any Leasehold Mortgagee's loan documents, the terms of the Leasehold Mortgage and loan documents shall govern and control. Further, Lessee's obligation to perform any restoration shall be subject to any Leasehold Mortgagee making sufficient loss proceeds available therefor

7.5 No Personal Liability. No Elected Official, employee, agent or representative of the Lessor or Lessee shall be held personally liable under this Lease or because of its execution or attempted execution.

7.6 Taxes, Licenses, Liens and Fees.

(a) Lessee agrees to promptly pay all taxes, excises, license fees and permit fees of whatever nature applicable to its operations hereunder and the Lessee Improvements, and to take out and keep current all municipal, state or federal licenses required for the conduct of its business at and upon the Premises and further agrees not to permit any of said taxes, excises, license fees or permit fees to become delinquent; provided, however, that Lessee will not pay any taxes associated with the Lessor's fee interest in the real property. Lessee expressly acknowledges and agrees that it may be required to pay a payment or a fee in lieu of ad valorem real estate taxes on the improvements now and hereafter located on the Premises to the Lessor and Beaufort County pursuant to one or more separate agreements between Lessee and the Lessor and/or Beaufort County. Lessor shall cooperate with Lessee in arranging for the payment or fee in lieu of taxes agreement with the Lessor and Beaufort County.

(b) Lessee may, in its own name or in Lessor's name, but at Lessee's sole cost and expense, dispute and contest any assessed value on the Premises and any taxes or fees on the Premises. Lessor shall cooperate with Lessee, execute any and all documents required in connection therewith and, if required by any law, rule or regulation of the taxing authority, shall join with Lessee in the prosecution thereof.

(c) Lessee also agrees not to permit any mechanic's or materialman's or any other lien to become attached or be foreclosed upon the Premises, or any part thereof, by reason of any construction work or labor performed or materials furnished by any mechanic or materialman. Lessee further agrees to promptly pay when due all bills, debts and obligations incurred by it in connection with its operations hereunder and not to permit the same to become delinquent and to suffer no lien, encumbrance, judgment or execution to

be filed against the Premises which will in any way impair the rights of the Lessor under this Lease.

(d) Lessee hereby agrees to protect and hold harmless Lessor and the Premises and all improvements in, on or about the same, from all liability for any and all such taxes, assessments and charges, together with any interest, penalties or other sums thereby imposed and charges, together with any interest, penalties or other sums thereby imposed, and from any sale or other proceeding to enforce payment thereof. To the extent permitted by law, Lessee shall cause all taxes, assessments and other charges levied upon or imposed upon any personal property situated in, on or about the Premises to be levied or assessed separately from the parcel of land included in the Premises and not as a lien thereon.

SECTION 8 DEFAULT AND REMEDIES

8.1 Default. Lessee shall be in default under this Lease if Lessee:

(a) Fails to achieve the Commencement Date within twenty-four (24) months following the Effective Date of this Lease, provided however, so long as Lessee has diligently and continuously pursued completion, and no material construction work stoppages or delays of have occurred due to the acts or omissions of Lessee, then Lessee shall have the right to extend the twenty-four (24) month period for an additional six (6) months. Provided, further, that an act of arson, an accidental fire, or any other casualty event not attributable to Lessee's negligence shall extend the Commencement Date by the period of time reasonably required to recover from such event.

(b) Fails to timely pay when due to Lessor any Rent or any other payment required hereunder and such failure or refusal shall continue for a period of ten (10) days after written notice from Lessor of such failure or refusal; or

(c) Becomes insolvent, or takes the benefit of any present or future insolvency or bankruptcy statute, or makes a general assignment for the benefit of creditors, or consents to the appointment of a receiver, trustee or liquidator of any or substantially all of its property; or

(d) Transfers its interest under this Lease, without the prior written approval of the Lessor (when said approval is required by the terms of this Lease) by reason of death, operation of law, assignment, sale, lease or otherwise, to any other person, entity or corporation, except as expressly permitted by the terms of Section 10.3, below; or

(e) Suffers any lien or attachment to be filed against the Premises or Lessor's Property because of any act or omission of Lessee, and such lien or attachment is not discharged, bonded off to Lessor's reasonable satisfaction, or contested by Lessee in good faith by proper legal proceedings within thirty (30) days after receipt of notice thereof by Lessee; or

(f) Fails to keep, perform and observe any other promise, covenant or agreement set forth in this Lease and such failure continues for a period of more than thirty (30) days after delivery by Lessor of a written notice of such breach or default, except where a shorter period is specified herein, or where fulfillment of its obligation requires activity over a period of time and Lessee within thirty (30) days of notice commences in good faith to perform whatever may be required to correct its failure to perform and continues such performance without interruption except for causes beyond its control; or

(g) Gives its permission to any person to use for any illegal purpose any portion of the Premises made available to Lessee for its use under this Lease, and Lessee fails to cease any illegal purpose at the Premises within ten (10) days of written notice from Lessor; provided, however, the actions by the property manager shall not cause a default under this subsection (g) so long as the Lessee enforces the terms of the property management agreement and causes any such illegal activity to cease.

8.2 Remedies. If Lessee defaults in any of the covenants, terms and conditions herein, the Lessor may exercise any one or more of the following remedies, provided that the Lessor shall mitigate its damages to the extent required by applicable law.

(a) The Lessor may elect to allow this Lease to continue in full force and effect and to enforce all of Lessor's rights and remedies hereunder, including without limitation the right to collect Rent as it becomes due, together with interest on all past due payments at the Past Due Interest Rate; or

(b) The Lessor may cancel and terminate this Lease and repossess the Premises, with process of law, and without liability for so doing, upon giving thirty (30) days written notice to Lessee of its intention to terminate, at the end of which time all the rights hereunder of the Lessee shall terminate, unless the default, which shall have been stated in such notice, shall have been cured within such thirty (30) days. Notwithstanding the foregoing, Lessee shall be allowed only two notices of default for the same issue within one (1) calendar year which it may cure within the 30-day time specified in this section. The third and any additional notice thereafter shall be cured by Lessee within fifteen (15) days and if Lessee fails to cure within such time frame, then Lessor at its sole option may (1) cancel and terminate all or the rights hereunder of the Lessee, and the Lessor may, upon the date specified in such notice, reenter the Premises and remove therefrom all property of the Lessee and store the same at the expense of the Lessee, or (2) elect to proceed under subparagraph c, below.

If the Lessor elects to terminate, Lessee shall be liable to Lessor for all amounts owing at the time of termination, including but not limited to past due Rent due plus interest thereon at the Past Due Interest Rate together with any other amount to fully compensate Lessor for all loss of rent, damages, and costs, including attorney's fees, caused by Lessee's failure to perform its obligations hereunder, or which in the ordinary course would likely result therefrom; provided, however, if the Lessor elects to terminate the Lease it shall promptly market the Premises for lease to new owner and operator in good faith, and any liability of Lessee hereunder shall cease following the re-lease or agreement of a new lease to a new owner and operator of the Project.

(c) The Lessor may elect to reenter and take possession of the Premises and expel Lessee or any person claiming under Lessee, and remove all effects as may be necessary, without prejudice to any remedies for damages or breach. Such reentry shall not be construed as termination of this Lease unless a written notice specifically so states; however, the Lessor reserves the right to terminate the Lease at any time after reentry. Following reentry, the Lessor may relet the Premises, or any portion thereof, for the account of Lessee, on such terms and conditions as the Lessor may choose and may make such repairs or improvements as it deems appropriate to accomplish the reletting. The Lessor shall not be responsible for any failure to relet or any failure to collect rent due for such reletting; provided, however, if the Lessor elects to take possession for Premises it shall promptly market the Premises for lease to new owner and operator in good faith, and any liability of Lessee hereunder shall cease following the re-lease or agreement of a new lease to a new owner and operator of the Project.

(d) Lessee shall be liable to Lessor for all reasonable costs of reletting, including attorney's fees and repairs or improvements. Notwithstanding re-entry by the Lessor, Lessee shall continue to be liable for all amounts due as Rent under this Lease, on the dates specified and, in such amounts, as would be payable if default had not occurred.

8.3 Remedies Cumulative. The remedies provided in this Lease shall be cumulative and shall in no way affect any other remedy available to Lessor under law or equity.

8.4 Dispute Resolution. The parties shall attempt in good faith to settle any dispute or controversy arising under, out of, or in connection with or in relation to this Lease, or any amendment hereof, or the breach hereof, by negotiation and mutual agreement; provided that if the parties are not able to agree within a reasonable period of time, but in no event more than thirty (30) days following written notice by one Party to the other of a dispute or controversy, then any such dispute or disagreement may be resolved by submitting such dispute to mediation in Beaufort County, South Carolina. Either party may make written demand for mediation, in which case the parties shall mediate the dispute or disagreement with a certified South Carolina mediator mutually agreed upon by Lessor and Lessee. Fees and costs of the mediation shall be borne equally by the parties and each party shall pay its own professional fees and costs. Either party may pursue any remedy available under the terms of this Lease, at law or in equity.

8.5 Waivers. No failure of Lessor to insist upon the strict performance of a term, covenant or agreement contained in this Lease, no failure by Lessor to exercise any right or remedy under this Lease, and no acceptance of full or partial payment during the continuance of any default by Lessee shall constitute a waiver of any such term, covenant or agreement or a waiver of any such right or remedy or a waiver of any default by Lessee.

8.6 Mitigation. Notwithstanding anything contained herein to the contrary, in the event of Lessee's default and removal from the Premises, Lessor will make reasonable efforts to mitigate its damages as may be required by, and in accordance with, applicable law. However, Lessor shall not be obligated to lease the Premises to a Lessee whose use, reputation, experience, or financial status Lessor, in its sole judgment, deems undesirable. Nothing contained herein is intended to modify any of Lessee's obligations or Lessor's remedies under the Lease.

8.7 Lessor Default. The Lessor shall in no event be in default in the performance of any of the Lessor's obligations hereunder unless and until the Lessor shall have failed to perform such obligations within thirty (30) days (or such additional time as is reasonably required to correct any such default) after written notice by the Lessee to the Lessor properly specifying wherein the Lessor has failed to perform any such obligation. Lessor shall have no liability for any incidental or consequential damages of the Lessee, or anyone claiming by, through or under Lessee, for any reason whatsoever. If the Lessor fails to perform any of its obligations or covenants under this Lease, the Lessee shall be entitled to enforce any one or more of the following rights and remedies: (a) institute an action against the Lessor as the Lessee may deem necessary to compel performance hereunder or cease activities constituting the defaults by Lessor hereunder; or (b) exercise all other rights and remedies available to the Lessee under this Lease or otherwise available to the Lessee at law or in equity as a consequence of the Lessor's default. Lessee shall also have all other rights and remedies available at law or in equity, including but not limited to injunctive relief.

8.8 Special Damages. In no event shall either party be liable for indirect, punitive, consequential or special damages as a result of a breach or default under this Lease.

8.9 Force Majeure. Notwithstanding any provision contained herein, in the event either of the parties is unable to perform, or is delayed in its performance of a non-monetary obligation hereunder as a result of Force Majeure, the time within such obligation shall be performed shall be extended for a period equal to the amount of time that the Force Majeure event delayed performance, provided that such party makes diligent and continuous efforts to perform, and gives the other party reports at least once a month outlining its efforts to perform. For purposes hereof "Force Majeure" means an Act of God, or similar event which delays performance of a non-monetary obligation hereunder, and which is beyond the reasonable control of the party which is otherwise obligated to perform the obligation, including (A) pandemics requiring work stoppage under guidelines issued by the United States Center For Disease Control , (B) governmental preemption of materials in connection with a national emergency declared by the President of the United States; (C) riot, insurrection, acts of terror or terrorism or other civil disorder affecting completion of performance; (D) labor strikes that could not be reasonably anticipated, (E) hurricanes, tropical storms, earthquakes, or unusual and extreme weather conditions constituting Acts of God; (F) changes in any governmental requirement that adversely impacts Lessee's ability to complete the project (including tariffs and trade restrictions) as to which a reasonably capable and prudent developer would not have foreseen or provided for (tariffs or trade restrictions imposed or changes thereto after the date hereof are not reasonably foreseeable; (G) shortage or unavailability of materials, supplies, labor, power, water, electricity or equipment or systems or disruption of shipping, to the extent not caused by or under the control of, and that reasonably cannot be mitigated (without the payment of money) by Lessee, (H) the existence of soil, gas or hazardous materials conditions not identified in an environmental assessment report or materially worse or more onerous than as identified, (I) governmental delays not caused by, and not able to be reasonably mitigated (without the payment of money) by, Lessee, (J) disruptions in financial markets materially affecting the availability of goods or materials necessary for the construction of the Property, or (K) the failure of any third party to perform.

SECTION 9 DAMAGE, DESTRUCTION OR LOSS; EMINENT DOMAIN

9.1 Lessee shall continuously maintain the Premises and any improvements thereon subject however, to (i) matters of damage, destruction, or condemnation; (ii) closings from time to time not to exceed six (6) months for remodeling or minor renovations, and not to exceed twelve (12) months in cases of renovations or redevelopment of more than fifty percent (50%) of the value of the improvements being renovated or redeveloped (or such longer period not to exceed twenty four (24) months if consistent with best construction practices); (iii) ordinary course vacancies of rental units; and (iv) matters of Force Majeure (as hereinafter defined).

Any work of repair or restoration shall be done in compliance with all applicable laws, rules, and regulations. In the event of a casualty, all insurance proceeds payable with respect to such casualty shall be used by Lessee in order to repair and restore the Premises, but subject and subordinate to the rights of any Leasehold Mortgagee.

In the event the Premises suffers damage or destruction, then this Lease shall continue in full force and effect and Lessee, at Lessee's own cost and expense, shall be solely responsible, at Lessee's option, to repair and restore the damaged Lessee Improvements except as otherwise herein specifically provided. Any work of repair or restoration shall be done in compliance with all Applicable Laws, rules, and regulations. In the event of a Casualty, all insurance proceeds payable with respect to such Casualty shall be paid over to Lessee in order to repair and restore the Premises, but subject and subordinate to the rights of any Leasehold Mortgage or Leasehold Mortgagee as defined in Section 11 hereof..

9.2 Eminent Domain.

(a) In the event of any taking by condemnation or eminent domain of any portion of the Premises (a "Taking"), Lessor and Lessee shall share all compensation paid, or award given, for the portion of the Premises taken in accordance with the provisions of subsection 9.2(c) below, except that (1) any compensation paid or award given with respect to land only, Lessor's fee interest in the land, and lost rental income shall inure exclusively to the benefit of the Lessor and shall be paid to Lessor, and (2) any compensation paid or award given with respect to the furniture, furnishings, fixtures, equipment and other personal property on the Premises owned by Lessee and lost profits shall inure to the benefit of the Lessee and shall be paid to Lessee.

(b) If as a result of eminent domain proceedings there is a Taking of such portion of the Premises, including parking areas, or the right of access to the entire Premises, in a manner so that the Premises cannot thereafter be reasonably used for the operation of the Lessee's business in the ordinary course or Lessee's intended use with access and parking facilities in substantially the same manner as prior to the Taking, Lessee may terminate this Lease by giving written notice to Lessor within thirty (30) days after receipt of written notice of such a Taking, in which event such termination of this Lease shall take effect on the date that the condemning authority takes possession, and any Rent paid in advance will be returned to Lessee. If the condemnation is not such a Taking as would entitle Lessee to terminate this Lease, Lessee agrees to restore as far as possible the Premises to its condition immediately prior to the eminent domain proceedings, and Rent shall be adjusted in accordance with subsection 9.2(d) below. Lessor will advise Lessee immediately upon

receipt of notice of the commencement of proceedings by any authority having eminent domain powers to acquire any part of the area in the Premises.

(c) In the event of a Taking of any portion of the Premises, Lessor and Lessee shall divide any sum received, awarded or paid with respect to the Premises by reason of such Taking (the "Award") by the ratio of the "Lessor's Interest" to the "Lessee's Interest"; provided, however, that the portion of any Award attributable to land only or Lessor's fee interest in the land shall be paid in its entirety to Lessor. "Lessor's Interest" and "Lessee's Interest" shall (A) be based on the values of their respective interests in the Lessee Improvements (including Lessor's reversionary interests) as determined immediately prior to the Taking and as if such Taking did not occur, and (B) take into account the length of the then current Term of this Lease remaining in effect at the time of the Taking. For example, if the value of Lessee's Interest is twice the value of Lessor's Interest, Lessee shall receive two-thirds of the remaining portion of the Award to be allocated under this subsection (iii), and Lessor shall receive the remaining one-third of such Award. If the values of Lessor's Interest and Lessee's Interest are determined in the condemnation proceeding, such values shall be conclusive upon Lessor and Lessee. If such values are not separately determined in the condemnation proceeding, the values shall be fixed by agreement between Lessor and Lessee, or if Lessor and Lessee are unable to agree upon such values within thirty (30) days after the Taking occurs, then the values shall be determined by appraisal prepared by a qualified appraiser mutually selected in writing by both parties. This Section 9.2(c) shall not apply to any separate award made to Lessee for relocation and moving expenses, which Lessee may retain in full.

(d) If a portion of the Premises is taken and this Lease is not terminated pursuant to the provisions of this Section, the Rent shall be proportionately reduced as of the Taking Date in the ratio that the rental value of the portion of the Land taken bears to the rental value of the Premises at the time of the Taking. However, in no event shall the percentage reduction in Rent exceed Lessor's Interest (expressed as a percentage) in the Award pursuant to Section 9.2 (c) above.

SECTION 10 PUBLIC USE

10.1. Public Use. The parties acknowledge that the Premises are being used to serve a public use, that is, the need for affordable workforce housing. The Premises shall continue to be used in manner that provides housing for the Workforce Housing Community within the Town of Hilton Head Island, South Carolina in accordance with the Affordability Covenants.

10.2. Americans with Disability Act. Lessee shall fully comply with all applicable provisions of the Americans With Disabilities Act of 1990, P.L. 101-336, 104 Stat. 327 (ADA), expressly including, but not limited to, all requirements otherwise imposed on the Lessor regarding the Premises and invitees of Lessee, insofar as the Premises is considered a place of public accommodation and invitees or employees are covered by the services, programs and activity provisions of Title II of ADA. The Lessee acknowledges and agrees that the Lease shall be modified if the ADA is amended during the Term and the terms hereunder are violative of the ADA.

10.3. Non-Discrimination. Lessee for itself, its successors and assigns, agrees that in its operation and use of the Premises no person shall be excluded from participation in, denied the benefit of, or be otherwise subjected to discrimination in the use of the Premises or Lessor's Property because of his or her race, color, sex or national origin and that Lessee shall not, on the grounds of race, color or national origin, discriminate or permit discrimination against any person or group of persons in any manner prohibited by 49 CFR Part 21 of the Department of Transportation Regulations. A breach of this provision shall constitute an event of default under the terms of this Lease.

SECTION 11 LEASEHOLD MORTGAGEE AND INVESTOR RIGHTS

11.1 Lessee is hereby given the right by Lessor, to mortgage its interest and grant a security interest to lenders (a "Leasehold Mortgagee") in this Lease, including but not limited to a security agreement and assign its interest in this Lease (the "Leasehold Mortgage") as collateral security for such mortgage. The term "mortgage," as used in this Section 11, shall include all security instruments as used in the State of South Carolina, as well as financing statements, security agreements and other documentation required pursuant to the Uniform Commercial Code.

All rights acquired under such mortgage shall be subordinate to this Lease subject to each and all of the covenants, conditions and restrictions set forth in this Lease, and to all rights and interests of Lessor herein, none of which covenants, conditions or restrictions is or shall be waived by Lessor by reason of the rights given Lessee to mortgage its interest in this Lease, except as expressly provided in this Section 11.1. Lessee shall notify the Lessor at least thirty (30) days prior to the entering into of such a Leasehold Mortgage and shall provide Lessor with a copy of the mortgage for Lessors review and comment.

11.2 If Lessee shall mortgage all or part of its interest in this Lease, the holder of such mortgage shall, within thirty (30) days of its execution, send to Lessor a true copy thereof together with written notice specifying the name and address of the mortgagee and the pertinent recording data with respect to such mortgage, Lessor agrees that so long as the Leasehold Mortgage remains unsatisfied of record or until written notice of satisfaction is given by the holder to Lessor, the following provisions shall apply:

(a) **Mortgage Consent.** Except for the right of Lessor to unilaterally amend this Lease specifically set forth herein, if any, there shall be no cancellation, surrender or modification of this Lease by joint action of Lessor and Lessee without the prior written consent of the Leasehold Mortgagee.

(b) **Notices to Mortgagee.** Lessor shall, upon serving Lessee with any notice of default, simultaneously serve a copy of such notice upon the holder of the Leasehold mortgage. The Leasehold Mortgagee shall have the same period, after service of such notice upon it, to remedy or cause to be remedied the

defaults complained of, and Lessor shall accept such Leasehold Mortgagee's acts if they had been performed by Lessee. In the event Lessor desires to terminate this Lease as a result of a default, Lessor shall provide the Leasehold Mortgagee with written notice (the "Termination Notice") of its intent to terminate this Lease. If Lessor desires to terminate this Lease as a result of a monetary default, Lessor shall grant the Leasehold Mortgagee the right to cure or undertake the elimination of such default within one hundred twenty (120) days after the Leasehold Mortgagee's receipt of the Termination Notice. If Lessor desires to terminate this Lease as a result of a non-monetary default (including without limitation any default caused by Lessee's failure to discharge or cause to be discharged any lien, charge or encumbrance junior in priority to the Leasehold mortgage), Lessor agrees not to terminate this Lease if (a) the Leasehold Mortgagee shall, within one hundred twenty (120) days after receipt of the Termination Notice commence and diligently prosecute such actions as may be necessary to cause the foreclosure of its Leasehold mortgage (including without limitation seeking relief from the automatic stay provisions of Section 362 of the Bankruptcy Code or any successor statute in any bankruptcy proceeding affecting such foreclosure); (b) all rents and other charges payable by Lessee under this Lease shall be brought current within thirty (30) days of the receipt of the Termination Notice and shall be kept current throughout such foreclosure proceedings; and (c) the Leasehold Mortgagee shall, within sixty (60) days of receipt of the Termination Notice, commence and diligently prosecute all actions to perform all non-monetary covenants and obligations of Lessee under this Lease reasonably capable of performance by the Leasehold Mortgagee throughout such foreclosure proceedings.

(c) Insurance. Lessor agrees that the name of the Leasehold Mortgagee may be added to the "Loss Payable Endorsement" of any and all insurance policies required to be carried by Lessee under this Lease on the condition that the insurance proceeds be applied in the manner specified in this Lease and that the Leasehold Mortgagee or collateral document so provide.

(d) Substitution of Leasehold Mortgagee. Lessor agrees that in the event of termination of this Lease by reason of any default by Lessee, and the continued payment of Rent by the Leasehold Mortgagee, if so requested by it, that Leasehold Mortgagee with the most superior priority or its nominee will be substituted for and treated as Lessee for the Premises for the remainder of the Term effective as of the date of such termination, at the Rent and other charges, and upon the terms, provisions, covenants and agreement contained in this Lease, subject only to the rights, if any, of the parties then in possession of any part of the Leased Premises, provided:

1. The mortgagee or its nominee shall make written request upon Lessor to be substituted at the Lessee under the Lease and the written request shall be accompanied by any then due payment of Rent and other charges under this Lease; and the mortgagee or nominee shall execute and deliver any confirmation

documents within sixty (60) days after Lessor has delivered it.

2. The mortgagee or its nominee shall pay to Lessor, at the time of substitution, any and all sums which would then be due pursuant to this Lease but for such termination.

3. The mortgagee or its nominee shall perform and observe all covenants in this Lease to be performed by Lessee and shall further remedy any other conditions which Lessee was obligated to perform under the terms of this Lease which are capable of being remedied by it.

4. The Leasehold Mortgagee or any other person succeeding to the interests of the Lessee through a foreclosure will be subject to all of the terms and conditions of this Lease except as otherwise expressly provided in this Lease including, but not limited to, permitted uses set forth herein. Foreclosure for purposes of this Lease shall include a conveyance in lieu of foreclosure.

5. The substituted Lessee shall have the same right, title and interest in and to the Premises as Lessee has under this Lease.

(e) Confirming Documentation. Lessor shall, upon request, execute, acknowledge and deliver to each Leasehold Mortgagee an agreement prepared at the sole cost and expense of Lessee, in form satisfactory to the Leasehold Mortgagee and to Lessor, between Lessor, Lessee and the Leasehold Mortgagee confirming the provisions of this Section 11. Any additional reasonable costs incurred by Lessor in connection with the agreement, including reasonable attorneys' fees, shall be paid by Lessee or the Leasehold Mortgagee.

(f) Foreclosure of Leasehold Mortgage. If a Leasehold Mortgagee should foreclose its Leasehold Mortgage and should, as a result of such foreclosure, succeed to any of the rights of the Lessee hereunder, then such Leasehold Mortgagee shall be subject to all the terms and conditions of this Lease and shall be entitled to all the rights and benefits of this Lease; provided, however, that (1) such Leasehold Mortgagee shall not be liable for any act or omission of the Lessee unless of a continuing nature which continues following the foreclosure; (2) such Leasehold Mortgagee shall not be subject to any offsets or defenses which Lessor has, or might have, against the Lessee except as it relates to any default of a continuing nature which continues following the foreclosure; (3) such Leasehold Mortgagee shall not be bound by any amendment, modification, surrender or waiver of the terms of this Lease that imposes additional obligations on Leasehold Mortgagee made without the prior written consent of such Leasehold Mortgagee (which consent shall not be unreasonably withheld or delayed); (4) such Leasehold Mortgagee shall have the obligation to pay all Rent; and (5) upon the written request of such Leasehold Mortgagee, the Lessor shall reaffirm, in writing, the validity of this Lease, and that this Lease is in full force and effect. The personal liability of any Leasehold Mortgagee under this Lease is hereby limited to its interest in the Lease.

(g) Notice to Investor. So long as Investor or its successor, affiliate, or assign is a member of Lessee and has notified Lessor in writing of its name and address, Lessor agrees, simultaneously with the giving of any Notice to Lessee hereunder, to simultaneously give a duplicate copy thereof to such Investor or its successor, affiliate, or assign, provided that a failure on the part of the Lessor to give such Notice to such Investor will not affect the effectiveness of the Notice to Lessee. Investor will have the right, but not the obligation, to cure defaults and will have the same period for remedying the Event of Default or causing the same to be remedied as is given Lessee after Notice to it plus an additional fifteen (15) days for monetary defaults and thirty (30) days for nonmonetary defaults (provided however that if such nonmonetary Event of Default is of a nature that it cannot reasonably be cured within said additional thirty (30) day period, such period will be extended so long as the Investor has commenced a cure within such period and diligently and continuously pursues such cure to completion) and Lessor agrees to accept such performance on the part of such Investor as though the same had been done or performed by Lessee. Lessor hereby covenants that the Investor is deemed to have complied with the requirements of this Section 8.10 and that it will direct notices to the Investor at the addresses set forth in Exhibit B-2 until further notice in compliance with ARTICLE 8.

(h) Investor's Opportunity to Replace Lessee's Manager. The Lessor acknowledges that the Investor has the right to remove the manager and/or managing member of Lessee under certain terms set forth in the Venture Agreement. Lessor agrees that it will take no action to effect a termination of this Lease by reason of any Event of Default without first giving to each Investor who has provided Lessor with written notice of its name and address reasonable time, not to exceed ninety (90) days after Lessor's Notice delivered pursuant to Section 13.7 to replace Lessee's manager, managing member or general partner and cause the new manager, managing member or general partner to cure such Event of Default; provided, that (i) as a condition of such forbearance, Lessor must receive notice of the substitution of a new manager, managing member or general partner of Lessee within twenty (20) days following Notice to the Investor, (iii) Lessee, following such substitution of manager, managing member or general partner, will thereupon proceed with due diligence to cure such Event of Default, and (iii) if the Event of Default relates to the timely completion of construction of the Development or occupancy thereof, such extended cure period as set forth in this Section 11 shall be an additional six (6) months extension period so long as the Investor is diligently pursuing such Completion.

(i) No Termination, Amendment or Modification Without Investor and Lender Consent. This Lease will not be amended, modified, terminated or surrendered to Lessor or canceled by Lessee, nor will Lessor accept a surrender or cancelation of this Lease (without the prior written consent of the Investor and each Leasehold Mortgagee.

(j) Permitted Transfers.

- a. Lessee may make any of the following Transfers (each a "Permitted Transfer") without Lessor's consent, provided that (a) no Permitted Transfer shall release Lessee from any part of its obligations under this Lease, and (b) no such Transfer shall result in a Change of Control except as expressly provided in this Section (j):

- a. The Transfer of ownership of any Beneficial Ownership Interest in Lessee to one or more Affiliates of Lessee or Person already holding a Beneficial Ownership Interest in Lessee as of the Effective Date;
- b. The Transfer to any Person or Persons of a cumulative total (from one or more transfers) equaling up to forty-nine (49%) of the Beneficial Ownership Interest in Lessee;
- c. A pledge of membership interests in Lessee as security for an loan to a Lender and any foreclosure or transfer in lieu of foreclosure in connection therewith;
- d. A Transfer of a Beneficial Ownership Interest in Lessee resulting from public trading in the stock or securities of an entity, where such entity is a corporation or other entity whose stock or securities is/are traded publicly on a national stock exchange or is traded in the over-the-counter market and the price for which is regularly quoted in a recognized national quotation services; provided, any such transfers do not result in a Change of Control;
- e. A Transfer of any membership interest in Lessee that does not result in a Change of Control;
- f. The removal of a manager, managing member or general partner of Lessee for cause by the member or partners of Lessee in accordance with the terms of the Lessee's partnership agreement and replacement of such manager, managing member or general partner with an Affiliate of Lessee, or such other entity reasonably approved by Lessor, which approval shall not be unreasonably withheld, conditioned or delayed; provided, however, that any such replacement manager, managing member or general partner shall have at least five (5) years' experience in the development and ownership (if the Transfer occurs prior to the Completion Date), operation and management of residential developments of approximately comparable size to the Project and situated in similar urban settings as the Project, and notwithstanding any apparently contrary provisions elsewhere in this Lease, any Transfer made pursuant to this Section shall be a Permitted Transfer whether or not such transaction results in a Change of Control; and
- g. For the purpose of this Section, the following terms shall be defined as follows:
 - i. "Change of Control" means a transaction whereby the transferee acquires a Beneficial Ownership Interest in Lessee such that after such transaction (a) there is a change in the identity of the Person who has the power to direct or cause the direction of the management and policies of Lessee, whether through the ownership of voting securities, by contract or otherwise, or (b) the transferee acquires, directly or indirectly, fifty percent (50%) or more of the Beneficial

Ownership Interest in Lessee and as a result of such acquisition the transferee has the power to direct or cause the direction of the management and policies of Lessee; provided, however, that the transfer of the majority of the Beneficial Ownership Interest in Lessee to one or more non-managing members or partner shall not constitute a Change of Control, so long as there is no change in the identity of the Person who has the power to direct or cause the direction of the management and policies of Lessee.

- ii. “Beneficial Ownership Interest” means and refers to the ultimate direct or indirect ownership interests, regardless of the form of ownership and regardless of whether such interests are owned directly or indirectly, or through one or more layers of constituent partnerships, corporations, limited liability companies, trusts, or other entities.

SECTION 12

LIMITATIONS ON SALE BY LESSEE

12.1 Sale/Agreement.

(a) The Lessee may sell its interest in the Improvements and assign this Lease (i) after the Project is completed and placed in service, and (ii) the buyer/assignee is approved by Lessor. Notwithstanding the foregoing, Lessor’s approval shall not be unreasonably withheld, conditioned or delayed so long as the proposed transferee is a Permitted Transferee (hereinafter defined), and Lessee had complied with subsection (b) below and Lessor had not elected to purchase the Project or was deemed not to have made such election. In addition, Lessor shall provide its response to an approval request within thirty (30) days from the date of the written notice seeking the Lessor’s consent, and failure to do so shall be deemed its consent to allow the Lessor to sell the Project to the proposed transferee. For the purpose of this Section, “Permitted Transferee” means (a) an Affiliate of Lessee that has a tangible net worth acceptable to Lessor in its reasonable discretion and otherwise has the financial wherewithal to meet its obligations under this Lease, and/or (b) any entity into or with which Lessee is merged or with which Lessee is consolidated or which acquires all or substantially all of Lessee’s stock or assets, provided that the surviving entity shall have a tangible net worth that is acceptable to Lessor in its reasonable discretion, and it shall otherwise have the financial wherewithal to meet its obligations under this Lease. Any buyer/assignee must have a minimum of five (5) years’ experience owning, directly or indirectly, multifamily, workforces housing or affordable housing properties and such buyer/assignee shall engage a Replacement Manager to manage and operate the Project.

(b) Prior to the transfer of the Project as set forth above, Lessee must offer the Lessor the opportunity to purchase the Project in accordance with this subsection (b).

- a. If the Lessee intends to sell the Project, then the Lessee shall send a written

notice (a “Lessee First Offer Invitation”) to the Lessor pursuant to which the Lessee shall notify the Lessor that the Lessee intends to sell the Project. Following delivery of the Lessee First Offer Invitation as to the Project, the Lessor shall have until the date thirty (30) days after receipt of a Lessee First Offer Invitation (the “Lessor Response Period”) to deliver a written notice to the Lessee (the “Lessor Purchase Offer”) setting forth the gross purchase price (the “Offered Price”) at which the Lessor is willing to acquire the Project. If the Lessor fails to deliver a Lessor Purchase Offer within the Lessor Response Period as to the Project, or if the Lessor earlier waives in writing its right to deliver the Lessor Purchase Offer with respect to the Project, then the Lessee shall have the right to proceed with a sale of the Project, and sell the Project at any price the Lessee chooses, in its sole and absolute discretion to a Permitted Transferee. If the Lessor does timely deliver a Lessor Purchase Offer as to the Project, then during the thirty (30) day period following receipt by the Lessee of such Lessor Purchase Offer (the “Lessee Response Period”), the Lessee may elect either (I) to reject such Lessor Purchase Offer by giving written notice thereof (a “Lessee Rejection Notice”) to the Lessor and to proceed with a sale of the Project in accordance with subsection (b) below, or (II) to accept the Lessor Purchase Offer by giving written notice thereof (the “Lessee Acceptance Notice”) to the Lessor, in which event the Lessee shall sell and the Lessor shall purchase the Lessee interest in the Lease. As used herein, the “Lessee Interest Purchase Price” shall mean the amount that the Lessee would receive if (x) a sale of the Project was effectuated (on the actual date of the Lessee Sale Closing) at the Offered Price set forth in the Purchase Offer, and (y) the Deemed Net Sale Proceeds from such sale were distributed to the members of the Lessee.

- b. If the Lessee delivers a Lessee Rejection Notice, then the Lessor shall have the right, power and authority to cause the Lessee to complete the transfer of the Lessee interest in the Lease. Notwithstanding the foregoing, if the Lessee fails to obtain a purchase contract with a third party purchaser for the Project for a price that is equal to or greater than ninety-eight percent (98%) of the Offered Price, then the Lessee may not carry out the disposition and the Lessee must once again comply with the provisions this Section 12.1(b).

(c) Notwithstanding anything to the contrary in this Section 12.1, Lessor shall not have the right to withhold approval of any buyer/assignee for reasons other than (i) prior or ongoing convictions or disbarments from government programs of the buyer/assignee or its controlling principals, (ii) an ongoing bankruptcy or related litigation of buyer/assignee or its controlling principals, (iii) material defaults of buyer/assignee or its controlling principals, or (iv) failure to demonstrate prior experience with other similar projects as required in Section 12.1(a) above. Failure to respond with such ten (10) business day period shall be deemed approval of such buyer/assignee, but the Lessor will continue to be included in all correspondence, conferences and meetings between the Lessee and/or its broker with all third party potential buyers. Lessor and Lessee agree that the confidentiality provisions of Section 5.1(c) above shall apply to this Section 12.1. Additionally, notwithstanding anything to the contrary in this Section 12.1, the offer/opportunity afforded to the Lessor to purchase the Project shall not apply to a Leasehold Mortgagee exercising

its rights and remedies pursuant to Section 11.

12.2 Prohibition Against Transfers. Except as permitted in 12.1 above, during the term of this Lease, Lessee shall not make any total or partial sale, transfer, or conveyance of the whole or any part of the Property or the Improvements thereon, without prior written approval of the Lessor.

12.3 No Encumbrances. Except as permitted hereunder, (i) Lessee shall not encumber the Property for any purpose, (ii) Lessee shall notify the Town in advance of any proposed financing as required elsewhere in this Agreement, and (iii) Lessee shall not enter into any agreements for financing requiring a conveyance of security interests in the Property other than Lessee's Leasehold Interests under the Lease. Further, Lessee shall promptly notify the Lessor of any leasehold security interest created or attached to the Property whether by voluntary act of Lessee or otherwise.

12.4 Prohibition on Subleasing and Short-Term Rentals. The Lessee or its successors are prohibited from allowing any subleasing or short-term rentals (as defined in the Municipal Code of the Town of Hilton Head Island) on the Property. Notwithstanding the foregoing, lease extensions permitted under Section 1.33 and Exhibit C shall be permitted under the terms hereunder.

SECTION 13 MISCELLANEOUS PROVISIONS

13.1 Signage. Lessee shall have the right to install, subject to Lessor's reasonable approval and all applicable federal, state and local codes, laws, regulations and ordinances, to erect, install, maintain and operate the building signage (including, without limitation, any building exterior signage, pylon, monument, and/or directional signage) as it may deem reasonably necessary.

13.2 Agreement Binding Upon Successors. This Lease shall be binding upon and extend to the heirs, personal representatives, successors and assigns of the respective parties hereto.

13.3 Assignment.

(a) Lessee shall not assign, pledge, transfer (directly or indirectly, through a merger, consolidation, acquisition, or sale of assets, or otherwise) or sublet its rights in this Lease, in whole or in part, nor grant any license or concession hereunder, except as otherwise provided herein, without the prior written consent of the Lessor, which may be withheld in the Lessor's sole discretion.

(b) In the event that Lessor consents to an assignment of this Lease, Lessee shall pay to Lessor an assignment fee in an amount equal to the annual Rent being paid at the time of the assignment (the "Assignment Fee"). Any attempt by the Lessee, except as required herein, to assign or in any way transfer its interest in this Lease, in whole or in part, without such prior written consent of the Lessor shall, at the option of said Lessor, automatically terminate this Lease and all rights of the Lessee hereunder. Except as

otherwise provided in this Lease, every assignment or Lease shall recite that it is and shall be subject and subordinate to the provisions of this Lease. Upon an assignment or transfer of this Lease, (i) the new Lessee shall succeed to and be fully responsible for all of the Lessee's obligations, including all obligations to Lessor, hereunder and; (ii) Lessor shall be bound to the new Lessee to the same extent as it was bound to Lessee. Each assignment or transfer hereof shall be effectuated by a writing wherein the assignee or transferee agrees to assume and be bound by all of Lessee's obligations hereunder.

13.4 Additional Leases. Lessee may enter into Leases for residential apartment units within the Lessee Improvements without Lessor's consent, provided that such Leases comply with the terms and conditions of this Lease and are consistent with the permitted use set forth herein.

13.5 Governing Law; Jurisdiction; Venue. This Lease, its execution, interpretation and performance, shall be governed by and construed in accordance with the laws of the State of South Carolina, irrespective of applicable laws with respect to conflicts of law. Any controversy or claim arising out of or in any way related to this Lease or the relationship established by it, or the alleged breach thereof, whether at common law, in contract, in tort, or under statute, shall be governed by the laws of the State of South Carolina. Venue for legal proceedings involving any claim or controversy arising under or related to this Lease or the relationship between the parties shall be solely in the state courts of Beaufort County, South Carolina, and the parties hereby irrevocably consent to the jurisdiction of such courts over their persons and waive any defense based upon improper or inconvenient venue or lack of personal jurisdiction.

13.6 Force Majeure. Neither party hereto shall be liable to the other for any failure, delay or interruption in the performance of any of the terms, covenants or conditions of this Lease due to causes which were not reasonably foreseeable and beyond the control of that party which rendered the required performance impossible to perform or caused the delay or interruption of such performance, including, without limitation, strikes, boycotts, labor disputes, embargoes, shortages of materials, acts of God, acts of the public enemy, acts of superior governmental authority, floods, riots, rebellion, sabotage or any other circumstance for which such party is not responsible or which is not in its power to control, but in no event shall this paragraph be construed so as to allow Lessee to reduce or abate its obligations to pay the Rent or compensation as provided herein.

13.7 Notices. All notices required to be given to the Lessor or Lessee hereunder shall be in writing and shall be: (a) sent by certified mail, return receipt requested; or (b) personally delivered, including via overnight courier, to the Lessor and Lessee at the following addresses:

Lessor: Town of Hilton Head Island
 ATTN: Town Manager
 1 Town Center Court
 Hilton Head Island, SC 29928

Lessee: c/o HHI Northpoint, LLC
 ATTN: Brendan Barr
 104 Interstate N. Pkwy East SE
 Atlanta, GA 30339

Developer: One Street Development, LLC
ATTN: Brendan Barr
104 Interstate N. Pkwy East SE
Atlanta, GA 30339

Manager: One Street Residential Services, LLC
ATTN: Brendan Barr
104 Interstate N. Pkwy East SE
Atlanta, GA 30339

Permanent
Lender: _____
ATTN: _____

Construction
Lender: First-Citizens Bank & Trust Company
ATTN: Loan Servicing Department – DAC20
100 Tryon Road
Raleigh, North Carolina 27603

- and -

First-Citizens Bank & Trust Company
ATTN: Director – Strategic CRE CLN25
100 Tryon Road
Raleigh, North Carolina 27603

Investor: _____
ATTN: _____

Either party hereto may designate in writing from time to time the address of substitute or supplementary persons within the State of South Carolina to receive such notices. The effective date of service of any such notice shall be the date such notice is actually received by Lessee or Lessor, as applicable.

13.8 Paragraph Headings. The paragraph headings herein are for convenience in reference only and are not intended to define or limit the scope of any provision of this Lease.

13.9 Security. Lessee shall cause its officers, contractors, agents and employees to comply with any and all existing and future security regulations adopted by the Lessor or imposed

by Laws applicable to the Premises, the Lessee, its business or otherwise.

13.10 Severability. If any provision in this Lease is held by a court to be invalid, the validity of other provisions herein which are severable shall be unaffected.

13.11 Third Parties. This Lease shall not be deemed to confer upon any third party or parties any rights to claim damages or to bring any action or proceeding against either the Lessor or the Lessee because of any breach hereof or because of any of the terms, covenants, agreements and conditions herein.

13.12 Short Form Memorandum of Lease. Simultaneously with the execution of this Lease or at any time during the Term of this Lease, the parties may, at the request of either party, execute and record a mutually agreeable memorandum of Lease, or short form of this Lease, memorializing the basic terms hereof, in a form which may be recorded in the Beaufort County Register of Deeds at the sole cost and expense of Lessee.

13.13 Entire Agreement. The parties agree that the provisions herein constitute the entire agreement and that all representations made by any officer, agent or employee of the respective parties unless included herein are null and void and of no effect. No amendments, unless expressly reserved to the Lessor herein, shall be valid unless executed by an instrument in writing by all the parties with the same formality as this Lease.

13.14 Business Day. If the date for performance of any act, obligation or delivery of any notice under this Lease shall fall on a day other than a business day, then the date for such performance or delivery of such notice shall be postponed until the next business day. For purposes of this Lease, any references to "business days" shall be deemed to be references to normal working business days (i.e. Monday through Friday of each calendar week, exclusive of federal or state holidays or such other dates upon which nationally-chartered banks of the United States of America are not open for business).

13.15 Final Approval. This Lease is expressly subject to and shall not be or become effective or binding on the Lessor until approved and fully executed by the Town of Hilton Head Island.

13.16 Estoppel Certificates. Within twenty (20) days after written request, Lessee or Lessor, as applicable, shall deliver to the requesting party a written estoppel certificate, in form supplied by or reasonably acceptable to the non-requesting party, certifying any facts that are then true with respect to this Lease, including that this Lease is in full force and effect, that no default exists on the part of Lessor or Lessee, that Lessee is in possession of the Premises, that Lessee has commenced the payment of rent, and that neither Lessee nor Lessor claims any defenses or offsets with respect to this Lease.

13.17 Execution in Counterparts. This Lease may be executed in two or more counterparts (including electronic, .PDF, DocuSign, or facsimile counterparts), each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

13.18 Alternative Management and Leasing of Units. On or following the

Commencement Date of this Lease, upon written notice to Lessor by Lessee, One Street Residential Services, LLC (the “Operator”), an affiliate of the Lessee, shall be responsible for maintenance of the Property and Management of the Project, including the enforcement of use restrictions, and including the Workforce Housing Criteria Requirements (the “Management Services”) pursuant to a Management Agreement to be agreed upon by Lessee, Lender, and the Lessor. The provisions of this Section 13.18 are intended to set forth the general obligations of the Parties after the issuance of the final Certificate of Occupancy for the last Unit constructed on the Property and the completion of all elements of the Project in a timely and acceptable manner. The Management Agreement will require the Operator to comply with all obligations of the Lessee set forth in this Lease however, the Lessee will remain liable to the Lessor for all of its duties and responsibilities set forth in the Lease and the Management Agreement with the Operator.

13.19 No Merger of Title. There shall be no merger of the leasehold estate created by this Lease with the fee estate in the Premises by reason of the fact that the same person may acquire or hold (a) the leasehold estate created by this Lease or any interest in such leasehold estate, and (b) the fee estate in the Premises or any interest in such fee estate; and no such merger shall occur unless and until all persons, having any interest in (i) the leasehold estate created by this Lease, including all Leasehold Mortgagees, and (ii) the fee estate in the Premises, shall join in a written instrument effecting such merger and shall duly record the same. In the event the Lessee acquires the fee estate in the Premises, the lien of any Leasehold Mortgagee shall automatically extend to the fee estate in the Premises.

13.20 No mortgage of Lessor’s Fee Simple Interest in Premises. Lessor will not mortgage, lien, or encumber Lessor’s fee simple title in the Premises without the prior written consent of the Leasehold Mortgagees. At no time shall Lessor’s interest in the Lease or Lessor’s fee title in the Premises be subordinated to the interest of any mortgage, lien, or encumbrance.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Lease the day and year first above written.

(CORPORATE SEAL)

ATTEST:

By: _____
Secretary

LESSOR:

TOWN OF HILTON HEAD ISLAND

By: _____

Name: _____

Title: _____

Approved as to form:

Town Clerk

Town Attorney

**SOUTH CAROLINA
BEAUFORT COUNTY**

I, _____, a Notary Public of the State and County aforesaid, certify that _____ personally came before me this day and acknowledged that (s)he is _____[Title] of the **TOWN OF HILTON HEAD ISLAND**, and that by authority duly given and as the act of the Town, the foregoing instrument was signed in its name by its [title], _____, sealed with its corporate seal and attested by herself/himself as its _____[Title].

WITNESS my hand and official seal, this ____ day of _____, 2025.

Notary Public

My Commission expires

ATTEST:

By: _____
Secretary

LESSEE:
HHI NORTHPOINT, LLC

By: _____

Name: _____

Title: _____

STATE OF _____
COUNTY OF _____

I, _____, a Notary Public of the State and County aforesaid, certify that _____ personally came before me this day and acknowledged that he/she is the _____ of **HHI NORTHPOINT, LLC**, and that by the authority duly given, the foregoing instrument was signed in its name by its _____, sealed with its corporate seal and attested by its Secretary.

WITNESS my hand and official seal, this ____ day of _____, 2025.

Notary Public

My Commission expires

EXHIBIT "A"
(Property Description)

TRACT I:

COMMENCING AT THE NORTHWESTERN INTERSECTION OF U.S. 278 (WILLIAM HILTOIN PARKWAY) AND GUM TREE ROAD, THENCE PROCEEDING ALONG THE NORTHERN RIGHT-OF-WAY AN APPROXIMATE DISTANCE OF 758' TO A 5/8" IRON REBAR SET WITH CAP, SAID POINT BEING THE POINT OF BEGINNING; THENCE, WITH A CURVE TURNING TO THE LEFT WITH AN ARC LENGTH OF 217.15', WITH A RADIUS OF 2,949.79', WITH A CHORD BEARING OF S 82°37'14" W, WITH A CHORD LENGTH OF 217.10', TO A 6X6" CONCRETE RIGHT-OF-WAY MONUMENT; THENCE, WITH A COMPOUND CURVE TURNING TO THE LEFT WITH AN ARC LENGTH OF 102.79', WITH A RADIUS OF 2949.79', WITH A CHORD BEARING OF S 79°37'34" W, WITH A CHORD LENGTH OF 102.79', TO A 6X6" CONCRETE RIGHT-OF-WAY MONUMENT; THENCE, WITH A COMPOUND CURVE TURNING TO THE LEFT WITH AN ARC LENGTH OF 127.26', WITH A RADIUS OF 2949.79', WITH A CHORD BEARING OF S 77°13'12" W, WITH A CHORD LENGTH OF 127.25', TO A 6X6" CONCRETE RIGHT-OF-WAY MONUMENT; THENCE, S 76°06'23" W, A DISTANCE OF 71.48' TO A 6X6" CONCRETE RIGHT-OF-WAY MONUMENT; THENCE, S 14°19'57" E, A DISTANCE OF 15.02' TO A 6X6" CONCRETE RIGHT-OF-WAY MONUMENT; THENCE, S 76°02'54" W, A DISTANCE OF 132.01' TO A 6X6" CONCRETE RIGHT-OF-WAY MONUMENT; THENCE, S 75°54'25" W, A DISTANCE OF 150.48' TO A 6X6" CONCRETE RIGHT-OF-WAY MONUMENT; THENCE, S 59°59'23" W, A DISTANCE OF 51.41' TO A 6X6" CONCRETE RIGHT-OF-WAY MONUMENT; THENCE, S 77°20'48" W, A DISTANCE OF 370.25' TO A 6X6" CONCRETE RIGHT-OF-WAY MONUMENT; THENCE, N 05°50'58" W, A DISTANCE OF 18.84' TO A 6X6" CONCRETE RIGHT-OF-WAY MONUMENT; THENCE, S 77°15'35" W, A DISTANCE OF 165.22' TO A 6X6" CONCRETE RIGHT-OF-WAY MONUMENT; THENCE, WITH A CURVE TURNING TO THE RIGHT WITH AN ARC LENGTH OF 99.21', WITH A RADIUS OF 1322.39', WITH A CHORD BEARING OF S 78°50'53" W, WITH A CHORD LENGTH OF 99.19', THENCE WITH A CURVE TO A 5/8" IRON REBAR SET W/CAP; THENCE, N 04°00'35" W, A DISTANCE OF 4.54' TO A POINT; THENCE, N 72°12'52" E, A DISTANCE OF 17.80' TO A POINT; THENCE, N 39°29'18" W, A DISTANCE OF 19.20' TO A POINT; THENCE, N 76°42'02" E, A DISTANCE OF 18.01' TO A POINT; THENCE, N 50°50'57" E, A DISTANCE OF 15.04' TO A POINT; THENCE, N 71°34'25" E, A DISTANCE OF 21.12' TO A POINT; THENCE, N 06°28'44" W, A DISTANCE OF 14.27' TO A POINT; THENCE, N 41°20'34" E, A DISTANCE OF 11.62' TO A POINT; THENCE, N 54°52'27" E, A DISTANCE OF 13.31' TO A POINT; THENCE, N 22°50'58" E, A DISTANCE OF 16.80' TO A POINT; THENCE, N

08°30'55" W, A DISTANCE OF 21.12' TO A POINT; THENCE, N 20°12'33" E, A DISTANCE OF 25.65' TO A POINT; THENCE, N 28°39'36" W, A DISTANCE OF 21.27' TO A POINT; THENCE, N 49°16'57" W, A DISTANCE OF 25.38' TO A POINT; THENCE, N 16°04'12" E, A DISTANCE OF 26.16' TO A POINT; THENCE, N 41°15'16" W, A DISTANCE OF 21.15' TO A POINT; THENCE, N 16°08'07" E, A DISTANCE OF 32.99' TO A POINT; THENCE, N 10°47'14" W, A DISTANCE OF 24.90' TO A POINT; THENCE, N 18°40'18" W, A DISTANCE OF 16.98' TO A POINT; THENCE, N 44°08'00" E, A DISTANCE OF 17.91' TO A POINT; THENCE, N 20°18'16" E, A DISTANCE OF 11.64' TO A POINT; THENCE, N 14°43'12" E, A DISTANCE OF 18.56' TO A 5/8" IRON REBAR SET W/CAP; THENCE, N 83°15'20" E, A DISTANCE OF 162.24' TO A 1/2" IRON REBAR W/CAP; THENCE, N 66°55'29" E, A DISTANCE OF 172.53' TO A 1/2" IRON REBAR W/CAP; THENCE, N 66°37'08" E, A DISTANCE OF 212.79' TO A 3X3" CONCRETE MONUMENT; THENCE, N 15°42'54" E, A DISTANCE OF 90.00' TO A 5/8" IRON REBAR SET W/CAP; THENCE, N 75°57'01" E, A DISTANCE OF 148.24' TO A 3X3" CONCRETE MONUMENT; THENCE, N 76°00'31" E, A DISTANCE OF 182.71' TO A 1/2" IRON REBAR; THENCE, N 76°00'56" E, A DISTANCE OF 182.85' TO A 3X3" CONCRETE MONUMENT; THENCE, S 13°56'00" E, A DISTANCE OF 139.60' TO A DISTURBED 3X3" CONCRETE MONUMENT; THENCE, S 14°03'34" E, A DISTANCE OF 50.00' TO A 5/8" IRON REBAR SET W/CAP; THENCE, N 75°56'26" E, A DISTANCE OF 235.87' TO A 5/8" IRON REBAR SET W/CAP; THENCE, S 14°13'51" E, A DISTANCE OF 271.64' TO A 5/8" IRON REBAR SET W/CAP; WHICH IS THE POINT OF BEGINNING, HAVING AN AREA OF 495,619 SQUARE FEET, 11.378 ACRES AND BEING SHOWN ON THAT PLAT RECORDED IN PLAT BOOK 166, PAGE 72 IN THE OFFICE OF THE REGISTER OF DEEDS FOR BEAUFORT COUNTY, SOUTH CAROLINA.

AND ALSO,

TRACT II:

A twenty (20') foot easement for utilities and drainage of storm water on, over, and across those portions of that certain 4.21 acre parcel, more or less, as said parcel is shown on that certain plat entitled, "*A Plat of Old School House Site*," dated May 11, 1973, prepared by Paul D. Wilder, S.C.R.L.S. 2591, certified by W.E. Gilbert and Associates, Inc., recorded with the Office of the Register of Deeds for Beaufort County, South Carolina, in Plat Book 23 at Page 51, as set forth in that certain Indenture Grant of Easement recorded in the Office of the Register of Deeds for Beaufort County, South Carolina, in Record Book 662 at Page 881, and that certain Agreement Concerning Utilities, Drainage, and Easements recorded in the Office of the Register of Deeds for Beaufort County, South Carolina, in Record Book 662 at Page 895.

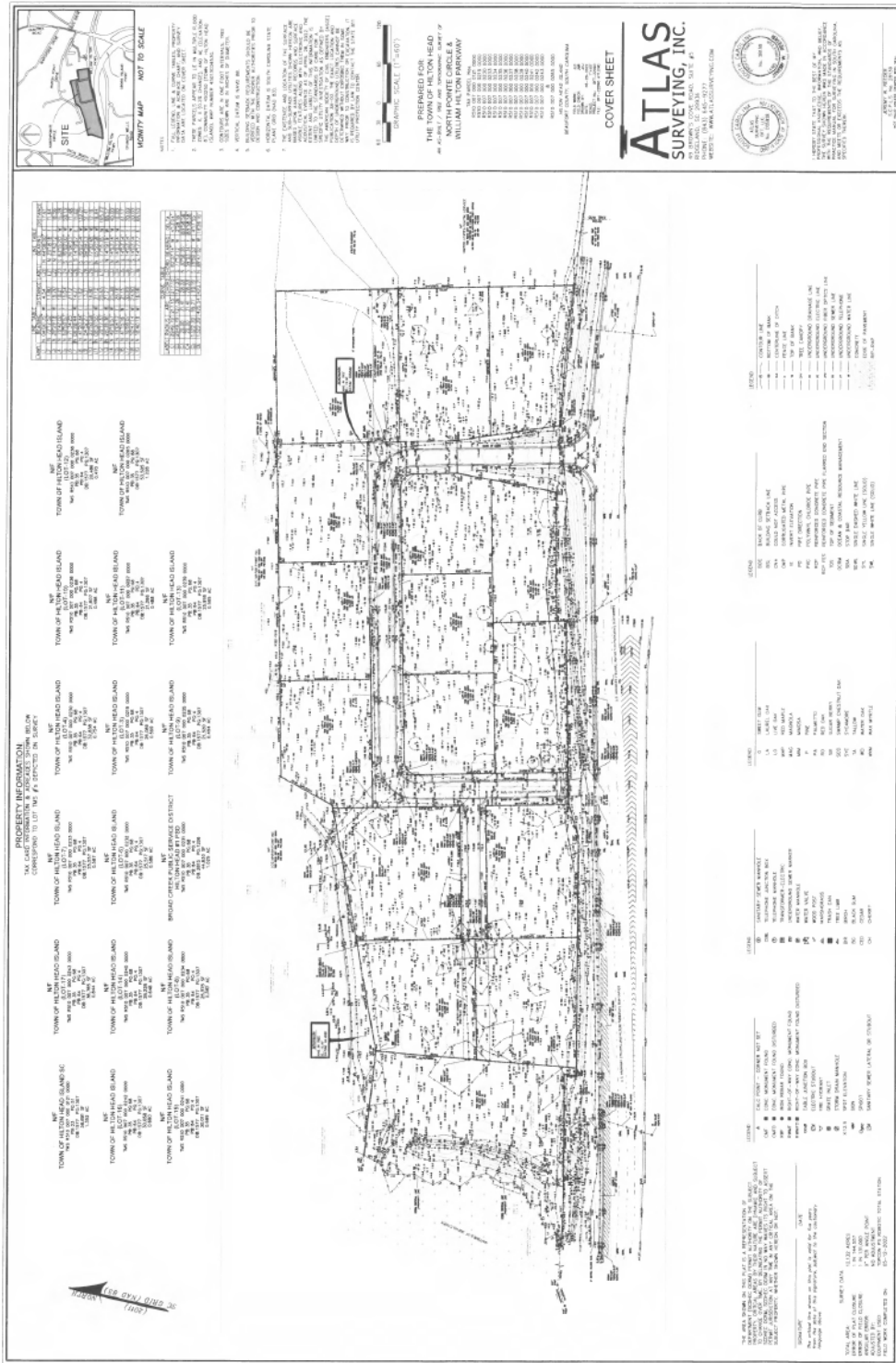


Exhibit “B”
(The Project Description - Northpoint Tract)

Income Mix: The Project is anticipated to be a mixed-income development with area median incomes between 60% and 150% based on the U.S. Department of Housing and Urban Development AMI reports for Beaufort County, South Carolina. At least 50.1% of the residents shall have a household income at or below 79.99% of AMI, and up to 24 of the units may be occupied by residents with incomes greater than 120% and up to 150% of AMI. A Workforce Housing Tenant Qualification Criteria is included as **Exhibit “C”**.

Affordability: The Affordability Covenants shall attach to the Property and shall commence on the Effective Date and continue in perpetuity after the date of issuance of the Certificate of Occupancy for the last Units constructed on the Property as part of the Project. It is anticipated that the Affordability Covenants shall be recorded with a Memorandum of Lease on the Effective Date of the Lease.

Project Components and Programming

Programs and Amenities

The Developer will provide, at a minimum, the following programs and amenities:

1. Onsite property management services.
2. A community building constructed onsite, with the Developer offering programs tailored to residents’ needs, such as educational, economic empowerment, and recreational activities. The Developer will collaborate with the Town and nonprofit organizations to develop, implement, and consistently manage these programs. The Developer will oversee program facilitation and submit an annual report to the Town outlining the programs’ success and effectiveness, which annual report shall include all relevant and timely information regarding the programs and amenities that are in place and planned for the future.
3. Outdoor communal spaces featuring grilling/dining stations and covered pavilions to encourage social interaction, inclusivity, and a sense of community among residents.
4. Provision of outdoor space amenities, such as benches, tables, and greenery.

5. Walking trails for the residents to enjoy physical activity and social interaction.
6. Green space and a park within the Project.
7. Playground areas designed for creative or imaginative play (e.g., colorful ground markings, moving elements), cooperative play areas (e.g., sandboxes, building blocks), and physical play areas (e.g., monkey bars, climbing walls).
8. Indoor and outdoor fitness stations, including a gym.
9. Well-lit entrances, pathways, and parking areas to enhance visibility and deter criminal activity.
10. Laundry appliances, including a washer and dryer, inside of each individual dwelling unit.
11. Onsite trash and recycling facilities.

Sustainability

The Project will incorporate and maintain sustainable community design elements as set forth in the plans and specifications for the Project.

EXHIBIT “C”
(Workforce Housing Tenant Criteria Requirements)

Workforce Housing Tenant Criteria Requirements

- A. The Town and Developer have established these Workforce Housing Tenant Qualification Criteria (“***Tenant Criteria***”) with the intent of providing housing for people who work, or will work, on Hilton Head Island, subject to compliance verification of such Tenant Criteria with applicable state and federal laws.
- B. The residences will be rented in accordance with the Tenant Qualification, including but not limited to:
 - 1. Accommodating a diverse range of residents with area median incomes (“***AMI***”) between sixty percent (60%) or less and one hundred twenty percent (120%) or less based on the U.S. Department of Housing and Urban Development (“***HUD***”) AMI reports for Beaufort County, South Carolina. In addition, the Developer will have the ability to designate up to 24 of the Project’s total units as eligible to households earning up to one hundred fifty percent (150%) percent of AMI.
 - 2. Setting rents in accordance with HUD’s rent standards for the applicable AMI category. The total rent and utility costs for each unit will not exceed forty percent (40%) of that household’s gross annual income, which utility costs shall be established annually for utilities and services paid by tenants according to each Project unit and utility configuration. The Lessee may use any of the following for its annual utility calculation or other methodologies acceptable to HUD: the HUD Utility Schedule Model, the utility allowance established by the applicable local public housing authority, a utility schedule produced by a qualified independent consultant or another method approved by HUD.
 - 3. Workforce housing eligibility requirements will include:
 - a. Qualifying AMI Ranges.
 - b. Ensuring that at least fifty point one percent (50.1%) of the 157 units will have a household income at or below seventy-nine and ninety-nine hundredths (79.99%) of AMI.
 - c. Requiring full time employment within the municipal boundaries of Hilton Head Island.
 - 4. The Developer will accept Housing Choice Vouchers for up to fifteen percent (15%) of the residents to qualify for resident eligibility, and if

conditions warrant, and it is deemed to be in the best interest of the Project, up to twenty percent (20%) of the residents may use Vouchers.

- C. A minimum of one (1) person shall work full time, which is equivalent to a minimum of thirty (30) hours per week in the municipal limits of the Town, and such person shall be a lessee on the lease. Rent shall not exceed the maximum rent standards set forth by HUD for the applicable AMI category.
- D. The minimum lease term for residences will be twelve (12) months.
- E. Intentionally Omitted.
- F. All household income and employment status will be recertified annually at lease renewal.
- G. The annual recertification requires the household to complete a new certification form, verifying employment on the Island and qualifying income levels. The recertification process will begin 120 days before the resident's move-in anniversary.

The Community Manager will recertify residents according to the following procedure:

- 120 days prior Resident notified of recertification.
- 90 days prior Release signed for employment and income check.
- 60 days prior: Review verified employment and income.
- 30 days prior: Certification process complete and Certification form signed.

- H. If at any time of recertification, a household's income exceeds the limit designated for the unit, the Community Manager will:
 - 1. Will re-designate the unit at the higher AMI level (i.e., 80 AMI to 120 AMI);
 - 2. Will increase the maximum rent to the level applicable to the unit at a higher income level, and;
 - 3. Designate the next available comparable unit as a unit at the income level originally applicable (i.e., 120 AMI to 80 AMI) to household until the unit mix required by the Development Agreement or ground lease is achieved.
- I. A unit shall be deemed "comparable" if it has the same number of bedrooms as the original unit.
- J. The Lessor acknowledges that a tenant's income is likely to change over time. If

at any time of recertification, a household's income exceeds 150% of AMI, the household will be required to terminate the lease without penalty and vacate the unit within one hundred eighty (180) days of the lease renewal date.

- K. Once the unit becomes vacant, it will revert to the last AMI before becoming over-income.
- L. If, prior to or at any time of recertification, a household's qualifying employment is terminated, and the household is unable to produce proof of qualified employment per the regulations, the Lease will not be renewed, and the Tenant will be required to vacate the unit on or before the termination date of the Lease, and the Lease will be terminated without penalty. If, prior to the termination date of the Lease, a member of the household becomes employed full-time in the Town, the household may be re-certified, provided all other requirements of the Affordability Covenants are met.

Exhibit “B” to Ordinance Authorizing Execution and Recording of Affordability
Covenants and Execution and Delivery of a Long Term Lease Encumbering Town
Owned Property (Northpoint)

STATE OF SOUTH CAROLINA)
COUNTY OF BEAUFORT)

DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS
FOR WORKFORCE HOUSING

This Declaration of Covenants, Conditions, and Restrictions (defined in Article 1(D) below as this “Declaration”) is made by the Town of Hilton Head Island, South Carolina, (defined in Article 1(C) as the “Declarant”) for the benefit of the Declarant, and HHI Northpoint, LLC, a Delaware limited liability company (defined in Article 1(P) below the “Lessee”), acknowledging and intending that the interest of any lender, investor, member, manager or affiliate in the Property (hereinafter defined) or the Lease Agreement (hereinafter defined) shall be subject to the terms of this Declaration, joins and acknowledges, intending to bind successors and assigns, that its interest in the Property (defined in Article 1(V) below) is subject to and subordinate to the terms of this Declaration.

WHEREAS, the Declarant is the owner of the real property which is defined as the “Property” in Article 1 of this Declaration, and the Declarant; and,

WHEREAS, the Declarant intends for a multifamily residential development for workforce housing to be built and operated on the Property as described in “Workforce Housing Development Agreement” (defined in Article 1(BB) below) by and between the Declarant and One Street Residential, LLC, a copy of which is maintained and available at the Town of Hilton Head Island, One Town Center Court, Hilton Head Island, South Carolina; and,

WHEREAS, the intended multifamily development is also described in and governed by the “Lease Agreement” (defined in Article 1(M) below); and,

WHEREAS, the text of both the Workforce Housing Development Agreement and the Lease Agreement require that “Affordability Covenants” be recorded in the Property prior to the execution and delivery of the Lease Agreement; and,

WHEREAS, the Declarant intends that this Declaration be recorded to comply with the requirements of the Workforce Housing Development Agreement and the Lease Agreement; and,

WHEREAS, the Lessee, acknowledging and intending that the interest of any lender, investor, member, manager or affiliate in the Property (hereinafter defined) or the Lease Agreement (hereinafter defined) shall be subject to the terms of this Declaration, join in this Declaration, and acknowledge that their interest in the Property, however defined or described, is subject to and subordinate to the terms of this Declaration.

NOW, THEREFORE, the Declarant the Lessee, acknowledging and intending that the interest of any lender, investor, member, manager or affiliate in the Property (hereinafter defined) or the Lease Agreement (hereinafter defined) shall be subject to the terms of this Declaration, join in and acknowledge, that the Property shall be held, transferred, sold, conveyed, devised, assigned, given, purchased, leased, occupied, possessed, mortgaged, encumbered, or otherwise disposed of and used subject to the following covenants, conditions, requirements and restrictions, which shall run with the title to the Property; and that during the term of this Declaration, this Declaration shall be binding upon all parties having any right, title, or interest in any portion of the Property, their heirs, successors, successors-in-title, and assigns, and shall inure to the benefit of the Declarant.

The Lessee acknowledges that the Declarant's execution and delivery of the Workforce Housing Development Agreement and the Lease Agreement is a material economic benefit to them, and that their acknowledgment to be bound this Declaration is a material term of both those agreements, without which the Declarant would not have executed them, and the fulfilment of the obligations of the Workforce Housing Development Agreement and the Lease Agreement and the material economic benefits to them are good, valuable and sufficient consideration for their joinder to and agreement to be bound by this Declaration.

ARTICLE 1 – DEFINITIONS

The terms in this Declaration shall generally be given their natural, commonly accepted definitions, except as otherwise specified in this Article 1. Capitalized terms shall be defined as set forth below.

A. Affordable Rent and Utility Cost. An “Affordable Rent and Utility Cost” is one that is calculated to not exceed the then current HUD rent standards for the applicable AMI category. The total Affordable Rent and Utility Cost for each Dwelling Unit shall not exceed forty (40%) percent of the Household Income for the Tenant. Utility costs shall be established annually for all Tenants. The Lessee may use any of the following for its annual Utility calculation or other methodologies acceptable to HUD: the HUD Utility Schedule Model, the Utility allowance established by the applicable public housing authority, a Utility schedule produced by a qualified independent consultant or another method approved by HUD.

B. AMI. The median family income, based upon applicable family size of a Qualified Household for Beaufort County as most recently published by the United States Department of Housing and Urban Development (“HUD”). If HUD shall no longer compile and publish such statistical information, the most similar information compiled and published by HUD, or any other branch or department of the federal government of the state of South Carolina, or the County of Beaufort, shall be used for the purpose of determining Area Median Income. For the purposes of this Lease, AMI shall be calculated strictly as a percentage of the unadjusted AMI published by HUD, without applying any adjustments or modifications, including but not limited to those used for Section 42 of the Internal Revenue Code or Low-Income Housing Tax Credit (LIHTC) purposes.

C. Declarant: The Declarant is the Town of Hilton Head Island, South Carolina.

D. Declaration. This Declaration of Covenants, Conditions, and Restrictions for Workforce Housing.

E. Dwelling Unit. Any Dwelling Unit in the Project offered for lease to an Eligible Household.

F. Dwelling Unit Lease. A lease of a Dwelling Unit between an Eligible Household and the Lessee. A Dwelling Unit Lease must be for a period of no less than twelve (12) months, and must include the limitations and restrictions set out in Article 3 of this Declaration.

G. Eligible Household.

- (i) Except as stated in Article 1(G)(ii) below, an Eligible Household is a Household whose members have, in the aggregate, Household Income between sixty (60%) percent and one hundred twenty (120%) percent of AMI; and (iii) which has at least one Occupant who is Employed Full Time in the Town; provided, however, that 50.1% of all Tenants must have Household Income at or less than 79.99% of AMI.
- (ii) No more than twenty four (24) Dwelling Units in the Project may be leased to a Household whose members have Household Income between one hundred twenty (120%) percent and one hundred fifty (150%) percent of AMI, and at least one Occupant who is Employed Full Time in the Town. For purposes of clarification, for the twenty four (24) Dwelling Units described in this Article 1(H)(ii), a Household whose members have Household Income between one hundred twenty (120%) percent and one hundred fifty (150%) percent of AMI, with one Occupant Employed Full Time in the Town is an Eligible Household.

H. Employed Full Time in the Town: Employed Full Time in the Town means employment of thirty hours or more per week at a business operating in the municipal limits of the Town.

I. Household. One or more Occupants who occupy and live in the same Rental Workforce Housing Dwelling Unit.

J. Household Income. All sources of financial support, both cash and in kind, of all members of a Household, including, without limitation, wages, salaries, tips and commissions, all forms of self-employment income, interest dividends, net rental income, income from estates or trusts, social security benefits, railroad retirement benefits, supplemental security income, aid to families with dependent children or other public assistance welfare programs, other sources of income regularly received including veterans' (VA) payments, unemployment compensation, child support and alimony, awards prizes, lottery income, government or institutional of eleemosynary loans, grants or subsidies, and contributions made by family or others for medical, financial, personal or educational needs.

K. Housing Choice Voucher. Vouchers available through a program established under 42 USC § 1437(f)(o), also known as Section 8 of the Housing Act of 1937, and 24 CFR § 982.

L. HUD. The United States Department of Housing and Urban Development, or in the event HUD no longer compiles and publishes such statistical information, the most similar information compiled and published by HUD, or any other branch or department of the federal government or the state of South Carolina, or the County of Beaufort, shall be used for the purpose of determining Area Median Income.

M. Lease Agreement. The "Ground Lease Agreement" by and between the Declarant and the Lessee, dated December ___, 2025, a memorandum of which will be recorded in the Public Records in Official Record Book ___ at Page ___.

N. Lessee. The Lessee is HHI Northpoint, LLC, and its successors and assigns.

O. Occupant: Any natural Person who is a member of an Eligible Household occupying and living in a Dwelling Unit under a lease with the Lessee.

P. Person: A natural person, a corporation, a partnership, a limited liability company, a fiduciary acting on behalf of another person, or any other legal entity.

Q. Project: The multifamily residential development for workforce housing to be built and operated on the Property as described in the June 18, 2024, "Workforce Housing

Development Agreement” by and between the Declarant and One Street Residential, LLC, and the Lease Agreement.

R. Property: Those certain pieces, parcels or tracts of land which are known and described as follows:

TRACT I:

COMMENCING AT THE NORTHWESTERN INTERSECTION OF U.S. 278 (WILLIAM HILTOIN PARKWAY) AND GUM TREE ROAD, THENCE PROCEEDING ALONG THE NORTHERN RIGHT-OF-WAY AN APPROXIMATE DISTANCE OF 758' TO A 5/8" IRON REBAR SET WITH CAP, SAID POINT BEING THE POINT OF BEGINNING; THENCE, WITH A CURVE TURNING TO THE LEFT WITH AN ARC LENGTH OF 217.15', WITH A RADIUS OF 2,949.79', WITH A CHORD BEARING OF S 82°37'14" W, WITH A CHORD LENGTH OF 217.10', TO A 6X6" CONCRETE RIGHT-OF-WAY MONUMENT; THENCE, WITH A COMPOUND CURVE TURNING TO THE LEFT WITH AN ARC LENGTH OF 102.79', WITH A RADIUS OF 2949.79', WITH A CHORD BEARING OF S 79°37'34" W, WITH A CHORD LENGTH OF 102.79', TO A 6X6" CONCRETE RIGHT-OF-WAY MONUMENT; THENCE, WITH A COMPOUND CURVE TURNING TO THE LEFT WITH AN ARC LENGTH OF 127.26', WITH A RADIUS OF 2949.79', WITH A CHORD BEARING OF S 77°13'12" W, WITH A CHORD LENGTH OF 127.25', TO A 6X6" CONCRETE RIGHT-OF-WAY MONUMENT; THENCE, S 76°06'23" W, A DISTANCE OF 71.48' TO A 6X6" CONCRETE RIGHT-OF-WAY MONUMENT; THENCE, S 14°19'57" E, A DISTANCE OF 15.02' TO A 6X6" CONCRETE RIGHT-OF-WAY MONUMENT; THENCE, S 76°02'54" W, A DISTANCE OF 132.01' TO A 6X6" CONCRETE RIGHT-OF-WAY MONUMENT; THENCE, S 75°54'25" W, A DISTANCE OF 150.48' TO A 6X6" CONCRETE RIGHT-OF-WAY MONUMENT; THENCE, S 59°59'23" W, A DISTANCE OF 51.41' TO A 6X6" CONCRETE RIGHT-OF-WAY MONUMENT; THENCE, S 77°20'48" W, A DISTANCE OF 370.25' TO A 6X6" CONCRETE RIGHT-OF-WAY MONUMENT; THENCE, N 05°50'58" W, A DISTANCE OF 18.84' TO A 6X6" CONCRETE RIGHT-OF-WAY MONUMENT; THENCE, S 77°15'35" W, A DISTANCE OF 165.22' TO A 6X6" CONCRETE RIGHT-OF-WAY MONUMENT; THENCE, WITH A CURVE TURNING TO THE RIGHT WITH AN ARC LENGTH OF 99.21', WITH A RADIUS OF 1322.39', WITH A CHORD BEARING OF S 78°50'53" W, WITH A CHORD LENGTH OF 99.19', THENCE WITH A CURVE TO A 5/8" IRON REBAR SET W/CAP; THENCE, N 04°00'35" W, A DISTANCE OF 4.54' TO A POINT; THENCE, N 72°12'52" E, A DISTANCE OF 17.80' TO A POINT; THENCE, N 39°29'18" W, A DISTANCE OF 19.20' TO A POINT; THENCE, N 76°42'02" E, A DISTANCE OF 18.01' TO A POINT; THENCE, N 50°50'57" E, A DISTANCE

OF 15.04' TO A POINT; THENCE, N 71°34'25" E, A DISTANCE OF 21.12' TO A POINT; THENCE, N 06°28'44" W, A DISTANCE OF 14.27' TO A POINT; THENCE, N 41°20'34" E, A DISTANCE OF 11.62' TO A POINT; THENCE, N 54°52'27" E, A DISTANCE OF 13.31' TO A POINT; THENCE, N 22°50'58" E, A DISTANCE OF 16.80' TO A POINT; THENCE, N 08°30'55" W, A DISTANCE OF 21.12' TO A POINT; THENCE, N 20°12'33" E, A DISTANCE OF 25.65' TO A POINT; THENCE, N 28°39'36" W, A DISTANCE OF 21.27' TO A POINT; THENCE, N 49°16'57" W, A DISTANCE OF 25.38' TO A POINT; THENCE, N 16°04'12" E, A DISTANCE OF 26.16' TO A POINT; THENCE, N 41°15'16" W, A DISTANCE OF 21.15' TO A POINT; THENCE, N 16°08'07" E, A DISTANCE OF 32.99' TO A POINT; THENCE, N 10°47'14" W, A DISTANCE OF 24.90' TO A POINT; THENCE, N 18°40'18" W, A DISTANCE OF 16.98' TO A POINT; THENCE, N 44°08'00" E, A DISTANCE OF 17.91' TO A POINT; THENCE, N 20°18'16" E, A DISTANCE OF 11.64' TO A POINT; THENCE, N 14°43'12" E, A DISTANCE OF 18.56' TO A 5/8" IRON REBAR SET W/CAP; THENCE, N 83°15'20" E, A DISTANCE OF 162.24' TO A 1/2" IRON REBAR W/CAP; THENCE, N 66°55'29" E, A DISTANCE OF 172.53' TO A 1/2" IRON REBAR W/CAP; THENCE, N 66°37'08" E, A DISTANCE OF 212.79' TO A 3X3" CONCRETE MONUMENT; THENCE, N 15°42'54" E, A DISTANCE OF 90.00' TO A 5/8" IRON REBAR SET W/CAP; THENCE, N 75°57'01" E, A DISTANCE OF 148.24' TO A 3X3" CONCRETE MONUMENT; THENCE, N 76°00'31" E, A DISTANCE OF 182.71' TO A 1/2" IRON REBAR; THENCE, N 76°00'56" E, A DISTANCE OF 182.85' TO A 3X3" CONCRETE MONUMENT; THENCE, S 13°56'00" E, A DISTANCE OF 139.60' TO A DISTURBED 3X3" CONCRETE MONUMENT; THENCE, S 14°03'34" E, A DISTANCE OF 50.00' TO A 5/8" IRON REBAR SET W/CAP; THENCE, N 75°56'26" E, A DISTANCE OF 235.87' TO A 5/8" IRON REBAR SET W/CAP; THENCE, S 14°13'51" E, A DISTANCE OF 271.64' TO A 5/8" IRON REBAR SET W/CAP; WHICH IS THE POINT OF BEGINNING, HAVING AN AREA OF 495,619 SQUARE FEET, 11.378 ACRES AND BEING SHOWN ON THAT PLAT RECORDED IN PLAT BOOK 166, PAGE 72 IN THE OFFICE OF THE REGISTER OF DEEDS FOR BEAUFORT COUNTY, SOUTH CAROLINA.

AND ALSO,

TRACT II:

A twenty (20') foot easement for utilities and drainage of storm water on, over, and across those portions of that certain 4.21 acre parcel, more or less, as said parcel is shown on that certain plat entitled, "A Plat of Old School House Site," dated May 11, 1973, prepared by Paul D. Wilder, S.C.R.L.S. 2591, certified by W.E. Gilbert and Associates, Inc., recorded

with the Office of the Register of Deeds for Beaufort County, South Carolina, in Plat Book 23 at Page 51, as set forth in that certain Indenture Grant of Easement recorded in the Office of the Register of Deeds for Beaufort County, South Carolina, in Record Book 662 at Page 881, and that certain Agreement Concerning Utilities, Drainage, and Easements recorded in the Office of the Register of Deeds for Beaufort County, South Carolina, in Record Book 662 at Page 895.

S. Public Records: The real estate land records maintained by the Office of the Register of Deeds for Beaufort County, South Carolina.

T. Tenant: Tenant means an Eligible Household occupying a Dwelling Unit under a Dwelling Unit Lease. The Dwelling Unit Lease will be executed by a member or member of an Eligible Household who is 21 years of age or older.

U. Town: The Town of Hilton Head Island, South Carolina, a municipal corporation, and political subdivision of the State of South Carolina.

V. Utility or Utilities. Utilities means electric power, water, sewer, and broadband/high speed internet service.

W. Workforce Housing Development Agreement. The “Workforce Housing Development Agreement” by and between the Declarant and One Street Residential, LLC, dated June 18, 2024, a copy of which is maintained and available at the Town of Hilton Head Island, One Town Center Court, Hilton Head Island, South Carolina

ARTICLE 2 – USE RESTRICTIONS

A. In General. This Article sets out use restrictions which must be complied with by Lessee and any Occupant of a Dwelling Unit.

B. Sole Use. The only use permitted of the Property is for the Project providing for Workforce Housing under and governed by the terms of the Workforce Housing Development Agreement, the Lease Agreement, and this Declaration, including, without limitation, all use, rent, tenant income and occupancy restrictions.

C. Occupants Bound. All provisions of this Declaration, including, without limitation, all use, rent, tenant income and occupancy restrictions, shall apply to all Occupants, even if Occupants are not specifically mentioned.

D. Leasing and Occupancy of Dwelling Units. The Dwelling Units may only be leased to and occupied by Eligible Households and its members. Any occupancy of a Dwelling Unit, however described, by any person who is not a member of the Eligible Household shall constitute a violation of this Declaration, the Lease Agreement, and the

Workforce Housing Development Agreement. No Dwelling Unit may be subleased by any Tenant.

E. Annual Rental Amount and Utilities for Rental Workforce Housing Dwelling Units. In no case shall any Dwelling Unit be subject to rent and Utility costs that exceed Affordable Rent and Utility Cost, as defined herein, and no Dwelling Unit Lease shall include a rental amount that exceeds Affordable Rent and Utility Cost as defined herein.

ARTICLE 3 – ADDITIONAL COVENANTS AND CONDITIONS

A. Dwelling Unit Mix: Except as may otherwise be permitted in Article 3(C) below, the Lessee shall ensure that:

- (i) fifty point one (50.1%) of the Tenants residing in the project have a Household Income at or below seventy-nine and ninety-nine hundredths percent (79.99%) of the AMI;
- (ii) no more than forty nine and nine tenths (49.9%) of the Tenants residing in the Project have a Household Income at or above seventy-nine and ninety-nine hundredths percent (79.99%) of the AMI;
- (iii) As is stated in Article 1(H)(ii) above, no more than twenty four (24) Dwelling Units may be leased to Households with a Household Income between one hundred twenty (120%) percent and one hundred fifty (150%) percent of AMI, with one Occupant Employed Full Time in the Town.

B. Certification and Recertification Requirements. During the term of this Declaration, prior to the inception of each Dwelling Unit Lease, and prior to renewing or extending any Dwelling Unit Lease, but not less than annually, the Lessee shall certify and recertify that the Tenant for each Dwelling Unit Lease is an Eligible Household, utilizing the following procedures:

- (i) Initial Certification:
 - (1) Require each prospective or renewal Tenant to document Household Income to demonstrate that the Household is an Eligible Household under Article 1(H)(i) or (ii).
 - (2) Document that any rent and Utility costs stated in any Dwelling Unit Lease is an Affordable Rent and Utility Cost as described in Article 1(A) for the Household Income of the Eligible Household in each Dwelling Unit Lease.

(3) Document that one member of the Tenant is Employed Full Time in the Town;

(ii) Recertification:

(1) No less than 120 days prior to the termination of a Dwelling Unit Lease, notify the Tenant of the recertification process.

(2) No less than 90 prior to the termination of a Dwelling Unit Lease, obtain written release from Tenant to verify the Tenant's employment and income.

(3) No less than 60 days prior to termination of a Dwelling Unit Lease, complete review of Tenant's employment and income data.

(4) No less than 30 days prior to termination of a Dwelling Unit Lease, complete certification and notify Tenant of result, and Tenant's eligibility.

C. Increased Household Income Up to 150% of AMI At Time of Recertification. Subject to the limitations set out in Articles 1(H)(ii) and 3(A), at the time of Recertification, if the Tenant's Household Income has increased to an amount over the income shown in the previous year's certification, but less than 150% AMI, then:

(i) The Lessee will designate the Tenant's Dwelling Unit for a higher AMI level (meaning up to 120% AMI or up to 150% AMI, as the case may be).

(ii) Increase the Rent for the Tenant's Dwelling Unit to the level applicable to the Household Income of the Tenant.

(iii) Designate the next available and comparable Dwelling Unit(s) in the Project to an income level necessary to achieve the Dwelling Unit mix required in Articles 1(H)(i)(ii) and Article 3(A) above. A comparable Dwelling Unit is a Dwelling Unit with the same number of bedrooms as the Tenant's Dwelling Unit.

(iv) At such time as the Tenant's Dwelling Unit becomes vacant, it shall revert to the lower Household Income category (meaning up to 79.99% AMI or up to 120% AMI, as the case may be).

D. Household Income Exceeding 150% Applicable to Dwelling Unit. If, at the time of Recertification, the Tenant's Household Income exceeds one hundred fifty (150%) percent of AMI, the Dwelling Unit Lease will not be renewed, and the Tenant will be required to vacate the Dwelling Unit within one hundred eighty (180) days of the Dwelling Unit Lease termination date.

E. Loss of Full Time Employment in the Town. If, at the time of Recertification, no member of the Household is Employed Full Time in the Town, the Dwelling Unit Lease will not be renewed, and the Tenant will be required to vacate the Dwelling Unit on or before the termination date of the Dwelling Unit Lease. If, prior to the termination date of the Dwelling Unit Lease, a member of the Household becomes employed Full Time in the Town, the Household may be Recertified, provided all other requirements of this Declaration are met.

F. Unavailability of Eligible Households Due to Employment: Beginning on the day that is three (3) years from the Commencement Date (as defined in the Lease Agreement) if a Dwelling Unit becomes available to rent and there is no Eligible Household on the Lessee's waiting list, and no prospective Eligible Household contacts the Lessee to rent the Dwelling Unit within forty-five (45) days following the vacancy of the Dwelling Unit, then the Lessee shall be entitled to rent the Dwelling Unit to a Household that does not include a member who is Employed Full Time in the Town, but which otherwise (a) meets all requirements in this Declaration, and (b) is Employed Full Time within Beaufort County, South Carolina. At the time for Recertification of any Dwelling Unit Lease made with such a Household, the Lessee shall again attempt to rent the Dwelling Unit to an Eligible Household. The Declarant acknowledges and agrees that the Lessee is not obligated to operate and manage the Project in a manner that is violative of state or federal law at any time during the Term of the Lease Agreement, and this Declaration shall be modified at any point in the term in order to comply with future state or federal law.

G. Housing Choice Vouchers: Except as provided in Article 3(G)(i) below, no more than fifteen (15%) of the Tenants shall be utilizing Housing Choice Vouchers.

(i) In the event the Lessee determines conditions exist so that it is in the best interests of the Project to allow up to twenty (20%) percent of the Tenants to utilize Housing Choice Vouchers, Lessee shall request that the Declarant approve allowing up to twenty (20%) percent of the Tenants to utilize Housing Choice Vouchers. The request shall include such data and documentation as the Lessee deems advisable to demonstrate the benefit to the Project. The Declarant shall respond in writing that it will or will not allow the increase in Housing Choice Vouchers, however the Declarant's agreement cannot be unreasonably withheld.

H. Annual Reports of Lessee: During the term of this Declaration, the Lessee shall deliver an annual report to the Town documenting the Certification and Recertification of all Tenants to the Town's Workforce Housing Lessee, and the report shall show:

- (i) all Tenants are Eligible Households;
- (ii) rent and Utility costs for all Dwelling Units are Affordable Rent and Utility Cost as defined herein;
- (iii) The dwelling unit mix is as required under Article 3(A);
- (iii) The number of Tenants using Housing Choice Vouchers is as required under Article 3(F)(i) above.
- (iv) The report shall be due on or before January 31 of each calendar year for the previous calendar year.

ARTICLE 4 – GENERAL TERMS

A. Effective Date and Duration. This Declaration shall have a Term of sixty five (65) years commencing on the date of issuance by the Town of the initial Certificate of Occupancy for the Project. At the end of the Term, this Declaration shall terminate, and shall no longer be effective or enforceable against the Property. Contemporaneously with the issuance of the initial Certificate of Occupancy for the project, the Parties shall execute and deliver an Amendment to this Article 4(A) of this Declaration, which Amendment shall state the date of the issuance of the initial Certificate of Occupancy and the termination date of this Declaration, which Amendment shall be recorded by the in the Public Records.

B. Severability. Invalidation of any term of this Declaration, in whole or in part, or any application of any provision of this Declaration by judgment or court order shall in no way affect other provisions or applications.

C. Compliance. The Lessee and any Occupant of a Dwelling Unit, shall at all times comply with all terms of this Declaration, the Lease Agreement, and the Workforce Housing Development Agreement. Failure by the Lessee, and any Occupant of a Dwelling Unit to comply will all terms of this Declaration, the Lease Agreement and the Workforce Housing Development Agreement shall constitute a violation of this Declaration.

D. Enforcement. This Declaration is solely for the benefit of the Declarant, and nothing contained in this Declaration shall be deemed to confer upon any person or entity, other than the Declarant, the right to enforce or take any action under or with

respect to this Declaration. Because this Declaration is made for the benefit of the Declarant, only the Declarant shall have the right to enforce this Declaration. This Declaration may be enforced by the Declarant by any legal or equitable means to compel compliance to the terms of this Declaration or to prevent the violation or breach of this Declaration. The non-prevailing party in any enforcement action shall pay the prevailing party's reasonable legal costs and attorney's fees incurred.

E. Acknowledgment of Declarant's Standing to Enforce. The Lessee affirms that the Declarant has standing to enforce this Declaration and affirmatively waives any claim or defense that the Declarant lacks standing to enforce this Declaration. The Lessee further affirms that the Lessee's agreement and waiver regarding the Declarant's standing to enforce this Declaration are material terms of this Declaration and that the the Lessee intends to be bound by them.

F. Recordation. The Declarant shall record this Declaration in the Public Records, simultaneously with the recording of the Lease Agreement, or Memorandum of the Lease Agreement.

G. Binding Effect; Governing Law. This Declaration shall be binding upon, and shall inure to the benefit of, the successors and assigns of the Declarant and the Lessee. This Declaration shall be governed by and construed in accordance with the laws of the State of South Carolina. Jurisdiction/Venue Beaufort County.

H. No Waiver. Failure to enforce, or delay in the enforcement of, any provision or provisions of this Declaration shall not operate as a waiver of or estoppel with respect to the enforcement to any such provision or of any other provisions of this Declaration.

I. Captions. The captions and headings in this Declaration are for convenience only and shall not be considered in construing any provisions of this Declaration.

J. Amendments. Notwithstanding any contrary provision of this Declaration, no amendment to or modification of any provision or term of this Declaration shall be effective without the prior written consent of the Declarant and the Town. This Article 4, Section J may not be amended without the written consent of the Declarant and the Lessee.

K. Grant. The Declarant hereby declares, and the Lessee acknowledges that this Declaration, and the covenants, conditions, and restrictions created herein, shall be and constitute real covenants running with the fee simple estate of the Property.

L. Notices. Any notices given under this Declaration shall be in writing and delivered by certified first-class mail (return receipt requested, postage paid), by hand in

person, or by reputable private overnight commercial courier service, to the following addresses:

To the Town/Declarant: Town of Hilton Head Island
Attention: Town Lessee
One Town Center Court
Hilton Head Island, SC 29928;

To the Lessee: HHI Northpoint, LLC
c/o One Street Residential, LLC
104 Interstate North Parkway East SE
Atlanta, Georgia 30339

or to such other address or person as either party may direct by written notice to the other party.

M. Cumulative Effect; Conflict. The provisions of this Declaration shall be cumulative with any other existing or future covenants, restrictions, declarations, or easements applicable to the Property or any portion thereof, and the Declarant may, but shall not be required to, enforce any such other covenants, conditions, restrictions, declarations, and easements; *provided, however*, that in the event of a conflict between or among this Declaration and such other covenants, conditions, restrictions, declarations, or easements recorded in the Public Records, after the date and time of the recording of this Declaration in the Public Records, this Declaration shall prevail. Nothing in this Article 4(M) shall preclude any other covenants, restrictions, declarations, or easements applicable to any portion of the Property from containing additional restrictions or provisions, other than those related to rental of or occupancy of the Rental Workforce Housing Dwelling Units which are more restrictive than the provisions of this Declaration, and the Declarant shall have the standing and authority to enforce the same.

[Signature pages follow]

(FORM OF SIGNATURE PAGE TO BE PREPARED FOR EACH PARTY)

In Witness Whereof, _____, by and through its duly authorized officer, has caused this Declaration to be signed and sealed on this ____ of _____, 202__.

WITNESSES:

_____ By: _____

_____ Its: _____

STATE OF SOUTH _____)

_____)

COUNTY OF _____)

UNIFORM ACKNOWLEDGMENT

The undersigned Notary Public certifies that _____, the duly authorized officer of _____, personally appeared before me on this day and duly acknowledged the execution of the foregoing instrument.

Sworn to and Subscribed before me
on this _____ Day of _____, 202__.

Notary Public for _____
My Commission Expires: _____



TOWN OF HILTON HEAD ISLAND

Town Council

TO: Mayor Alan R. Perry & Town Council Members
FROM: Ben Brown, Director of Strategic Initiatives
CC: Marc Orlando, Town Manager, ICMA-CM
Shawn Leininger, Deputy Town Manager
Curtis Coltrane, Town Attorney
DATE: December 9, 2025
SUBJECT: Consideration of an Ordinance of the Town Council of the Town of Hilton Head Island, South Carolina Authorizing the Execution and Delivery of a Non-Exclusive Easement for Ingress, Egress, and Utilities with the Hilton Head Public Service District at Northpoint – Second Reading

RECOMMENDATION:

Consideration of Second Reading of an Ordinance of the Town Council of the Town of Hilton Head Island, South Carolina Authorizing the Execution and Delivery of a Non-Exclusive Easement for Ingress, Egress, and Utilities with the Hilton Head Public Service District (HHPSD) at Northpoint. First Reading was approved on November 4, 2025.

BACKGROUND:

On June 18, 2024, Town Council approved the Northpoint Workforce Housing Development Agreement with OneStreet Residential (OSR), establishing the roles and responsibilities of both parties in developing and managing a workforce housing neighborhood on the Town's 11-acre Northpoint property. The Agreement outlined a phased approach culminating in a long-term Ground Lease.

The HHPSD owns a 1.03-acre property containing its water tower, a parcel that was part of the original Northpoint tract. HHPSD currently accesses the site via Northpoint Circle. As part of the Northpoint redevelopment, this access will be reconfigured and improved to align with the neighborhood's new internal roadway network. To ensure HHPSD's continued access for the operation and maintenance of critical public utility infrastructure, the Town and HHPSD have negotiated a non-exclusive easement providing ingress, egress, and utility access across the newly configured roadway.

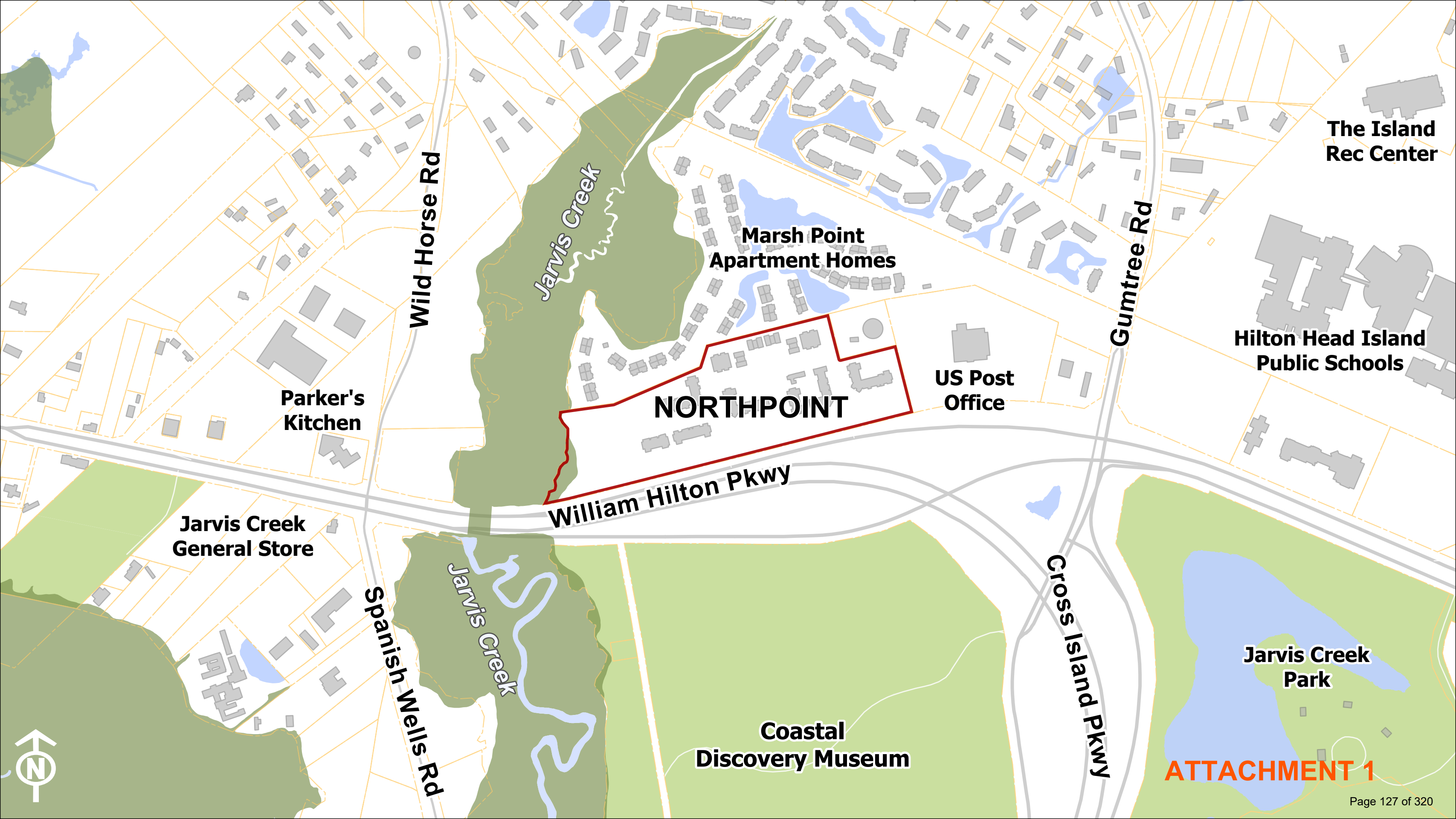
Providing this easement supports HHPSD's responsibility to deliver potable water to residents within its service area. Granting the easement is therefore in the best interest of the Town and is consistent with the infrastructure coordination anticipated in the Northpoint Development Agreement.

CONCLUSION:

Approval of the Non-Exclusive Easement for Ingress, Egress, and Utilities with HHPSD ensures continued and reliable access to the existing water tower site while accommodating the redevelopment of the Northpoint property. The easement is consistent with the Northpoint Development Agreement and is necessary to support HHPSD's provision of essential public services.

ATTACHMENTS:

1. Northpoint Vicinity Map
2. Ordinance Authorizing HHPSD Easement with Exhibits



**The Island
Rec Center**

**Marsh Point
Apartment Homes**

**Hilton Head Island
Public Schools**

**US Post
Office**

NORTHPOINT

William Hilton Pkwy

**Parker's
Kitchen**

**Jarvis Creek
General Store**

Spanish Wells Rd

Cross Island Pkwy

**Jarvis Creek
Park**

**Coastal
Discovery Museum**

ATTACHMENT 1

Ordinance 2025-___

AN ORDINANCE OF THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA,
AUTHORIZING THE EXECUTION AND DELIVERY OF A NON-EXCLUSIVE
EASEMENT FOR INGRESS, EGRESS AND UTILITIES, AND PROVIDING FOR
SEVERABILITY AND AN EFFECTIVE DATE.

BE IT ORDERED AND ORDAINED BY THE TOWN OF HILTON HEAD ISLAND,
SOUTH CAROLINA, AND IT IS ORDAINED BY THE AUTHORITY OF THE TOWN
COUNCIL AS FOLLOWS.

Section 1. Findings and Conclusions.

(a) The Town of Hilton Head Island, South Carolina (the “Town”), is the owner of real
property described as:

All those certain pieces, parcels or lots of land, lying and being on Hilton
Head Island, Beaufort County, South Carolina, shown and described as
“Lots 3, 4, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17 and Northpointe Pointe Circle
50 Foot Right of Way,” on a plat entitled “An ALTA Survey of Tract “M” A
Section of U. S. Highway 278,” prepared by Antoine Vines, S.C.R.L.S. 9064,
which is recorded in the Office of The Register of Deeds for Beaufort County,
South Carolina, in Plat Book 64 at Page 4;

AND ALSO,

All that certain piece, parcel or lot of land, situate, lying and being on Hilton
Head Island, Beaufort County, South Carolina, originally being a portion of
a 3.38 acre tract more particularly shown and described on that certain plat
by Terry G. Hatchell, S.C.R.L.S. 11059, entitled "A Plat of A section of Honey
Horn Plantation," dated April 30, 1986, and which is recorded in the Office
of The Register of Deeds for Beaufort County, South Carolina, in Plat Book
34 at Page 77;

AND ALSO,

All that certain piece, parcel or tract of land containing a total of
approximately 0.27 acres, situate, lying and being in Beaufort County, South
Carolina, and being shown and described as “Area to be Acquired by PIN:
R510 007 000 0265” on a Plat entitled “A Lot Line Reconfiguration of
Northpointe Circle,” prepared by Jeremy Reeder, S. C. P.L.S. 28139, dated
February 27, 2025, and which is recorded in the Office of The Register of
Deeds for Beaufort County, South Carolina, in Plat Book 165 at Page 102.
(the “Town Property”).

(b) The Hilton Head No. 1 Public Service District is the owner of real property described as:

All that certain piece, parcel or lot of land, situate, lying and being on Hilton Head Island, Beaufort County, South Carolina, which is shown and described as “Lot 5,” containing 1.03 Acres (44,650 square feet), on a Plat prepared by Antoine Vinel, SCRLS 9064, dated December 16, 1997, and recorded in the Office of The Register of Deeds for Beaufort County, South Carolina, in Plat Book 64 at Page 4. (the “HHPSD Property”).

(c) Access to the HHPSD Property is currently via a partially improved travel way that allows vehicular ingress and egress to and from U. S. Highway 278 from and to the HHPSD property.

(d) The Town intends to enter into a long term ground lease of the Town Property with HHI Northpoint, LLC, with the intention that HHI Northpoint, LLC, will develop and manage a multifamily Workforce Housing project on the Town Property.

(e) As a part of the development of the Workforce Housing project, the existing roadway on the Town Property will be demolished, and a new roadway, in a different configuration will be built.

(f) The Town has negotiated an access easement by which HHPSD will be provided access to and from the HHPSD Property over the new roadway to be built on the Town Property, and the proposed easement is attached hereto as Exhibit “A.”

(g) Because HHPSD requires access to the HHPSD Property to aid in the performance of its function to deliver potable water to the residents in its service area, the Town finds that it is in the best interests of the Town to grant easement to HHSPD in the form and substance at the proposed easement is attached hereto as Exhibit “A.”

(f) S. C. Code Ann. § 5-7-40 (Supp. 2023) and § 2-7-20, *Municipal Code of the Town of Hilton Head Island, South Carolina*, (1983), require that any lease, conveyance or

granting of an interest in real property owned by the Town of Hilton Head Island, South Carolina, must be authorized by Ordinance.

Section 2. Authority to Grant Easements.

(a) The Mayor and Town Manager are authorized to execute and deliver the “Access Easement Agreement” to HHPSD, in the form and substance as the document attached hereto as Exhibit “A.”

(b) The Mayor and Town Manager are authorized to take all other and further actions as may be necessary to complete the granting of the easement, and the performance of the Town’s obligations under the easement described in this Ordinance.

Section 3. Severability.

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

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

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

THE TOWN OF HILTON HEAD ISLAND,
SOUTH CAROLINA

Alan R. Perry, Mayor

ATTEST:

Kimberly Gammon, Town Clerk

APPROVED AS TO FORM:

Curtis L. Coltrane

First Reading: November 4, 2025

Second Reading: _____

Exhibit “A” to Ordinance Authorizing Execution and Delivery of an Access Easement
Agreement Encumbering Town Owned Property (Northpoint)

Recording Requested By and
When Recorded Mail to:

(Space above this line for Recorder's Use)

STATE OF SOUTH CAROLINA)
COUNTY OF BEAUFORT)

ACCESS EASEMENT AGREEMENT

THIS ACCESS EASEMENT AGREEMENT (the "Agreement") is made and executed to be effective as of this ____ day of _____, 2025 (the "Effective Date") by and among THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA ("Party A") and HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT, a public body corporate and politic under the laws of the State of South Carolina ("Party B") and is acknowledged and agreed to by HHI NORTHPOINT, LLC, a South Carolina limited liability company ("Ground Lessee"). Party A, Party B and Ground Lessee are each hereinafter referred to as a "Party" and collectively as the "Parties."

WITNESSETH:

WHEREAS, Party A is the owner of a certain piece, parcel, or tract of land, together with the improvements thereon, consisting of an approximately 11.37 acre parcel in the Town of Hilton Head, Beaufort County, South Carolina as more particularly described on Exhibit A attached hereto and incorporated herewith (the "Party A Property"); and

WHEREAS, Party B is the owner of a certain piece, parcel or tract of land, together with the improvements thereon, consisting of an approximately 1.03 acre parcel in the Town of Hilton Head, Beaufort County, South Carolina which has the tax parcel identification no. of TMS-510-007-000-231 and is more particularly described on Exhibit B attached hereto and incorporated herewith (the "Party B Property"); and

WHEREAS, Party A intends to lease the Party A Property to Ground Lessee for the purposes of developing a multifamily residential workforce housing rental property, and for the terms of this Agreement to bind Ground Lessee and all future successors and assigns of Party A to the terms hereof; and

WHEREAS, the Parties desire to declare certain non-exclusive easements to benefit the Party A Property and the Parcel B Property, and the present and future owners and occupants thereof, as set forth herein; and

WHEREAS, the Party A Property, the Party B Property, and the easements referenced herein are shown and identified on the HHPSD Access Easement Exhibit attached hereto and incorporated herewith as Exhibit C; and

WHEREAS, the term "Owner" or "Owners" shall mean the respective owner or owners of the Party A Property and the Party B Property, or any portion thereof, Ground Lessee and any and all successors or assigns of such owners to the fee simple title of all or any portion of the Party A Property and the Party B Property, whether by sale, assignment, inheritance, operation of law, trustee's sale, foreclosure, or otherwise, but not including the holder of any lien or encumbrance on such property; and

WHEREAS, the term "Parcel" or "Parcels" shall mean each separately identified parcel of real property now constituting a part of the real property subject to this Agreement, including the Party A Property and the

Party B Property described on Exhibit A and/or Exhibit B, and any separately identified parcel resulting from a subdivision, if any, thereof.

NOW, THEREFORE, each Party hereby covenants and declares, on behalf of itself and its successors and assigns, that its respective Parcel(s) shall be held, conveyed, acquired and encumbered subject to the following easements, covenants, and restrictions, all of which shall run with the land and bind and inure to the benefit of all persons who may now or hereafter occupy or enter upon any portion thereof, subject to the right of the Parties (or their successors and assigns) to amend this Agreement as provided herein.

1. Grant of Non-Exclusive Access Easement. Party A hereby grants, sells and conveys to Party B, its successors and assigns and their respective agents, employees, contractors and invitees a perpetual non-exclusive right and easement over, upon and across the area shown as 20' HHPSD Access Easement (as identified on Exhibit C) (the "Easement Area" or "Shared Drive") for the purposes of using a shared drive and associated ingress, regress and egress thereupon by pedestrian and vehicular traffic to and from William Hilton Parkway (US Hwy 278) and the Party B Property.

2. Construction and Maintenance. At such time as Ground Lessee is lessee of the Party A Property, Ground Lessee, at its sole cost and expense, shall construct driveway improvements upon the Shared Drive (the "Shared Drive Improvements") within the Easement Area to accommodate vehicular traffic to and from the Party B Tract and William Hilton Parkway (US HWY 278) in accordance with plans to be agreed upon by the Parties. The Shared Drive Improvements shall be constructed in accordance with plans to be agreed upon by the Parties within the Easement Area in compliance with all governmental requirements as may be applicable. Party A, or so long as Ground Lessee is lessee of the Party A Property, Ground Lessee, agrees to maintain the Shared Drive in a usable, neat, and uniform manner and in accordance with all applicable government requirements. Notwithstanding the foregoing, with respect to any damage due to the willful acts or negligence of either Party hereto or of any person(s) who uses or has used the Shared Drive pursuant to authority of either Party hereto, the Party causing such damage or the Party granting such authority to use shall liable for such damages.

3. Maintenance Obligations. Party A, or so long as Ground Lessee is lessee of the Party A Property, Ground Lessee, shall be responsible for the replacement, operation, maintenance, and repair of the Shared Drive located in the Access Easement at its sole cost and expense and shall maintain the Shared Drive in good and workmanlike condition.

4. Cleanliness and Obstruction. Party A, or so long as Ground Lessee is lessee of the Party A Property, Ground Lessee, shall keep the Easement Area free of trash and debris and shall promptly remove or cause to be removed trash and debris left by their tenants, agents, officers, or employees from the Easement Area. Party B shall not erect any permanent or temporary structure, obstacle or barrier over or across the Easement Area or otherwise interfere with the reasonable use of the Easement Area (except as may be necessary for Party B to maintain and/or improve its infrastructure on its property; and except as may be required during the construction of the New Driveway Improvements or during maintenance, repair or upkeep of the Shared Drive necessary or desirable to preserve the same for its intended use, in which case the Party causing the obstruction shall give reasonable advance notice of same to the other Party) and shall make no use of the Easement Area which is inconsistent with its use as a driveway or as its use as access to Party B's infrastructure on its property.

5. Legal Effect. The Easements and covenants shall run with the Property and shall bind each Party, its successors and assigns, and every other person now or hereafter acquiring an interest in or lien upon the Property, or any portion thereof The rights of Easements declared hereby: (i) shall be an estate prior to any lien, deed, estate or encumbrance whatsoever; (ii) shall be perpetual and shall run with the land, be binding upon, and inure to the benefit of the parties hereto, their heirs, successors and assigns; (iii) shall be, and are, appurtenant to, and essentially necessary for the enjoyment and use of the Properties; and (iv) are made in contemplation of commercial use, and are of commercial character. It is the Parties' express intent that the Easements shall not, at any time, merge by operation of law into an Owner's title or interest in any Parcel, but that the Easements shall remain separate and distinct rights and estates in land, unless the Owner(s) of all affected Parcels specifically evidence their intent by mutual agreement in writing to extinguish any such easement. It is further expressly provided that the acquisition hereafter by any other party (including, without limitation, a present or future mortgagee of any Parcel or any portion thereof) of an ownership interest (in fee, leasehold, or otherwise) shall not operate, by merger or otherwise,

to extinguish, diminish, impair, or otherwise affect any easement granted herein, which Easements shall remain separate and distinct and estates in land

6. Captions, Gender, and Number. Captions contained in this Agreement are inserted only as a matter of convenience and in no way define, limit, extend or describe the scope of this Agreement or the intent of any provision hereof. Whenever the context so requires, any pronouns used herein shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns and pronouns shall include the plural and vice versa.

7. Waiver. Any consent to or waiver of any provision hereof shall not be deemed or construed to be a consent to or waiver of any other provision of this Agreement. Failure on the part of any Owner to complain of any act or failure to act of any other owner, irrespective of the duration of such failure, shall not constitute a waiver or modification of rights hereunder. No waiver or modification hereunder shall be effective unless the same is in writing and signed by the Owner(s) against whom it is sought.

8. Binding Effect. Except as otherwise provided herein, all provisions of this Agreement shall be binding upon, inure to the benefit of and be enforceable by and against each Party and its successors and assigns.

9. Severability. If any covenant, restriction, or provision contained in this Agreement is to any extent declared by a court of competent jurisdiction to be invalid or unenforceable, the remaining covenants, restrictions, and provisions contained herein (or the application of such covenants, restrictions, and provisions to persons or circumstances other than those in respect of which the determination of invalidity or unenforceability was made) will not be affected thereby and each covenant, restriction, and provision contained in this Agreement will be valid and enforceable to the fullest extent permitted by law.

10. Governing Law. This Agreement shall be governed by the laws of the State of South Carolina.

11. Term; Amendment. This Agreement and the covenants and restrictions set forth herein shall run with and bind all land within the Property, as applicable. This Agreement may not be amended, supplemented, or terminated unless done so by a writing signed by all Owners. Any such amendment, supplement or termination will be effective at such time as an instrument reflecting such amendment, supplement, or termination, signed by each Party, or its successors and assigns, and by such mortgagees is filed for record in the real property records of Greenville County, South Carolina. The Owner(s) shall not unreasonably withhold or delay consent to any amendment of this Agreement requested by the other Owner(s).

12. Notice. Any notices given pursuant to this Agreement shall be in writing, and shall be personally delivered or deposited in the United States certified mail, postage prepaid, return receipt requested, or via overnight delivery with delivery confirmation, at the following addresses.

Party A: Town of Hilton Head Island, South Carolina
 ATTN: Town Manager
 One Town Center Court
 Hilton Head Island, SC 29928

Party B: Hilton Head Public Service District
 ATTN: General Manager
 21 Oak Park Drive
 Hilton Head Island, SC 29926

Ground Lessee: HHI Northpoint, LLC
 c/o One Street Residential, LLC
 104 Interstate N. Pkwy East SE
 Atlanta, GA 30339
 Attention: Brendan Barr, Managing Partner

13. Estoppel Certificates. Owner of any portion of the Property will from time to time and, within fifteen (15) days of its receipt of a written request from any other Owner(s), tenant(s), or mortgagee(s) having an interest in any portion of the Property, provide a certificate binding upon the executing party stating: (a) to the Owner's actual knowledge, whether any party to this Agreement is in default or violation of this Agreement and if so identifying the default or violation; and (b) whether this Agreement is in full force and effect and identifying any amendments to the Agreement as of the date of such certificate; and (c) any other reasonable factual matter relating to the Agreement and requested by such other Owner(s), tenant(s), or mortgagee(s).

[SIGNATURE PAGES FOLLOW]

SIGNATURE PAGE OF
EASEMENT AGREEMENT

The following party has duly executed this Easement Agreement as of the day and year first above written.

HHI NORTHPOINT, LLC
a South Carolina limited liability company

Witness #1

By: _____
Name: _____
Title: _____

Witness #2

STATE OF SOUTH CAROLINA)
)
COUNTY OF BEAUFORT)

I, _____, a Notary Public of the County and State aforesaid, certify that
_____ personally came before me this day and acknowledged that he is , and that by authority
duly given and as an act of the company, has signed the foregoing in its name and on its behalf as it act and deed.

WITNESS my hand and notarial seal, this ____day of _____,2025.

[Notarial Seal]

Notary Public
Printed Name _____
My Commission Expires: _____

SIGNATURE PAGE OF
EASEMENT AGREEMENT

The following party has duly executed this Easement Agreement as of the day and year first above written.

HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT,
a public body corporate and politic under the laws of the
State of South Carolina

Witness #1

By: _____
Name: _____
Title: _____

Witness #2

By: _____
Name: _____
Title: _____

STATE OF SOUTH CAROLINA)
)
COUNTY OF BEAUFORT)

I, _____, a Notary Public of the County and State aforesaid, certify that
_____ personally came before me this day and acknowledged that he is , and that by authority
duly given and as an act of the company, has signed the foregoing in its name and on its behalf as it act and deed.

WITNESS my hand and notarial seal, this ____ day of _____, 2025.

[Notarial Seal]

Notary Public
Printed Name _____
My Commission Expires: _____

SIGNATURE PAGE OF
EASEMENT AGREEMENT

The following party has duly executed this Easement Agreement as of the day and year first above written.

THE TOWN OF HILTON HEAD ISLAND, SOUTH
CAROLINA, a public body corporate and politic under
the laws of the State of South Carolina

Witness #1

By: _____
Name: _____
Title: _____

Witness #2

By: _____
Name: _____
Title: _____

STATE OF SOUTH CAROLINA)
)
COUNTY OF BEAUFORT)

I, _____, a Notary Public of the County and State aforesaid, certify that
_____ personally came before me this day and acknowledged that he is , and that by authority
duly given and as an act of the company, has signed the foregoing in its name and on its behalf as it act and deed.

WITNESS my hand and notarial seal, this ____ day of _____, 2025.

[Notarial Seal]

Notary Public
Printed Name _____
My Commission Expires: _____

EXHIBIT A

PARTY A PROPERTY

All those certain pieces, parcels or lots of land, lying and being on Hilton Head Island, Beaufort County, South Carolina, shown and described as “Lots 3, 4, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17 and Northpointe Pointe Circle 50 Foot Right of Way,” on a plat entitled “An ALTA Survey of Tract “M” A Section of U. S. Highway 278,” prepared by Antoine Vines, S.C.R.L.S. 9064, which is recorded in the Office of The Register of Deeds for Beaufort County, South Carolina, in Plat Book 64 at Page 4;

AND ALSO,

All that certain piece, parcel or lot of land, situate, lying and being on Hilton Head Island, Beaufort County, South Carolina, originally being a portion of a 3.38 acre tract more particularly shown and described on that certain plat by Terry G. Hatchell, S.C.R.L.S. 11059, entitled "A Plat of A section of Honey Horn Plantation," dated April 30, 1986, and which is recorded in the Office of The Register of Deeds for Beaufort County, South Carolina, in Plat Book 34 at Page 77;

AND ALSO,

All that certain piece, parcel or tract of land containing a total of approximately 0.27 acres, situate, lying and being in Beaufort County, South Carolina, and being shown and described as “Area to be Acquired by PIN: R510 007 000 0265” on a Plat entitled “A Lot Line Reconfiguration of Northpointe Circle,” prepared by Jeremy Reeder, S. C. P.L.S. 28139, dated February 27, 2025, and which is recorded in the Office of The Register of Deeds for Beaufort County, South Carolina, in Plat Book 165 at Page 102.

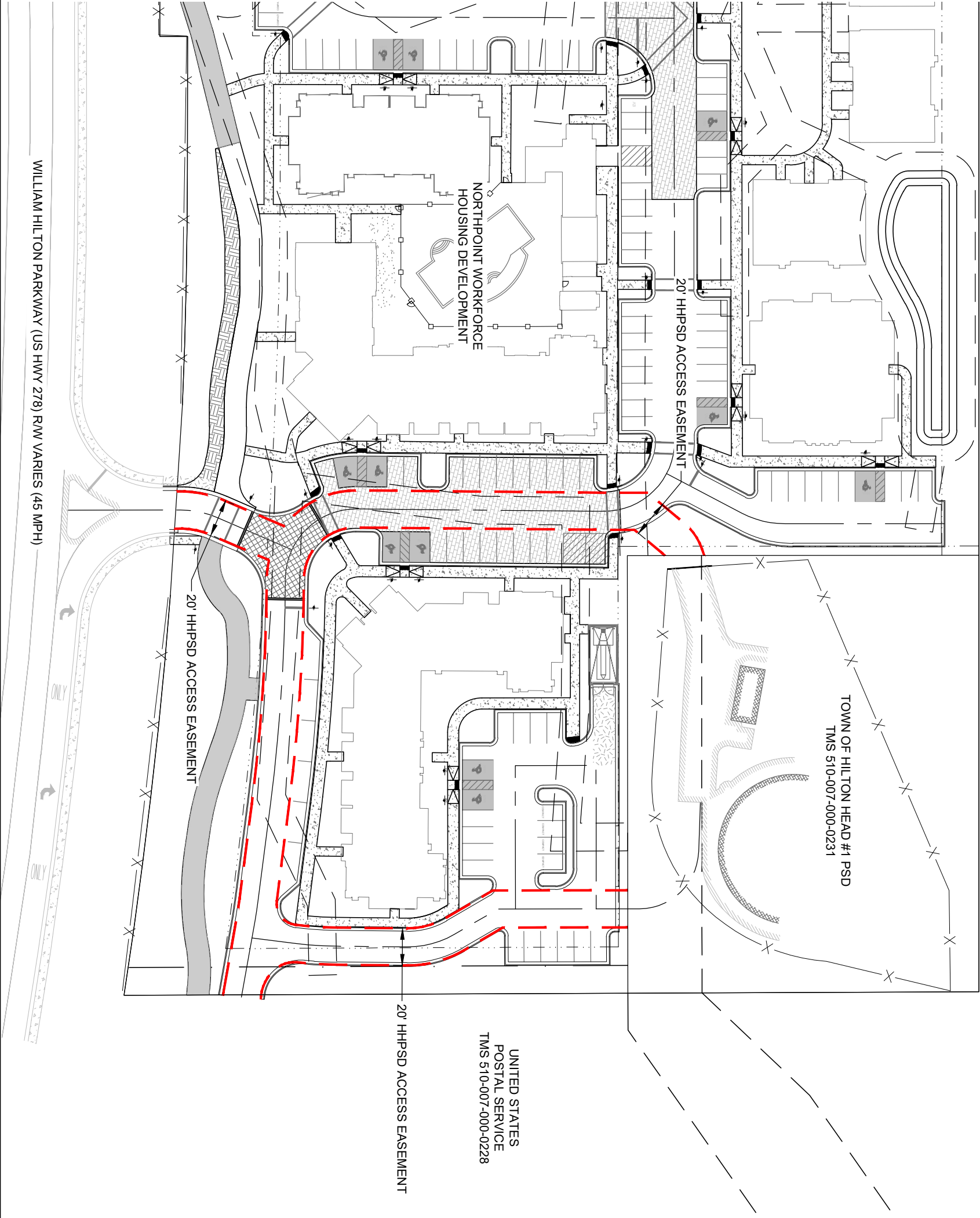
EXHIBIT B

PARTY B PROPERTY

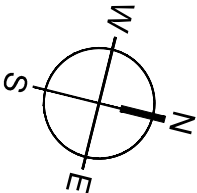
All that certain piece, parcel or lot of land, situate, lying and being on Hilton Head Island, Beaufort County, South Carolina, which is shown and described as "Lot 5," containing 1.03 Acres (44,650 square feet), on a Plat prepared by Antoine Vinel, SCRLS 9064, dated December 16, 1997, and recorded in the Office of The Register of Deeds for Beaufort County, South Carolina, in Plat Book 64 at Page 4.

EXHIBIT C

HHPSD ACCESS EASEMENT EXHIBIT



WILLIAM HILTON PARKWAY (US HWY 278) RW VARIES (45 MPH)



PROJECT NAME: NORTHPOINT WORKFORCE HOUSING
PROJECT #: 11271
PROJECT LOCATION: HILTON HEAD ISLAND, SC
DATE: 06/18/25



HHPSD ACCESS
EASEMENT EXHIBIT



TOWN OF HILTON HEAD ISLAND

Town Council

TO: Mayor Alan R. Perry & Town Council Members
FROM: Ben Brown, Director of Strategic Initiatives
CC: Marc Orlando, Town Manager, ICMA-CM
Shawn Leininger, Deputy Town Manager
Curtis Coltrane, Town Attorney
DATE: December 9, 2025
SUBJECT: Consideration of a Resolution of the Town Council of the Town of Hilton Head Island, South Carolina, Authorizing the Execution and Delivery of an Agreement Regarding the Payment of One Million and No/100 (\$1,000,000) Dollars for Site Improvements in Connection with the Development of the Northpoint Workforce Housing Project, and Authorizing the Execution and Delivery of an Escrow and Disbursement of the Funds, and the Completion of the Town's Obligations Described in the Agreements

RECOMMENDATION:

Consideration of a Resolution of the Town Council of the Town of Hilton Head Island, South Carolina, Authorizing the Execution and Delivery of an Agreement Regarding the Payment of One Million and No/100 (\$1,000,000) Dollars for Site Improvements in Connection with the Development of the Northpoint Workforce Housing Project, and Authorizing the Execution and Delivery of an Escrow and Disbursement of the Funds, and the Completion of the Town's Obligations Described in the Agreements.

BACKGROUND:

On June 18, 2024, Town Council approved the Northpoint Workforce Housing Development Agreement with OneStreet Residential (OSR), establishing the roles and responsibilities of both parties in developing and managing a workforce housing neighborhood on the Town's 11-acre Northpoint property. The Agreement outlined a phased approach culminating in a long-term Ground Lease.

As part of the Development Agreement, the Town committed to contribute \$1,000,000 to support the development of the Northpoint neighborhood. These funds were received through the American Rescue Plan Act (ARPA) and allocated to the project as part of the Town's contribution to the public-private partnership with OSR.

To implement this commitment, the Town and OSR have negotiated the Lessor's Work Supervision Agreement and the Construction Escrow Agreement. These agreements

establish the terms under which the \$1,000,000 will be deposited, held, and disbursed. Upon execution of the Ground Lease, the Town will deposit the funds into escrow, where they will be managed by an independent Escrow Agent in accordance with the Construction Escrow Agreement. This structure ensures proper oversight of the funds and compliance with the Development Agreement and Ground Lease.

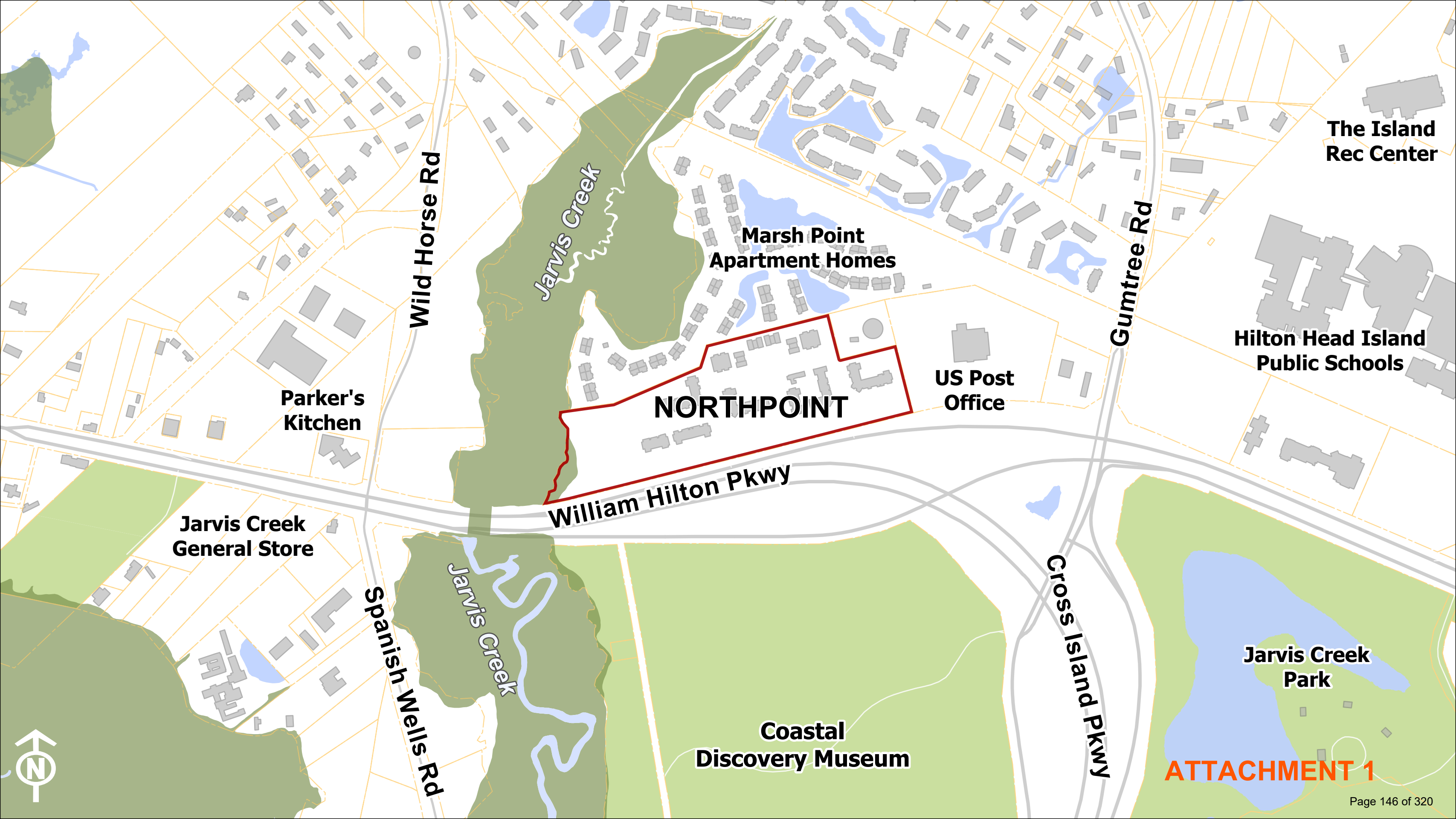
The Town will remain the owner of the Northpoint property throughout the Ground Lease term and will own all improvements at the end of the lease.

CONCLUSION:

Approval of the Resolution will authorize the execution and delivery of the agreements required to implement the Town's \$1,000,000 contribution toward site improvements for the Northpoint Workforce Housing Initiative. This contribution is consistent with the Town's commitments under the Development Agreement and Ground Lease and advances the public-private partnership with OSR toward financing and construction.

ATTACHMENTS:

1. Northpoint Vicinity Map
2. Resolution Authorizing Lessor Work and Construction Escrow Agreement



**The Island
Rec Center**

**Marsh Point
Apartment Homes**

Wild Horse Rd

Jarvis Creek

Gumtree Rd

**Hilton Head Island
Public Schools**

**US Post
Office**

**Parker's
Kitchen**

NORTHPOINT

William Hilton Pkwy

**Jarvis Creek
General Store**

Spanish Wells Rd

Jarvis Creek

Cross Island Pkwy

**Jarvis Creek
Park**

**Coastal
Discovery Museum**

ATTACHMENT 1

THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA, AUTHORIZING THE EXECUTION AND DELIVERY OF AN AGREEMENT REGARDING THE PAYMENT OF ONE MILLION AND NO/100 (\$1,000,000.00) DOLLARS FOR SITE IMPROVEMENTS IN CONNECTION WITH THE DEVELOPMENT OF HTE NORTHPOINT WORKFORCE HOUSING PROJECT, AND AUTHOIZING THE EXECUTION AND DELIVERY OF AN ESCROW AGREEMENT REGARDING THE ESCROW AND DISBURSEMENT OF THE FUNDS, AND THE COMPLETION OF THE TOWN'S OBLIGATIONS DESCRIBED IN THE AGREEMENTS**

WHEREAS, the Town owns real property that is known and described as the “Northpoint Property”; and

WHEREAS, the Town and One Street Residential entered into a Development Agreement (the “Development Agreement”) for Workforce Housing on or about June 18, 2024, regarding the development of a multifamily housing project that is affordable for individuals in the workforce in the Town who earn between sixty (60%) percent and one hundred fifty (150%) percent of the area median income (the “Workforce Housing Project”); and,

WHEREAS, the Town and HHI Northpoint, LLC, which is an affiliate of One Street Residential, LLC, are entering into a long term ground lease of the Northpoint Property under which HHI Northpoint, LLC will operate and manage the Workforce Housing Project (herein, the “Ground Lease”); and,

WHEREAS, the Development Agreement and Ground Lease include a requirement for the Town to pay the sum of One Million and no/100 (\$1,000,000.00) Dollars for site work on the Northpoint Property described as sitework mobilization, site construction

entrance, site silt fencing, site tree protection, site clearing, furnishing and installation of erosion control devices and mass grading at the Northpoint Property; and,

WHEREAS, the Town is and will remain the owner of the Northpoint Property, subject to the terms of the Ground Lease, and the Town will own all of the improvements made to the Northpoint Property at the end of the term of the Ground Lease; and,

WHEREAS, pursuant to the Development Agreement and the Ground Lease, One Street has entered into contracts for the completion of Lessor's Work at the Northpoint Property; and,

WHEREAS, the Town has negotiated agreements with One Street Residential, LLC, setting the terms by which the Town will deliver the sum of One Million and no/100 (\$1,000,000.00) Dollars to be held in escrow and disbursed under the terms, conditions, which are shown and described on the documents styled "Lessor's Work Supervision Agreement" and "Construction Escrow Agreement," copies of which are attached hereto as Exhibits "A" and "B"; and

WHEREAS, the Town finds that the best interests of the Town and the health, safety and welfare of the citizens, residents, business owners in the Town to authorize the execution and delivery of styled "Lessor's Work Supervision Agreement" and "Construction Escrow Agreement," copies of which are attached hereto as Exhibits "A" and "B."

**NOW THEREFORE, BE IT RESOLVED AND IT HEREBY IS RESOLVED
BY THE TOWN COUNCIL OF THE TOWN OF HILTON HEAD ISLAND,
SOUTH CAROLINA:**

1. The Mayor and Town Manager are hereby authorized to execute and deliver the “Lessor’s Work Supervision Agreement” and “Construction Escrow Agreement,” copies of which are attached hereto as Exhibits “A” and “B.”

2. The Mayor and Town Manager are hereby authorized to take all other and further actions as may be necessary to perform the obligations of the Town set out in the “Lessor’s Work Supervision Agreement” and “Construction Escrow Agreement,” copies of which are attached hereto as Exhibits “A” and “B.”

**Moved, Approved and Adopted by the Town Council for The Town of
Hilton Head Island, South Carolina, on this ____ Day of December, 2025.**

Alan R. Perry, Mayor

ATTEST:

Kimberly Gammon, Town Clerk

APPROVED AS TO FORM:

Curtis L. Coltrane, Town Attorney

Exhibit “A” to Ordinance Authorizing Execution and Delivery of Agreements for Town
Improvements to Northpoint Property

LESSOR'S'S WORK SUPERVISION AGREEMENT

This Lessor’s Work Supervision Agreement (herein the “Agreement”) is made and entered into effective as of the ___ day of _____, 2025, by and between One Street Residential, LLC, a South Carolina limited liability company (herein, “One Street”), the Town of Hilton Head Island, South Carolina (herein, the “Town”).

WHEREAS, the Town owns real property that is shown and described on Exhibit “A” hereto (the “Northpoint Property”); and

WHEREAS, the Town and One Street have entered into a Development Agreement for Workforce Housing (the “Development Agreement”) dated on or about June 18, 2024; and,

WHEREAS, the Town and HHI Northpoint, LLC, are entering into a long term ground lease of the Northpoint Property (herein, the “Ground Lease”); and,

WHEREAS, the Ground Lease includes a requirement for the Town to contribute the sum of One Million and no/100 (\$1,000,000.00) Dollars for Lessor's Work to the Northpoint Property in the form of site work described as sitework mobilization, site construction entrance, site silt fencing, site tree protection, site clearing, furnishing and installation of erosion control devices and mass grading at the Northpoint Property (herein, the "Lessor's Work"); and,

WHEREAS, the Town is and will remain the owner of the Northpoint Property, subject to the terms of the Ground Lease, and the Town will own all of the improvements made to the Northpoint Property at the end of the term of the Ground Lease; and,

WHEREAS, pursuant to the Development Agreement and the Ground Lease, One Street has entered into contracts for the completion of Lessor's Work at the Northpoint Property; and,

WHEREAS, upon the execution and delivery of the Ground Lease, the Town shall deliver the sum of One Million and no/100 (\$1,000,000.00) Dollars to be held and disbursed under the terms, conditions, and requirements of the "Construction Escrow Agreement" executed and delivered by the Town, One Street, and the Construction Escrow Agent simultaneously with this Agreement (the "Construction Escrow Agreement").

WHEREAS, the parties now desire to memorialize the conditions under which the Deposit is to be made.

Now, in consideration of the covenants, agreements representations, and warranties contained in this Agreement, and to meet the obligations assumed by the parties in the Development Agreement and Ground Lease, and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties, intending to be legally bound, hereby agree as follows:

1. *Deposit from the Town:* Upon the execution and delivery of the Ground Lease, the Town shall deliver the sum of One Million and no/100 (\$1,000,000.00) Dollars into escrow (the "Deposit"), to be held and disbursed under the terms, conditions and requirements of the "Construction Escrow Agreement" executed and delivered by the Town, One Street and the Construction Escrow Agent simultaneously with this Agreement (the "Construction Escrow Agreement").
2. *Use of the Deposit:* The only permitted use of the Deposit is to pay for costs of Lessor's Work.

3. *Disbursement of the Deposit:* The Deposit shall be held and disbursed in compliance with the terms and conditions of the Construction Escrow Agreement.

4. *No Representation Regarding Tax Implications:* The Town makes no representations regarding any state or federal tax implications of the Deposit for purposes of completing Lessor's Work. One Street is solely responsible for any tax considerations or implications of the Deposit, and One Street is relying solely on its own independent tax advisors for counsel on such matters.

5. *Term of this Agreement:* This Agreement shall commence on the date of the execution and delivery of the Ground Lease, and shall terminate at such time as the Construction Escrow Agent has disbursed the entire Deposit under the terms and conditions of the Construction Escrow Agreement.

6. *Liens Prohibited:* Liens on the Town Property are prohibited.

A. *Town and Town Property Protected:* One Street shall at all times indemnify, save and hold the Town and the Town Property free, clear and harmless from any claims, liens, demands, charges, encumbrances or litigation arising directly or indirectly out of the Work, and any use, occupancy or activity of One Street and its agents and employees, or out of any materials or services provided to One Street in connection with the Work, or any obligations incurred by One Street or its contractors, agents and employees, in, upon, about or otherwise in connection with the Town Property, and shall, pay or cause to be paid for all work performed and material furnished to the Town Property and will keep the Town Property free and clear of all mechanic's, materialmen's or any other liens.

B. *Contest of Liens:* If One Street desires to contest any claim of lien, it shall within fifteen (15) days after the filing of the lien for record furnish the Town with cash security in the amount of the claim of lien, plus estimated costs, and interest, or shall furnish the Town with a bond of a responsible corporate surety in the same amount conditioned upon the discharge of the lien. Nothing contained herein shall prevent the Town, at the cost and for the account of One Street, from obtaining and filing a bond conditioned upon the discharge of such lien, in the event One Street fails or refuses to furnish the same within said fifteen (15) day period.

C. *Satisfaction of Liens:* Immediately upon entry of final judgment in any such action in which One Street contests any such claim of lien, and if such judgment shall establish the validity of the lien, or any part thereof, and within fifteen (15) days after the filing of any lien for record which One Street does not contest, One Street shall fully pay and discharge such judgment or lien, as the case may be, and One Street shall reimburse the Town upon demand for any and all loss, damage and expense, including reasonable attorneys' fees, which the Town may suffer or be put to by reason thereof. Nothing contained herein shall prevent the Town, at the cost and for the account of One Street, from satisfying any such judgment or lien, as the case may be, in the event One Street fails or refuses to satisfy the same as herein provided.

D. *Notice to the Town:* Should any claim or lien be filed against the Town Property, or any action or proceeding be instituted affecting the title to the Town Property, One Street shall give the Town written notice thereof as soon as One Street obtains knowledge thereof.

7. *Limit of Town's Obligation:* The Town has no obligation to provide any financial or other support to One Street beyond the Deposit as described in this Agreement.

8. *Legal Relationship and Limitations on Liability:* Nothing contained herein shall create a partnership, joint venture, employment, agency or fiduciary relationship between the Town and One Street. Neither party has the right or authority to control or direct the activities of the other or the right or ability to bind the other to any agreement with a third party or to incur any obligation or liability on behalf of the other party, unless expressly authorized in this Agreement. Neither party to this Agreement shall be liable to the other party for any consequential, punitive, special, or exemplary damages (including lost profits) resulting from or arising out of any breach of this Agreement, or any party's performance under this Agreement.

9. *Binding Effect:* This Agreement shall be binding upon, and shall inure the successors and assigns of the Town and One Street.

14. *Entire Agreement.* This Agreement constitutes the entire agreement between the Town and One Street regarding the Town's obligation to make the Deposit.

15. *No Waiver:* Failure to enforce, or delay in the enforcement of, any provision or provisions of this Agreement shall not operate as a waiver of or estoppel with respect to the enforcement to any such provision or of any other provisions of this Agreement.

16. *Captions:* The captions and headings in this Agreement are for convenience only and shall not be considered in construing any provisions of this Agreement.

17. *Amendments:* No amendment to or modification of any provision or term of this Agreement shall be effective unless made in writing and executed by the authorized officers of One Street and the Town.

In Witness Whereof, the duly authorized officers of the One Street Residential, LLC, the Town of Hilton Head Island, South Carolina, have executed this Agreement as of the day and year first-above written.

THE TOWN OF HILTON HEAD
ISLAND, SOUTH CAROLINA

ONE STREET RESIDENTIAL, LLC

By: _____
Alan R. Perry, Mayor

By: _____

By: _____
Marc A. Orlando,
Town Manager

By: _____

EXHIBIT "A" TO LESSOR'S WORK AGREEMENT

TRACT I:

COMMENCING AT THE NORTHWESTERN INTERSECTION OF U.S. 278 (WILLIAM HILTOIN PARKWAY) AND GUM TREE ROAD, THENCE PROCEEDING ALONG THE NORTHERN RIGHT-OF-WAY AN APPROXIMATE DISTANCE OF 758' TO A 5/8" IRON REBAR SET WITH CAP, SAID POINT BEING THE POINT OF BEGINNING;

THENCE, WITH A CURVE TURNING TO THE LEFT WITH AN ARC LENGTH OF 217.15', WITH A RADIUS OF 2,949.79', WITH A CHORD BEARING OF S 82°37'14" W, WITH A CHORD LENGTH OF 217.10', TO A 6X6" CONCRETE RIGHT-OF-WAY MONUMENT;

THENCE, WITH A COMPOUND CURVE TURNING TO THE LEFT WITH AN ARC LENGTH OF 102.79', WITH A RADIUS OF 2949.79', WITH A CHORD BEARING OF S 79°37'34" W, WITH A CHORD LENGTH OF 102.79', TO A 6X6" CONCRETE RIGHT-OF-WAY MONUMENT;

THENCE, WITH A COMPOUND CURVE TURNING TO THE LEFT WITH AN ARC LENGTH OF 127.26', WITH A RADIUS OF 2949.79', WITH A CHORD BEARING OF S 77°13'12" W, WITH A CHORD LENGTH OF 127.25', TO A 6X6" CONCRETE RIGHT-OF-WAY MONUMENT;

THENCE, S 76°06'23" W, A DISTANCE OF 71.48' TO A 6X6" CONCRETE RIGHT-OF-WAY MONUMENT;

THENCE, S 14°19'57" E, A DISTANCE OF 15.02' TO A 6X6" CONCRETE RIGHT-OF-WAY MONUMENT;

THENCE, S 76°02'54" W, A DISTANCE OF 132.01' TO A 6X6" CONCRETE RIGHT-OF-WAY MONUMENT;

THENCE, S 75°54'25" W, A DISTANCE OF 150.48' TO A 6X6" CONCRETE RIGHT-OF-WAY MONUMENT;

THENCE, S 59°59'23" W, A DISTANCE OF 51.41' TO A 6X6" CONCRETE RIGHT-OF-WAY MONUMENT;

THENCE, S 77°20'48" W, A DISTANCE OF 370.25' TO A 6X6" CONCRETE RIGHT-OF-WAY MONUMENT;

THENCE, N 05°50'58" W, A DISTANCE OF 18.84' TO A 6X6" CONCRETE RIGHT-OF-WAY MONUMENT;

THENCE, S 77°15'35" W, A DISTANCE OF 165.22' TO A 6X6" CONCRETE RIGHT-OF-WAY MONUMENT;

THENCE, WITH A CURVE TURNING TO THE RIGHT WITH AN ARC LENGTH OF 99.21', WITH A RADIUS OF 1322.39', WITH A CHORD BEARING OF S 78°50'53" W, WITH A CHORD LENGTH OF 99.19', THENCE WITH A CURVE TO A 5/8" IRON REBAR SET W/CAP;

THENCE, N 04°00'35" W, A DISTANCE OF 4.54' TO A POINT;

THENCE, N 72°12'52" E, A DISTANCE OF 17.80' TO A POINT;

THENCE, N 39°29'18" W, A DISTANCE OF 19.20' TO A POINT;

THENCE, N 76°42'02" E, A DISTANCE OF 18.01' TO A POINT;

THENCE, N 50°50'57" E, A DISTANCE OF 15.04' TO A POINT;

THENCE, N 71°34'25" E, A DISTANCE OF 21.12' TO A POINT;

THENCE, N 06°28'44" W, A DISTANCE OF 14.27' TO A POINT;

THENCE, N 41°20'34" E, A DISTANCE OF 11.62' TO A POINT;

THENCE, N 54°52'27" E, A DISTANCE OF 13.31' TO A POINT;

THENCE, N 22°50'58" E, A DISTANCE OF 16.80' TO A POINT;

THENCE, N 08°30'55" W, A DISTANCE OF 21.12' TO A POINT;

THENCE, N 20°12'33" E, A DISTANCE OF 25.65' TO A POINT;

THENCE, N 28°39'36" W, A DISTANCE OF 21.27' TO A POINT;

THENCE, N 49°16'57" W, A DISTANCE OF 25.38' TO A POINT;

THENCE, N 16°04'12" E, A DISTANCE OF 26.16' TO A POINT;

THENCE, N 41°15'16" W, A DISTANCE OF 21.15' TO A POINT;

THENCE, N 16°08'07" E, A DISTANCE OF 32.99' TO A POINT;

THENCE, N 10°47'14" W, A DISTANCE OF 24.90' TO A POINT;

THENCE, N 18°40'18" W, A DISTANCE OF 16.98' TO A POINT;

THENCE, N 44°08'00" E, A DISTANCE OF 17.91' TO A POINT;

THENCE, N 20°18'16" E, A DISTANCE OF 11.64' TO A POINT;

THENCE, N 14°43'12" E, A DISTANCE OF 18.56' TO A 5/8" IRON REBAR SET W/CAP;

THENCE, N 83°15'20" E, A DISTANCE OF 162.24' TO A 1/2" IRON REBAR W/CAP;

THENCE, N 66°55'29" E, A DISTANCE OF 172.53' TO A 1/2" IRON REBAR W/CAP;

THENCE, N 66°37'08" E, A DISTANCE OF 212.79' TO A 3X3" CONCRETE MONUMENT;

THENCE, N 15°42'54" E, A DISTANCE OF 90.00' TO A 5/8" IRON REBAR SET W/CAP;

THENCE, N 75°57'01" E, A DISTANCE OF 148.24' TO A 3X3" CONCRETE MONUMENT;

THENCE, N 76°00'31" E, A DISTANCE OF 182.71' TO A 1/2" IRON REBAR;

THENCE, N 76°00'56" E, A DISTANCE OF 182.85' TO A 3X3" CONCRETE MONUMENT;

THENCE, S 13°56'00" E, A DISTANCE OF 139.60' TO A DISTURBED 3X3" CONCRETE MONUMENT;

THENCE, S 14°03'34" E, A DISTANCE OF 50.00' TO A 5/8" IRON REBAR SET W/CAP;

THENCE, N 75°56'26" E, A DISTANCE OF 235.87' TO A 5/8" IRON REBAR SET W/CAP;

THENCE, S 14°13'51" E, A DISTANCE OF 271.64' TO A 5/8" IRON REBAR SET W/CAP;

WHICH IS THE POINT OF BEGINNING,

HAVING AN AREA OF 495,619 SQUARE FEET, 11.378 ACRES AND BEING SHOWN ON THAT PLAT RECORDED IN PLAT BOOK 166, PAGE 72 IN THE OFFICE OF THE REGISTER OF DEEDS FOR BEAUFORT COUNTY, SOUTH CAROLINA.

AND ALSO,

TRACT II:

A twenty (20') foot easement for utilities and drainage of storm water on, over, and across those portions of that certain 4.21 acre parcel, more or less, as said parcel is shown on that certain plat entitled, "*A Plat of Old School House Site*," dated May 11, 1973, prepared by Paul D. Wilder, S.C.R.L.S. 2591, certified by W.E. Gilbert and Associates, Inc., recorded with the Office of the Register of Deeds for Beaufort County, South Carolina, in Plat Book 23 at Page 51, as set forth in that certain Indenture Grant of Easement recorded in the Office of the Register of Deeds for Beaufort County, South Carolina, in Record Book 662 at Page 881, and that certain Agreement Concerning Utilities, Drainage, and Easements recorded in the Office of the Register of Deeds for Beaufort County, South Carolina, in Record Book 662 at Page 895.

Exhibit “B” to Ordinance Authorizing Execution and Delivery of Agreements for Town
Improvements to Northpoint Property

STATE OF SOUTH CAROLINA)
)
COUNTY OF BEAUFORT) CONSTRUCTION ESCROW AGREEMENT

This Construction Escrow Agreement (herein the “Agreement”) is made and entered into effective as of the ___ day of _____, 2025, by and between One Street Residential, LLC, a South Carolina limited liability company (herein, “One Street”), the Town of Hilton Head Island, South Carolina (herein, the “Town”), and E. Richardson LaBruce (herein, the “Construction Escrow Agent”).

WHEREAS, the Town owns real property that is shown and described on Exhibit “A” hereto (the “Northpoint Property”); and

WHEREAS, the Town and One Street have entered into a Development Agreement for Workforce Housing dated _____; and,

WHEREAS, the Town and HHI Northpoint, LLC, are entering into a long term ground lease of the Northpoint Property (herein, the “Ground Lease”); and,

WHEREAS, the Development Agreement includes a requirement for the Town to contribute the sum of One Million and no/100 (\$1,000,000.00) Dollars for improvements to the Northpoint Property in the form of site work described as sitework mobilization, site construction entrance, site silt fencing, site tree protection, site clearing, furnishing and installation of erosion control devices and mass grading at the Northpoint Property (herein, the “Lessor’s Work”); and,

WHEREAS, the Town is and will remain the owner of the Northpoint Property, subject to the terms of the Ground Lease, and the Town will own all of the improvements made to the Northpoint Property at the end of the term of the Ground Lease; and,

WHEREAS, One Street has entered into contracts for the completion of the site work, including the Lessor's Work, at the Northpoint Property; and,

WHEREAS, at the execution and delivery of the Ground Lease, the Town shall deliver the sum of One Million and no/100 (\$1,000,000.00) Dollars to the Construction Escrow Agent, with said funds to be applied to the payment of costs incurred by One Street Residential for the Lessor's Work (the "Construction Escrow Money").

WHEREAS, the parties now desire to memorialize the conditions under which the Construction Escrow Money is to be held and disbursed.

Now, in consideration of the covenants, agreements representations, and warranties contained in this Agreement, and to meet the obligations assumed by the parties in the Development Agreement, and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties, intending to be legally bound, hereby agree as follows:

Now, in consideration of the covenants, agreements representations, and warranties contained in this Agreement, to meet the obligations assumed by the parties in the Ground Lease, and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties, intending to be legally bound, hereby agree as follows:

1. *Construction Escrow Agent:* The Construction Escrow Money shall be held by Finger, Melnick, Brooks & LaBruce, P. A., (herein, the "Construction Escrow Agent"). If any dispute should arise as to whether Construction Escrow Agent is obligated to deliver any portion of the Construction Escrow Money, or any funds or documents which it holds, the Construction Escrow Agent shall not be required to make delivery thereof, but, in such event, shall hold the same until receipt by Construction Escrow Agent of written authorization from the parties as set forth below directing the disposition of the same. In the absence of such written authorization, the Construction Escrow Agent may hold the Escrow Money, or any other funds or documents in connection with this transaction in its

possession until a final determination of the rights of the Parties by a court of competent jurisdiction. If such written authorization is not given or proceedings for such determination are not begun and diligently continued, Escrow Agent may institute an appropriate proceeding for leave to place the Construction Escrow Money, or any other funds or documents in connection with this transaction in its possession, with the Clerk of Court for Beaufort County, South Carolina, pending such determination. The Construction Escrow Agent shall not be charged with notice of any fact or circumstance unless and until written notice of the same is received by Construction Escrow Agent. Upon making the delivery of the Construction Escrow Money which the Construction Escrow Agent holds in accordance with the provisions of this Agreement, the Construction Escrow Agent shall have no further obligation or liability to One Street Residential or the Town. One Street Residential agrees to indemnify and hold Escrow Agent harmless from any liability, claim, damage loss or expense pertaining to this Construction Escrow Agreement or the Construction Escrow Money; provided, however, that the Construction Escrow Agent shall be liable for any act of willful misconduct or misappropriation regarding or of the Construction Escrow Money, and the indemnity set out in this Article 1 shall not be enforceable against One Street Residential in any such case.

2. *Construction Escrow Agent Insurance and Fidelity Bond:* The Construction Escrow Agent must have and maintain an Errors and Omissions insurance policy and a Fidelity Bond with sufficient limits to cover the amount of the Construction Escrow Money. The cost of the Fidelity Bond shall be an expense of One Street Residential.

3. *Permitted Use of Construction Escrow Money Request for Disbursement of Construction Escrow Money by Construction Escrow Agent:* No less than five (5) days

prior to the date of any proposed disbursement of Construction Escrow Money, One Street Residential shall deliver its Request for Disbursement, including the following items to the Construction Escrow Agent:

- (i) One Street Residential's written Request for Disbursement, stating each amount to be disbursed and the name and address entity or individual to whom payment is to be made and certifying that the entity submitting the invoice is a bona fide contractor of One Street Residential who is performing the Lessor's Work.
- (ii) A copy of any invoice for any part of the Work that One Street Residential seeks to be paid from the Construction Escrow Money by the Construction Escrow Agent. All invoices must describe the part of the Lessor's Work that the invoice is for, and must state the percentage of completion of the Lessor's Work or part of the Work that entity submitting the invoice is responsible for.
- (iii) The certification of One Street Residential and One Street Residential's architect or engineer of record that the requested disbursement is exclusively for the payment of costs of the Lessor's Work;
- (iv) The certification of One Street Residential and One Street Residential's architect or engineer of record that the Work described in the invoice(s) has been completed in accordance with the plans and specifications, and that the percentage of completion stated in the invoice is accurate.
- (v) The certification of One Street Residential and One Street Residential's architect or engineer of record that the Lessor's Work described in the invoice(s) has been inspected by all applicable government agencies, including the Town of Hilton Head Island, South Carolina, Building Official, and that all work described in the invoice has passed all inspections.
- (vi) The certification of One Street Residential and One Street Residential's architect or engineer of record showing the total amount of One Street Residential's contract for the Lessor's Work, including any change orders, the amounts paid to date for the Lessor's Work, and the balance of the Construction Escrow Money as of the date of the request for disbursement.
- (vii) The certification of One Street Residential that no mechanic's or materialman's lien arising from the Lessor's Work, or any other lien, however described, has been served on One Street Residential as of the date of the Request for Disbursement.
- (viii) A Mechanic's Lien Affidavit of any entity submitting an invoice to One Street Residential for payment of the costs of the Lessor's Work. The

Mechanic's Lien Affidavit shall be dated contemporaneously with the date of the invoice.

6. *Disbursement of Construction Escrow Money:* On receipt of the items required to be delivered under Article 3 above, the Construction Escrow Agent shall pay the invoices directly to the individual or entity submitting the invoice. The Construction Escrow Agent shall have no obligation to look behind the invoices or certifications of One Street Residential and the architect or engineer of record for the Lessor's Work, and is entitled to rely on such. The Construction Escrow Agent shall deliver a copy of all disbursements made by the Construction Escrow Agent to One Street Residential and the Town.

7. *Exhaustion of Construction Escrow Money Prior to Completion of the Lessor's Work:* At such time as the payment of invoices for the Lessor's Work under the terms and conditions of this Construction Escrow Agreement exhausts the Construction Escrow Money, then the Construction Escrow Agent shall notify One Street Residential and the Town in writing that:

- (i) The Construction Escrow Money has been spent.
- (ii) The amount of any invoice included in any Request for Disbursement that remains unpaid in whole or in part.

8. *Term of this Agreement:* This Agreement shall commence on the date of the execution and delivery of the Ground Lease, and shall terminate at such time as the Construction Escrow Agent has disbursed the entire Construction Escrow Money fund under the procedures described in Articles 3, 4, 5, 6 and 7.

10. *Construction Escrow Agent's Fee:* The Construction Escrow Agent shall be entitled to the payment of a fee in the amount of _____ (\$_____) Dollars for the work of the Construction Escrow Agent described in this

Agreement. The Construction Escrow Agent's Fee shall be due at the execution and delivery of this Agreement and shall be an expense of One Street Residential.

In Witness Whereof, the duly authorized officers of the One Street Residential, LLC, the Town of Hilton Head Island, South Carolina, and E. Richardson LaBruce have executed this Lease as of the day and year first-above written.

THE TOWN OF HILTON HEAD
ISLAND, SOUTH CAROLINA

ONE STREET RESIDENTIAL, LLC

By: _____
Alan R. Perry, Mayor

By: _____

By: _____
Marc A. Orlando,
Town Manager

By: _____

CONSTRUCTION ESCROW AGENT
FINGER, MELNICK, BROOKS & LABRUCE, P. A.

By: _____

EXHIBIT "A" TO CONSTRUCTION ESCROW AGREEMENT

TRACT I:

COMMENCING AT THE NORTHWESTERN INTERSECTION OF U.S. 278 (WILLIAM HILTOIN PARKWAY) AND GUM TREE ROAD, THENCE PROCEEDING ALONG THE NORTHERN RIGHT-OF-WAY AN APPROXIMATE DISTANCE OF 758' TO A 5/8" IRON REBAR SET WITH CAP, SAID POINT BEING THE POINT OF BEGINNING;

THENCE, WITH A CURVE TURNING TO THE LEFT WITH AN ARC LENGTH OF 217.15', WITH A RADIUS OF 2,949.79', WITH A CHORD BEARING OF S 82°37'14" W, WITH A CHORD LENGTH OF 217.10', TO A 6X6" CONCRETE RIGHT-OF-WAY MONUMENT;

THENCE, WITH A COMPOUND CURVE TURNING TO THE LEFT WITH AN ARC LENGTH OF 102.79', WITH A RADIUS OF 2949.79', WITH A CHORD BEARING OF S 79°37'34" W, WITH A CHORD LENGTH OF 102.79', TO A 6X6" CONCRETE RIGHT-OF-WAY MONUMENT;

THENCE, WITH A COMPOUND CURVE TURNING TO THE LEFT WITH AN ARC LENGTH OF 127.26', WITH A RADIUS OF 2949.79', WITH A CHORD BEARING OF S 77°13'12" W, WITH A CHORD LENGTH OF 127.25', TO A 6X6" CONCRETE RIGHT-OF-WAY MONUMENT;

THENCE, S 76°06'23" W, A DISTANCE OF 71.48' TO A 6X6" CONCRETE RIGHT-OF-WAY MONUMENT;

THENCE, S 14°19'57" E, A DISTANCE OF 15.02' TO A 6X6" CONCRETE RIGHT-OF-WAY MONUMENT;

THENCE, S 76°02'54" W, A DISTANCE OF 132.01' TO A 6X6" CONCRETE RIGHT-OF-WAY MONUMENT;

THENCE, S 75°54'25" W, A DISTANCE OF 150.48' TO A 6X6" CONCRETE RIGHT-OF-WAY MONUMENT;

THENCE, S 59°59'23" W, A DISTANCE OF 51.41' TO A 6X6" CONCRETE RIGHT-OF-WAY MONUMENT;

THENCE, S 77°20'48" W, A DISTANCE OF 370.25' TO A 6X6" CONCRETE RIGHT-OF-WAY MONUMENT;

THENCE, N 05°50'58" W, A DISTANCE OF 18.84' TO A 6X6" CONCRETE RIGHT-OF-WAY MONUMENT;

THENCE, S 77°15'35" W, A DISTANCE OF 165.22' TO A 6X6" CONCRETE RIGHT-OF-WAY MONUMENT;

THENCE, WITH A CURVE TURNING TO THE RIGHT WITH AN ARC LENGTH OF 99.21', WITH A RADIUS OF 1322.39', WITH A CHORD BEARING OF S 78°50'53" W, WITH A CHORD LENGTH OF 99.19', THENCE WITH A CURVE TO A 5/8" IRON REBAR SET W/CAP;

THENCE, N 04°00'35" W, A DISTANCE OF 4.54' TO A POINT;

THENCE, N 72°12'52" E, A DISTANCE OF 17.80' TO A POINT;

THENCE, N 39°29'18" W, A DISTANCE OF 19.20' TO A POINT;

THENCE, N 76°42'02" E, A DISTANCE OF 18.01' TO A POINT;

THENCE, N 50°50'57" E, A DISTANCE OF 15.04' TO A POINT;

THENCE, N 71°34'25" E, A DISTANCE OF 21.12' TO A POINT;

THENCE, N 06°28'44" W, A DISTANCE OF 14.27' TO A POINT;

THENCE, N 41°20'34" E, A DISTANCE OF 11.62' TO A POINT;

THENCE, N 54°52'27" E, A DISTANCE OF 13.31' TO A POINT;

THENCE, N 22°50'58" E, A DISTANCE OF 16.80' TO A POINT;

THENCE, N 08°30'55" W, A DISTANCE OF 21.12' TO A POINT;

THENCE, N 20°12'33" E, A DISTANCE OF 25.65' TO A POINT;

THENCE, N 28°39'36" W, A DISTANCE OF 21.27' TO A POINT;

THENCE, N 49°16'57" W, A DISTANCE OF 25.38' TO A POINT;

THENCE, N 16°04'12" E, A DISTANCE OF 26.16' TO A POINT;

THENCE, N 41°15'16" W, A DISTANCE OF 21.15' TO A POINT;

THENCE, N 16°08'07" E, A DISTANCE OF 32.99' TO A POINT;

THENCE, N 10°47'14" W, A DISTANCE OF 24.90' TO A POINT;

THENCE, N 18°40'18" W, A DISTANCE OF 16.98' TO A POINT;

THENCE, N 44°08'00" E, A DISTANCE OF 17.91' TO A POINT;

THENCE, N 20°18'16" E, A DISTANCE OF 11.64' TO A POINT;

THENCE, N 14°43'12" E, A DISTANCE OF 18.56' TO A 5/8" IRON REBAR SET W/CAP;

THENCE, N 83°15'20" E, A DISTANCE OF 162.24' TO A 1/2" IRON REBAR W/CAP;

THENCE, N 66°55'29" E, A DISTANCE OF 172.53' TO A 1/2" IRON REBAR W/CAP;
THENCE, N 66°37'08" E, A DISTANCE OF 212.79' TO A 3X3" CONCRETE
MONUMENT;
THENCE, N 15°42'54" E, A DISTANCE OF 90.00' TO A 5/8" IRON REBAR SET W/CAP;
THENCE, N 75°57'01" E, A DISTANCE OF 148.24' TO A 3X3" CONCRETE MONUMENT;
THENCE, N 76°00'31" E, A DISTANCE OF 182.71' TO A 1/2" IRON REBAR;
THENCE, N 76°00'56" E, A DISTANCE OF 182.85' TO A 3X3" CONCRETE
MONUMENT;
THENCE, S 13°56'00" E, A DISTANCE OF 139.60' TO A DISTURBED 3X3" CONCRETE
MONUMENT;
THENCE, S 14°03'34" E, A DISTANCE OF 50.00' TO A 5/8" IRON REBAR SET W/CAP;
THENCE, N 75°56'26" E, A DISTANCE OF 235.87' TO A 5/8" IRON REBAR SET W/CAP;
THENCE, S 14°13'51" E, A DISTANCE OF 271.64' TO A 5/8" IRON REBAR SET W/CAP;
WHICH IS THE POINT OF BEGINNING,
HAVING AN AREA OF 495,619 SQUARE FEET, 11.378 ACRES AND BEING SHOWN ON
THAT PLAT RECORDED IN PLAT BOOK 166, PAGE 72 IN THE OFFICE OF THE
REGISTER OF DEEDS FOR BEAUFORT COUNTY, SOUTH CAROLINA.

AND ALSO,

TRACT II:

A twenty (20') foot easement for utilities and drainage of storm water on, over, and across those portions of that certain 4.21 acre parcel, more or less, as said parcel is shown on that certain plat entitled, "*A Plat of Old School House Site*," dated May 11, 1973, prepared by Paul D. Wilder, S.C.R.L.S. 2591, certified by W.E. Gilbert and Associates, Inc., recorded with the Office of the Register of Deeds for Beaufort County, South Carolina, in Plat Book 23 at Page 51, as set forth in that certain Indenture Grant of Easement recorded in the Office of the Register of Deeds for Beaufort County, South Carolina, in Record Book 662 at Page 881, and that certain Agreement Concerning Utilities, Drainage, and Easements recorded in the Office of the Register of Deeds for Beaufort County, South Carolina, in Record Book 662 at Page 895.



TOWN OF HILTON HEAD ISLAND

Town Council

TO: Town Council
FROM: Dave Byrd, Finance Director
VIA: Michele Bunce, Senior Grants Administrator
DATE: December 9, 2025
SUBJECT: Consideration of a Resolution of the Town of Hilton Head Approving the Recommendation from the Accommodations Tax Advisory Committee for the Calendar Year 2026 Grants

RECOMMENDATION:

Consideration of a Resolution of the Town of Hilton Head Island approving the recommendation from the Accommodations Tax Advisory Committee for the Calendar Year 2026 grants. At their November 18, 2025, meeting, the Finance and Administrative (F & A) Committee reviewed and recommended forwarding the Resolution to Town Council for consideration of approval.

The Accommodations Tax (ATAX) Advisory Committee met on November 7, 2025, and finalized its recommendations after careful review of all applications received, ensuring that all recommendations complied with the requirements of the South Carolina Tourism Expenditure Review Committee (TERC).

A total of 37 applications were submitted for consideration, with \$4,076,992 available for distribution. One application was voluntarily withdrawn prior to final recommendations, and one application was not funded. Following its review and deliberations, the Accommodations Tax Advisory Committee submitted and recommended 35 ATAX grant awards for funding.

These recommendations align with the Town's new Comprehensive South Carolina Accommodations Tax Program, which emphasizes measurable return on investment (ROI), consistency with the Town's Strategic Action Plan goals, and a transparent, equitable allocation process that prioritizes programs demonstrating clear benefits to Hilton Head Island's tourism economy and community quality of life.

In addition to the recommended 2026 ATAX Grant award funding, the ATAC Committee submitted a recommendation requesting that any grant funds awarded, but not expended, by the recipient organizations by the end of the 2026 grant year cycle to be carried forward in full (100%) and applied to the 2027 Accommodations Tax Grant Fund allocation.

Applications: <https://hiltonheadislandsc.gov/atax/applications/2026/>

BACKGROUND:

The Town collects a 2% State Accommodations Tax annually, with State Law outlining how these funds must be utilized. These allocations and expenditures are also subject to review and compliance oversight by the South Carolina Tourism Expenditure Review Committee (TERC), which ensures that funds are used in accordance with the provisions of Title 6, Chapter 4 of the South Carolina Code of Laws. In addition, in July 2025, Town Council adopted a Comprehensive South Carolina Accommodations Tax Program, which established both the grant application process and a Fund Distribution Policy.

The Town's Fund Distribution Policy helps to ensure consistency, fiscal responsibility, and alignment with the Town's Strategic Plan. The table below summarizes the Town's adopted distribution categories and required allocations, including the portion dedicated to ATAX Grant Awards:

Distribution Category	Required Distribution
General Fund	First \$25,000
General Fund	5%
DMO	30%
ATAX Grant Awards	33%
General Fund (Tourism Operating Expenses)	20%
Capital Improvement Program (CIP)	7%
Tourism-Serving Housing Program	5%
Total	100%

Throughout the Fiscal Year 2026 Accommodations Tax Grant cycle, the ATAC Committee evaluated each application using the new funding distribution criteria adopted by Town Council. The evaluation process focused on:

- Demonstrated ROI and tourism and economic impact.
- Alignment with the Town's Strategic Action Plan, particularly in areas such as destination development, community character, and cultural enrichment.
- Organizational accountability and proven capacity to manage public funds responsibly.
- Innovation, sustainability, and collaborative approaches to enhancing Hilton Head Island's tourism profile.

The ATAC Committee held applicant hearings to allow organizations to present their proposals and answer questions. Deliberations were comprehensive, ensuring that recommendations reflect both fiscal responsibility and support for programs that strengthen Hilton Head Island's tourism infrastructure and visitor experience.

SUMMARY:

The ATAC Committee Chair presented the Chairman's Letter (*Attachment 1*) to the F & A Committee at its November 18, 2025, meeting, outlining additional details about the committee deliberations, applicant requests, and 2026 funding recommendations. The F

& A Committee recognized the ATAC Committee's efforts and thorough evaluation process and recommendations for the 2026 Accommodations Tax Grant.

By a vote of 2-1, the F & A Committee approved forwarding the Resolution of the Town of Hilton Head Approving the Recommendation from the Accommodations Tax Advisory Committee for the Calendar Year 2026 Grants to Town Council for final approval. In addition, the Resolution included the recommendation that any grant funds awarded, but not expended, by the recipient organizations by the end of the 2026 grant year cycle to be carried forward in full (100%) and applied to the 2027 Accommodations Tax Grant Fund allocation.

Town Council holds the authority to approve the expenditure of ATAX funds, ensuring compliance with state law (*Attachment 4*) and the Town's Comprehensive South Carolina Accommodations Tax Program. Following Council approval, all Town ATAX expenditure remains subject to review by the South Carolina Tourism Expenditure Review Committee (TERC) to verify compliance with allowable uses under state law.

ATTACHMENTS:

1. Recommendation Letter from Keith Schlegel, ATAC Chair
2. Accommodations Tax Grants - Award Chart by Calendar Year
3. Accommodations Tax Monthly Report by Fiscal Year as of October 2025
4. Title 6, Chapter 4 SC Code of Laws
5. Proposed Resolution

TOWN OF HILTON HEAD ISLAND
ACCOMMODATIONS TAX ADVISORY COMMITTEE

To: Town Council
Cc: Marc Orlando, *ICMA-CM, Town Manager*
Dave Byrd, Finance Director
From: Keith Schlegel, Chair
Date: November 18, 2025
Subject: Calendar Year 2026 Accommodations Tax Advisory Grants Recommendation

RECOMMENDATION:

The Accommodations Tax (ATAX) Advisory Committee respectfully submits the following funding recommendations for Fiscal Year 2026. The Committee met on November 7, 2025, to finalize its recommendations after careful review of all applications received.

A total of 37 applications were submitted for consideration, with \$4,076,992 available for distribution. Following its review and deliberations, the Committee recommends 35 awards for funding.

These recommendations align with the Town's new ATAX Fund Distribution Policy, which emphasizes measurable return on investment (ROI), consistency with the Town's Strategic Action Plan goals, and a transparent, equitable allocation process that prioritizes programs demonstrating clear benefits to Hilton Head Island's tourism economy and community quality of life.

BACKGROUND:

Throughout the Calendar Year 2026 ATAX grant cycle, the Committee evaluated each application using the new funding distribution criteria adopted by Town Council. The evaluation process focused on:

- Demonstrated ROI and economic impact in attracting overnight visitors;
- Alignment with the Town's Strategic Action Plan, particularly in areas such as enhancing tourism and cultural assets, strengthening economic resilience, and sustaining the island's unique character and community vibrancy;
- Organizational accountability and proven capacity to manage public funds responsibly; and
- Innovation, sustainability, and collaborative approaches to enhancing Hilton Head Island's tourism profile.

The Committee held applicant hearings to allow organizations to present their proposals and answer questions. Deliberations were comprehensive, ensuring that recommendations reflect both fiscal responsibility and support for programs that strengthen Hilton Head Island's tourism infrastructure and visitor experience.

COMMITTEE DELIBERATIONS

The Committee's recommendations represent a balance amongst long-standing community events, cultural and heritage programs, marketing and promotional initiatives, and tourism-related infrastructure. Members prioritized projects demonstrating collaboration, fiscal efficiency, and measurable outcomes that advance the Town's strategic goals.

This approach ensures thoughtful stewardship of public funds and reinforces the Town's commitment to supporting programs that meaningfully contribute to Hilton Head Island's reputation as a premier destination and exceptional place to live and visit. A request was made to recommend that any grant funds awarded but not expended by the recipient organizations by the end of the 2026 grant year cycle be carried forward in full (100%) and applied to the 2027 Accommodations Tax Grant Fund allocation.

This recommendation reflects the Committee's intent to maintain the integrity of the grant funding process and ensure that all awarded funds continue to benefit the community through future ATAX program allocations.

The following chart summarizes the final allocation and recommendation made by the ATAX Committee:

<u>Funding Status</u>	<u>Applicants</u>	<u>Requested Amount</u>	<u>Committee Recommendation</u>	<u>Variance</u>
Partial Funding				
	Art League of Hilton Head	\$ 100,000	\$ 79,000	\$ (21,000)
	Arts Center of Coastal Carolina	\$ 447,000	\$ 440,000	\$ (7,000)
	Beach Cat Sailors of Hilton Head Island	\$ 100,000	\$ 40,000	\$ (60,000)
	David M. Carmines Memorial Foundation	\$ 201,095	\$ 182,000	\$ (19,095)
	Gullah Traveling Theater	\$ 25,000	\$ 15,000	\$ (10,000)
	Gullah Museum of Hilton Head Island	\$ 180,000	\$ 150,000	\$ (30,000)
	Harbour Town Merchants Association	\$ 50,000	\$ 40,000	\$ (10,000)
	Hilton Head Island Audubon Society	\$ 27,955	\$ 20,000	\$ (7,955)
	Hilton Head Choral Society	\$ 20,000	\$ 18,000	\$ (2,000)
	Hilton Head Concours d'Elegance	\$ 350,000	\$ 340,000	\$ (10,000)
	Hilton Head Island Dance Theater	\$ 20,000	\$ 18,000	\$ (2,000)
	Hilton Head Island Airport	\$ 175,000	\$ 160,000	\$ (15,000)
	Hilton Head Island Bridge Association	\$ 20,000	\$ 15,000	\$ (5,000)
	Hilton Head Island Land Trust	\$ 50,000	\$ 40,000	\$ (10,000)
	Hilton Head Island Recreation Association	\$ 75,000	\$ 70,000	\$ (5,000)
	Hilton Head Island St. Patrick's Day Parade	\$ 100,000	\$ 79,095	\$ (20,905)
	Hilton Head Wine & Food Festival	\$ 130,000	\$ 125,000	\$ (5,000)
	Hilton Head Wine & Food Fest. (Rhythm & Brews)	\$ 40,000	\$ 25,000	\$ (15,000)
	Hilton Head Symphony Orchestra	\$ 360,000	\$ 350,000	\$ (10,000)
	Lean Ensemble Theater	\$ 55,000	\$ 50,000	\$ (5,000)
	Long Cove Club (Darius Rucker Intercollegiate)	\$ 67,250	\$ 61,897	\$ (5,353)
	Lowcountry Golf Course Owners Assoc.	\$ 150,000	\$ 100,000	\$ (50,000)
	Lowcountry Gullah	\$ 100,000	\$ 90,000	\$ (10,000)
	Mitchelville Preservation Project	\$ 205,000	\$ 190,000	\$ (15,000)
	Native Island Business & Community Affairs Assoc.	\$ 320,000	\$ 240,000	\$ (80,000)
	Palmetto Quilt Guild	\$ 8,000	\$ 7,000	\$ (1,000)
	Sea Pines Forest Preserve	\$ 48,000	\$ 40,000	\$ (8,000)
	Sea Turtle Patrol HHI	\$ 70,000	\$ 65,000	\$ (5,000)
	Shelter Cove Harbour Company	\$ 336,500	\$ 290,000	\$ (46,500)
	The Boys & Girls Club of Hilton Head (Pedal HHI)	\$ 45,000	\$ 40,000	\$ (5,000)
	The Coastal Discovery Museum	\$ 400,000	\$ 395,000	\$ (5,000)
	The First Tee of the Lowcountry	\$ 63,593	\$ 50,000	\$ (13,593)

	The Heritage Library	\$ 140,000	\$ 125,000	\$ (15,000)
	The Outside Foundation	\$ 72,000	\$ 65,000	\$ (7,000)
	The Sandbox	\$ 82,200	\$ 62,000	\$ (20,200)
		\$ 4,633,593	\$ 4,076,992	\$ (556,601)
Withdrawn Application(s)				
	Community Foundation of the Lowcountry	\$ 16,500	\$ -	\$ (16,500)
		\$ 16,500	\$ -	\$ (16,500)
No Funding				
	Rotary Club of Hilton Head (Quenchbuggy)	\$ 5,000	\$ -	\$ (5,000)
		\$ 5,000	\$ -	\$ (5,000)
		\$ 4,655,093	\$ 4,076,992	\$ (578,101)

SUMMARY:

The ATAX Advisory Committee appreciates the Finance & Administrative Committee's continued support and oversight of this important funding program. We believe the CY 2026 recommendations uphold the intent of the program, strengthen the Town's tourism economy, and reflect prudent financial management aligned with Town Council's strategic direction.

Ms. Eck made a motion that the Accommodations Tax Advisory Committee recommend the approval of the 2026 ATAX Grant awards as presented in the amount of \$ 4,076,992, except for those organizations from which Committee members have previously recused themselves. Any grant funds awarded but not expended by the recipient organizations by the end of the 2026 calendar year grant cycle, will be carried forward in full (100%) and applied to the 2027 ATAX Grant Fund Awards Distribution Category. Mr. Farrell seconded. The motion carried 6-0.

At their November 18, 2025, meeting, the Finance and Administrative (F & A) Committee recommended forwarding the Resolution of the Town of Hilton Head Approving the Recommendation from the Accommodations Tax Advisory Committee for the Calendar Year 2026 Grants to Town Council for final approval by a vote of 2-1. In addition, the Resolution included the recommendation that any grant funds awarded, but not expended, by the recipient organizations by the end of the 2026 grant year cycle to be carried forward in full (100%) and applied to the 2027 Accommodations Tax Grant Fund allocation.

Respectfully submitted on behalf of the Accommodations Tax Advisory Committee,

Keith Schlegel, Chairman

2026 Accommodations Tax Advisory Committee Members:

Martin Lesch, Vice Chairman

Cecile Eck

John Farrell

Thomas Dowling

Adriaan Radder

Dave Ferguson

<i>Grantee Agency</i>	2023	2024	2025	2026 GRANTS					
	Town Council Award	Town Council Award	Town Council Award	2026 Applicant Request	ATAC 1st Round	ATAC 2nd Round	ATAC Recommendation	Finance & Admin Rec.	Town Council Award
Art League of Hilton Head	75,000	75,000	80,000	100,000	100,000	80,000	79,000	79,000	
Arts Center of Coastal Carolina	420,000	430,000	447,000	447,000	447,000	440,000	440,000	440,000	
Beach Cat Sailors (Previously Paul Miller Fund)				100,000	50,000	50,000	40,000	40,000	
Community Foundation of the Lowcountry				16,500	5,000	5,000	App Withdrawn	App Withdrawn	
David M. Carmines Memorial Foundation	181,000	181,000	185,000	201,095	190,000	185,000	182,000	182,000	
Gullah Traveling Theater, Inc.				25,000	20,000	160,000	15,000	15,000	
Gullah Museum of Hilton Head Island	139,700	150,000	180,000	180,000	160,000	15,000	150,000	150,000	
Harbour Town Merchants Association	29,000	29,000	29,000	50,000	50,000	40,000	40,000	40,000	
HHI Audubon Society	17,588	20,100	21,400	27,955	22,000	20,000	20,000	20,000	
HHI Choral Society	10,000	15,000	20,000	20,000	20,000	18,000	18,000	18,000	
HHI Concours d'Elegance	385,000	362,000	350,000	350,000	343,000	340,000	340,000	340,000	
HHI Dance Theater	20,000	20,000	23,000	20,000	20,000	20,000	18,000	18,000	
Hilton Head Island Airport	155,000	150,000	150,000	175,000	175,000	160,000	160,000	160,000	
Hilton Head Island Bridge Association	15,000	15,000	15,000	20,000	17,000	15,000	15,000	15,000	
Hilton Head Island Land Trust	-	36,632	47,000	50,000	47,000	40,000	40,000	40,000	
HHI Rec Assoc.(Wingfest & Other Festivals)	60,000	60,000	75,000	75,000	75,000	75,000	70,000	70,000	
HHI St. Patrick's Day Parade	71,704	74,065	80,000	100,000	79,439	79,439	79,095	79,095	
HH MLK Committee for Justice		4,513	2,980						
HHI Wine and Food Fest	130,000	130,000	130,000	130,000	130,000	130,000	125,000	125,000	
HHI Wine & Food,Inc (Rhythm and Brews)	25,000	30,000	30,000	40,000	30,000	28,000	25,000	25,000	
HHI Symphony Orchestra	300,000	330,000	350,000	360,000	360,000	350,000	350,000	350,000	
Lean Ensemble Theatre	50,000	50,000	55,000	55,000	55,000	50,000	50,000	50,000	
Long Cove Club (Darius Rucker Intercollegiate)	51,442	56,653	61,897	67,250	63,320	61,897	61,897	61,897	
Lowcountry Golf Course Owners Assoc.	50,000	100,000	150,000	150,000	100,000	100,000	100,000	100,000	
Lowcountry Gullah	95,889	100,000	100,000	100,000	95,000	90,000	90,000	90,000	
Mitchelville Preservation Project	185,000	190,000	190,000	205,000	205,000	195,000	190,000	190,000	
Native Island Business & Community	235,000	225,000	225,000	320,000	246,000	240,000	240,000	240,000	
Palmetto Quilt Guild		7,500		8,000	8,000	8,000	7,000	7,000	
Paul Miller Fund (Currently Beach Cat Sailors)		16,500							
Rotary Club of Hilton Head (Quenchbuggy)			40,000	5,000	-	-	-	-	
Sea Pines Forest Preserve		40,000		48,000	48,000	40,000	40,000	40,000	
Sea Turtle Patrol HHI	64,500	70,000	70,000	70,000	70,000	70,000	65,000	65,000	
Shelter Cove Harbour Company	195,000	244,600	293,800	336,500	300,000	293,800	290,000	290,000	
TEDx Hilton Head	25,000	45,000	10,000						
The Boys & Girls Club of Hilton Head	35,000	40,000	40,000	45,000	44,300	40,000	40,000	40,000	
The Coastal Discovery Museum	325,000	375,000	400,000	400,000	400,000	390,000	395,000	395,000	
Coastal Disc. Museum (Honey Horn-CIP)	695,350	300,000							
The First Tee of the Lowcountry	40,000	40,000	50,000	63,593	50,000	50,000	50,000	50,000	
The Heritage Library	118,000	135,000	143,000	140,000	125,000	125,000	125,000	125,000	
The Outside Foundation	59,480	72,000	72,000	72,000	72,000	65,000	65,000	65,000	
The Sandbox	59,895	60,765	64,000	82,200	65,000	64,000	62,000	62,000	
University of South Carolina		2,000							
World Affairs Council of HHI	5,000	-							
Subtotal	4,323,548	4,282,328	4,180,077	4,655,093	4,287,059	4,133,136	4,076,992	4,076,992	
DMO Supplemental Grant	350,000								
Total Grants	4,673,548	4,282,328	4,180,077	4,655,093	(210,067)	(56,144)	4,076,992	4,076,992	-

**Awards will be based on the maximum reimbursable amount allowed under the submitted budget or TERC requirements.

*Any grant funds awarded but not expended by recipient organizations by the end of the 2026 grant year cycle will be carried forward in full (100%) and applied to the 2027 ATAX Grant Fund allocation.

**Town of Hilton Head Island
Accommodations Tax Fund
Ending - Oct 2025**

Attachment 3

Accommodations Tax Applicants FY 2023-2024 (CY 2023 Grants)	Amount Approved	Paid FY23	Paid FY24	Paid FY25	Paid FY26	Amount Lapsed
Art League of Hilton Head	75,000.00	41,833.53	33,166.47			-
Art Center of Coastal Carolina	420,000.00	420,000.00	-			-
David M. Carmines Memorial Foundation	181,000.00	133,005.01	23,090.00			24,904.99
Gullah Museum of Hilton Head	139,700.00	70,796.06	63,306.38			5,597.56
Harbour Town Merchants Association	29,000.00	-	29,000.00			-
Hilton Head Audobon Society	17,588.00	7,386.98	8,973.24			1,227.78
Hilton Head Choral Society	10,000.00	3,022.50	6,977.50			-
Hilton Head Concours d' Elegance	385,000.00	78,532.84	306,467.16			0.00
Hilton Head Dance Theatre	20,000.00	6,542.45	13,457.55			-
Hilton Head Airport	155,000.00	31,731.35	123,268.65			-
Hilton Head Island Bridge Association	15,000.00	2,267.99	12,728.64			3.37
Hilton Head Island Recreation Association	60,000.00	26,230.00	33,770.00			-
Hilton Head St. Patrick's Day Parade	71,704.00	29,048.09	-			42,655.91
Hilton Head Island Wine & Food (Rhythm & Brews)	25,000.00	-	-			25,000.00
Hilton Head Island Wine & Food	130,000.00	100,873.14	-			29,126.86
Hilton Head Island-Bluffton Chamber of Comm.	350,000.00	133,740.33	215,608.02			651.65
Hilton Head Symphony Orchestra, Inc	300,000.00	300,000.00	-			-
Lean Ensemble Theater	50,000.00	50,000.00	-			-
Lowcountry Golf Course Owners Assoc	50,000.00	-	49,878.32			121.68
Long Cove Club (DRI Golf Tourn.)	51,442.00	47,277.30	3,700.00			464.70
Lowcountry Gullah	95,889.00	34,828.49	61,060.51			-
Mitchelville Preservaiton Project	185,000.00	101,259.78	83,740.22			-
Native Island Business & Community Affairs Assoc.	235,000.00	49,427.70	145,798.89			39,773.41
Sea Turtle Patrol Hilton Head Island	64,500.00	26,075.94	38,424.06			-
Shelter Cove Harbour Company	195,000.00	-	195,000.00			-
TEDxHiltonHead	25,000.00	8,000.00	15,808.87			1,191.13
The Boys & Girls Club	35,000.00	35,000.00	-			-
The Coastal Discovery Museum	325,000.00	229,898.41	95,101.60			(0.01)
The Coastal Discovery Museum (CIP)	695,350.00	-	695,350.00			-
The First Tee of the Lowcountry	40,000.00	-	40,000.00			-
The Heritage Library Foundation	118,000.00	18,208.46	98,434.52			1,357.02
The Outside Foundation	59,480.00	14,233.12	30,025.00			15,221.88
The Sandbox	59,895.00	-	33,783.28			26,111.72
World Affairs Council of Hilton Head	5,000.00	-	5,000.00			-
CY 2023 GRANTS Sub-Total	4,673,548.00	1,999,219.47	2,460,918.88	-	-	213,409.65

**Town of Hilton Head Island
Accommodations Tax Fund
Ending - Oct 2025**

Attachment 3

Accommodations Tax Applicants FY 2024-2025 (CY 2024 Grants)	Amount Approved	Paid FY23	Paid FY24	Paid FY25	Paid FY26	Amount Lapsed
Art League of Hilton Head	75,000.00		46,031.78	28,968.22		-
Arts Center of Coastal Carolina	430,000.00		430,000.00	-		-
David M. Carmines Memorial Foundation	181,000.00		173,052.64	-		7,947.36
Gullah Museum of Hilton Head	150,000.00		85,787.09	63,827.10		385.81
Harbour Town Merchants Association	29,000.00		29,000.00	-		-
Hilton Head Audobon Society	20,100.00		11,363.84	8,736.16		-
Hilton Head Choral Society	15,000.00		3,513.50	11,486.50		-
Hilton Head Concours d' Elegance	362,000.00		86,953.50	269,481.07		5,565.43
Hilton Head Dance Theatre	20,000.00		6,670.35	13,329.65		-
Hilton Head Island Airport	150,000.00		103,365.00	46,635.00		-
Hilton Head Island Bridge Association	15,000.00		2,349.30	9,889.96		2,760.74
Hilton Head Island Land Trust	36,632.00		12,559.17	20,192.05		3,880.78
Hilton Head Island Recreation Association	60,000.00		23,031.55	36,181.40		787.05
Hilton Head St. Patrick's Day Parade	74,065.00		43,689.21	26,508.72		3,867.07
Hilton Head Island Wine & Food (Rhythm & Brews)	30,000.00		-	24,942.55		5,057.45
Hilton Head Wine & Food	130,000.00		119,230.22	10,000.00		769.78
Hilton Head MLK Committee for Justice	4,513.00		-	2,846.65		1,666.35
Hilton Head Symphony Orchestra, Inc	330,000.00		272,635.59	57,364.41		(0.00)
Lean Ensemble Theater	50,000.00		50,000.00	-		-
Lowcountry Golf Course Owners Assoc	100,000.00		43,972.00	56,025.00		3.00
Long Cove Club (DRI Golf Tourn.)	56,653.00		51,080.77	5,572.03		0.20
Lowcountry Gullah	100,000.00		65,563.80	44,837.57		(10,401.37)
Mitchelville Preservaiton Project	190,000.00		49,702.46	140,297.54		-
NIBCAA, INC.	225,000.00		139,632.29	85,367.71		(0.00)
Palmetto Quilt Guild	7,500.00		7,466.11	-		33.89
Paul Miller Fund	16,500.00		-	9,744.34		6,755.66
Sea Pines Forest Preserve Foundation	40,000.00		-	38,722.00		1,278.00
Sea Turtle Patrol Hilton Head Island	70,000.00		17,161.73	52,838.27		0.00
Shelter Cove Harbour Company	244,600.00		-	244,600.00		-
TEDxHiltonHead	45,000.00		3,353.74	22,835.29		18,810.97
The Boys & Girls Club	40,000.00		40,000.00	-		-
The Coastal Discovery Museum	375,000.00		310,194.33	64,805.68		(0.01)
The Coastal Discovery Museum- CIP	300,000.00		4,800.00	17,615.06	21,927.90	255,657.04
The First Tee of the Lowcountry	40,000.00		-	40,000.00		-
The Heritage Library Foundation	135,000.00		41,019.79	78,399.86		15,580.35
The Outside Foundation	72,000.00		26,971.88	33,547.92		11,480.20
The Sandbox	60,765.00		28,075.27	26,324.39		6,365.34
University of South Carolina	2,000.00		-	-		2,000.00
CY 2024 GRANTS Sub-Total	4,282,328.00	-	2,328,226.91	1,591,922.10	21,927.90	340,251.09

**Town of Hilton Head Island
Accommodations Tax Fund
Ending - Oct 2025**

Attachment 3

Accommodations Tax Applicants	Amount	Paid	Paid	Paid	Paid	Amount
FY 2025-2026 (CY 2025 Grants)	Approved	FY23	FY24	FY25	FY26	Available
Art League of Hilton Head	80,000.00			45,129.34		34,870.66
Arts Center of Coastal Carolina	447,000.00			427,615.17	19,384.83	-
David M. Carmines Memorial Foundation	185,000.00			83,500.00	81,034.99	20,465.01
Gullah Museum of Hilton Head Island	180,000.00			104,594.83	64,165.51	11,239.66
Harbour Town Merchants Association	29,000.00			29,000.00		-
Hilton Head Audobon Society	21,400.00			8,206.69	6,307.69	6,885.62
Hilton Head Choral Society	20,000.00			6,421.40		13,578.60
Hilton Head Concours d' Elegance	350,000.00			64,169.00	90,867.60	194,963.40
Hilton Head Dance Theatre	23,000.00			5,864.42		17,135.58
Hilton Head Island Airport	150,000.00			54,400.00	66,712.45	28,887.55
Hilton Head Island Bridge Association	15,000.00			6,064.95	3,030.50	5,904.55
Hilton Head Island Land Trust	47,000.00			2,346.04	19,697.37	24,956.59
Hilton Head Island Recreation Association	75,000.00			31,133.72		43,866.28
Hilton Head St. Patrick's Day Parade	80,000.00			-		80,000.00
Hilton Head Island Wine & Food (Rhythm & Brews)	30,000.00			-	30,000.00	-
Hilton Head Island Wine & Food	130,000.00			79,721.17	40,081.03	10,197.80
Hilton Head MLK Committee for Justice	2,980.00			-		2,980.00
Hilton Head Symphony Orchestra, Inc	350,000.00			326,371.78	11,197.60	12,430.62
Lean Ensemble Theater	55,000.00			55,000.00		-
Lowcountry Golf Course Owners Assoc	150,000.00			-		150,000.00
Long Cove Club (DRI Golf Tourn.)	61,897.00			52,491.62		9,405.38
Lowcountry Gullah	100,000.00			10,913.52	54,663.44	34,423.04
Mitchelville Preservaiton Project	190,000.00			77,217.00	89,578.64	23,204.36
NIBCAA, INC.	225,000.00			82,278.39	66,900.00	75,821.61
Rotary Club of Hilton Head Island	40,000.00			-	40,000.00	-
Sea Turtle Patrol HHI	70,000.00			12,368.61	20,280.47	37,350.92
Shelter Cove Harbour Company	293,800.00			-	287,079.20	6,720.80
Tedx Hilton Head	10,000.00			-		10,000.00
The Boys & Girls Club of Hilton Head	40,000.00			37,130.24		2,869.76
The Coastal Discovery Museum	400,000.00			212,653.67	127,550.43	59,795.90
The First Tee of the Lowcountry	50,000.00			-		50,000.00
The Heritage Library Foundation	143,000.00			62,846.54	22,281.75	57,871.71
The Outside Foundation	72,000.00			16,991.77	23,318.94	31,689.29
The Sandbox	64,000.00			34,813.31		29,186.69
CY 2025 GRANTS Sub-Total	4,180,077.00	-	-	1,929,243.18	1,164,132.44	1,086,701.38

South Carolina Legislature

South Carolina Law > [Code of Laws](#) > Title 6

South Carolina Code of Laws Unannotated

Title 6 - LOCAL GOVERNMENT—PROVISIONS APPLICABLE TO SPECIAL PURPOSE DISTRICTS AND OTHER POLITICAL SUBDIVISIONS

CHAPTER 4

Allocation of Accommodations Tax Revenues

SECTION 6-4-5. Definitions.

As used in this chapter:

- (1) "County area" means a county and municipalities within the geographical boundaries of the county.
- (2) "Cultural", as it applies to members of advisory committees in Section 6-4-25, means persons actively involved and familiar with the cultural community of the area including, but not limited to, the arts, historical preservation, museums, and festivals.
- (3) "Hospitality", as it applies to members of the committees in item (2), means persons directly involved in the service segment of the travel and tourism industry including, but not limited to, businesses that primarily serve visitors such as lodging facilities, restaurants, attractions, recreational amenities, transportation facilities and services, and travel information and promotion entities.
- (4) "Travel" and "tourism" mean the action and activities of people taking trips outside their home communities for any purpose, except daily commuting to and from work.
- (5) "Housing costs" for housing occupied by the owner means:
 - (a) the principal and interest on a mortgage loan that finances the purchase of the housing;
 - (b) the closing costs and other costs associated with a mortgage loan;
 - (c) mortgage insurance;
 - (d) property insurance;
 - (e) utility-related costs;
 - (f) property taxes; and
 - (g) if the housing is owned and occupied by members of a cooperative or an unincorporated cooperative association, fees paid to a person for managing the housing.
- (6) "Housing costs" for rented housing means:
 - (a) rent; and
 - (b) utility-related costs, if not included in the rent.
- (7) "Ordinance" means an ordinance adopted pursuant to Section 6-29-530.
- (8) "Utility-related costs" means costs related to power, heat, gas, light, water, and sewage.
- (9) "Workforce housing" means residential housing for rent or sale that is appropriately priced for rent or sale to a person or family whose income falls within thirty percent and one hundred twenty percent of the median income for the local area, with adjustments for household size, according to the latest figures available from the United States Department of Housing and Urban Development (HUD).

HISTORY: 1991 Act No. 147, SECTION 1; 2001 Act No. 74, SECTION 2; 2002 Act No. 312, SECTION 2; 2023 Act No. 57 (S.284), SECTION 5, eff May 19, 2023.

Editor's Note

2023 Act No. 57, SECTION 9, provides as follows:

"SECTION 9. Before the beginning of the 2030 Legislative Session, the Director of the Department of Parks, Recreation and Tourism, in consultation with the Secretary of Commerce and the Commissioner of Agriculture, shall issue a report to the General Assembly detailing the effects on tourism and workforce housing resulting from the codified provisions of this act."

Effect of Amendment

2023 Act No. 57, SECTION 5, added (5) to (9).

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

The funds received by a municipality or a county in county areas collecting more than fifty thousand dollars from the local accommodations tax provided in Section 12-36-2630(3) must be allocated in the following manner:

- (1) The first twenty-five thousand dollars must be allocated to the general fund of the municipality or county and is exempt from all other requirements of this chapter.
- (2) Five percent of the balance must be allocated to the general fund of the municipality or county and is exempt from all other requirements of this chapter.
- (3) Thirty percent of the balance must be allocated to a special fund and used only for advertising and promotion of tourism to develop and increase tourist attendance through the generation of publicity. To manage and direct the expenditure of these tourism promotion funds, the municipality or county shall select one or more organizations, such as a chamber of commerce, visitor and convention bureau, or regional tourism commission, which has an existing, ongoing tourist promotion program.

If no organization exists, the municipality or county shall create an organization with the same membership standard in Section 6-4-25. To be eligible for selection the organization must be organized as a nonprofit organization and shall demonstrate to the municipality or county that it has an existing, ongoing tourism promotion program or that it can develop an effective tourism promotion program. Immediately upon an allocation to the special fund, a municipality or county shall distribute the tourism promotion funds to the organizations selected or created to receive them. Before the beginning of each fiscal year, an organization receiving funds from the accommodations tax from a municipality or county shall submit for approval a budget of planned expenditures. At the end of each fiscal year, an organization receiving funds shall render an accounting of the expenditure to the municipality or county which distributed them. Fees allocated pursuant to this subsection must not be used to pledge as security for bonds and to retire bonds. Also, fees allocated pursuant to this subsection must be allocated to a special fund and used only for advertising and promotion of tourism to develop and increase tourist attendance through the generation of publicity, and not used to pledge as security for bonds and to retire bonds.

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

(b) The funds received by a county or municipality which has a high concentration of tourism activity may be used to provide additional county and municipal services including, but not limited to, law enforcement, traffic control, public facilities, and highway and street maintenance, as well as the continual promotion of tourism. The funds must not be used as an additional source of revenue to provide services normally provided by the county or municipality but to promote tourism and enlarge its economic benefits through advertising, promotion, and providing those facilities and services which enhance the ability of the county or municipality to attract and provide for tourists.

"Tourism-related expenditures" include:

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

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

(c)(i) Allocations to the special fund must be spent by the municipality or county within two years of receipt. However, the time limit may be extended upon the recommendation of the local governing body of the county or municipality and approval of the oversight committee established pursuant to Section 6-4-35. An extension must include provisions that funds be committed for a specific project or program.

(ii) Notwithstanding the provisions of subsubitem (i), upon a two-thirds affirmative vote of the membership of the appropriate local governing body, a county or municipality may carry forward unexpended allocations to the special fund beyond two years provided that the county or municipality commits use of the funds exclusively to the control and repair of waterfront erosion, including beach renourishment or development of workforce housing, which must include programs to promote home ownership. The county or municipality annually shall notify the oversight committee, established pursuant to Section 6-4-35, of the basic activity of the committed funds, including beginning balance, deposits, expenditures, and ending balance.

(d) In the expenditure of these funds, counties and municipalities are required to promote tourism and make tourism-related expenditures primarily in the geographical areas of the county or municipality in which the proceeds of the tax are collected where it is practical.

HISTORY: 1990 Act No. 612, Part II, SECTION 74B; 1991 Act No. 147, SECTION 1; 2010 Act No. 284, SECTION 2, eff upon approval (became law without the Governor's signature on June 28, 2010); 2014 Act No. 184 (S.294), SECTIONS 1, 2, eff June 2, 2014; 2023 Act No. 57 (S.284), SECTION 2, eff May 19, 2023.

Editor's Note

2023 Act No. 57, SECTION 9, provides as follows:

"SECTION 9. Before the beginning of the 2030 Legislative Session, the Director of the Department of Parks, Recreation and Tourism, in consultation with the Secretary of Commerce and the Commissioner of Agriculture, shall issue a report to the General Assembly detailing the effects on tourism and workforce housing resulting from the codified provisions of this act."

Effect of Amendment

The 2010 amendment, in item (3), inserted "only" preceding "for advertising" in the first sentence and added the last two sentences.

2014 Act No. 184, SECTION 1, in subsection (4)(b), changed the paragraph designators from arabic to roman numbers; and in subsection (4)(b)(vii), inserted ", including beach renourishment".

2014 Act No. 184, SECTION 2, rewrote subsection (4)(c).

2023 Act No. 57, SECTION 2, in (4), in (b), inserted (ix) and made nonsubstantive changes, and in (c)(ii), in the first sentence, inserted "or development of workforce housing, which must include programs to promote home ownership".

SECTION 6-4-12. Housing impact analysis.

(A) If a local government intends to use the funds for the development of workforce housing, then the local government shall prepare a housing impact analysis prior to giving second reading to the ordinance.

(B) The analysis required by subsection (A) must include:

- (1) information about the effect of the ordinance on housing, including the effect of the ordinance on each of the following:
 - (a) the cost of developing, construction, rehabilitating, improving, maintaining, or owning single-family or multifamily dwellings;
 - (b) the purchase price of new homes or the fair market value of existing homes;
 - (c) the cost and availability of financing to purchase or develop housing;

(d) housing costs; and

(e) the density, location, setback, size, or height development on a lot, parcel, land division, or subdivision; and

(2) an analysis of the relative impact of the ordinance on low- and moderate-income households.

(C) The following applies to information on housing costs required to be included in the analysis conducted pursuant to subsection (B)(1)(d):

(1) the analysis must include reasonable estimates of the effect of the ordinance on housing costs, expressed in dollar amounts. The local government shall include a brief summary of, or worksheet demonstrating, the computations used in determining the dollar amounts. However, if the local government determines that it is not possible to make an estimate expressed in dollar amounts, then the analysis must include a statement setting forth the reasons for the local government's determination; and

(2) the analysis must include descriptions of both the immediate effect and, to the extent ascertainable, the long-term effect of the ordinance on housing costs.

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

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

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

HISTORY: 2023 Act No. 57 (S.284), SECTION 4, eff May 19, 2023.

Editor's Note

2023 Act No. 57, SECTION 9, provides as follows:

"SECTION 9. Before the beginning of the 2030 Legislative Session, the Director of the Department of Parks, Recreation and Tourism, in consultation with the Secretary of Commerce and the Commissioner of Agriculture, shall issue a report to the General Assembly detailing the effects on tourism and workforce housing resulting from the codified provisions of this act."

SECTION 6-4-15.Use of revenues to finance bonds.

A municipality or county may issue bonds, enter into other financial obligations, or create reserves to secure obligations to finance all or a portion of the cost of constructing facilities, all of which must fulfill the purpose of this chapter, for civic activities, the arts, cultural events, or workforce housing that includes programs to promote home ownership. The annual debt service of indebtedness incurred to finance the facilities or lease payments for the use of the facilities may be provided from the funds received by a municipality or county from the accommodations tax in an amount not to exceed the amount received by the municipality or county after deduction of the accommodations tax funds dedicated to the general fund and the advertising and promotion fund. However, none of the revenue received by a municipality or county from the accommodations tax may be used to retire outstanding bonded indebtedness unless accommodations tax revenue was obligated for that purpose when the debt was incurred.

HISTORY: 1991 Act No. 147, SECTION 1; 2023 Act No. 57 (S.284), SECTION 3, eff May 19, 2023.

Editor's Note

2023 Act No. 57, SECTION 9, provides as follows:

"SECTION 9. Before the beginning of the 2030 Legislative Session, the Director of the Department of Parks, Recreation and Tourism, in consultation with the Secretary of Commerce and the Commissioner of Agriculture, shall issue a report to the General Assembly detailing the effects on tourism and workforce housing resulting from the codified provisions of this act."

Effect of Amendment

2023 Act No. 57, SECTION 3, in the first sentence, substituted ", all of which must fulfill the purpose of this chapter, for civic activities, the arts, cultural events, or workforce housing that includes programs to promote home ownership" for "for civic activities, the arts, and cultural events which fulfill the purpose of this chapter".

SECTION 6-4-20.Administration account established; State Treasurer's duties; distribution of account revenues; exceptions to tourism spending mandate.

(A) An accommodations tax account is created to be administered by the State Treasurer.

(B) At the end of each fiscal year and before August first a percentage, to be determined by the State Treasurer, must be withheld from those county areas collecting four hundred thousand dollars or more from that amount which exceeds four hundred thousand dollars from the tax authorized by Section 12-36-2630(3), and that amount must be distributed to assure that each county area receives a minimum of fifty thousand dollars. The amount withheld from those county areas collecting four hundred thousand dollars or more must be apportioned among the municipalities and the county in the same proportion as those units received quarterly remittances in Section 12-36-2630(3). If the total statewide collections from the local accommodations tax exceeds the statewide collections for the preceding fiscal year then this fifty thousand dollar figure must be increased by a percentage equal to seventy-five percent of the statewide percentage increase in statewide collections for the preceding fiscal year. The difference between the fifty thousand dollars minimum and the actual collections within a county area must be distributed to the eligible units within the county area based on population as determined by the most recent United States census.

(C) At the end of each fiscal year and before August first, the State Treasurer shall distribute to each county area collecting more than fifty thousand dollars but less than four hundred thousand dollars an additional fifteen thousand dollars. If the total statewide collections from the local accommodations tax exceed the statewide collections for the preceding fiscal year, this fifteen thousand dollar figure must be increased by a percentage equal to seventy-five percent of the statewide percentage increase in statewide collections for the preceding fiscal year. This amount must be distributed in the same manner as the fifty thousand dollars in subsection (B). The amount paid those qualified county areas under this subsection must be paid from the account created under this section.

(D) The amount withheld in excess must be distributed to the county areas whose collections exceed four hundred thousand dollars based on the ratio of the funds available to the collections by each county area.

(E) The accommodations tax funds received by a municipality or county in county areas collecting fifty thousand dollars or less are not subject to the tourism-related provisions of this chapter.

(F) Two percent of the local accommodations tax levied pursuant to Section 12-36-2630(3) must be remitted quarterly and equally to the eleven agencies designated by law and regional organizations to administer multi-county tourism programs in the state tourism regions as identified in the promotional publications of the South Carolina Department of Parks, Recreation and Tourism. This remittance is in addition to other funds that may be allocated to the agencies by local governments.

(G) The State Treasurer may correct misallocations to counties and municipalities from accommodations tax revenues by adjusting subsequent allocations, but these adjustments may be made only in allocations made in the same fiscal year as the misallocation.

HISTORY: 1990 Act No. 612, Part II, SECTION 74B; 1991 Act No. 147, SECTION 1; 1991 Act No. 168, SECTION 2.

Code Commissioner's Note

1991 Act No. 168, SECTION 2, originally amended this section by adding item "(5)." By direction of the Code Commissioner, the added text was redesignated as subsection "(G)" to conform to the designations in the earlier amendment of this section by 1991 Act No. 147, SECTION 1.

SECTION 6-4-25.Advisory Committee; guidelines for expenditures; annual reports; reports to Accommodations Tax Oversight Committee.

(A) A municipality or county receiving more than fifty thousand dollars in revenue from the accommodations tax in county areas collecting more than fifty thousand dollars shall appoint an advisory committee to make recommendations on the expenditure of revenue generated from the accommodations tax. The advisory committee consists of seven members with a majority being selected from the hospitality industry of the municipality or county receiving the revenue. At least two of the hospitality industry members must be from the lodging industry where applicable. One member shall represent the cultural organizations of the municipality or county receiving the revenue. For county advisory committees, members shall represent the geographic area where the majority of the revenue is derived. However, if a county which receives more in distributions of accommodations taxes than it collects in accommodations taxes, the membership of its advisory committee must be representative of all areas of the county with a majority of the membership coming from no one area.

(B) A municipality or county and its advisory committee shall adopt guidelines to fit the needs and time schedules of the area. The guidelines must include the requirements for applications for funds from the special fund used for tourism-related expenditures. A recipient's application must be reviewed by an advisory committee before it receives funds from a county or municipality.

(C) Advisory committees shall submit written recommendations to a municipality or county at least once annually. The recommendations must be considered by the municipality or county in conjunction with the requirements of this chapter.

(D) Municipalities and counties annually shall submit to the South Carolina Accommodations Tax Oversight Committee:

- (1) end-of-the-year report detailing advisory committee accommodations tax recommendations;
 - (2) municipality's or county's action following the recommendations;
 - (3) list of how funds from the accommodations tax are spent, except for the first twenty-five thousand dollars and five percent of the balance in Section 6-4-10(2) allocated to the general fund. The list is due before October first and must include funds received and dispersed during the previous fiscal year;
 - (4) list of advisory committee members noting the chairman, business address if applicable, and representation of the hospitality industry including the lodging industry and cultural interests.
- (E) The regional tourism agencies in Section 6-4-20 annually shall submit reports on their budgets and annual expenditure of accommodations tax funds pursuant to this chapter to the Accommodations Tax Oversight Committee.

HISTORY: 1991 Act No. 147, SECTION 1; 2002 Act No. 312, SECTION 3.

SECTION 6-4-30.Repealed by 2003 Act No. 69, SECTION 3.MM, eff June 18, 2003.

Editor's Note

Former section was entitled "Department of Revenue's duties regarding accommodations taxes" and was derived from 1991 Act No. 147, SECTION 1; 1997 Act No. 87, SECTION 1; 2001 Act No. 74, SECTION 3.B.

SECTION 6-4-35.Tourism Expenditure Review Committee.

(A) There is established the Tourism Expenditure Review Committee consisting of eleven members as follows:

- (1) one member appointed by the Speaker of the House;
- (2) one member appointed by the President of the Senate;
- (3) the Director of the South Carolina Department of Parks, Recreation and Tourism, or his designee, ex officio;
- (4) eight members appointed by the Governor as follows:
 - (a) one member on the recommendation of the South Carolina Association of Tourism Regions;
 - (b) one member on the recommendation of the South Carolina Association of Convention and Visitors Bureaus;
 - (c) one member on the recommendation of the South Carolina Travel and Tourism Coalition;
 - (d) one member on the recommendation of the Municipal Association of South Carolina;
 - (e) one member on the recommendation of the South Carolina Association of Counties;
 - (f) one member on the recommendation of the Hospitality Association of South Carolina;
 - (g) one member on the recommendation of the South Carolina Arts Commission; and
 - (h) one member at large.

Appointed members shall serve for terms of four years and until their successors are appointed and qualify, except that of those first appointed by the Governor, four shall serve for a term of two years and the term must be noted on the appointment. Regardless of the date of appointment, all terms expire July first of the applicable year. Members shall serve without compensation but may receive the mileage, subsistence, and per diem allowed by law for members of state boards, committees, and commissions. Vacancies must be filled in the manner of original appointment for the unexpired portion of the term.

(B)(1)(a) The Tourism Expenditure Review Committee shall serve as the oversight authority on all questionable tourism-related expenditures and to that end, all reports filed pursuant to Section 6-4-25(D)(3) must be forwarded to the committee for review to determine if they are in compliance with this chapter. The municipality or county must be notified if an expenditure is questioned, and the committee may consider any further supporting information the municipality or county may provide. If the committee finds an expenditure to be in noncompliance, it shall certify the noncompliance to the State Treasurer, who shall withhold the amount of the expenditure found in noncompliance from subsequent distributions in accommodations tax revenue otherwise due the municipality or county. An appeal from an action of the committee under this subitem lies with the Administrative Law Judge Division.

(b) If the committee determines that a municipality or county has failed to file the reports required pursuant to Section 6-4-25(D)(3), it may impose a fee of five hundred dollars a month or part of a month for each month the report is not filed, but not more than five thousand dollars. The committee shall certify the penalty to the State Treasurer, who shall withhold the amount of the penalty from subsequent distributions otherwise due the municipality or county. An appeal from an action of the committee

under this subitem lies with the Administrative Law Judge Division.

(c) Allocations withheld must be reallocated proportionately to all other recipients.

(2) The committee has jurisdiction to investigate and research facts on written complaints submitted to it with regard to the appropriate tourism-related expenditures and resolve these complaints as provided in item (1) of this subsection.

(3) The committee shall forward copies of information submitted by the local governments and regional tourism agencies pursuant to Section 6-4-25 arising under the tourism provisions of this chapter to the Department of Parks, Recreation and Tourism, which shall publish an annual report on the information submitted.

HISTORY: 2001 Act No. 74, SECTION 3.A; 2003 Act No. 38, SECTION 1, eff June 2, 2003; 2019 Act No. 1 (S.2), SECTION 31, eff January 31, 2019.

Editor's Note

2004 Act No. 202, SECTION 3, provides as follows:

"Wherever the term 'Administrative Law Judge Division' appears in any provision of law, regulation, or other document, it must be construed to mean the Administrative Law Court established by this act."

Effect of Amendment

The 2003 amendment, in subsection (A) substituted "eleven" for "nine" in the introductory paragraph, substituted "eight" for "six" in paragraph (4), added paragraphs (4)(g) and (4)(h), and made nonsubstantive changes.

2019 Act No. 1, SECTION 31, in (A)(2), substituted "President of the Senate" for "President Pro Tempore of the Senate".

Legislative Services Agency
<http://www.scstatehouse.gov>

THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

**A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF
HILTON HEAD ISLAND, SOUTH CAROLINA, APPROVING
ACCOMMODATIONS TAX GRANTS FOR CALENDAR YEAR
2026.**

WHEREAS, S. C. Code Ann. § 6-4-10(4)(b)(Supp. 2025), describes a fund to be used by the recipient for tourism related expenditures (the “65% Fund”); and,

WHEREAS, 65% Funds received by a county or municipality which has a high concentration of tourism activity may be used to provide additional county and municipal services including, but not limited to, law enforcement, traffic control, public facilities, and highway and street maintenance, as well as the continual promotion of tourism; and

WHEREAS, as is required by S. C. Code Ann. § 6-4-25 (Supp. 2025), the Town Council appointed an Accommodations Tax Advisory Committee to advise and recommend to the Town Council for the Town of Hilton Head Island, South Carolina, on the expenditure of revenue generated from State Accommodations Tax; and

WHEREAS, the Town’s Fund Distribution Policy includes the following distribution categories for ATAX Funds: General Fund (first \$25,000.00 and 5% of the balance); DMO (30% of the balance); ATAX Grant Awards (33% of the balance); General Fund Tourism Operating Expenses (20% of the balance); Capital Improvements Program (7% of the balance) and Tourism Serving Housing Program (5% of the balance)(the “Distribution Category”); and,

WHEREAS, On November 6, 2025, the Town of Hilton Head Island Accommodations Tax Advisory Committee reviewed the calendar year 2026 accommodations tax applications and voted to forward its recommendations on which applications should be approved and in what amounts to the Town Council’s Finance and Administrative Committee regarding the 2026 Accommodations Tax Grants and also recommended that any Accommodations Tax grants awarded in calendar year 2026 but which are not spent by the recipient organization in calendar year 2026 be carried forward in the 65% Fund and in the same Distribution Category for calendar year 2027; and,

WHEREAS, the Town Council’s Finance and Administrative Committee met on November 18, 2025, and voted to forward its recommendations on which applications should be approved and in what amounts to the Town Council and recommended that any Accommodations Tax grants awarded in calendar year 2026 but which are not spent by the recipient organization in calendar year 2026 be carried forward in the 65% Fund and in the same Distribution Category for calendar year

2027; and,

WHEREAS, the Town Council finds that approval of the grants of Accommodations Tax funds as outlined on the attached Exhibit "A" is in the best interest of the Town and promotes the health, safety and welfare of the citizens, residents, property owners, business owners, and visitors in and to the Town.

NOW, THEREFORE, BE IT, AND IT HEREBY IS, RESOLVED BY THE TOWN COUNCIL FOR THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA, THAT:

(a) The Town Council hereby approves and adopts the 2026 Accommodations Tax Grants as set out on the attached Exhibit "A" to this Resolution, and this includes adoption of the recommendations of the Accommodations Tax Advisory Committee and the Finance and Administration Committee that any Accommodations Tax grants awarded in calendar year 2026 but which are not spent by the recipient organization in calendar year 2026, be carried forward in the 65% Fund and in the same Distribution Category for calendar year 2027

(b) The Town Manager is authorized to take all necessary action to give effect to this Resolution.

MOVED, APPROVED, AND ADOPTED ON THIS_____ DAY OF DECEMBER, 2025.

THE TOWN OF HILTON HEAD ISLAND,
SOUTH CAROLINA

By:_____
Alan R. Perry, Mayor

ATTEST:

Kimberly Gammon, Town Clerk

APPROVED AS TO FORM

Curtis L. Coltrane, Town Attorney

EXHIBIT “A” TO ACCOMODATIONS TAX GRANTS RESOLUTION

Town of Hilton Head Island
Accommodations Tax Grants 2023 to 2026
by Calendar Year

Grantee Agency	2023	2024	2025	2026 GRANTS			
	Town Council Award	Town Council Award	Town Council Award	2026 Applicant Request	ATAC Recommendation	Finance & Admin Recc.	Town Council Award
Art League of Hilton Head	75,000	75,000	80,000	100,000	79,000	79,000	
Arts Center of Coastal Carolina	420,000	430,000	447,000	447,000	440,000	440,000	
Beach Cat Sailors (Previously Paul Miller Fund)				100,000	40,000	40,000	
Community Foundation of the Lowcountry				16,500	App Withdrawn	App Withdrawn	
David M. Carmines Memorial Foundation	181,000	181,000	185,000	201,095	182,000	182,000	
Gullah Traveling Theater, Inc.				25,000	15,000	15,000	
Gullah Museum of Hilton Head Island	139,700	150,000	180,000	180,000	150,000	150,000	
Harbour Town Merchants Association	29,000	29,000	29,000	50,000	40,000	40,000	
HHI Audubon Society	17,588	20,100	21,400	27,955	20,000	20,000	
HHI Choral Society	10,000	15,000	20,000	20,000	18,000	18,000	
HHI Concours d'Elegance	385,000	362,000	350,000	350,000	340,000	340,000	
HHI Dance Theater	20,000	20,000	23,000	20,000	18,000	18,000	
Hilton Head Island Airport	155,000	150,000	150,000	175,000	160,000	160,000	
Hilton Head Island Bridge Association	15,000	15,000	15,000	20,000	15,000	15,000	
Hilton Head Island Land Trust	-	36,632	47,000	50,000	40,000	40,000	
HHI Rec Assoc.(Wingfest & Other Festivals)	60,000	60,000	75,000	75,000	70,000	70,000	
HHI St. Patrick's Day Parade	71,704	74,065	80,000	100,000	79,095	79,095	
HH MLK Committee for Justice		4,513	2,980				
HHI Wine and Food Fest	130,000	130,000	130,000	130,000	125,000	125,000	
HHI Wine & Food, Inc (Rhythm and Brews)	25,000	30,000	30,000	40,000	25,000	25,000	
HHI Symphony Orchestra	300,000	330,000	350,000	360,000	350,000	350,000	
Lean Ensemble Theatre	50,000	50,000	55,000	55,000	50,000	50,000	
Long Cove Club (Darius Rucker Intercollegiate)	51,442	56,653	61,897	67,250	61,897	61,897	
Lowcountry Golf Course Owners Assoc.	50,000	100,000	150,000	150,000	100,000	100,000	
Lowcountry Gullah	95,889	100,000	100,000	100,000	90,000	90,000	
Mitchelville Preservation Project	185,000	190,000	190,000	205,000	190,000	190,000	
Native Island Business & Community	235,000	225,000	225,000	320,000	240,000	240,000	
Palmetto Quilt Guild		7,500		8,000	7,000	7,000	
Paul Miller Fund (Currently Beach Cat Sailors)		16,500					
Rotary Club of Hilton Head (Quenchbuggy)			40,000	5,000	-	-	
Sea Pines Forest Preserve		40,000		48,000	40,000	40,000	
Sea Turtle Patrol HHI	64,500	70,000	70,000	70,000	65,000	65,000	
Shelter Cove Harbour Company	195,000	244,600	293,800	336,500	290,000	290,000	
TEDx Hilton Head	25,000	45,000	10,000				
The Boys & Girls Club of Hilton Head	35,000	40,000	40,000	45,000	40,000	40,000	
The Coastal Discovery Museum	325,000	375,000	400,000	400,000	395,000	395,000	
Coastal Disc. Museum (Honey Horn-CIP)	695,350	300,000					
The First Tee of the Lowcountry	40,000	40,000	50,000	63,593	50,000	50,000	
The Heritage Library	118,000	135,000	143,000	140,000	125,000	125,000	
The Outside Foundation	59,480	72,000	72,000	72,000	65,000	65,000	
The Sandbox	59,895	60,765	64,000	82,200	62,000	62,000	
University of South Carolina		2,000					
World Affairs Council of HHI	5,000	-					
Subtotal	4,323,548	4,282,328	4,180,077	4,655,093	4,076,992	4,076,992	
DMO Supplemental Grant	350,000						
Total Grants	4,673,548	4,282,328	4,180,077	4,655,093	4,076,992	4,076,992	



TOWN OF HILTON HEAD ISLAND

Town Council

TO: Town Council
FROM: Dave Byrd, Finance Director
CC: Marc Orlando, ICMA-CM, Town Manager
John McGowan, Assistant Finance Director
DATE: December 9, 2025
SUBJECT: Consideration of an Ordinance of the Town of Hilton Head Island Authorizing the Issuance of General Obligation Debt Bonds

RECOMMENDATION:

Consistent with the Finance & Administrative Committee's 2-1 vote on November 18, 2025, Town Council is requested to review and consider approval of an ordinance authorizing the issuance and sale of not to exceed \$35,000,000 General Obligation bonds, Series 2026, or such other appropriate series designation, of the Town of Hilton Head Island, South Carolina; fixing the form and certain details of the bonds, including a final maturity on or before June 1, 2041, with the proceeds being used to fund the acquisition and renovation of certain land and existing improvements, if any, located at 9 Park Lane and 10 Park Lane for the new headquarters for Fire Rescue and Emergency Operations Center, and land acquisition costs for conservation purposes; authorizing the Town Manager or his lawfully authorized designee to determine certain matters relating to the bonds; providing for the payment of the bonds and the disposition of the proceeds thereof; other matters relating thereto; and providing for severability and an effective date.

BACKGROUND:

Potential Capital Projects and Property Acquisitions to be Funded and/or Reimbursed with G.O. Bond Issue Proceeds:

- Acquiring and improving 9 Park Lane and 10 Park Lane for a new Fire and Rescue headquarters and Emergency Operations Center, including building an adjacent parking lot for the benefit of the facility (total estimated property acquisition and buildout costs of approximately \$9,000,000).
- Acquiring strategic land parcels for conservation purposes, consistent with the Town's ongoing land acquisition policy.

The Town has historically funded many of its property acquisitions and capital improvement projects via accumulated cash balances from various Town funds. The Town has also issued G.O. bonds to fund strategic property acquisitions and capital projects throughout its history, including "new money" (non-refunding) G.O. Bond issuances in 2010, 2013, 2017, and 2019.

Sources of Payment/Payback of the Potential G.O. Bond Issuance

- 1) Accumulated Debt Service Fund Balance - The Town's Debt Service Fund can only be used to pay back debt. The Debt Service Fund's balance has grown to \$14.2 million (as of 6/30/25) over the past several years due to conservative revenue projections. If the Town was to maintain a minimum future Debt Service Fund Balance of \$2.5 million, this would leave approximately \$11.7 million in FY2026 to pay back the first G.O. bond debt service payment (due on approximately June 1, 2026) within 2 months of the initial bond issuance.
- 2) Already Requested Debt Service Millage Collections for FY2026 – Consistent with the FY2026 budget, the Town has already requested that Beaufort County assess 5.1 mils in FY2026 in Debt Service-related property taxes that can only be used to pay back debt. Of the 5.1 mils of Debt Service millage requested for FY2026, the Town has included 2 mils (approximately \$2.6 million) to pay for additional anticipated debt to be issued in FY2026.
- 3) Future annual Debt Service millage, over a payback period totaling approximately 15 years, to pay future years' debt service payments. These anticipated future debt service payments would allow the Town to maintain all future annual Debt Service millage rates at or below 5.1 mils.

SUMMARY:

The Town has the opportunity to acquire 9 Park Lane and 10 Park Lane and make significant capital improvements on these properties to build out a Fire & Rescue Headquarters and Emergency Operations Center. The Town also has the opportunity to fund future strategic land acquisitions for conservation purposes.

The Town can fund the above via a G.O. bond issuance. The Town would pay back the bond issuance over approximately 15 years, with a large portion of the principal to be paid back within 2 months of issuance. The sources of the first payment (\$14.3 million on approximately 6/1/26) would be approximately \$11.7 million from the accumulated Debt Service Fund balance + \$2.6 million in already-requested FY2026 property tax collection millage. The remaining payments would be made via future annual Debt Service millage collections until the bonds are paid off in approximately 15 years.

The Town's future total annual Debt Service millage (for its existing G.O. bonds and the proposed FY2026 G.O. bonds) would stay at or significantly below FY2026's 5.1 Debt Service millage rate, and would thus give the Town the ability to either 1) reduce Debt Service millage below 5.1 mils after FY2028, 2) undertake addition debt-financed capital projects after FY2028, or, 3) a combination of the two.

The Town, through its Municipal Advisor, First Tryon, would sell this debt competitively in the municipal bond market to ensure the most competitive interest rate results. The Town's AAA G.O. bond ratings from Moody's, S&P, and Fitch would be featured prominently in the bond offering documents. The Town would pay back the debt over approximately 15 years through our bond trustee, Regions Bank.

Funding these land purchases and capital projects with G.O. bond proceeds (instead of with cash currently available in various funds balances) will allow the Town to:

- a) Maintain strong General Fund, RETF Fund, and other governmental fund balances in excess of the minimum fund balance policy
- b) Fund other future capital projects with the additional cash on hand in the General Fund, RETF Fund, and other governmental funds
- c) Retain additional financial flexibility in the event of a natural disaster
- d) Align the payment of the land acquisitions and related capital improvements more closely with the land acquisition and related capital improvements' expected useful lives, thus offering a more equitable and financially sustainable approach relative to funding the entire capital project via past-accumulated cash balances

Key Future Dates & Milestones (Dates Approximate):

December 9, 2025 – Town Council Meeting: First Reading of the Bond Ordinance

January 13, 2026 – Town Council Meeting: Second Reading of the Bond Ordinance

January 14, 2026 – 60-day Challenge Period begins

February 16, 2026 – Credit Rating Agency meetings

March 7, 2026 – Publish Notice of Sale to Municipal Bond marketplace

March 14, 2026 – 60-day challenge period ends

March 17, 2026 – Bond Pricing with winning bidder

April 1, 2026 – Financial Closing, funds transfer to Town account

June 1, 2026 – First Principal & Interest Payment

ATTACHMENTS:

- 1. Draft GO Bond Ordinance
- 2. General Obligations Bonds – Information and Discussion Points (*Power Point*)

ORDINANCE NO. _____

PROPOSED ORDINANCE NO. _____

AN ORDINANCE AUTHORIZING THE ISSUANCE AND SALE OF NOT TO EXCEED \$35,000,000 GENERAL OBLIGATION BONDS, SERIES 2026, OR SUCH OTHER APPROPRIATE SERIES DESIGNATION, OF THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA; FIXING THE FORM AND CERTAIN DETAILS OF THE BONDS, INCLUDING A FINAL MATURITY ON OR BEFORE JUNE 1, 2041, WITH THE PROCEEDS BEING USED TO FUND THE ACQUISITION AND RENOVATION OF CERTAIN LAND AND EXISTING IMPROVEMENTS, IF ANY, LOCATED AT 9 PARK LANE AND 10 PARK LANE FOR THE NEW HEADQUARTERS FOR FIRE RESCUE AND EMERGENCY OPERATIONS CENTER, AND LAND ACQUISITION COSTS FOR CONSERVATION PURPOSES; AUTHORIZING THE TOWN MANAGER OR HIS LAWFULLY AUTHORIZED DESIGNEE TO DETERMINE CERTAIN MATTERS RELATING TO THE BONDS; PROVIDING FOR THE PAYMENT OF THE BONDS AND THE DISPOSITION OF THE PROCEEDS THEREOF; OTHER MATTERS RELATING THERETO; AND PROVIDING FOR SEVERABILITY AND AN EFFECTIVE DATE.

WHEREAS, the Town Council has been advised that the Town intends to acquire and renovate certain land and existing improvements, if any, located at 9 Park Lane and 10 Park Lane for the new headquarters for Fire Rescue and Emergency Operations Center, and acquire land for conservation purposes (collectively, the “Projects”), and to fund such Projects through the issuance of general obligation bonds; and

WHEREAS, in order to authorize the issuance of general obligation bonds, the proceeds of which would be used to fund the Projects, it is necessary for Town Council to enact an ordinance.

NOW, THEREFORE, BE IT ORDAINED BY THE TOWN COUNCIL OF THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA, AS FOLLOWS:

SECTION 1. Findings and Determinations. The Town Council (the “Town Council”) of the Town of Hilton Head Island, South Carolina (the “Town”), hereby finds and determines:

(a) The Town is an incorporated municipality located in Beaufort County, South Carolina, and as such possesses all powers granted to municipalities by the Constitution of the State of South Carolina, 1895, as amended (the “Constitution”) and laws of the State of South Carolina (the “State”).

(b) Article X, Section 14 of the Constitution provides that general obligation debt may be incurred by the governing body of each municipality of the State for any public and corporate purpose in an amount not exceeding eight (8%) percent of the assessed value of all taxable property of such municipality and upon such terms and conditions as the General Assembly may prescribe. Such Article further provides that if general obligation debt is authorized by a majority vote of the qualified electors of the municipality voting in a referendum authorized by law, there shall be no conditions or restrictions limiting the incurring of such indebtedness except as specified in such Article.

(c) Title 5, Chapter 21, Article 5, Code of Laws of South Carolina, 1976, as amended (the “Municipal Bond Act”), provides that the municipal council of any municipality may issue general obligation bonds of such municipality for any corporate purpose of such municipality to any amount not exceeding the constitutional debt limitation applicable to such municipality.

(d) The Municipal Bond Act provides that as a condition precedent to the issuance of bonds an election be held and the result be favorable thereto. Title 11, Chapter 27, Code of Laws of South Carolina 1976, as amended (the "S.C. Code"), provides that if an election be prescribed by the provisions of the Municipal Bond Act, but not be required by the provisions of Article X of the Constitution, then in every such instance, no election need be held (notwithstanding the requirement therefor) and the remaining provisions of the Municipal Bond Act shall constitute a full and complete authorization to issue bonds in accordance with such remaining provisions.

(e) The assessed value of all the taxable property in the Town as of June 30, 2025, for purposes of computation of the Town's constitutional debt limit, is \$1,327,265,610. Eight percent of such sum is \$106,181,249. As of the date hereof, the outstanding general obligation debt of the Town subject to the limitation imposed by Article X, Section 14(7) of the Constitution is \$28,490,000. Thus, the Town may incur \$77,691,249 of additional general obligation debt within its applicable debt limitation.

(f) Pursuant to Ordinance No. 2013-03 duly enacted by the Town Council on May 7, 2013, the Town has adopted Written Procedures Related to Tax-Exempt Debt.

(g) It is now in the best interest of the Town for the Town Council to provide for the issuance and sale of not to exceed \$35,000,000 aggregate principal amount general obligation bonds of the Town to provide funds for the purposes of funding the Projects and paying costs of issuance of the such bonds.

SECTION 2. Authorization and Details of the Bonds. Pursuant to the aforesaid provisions of the Constitution and laws of the State, there is hereby authorized to be issued not to exceed \$35,000,000 general obligation bonds of the Town, Series 2026 or such other appropriate series designation (the "Bonds"), for the purposes listed in Section 1(g) above.

The Bonds shall be issued as fully-registered Bonds; shall be dated their date of delivery; shall be in denominations of \$5,000 or any integral multiple thereof not exceeding the principal amount of the Bonds maturing in each year; shall be numbered from R-1 upward; shall bear interest at such times as hereafter designated by the Town Manager or his lawfully authorized designee at such rate or rates as may be determined at the time of the sale thereof; and shall mature serially in successive annual installments as determined by the Town Manager or his lawfully authorized designee. Regions Bank, Atlanta, Georgia, shall serve as Registrar/Paying Agent for the Bonds. The Bonds shall have a final maturity on or prior to June 1, 2041.

SECTION 3. Delegation of Authority to Determine Certain Matters Relating to the Bonds. The Town Council hereby expressly delegates to the Town Manager the authority, with respect to the Bonds, to determine (a) the maturity dates and the respective principal amounts maturing on such dates; (b) the interest payment dates; (c) the redemption provisions, if any; (d) whether to publish notice of the adoption of this ordinance under the provisions of Section 11-27-40(8), of the S.C. Code; (e) the date and time of the sale; (f) whether the Bonds should be publicly traded or placed with a bank and take actions in connection therewith, including receiving bids on behalf of the Town to award the sale of the Bonds in accordance with the terms of the Notice of Sale or Request for Proposals (as applicable) for the Bonds; and (g) such other matters as are necessary or appropriate. The Town Manager is further directed to consult with the Town's municipal advisor and bond counsel in making any such decisions.

The Town Council hereby further delegates to the Town Manager or his lawfully authorized designee the authority to receive bids on behalf of the Town Council and the authority to award the sale of

the Bonds to the lowest bidder therefor, in accordance with the terms of the Notice of Sale or Request for Proposals (as applicable) for the Bonds, provided the true interest cost does not exceed 5.00%. After the sale of the Bonds, the Town Manager or his lawfully authorized designee shall submit a written report to the Town Council setting forth the results of the sale of the Bonds.

SECTION 4. Registration, Transfer and Exchange of Bonds. The Town shall cause books (herein referred to as the “registry books”) to be kept at the offices of the Registrar/Paying Agent, for the registration and transfer of the Bonds. Upon presentation at its office for such purpose the Registrar/Paying Agent shall register or transfer, or cause to be registered or transferred, on such registry books, the Bonds under such reasonable regulations as the Registrar/Paying Agent may prescribe.

Each Bond shall be transferable only upon the registry books of the Town, which shall be kept for such purpose at the principal office of the Registrar/Paying Agent, by the registered owner thereof in person or by his duly authorized attorney upon surrender thereof together with a written instrument of transfer satisfactory to the Registrar/Paying Agent duly executed by the registered owner or his duly authorized attorney. Upon the transfer of any such Bond the Registrar/Paying Agent on behalf of the Town shall issue in the name of the transferee a new fully-registered Bond or Bonds, of the same aggregate principal amount, interest rate and maturity as the surrendered Bond. Any Bond surrendered in exchange for a new registered Bond pursuant to this Section shall be canceled by the Registrar/Paying Agent.

The Town and the Registrar/Paying Agent may deem or treat the person in whose name any fully-registered Bond shall be registered upon the registry books as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of the principal of and interest on such Bond and for all other purposes and all such payments so made to any such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the Town nor the Registrar/Paying Agent shall be affected by any notice to the contrary. In all cases in which the privilege of transferring Bonds is exercised, the Town shall execute and the Registrar/Paying Agent shall authenticate and deliver Bonds in accordance with the provisions of this Ordinance. Neither the Town nor the Registrar/Paying Agent shall be obliged to make any such transfer of Bonds during the fifteenth (15th) day of the calendar month preceding an interest payment date on such Bonds.

SECTION 5. Record Date. The Town establishes a record date for the payment of interest or for the giving of notice of any proposed redemption of Bonds, and such record date shall be the fifteenth (15th) day (whether or not a business day) preceding an interest payment date on such Bonds or, in the case of any proposed redemption of Bonds, such record date shall be the fifteenth (15th) day (whether or not a business day) prior to the mailing of notice of redemption of Bonds.

SECTION 6. Mutilation, Loss, Theft or Destruction of Bonds. In case any Bond shall at any time become mutilated in whole or in part, or be lost, stolen or destroyed, or be so defaced as to impair the value thereof to the owner, the Town shall execute and the Registrar/Paying Agent shall authenticate and deliver at the principal office of the Registrar/Paying Agent, or send by registered mail to the owner thereof at his request, risk and expense a new Bond of the same series, interest rate and maturity and of like tenor and effect in exchange or substitution for and upon the surrender for cancellation of such defaced, mutilated or partly destroyed Bond, or in lieu of or in substitution for such lost, stolen or destroyed Bond. In any such event the applicant for the issuance of a substitute Bond shall furnish the Town and the Registrar/Paying Agent evidence or proof satisfactory to the Town and the Registrar/Paying Agent of the loss, destruction, mutilation, defacement or theft of the original Bond, and of the ownership thereof, and also such security and indemnity as may be required by the laws of the State or such greater amount as may be required by the

Town and the Registrar/Paying Agent. Any duplicate Bond issued under the provisions of this Section in exchange and substitution for any defaced, mutilated or partly destroyed Bond or in substitution for any allegedly lost, stolen or wholly destroyed Bond shall be entitled to the identical benefits under this Ordinance as was the original Bond in lieu of which such duplicate Bond is issued, and shall be entitled to equal and proportionate benefits with all the other Bonds of the same series issued hereunder.

All expenses necessary for the providing of any duplicate Bond shall be borne by the applicant therefor.

SECTION 7. Form of Bonds. The Bonds shall be in substantially the form attached hereto as Exhibit A and incorporated herein by reference.

SECTION 8. Execution of Bonds. The Bonds shall be executed in the name of the Town with the manual or facsimile signature of the Mayor or Mayor Pro Tempore of the Town attested by the manual or facsimile signature of the Town Clerk under the seal of the Town which shall be impressed, imprinted or reproduced thereon. The Bonds shall not be valid or become obligatory for any purpose unless there shall have been endorsed thereon a certificate of authentication. Each Bond shall bear a certificate of authentication manually executed by the Registrar/Paying Agent in substantially the form set forth herein.

SECTION 9. Security for the Bonds. The full faith, credit, taxing power and resources of the Town are hereby irrevocably pledged for the payment of the principal and interest of the Bonds as they respectively mature and for the creation of a sinking fund to aid in the retirement and payment thereof. There shall be levied and collected annually upon all taxable property of the Town an ad valorem tax, without limitation as to rate or amount, sufficient for such purposes. The Town at its option may also utilize any other funds available therefor for the payment of the principal of and interest on the Bonds.

SECTION 10. Defeasance. The obligations of the Town herein made or provided for, shall be fully discharged and satisfied as to any portion of the Bonds, and such Bond or Bonds shall no longer be deemed to be outstanding hereunder when:

(a) such Bond or Bonds shall have been purchased by the Town and surrendered to the Town for cancellation or otherwise surrendered to the Town or the Registrar/Paying Agent and is canceled or subject to cancellation by the Town or the Registrar/Paying Agent; or

(b) payment of the principal of and interest on such Bonds either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for by irrevocably depositing with the Registrar/Paying Agent in trust and irrevocably set aside exclusively for such payment (1) moneys sufficient to make such payment or (2) Government Obligations (hereinafter defined) maturing as to principal and interest in such amounts and at such times as will ensure the availability of sufficient moneys to make such payment and all necessary and proper fees, compensation and expenses of the Registrar/Paying Agent. At such time as the Bonds shall no longer be deemed to be outstanding hereunder, such Bonds shall cease to draw interest from the due date thereof and, except for the purposes of any such payment from such moneys or Government Obligations, shall no longer be secured by or entitled to the benefits of this Ordinance.

“Government Obligations” shall mean any of the following:

- (i) direct obligations of the United States of America or agencies thereof or obligations, the payment of principal or interest on which, in the opinion of the Attorney General of the United States, is fully and unconditionally guaranteed by the United States of America;
 - (ii) non-callable, U. S. Treasury Securities - State and Local Government Series (“SLGS”); and
 - (iii) a defeasance obligation as defined in Section 6-5-10 of the S.C. Code as such may be amended from time to time.
- (c) Such Bond of Bonds shall be defeased as provided in Section 11-14-110 of the S.C. Code as such may be amended from time to time.

The Town has reserved the right to modify this definition to conform to amendments in State law regarding legal investments of public funds.

SECTION 11. Exemption from State Taxes. Both the principal of and interest on the Bonds shall be exempt, in accordance with the provisions of Section 12-2-50 of the S.C. Code, from all State, county, municipal, Town and all other taxes or assessments, except estate or other transfer taxes, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise.

SECTION 12. Eligible Securities. The Bonds initially issued (the “Initial Bonds”) will be eligible securities for the purposes of the book-entry system of transfer maintained by The Depository Trust Company (“DTC”), and transfers of beneficial ownership of the Initial Bonds shall be made only through DTC and its participants in accordance with rules specified by DTC. Such beneficial ownership must be of \$5,000 principal amount of bonds of the same maturity or any integral multiple of \$5,000.

The Initial Bonds shall be issued in fully-registered form, one Bond for each of the maturities of the Bonds, in the name of Cede & Co., as the nominee of DTC. When any principal of or interest on the Initial Bonds becomes due, the Registrar/Paying Agent, on behalf of the Town, shall transmit to DTC an amount equal to such installment of principal and interest. DTC shall remit such payments to the beneficial owners of the 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 DTC in accordance with the provisions of the Ordinance.

If (a) DTC determines not to continue to act as securities depository for the Bonds, or (b) the Town has advised DTC of its determination that DTC is incapable of discharging its duties, the Town shall attempt to retain another qualified securities depository to replace DTC. Upon receipt by the Town of the Initial Bonds together with an assignment duly executed by DTC, the Town shall execute and deliver to the successor securities depository bonds of the same principal amount, interest rate and maturity registered in the name of such successor.

If the Town is unable to retain a qualified successor to DTC 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 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 Bonds by mailing an appropriate notice to DTC, upon receipt by the Town of the Initial Bonds together with an assignment duly executed by DTC, the Town shall execute, authenticate and deliver to the DTC participants bonds in fully-registered form in the denomination of \$5,000 or any integral multiple thereof.

Notwithstanding the foregoing, at the request of the purchaser, the Bonds will be issued as one single fully-registered bond and not issued through the book-entry system.

SECTION 13. Sale of Bonds, Form of Notice of Sale. The Bonds shall be sold at public sale. A Notice of Sale shall be distributed to prospective bidders and a summary of such Notice shall be published in a newspaper having general circulation in the State or in a financial publication published in the City of New York, State of New York, or both, not less than seven (7) days prior to the date set for such sale in substantially the form attached hereto as Exhibit B and incorporated herein by reference.

SECTION 14. Preliminary and Final Official Statement. The Town Council hereby authorizes and directs the Town Manager or his lawfully authorized designee to prepare, or cause to be prepared, a Preliminary Official Statement to be distributed to prospective purchasers of the Bonds together with the Notice of Sale. The Town Council authorizes the Town Manager or his lawfully authorized designee to designate the Preliminary Official Statement as “near final” for purposes of Rule 15c2-12 of the Securities Exchange Commission (the “Rule”). The Town Manager or his lawfully authorized designee is further authorized to see to the completion of the final form of the Official Statement upon the sale of the Bonds so that it may be provided to the purchasers of the Bonds.

SECTION 15. Filings with Central Repository. In compliance with Section 11-1-85 of the S.C. Code, as amended, the Town covenants that it will file or cause to be filed with a central repository for availability in the secondary bond market when requested: (a) a copy of an annual independent audit of the Town within thirty (30) days of the Town's receipt thereof; and (b) within thirty (30) days of the occurrence thereof, event specific information of an event which adversely affects more than five (5%) percent of the tax revenues of the Town or the Town's tax base.

SECTION 16. Continuing Disclosure. In compliance with the Rule, the Town covenants and agrees for the benefit of the holders from time to time of the Bonds to execute and deliver prior to closing, and to thereafter comply with the terms of a Continuing Disclosure Certificate in substantially the form attached hereto and incorporated herein by reference as Exhibit C. In the event of a failure of the Town to comply with any of the provisions of the Continuing Disclosure Certificate, an event of default under this Ordinance shall not be deemed to have occurred. In such event, the sole remedy of any bondholder or beneficial owner shall be an action to compel performance by the Town.

SECTION 17. Deposit and Use of Proceeds. The proceeds derived from the sale of the Bonds shall be deposited with the Town in a special fund and shall be applied solely to the purposes for which the Bonds have been issued, including payment of costs of issuance of the Bonds, except that the premium, if any, shall be placed in a sinking fund for the Bonds.

SECTION 18. Tax Covenants. The Town hereby covenants and agrees with the holders of the Bonds that it will not take any action which will, or fail to take any action which failure will, cause interest on the Bonds to become includable in the gross income of the holders of the Bonds for federal income tax purposes pursuant to the provisions of the Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder (the “Code”) in effect on the date of original issuance of the Bonds. The Town further covenants and agrees with the holders of the Bonds that no use of the proceeds of the

Bonds shall be made which, if such use had been reasonably expected on the date of issue of the Bonds would have caused the Bonds to be “arbitrage bonds,” as defined in Section 148 of the Code, and to that end the Town hereby shall:

- (i) comply with the applicable provisions of Sections 103 and 141 through 150 of the Code and any regulations promulgated thereunder so long as the Bonds are outstanding;
- (ii) establish such funds, make such calculations and pay such amounts, in the manner and at the times required in order to comply with the requirements of the Code relating to required rebates of certain amounts to the United States; and
- (iii) make such reports of such information at the time and places required by the Code.

SECTION 19. Bank Placement. In the event the Bonds are sold to a bank, the requirements of Sections 12, 14 and 16 hereof shall not be applicable, and the Town may serve as Registrar/Paying Agent as described in Sections 2 and 4 hereof. Also, forms of the attachments to this Ordinance will be revised as necessary and appropriate, including but not limited to the use of a Request for Proposals instead of a Notice of Sale (or a modified version of the Notice of Sale) pursuant to Section 13 hereof.

SECTION 20. Miscellaneous. The Town Council hereby authorizes the Mayor and the Town Clerk, the Town Manager, the Finance Director and any lawfully authorized designee to execute such documents and instruments as may be necessary to effect the issuance of the Bonds or make modifications in any documents including but not limited to the form of the Bonds or Notice of Sale, if necessary. The Town Council hereby retains Burr & Forman, LLP as bond counsel and First Tryon Advisors, as municipal advisor in connection with the issuance of the Bonds. The Town Manager is authorized to execute such contracts, documents or engagement letters as may be necessary and appropriate to effectuate these engagements.

SECTION 21. 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 22. Codification. This Ordinance shall be forthwith codified in the Code of Town Ordinances in the manner required by law.

SECTION 23. Effective Date. This Ordinance shall be effective upon its enactment by the Town Council of the Town of Hilton Head Island, South Carolina.

[Signature Page follows]

**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:

FORM OF BOND

UNITED STATES OF AMERICA
 STATE OF SOUTH CAROLINA
 THE TOWN OF HILTON HEAD ISLAND
 \$ _____ GENERAL OBLIGATION BOND
 SERIES _____

No. R-

INTEREST <u>RATE</u>	MATURITY <u>DATE</u>	ORIGINAL <u>ISSUE DATE</u>	<u>CUSIP</u>
%			

REGISTERED HOLDER:

PRINCIPAL AMOUNT:

DOLLARS

KNOW ALL MEN BY THESE PRESENTS, that the Town of Hilton Head Island, South Carolina (the "Town"), is justly indebted and, for value received, hereby promises to pay to the registered holder named above, or registered assigns, the principal amount shown above on the maturity date shown above, upon presentation and surrender of this Bond at the principal office of _____ in _____, as registrar and paying agent (the "Registrar/Paying Agent"), and to pay interest on such principal sum from the date hereof at the interest rate per annum shown above until this Bond matures. Interest on this Bond is payable semiannually on _____ 1 and _____ 1 of each year commencing _____ 1, 20____, until this Bond matures, and shall be payable by check or draft mailed to the person in whose name this Bond is registered on the registration books of the Town maintained by the Registrar/Paying Agent, at the close of business on the fifteenth (15th) day of the calendar month next preceding each semiannual interest payment date. The principal and interest on this Bond are payable in any coin or currency of the United States of America which is, at the time of payment, legal tender for public and private debts; provided, however, that interest on this fully-registered Bond shall be paid by check or draft as set forth above.

This Bond shall not be entitled to any benefit under the Ordinance of the Town authorizing the Bonds, nor become valid or obligatory for any purpose, until the Certificate of Authentication hereon shall have been duly executed by the Registrar/Paying Agent.

For the payment of the principal and interest of this Bond as they respectively mature and for the creation of a sinking fund to aid in the retirement and payment hereof, the full faith, credit, taxing power and resources of the Town are hereby irrevocably pledged, and there shall be levied and collected annually upon all taxable property of the Town an ad valorem tax, without limitation as to rate or amount, sufficient for such purposes.

The Bonds are being issued by means of a book-entry system with no physical distribution of bond certificates to be made except as provided in the Ordinance. One bond certificate with respect to

each date on which the Bonds are stated to mature, registered in the name of the securities depository nominee, is being issued and required to be deposited with the securities depository and immobilized in its custody. The book-entry system will evidence positions held in the Bonds by the securities depository's participants, beneficial ownership of the Bonds in the principal amount of \$5,000 or any multiple thereof being evidenced in the records of such participants. Transfers of ownership shall be effected on the records of the securities depository and its participants pursuant to rules and procedures established by the securities depository and its participants. The Town and the Registrar/Paying Agent will recognize the securities depository nominee, while the registered owner of this bond, as the owner of this bond for all purposes, including payments of principal of and redemption premium, if any, and interest on this bond, notices and voting. Transfer of principal and interest payments to participants of the securities depository will be the responsibility of the securities depository, and transfer of principal, redemption premium, if any, and interest payments to beneficial owners of the Bonds by participants of the securities depository will be the responsibility of such participants and other nominees of such beneficial owners. The Town will not be responsible or liable for such transfers of payments or for maintaining, supervision or reviewing the records maintained by the securities depository, the securities depository nominee, its participants or persons acting through such participants. While the securities depository nominee is the owner of this bond, notwithstanding, the provision hereinabove contained, payments of principal of, redemption premium, if any, and interest on this Bond shall be made in accordance with existing arrangements between the Registrar/Paying Agent or its successors under the Ordinance and the securities depository.

This Bond is one of a series of Bonds of like date of original issue, tenor and effect, except as to number, date of maturity, denomination, [redemption provisions] and rate of interest, aggregating _____ Dollars issued pursuant to and in accordance with the Constitution and laws of the State of South Carolina, including Article X, Section 14 of the Constitution of the State of South Carolina, 1895, as amended; Title 5, Chapter 21 and Title 11, Chapter 27, Code of Laws of South Carolina 1976, as amended, and Ordinance No. _____ duly enacted by the Town Council of the Town.

[Redemption Provisions]

This Bond is transferable as provided in the Ordinance, only upon the books of the Town kept for that purpose at the principal office of the Registrar/Paying Agent by the registered holder in person or by his duly authorized attorney upon surrender of this Bond together with a written instrument of transfer satisfactory to the Registrar/Paying Agent duly executed by the registered holder or his duly authorized attorney. Thereupon a new fully-registered Bond or Bonds of the same aggregate principal amount, interest rate, and maturity shall be issued to the transferee in exchange therefor as provided in the Ordinance. The Town and the Registrar/Paying Agent 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 hereof and interest due hereon and for all other purposes.

Under the laws of the State of South Carolina (the "State"), this Bond and the interest hereon are exempt from all State, county, municipal, Town and other taxes or assessments, except estate or other transfer taxes, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise.

It is hereby certified and recited that all acts, conditions and things required by the Constitution and laws of the State to exist, to happen and to be performed precedent to or in the issuance of this Bond exist, have happened and have been performed in regular and due time, form and manner as required by law; that the amount of this Bond, together with all other indebtedness of the Town does not

exceed the applicable limitation of indebtedness under the laws of the State; and, that provision has been made for the levy and collection of a tax, without limit, on all taxable property in the Town sufficient to pay the principal and interest of this Bond as they respectively mature and to create such sinking fund as may be necessary therefor.

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

TOWN OF HILTON HEAD ISLAND,
SOUTH CAROLINA

(SEAL)

Mayor

ATTEST:

Town Clerk

[FORM OF REGISTRAR/PAYING AGENT'S CERTIFICATE OF AUTHENTICATION]

Date of Authentication:

This Bond is one of the bonds described in the within mentioned Ordinance of the Town of Hilton Head Island, South Carolina.

_____,
as Registrar/Paying Agent

By: _____
Authorized Officer

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM - as tenants in common

UNIF GIFT MIN ACT -

TEN ENT - as tenants by the
entireties

_____ Custodian _____
(Cust) (Minor)

JT TEN - as joint tenants with
right of survivorship
and not as tenants in
common

under Uniform Gifts to
Minors Act _____
(state)

Additional abbreviations may also be used though not in above list.

(FORM OF ASSIGNMENT)

FOR VALUE RECEIVED, the undersigned sells, assigns
and transfers unto _____
(Name and Address of Transferee)

_____ the within Bond and does hereby irrevocably constitute and appoint _____
_____ attorney to transfer the within Bond on the books kept
for registration thereof, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed

Notice: Signature(s) must be
guaranteed by an institution which is a
a participant in the
registered Securities Transfer Agents
Medallion Program ("STAMP")
or similar program.

(Authorized Officer)

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

A copy of the final approving legal opinion to be rendered shall accompany each Bond and preceding the
same a certificate shall appear, which shall be signed on behalf of the Town with a manual or facsimile
signature of the Town Clerk in the following form:

IT IS HEREBY CERTIFIED that the following is a true and correct copy of the
final legal opinion (except for date and letterhead) of Burr & Forman LLP, Columbia, South
Carolina, approving the issue of Bonds of which the within Bond is one, the original of which
opinion was manually executed, dated and issued as of the date of delivery of and payment for the
Bonds, and a copy of which is on file with the Town of Hilton Head Island, South Carolina.

THE TOWN OF HILTON HEAD ISLAND,
SOUTH CAROLINA

By _____
Town Clerk

FORM OF NOTICE OF SALE

\$ _____ * GENERAL OBLIGATION BONDS, SERIES _____
TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

Date and Time of Sale: Electronic bids for the purchase of \$ _____ * General Obligation Bonds, Series _____, of the Town of Hilton Head Island, South Carolina (the "Bonds") will be received by the Town of Hilton Head Island, South Carolina (the "Town") until _____ [a][p].m. (South Carolina time) on _____, _____, _____.

Electronic Bids: Electronic proposals must be submitted through IHS Markit's Parity/BidComp Competitive Bidding System ("Parity"). No electronic bids from any other providers of electronic bidding services will be accepted. Information about the electronic bidding services of Parity may be obtained from Parity, 450 West 33rd Street, 5th Floor, New York, New York 10001, Customer Support, telephone (212) 849-5021.

Book-Entry-Only Bonds: The Bonds will be issued in fully-registered form. One Bond representing each maturity will be issued to and registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), as registered owner of the Bonds and each such Bond will be immobilized in the custody of DTC. DTC will act as securities depository for the Bonds. Individual purchases will be made in book-entry-only form in the principal amount of \$5,000 or any integral multiple thereof not exceeding the principal amount of Bonds maturing each year. Purchasers will not receive physical delivery of certificates representing their interest in the Bonds purchased. The winning bidder, as a condition to delivery of the Bonds, will be required to deposit the Bond certificates representing each maturity with DTC.

Interest on the Bonds will be payable semiannually on _____ 1 and _____ 1 of each year, until the Bonds mature, commencing _____. The Bonds will be dated their date of delivery and will mature serially in successive annual installments on _____ 1 in each of the years and in the principal amounts as follows:

_____ 1	Principal Amount*	_____ 1	Principal Amount*
---------	----------------------	---------	----------------------

Adjustment of Maturity Schedule. The schedule of maturities set forth above (the "Maturity Schedule") represents an estimate of the principal amounts and maturities of the bonds which will be sold.

If, after final computation of the proposals, the Town determines in its sole discretion that the funds necessary to accomplish the purposes for which the Bonds are being issued are either more or less than the proceeds of the sale of the amount of the Bonds as shown in this Notice of Sale, it reserves the right either to decrease or increase the principal amount of the Bonds maturing in any year (all calculations to be rounded to the near \$5,000), provided that any such decrease or increase shall not exceed 20% of the

* Preliminary, subject to change.

par amount and the aggregate principal amount of the bonds will not exceed \$[NTE]. Such adjustment(s), if any, shall be made within twenty-four (24) hours of the award of the Bonds.

In the event of any adjustment of the Maturity Schedule for the Bonds as described herein, no rebidding or recalculation of the proposals submitted will be required or permitted. Nevertheless, the award of the Bonds will be made to the bidder whose proposal produces the lowest true interest cost solely on the basis of the Bonds offered, without taking into account any adjustment in the amount of the Bonds pursuant to this paragraph.

[Redemption Provisions]

Registrar/Paying Agent: Regions Bank, Atlanta, Georgia, will serve as Registrar/Paying Agent for the Bonds.

Bid Requirements: Bidders shall specify the rate or rates of interest per annum which the Bonds are to bear, to be expressed in multiples of 1/20 or 1/8 of 1% with no greater difference than two percent (2%) between the highest and lowest rates of interest named by a bidder. Bidders are not limited as to the number of rates of interest named, but the rate of interest on each separate maturity must be the same single rate for all Bonds of that maturity from their date to such maturity date. A bid for less than all the Bonds or a bid at a price less than par will not be considered.

Award of Bid: The Bonds will be awarded to the bidder or bidders offering to purchase the Bonds at the lowest true interest cost ("TIC") to the Town. The TIC will be the nominal interest rate which, when compounded semiannually and used to discount the debt service payment on the Bonds (computed at the interest rates specified in the bid and on the basis of a 360-day year of twelve 30-day months) to the dated date of the Bonds, results in an amount equal to the price bid for the Bonds. In the case of a tie bid, the winning bid will be awarded based on the earlier bid time. The Town reserves the right to reject any and all bids or to waive irregularities in any bid. In order to calculate the yield on the Bonds for federal tax law purposes and as a condition precedent to the award of the Bonds, the successful bidder will be required to disclose to the Town the price (or yield to maturity) at which the Bonds will be reoffered to the public. Bids will be accepted or rejected no later than 3:00 p.m., South Carolina time, on the date of sale.

Good Faith Deposit: A good faith deposit is not required.

Official Statement: Upon the award of the Bonds, the Town will prepare an official statement (the "Official Statement") in substantially the same form as the preliminary official statement subject to minor additions, deletions and revisions as required to complete the Official Statement. Within seven (7) business days after the award of the Bonds, the Town will deliver the Official Statement to the successful bidder in sufficient quantity to comply with Rule G-32 of the Municipal Securities Rulemaking Board. The successful bidder agrees to supply to the Town within 24 hours after the award of the Bonds all necessary pricing information and any Underwriter identification necessary to complete the Official Statement.

Security: The Bonds shall constitute binding general obligations of the Town, and the full faith, credit, resources and taxing power of the Town are irrevocably pledged for the payment of the principal and interest on the Bonds as they respectively mature and to create a sinking fund to aid in the retirement and payment thereof. There shall be levied and collected annually upon all taxable property of the Town a tax, without limitation as to rate or amount, sufficient for such purposes.

Continuing Disclosure: In order to assist the bidders in complying with S.E.C. Rule 15c2-12(b)(5), the Town will undertake, pursuant to an ordinance and a Continuing Disclosure Certificate, to provide certain annual financial information and notices of the occurrence of certain events, if material. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement.

Legal Opinion: The Town shall furnish upon delivery of the Bonds the final approving opinion of Burr & Forman LLP, Columbia, South Carolina, which opinion shall accompany each Bond, together with the usual closing documents, including a certificate that no litigation is pending affecting the Bonds.

Issue Price Certificate: The winning bidder shall assist the Town in establishing the issue price of the Bonds and shall execute and deliver to the Town at Delivery an “issue price” certificate setting forth the reasonably expected initial offering price to the public, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the Town and Bond Counsel. A sample copy of the certificate may be obtained from Burr & Forman LLP.

The Town intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the “Competitive Sale Requirements”) because:

- (1) the Town shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the Town may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the Town anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

In the event that the Competitive Sale Requirements are not satisfied, the Town shall so advise the winning bidder. The Town may determine to treat the initial offering price to the public as of the sale date of the Bonds as the issue price of the Bonds (the “Hold-the-Offering-Price Rule”). The Town shall promptly advise the winning bidder, at or before the time of award of the Bonds, that the Bonds shall be subject to the Hold-the-Offering-Price Rule. Bids will not be subject to cancellation in the event that the Town determines to apply the Hold-the-Offering-Price Rule to the Bonds. Bidders should prepare their bids on the assumption that the Bonds will be subject to the Hold-the-Offering-Price Rule in order to establish the issue price of the Bonds.

By submitting a bid, the winning bidder shall (1) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price (the “Initial Offering Price”), or at the corresponding yield, set forth in the bid submitted by the winning bidder and (2) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds to which the Hold-the-Offering-Price Rule shall apply to any person at a price

that is higher than the Initial Offering Price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of the Bonds to the public at a price that is no higher than the Initial Offering Price to the public (the “10% Test”).

The winning bidder shall promptly advise the Town when the underwriters have sold 10% of the Bonds to the public at a price that is no higher than the Initial Offering Price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

The Town acknowledges that, in making the representation set forth above, the winning bidder will rely on (1) the agreement of each underwriter to comply with the Hold-the-Offering-Price Rule, as set forth in an agreement among underwriters and the related pricing wires, (2) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the Hold-the-Offering-Price Rule, as set forth in a selling group agreement and the related pricing wires, and (3) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the Hold-the-Offering-Price Rule, as set forth in the retail distribution agreement and the related pricing wires. The Town further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the Hold-the-Offering-Price Rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the Hold-the-Offering-Price Rule as applicable to the Bonds.

By submitting a bid, each bidder confirms that: (1) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (a) report the prices at which it sells to the public the unsold Bonds allotted to it until it is notified by the winning bidder that either the 10% Test has been satisfied as to the Bonds or all Bonds have been sold to the public and (b) comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (2) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to (a) report the prices at which it sells to the public the unsold Bonds allotted to it until it is notified by the winning bidder or such underwriter that either the 10% Test has been satisfied as to the Bonds or all Bonds have been sold to the public and (b) comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

Sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

- (1) “public” means any person other than an underwriter or a related party,
- (2) “underwriter” means (a) any person that agrees pursuant to a written contract with the Town (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (b) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (a) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public),
- (3) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (a) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (b) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (c) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (4) “sale date” means the date that the Bonds are awarded by the Town to the winning bidder.

Delivery: The Bonds will be delivered through the facilities of DTC on or about _____, _____, at the expense of the Town. The balance of the purchase price then due (including the amount of accrued interest) must be paid in federal funds or other immediately available funds.

Municipal Advisor: First Tryon Advisors has acted as Municipal Advisor to the Town in connection with the issuance of the Bonds. In this capacity, First Tryon Advisors provided technical assistance in the preparation of the offering documents and assisted the Town in preparing for this financing.

CUSIP Numbers: It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds in accordance with the terms of its proposal. The Town’s Municipal Advisor will timely apply for CUSIP numbers with respect to the Bonds. However, all expenses related to the CUSIP identification numbers shall be paid for by the successful bidder.

Additional Information: The Preliminary Official Statement and the Official Notice of Sale of the Town with respect to the Bonds are available via the internet at [<http://www.idealprospectus.com>] and will be furnished to any person interested in bidding on the Bonds upon request to Burr & Forman LLP, Post Office Box 11390, Columbia, South Carolina 29211, attention: Francenia B. Heizer, Esquire, or Michael J. Seezen, Esquire, telephone (803) 799-9800, e-mail: fheizer@burr.com or mseezen@burr.com (as applicable). The Preliminary Official Statement shall be reviewed by bidders prior to submitting a bid. Bidders may not rely on this Official Notice of Sale as to the complete information concerning the Bonds. For additional information, please contact the Town's Bond Counsel, Francenia B. Heizer, Esquire/Michael J. Seezen, Esquire, Burr & Forman LLP, telephone (803) 799-9800, e-mail: fheizer@burr.com and mseezen@burr.com or the Town’s Municipal Advisor, David Cheatwood/Andy Smith, First Tryon

Advisors, telephone (704) 926-2447/(704) 703-3747, e-mail: dcheatwood@firsttryon.com and asmith@firsttryon.com.

Town of Hilton Head Island, South Carolina

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Town of Hilton Head Island, South Carolina (the “Town”) in connection with the issuance of \$ _____ General Obligation Bonds, Series _____ (the “Bonds”). The Bonds are being issued pursuant to an Ordinance adopted by the Town Council of the Town (the “Council”). The Town covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Town for the benefit of the beneficial owners and in order to assist the Participating Underwriters (defined below) in complying with the Rule (defined below).

SECTION 2. Definitions. The following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Town pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Bonds” shall mean the \$ _____ General Obligation Bonds, Series _____, of the Town of Hilton Head Island, South Carolina, dated _____.

“Dissemination Agent” shall mean the Town or any successor Dissemination Agent designated in writing by the Town and which has filed with the Town a written acceptance of such designation.

“Financial Obligation” is defined by the Rule as and for purposes of this Disclosure Certificate shall mean (1) a debt obligation, (2) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (3) a guarantee of either of the foregoing; provided, however, that a “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“National Repository” shall mean for purposes of the Rule, the Electronic Municipal Market Access (EMMA) system created by the Municipal Securities Rulemaking Board.

“Official Statement” shall mean that Official Statement prepared in connection with the Bonds.

“Participating Underwriter” shall mean _____ and any other original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” shall mean each National Repository and each State Depository, if any.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State Depository” shall mean any public or private repository or entity designated by the State of South Carolina as a state depository for the purpose of the Rule. As of the date of this Disclosure Certificate, there is no State Depository.

SECTION 3. Provision of Annual Reports.

(a) The Town shall, or shall cause the Dissemination Agent to provide, not later than February 1 following the end of the fiscal year of the Town, commencing with the fiscal year ending June 30, 20__, to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than fifteen (15) business days prior to such date the Town shall provide the Annual Report to the Dissemination Agent, if other than the Town; provided, that if the audited financial statements required pursuant to Section 4 hereof to be included in the Annual Report are not available for inclusion in the Annual Report as of such date, unaudited financial statements of the Town may be included in such Annual Report in lieu thereof, and the Town shall replace such unaudited financial statements with audited financial statements within fifteen (15) days after such audited financial statements become available for distribution. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Town may be submitted separately from the balance of the Annual Report.

(b) If the Town is unable to provide to the Repository an Annual Report by the date required in subsection (a), the Town shall send a notice to the Municipal Securities Rulemaking Board and State Depository, if any, in substantially the form attached hereto as Exhibit A.

(c) The Dissemination Agent shall:

(1) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Depository, if any; and

(2) if the Dissemination Agent is other than the Town, file a report with the Town and (if the Dissemination Agent is not the Registrar/Paying Agent) the Registrar/Paying Agent certifying whether the Annual Report has been provided pursuant to this Disclosure Certificate, and, if provided, stating the date it was provided, and listing the Repository to which it was provided.

SECTION 4. Content of Annual Reports.

(a) The Town’s Annual Report shall contain or incorporate by reference the most recent audited financial statements, which shall be prepared in conformity with generally accepted accounting principles (or, if not in such conformity, to be accompanied by a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information) applicable to governmental entities such as the Town, and shall, in addition, contain or incorporate by reference the following, for the immediately preceding fiscal year:

- (1) Town population;
- (2) Total anticipated state appropriations subject to withholding under Article X, Sec. 14, South Carolina Constitution;
- (3) Outstanding indebtedness of the Town;
- (4) Market value/assessment summary of taxable property in Town;

- (5) Tax rates for Town;
- (6) Tax collections for Town; and
- (7) Five largest taxpayers (including fee-in-lieu-of-tax) for Town.

(b) Audited Financial Statements prepared in accordance with GAAP as described in the Official Statement will be included in the Annual Report.

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the Town is an “obligated person” (as defined by the Rule), which have been previously filed with the National Repository or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Town will clearly identify each such document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Town shall give, or cause to be given, notice of the occurrence of any of the following events (the “Listed Events”):

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (7) Modifications to rights of security holders;
- (8) Bond calls;
- (9) Tender offers;
- (10) Defeasances;
- (11) Release, substitution, or sale of property securing repayment of the securities;
- (12) Rating changes;
- (13) Bankruptcy, insolvency, receivership or similar event of the Town;
- (14) The consummation of a merger, consolidation, or acquisition involving the Town or the sale of all or substantially all of the assets of the Town other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;
- (15) Appointment of a successor or additional trustee or the change of name of a trustee;
- (16) Incurrence of a Financial Obligation of the Town; or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Town, any of which affect security holders; and
- (17) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Town, any of which reflect financial difficulties.

(b) Whenever the Town obtains knowledge of the occurrence of a Listed Event described in subsections (a)(2), (7), (8), (11), (14), (15) or (16) above, the Town shall as soon as possible determine if such event would be material under applicable federal securities laws. If the Town determines that knowledge of the occurrence of such event would be material under applicable federal securities laws, the Town shall promptly, and no later than 10 days after the occurrence of the event, file a notice of such occurrence with the Repository.

(c) Whenever the Town obtains knowledge of the occurrence of a Listed Event described in subsections (a)(1), (3), (4), (5), (6), (9), (10), (12), (13) or (17) above, the Town shall promptly, and no later than 10 days after the occurrence of the event, file a notice of such occurrence with the Repository.

(d) Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8), (9), and (10) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds. For the purposes of the event identified in (a)(13) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Town in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Town, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Town.

SECTION 6. Termination of Reporting Obligation. The Town's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 7. Dissemination Agent. The Town may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Town.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Town may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to the Town, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Town from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Town chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the Town shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Town, or the Dissemination Agent to comply with any provision of this Disclosure Certificate, any beneficial owner may take such actions as may be necessary and appropriate, including seeking injunctive relief or specific performance by court order, to cause the Town, or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Ordinance, and the sole remedy under this Disclosure Certificate in the event of any failure of the Town, or the Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties of the Dissemination Agent. The provisions of this Section 11 shall apply if the Issuer is not the Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Town, the Dissemination Agent, the Participating Underwriters, and Holders from time to time of the Bonds and shall create no rights in any other person or entity.

TOWN OF HILTON HEAD ISLAND,
SOUTH CAROLINA

By: _____
Town Manager

Dated: _____, 20__

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Town: Town of Hilton Head Island, South Carolina

Name of Bond Issue: \$ _____ General Obligation Bonds, Series _____,
Town of Hilton Head Island, South Carolina

Date of Issuance: _____

NOTICE IS HEREBY GIVEN that The Town of Hilton Head Island, South Carolina (the "Town") has not provided an Annual Report with respect to the above-named Bonds as required by Sections 3 and 4 of the Continuing Disclosure Certificate executed and delivered by the Town as Dissemination Agent. The Town has notified us in writing that the Annual Report will be filed by _____.

Dated: _____

TOWN OF HILTON HEAD ISLAND,
SOUTH CAROLINA

TOWN OF HILTON HEAD ISLAND

General Obligation (G.O.) Bonds: Information & Discussion Points

Town Council Meeting December 9, 2025



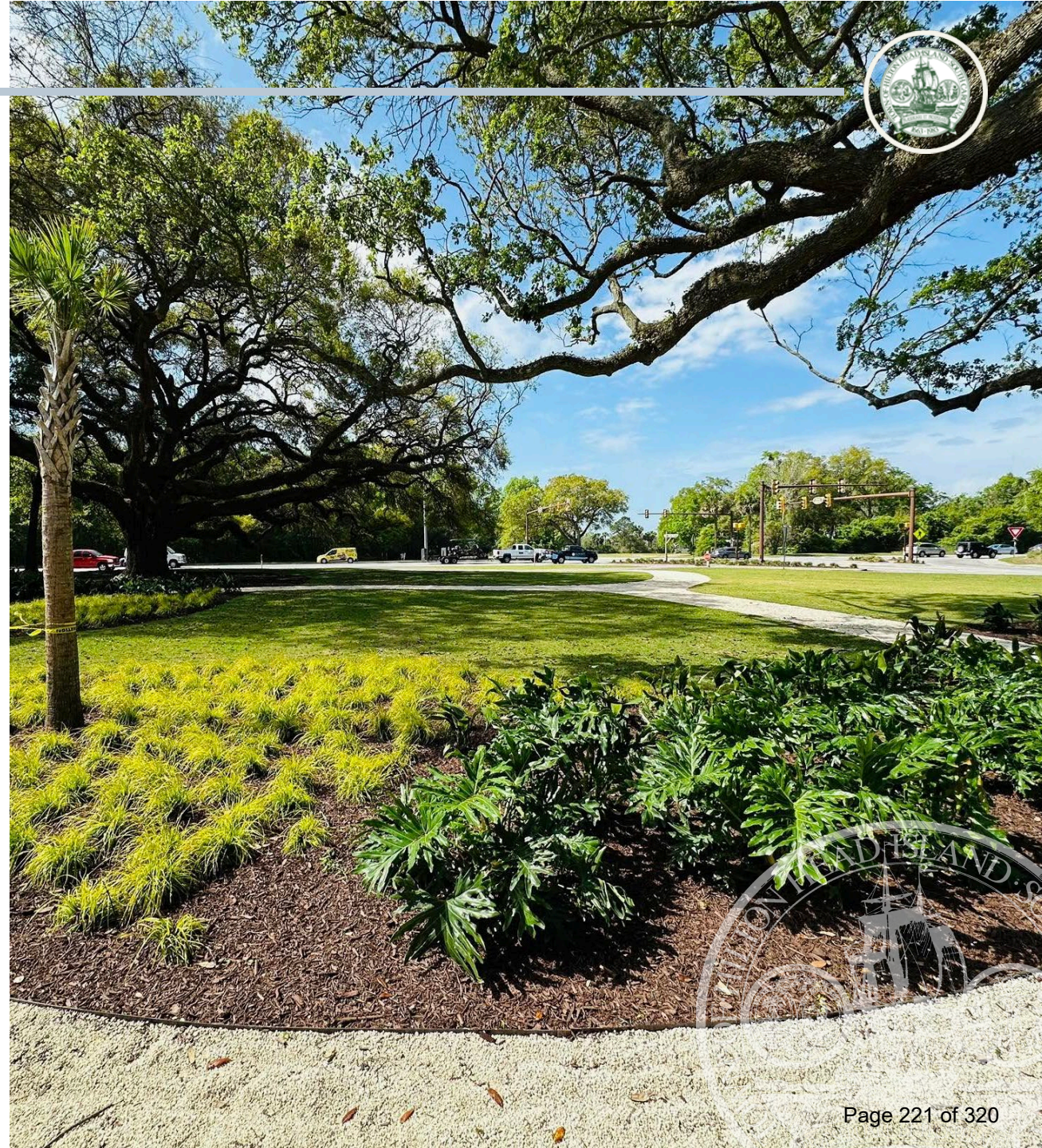
Overview

- Summary – Why Should the Town Borrow via General Obligation (G.O.) Bonds Now?
- Outstanding G.O. & Special Obligation Debt by Bond Issue/Bonds Outstanding by Year
- Millage Comparison/History
- Town's Assessed Valuation Growth History
- Total Governmental Fund Balances have Grown 64.7% since 2021
- Total Government Revenues Have Grown 39.9% since 2021
- Real Estate Transfer Fee Annual Fund Balances, Revenues, Expenditures
- Debt Service Fund's Accumulated Balance as a Potential Partial Source of a June 1, 2025 G.O. Debt Payment
- Accumulated Debt Service Fund Balances Need to be Deployed
- Debt Issuance Capacity Continues to Grow as AV Grows and Total Non-Referendum G.O. Debt Outstanding Decreases



Overview (continued)

- Potential New Capital Projects to be Financed by G.O. Bond Proceeds
- Past Land Acquisition Program – Summary of Benefits
- FY2027 Potential “Shovel Ready” Capital Projects if Town Council Were to Consider in this Financing
- Debt Scenarios - All Can be Easily Paid Back via Future Years’ Annual Debt Service Millage at 2 Mills or Below
- Recommendation- up to \$35 million in G.O. bonds to Be Paid back Over Approximately 15 Years
- Drawdown Timing of Tax-Exempt Bond Proceeds
- G.O. Bond Issuance – Possible Calendar Task Schedule
- Potential Series 2025 G.O. Bonds Proposed Sale – Details
- S&P July 3, 2025 G.O. (AAA) & Special Obligation Bonds (AA+) Upgrade Report – Select Excerpts





Summary – Why Should the Town Borrow via General Obligation (G.O.) Bonds Now?

- To Fund Land Acquisition Opportunities and Specific Capital Projects now and in the near future
- The Town's FY2026 existing Debt Service property tax request of 5.1 mills, includes 2 mills to pay back debt issued in FY2026
- The One-time Use of approximately \$11.7 million in Accumulated Debt Service Fund Balance to quickly pay back (within 2 months) a portion of the bonds
- Low borrowing rates via Town's well-earned triple AAA status + a tax-exempt debt sale into the broad Public Finance Debt Markets
- The Town can borrow without increasing Debt Service Millage, and potentially even reduce millage further in future years
- Financially, the Town can comfortably handle the transaction without threat of a ratings downgrade





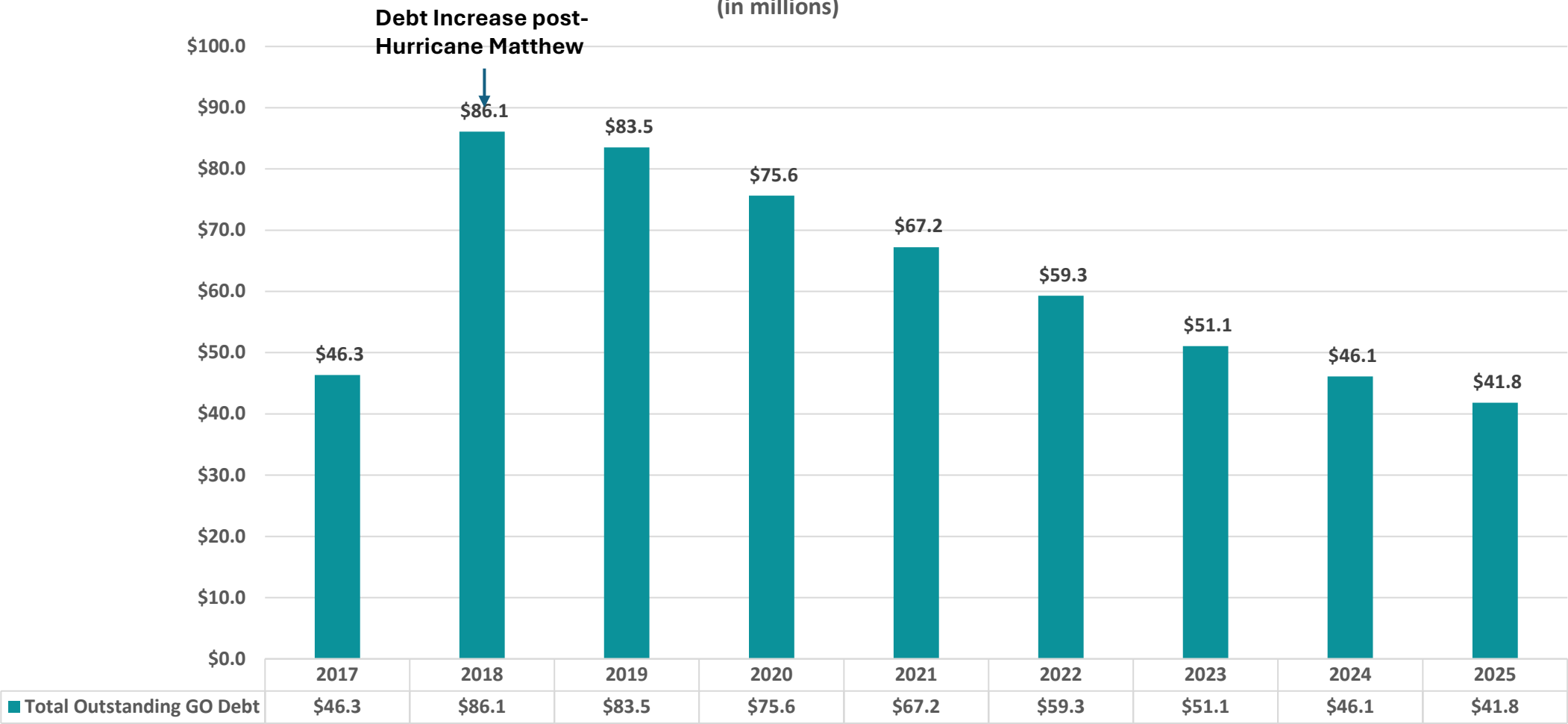
Outstanding General Obligation (G.O.) Debt by Bond Issue

G.O. Bond Issue Name	Original Issuance Amount	Counts Against Non-Referendum Debt Limit?	FY of Final Maturity (March 1 payment)	FY of First Redemption Date (March 1)	Outstanding Principal
2016C (Refunding)	\$ 9,035,000	No (Referendum-related)	2035	2026	\$5,040,000
2017A	\$27,310,000	Yes	2047	2027	\$24,555,000
2019	\$ 5,000,000	Yes	2039	2029	\$3,935,000
2020A (Refunding)	\$ 5,800,000	No (Referendum-related)	2029	None	\$3,185,000
2020B (Refunding)	<u>\$ 6,285,000</u>	No (Referendum-related)	2035	2030	<u>\$5,100,000</u>
Total	\$53,430,000				\$41,815,000



G.O. Bonds Outstanding*- FYs 2017-2025

Town of Hilton Head Island General Obligation Bond Debt
(in millions)



*Note: Includes Referendum and Non-Referendum Debt.



Outstanding Special Revenue Debt by Bond Issue*

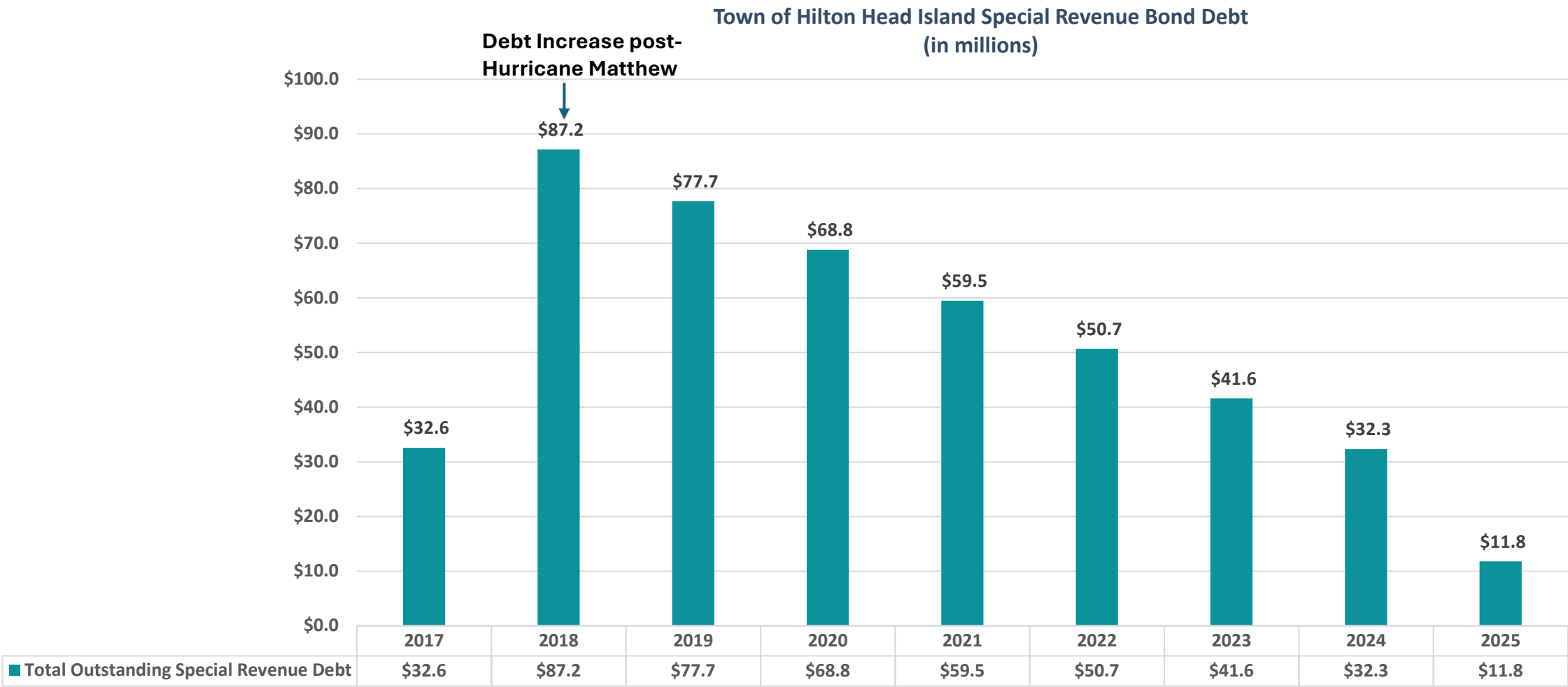
Special Revenue Bond Issue Name	Original Issuance Amount	FY of Final Maturity	FY of First Redemption Date	Outstanding Principal
2018A (Stormwater)	\$ 3,200,000	2028	2018	\$ 1,035,000
2019 (Hospitality)	\$16,520,000	2036	2029	\$ 9,785,000
2021 (Stormwater) (Refunding)	\$ 5,630,000	2026	2021	\$ 940,000
2025 (Beach Preservation Fee)**	<u>\$19,000,000</u>	2032	----	<u>\$19,000,000</u>
Total	\$44,350,000			\$30,760,000

*Does not include the FY2025 \$7,584,000 Fire Truck Lease Purchase Financing, payable through FY2035.

**Note: 2025 Beach Preservation Fee Bond Closing is scheduled for December 3, 2025 (FY2026).



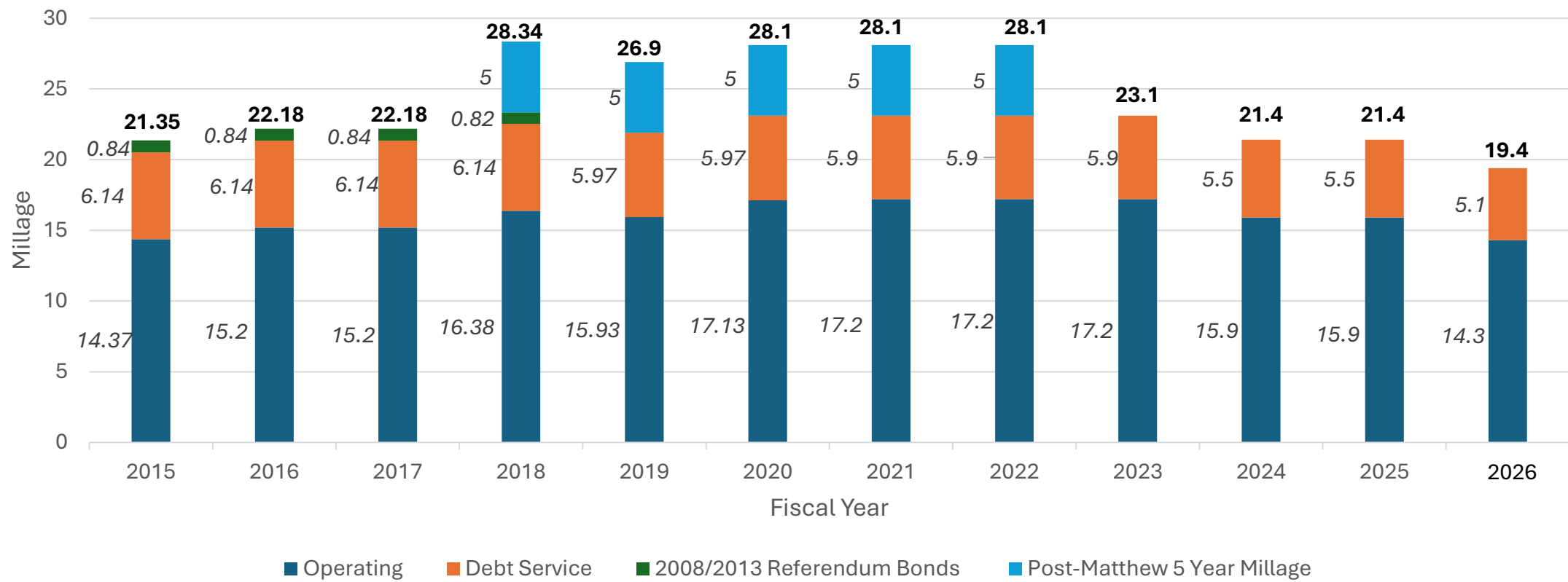
Special Revenue Bonds Outstanding - FYs 2017-2025





The Town of HHI Continues to Lower Annual Millage Rates from 2018 Peak

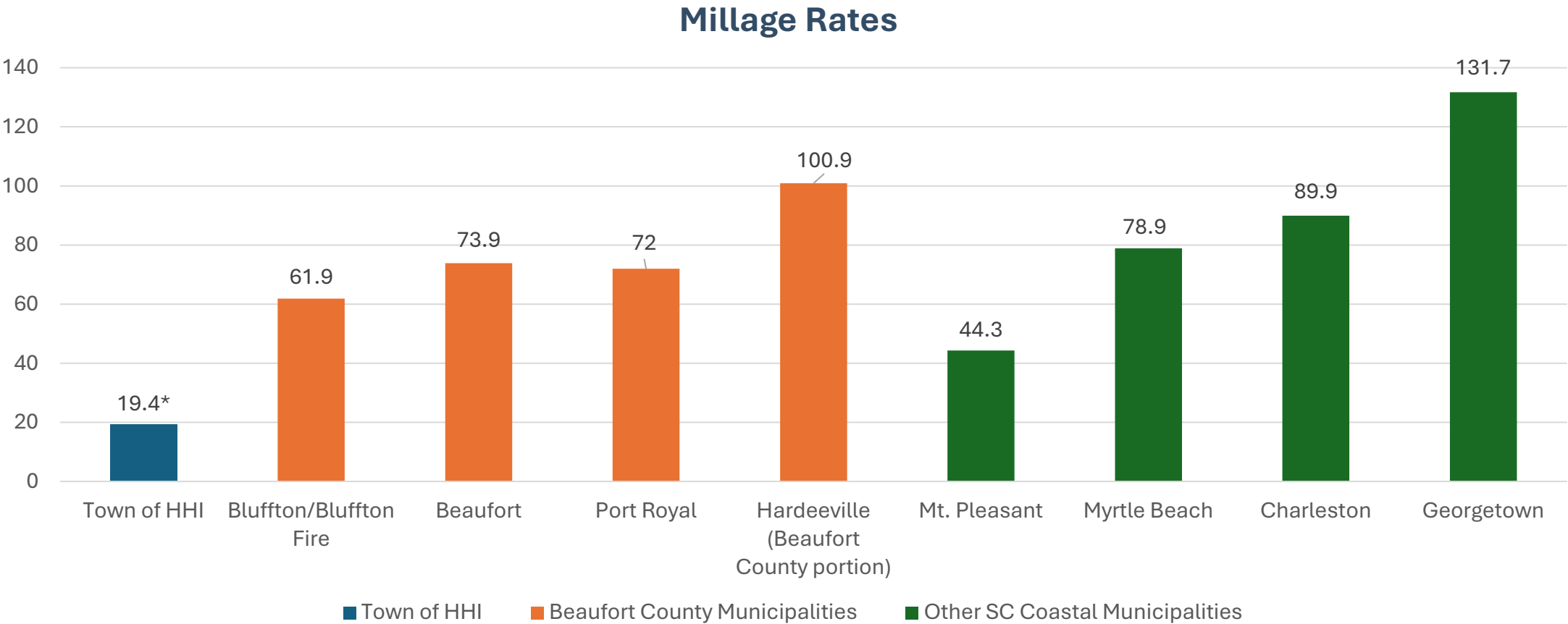
Town of HHI Millage Rates by Use



- Fiscal Year 2026 Millage of 19.4 is lowest rate since records available (FY2000)



Town of HHI Millage Rates Compare Favorably to Beaufort County Municipalities & Comparable SC Coastal Municipalities

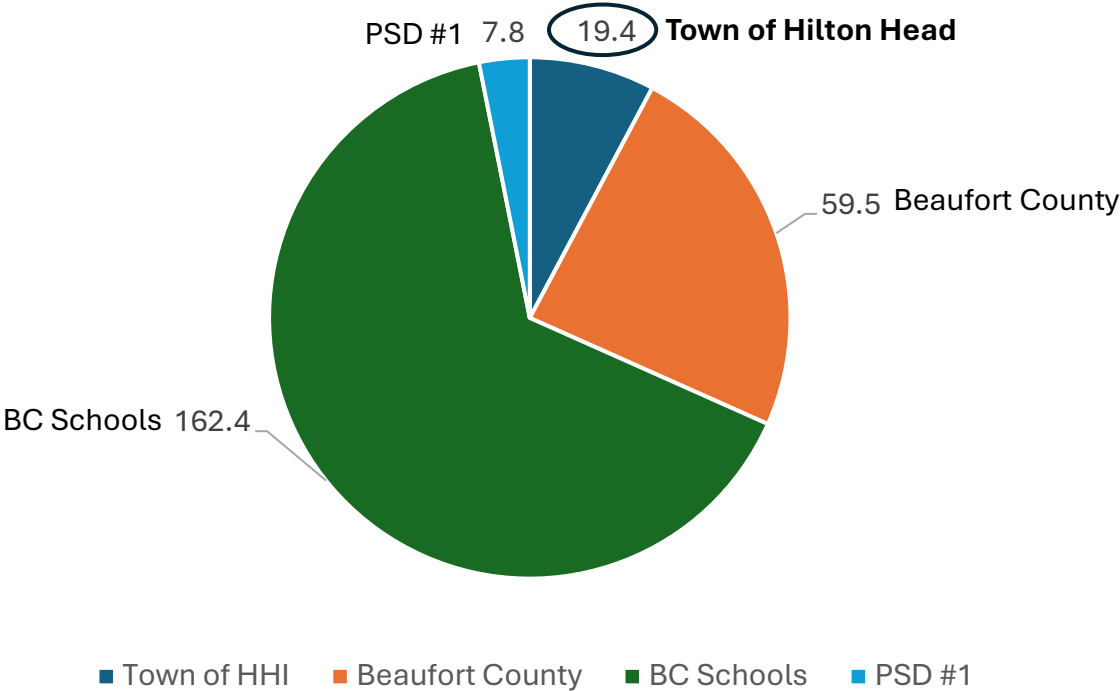


***Note: Town of Hilton Head Island Police Fee is assessed separately.**



Town of Hilton Head Island Total Millage Represents 7.8% of HHI 2024 Property Tax Millage

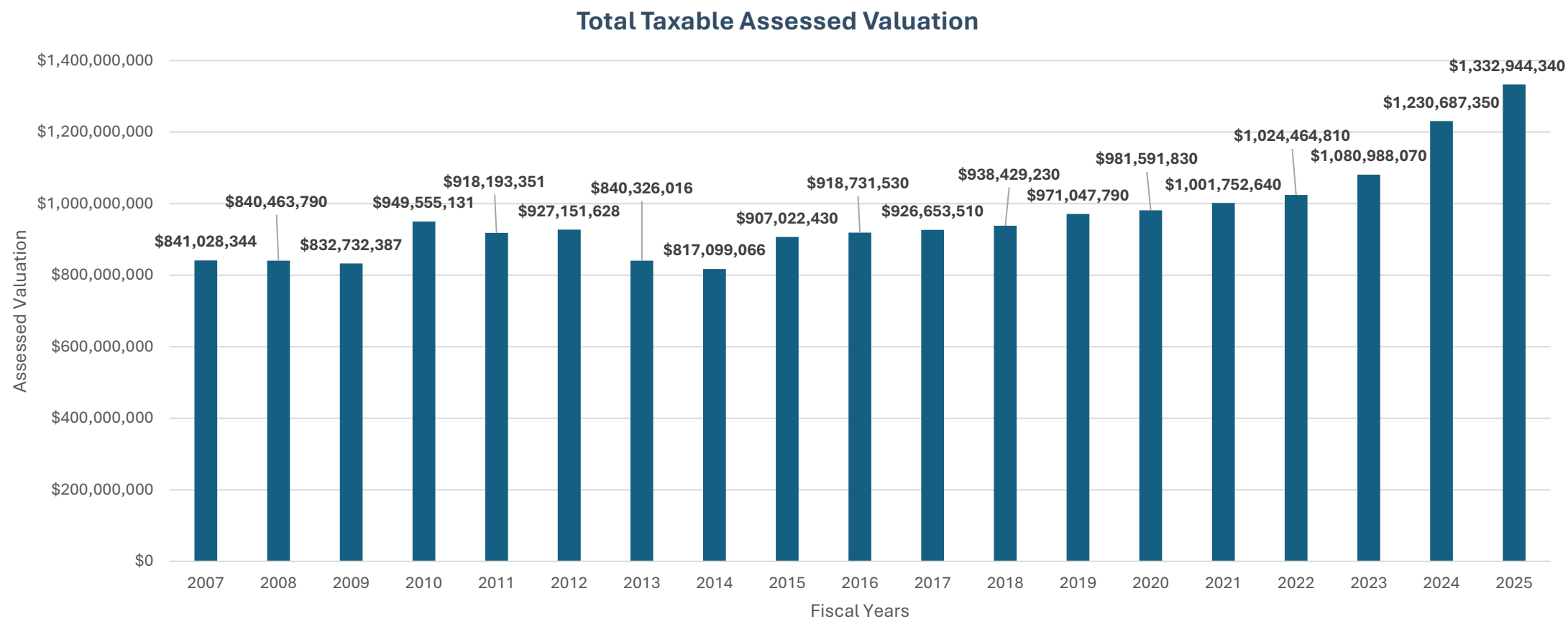
Millage by Overlapping Tax Districts (249.10 Total Millage)



- The Town of Hilton Head Island’s percent of average taxpayer millage declined from 8.65% in FY2025 to 7.8% in FY2026.



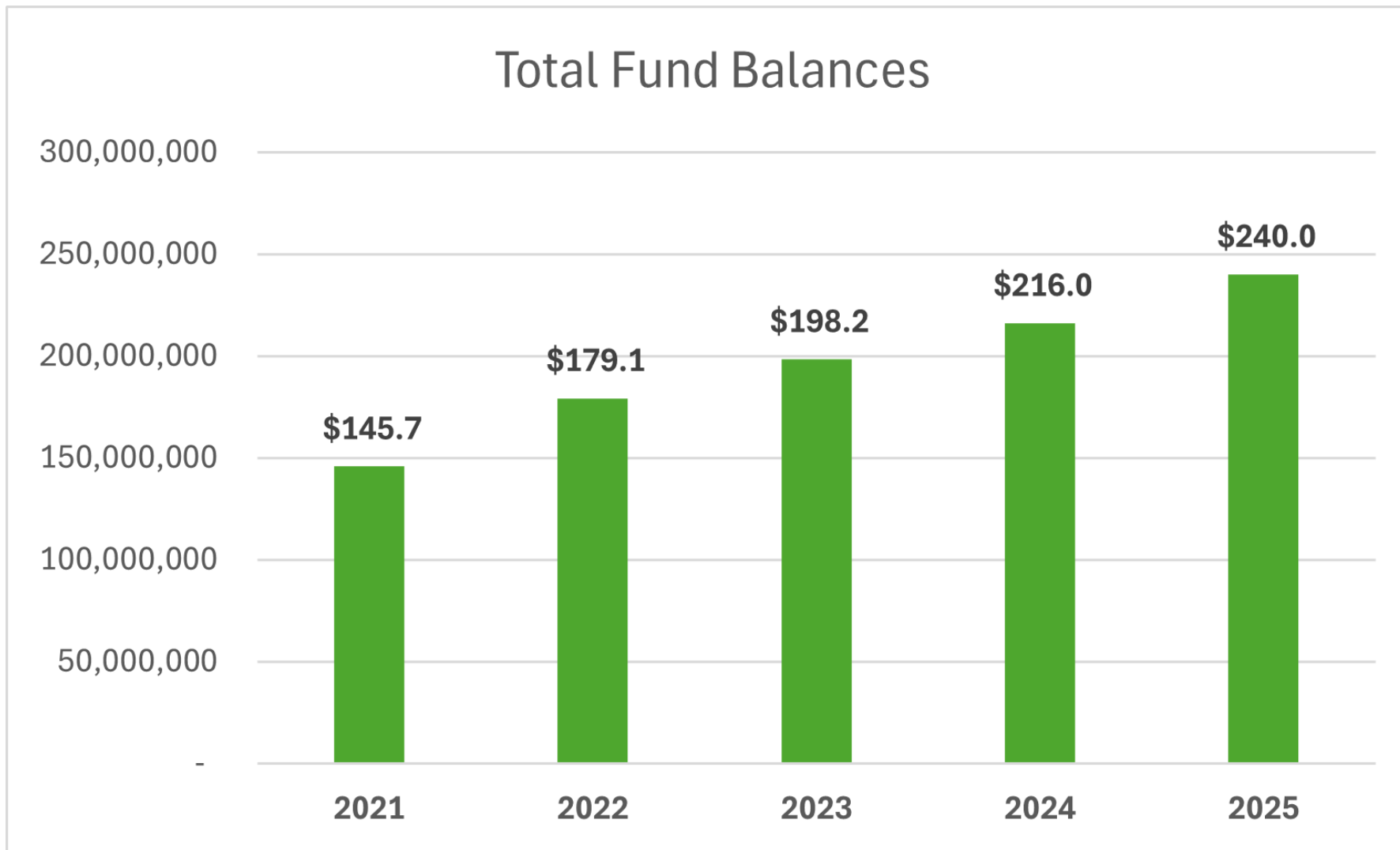
Total Town Assessed Value* has Grown 47% since 2015, increasing Non-Referendum G.O. Borrowing Capacity



* Assessed Value is the Estimated Value of all real and personal property and motor vehicles in the Town x Beaufort County determined factor (5.3% in FY2024).

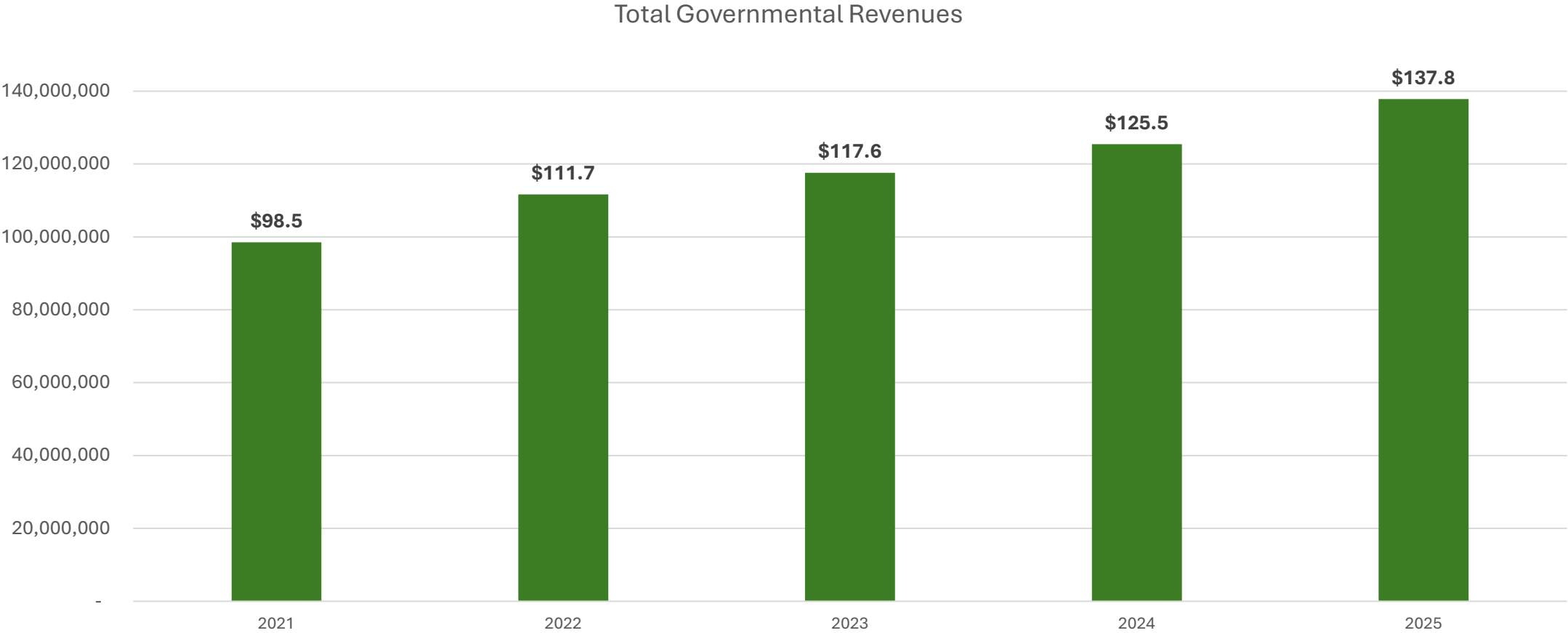


Total Governmental Fund Balances have Grown 64.7% Since 2021





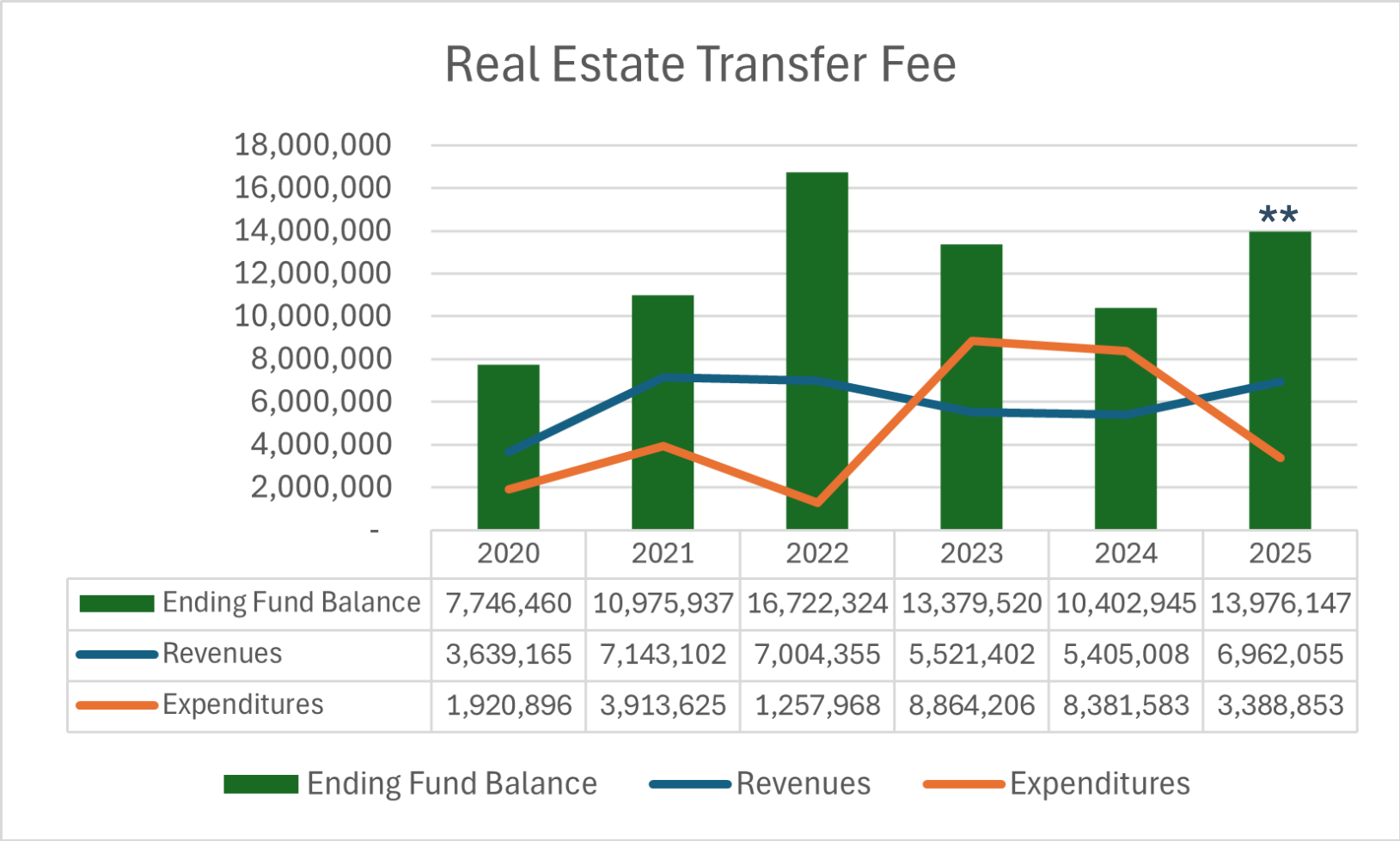
Total Government Revenues Have Grown 39.9% since 2021



Includes major revenue sources, including property taxes, hospitality taxes, beach preservation fees, accommodations tax, interest earned, and multiple other sources.



Real Estate Transfer Fee (RETF)* Annual Fund Balances, Revenues, Expenditures



*Note: The Town uses RETF funds for property acquisitions, though in most years the Town also uses other fund sources (TIF, Hospitality Taxes, General Fund) for property acquisitions.

**Note: RETF Balance as of 11/10/25 is \$16,030,162.



Debt Service Fund's Accumulated Balance as a Potential Partial Source of a June 1, 2026 G.O. Bond Debt Payment

- Debt Service Fund Balances can only be used to pay back debt
- Debt Service Fund Balance has grown to \$14.2 million (as of 6/30/25) over the past several years due to conservative revenue projections
- We recommend the Town set a Minimum Debt Service Fund Balance Policy of \$2.5 million to maintain a cushion should future debt service property tax collections come in below estimates
- A possible G.O. Bond Issue (proposed close date of April 1, 2026) can utilize approximately \$11.7 million in accumulated Debt Service Fund balance and \$2.6 million via 2 mills in FY2026 property tax collections to quickly pay back (proposed first payback date of June 1, 2026) a significant portion of any possible 2026 Debt Issuance



Accumulated Debt Service Fund Balances* Need to be Deployed

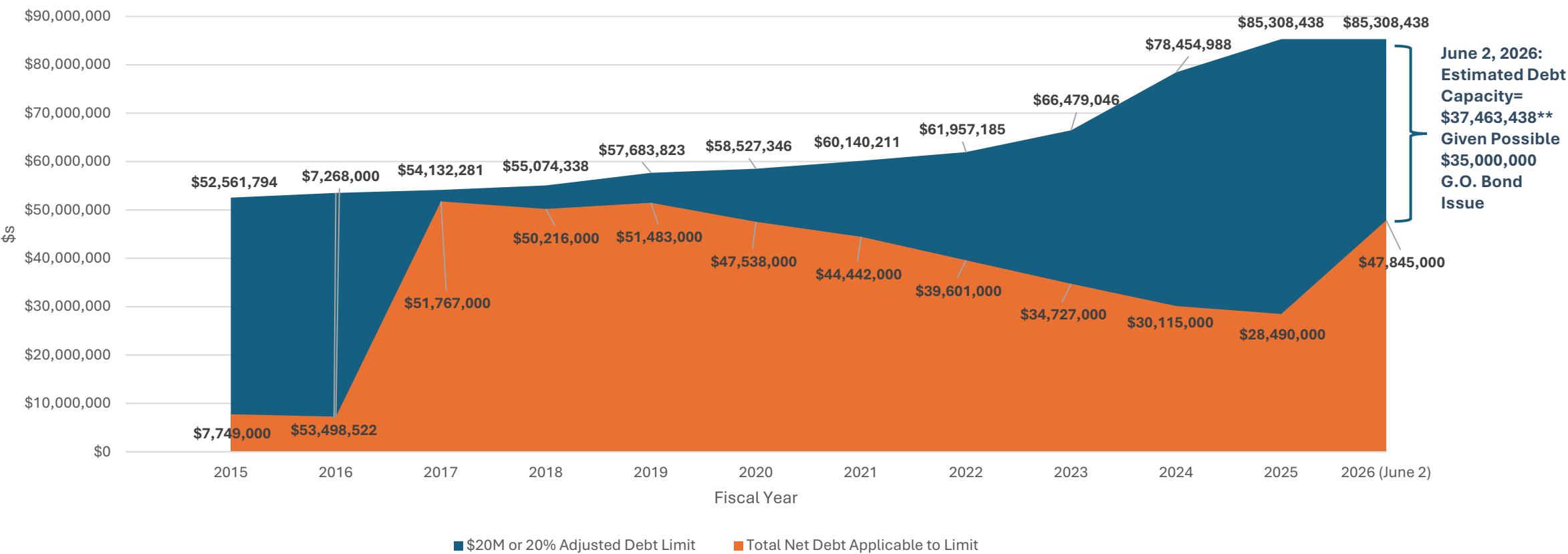
Debt Service Fund Balance as of 6/30/25:	\$14,243,513
Less Proposed Fund Reserve Policy**:	<u>\$ 2,500,000</u>
Debt Service Funds to be Used for Debt:	\$11,743,513
Add: 2 mills @ \$1,300,000:	<u>\$ 2,600,000</u>
Reduction in Bond Principal:	\$14,343,513

***Note:** As discussed at FY2026 Consolidated Budget Preparation & Adoption, Debt Service Funds can only be used to repay debt. These accumulated Debt Service Funds would pay down a significant portion of any Series 2026 G.O. debt issue almost immediately and thus minimize overall interest costs.

****Note:** Town staff proposes the Town formalize this policy in FY2027 Budget.



Debt Issuance Capacity* Continues to Grow as AV Grows and Total Non-Referendum G.O. Debt Outstanding Decreases



*Debt Issuance Capacity = 8% of Assessed Value (SC State Limitation) - \$20 mil or 20% (HHI Town Council additional limitation)

**The above illustrates the effect on Debt Issuance Capacity if the Town were to issue a \$35 million G.O. Bond Issue on approximately April 1, 2026 and use its accumulated Debt Service Fund balance + already-requested 2 mills of FY2026 property tax collected to pay for the approximately \$14.1 million June 1, 2026 initial debt service payment.



Potential New Capital Projects to be Financed by G.O. Bond Proceeds

Scenario #	Bond Amount	Fire Rescue HQ/EOC	Land
1B	\$25,000,000	\$9,000,000	\$16,000,000
2B	\$35,000,000	\$9,000,000	\$26,000,000



Past Land Acquisition Program- Summary of Benefits

- 171 parcels purchased
- 1,353.42 acres
- Total expenditure of \$211.37 million
- Reduction of 4.89 million sq. feet of potential commercial development
- Reduction of 1,983 potential hotel/motel rooms
- Reduction of 5,040 potential residential and timeshare units
- Reduction of 45,516 PM potential peak-hour driving trips
- Community support as evidenced by positive feedback received prior to 2023 Town Council actions to extend Real Estate Transfer Fee-funded Land Acquisition Program

FY 2027 “Shovel Ready” Capital Projects If Town Council Were to Consider Including in this Financing

Project	FY27 Shovel Ready Projects
Islanders Beach Park Improvements	\$ 5,400,000
Crossings Park Renovation - Phase 1 Pickleball Complex	\$ 10,000,000
Crossings Park Renovation - Phase 2 Bristol Sports Arena and Pump Track	\$ 6,500,000
Shelter Cove Community Park Expansion Ph 2	\$ 5,000,000
Mitchelville Freedom Park	\$ 2,300,000
Total	\$ 28,200,000



Debt Scenarios – Both Can be Easily Paid Back via Future Years’ Annual Debt Service Millage at 2 Mills or Below

<u>Scenario</u>	<u>Proceeds</u>	<u>Payback Period</u>
1B	\$25 million	15 years
2B	\$35 million	15 years

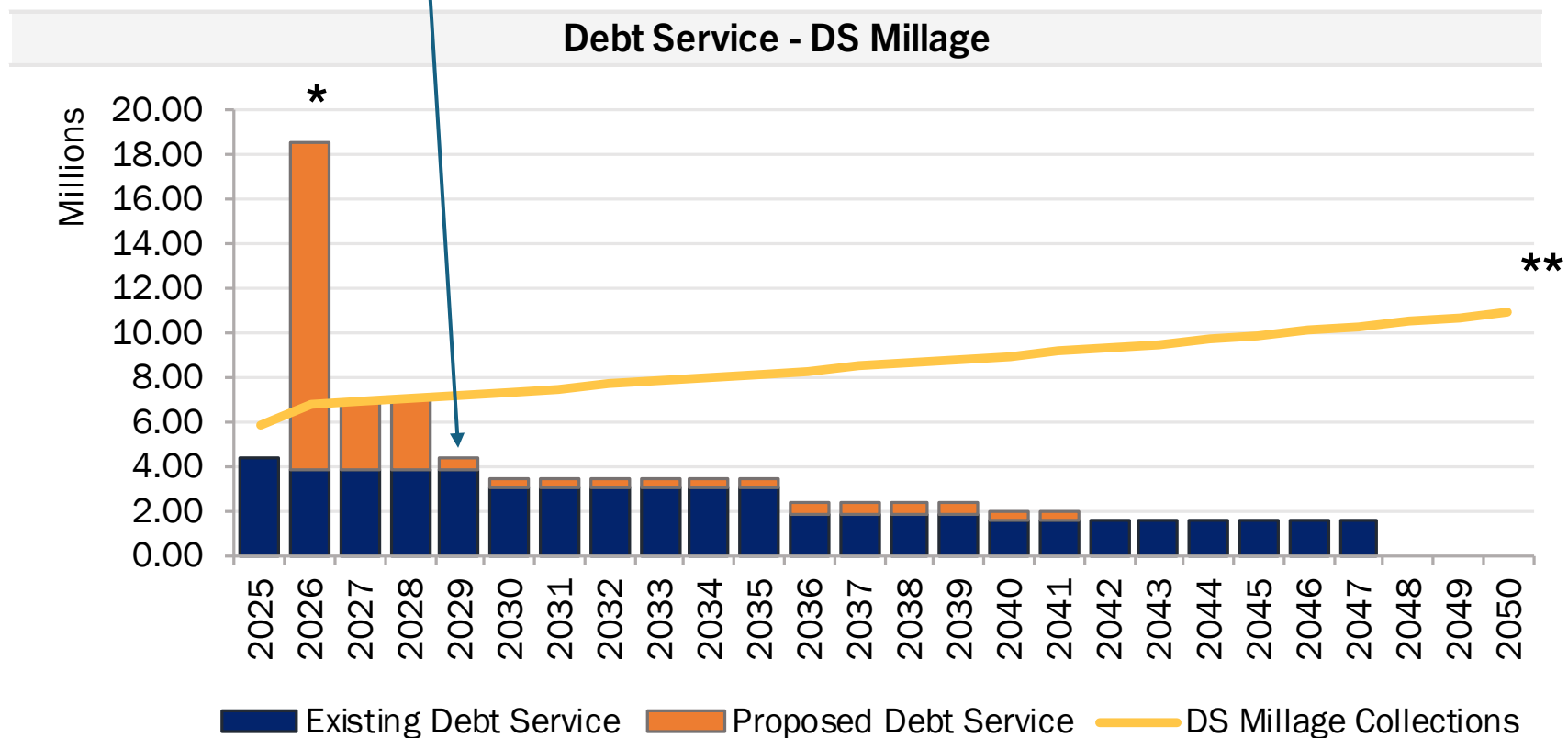
All scenarios include 1st year debt payment from:

- Portion of existing Debt Service Fund Accumulated Balance of approximately \$11.7 million
- FY2026 Debt Service millage of approximately \$2.6 million
- Total 1st year debt payback of approximately \$14.3 million



Scenario 1B: Existing & Possible G.O. Debt Service per Year for Sample \$25 mil G.O. Bond with 15 Year Payback

Decision Point: Issue Debt for More Projects or Reduce Debt Service Millage



***Note:** June 2026 Debt Service payment would be paid via approximately \$11.7 million in accumulated Debt Service Fund Balance + approximately \$2.6 million from already-requested Debt Service property tax collections.

****Note:** Debt Service Millage Collection Line Assumes 2% Annual AV growth and thus 2% Annual Mill Value Increase.



Scenario 1B: Potential Sample Payback Schedule for \$25 million in G.O. Bonds Issued in FY2026 with 15 Year Payback

Debt Service				
FY	Principal	Interest	D/S Fund*	Total
2026	14,925,000	207,558	(718,138)	14,414,420
2027	2,600,000	499,100		3,099,100
2028	2,900,000	369,100		3,269,100
2029	255,000	224,100		479,100
2030	270,000	211,350		481,350
2031	285,000	197,850		482,850
2032	300,000	183,600		483,600
2033	315,000	168,600		483,600
2034	330,000	152,850		482,850
2035	345,000	136,350		481,350
2036	365,000	119,100		484,100
2037	380,000	100,850		480,850
2038	400,000	81,850		481,850
2039	420,000	61,850		481,850
2040	445,000	40,850		485,850
2041	465,000	18,600		483,600
2042	-	-		-
2043	-	-		-
2044	-	-		-
2045	-	-		-
2046	-	-		-
Total	25,000,000	2,773,558		27,055,420

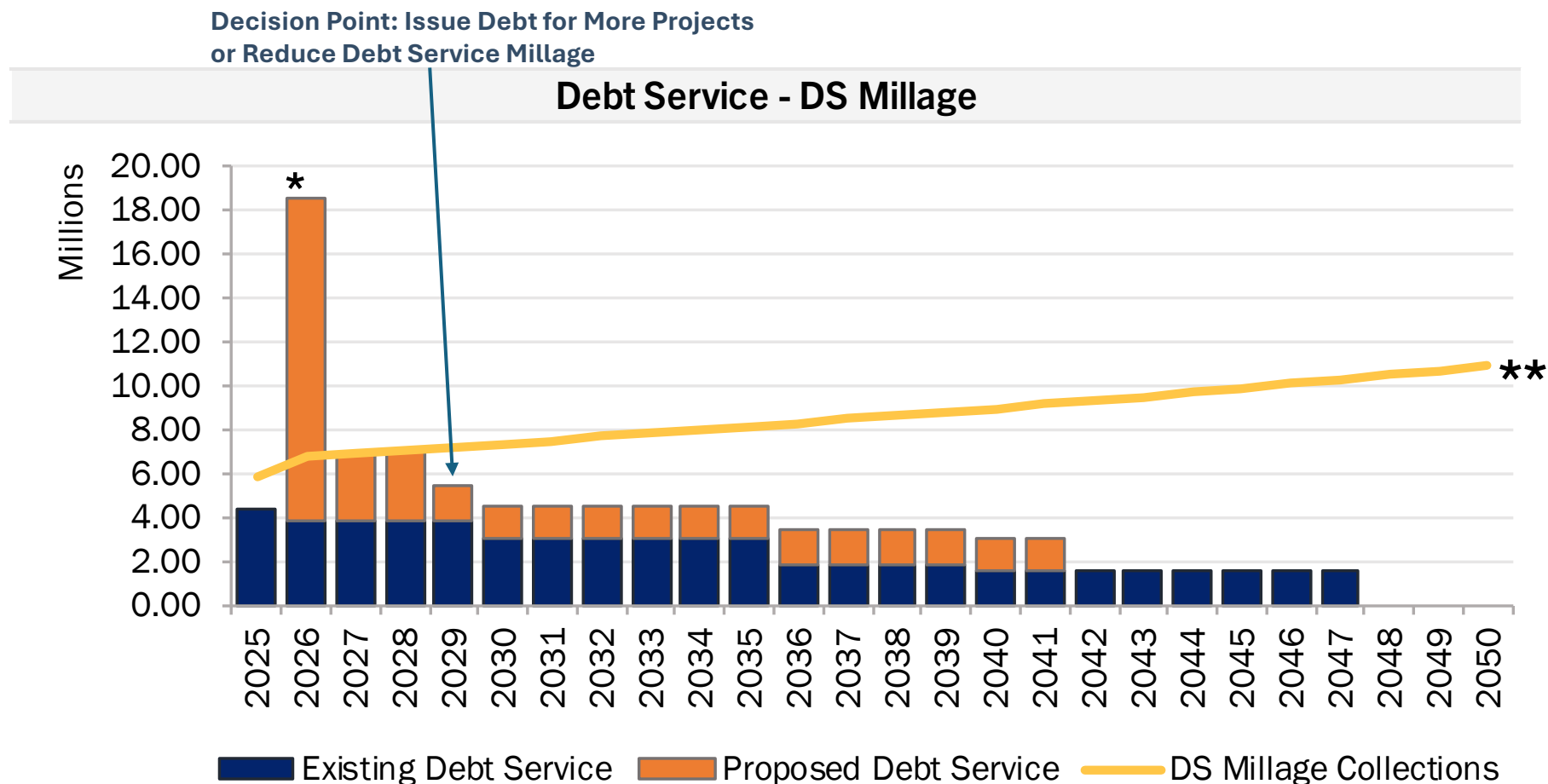
Sources of Funds	
Par Amount	25,000,000
Premium	818,138
Total Sources of Funds	25,818,138
Uses of Funds	
Project Fund	24,725,000
Debt Service Fund	718,138
Cost of Issuance (est.)	275,000
Underwriter's Discount (est.)	100,000
Total Uses of Funds	25,818,138
True Interest Cost	3.41%

Principal & Interest Due: June 1
Interest Only Due: December 1

Annual Debt Service after FY2028 of approximately \$483,000 equals approximately 0.37 mils, given FY2026 mil value of \$1,327,265.



Scenario 2B: Existing & Possible G.O. Debt Service per Year for Sample \$35 mil G.O. Bond with 15 Year Payback



*Note: June 2026 Debt Service payment would be paid via approximately \$11.7 million in accumulated Debt Service Fund Balance + approximately \$2.6 million from already-requested Debt Service property tax collections.

**Note: Debt Service Millage Collection Line Assumes 2% Annual AV growth and thus 2% Annual Mill Value Increase.



Scenario 2B: Potential Sample 15 Year Payback Schedule for \$35 million in G.O. Bonds Issued in FY2026

Debt Service				
FY	Principal	Interest	D/S Fund*	Total
2026	15,700,000	289,167	(1,796,011)	14,193,156
2027	2,150,000	950,000		3,100,000
2028	2,400,000	842,500		3,242,500
2029	825,000	722,500		1,547,500
2030	870,000	681,250		1,551,250
2031	915,000	637,750		1,552,750
2032	960,000	592,000		1,552,000
2033	1,010,000	544,000		1,554,000
2034	1,060,000	493,500		1,553,500
2035	1,115,000	440,500		1,555,500
2036	1,175,000	384,750		1,559,750
2037	1,235,000	326,000		1,561,000
2038	1,295,000	264,250		1,559,250
2039	1,360,000	199,500		1,559,500
2040	1,430,000	131,500		1,561,500
2041	1,500,000	60,000		1,560,000
2042	-	-		-
2043	-	-		-
2044	-	-		-
2045	-	-		-
2046	-	-		-
Total	35,000,000	7,559,167		40,763,156

Sources of Funds	
Par Amount	35,000,000
Premium	1,936,011
Total Sources of Funds	36,936,011
Uses of Funds	
Project Fund	34,725,000
Debt Service Fund	1,796,011
Cost of Issuance (est.)	275,000
Underwriter's Discount (est.)	140,000
Total Uses of Funds	36,936,011
True Interest Cost	3.48%

Principal & Interest Due:	June 1
Interest Only Due:	December 1

Annual Debt Service after FY2028 of approximately \$1,560,000 equals approximately 1.18 mils, given FY2026 mil value of \$1,327,265.

Recommendation: The Town Issues up to \$35 million in G.O. Bonds to be Paid back over Approximately 15 years

The proposed Bond Ordinance title reads (underlined language added by Bond Counsel to emphasize the limited use of proceeds):

AN ORDINANCE AUTHORIZING THE ISSUANCE AND SALE OF NOT TO EXCEED \$35,000,000 GENERAL OBLIGATION BONDS, SERIES 2026, OR SUCH OTHER APPROPRIATE SERIES DESIGNATION, OF THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA; FIXING THE FORM AND CERTAIN DETAILS OF THE BONDS, INCLUDING A FINAL MATURITY ON OR BEFORE JUNE 1, 2041, WITH THE PROCEEDS BEING USED TO FUND THE ACQUISITION AND RENOVATION OF CERTAIN LAND AND EXISTING IMPROVEMENTS, IF ANY, LOCATED AT 9 PARK LANE AND 10 PARK LANE FOR THE NEW HEADQUARTERS FOR FIRE RESCUE AND EMERGENCY OPERATIONS CENTER, AND LAND ACQUISITION COSTS FOR CONSERVATION PURPOSES; AUTHORIZING THE TOWN MANAGER OR HIS LAWFULLY AUTHORIZED DESIGNEE TO DETERMINE CERTAIN MATTERS RELATING TO THE BONDS; PROVIDING FOR THE PAYMENT OF THE BONDS AND THE DISPOSITION OF THE PROCEEDS THEREOF; OTHER MATTERS RELATING THERETO; AND PROVIDING FOR SEVERABILITY AND AN EFFECTIVE DATE

Drawdown Timing of Tax-Exempt Bond Proceeds

- The Town is Required to Spend Bond Proceeds by the following milestones, per IRS regulations, or pay Arbitrage Rebates on Interest Earned if the Bond Proceeds' interest rate earned is higher than the bonds borrowing rate:
 - At least 10% within 6 months (\$3.5M by 10/1/26)
 - At least 45% within 12 months (\$15.75M by 4/1/26)
 - At least 75% within 18 months (\$26.25M by 10/1/27)
 - 100% within 24 months (\$35M by 4/1/28)



G.O. Bond Issue: Possible Calendar Task Schedule

- **11/18/25:** F&A Committee: Review Plan of Finance/Ordinance
- **12/9/25:** Town Council Meeting: 1st Reading of Ordinance
- **1/13/26:** Town Council Meeting: 2nd Reading of Ordinance
- **3/7/26:** Publish Summary Notice of Competitive Sale
- **3/17/26:** Pricing Bonds via Municipal Finance Buyside Market
- **4/1/26:** Closing
- **6/1/26:** First Principal & Interest Payment, including approximately \$11.7 million in Principal paid back via Accumulated Debt Service Fund Balance
- **Activities throughout Timeline:** Offering Document Production/ Distribution, Rating Agency Preparation



Potential Series 2026 G.O. Bonds Proposed Sale - Details

- AAA Ratings from Moody's, S&P, & Fitch: Highest Possible Ratings = Low Borrowing Rates
- Tax-exempt Issuance = Low Borrowing Rates
- Public Competitive Sale: Offering document would be made available to all potential bond buyers in U.S. municipal marketplace – broadest market available = low borrowing costs
- Independent Municipal Advisor: First Tryon Advisors – serves 16 of top 20 SC Local Governments by Population Size
- Bond Counsel: Burr & Forman – providing the Town expert bond advice since inception in 1983
- The Town's Internal Finance Team's Bond Issuance Expertise



S&P July 3, 2025 G.O. (AAA) & Special Obligation (AA+) Bonds Upgrade Report – Select Excerpts

- “The raised rating reflects the town's improved reserve levels, which provide it sufficient flexibility if faced with economic slowdowns or emergencies while remaining comparable with its similarly-rated peers.”
- “The 'AAA' rating reflects our view of the town's history of operating surpluses, which have raised reserve levels to well above those of its peers, which we view as a credit strength sufficient to offset the potential for deterioration in budget flexibility and reserves during economic downcycles, contingency expenses that may relate to chronic and acute physical weather events, as well as the town's below-average economic output metrics.”
- “Manageable long-term liability and fixed cost profile despite plans to issue additional debt in the near term.”
- “We note that to mitigate some of this exposure to physical risk associated with acute weather events, management maintains high fund balance levels for contingencies, specifically setting aside a portion of reserves for disaster recovery.”
- “The general fund balance can be used for emergency purposes in case of unforeseen circumstances and to avoid emergency town borrowing or use of tax anticipation notes. In addition, the town added to fund balances outside the general fund in fiscal 2024, totaling \$36 million in the natural disaster fund and \$48 million in the beach renourishment fund as additional flexibility for disasters though not incorporated in the total available reserve ratios. Though we view these balances positively, given the town’s elevated physical risks related to acute weather events.”
- “Hilton Head Island has robust, well-defined policies with thorough reporting. The town's net direct debt as a percentage of total revenues and market value are low compared with its 'AAA' rated peers.”
- “We expect that the town will maintain a manageable debt burden despite its additional debt plans, including approximately \$30 million in GO bonds to fund various capital projects in the next two years. Additionally, the town awarded a \$38 million contract to Marinex Construction Inc. in May 2025 to renourish its beaches in fiscal 2026; \$23 million will be paid from beach preservation fund reserves coupled with an estimated \$15 million tax-exempt private placement bond issuance that is backed by beach preservation fee revenue.”

QUESTIONS?





TOWN OF HILTON HEAD ISLAND

Town Council

TO: Town Council
FROM: Jeff Netzing, Engineering and Projects Director
VIA: Shawn Gillen, Assistant Town Manager
Curtis Coltrane, Town Attorney
CC: Marc Orlando, Town Manager
Shawn Leinginger, Deputy Town Manager
Dave Byrd, Finance Director
DATE: December 9, 2025
SUBJECT: Consideration of a Resolution Authorizing the Public Dedication and Acceptance of the Private Road Rights of Way for Song Sparrow Lane, Phoebe Lane, and Goldfinch Lane from Cedar Woods Owners' Association, Inc.

RECOMMENDATION:

Staff recommends the consideration of a Resolution (**Attachment 1**) authorizing the public dedication and acceptance of the private road rights of way for Song Sparrow Lane, Phoebe Lane, and Goldfinch Lane from Cedar Woods Owners' Association, Inc.

BACKGROUND:

The Town Attorney received a letter dated July 23, 2025, from the Cedar Woods Owners' Association requesting Town acceptance and conveyance of three (3) private roads including Song Sparrow Lane, Phoebe Lane, and Goldfinch Lane and a drainage system owned by the Association in accordance with the Association's governing covenants (**Attachment 2**). Justification for this request cited in the letter included excessive ongoing maintenance costs incurred by the Association exceeding the logistical and financial capacity of the small neighborhood (50 homes). The letter also noted that the roads (including Kingbird Lane and Bobwhite Lane) and the drainage system of Point Comfort Woods, a neighboring community, were previously accepted by the Town (in 2001), making consistent (Town) oversight more essential for effective stormwater management. An exhibit depicting the boundary of the Cedar Woods POA is included as **Attachment 3**.

The Town Attorney drafted a Limited Warranty Deed providing the mechanism for the public dedication and acceptance of Song Sparrow Lane, Phoebe Lane, and Goldfinch Lane from Cedar Woods Owners' Association, Inc. that was subsequently executed by

the Board of Directors on August 13, 2025 (**Attachment 4**). The referenced plat (Plat Book 22, Page 119) is included as **Attachment 5**.

Acceptance of these roads will benefit and promote the general health, safety, and welfare of the citizens, residents, property owners and businesses in the Town.

Acceptance of Song Sparrow Lane, Phoebe Lane, and Goldfinch Lane would add approximately one-half mile of roadway to the Town's roadway inventory, increasing the total lane mileage from 16.0 to 16.5 miles. Staff estimates the average annual cost to the Town, including routine maintenance, repair, and periodic pavement rehabilitation, would equate to \$25,000.

The subject agenda item was brought to the Community Development & Public Safety Committee for consideration on October 20, 2025. The Committee voted (3-0) to table this item and reschedule consideration at the following regularly scheduled meeting (November 17, 2025). The Committee asked if Cedar Woods had capital reserve funds that it would be willing to convey to the Town in exchange for the Town's acceptance of the roads. The Committee also requested that representatives from the Cedar Woods Board be present at the November meeting. The Town received a second letter dated October 27, 2025, from the Cedar Woods board in response to these Committee requests (**Attachment 6**).

The subject agenda item was again brought to the Community Development & Public Safety Committee for consideration on November 17, 2025. The Cedar Woods Board President was present at the meeting and answered several questions asked by members of the Committee. The Committee voted (3-0) in favor of bringing this item to Town Council for consideration.

SUMMARY:

The Town Attorney received a letter dated July 23, 2025, from the Cedar Woods Owners' Association requesting Town acceptance and conveyance of three (3) private roads including Song Sparrow Lane, Phoebe Lane, and Goldfinch Lane and a drainage system owned by the Association. Acceptance of these roads will benefit and promote the general health, safety, and welfare of the citizens, residents, property owners and businesses in the Town. Acceptance of these roads would add approximately one-half mile of roadway to the Town's roadway inventory, increasing the total lane mileage from 16.0 to 16.5 miles. Staff estimates the average annual cost to the Town, including routine maintenance, repair, and periodic pavement rehabilitation, would equate to \$25,000.

ATTACHMENTS:

1. Draft Town Resolution
2. 07/23/2025 Letter from Cedar Woods to the Town Attorney
3. Cedar Woods POA Boundary

4. Limited Warranty Deed executed by the Cedar Woods Board on 08/13/2025
5. Reference Plat (Plat Book 22, Page 119)
6. 10/27/2025 Letter from Cedar Woods to the Mayor and Town Council

THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

A RESOLUTION BY THE TOWN OF HILTON HEAD ISLAND TOWN COUNCIL AUTHORIZING THE ACCEPTANCE OF ROADWAYS KNOWN AS “SONG SPARROW LANE” “PHOEBE LANE” AND “GOLDFINCH LANE” FROM THE CEDAR WOODS OWNERS’ ASSOCIATION, INC.

BE IT RESOLVED, AND IT HEREBY IS RESOLVED BY THE TOWN COUNCIL FOR THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA, THAT:

Section 1. Findings and Conclusions.

- a. In the year 2001, the Town of Hilton Head Island, South Carolina (herein, the “Town”), accepted title to two roadways in the “Cedar Woods” subdivision, known as “Bobwhite Lane” and “Kingbird Lane.”
- b. There are three roadways remaining in private ownership in the Cedar Woods, known as “Song Sparrow Lane,” “Phoebe Lane” and “Goldfinch Lane.”
- c. The “Cedar Woods Owners’ Association, Inc., has requested that the Town take ownership of “Song Sparrow Lane,” “Phoebe Lane” and “Goldfinch Lane,” and has executed a deed by which the roads will be conveyed to the Town upon acceptance by the Town.
- d. The Town Council finds that public ownership of “Song Sparrow Lane,” “Phoebe Lane” and “Goldfinch Lane” is in the best interests of the Town, and that such will benefit and promote the general health, safety and welfare of the citizens, residents, property owners and businesses in the Town.

Section 2. Acceptance of Conveyance.

- a. The Town Council authorizes the Town Manager and Town Attorney to accept and record the “Limited Warranty Deed” for “Song Sparrow Lane,” “Phoebe Lane”

and “Goldfinch Lane” from the Cedar Woods Owners’ Association Inc., a copy of which is attached hereto as Exhibit “A.”

b. The Town Manager is authorized to take all actions necessary to provide for the maintenance of “Song Sparrow Lane,” “Phoebe Lane” and “Goldfinch Lane.”

Section 3. Severability.

a. If any section, phrase, sentence, or portion of this Resolution 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 4. Effective Date.

a. This resolution shall be effective immediately upon its adoption.

MOVED, APPROVED, AND ADOPTED ON THIS 16th DAY OF SEPTEMBER, 2025.

Alan R. Perry, Mayor

ATTEST:

Kimberly Gammon, Town Clerk

APPROVED AS TO FORM

Curtis L. Coltrane, Town Attorney

Introduced by Council Member:_____

EXHIBIT "A" TO RESOLUTION AUTHORIZING ACCECPTANE OF ROADWAYS
IN CEDAR WOODS SUBDIVISION

STATE OF SOUTH CAROLINA)
) LIMITED WARRANTY DEED
COUNTY OF BEAUFORT)

Whereas, Cedar Woods Owners’ Association, Inc., is established and operates under the authority of the “Declaration of Covenants, Conditions and Restrictions Applicable to Cedar Woods Owners’ Association” (the “Declaration”), which is recorded in the Office of The Register of Deeds for Beaufort County, South Carolina, in Deed Book 351 at Page 1396; and,

Whereas, Article III(e) of the Declaration authorizes Cedar Woods Owners’ Association, Inc., to convey all or any part of the Common Area in Cedar Woods, which includes the road rights of way known as “Song Sparrow Lane,” “Phoebe Lane” and “Goldfinch Lane,” to any public agency, authority or utility for such purposes and on such conditions as may be agreed to by the members, provided that any such conveyance is approved by an affirmative vote of two-thirds of the members; and,

Whereas, there are a total of fifty (50) lots in Cedar Woods; and,

Whereas, at a duly called meeting of the membership of the Cedar Woods Owners’ Association, Inc., taking place on July 23, 2025, the ownership of thirty nine (39) of the fifty (50) lots in Cedar Woods voted to authorize the conveyance of “Song Sparrow Lane,”

“Phoebe Lane” and “Goldfinch Lane” to the Town of Hilton Head Island, South Carolina; and,

Whereas, the thirty nine (39) affirmative votes exceeded two-thirds of the membership.

Now, therefore, know all persons by these presents, that Cedar Woods Owner’s Association, Inc., in the State aforesaid and in consideration of the sum of Ten and no/100 (\$10.00) Dollars, to them in hand paid at and before the execution, sealing and delivery of these presents, by the Town of Hilton Head Island, South Carolina, having an address of One Town Center Court, Hilton Head Island, SC, 29928, in the State aforesaid, the receipt whereof is hereby acknowledged, subject to the easements, restrictions, and conditions set forth in the legal description below, have granted, bargained, sold and released, and by these Presents do grant, bargain, sell and release to the Town of Hilton Head Island, South Carolina, in fee simple, its successors and assigns, forever the following property:

All those certain road rights of way lying and being in Cedar Woods, Hilton Head Island, Beaufort County, South Carolina, known as “Song Sparrow Lane,” “Phoebe Lane” and “Goldfinch Lane.” “Song Sparrow Lane Lane” is shown and described as “60’ R/W” on a Plat prepared by William M. Warwick, S. C. Certified Land Surveyor 4378, entitled “A Plat of Point Comfort Woods, Phase I, II and III,” dated September 9, 1971, last revised May 11, 1973, and recorded on June 25, 1974, in the Office of The Register of Deeds for Beaufort County, South Carolina, in Plat Book 22 at Page 119. “Phoebe Lane” is shown and described as “Cardinal Road 50’ R/W” on a plat prepared by Jerry L. Richardson, SCRLS 4784, entitled “A Plat of Cedar Woods Lots 21-58 and 79-90,” dated November 12, 1981, and recorded in the Office of The Register of Deeds for Beaufort County, South Carolina, on May 28, 1982, in Plat Book 30 at Page 119, and is also shown and described as “50’ R/W” on the above described Plat recorded in Plat Book 22 at Page 119. “Goldfinch Lane” is shown and described as “Goldfinch Lane 50’ R/W” on a plat prepared by Jerry L. Richardson, SCRLS 4784, entitled “A Plat of Cedar Woods Lots 21-58 and 79-90” dated November 12, 1981, and recorded in the Office of The Register of Deeds for Beaufort County, South Carolina, on May 28, 1982, in Plat Book 30 at Page 119, and also shown and

described as "50' R/W" on the above described Plat recorded in Plat Book 22 at Page 119.

This conveyance is made subject to all applicable covenants, conditions, limitations, easements, affirmative obligations, etc., recorded in the Office of the Register of Deeds for Beaufort County, South Carolina.

This being a part of the property conveyed to Cedar Woods Owners' Association by Deed of Property Research Holdings, Inc., recorded on December 19, 1990, in the Office of the Register of Deeds for Beaufort County, South Carolina in Deed Book 567 at Page 237.

This Deed was prepared in the law office of Coltrane & Wilkins, LLC, Post Office Box 6808, Hilton Head Island, South Carolina, 29938, by Curtis L. Coltrane.

A Part of TMS# R 550 014 000 0925 0000

Together with all and singular, the Rights, Members, Hereditaments and Appurtenances to the said Premises belonging, or in anywise incident or appertaining.

To Have and to Hold, all and singular, the said Premises before mentioned to the Town of Hilton Head Island, South Carolina, in fee simple, its successors and assigns forever.

Cedar Woods Owner's Association, Inc. does hereby bind it and its successors and assigns, to warrant and forever defend, all and singular, the said Premises to the Town of Hilton Head Island, South Carolina, and assigns as herein above provided, against Cedar Woods Owners' Association, Inc., and its successors and assigns, or to claim the same or any part thereof.

Witness the hand and seal of the duly authorized officers of Cedar Woods Owners' Association, Inc., on this 13 day of August, 2025.

WITNESSES:

CEDAR WOODS OWNERS'
ASSOCIATION, INC.

Kim A. Borth
Print Name: Kimberly Borth By: Leslie Ford
Leslie Ford, Board Member

By: Allison Y. Roberts
Allison Y. Roberts, Board Member

Laurie Parsons
Print Name: Laurie Parsons By: Agnes E. Schmidt
Agnes E. Schmidt, Board Member

STATE OF SOUTH CAROLINA)
)
COUNTY OF BEAUFORT) UNIFORM ACKNOWLEDGMENT

The undersigned Notary Public does hereby certify that Cedar Woods Owners' Association, Inc., by and through its duly authorized Board of Directors, Leslie Ford, Allison Y. Roberts, and Agnes E. Schmidt, personally appeared before me this day and acknowledged the due execution of this Limited Warranty Deed.

Sworn to before me on this 13
Day of August, 2025.
Mildred K. Wregham
Notary Public for South Carolina
My Commission Expires: 11.24.2025

CEDAR WOODS OWNER'S ASSOCIATION

P. O. Box 6406 Hilton Head Island, SC 29938

7/23/2025

TO: Mr. Curtis Coltrane, Town Attorney, Hilton Head Island, SC

FROM: Cedar Woods Board

Subject: Request for Town Acceptance of Cedar Woods Roads and Drainage

Dear Mr. Coltrane,

On behalf of the Cedar Woods Board, we respectfully request that the Town proceed with the acceptance and conveyance of our community's roads and drainage system in accordance with our governing covenants. We are pleased to report that the community has voted in favor of this action, using the ballot previously approved by your office. We have surpassed the required two-thirds threshold.

To ensure transparency and community understanding, we also held a special meeting with residents to provide additional information and address any questions regarding this initiative.

As with many aging communities, the ongoing maintenance and necessary improvements to our infrastructure exceed the financial and logistical capacity of our small neighborhood of 50 homes. Town stewardship will ensure proper care and long-term sustainability.

We would also note that the Town has accepted the roads and drainage of our neighboring community, Point Comfort Woods. Their drainage system is directly connected to ours, making consistent oversight even more essential for effective stormwater management.

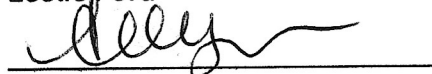
Thank you for your time and consideration. We look forward to your response and to working collaboratively on the next steps.

Sincerely,

The Cedar Woods Board



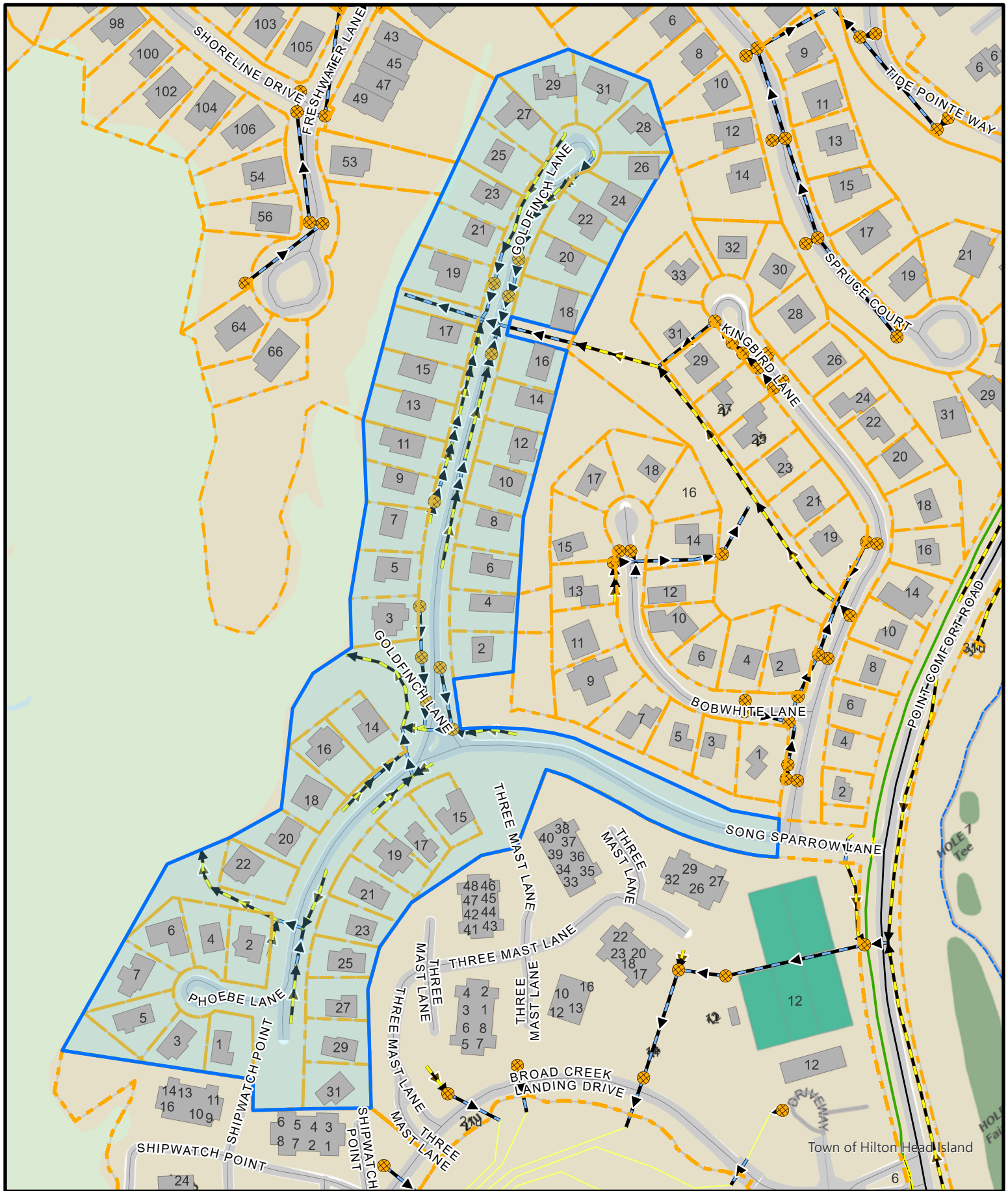
Leslie Ford



Alli Roberts



Aggie Schmidt



Town of Hilton Head Island
 ONE TOWN CENTER COURT
 HILTON HEAD ISLAND, S.C. 29928
 PHONE (843) 341- 4600

Attachment 3 Cedar Woods POA Boundary October 20, 2025

1 inch = 200 feet



STATE OF SOUTH CAROLINA)
)
COUNTY OF BEAUFORT) LIMITED WARRANTY DEED

Whereas, Cedar Woods Owners' Association, Inc., is established and operates under the authority of the "Declaration of Covenants, Conditions and Restrictions Applicable to Cedar Woods Owners' Association" (the "Declaration"), which is recorded in the Office of The Register of Deeds for Beaufort County, South Carolina, in Deed Book 351 at Page 1396; and,

Whereas, Article III(e) of the Declaration authorizes Cedar Woods Owners' Association, Inc., to convey all or any part of the Common Area in Cedar Woods, which includes the road rights of way known as "Song Sparrow Lane," "Phoebe Lane" and "Goldfinch Lane," to any public agency, authority or utility for such purposes and on such conditions as may be agreed to by the members, provided that any such conveyance is approved by an affirmative vote of two-thirds of the members; and,

Whereas, there are a total of fifty (50) lots in Cedar Woods; and,

Whereas, at a duly called meeting of the membership of the Cedar Woods Owners' Association, Inc., taking place on July 23, 2025, the ownership of thirty nine (39) of the fifty (50) lots in Cedar Woods voted to authorize the conveyance of "Song Sparrow Lane,"

"Phoebe Lane" and "Goldfinch Lane" to the Town of Hilton Head Island, South Carolina; and,

Whereas, the thirty nine (39) affirmative votes exceeded two-thirds of the membership.

Now, therefore, know all persons by these presents, that Cedar Woods Owner's Association, Inc., in the State aforesaid and in consideration of the sum of Ten and no/100 (\$10.00) Dollars, to them in hand paid at and before the execution, sealing and delivery of these presents, by the Town of Hilton Head Island, South Carolina, having an address of One Town Center Court, Hilton Head Island, SC, 29928, in the State aforesaid, the receipt whereof is hereby acknowledged, subject to the easements, restrictions, and conditions set forth in the legal description below, have granted, bargained, sold and released, and by these Presents do grant, bargain, sell and release to the Town of Hilton Head Island, South Carolina, in fee simple, its successors and assigns, forever the following property:

All those certain road rights of way lying and being in Cedar Woods, Hilton Head Island, Beaufort County, South Carolina, known as "Song Sparrow Lane," "Phoebe Lane" and "Goldfinch Lane." "Song Sparrow Lane" is shown and described as "60' R/W" on a Plat prepared by William M. Warwick, S. C. Certified Land Surveyor 4378, entitled "A Plat of Point Comfort Woods, Phase I, II and III," dated September 9, 1971, last revised May 11, 1973, and recorded on June 25, 1974, in the Office of The Register of Deeds for Beaufort County, South Carolina, in Plat Book 22 at Page 119. "Phoebe Lane" is shown and described as "Cardinal Road 50' R/W" on a plat prepared by Jerry L. Richardson, SCRLS 4784, entitled "A Plat of Cedar Woods Lots 21-58 and 79-90," dated November 12, 1981, and recorded in the Office of The Register of Deeds for Beaufort County, South Carolina, on May 28, 1982, in Plat Book 30 at Page 119, and is also shown and described as "50' R/W" on the above described Plat recorded in Plat Book 22 at Page 119. "Goldfinch Lane" is shown and described as "Goldfinch Lane 50' R/W" on a plat prepared by Jerry L. Richardson, SCRLS 4784, entitled "A Plat of Cedar Woods Lots 21-58 and 79-90" dated November 12, 1981, and recorded in the Office of The Register of Deeds for Beaufort County, South Carolina, on May 28, 1982, in Plat Book 30 at Page 119, and also shown and

described as "50' R/W" on the above described Plat recorded in Plat Book 22 at Page 119.

This conveyance is made subject to all applicable covenants, conditions, limitations, easements, affirmative obligations, etc., recorded in the Office of the Register of Deeds for Beaufort County, South Carolina.

This being a part of the property conveyed to Cedar Woods Owners' Association by Deed of Property Research Holdings, Inc., recorded on December 19, 1990, in the Office of the Register of Deeds for Beaufort County, South Carolina in Deed Book 567 at Page 237.

This Deed was prepared in the law office of Coltrane & Wilkins, LLC, Post Office Box 6808, Hilton Head Island, South Carolina, 29938, by Curtis L. Coltrane.

A Part of TMS# R 550 014 000 0925 0000

Together with all and singular, the Rights, Members, Hereditaments and Appurtenances to the said Premises belonging, or in anywise incident or appertaining.

To Have and to Hold, all and singular, the said Premises before mentioned to the Town of Hilton Head Island, South Carolina, in fee simple, its successors and assigns forever.

Cedar Woods Owner's Association, Inc. does hereby bind it and its successors and assigns, to warrant and forever defend, all and singular, the said Premises to the Town of Hilton Head Island, South Carolina, and assigns as herein above provided, against Cedar Woods Owners' Association, Inc., and its successors and assigns, or to claim the same or any part thereof.

STATE OF SOUTH CAROLINA)
COUNTY OF BEAUFORT)

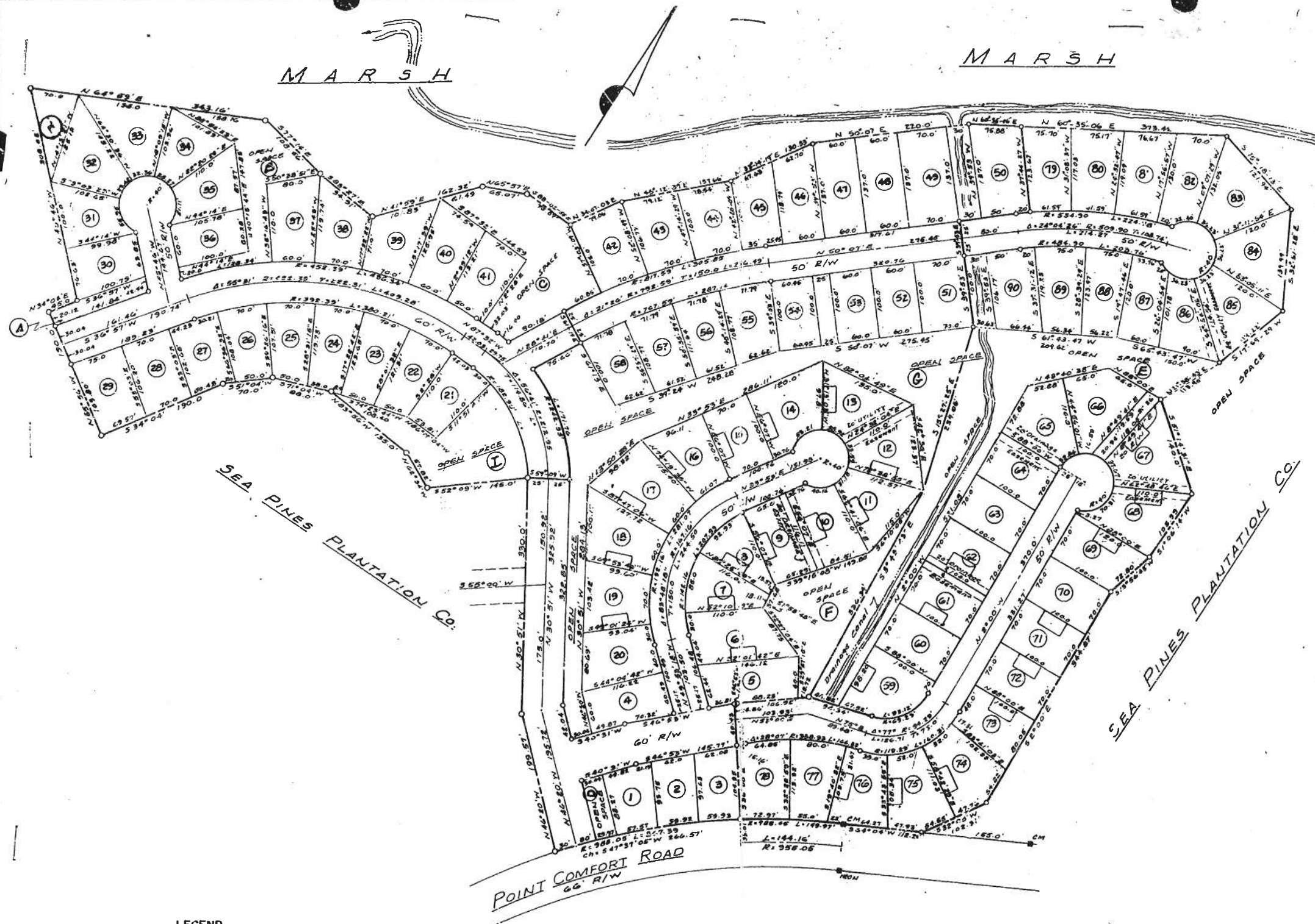
UNIFORM ACKNOWLEDGMENT

The undersigned Notary Public does hereby certify that Cedar Woods Owners' Association, Inc., by and through its duly authorized Board of Directors, Leslie Ford, Allison Y. Roberts, and Agnes E. Schmidt, personally appeared before me this day and acknowledged the due execution of this Limited Warranty Deed.

Sworn to before me on this 13
Day of August, 2025,

Mildred K. Gresham
Notary Public for South Carolina
My Commission Expires: 11.24.2025





A PLAT OF
POINT
COMFORT
WOODS

PHASE I, II & III

A SECTION OF
SEA PINES
PROPERTY

HILTON HEAD ISLAND
SOUTH CAROLINA
COUNTY OF BEAUFORT

RECORDED IN
BOOK 22 PAGE 119
6/25/74
IN THE OFFICE OF
CLERK OF COURT
BEAUFORT S.C.

REPLACES PLATS IN
BOOK PAGE

SCALE: 1"=100'-0"

FILE:

DATE: SEP 9, 1971

REV. 3/22/72 WMW

REV. 5/29/73

REV. 5/11/73 JDC

LEGEND

— ZERO-LOT LINES

OPEN AREAS	
A = .072	ACRES
B = .358	ACRES
C = .527	ACRES
D = .060	ACRES
E = 1.222	ACRES
F = .356	ACRES
G = 1.302	ACRES
H = .098	ACRES
I = .448	ACRES

TOTAL OPEN SPACE ACREAGE = 4.443

Wm Warwick
WILLIAM M. WARWICK
CERTIFIED LAND SURVEYOR
S.C. LIC. No. 4878



PLAT BOOK 22
PAGE 119

02 A38 E

Cedar Woods Owners Association

P.O. Box 6406

Hilton Head Island, SC 29938

10/27/2025

Town of Hilton Head Island

Attn: Town Council and Engineering Department

1 Town Center Court

Hilton Head Island, SC 29926

Subject: Rebuttal – Town’s Non-Acceptance of Cedar Woods Roads

Dear Mayor Perry and Members of Town Council,

On behalf of the Cedar Woods Owners Association, we respectfully submit this letter in response to the Town’s decision not to accept ownership of the Cedar Woods roads and drainage. We ask that the Town reconsider this matter in light of the history, inequities, and financial realities surrounding our community.

Cedar Woods is a small, working-class neighborhood of only fifty moderately priced homes. We are not a gated or private community and lack the financial resources of larger developments. The decision for our association to take ownership of our roads more than three decades ago was both unfortunate and inequitable — and our community has struggled under that burden ever since.

Following the Sea Pines bankruptcy in 1986, ownership of our roads passed to Research Property Holdings. In 1990, that entity sold the roads to our association for \$2,800. This transaction placed the responsibility for public infrastructure onto a small volunteer-run association — a responsibility that rightfully belongs to government. Our limited resources and all-volunteer management make ongoing road maintenance financially unsustainable.

For decades, Cedar Woods residents have faithfully paid the same **property taxes and stormwater fees** as all other neighborhoods in Hilton Head Island. Yet we have received **no corresponding services** from the Town — no road maintenance, drainage upkeep, or infrastructure support. Our residents have effectively been **double-taxed**: paying government taxes while also funding private maintenance of public-use roads.

We are not seeking special treatment, only **fair treatment**. Our neighboring community, **Point Comfort Woods**, successfully transferred its roads — Kingbird and Bob White — from Research Property Holdings to the Town **without payment**. Their circumstances mirror ours, yet the Town accepted their roads while declining ours. This inconsistency

raises legitimate concerns about equal treatment for communities that share the same tax obligations.

Cedar Woods operates on a minimal budget. Our annual dues of \$400 per household barely cover insurance, landscaping, and administrative costs. We have no professional property management and depend entirely on volunteers who already give freely of their time. Any significant assessment to fund road repair or replacement would place an impossible financial burden on our residents and could jeopardize the stability of our community.

We are willing to **contribute a reasonable portion of our limited reserves** toward the transfer of our roads and drainage, provided that the Town acknowledges the inequity of past decades and considers offsetting our contribution by **crediting or refunding** a portion of the property taxes and stormwater fees collected from our residents during the years in which no services were provided.

We respectfully request that the Town reconsider its position and accept ownership of the Cedar Woods roads and drainage as a matter of fairness, equity, and sound public policy.

Thank you for your time and consideration.

Sincerely,

CEDAR WOODS OWNERS ASSOCIATION

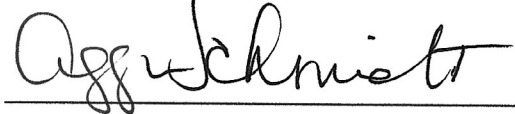
Leslie Ford

President, Cedar Woods Owners Association



Aggie Schmidt

Vice President, Cedar Woods Owners Association



Alli Roberts

Treasurer, Cedar Woods Owners Association





TOWN OF HILTON HEAD ISLAND

Town Council

TO: Town Council
FROM: Jeff Netzinger, Engineering and Projects Director
VIA: Shawn Gillen, Assistant Town Manager
Curtis Coltrane, Town Attorney
CC: Marc Orlando, Town Manager
Shawn Leininger, Deputy Town Manager
Dave Byrd, Finance Director
DATE: December 9, 2025
SUBJECT: Consideration of a Resolution Authorizing the Execution of a Standardized Stormwater Agreement with Cedar Woods Owners' Association, Inc.

RECOMMENDATION:

Staff recommends the consideration of a Resolution (Attachment 1) authorizing the execution of a standardized stormwater agreement and access, drainage, and maintenance easement with Cedar Woods Owners' Association, Inc.

BACKGROUND:

After the creation of the Storm Water Utility in 2001, the Town offered to accept corrective maintenance responsibility for storm water systems located within private Planned Unit Developments (PUDs). Between 2007 and 2012, the Town executed and delivered drainage agreements with eleven (11) PUDs including Shipyard, Wexford, Long Cove Club, Sea Pines, Palmetto Dunes, Leamington, Shelter Cove, Port Royal Plantation, Indigo Run, Hilton Head Plantation, and Palmetto Hall.

On September 21, 2021, Town Council authorized executing drainage agreements with six (6) additional communities, including Bermuda Pointe, Jarvis Creek Club, Seagrass Landing, Spanish Wells, Wells East, and Yacht Cove.

On November 4, 2020, Town Council approved standardized terms and conditions for current and future drainage agreements. All eleven (11) original agreements were recently updated, using the standard terms and conditions, as authorized by Town Council on July 19, 2022.

On June 6, 2023, Town Council authorized executing drainage agreements with five (5) additional communities, including Ashton Cove, Beach City Place, Carolina Isles, Chinaberry Ridge, and Peregrine Pointe.

On November 12, 2024, Town Council authorized executing drainage agreements with four (4) additional communities, including Broad Creek Landing, Paddocks on Jarvis Creek, Ribaut Island, and Victoria Square.

To date, Town Council has authorized executing drainage agreements with twenty-six (26) communities. Cedar Woods Owners' Association, Inc., is currently requesting a similar agreement.

During the October 20, 2025 meeting of the Community Development & Public Services Committee, the Committee moved to forward the resolution to the full Council for consideration of approval. The motion carried 3-0.

SUMMARY:

The Town currently has similar drainage agreements and easements with twenty-six (26) PUDs, property owners' associations, and homeowners' associations. Cedar Woods recently requested service via a drainage agreement with the Town. All new agreements use the standardized terms and conditions approved by Town Council on November 4, 2020. A Drainage Agreement and an Access, Drainage and Maintenance Easement were prepared by the Town and signed by the Cedar Woods Owners' Association, Inc.'s Board President (Attachment 2 and Attachment 3).

ATTACHMENTS:

1. Draft Town Resolution
2. Drainage Agreement signed by the Cedar Woods Owners' Association, Inc.'s Board President
3. Access, Drainage and Maintenance Easement signed by the Cedar Woods Owners' Association, Inc.'s Board President

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA, AUTHORIZING THE EXECUTION AND DELIVERY OF A DRAINAGE AGREEMENT AND AN ACCESS, DRAINAGE, AND MAINTENANCE EASEMENT WITH CEDAR WOODS OWNERS' ASSOCIATION, INC.

WHEREAS, The Town of Hilton Head Island, South Carolina, has negotiated a Drainage Agreement and an Access, Drainage, and Maintenance Easement related to the management of storm and surface drainage with Cedar Woods Owners' Association, Inc.; and,

WHEREAS, Beaufort County, South Carolina adopted Ordinance 99-101 et seq., as amended, creating a Storm Water Utility with the power to impose Storm Water Service Fees on all residents of Beaufort County, South Carolina and which also provides that fees collected from within the municipal limits of the Town of Hilton Head Island, South Carolina ("Town") are returned to the Town to be used for the purposes set forth in the Ordinance including the construction and maintenance of planned and existing infrastructure which collects and disposes of surface and storm water within the municipal limits of the Town; and,

WHEREAS, the Town Council of the Town of Hilton Head Island, South Carolina has determined that it is in the best interests of the Town of Hilton Head Island, South Carolina, to authorize the execution and delivery of the Agreements and Easements.

**NOW, THEREFORE, BE IT RESOLVED AND IT HEAREBY IS RESOLVED BY
THE TOWN COUNCIL OF THE TOWN OF HILTON HEAD ISLAND, SOUTH
CAROLINA:**

1. The Mayor and Town Manager are hereby authorized to execute and deliver a Drainage Agreement and an Access, Drainage, and Maintenance Easement between The Town of Hilton Head Island, South Carolina, and Cedar Woods Owners' Association, Inc., copies of which are attached hereto as Exhibit A.
2. The Town Manager is hereby authorized to take all other and further actions as may be necessary to comply with the obligations of The Town of Hilton Head Island, South Carolina, in the Agreement.

**MOVED, APPROVED, AND ADOPTED BY THE TOWN COUNCIL THIS _____ DAY
OF _____, 2025.**

Alan R. Perry, Mayor

ATTEST:

Kimberly Gammon, Town Clerk

APPROVED AS TO FORM:

Curtis L. Coltrane, Town Attorney

STATE OF SOUTH CAROLINA	)	
	)	DRAINAGE SYSTEM
COUNTY OF BEAUFORT	)	MAINTENANCE AGREEMENT

This Drainage System Maintenance Agreement is made this _____ day of _____, 202__, by and between Cedar Woods Owners' Association, Inc., a South Carolina nonprofit organization, and the Town of Hilton Head Island, South Carolina, a body politic, having an address of One Town Center Court, Hilton Head Island, South Carolina, 29928.

WITNESSETH

WHEREAS, Cedar Woods is a subdivision of land lying and being within the Town of Hilton Head Island, Beaufort County, South Carolina (hereinafter the "Development"); and,

WHEREAS, Cedar Woods Owners' Association, Inc., is the owner of improved and unimproved real property and easements within Cedar Woods; and,

WHEREAS, Beaufort County, South Carolina, has adopted Ordinance 99-101, *et seq.*, as amended, creating a Storm Water Utility with the power to impose Storm Water Utility Service Fees on all residents of Beaufort County, South Carolina, and which also provides that Storm Water Utility Service Fees collected from property owners within the Town of Hilton Head Island, South Carolina, are returned to it, less administrative fees, to be used for the purposes set forth in Ordinance 99-101, *et seq.*, as amended; and,

WHEREAS, the imposition and collection of Storm Water Utility Service Fees results in a fund available for the construction and maintenance of existing and planned

infrastructure for the collection and conveyance of storm water runoff within the Town of Hilton Head Island, South Carolina, and,

WHEREAS, Cedar Woods Owners' Association, Inc., desires for the Town of Hilton Head Island, South Carolina, to utilize Storm Water Utility Service Fees to undertake maintenance and improvement of the storm water drainage system in Cedar Woods, to facilitate the conveyance of storm water runoff within and through the Development; and,

WHEREAS, the Cedar Woods Owners' Association, Inc., has agreed to grant access, drainage, and maintenance easements to the Town, in order to facilitate the maintenance and improvement of the qualifying storm water drainage system in Cedar Woods.

Now, therefore, know all men by these presents, that Cedar Woods Owners' Association, Inc., and the Town of Head Island, South Carolina, for and in consideration of the sum of One and no/100 (\$1.00) Dollar, each paid to the other at and before the execution and delivery of this Agreement, the receipt and sufficiency whereof is acknowledged, agree as follows:

1. **Defined Terms:** As used in this Agreement, the following terms as related to this agreement shall mean:
 - a. *Agreement:* This "Drainage System Maintenance Agreement".
 - b. *Association:* Cedar Woods Owners' Association, Inc., a South Carolina not-for-profit corporation with the full authority under the Covenants to enter into this Agreement and to complete all of the Association's obligations under it, and to execute and deliver the

Access, Drainage and Maintenance Easement attached hereto as Exhibit “C.”

- c. *Casualty*: The destruction of all or any part of the Drainage System through a natural disaster.
- d. *Covenants*: Any one or more of Covenants, Conditions, and Restrictions for Cedar Woods Owners’ Association, Inc. recorded in the Office of the Register of Deeds for Beaufort County, South Carolina.
- e. *Development*: Cedar Woods, a planned unit development or subdivision lying and being on Hilton Head Island, Beaufort County, South Carolina, which is shown and described on the map attached as Exhibit “B” hereto.
- f. *Drainage System*: The existing system of lagoons, ditches, canals, pipes, culverts, catch basins, drains, manholes, junction boxes, weirs, valves, gates, pumps, structures, related equipment and related infrastructure, in the Development lying within the Easement Areas shown on the map attached hereto as Exhibit “A,” which facilitates the collection, storage and conveyance of storm and surface water runoff for public benefit through, within, and from the Development. For purposes of this Agreement, the Drainage System shall not include any bridges, docks, retaining walls, road or pathway asphalt, road or building gutters, underdrains, sub-drains, structural bulkheads, beaches, tidal banks, estuaries, or salt marshes, or

driveway pipes, unless the Town, in its sole discretion deems any particular driveway pipe as critical to the function of the Drainage System.

- g. *Emergency*: A blockage, structural or mechanical failure, collapse or other sudden catastrophic event affecting any part of the Drainage System which prevents or substantially inhibits the flow of storm and surface water through all or any part of the Drainage System, or which otherwise results in an imminent peril to life or property.
- h. *Permanent Structure*: Any immovable structure, including, but not limited to, buildings, sheds, pavilions, walls, masonry structures, tennis courts, and swimming pools, including swimming pool decks.
- i. *Pollutant*: Anything which causes or contributes to pollution. Pollutants may include, but are not limited to: paints, varnishes, and solvents; petroleum hydrocarbons; automotive fluids; cooking grease; detergents (biodegradable or otherwise); degreasers; cleaning chemicals; non-hazardous liquid and solid wastes and yard wastes; sediment; refuse, rubbish, garbage, litter, or other discarded or abandoned objects and accumulations, so that same may cause or contribute to pollution; floatables; pesticides, herbicides, and fertilizers; liquid and solid wastes; sewage, fecal coliform and pathogens; dissolved and particulate metals; animal wastes; wastes and residues that result from constructing a building or structure; concrete and cement; and noxious or offensive matter of any kind.

- j. *Post-construction Structural Best Management Practice Facility:* A Post-construction Structural Best Management Practice Facility (BMPF) is a facility designed and built to provide treatment of storm water either through storage, filtration or infiltration (i.e. detention basins, retention basins, rain gardens, bioretention cells, sand filters, vegetated filter strips, water quality swales and infiltration trenches) as set forth in the latest editions of the Beaufort County Manual for Storm Water Best Management and Design Practices, the South Carolina DHEC Storm Water Management BMP Handbook, and the Georgia Coastal Stormwater Supplement, which include descriptions standards, and design guidelines for these facilities.
- k. *Project:* Work, including repairs and improvements performed or approved by the Town to correct a specific Qualifying Storm Drainage System Deficiency.
- l. *Qualifying Drainage System Deficiency:* Anything that, in the determination of the Town, prevents, impairs or impedes the adequate conveyance or drainage of storm water runoff through the Drainage System or the structural failure of a Drainage System component. Qualifying Drainage System Deficiencies include, but are not limited to, the following:
 - i. Lagoon bank erosion that has an appreciable adverse impact on conveyance of storm water runoff through the Drainage

System or threatens the integrity of adjacent Drainage System infrastructure or Permanent Structures;

- ii. Presence of sediment and debris located in the Drainage System that has an appreciable adverse impact on the conveyance of storm water runoff through the Drainage System or the functioning of the Drainage System;
- iii. Structural deficiencies associated with pipes and culverts, including, but not limited to, joint failures, deterioration, root intrusion, or collapse that has an appreciable adverse impact on conveyance of storm water runoff through the Drainage System or threatens the integrity of adjacent Drainage System infrastructure or Permanent Structures;
- iv. Structural deficiencies associated with inlets, manholes, junction boxes, control structures and headwalls including, but not limited to, connection failure, deterioration, mechanical failure, or collapse that has an appreciable adverse impact on conveyance of storm water runoff through the Drainage System, or that threatens the integrity of adjacent infrastructure or Permanent Structures. Examples of typical deficiencies include damaged grates, grout failures at pipe connections, deterioration or failure of flap gates and sluice gates, or failure of structure walls;

- v. Sinkholes caused by Drainage System pipe or Drainage System structure Deficiencies, but not those caused by the actions of any third party, including utility providers;
- vi. Drainage System conveyance or performance deficiencies due to inadequate design capacity. Examples of typical conveyance or performance deficiencies include undersized pipes and insufficient weir capacities.

Qualifying Drainage System Deficiencies do not include the following:

- i. The aesthetic appearance or appeal of any part of the Drainage System, including but not limited to lagoons, banks of lagoons, channel banks, landscaping, drains, catch basins, canals, structures, bridges, bulkheads, pipes, culverts, valves gates, debris that does not have an appreciable adverse impact on the conveyance of storm and surface water through the Drainage System, or other visible components of the Drainage System;
- ii. The introduction of pollution or pollutants into the Drainage System from any source;
- iii. Lagoon bank erosion that does not have an appreciable adverse impact on conveyance of storm water runoff through the Drainage System or threaten the integrity of

adjacent Drainage System infrastructure or Permanent Structures;

- iv. Tidal erosion or tidal flooding that does not have an appreciable adverse impact on conveyance of storm water runoff through the Drainage System or threaten the integrity of Drainage System infrastructure;
- v. Establishment of access to the Drainage System by the Association, including, but not limited to, grading, clearing of vegetation, removal of trees, or removal of other obstructions or Permanent Structures in order to provide physical access to the Drainage System;
- vi. Drainage System damage or deficiencies caused by the actions of others, including utilities and property owners (including, but not limited to, bores or cuts into pipes or structures);
- vii. Minor or nuisance flooding that does not adversely affect transportation infrastructure, Permanent Structures, hardscape amenities, or conveyance of storm water runoff through the Drainage System, including golf course flooding, isolated lawn and yard ponding, or standing water in roadway shoulders and unimproved lots or land;
- viii. Drainage System Deficiencies determined by the Town to be caused or exacerbated by intentional acts causing tidal backflow and saltwater intrusion into the Drainage System

through failure to operate control structures per the design intent or the failure by the Association to monitor and maintain proper functioning of backflow prevention devices including flaps, gates, sluice gates, check valves, or similar devices;

- ix. Damage to, or failure of, Drainage System components situated underneath or within five (5) feet of any Permanent Structure that is not a part of the Drainage System, where the Town determines that difficult access and/or liabilities exist, or within the zone of influence for the foundation of a Permanent Structure;
 - x. The construction of a new drainage system or an addition to an existing Drainage System, or the modification of an existing Drainage System to accommodate drainage requirements for new development within the Development.
 - xi. Drainage System deficiencies determined by the Town to be caused by or originating from unauthorized or non-permitted modifications to the Drainage System by any party other than the Town.
- m. *Storm Water Utility Service Fees:* The fees collected by Beaufort County, South Carolina, under the authority of Beaufort County Ordinance 99-101, *et seq.*, as amended, and which are remitted by

Beaufort County, South Carolina, to the Town; or any similar fee, however denominated, imposed and collected by any subsequent or successor Storm Water Utility operated by The Town, under the authority of Town Ordinance Number 2002-43.

- n. *Storm Water Utility Project Prioritization and Annual Budget Process:* The annual process by which the Town of Hilton Head Island, South Carolina, shall establish and maintain a prioritized list of all known Qualifying Drainage System Deficiencies within the Town limits determined to be eligible for service using Storm Water Utility Service Fees. Prior to the beginning of each fiscal year, the Town shall establish an annual Storm Water Utility budget which defines all revenues and expenditures associated with the Storm Water Utility Service Fees. This budget shall include those known Projects to correct Qualifying Drainage System Deficiencies intended to be completed within that fiscal year.
 - o. *Town:* The Town of Hilton Head Island, South Carolina.
2. **Grant of Easements:** Contemporaneously with the execution and delivery of this Agreement, the Association and the Town have entered into an “Access, Drainage and Maintenance Easement” which grants the Town rights to access, operate, utilize, maintain, and improve the Drainage System within the Development, with said easement being in the form attached hereto as Exhibit “C”.

3. **Maintenance, Inspection and Operation of Drainage System:** Upon the execution and delivery of this Agreement and the Access, Drainage and Maintenance Easement:

- (a) the Town shall be responsible for the maintenance, repairs and improvements necessary to correct any Qualifying Drainage System Deficiency under the terms and conditions of this Agreement. This Agreement does not preclude the Association from repairing, maintaining, or improving any component of its Drainage System at its expense.
- (b) The Association shall be responsible for the following within the Development:
 - (i) Normal and emergency operation of Drainage System control structures, including gates, weirs, and pumps, and for lowering water levels in compliance with pre-storm preparation protocols established by the Town.
 - (ii) Maintenance and replacement of weir boards, maintenance of control structure access ways, decking and railings, and maintaining control structure accessibility for inspection and operation by controlling and/or removing vegetation as necessary.
 - (iii) Performing maintenance of work shelves along ditches and canals to provide reasonable and adequate access for inspection, maintenance and repair.
 - (iv) Monitoring the condition of flap gates, sluice gates, check valves, and similar devices intended to prevent the intrusion of tidal backflow

and brackish water into the Drainage System to ensure that they are in proper working order and functioning as intended.

- (v) Making repairs to roadway pavement, pathway pavement, curb and gutter and related ancillary infrastructure or property damage attributed to a past or existing Qualifying Drainage System Deficiency if the deficiency has been corrected by the Town via trenchless technology methods (i.e. pipe lining). This does not obligate the Association to repair or replace such infrastructure if the repair is made using open cut excavations where removal of surface infrastructure is necessary to complete the repair, in which case, the repair of the ancillary infrastructure shall be considered to be a part of the Town's work to correct the deficiency.
- (vi) Performing annual inspections of Post-construction Structural Best Management Practice Facilities in order to comply with Stormwater Management Plan obligations, including submittal of inspection documentation to the Town in accordance with § 16-5-109 (H)(2), *Municipal Code to the Town of Hilton Head Island* (1983).
- (vii) Regulating the actions of utility providers and property owners, or their assigns, to prevent and mitigate any damage they may cause to the Drainage System.

4. **Procedure for Town's Maintenance of Drainage System:** The Parties acknowledge that the Town intends to provide for the maintenance and improvement of the Drainage System and the repair of identified Qualifying

Drainage System Deficiencies, other than those caused by an Emergency or Casualty, through the development of its Storm Water Utility Project Prioritization and Annual Budget Process. Other than in the case of an Emergency or Casualty, as described in Articles 7, 8 and 10 below, or work completed directly by the Association under Article 9, the Parties agree:

- a. *Identifying Qualifying Drainage System Deficiencies:* The Association shall be responsible for identifying any Qualifying Drainage System Deficiencies.
- b. *Schedule for Submission:* The Association shall submit a written description of each known Qualifying Drainage System Deficiency to the Town using the service request form provided by the Town, describing the nature, location and cause (if known) of each Qualifying Drainage System Deficiency. The Association may identify a potential solution is for the deficiency. In such case, the Association shall include a description of the solution and a preliminary estimate of anticipated costs for the proposed solution. Qualifying Drainage System Deficiencies that are reported to the Town, or which are discovered by the Town, by the end of any calendar year will be considered in the development of the Storm Water Utility Project Prioritization and Annual Budget Process for the following fiscal year.
- c. *Completion of Maintenance:* The Town shall annually develop a Storm Water Utility Project Prioritization and an Annual Budget that

will address identified Qualifying Drainage System Deficiencies as follows:

- i. The Town shall determine the scope and extent of the maintenance, repair or improvement that is necessary to correct any Qualifying Drainage System Deficiencies, and the means, methods and materials needed to accomplish the same.
- ii. The Town shall determine the priority and number of the Projects and schedule the Projects to correct to correct the Qualifying Drainage System Deficiencies for each fiscal year. The determination of the scheduling and funding for the correction of the Qualifying Drainage System Deficiencies shall be made by the Town, taking into account the following:
 1. The availability and amount of the Storm Water Utility Service Fees fund balance, revenue from bonds paid by Storm Water Utility Service Fees, and Storm Water Utility Service Fees in any given fiscal year;
 2. Prioritization of all other Projects, or qualifying requested improvements, repair and maintenance that are to be funded with Storm Water Utility Service Fees; and

3. The annual cost required to operate the Storm Water Utility, its programs and initiatives, and debt service.
- iii. The Town will complete the Projects as determined by the Town as a part of the Storm Water Utility Project Prioritization and Annual Budget Process, unless Emergencies or Casualties occur that alter the prioritization and funding such that funds are insufficient to correct all Qualifying Drainage System Deficiencies as intended within the same fiscal year.
- d. *Scheduling of Projects*: Other than in the case of an Emergency or Casualty, the Town and the Association shall mutually agree in writing as to the scheduling of any Project to be performed under this Agreement in the Development in advance of the commencement of the Project.
- e. *Resident Notification*: The Association shall be solely responsible for the notification of its owners and guests that may be affected by any Project, or by work to address any Emergency or Casualty.
- f. *Legal Access to Private Property*: The Association shall be responsible for obtaining all access rights, including access rights over and across property in the Development that is not owned by the Association, as may be deemed necessary by the Town to complete any Project.

- g. *Access Needed to Complete Project:* The Association shall be responsible for providing clear and adequate physical access to each Project site at no cost to the Town. If clear, adequate physical access to the Project site cannot be provided sufficient to complete the Project without the likelihood of damage to property, assets and amenities by contractors and equipment, the repair and replacement of any property, assets and amenities damaged as a result of the Project shall be the responsibility of the Association, at no additional cost to the Town. Such property, assets and amenities shall include, but are not limited to, landscaping, flowerbeds, ornamental shrubs and trees, lawns, irrigation systems, boardwalks, cart paths, driveways, and sidewalks. The determination of whether the access is clear and adequate, and whether there is a likelihood of damage shall be made in the sole discretion of the Town, prior to the commencement of the Project. The Association has the right to withdraw the service request if the magnitude of potential damage is not acceptable to the Association. If the service request is withdrawn, completing the Project shall be the responsibility of the Association.
- h. *No Guarantees Regarding Schedule:* The Town cannot guarantee that the amount of available Storm Water Utility Service Fees, the number of Projects to be funded with Storm Water Utility Service Fees in any given fiscal year, and whether Emergencies and

Casualties and weather-related general emergencies will not cause delays in the correction of Qualifying Drainage System Deficiencies within the Development and elsewhere. The parties acknowledge that the Town's determinations with respect to the priority, funding and timing of any Project shall be made at the Town's discretion and shall be final.

5. **Further Obligations of the Association:** The Association agrees that during the term, or any renewal term, of this Agreement, it shall take no action which damages the Drainage System, allows damage to the Drainage System, or creates a Drainage System Deficiency, including, but not limited to allowing salt water intrusion or pollutants to enter the Drainage System and allowing utility providers, property owners, or their assigns to impair the function of the Drainage System. To the extent the Association has a continuing obligation under the Covenants to repair and maintain various improvements located within the Development including lagoons and lagoon banks, ditch maintenance shelves, roads, pathways, utilities, this Agreement is not intended to in any way restrict or limit the Association's completion of its obligations.
6. **Payments as Current Expense of Town:** Any payments to be made by the Town hereunder shall be made from Storm Water Utility Service Fees as budgeted for by the Town in any given fiscal year. The Town and the Association intend that the payment obligations of the Town 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 concerning indebtedness of

the Town, nor shall anything contained herein constitute a pledge of general tax revenues, funds, money, or credit of the Town.

7. **Emergency:** The Parties agree that in the event of an Emergency, the following procedure shall apply:

- a. *Agreement Not Terminated:* This Agreement shall remain in full force and effect.
- b. *Responsibilities of the Association:* The Association shall take such steps as may be reasonably necessary to secure any area affected by the Emergency. The Association shall notify the Town as soon as is practical after discovery of the Emergency. The Association may complete any repairs to the Drainage System needed to address the Emergency, as provided for in Article 10, below.
- c. *Responsibilities of the Town:* Upon receipt of notification of an Emergency from the Association, the Town shall determine the scope and extent of the work that is necessary to repair or correct the damage caused by the Emergency, and the means, methods and materials needed to accomplish the same. The Town shall correct or repair the damage caused by the Emergency as soon as practical, taking into account the threat presented by the Emergency, the existence of any other Emergency or Casualty, the cause of the Emergency and/or the existence of any general emergency affecting the Town and availability of funding. The Town may seek reimbursement from third parties for any costs incurred by the Town

as a result of any Emergency found to have been caused by the negligence of said third parties.

8. **Casualty:** The Parties agree that in the event of a Casualty, the following procedure shall apply:

- a. *Agreement Not Terminated:* This Agreement shall remain in full force and effect.
- b. *Design of Drainage System:* The Town shall produce engineering and design plans at its expense for the reconstruction of all or any part of the Drainage System affected by the Casualty.
- c. *Approval of Plans:* The engineering and design plans must be approved by the Association prior to any reconstruction of the Drainage System. If the Association does not approve the engineering and design plans prepared by the Town, the Association may reconstruct the Drainage System at its own expense and shall not seek reimbursement for the cost thereof from the Town.
- d. *Right of Entry and Access:* If the engineering and design plans approved by the Association require work outside of easement limits described in the Access, Drainage and Maintenance Easement, the Association shall provide temporary easements for access and construction over any property it owns or controls and shall deliver a valid temporary construction easement for access and construction from the owners of property that the Association does not own.

- e. *Amendment of Access, Drainage and Maintenance Easement:* In the event that the engineering and design plans approved by the Association include permanent improvements or create access or other needs that are in areas not included in the Access, Drainage and Maintenance Easement, the Association agrees that it will execute and deliver an amendment to the Access, Drainage and Maintenance Easement to subject any such areas in the Access, Drainage and Maintenance Easement.
- f. *Reconstruction of Drainage System:* Following the approval of the engineering and design plans and specifications by the Association, the Association's delivery of any needed temporary easements for access and construction, the Town shall complete the reconstruction of the Drainage System, or any part of it, as soon as is practical, taking into account the threat presented by the cause of the Casualty, the existence of any general emergency affecting the Town, the existence of other Emergencies and Casualties and availability of funding. Other than the expenses identified in subsection (b) of this Article 8, the Town may seek reimbursement for any costs incurred by the Town as a result of any Casualty from Storm Water Utility Service Fees, bond, any government aid and assistance programs, or the Association, if the Association is responsible for all or any part of the Casualty.

9. **Maintenance of Drainage System by the Association:** Nothing herein shall prohibit the Association from performing any Project in advance of the time that any such Project is scheduled as a part of the Town's Storm Water Utility Project Prioritization and Annual Budget Process, if the Association determines that it is in its interest to do so. Other than in the case of an Emergency (addressed in Article 10, below), or a Casualty (addressed in Article 8, above), the Association shall be entitled to reimbursement, in an amount up to the amount budgeted by the Town for the Project but not exceeding the actual cost to the Association, from Storm Water Utility Service Fees, in the fiscal year that such Project is scheduled to be done as a part of Town's Storm Water Utility Project Prioritization and Annual Budget Process, as follows;
- a. The Association shall submit its plans, quantities, and specifications for any Project to the Town.
 - b. The Town shall grant its written approval to the Association to complete the Project unless it determines that:
 - i. The plan and work proposed by the Association will not correct the existing Qualifying Drainage System Deficiency; or,
 - ii. The scope of the proposed work exceeds what is necessary to correct the existing Qualifying Drainage System Deficiency,
 - c. Upon receipt of the Town's written approval, the Association shall bid the work in accordance with the Town's Procurement Code, § 11-

1-111, *Municipal Code of The Town of Hilton Head Island, South Carolina* (1983), as the same may be amended from time to time.

- d. Any changes in the approved scope of work for the Project resulting in additional work or cost to the Town must be approved in writing by the Town prior to commencement of any additional work.
- e. The Association shall notify the Town at least seventy-two (72) hours prior to the commencement of work on the Project and at any key junctures of the work where the Town may need to inspect the work.
- f. Upon completion of the Project, the Town shall inspect the Project and provide the Association written approval or rejection of the Project.
- g. If the Project is approved by the Town, the Association shall submit to the Town its request for reimbursement, which shall include full documentation of the bid and procurement of the work to complete the Project, the contract for the work to complete the Project, the construction plans, details and as-built surveys or drawings, measurements, dated inspection reports, photographs of the work in progress, documentation of the payments made by the Association, any required test reports and the Association's written certification that the Project was completed in accordance with the approved plans and specifications.
- h. The Town shall thereafter budget funds for reimbursement to the Association from Storm Water Utility Service Fees in the fiscal year

that the Project would have otherwise been scheduled in the Town's Storm Water Utility Project Prioritization and Annual Budget Process. The schedule for reimbursement shall depend upon the Project ranking when compared to all other Projects as determined in the Town's Storm Water Utility Project Prioritization and Annual Budget Process and may be moved forward into a future budget year as a result. The Association acknowledges that the Town has no obligation to reimburse the Association for any Project in the fiscal year following the Association's completion of the Project, or in any other particular fiscal year.

10. **Emergency Work by the Association:** If for any reason, the Town is unable to repair or correct the damage caused by an Emergency in a time frame that is acceptable to the Association, the following shall apply:
 - a. The Association shall consult with the Town to determine a cost-efficient scope and extent of work necessary to repair or correct the damage caused by the Emergency, and the means, methods and materials needed to accomplish the same. The TOWN must approve in writing, the scope and plans for the work and procurement of construction services, prior to the commencement of work. The Association is not required to bid the work but if the Association chooses to bid the work, the Association shall bid the work in accordance with the Town's Procurement Code, § 11-1-111, *Municipal*

Code of The Town of Hilton Head Island, South Carolina (1983), as the same may be amended from time to time.

- b. The Association shall complete the work that is necessary to repair or correct the damage caused by the Emergency.
- c. The Association shall, whenever possible, notify the Town at least seventy-two (72) hours prior to the commencement of work and at any key junctures of the work whereas the Town may need to inspect the work.
- d. Upon completion of the work that has been authorized and approved by the Town, the Association shall submit to the Town a request for reimbursement, which shall include full documentation of the bid and procurement documents for the work, the contract for the work, construction plans, details and as-built surveys or drawings, measurements, dated inspection reports, photographs of the work done and documentation of the payments made, any required test reports and the Association's written certification that the work was completed in accordance with the approved plans and specifications and state the date the work was completed.
- e. The Town shall approve the Association's request for reimbursement unless it determines that the requested reimbursement includes work other than the work authorized and approved by the Town.

- f. Within three (3) fiscal years following the Town's approval of the Association's request for reimbursement, the Town shall reimburse the Association in the amount approved.
 - g. Requests for reimbursement by the Association be submitted to the Town within three years following the completion of the work by the Association. The failure to submit the request for reimbursement to the Town within three years following completion of the Work shall bar any reimbursement for the work.
- 11. **No Guarantees Regarding Flooding:** The Association acknowledges that the Town's performance of its obligations under this Agreement does not guarantee or insure that property within the Development will be free of events of flooding or erosion, and that the Town does not represent or warrant to the Association that the performance of the Town's obligations under this Agreement will operate to prevent events of flooding or erosion within the Development.
- 12. **Waiver of Storm Water Service Fee Credit:** Upon the execution and delivery of this Agreement, and for and during the term or any extensions hereof, the Association acknowledges it shall not be entitled to receive and hereby waives any Storm Water Service Fee Credit from Beaufort County or the Town with respect to any real property located within the limits of the Development, for and during the term of this Agreement or any renewal of this Agreement.
- 13. **Term:** This Agreement shall remain in place for ten years from the date of execution and shall renew automatically for successive two (2) year terms beginning July 1 each year thereafter, unless either Party notifies the other, in

writing, of its intention to terminate this Agreement. Any such notice shall be delivered not less than two hundred and seventy (270) days prior to the end of the Town fiscal year (June 30) at the end of the then-current term in which such Party wishes to terminate the Agreement. Upon delivery of such notice, this Agreement shall terminate at midnight on June 30th of the fiscal year in which the notice is delivered (for example, if notice is given February 1, 2020, the Agreement would terminate on June 30, 2021). The parties shall thereafter execute and deliver such documents as may be necessary to cancel the Access, Drainage and Maintenance Easement delivered pursuant to this Agreement.

- a. **Superseding Legislation:** In the event that the South Carolina General Assembly enacts legislation prohibiting the ability of local governments to impose and collect Storm Water Service Fees, then this Agreement shall terminate.

14. **Representation and Warranties of the Association:**

The Association represents and warrants:

- a. That any and all necessary approvals and/or resolutions have been obtained, that it has the full authority to execute, deliver and perform this Agreement and to execute and deliver the Access, Drainage and Maintenance Easement to be delivered pursuant to this Agreement, and that the individual(s) executing such documents have full power and authority to bind the Association to the same.
- b. That it is not now a party to any litigation affecting the property burdened by the easements herein which could impair the

obligations of the Association under this Agreement or the Access, Drainage and Maintenance Easement, and the Association knows of no litigation or threatened litigation affecting their ability to grant said easements.

- c. That as to any pipes or other portions of the Drainage System as shown on Exhibit “A” hereto which are located in whole or in part on private residential lots, the Association has full authority under the Covenants to convey or assign to the Town the rights contemplated in this Agreement and the Access, Drainage and Maintenance Easement.

15. **Town Representation and Warranties:**

The Town represents and warrants to the Association:

- a. As is shown by the Resolution of the TOWN that is attached hereto as Exhibit “D”, the Town represents that it has the power and authority to enter into this Agreement and complete its obligations hereunder; and,
- b. That it is not now a party to any litigation which could impair the obligations of the Town under this Agreement, and the Town knows of no litigation or threatened litigation affecting its ability to perform hereunder.

16. **Taxes:** The Association shall ensure payment, prior to delinquency, all taxes on Association properties within the Development burdened by the easements granted under this Agreement.

17. **Default:** The Town and the Association agree that in the event of a default or breach of any provision or term of this Agreement, the non-defaulting party or parties shall give written notice to the defaulting party or parties of the default or breach. In the event that the defaulting party or parties fail to cure the default or breach within thirty (30) days of the date of the written notice specifying the default or breach, unless a non-monetary default or breach cannot reasonably be cured within said thirty (30) day time period, then said period shall be reasonably extended, up to one hundred and twenty (120) days, then the non-defaulting party or parties shall be entitled to pursue any remedy at law or in equity against the defaulting party or parties, including but not limited to an action for damages, injunction or specific performance of this Agreement.
18. **Attorney's Fees:** If any legal action or other proceeding is brought for the enforcement of this Agreement, or because of a dispute, breach, default or misrepresentation in connection with any of the provisions or terms of this Agreement, the prevailing party or parties shall be entitled to seek recovery of its or their reasonable attorney's fees and any costs incurred as a result of any such action or proceeding, whether incurred before the commencement of suit or after the commencement of suit, and including appellate proceedings, in addition to any other relief to which the prevailing party or parties is or are entitled.
19. **General Provisions:**
- a. *Binding Effect:* This Agreement shall inure to the benefit of and be binding upon the Association and the Town, and their respective successors and assigns.

- b. *Amendment, Changes and Modifications:* Except as is otherwise provided herein, this Agreement may not be modified, amended, changed, or altered without the written consent of the TOWN and the Association.
- c. *Severability:* In the event that any term or provision of this Agreement shall be held to be invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other term or provision hereof.
- d. *Execution in Counterparts:* This Agreement may be simultaneously executed in several counterparts, each of which shall be an original, and all of which shall constitute one and the same instrument.
- e. *Applicable Law:* This Agreement shall be governed by and construed in accordance with the laws of the State of South Carolina.
- f. *Captions:* The captions or headings used herein are for convenience only and in no way define, limit, expand or describe the scope or intent of any term or provision of this Agreement.
- g. *Plural/Singular:* Where appropriate, the use of the singular herein shall be deemed to include the plural, and the use of the plural herein shall be deemed to include the use of the singular.
- h. *No Third-Party Beneficiaries:* The Town and the Association affirmatively represent that this Agreement is made solely for the benefit of the Parties hereto and their respective successors and assigns and not for the benefit of any third party who is not a

signature party hereto. It is the express intent of the Town and the Association that no other party shall have any enforceable rights hereunder, or any right to the enforcement hereof, or to any claim for damages as a result of any alleged breach hereof.

- i. *Notices:* All notices, applications, requests, certificates, or other communications required hereunder shall be sufficiently given and shall be deemed given on the date when such is delivered in person, or deposited in the United States Mail, by regular first-class mail, postage prepaid, at the following addresses, or at such other address as may be designated, in writing, by the Parties:

To the Town: The Town of Hilton Head Island, SC
 Attn: Marc Orlando, Town Manager
 One Town Center Court
 Hilton Head Island, SC 29928

To the Association: Cedar Woods Owners'
 Association, Inc.
 PO Box 6406
 Hilton Head Island, SC 29938

- j. *No Waiver:* No failure of any Party hereto to exercise any power or right given to such Party hereunder, or to insist on strict compliance by any other Party of its obligations hereunder, and no custom or practice of the Parties at variance with the terms and provisions hereof shall constitute a waiver of any Party's right to thereafter demand strict compliance with the terms of this Agreement.

k. *Further Assurances and Corrective Documents:* The TOWN and the Association agree to do, execute, acknowledge, deliver or cause to be done all such further acts as may be reasonably determined to be necessary to carry out this Agreement and give effect to the terms and provisions hereof. The Town and the Association agree that each shall, upon request, execute and deliver such other or further or corrective documents as may be reasonably determined to be necessary to carry out this Agreement and each of the terms and provisions hereof.

In Witness Whereof, The Town of Hilton Head Island, South Carolina; and Cedar Woods Owners' Association, Inc., by and through their duly authorized officers, have executed and delivered this Agreement as of this ____ day of _____, 202__.

SIGNATURES BEGIN ON NEXT PAGE

WITNESSES:

Cary Adams
[Signature]

Cedar Woods Owners' Association, Inc.

By: Lesli Ford

Its: President

Attest: _____

Its: _____

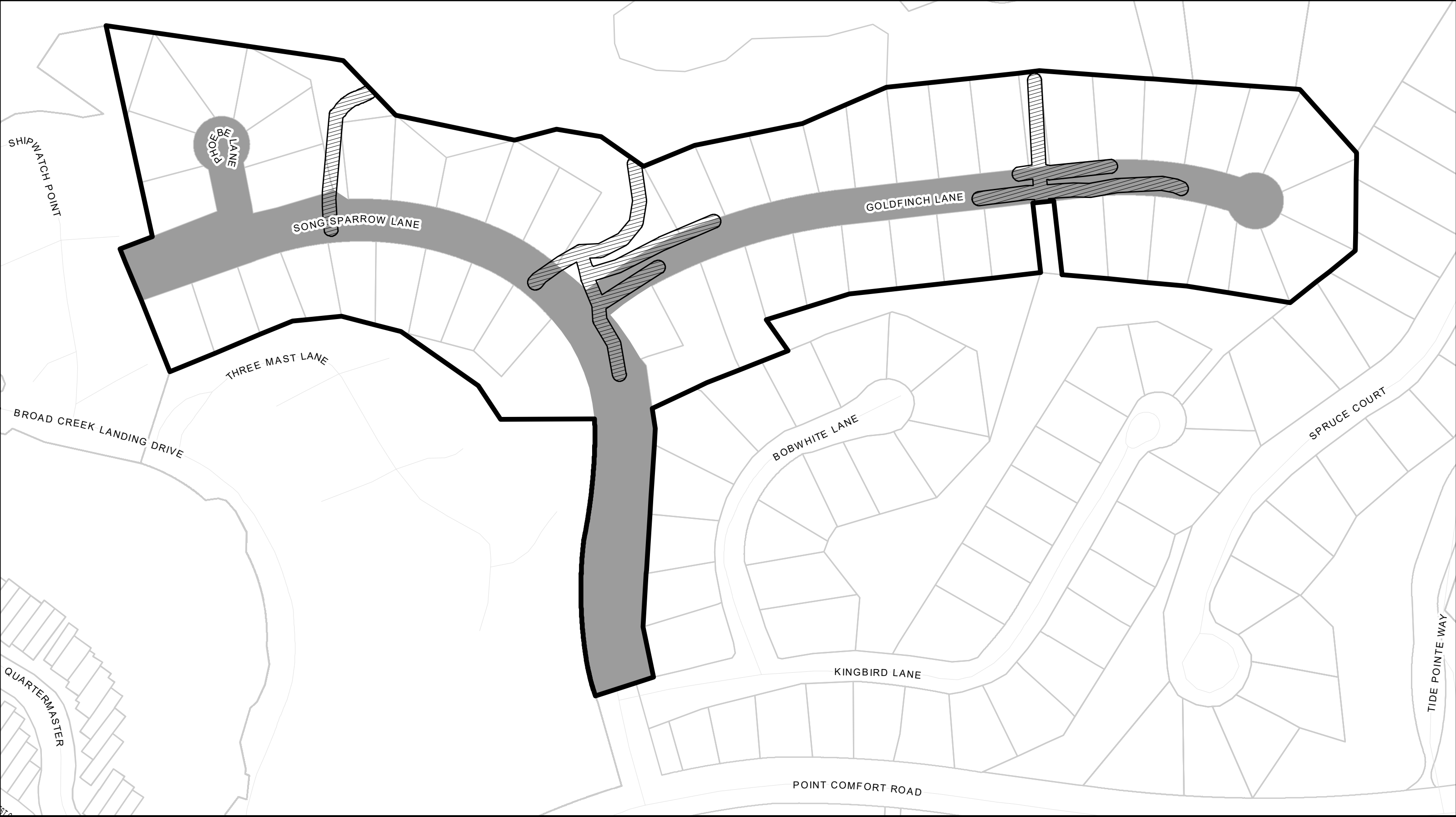
THE TOWN OF HILTON HEAD ISLAND,
SOUTH CAROLINA

By: _____
Alan Perry, Mayor

Attest: _____
Marc Orlando, Town Manager

List of Exhibits

- | | |
|-----------|--|
| Exhibit A | Map depicting the limits of the Access, Drainage and Maintenance Easement areas and Drainage Systems covered by this Agreement |
| Exhibit B | Map depicting the Development covered by this Agreement |
| Exhibit C | Access, Drainage and Maintenance Easement |
| Exhibit D | Town Resolution authorizing this Agreement |



 Drainage Easement Area  Right-of-Way Area  Cedar Woods Limits

Note: Drainage easement widths are 20 feet around pipes that convey public runoff and 15 feet from the edge of bank of lagoons that receive public runoff.

Exhibit A

Cedar Woods

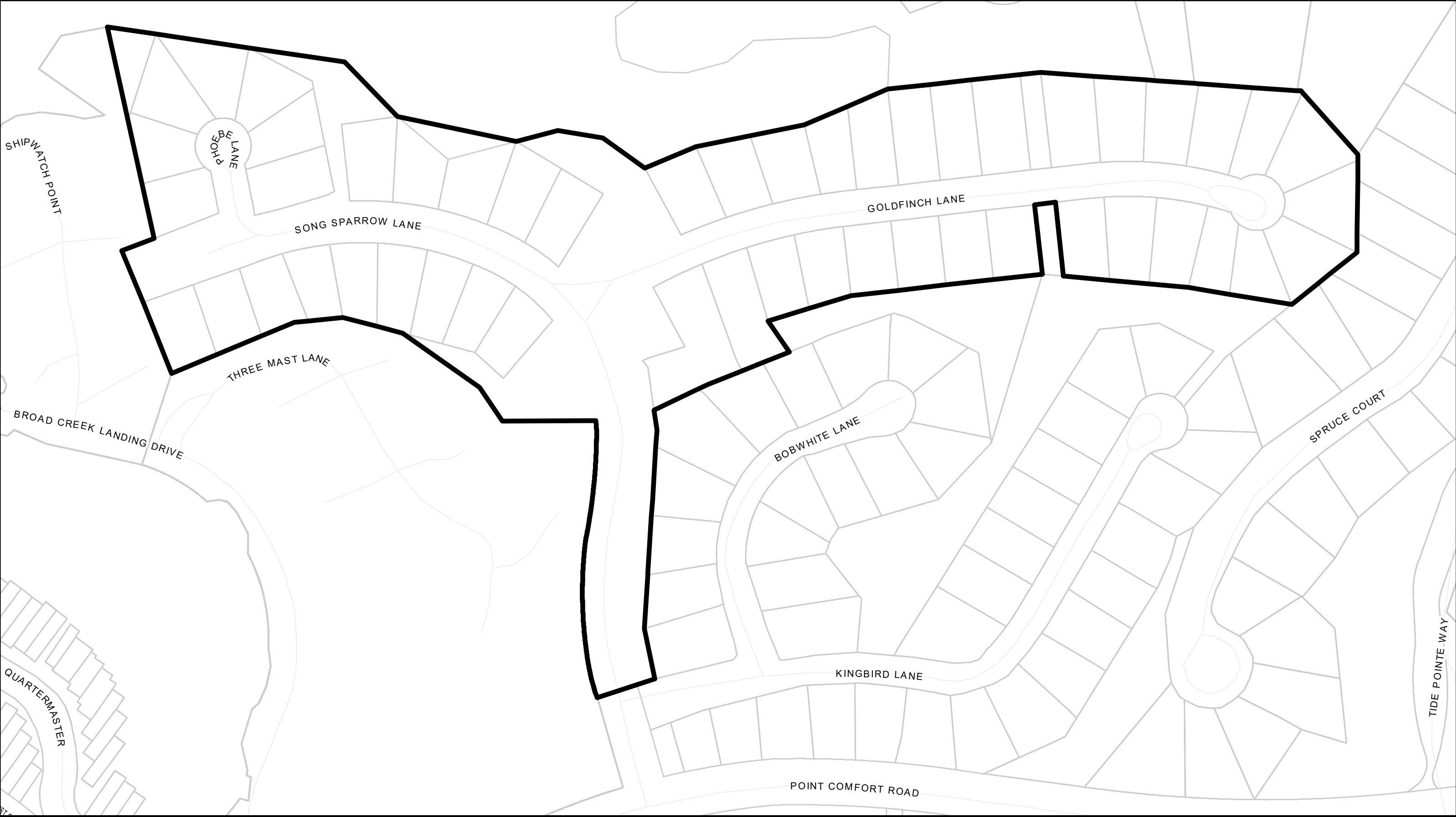
Drainage Easement Agreement Limits

Drafted on September 23, 2024

0 37.5 75 150 225 300 Feet



The information on this map has been compiled from a variety of sources and is intended to be used only as a guide. It is provided without any warranty or representation as to the accuracy or completeness of the data shown. The Town of Hilton Head Island assumes no liability for its accuracy or state of completion or for any losses arising from the use of the map.

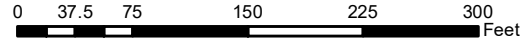


 Cedar Woods Limits

Note: Drainage easement widths are 20 feet around pipes that convey public runoff and 15 feet from the edge of bank of lagoons that receive public runoff.

Exhibit B Cedar Woods Development Boundary

Drafted on September 23, 2024



0 37.5 75 150 225 300 Feet



The information on this map has been compiled from a variety of sources and is intended to be used only as a guide. It is provided without any warranty or representation as to the accuracy or completeness of the data shown. The Town of Hilton Head Island assumes no liability for its accuracy or state of completion or for any losses arising from the use of the map.

STATE OF SOUTH CAROLINA) **ACCESS, DRAINAGE AND**
) **MAINTENANCE EASEMENT**
COUNTY OF BEAUFORT)

Know all men by these presents, that Cedar Woods Owners' Association, Inc. and the Town of Hilton Head Island, South Carolina, One Town Center Court, Hilton Head Island, SC, 29928, for and in consideration of the sum of One and No/100 (\$1.00) Dollar, each paid to the other at and before the execution and delivery of this Access, Drainage and Maintenance Easement, the receipt and sufficiency whereof is acknowledged, agree as follows:

1. Defined Terms: As used herein, the following terms shall mean:
 - (a) *Association:* Cedar Woods Owners' Association, Inc., a South Carolina not-for-profit corporation with the full authority under the Covenants to enter into this Agreement.
 - (b) *Covenants:* Any one or more of Covenants, Conditions, and Restrictions for Cedar Woods Owners' Association, Inc. recorded in the Office of the Register of Deeds for Beaufort County. South Carolina.
 - (c) *Development:* Cedar Woods, a planned unit development or subdivision lying and being on Hilton Head Island, Beaufort County, South Carolina, which is shown and described on the map attached as Exhibit "B" hereto.

- (d) *Drainage System:* The existing system of lagoons, ditches, canals, pipes, culverts, catch basins, drains, manholes, junction boxes, weirs, valves, gates, pumps, structures, related equipment, and related infrastructure, in the Development lying within the Easement Areas shown on the map attached hereto as Exhibit “A,” which facilitates the collection, storage and conveyance of storm and surface water runoff for public benefit through, within, and from the Development. For purposes of this Agreement, the Drainage System shall not include any bridges, docks, retaining walls, road or pathway asphalt, road or building gutters, underdrains, sub-drains, structural bulkheads, beaches, tidal banks, estuaries, or salt marshes, or driveway pipes, unless the Town, in its sole discretion deems any particular driveway pipe as critical to the function of the Drainage System.
- (e) *Emergency:* A blockage, structural or mechanical failure, collapse or other sudden catastrophic event affecting any part of the Drainage System which prevents or substantially inhibits the flow of storm and surface water through all or any part of the Drainage System, or which otherwise results in an imminent peril to life or property.
- (f) *Permanent Structure:* Any immovable structure, including, but not limited to, buildings, sheds, pavilions, walls, masonry structures, tennis courts, and swimming pools, including swimming pool decks.
- (g) *Town:* The Town of Hilton Head Island, South Carolina.

2. *Grant of Easements:* The Association does hereby grant, transfer, sell and convey to the Town, and its agents, assigns, employees and contractors, and their vehicles, machinery, and equipment, and create and establish for the benefit of the Town, the following easements:

(a) A non-exclusive Access Easement on, over and across any roads and streets within the Development, and on, over and across any property owned by the Association encumbered by all or any part of the Drainage System. This Access Easement includes a non-exclusive and partial assignment of any and all easement rights for access held by the Association, under the Covenants or any other declaration of covenants and restrictions, recorded easements or otherwise, over property that the Association does not own within the Development and upon which any part of the Drainage System lies or passes on, across, under or through.

(b) A non-exclusive Maintenance Easement on, under, over, through and across any property of the Development, encumbered by all or any part of the Drainage System. This Maintenance Easement includes a non-exclusive and partial assignment of any and all easement rights for maintenance, construction, or otherwise, held by the Association under the Covenants or any other declaration of covenants and restrictions, recorded easements or otherwise, over property that the Association does not own within the Development and upon which any part of the Drainage System lies or passes on, across, under or through. This Maintenance Easement shall include all facilities or structures directly related to the collection, storage

and conveyance of storm and surface water now or hereafter existing within the Development, and sufficient property beside or over any part of the Drainage System as shown on Exhibit "A" to allow for excavation and any other work necessary to improve, repair or maintain the Drainage System.

(c) A non-exclusive Drainage Easement for the conveyance of any storm and surface water originating from within or without the boundaries of the Development through the Drainage System, at such rates and in such amounts as may occur from time to time.

(d) This Drainage Easement includes a non-exclusive and partial assignment of any and all easement rights for drainage held by the Association under the Covenants or any other recorded declaration of covenants and restrictions, recorded easements or otherwise, over property that the Association does not own within the Development and upon which any part of the Drainage System lies or passes on, across, under or through; provided however, that the Town shall provide timely written notification to the Association of any potentially disruptive improvements and/or modifications to the systems conveying storm and surface water originating without the boundaries of the Development and through the Development Drainage System.

3. This Access, Drainage and Maintenance Easement is granted and accepted subject to the following:

(a) The Town agrees that the use of the easements granted herein shall be restricted to the hours of 7:00 o'clock, A.M., to 5:00 o'clock, P.M.,

Monday through Friday excluding public holidays, except in the event of an Emergency.

(b) Other than in the case of an Emergency, the Town and the Association shall determine the scheduling of any work to be performed hereunder, on its or their property, in advance of the commencement of the work.

(c) This Access, Drainage and Maintenance Easement is conveyed subject to all other easements, licenses, and conveyances of record and is subject to the rights herein reserved by the Association, their successors and assigns, to utilize their property at any time, in any manner, and for any purpose, provided, however, that such use by the Association shall not be inconsistent with nor prevent the full utilization by the Town of the rights and privileges granted herein.

(d) The Town agrees to plan, lay out, and execute or build improvements, make repairs, and otherwise maintain the Drainage System, and further agrees that the Town's exercise of the rights granted in this Access, Drainage and Maintenance Easement shall be under the exclusive control of the Town and that the Town shall at all times comply with all applicable laws, rules, codes, and regulations.

(e) The Association shall not erect any Permanent Structure on, under, over, through and across any property of the Development encumbered by all or any part of the Drainage System without the Town's prior written approval, which approval shall not be unreasonably withheld. The

Association shall not impede, obstruct, or allow to be obstructed, the natural flow of storm and surface water runoff through the Drainage System; provided, however, that the Association shall have a continuing obligation under the Covenants to repair and maintain various improvements located within the Common Properties (lagoons and lagoon banks, roads, pathways, utilities, etc.), and this Agreement is not intended to in any way restrict or limit the Association from taking reasonable actions to perform said obligations.

(f) The rights conveyed under this Access, Drainage and Maintenance Easement are limited to the parties and purposes stated herein. This Access, Drainage and Maintenance Easement conveys no rights of access or otherwise to the general public.

4. The Association acknowledges that the Town shall have no obligation to perform or pay for any work to repair, improve or maintain the appearance or appeal of the lagoons, banks of lagoons, landscaping, drains, canals, or other visible components of the Drainage System, including, but not limited to, structures, bridges, bulkheads, pipes, culverts, valves, and gates.

5. The Town agrees to cause all work contemplated hereunder to be performed in a workmanlike fashion with minimal interference to the Grantor, its successors, assigns, invitees, guests, licensees, and agents. The Town further agrees to cause the work contemplated hereunder to be completed in an expeditious and timely fashion, and that all materials, debris, and construction materials shall be promptly removed. The Town shall restore any other part of the property of the Association which may be damaged as a

result of the Town's exercise of the rights granted hereunder to its pre-existing state.

6. The Town hereby warrants to the Association that the granting of this Access, Drainage and Maintenance Easement will not affect any "set back" lines with respect to any property currently owned by the Association.

To have and to hold, all and singular, the rights, privileges, and easements aforesaid unto the Town of Hilton Head Island, South Carolina, its successors, and assigns, forever.

In Witness whereof, the parties hereto have caused the within Access, Drainage and Maintenance Easement to be executed by their duly authorized officers as of this _____ day of _____, 202__.

WITNESSES:

Cedar Woods Owners' Association, Inc.

Cary D. Adams
[Signature]

By: Leslie Ford, President
cedar woods

Attest: _____

STATE OF SOUTH CAROLINA)

UNIFORM ACKNOWLEDGMENT

COUNTY OF BEAUFORT)

S.C. CODE § 30-5-30 (SUPP. 2010)

I, the undersigned Notary Public do hereby certify that Leslie Ford
 personally appeared before me on this day and duly acknowledged the execution of the
 foregoing instrument on behalf of Cedar Woods Owners' Association, Inc..

Sworn to and Subscribed before me

on this 23rd Day of October, 2024.

Sandra E. Orage
 Notary Public for South Carolina

My Commission Expires: 03/26/2028

WITNESSES:
SOUTH CAROLINA

THE TOWN OF HILTON HEAD ISLAND,

By: _____
Alan Perry, Mayor

Attest: _____
Marc Orlando, Town Manager

STATE OF SOUTH CAROLINA

)

UNIFORM ACKNOWLEDGMENT

)

COUNTY OF BEAUFORT

)

S.C. CODE § 30-5-30 (SUPP. 2010)

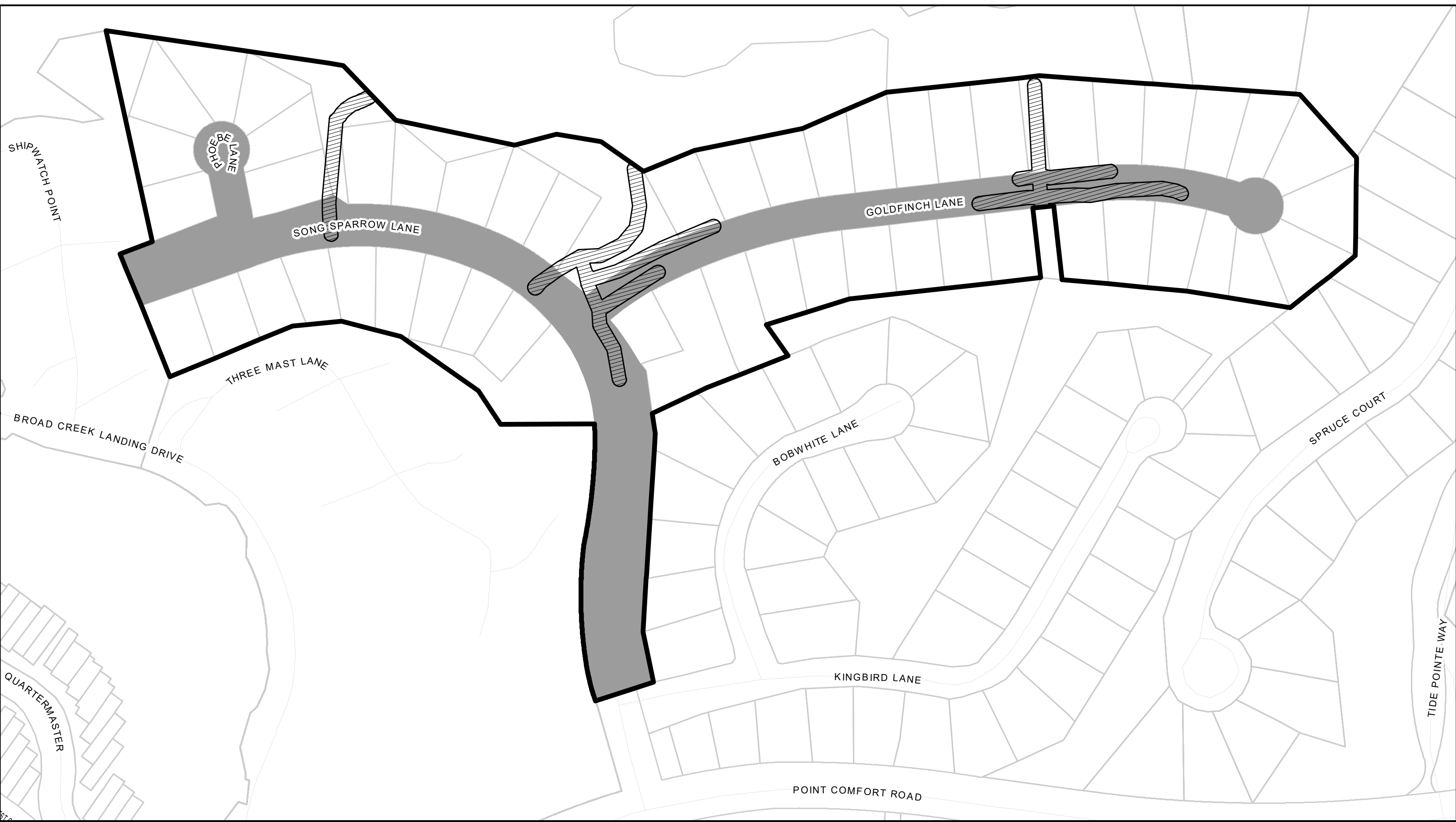
I, the undersigned Notary Public do hereby certify that Alan Perry and Marc Orlando personally appeared before me on this day and duly acknowledged the execution of the foregoing instrument on behalf of The Town of Hilton Head Island, South Carolina.

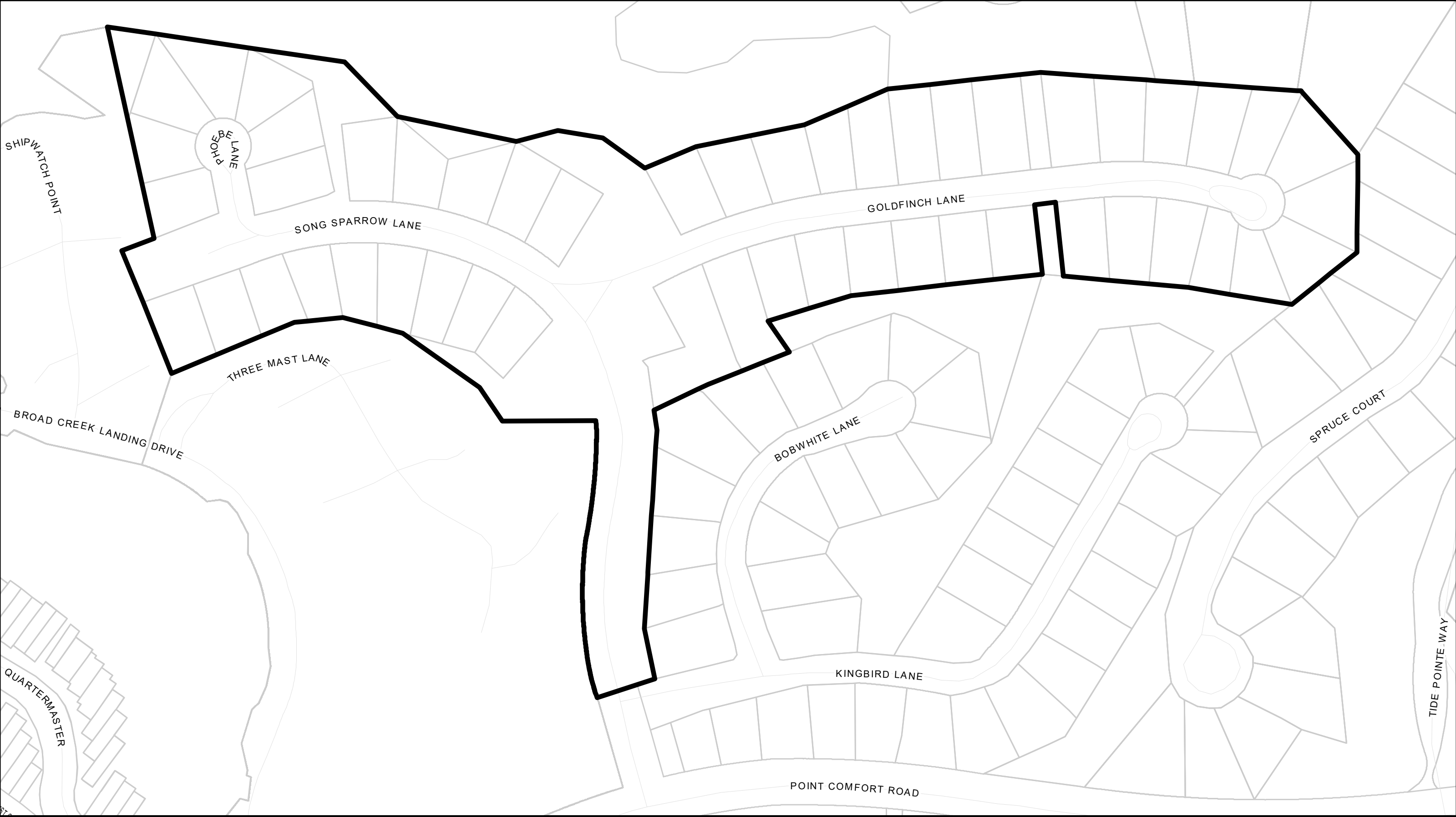
Sworn to and Subscribed before me

on this _____ Day of _____, 202__.

Notary Public for South Carolina

My Commission Expires: _____





 Cedar Woods Limits

Note: Drainage easement widths are 20 feet around pipes that convey public runoff and 15 feet from the edge of bank of lagoons that receive public runoff.

Exhibit B Cedar Woods Development Boundary

Drafted on September 23, 2024

0 37.5 75 150 225 300 Feet

 The information on this map has been compiled from a variety of sources and is intended to be used only as a guide. It is provided without any warranty or representation as to the accuracy or completeness of the data shown. The Town of Hilton Head Island assumes no liability for its accuracy or state of completion or for any losses arising from the use of the map.

Page 320 of 320