Town of Hilton Head Island
TOWN COUNCIL MEETING
Thursday, December 18, 2025, 11:00 AM
Minutes

Call to Order

Mayor Perry called the meeting to order at 11:00 a.m.

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

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

Adoption of the Agenda

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

Unfinished Business

Consideration of an Ordinance of the Town of Hilton Head Island, South Carolina Authorizing the Sale of Three Parcels of Real Property Owned by the Town of Hilton Head Island, South Carolina, Located at 55 Main Street, 1 Automobile Place, and 355 William Hilton Parkway, and Providing for Severability and an Effective Date - Second Reading - Ben Brown, Strategic Initiatives Director

Ben Brown provided an update with the following information.

In 2019, the Town acquired the former Modern Classic Motors property located at 55 Main Street, 1 Automobile Place, and 355 William Hilton Parkway for $3,650,000 using tax revenue.

Since then, the Town has restored the site with funding from Palmetto Electric Utility Tax Credits.

Summary of the Property:
- Acres: 4.57
- Purchase Price (07.18.2019): $3,650,000
- Source of Funds: General Fund
- Appraised Value (07.27.2022): $4,220,000
- Zoning: Main Street District (MS)
- Height: 45’ maximum
- Density: 9,000 ft2 per acre, for a maximum yield of up to 41,130 ft

On September 3, 2024, the Town issued a Request for Proposals (RFP) seeking qualified parties interested in purchasing the 4.57-acre property. The RFP emphasized the Town's goal of selecting a buyer who would expand access to healthcare services for Hilton Head Island residents and strategically redevelop the site to create jobs and provide services not currently available on the Island.

In response to the RFP, the Town received a proposal from Novant Health to develop the property into a medical office facility with supporting parking and infrastructure.
Summary of the Proposal from Novant Health

Purchase 4.57 acres from the Town for $4,341,500
Develop +/- 25,000 ft2 with the ability for expansion of another 15,000 ft2

Proposed services include, but not limited to:

Urgent Care
Primary Care
Physical Therapy
Urology
Project cost of $25,336,500 (land, construction, FFE, IT)
46 initial jobs created with an average hourly rate of $45.64
86 total jobs projected by 2030
Commitment to subsidized childcare for employees through a local provider Novant Health's proposal represents a strategic opportunity to expand healthcare services on Hilton Head Island while supporting economic development through job creation and private capital investment.

The purchase price provides a favorable return on the Town's original investment.

Summary of Key Terms from the Contract

Purchase Price: $4,341,500
Purchaser: Hilton Head Medical Center, LLC (affiliate of Novant Health)
Due Diligence Period: 120 days
Closing: 150 days after contract date
Right of First Refusal (ROFR):
Applies prior to the buyer submitting a building permit application.
Buyer must notify the Town of any proposed sale; the Town may exercise or waive the ROFR.
ROFR binds only the original buyer, not subsequent owners.
Non-Performance Buy-Back Agreement:
The buyer must submit a complete building permit application for a 25,000 ft2 medical office building within 3 years of closing.

Mr. Brown moved to approve. Mr. Alfred seconded.

Mayor Perry asked for public comment. There was none.

Following discussion by Council, the motion carried 7-0.

Consideration of an Ordinance of the Town of Hilton Head Island, South Carolina Authorizing the Issuance of General Obligation Debt Bonds and Providing for Severability and an Effective Date - Second Reading - Dave Byrd, Finance Director

Mr. Byrd provided the following information. He stated Town Council approved First Reading by a vote of 5-2 on December 9, 2025, with the following amendments to the Ordinance:

1. The title of the Ordinance be amended to read "with the proceeds being used to fund certain capital projects, including but not limited to 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".

2. The first Whereas statement be similarly amended to read "the Town intends to undertake certain capital projects, including but not limited to 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 acquire land for conservation purposes".

These amendments have been incorporated for Second Reading.

Mr. Byrd proceeded to provide background regarding the item.

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.
- Undertaking additional capital projects. The specific capital projects and specific dollar amounts devoted to each project would be determined by Town Council.

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.

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
- Fund future strategic land acquisitions for conservation purposes
- Fund additional capital projects at the discretion of Town Council

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 additional 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:

Maintain strong General Fund, Real Estate Transfer Fee (RETF) Fund, and other governmental fund balances in excess of the minimum fund balance policy Fund other future capital projects with the additional cash on hand in the General Fund, RETF Fund, and other governmental funds

Retain additional financial flexibility in the event of a natural disaster

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

Mr. Brown moved to approve. Ms Brison seconded.

Mayor Perry asked for public comment. There was none.

Ms. Tunner and Ms. Becker voiced their opposition to the amount of the bond being $35,000,000 and stated their preference for the amount of the bond to be $25,000,000.

Following discussion by Council, the motion carried 5-2 (Tunner and Becker opposed).

New Business

Consideration of a Resolution Relating to the Declaration of Intent by the Town of Hilton Head Island, South Carolina to Reimburse Certain Expenditures (Related to the Fire Rescue Headquarters) Prior to the Issuance by the Town of Tax-Exempt Bonds - Dave Byrd, Finance Director

The Town has contracted to purchase properties at 9 & 10 Park Lane, with a combined purchase price of approximately $7,700,000. The Town intends to add approximately $1,300,000 in improvements to these properties to transform the existing structure into a new Fire and Rescue headquarters and Emergency Operations Center, as well as build an adjacent parking lot for the benefit of the facility. The Town will initially use General Fund and RETF dollars to pay for the property purchases at the property acquisitions' closings. The 10 Park Lane purchase was expected to close on 12/12/25, and the 9 Park Lane purchase is expected to close on or about 12/29/25.

The Town is also in the initial stages of preparing a G.O. bond issue to be sold later in FY2026. The proceeds of this bonds issue will be used for multiple capital purposes, including reimbursing the Town's General Fund and Real Estate Transfer Fund for up to $9,000,000 in funds that will have been expended for the above land purchase and related capital improvements.

Approving the Reimbursement Resolution provides the Town with the ability to reimburse itself for the upfront property acquisition expenses (that will have been paid out of the General Fund and the RETF) via the proceeds from its planned G.O. bond issue.

If approved by the Town Council, this reimbursement action would preserve strong FY2025 General Fund and RETF balances and would allow the Town the ability to pursue additional approved capital projects and property acquisitions with these replenished balances.

Additionally, aligning the payback period of the bond issue to the long-term useful life and benefits of the property acquisition is a more equitable way to pay for these long-term capital improvements and property acquisitions relative to one-time FY2025 General Fund and RETF cash expenditures.

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

Mayor Perry asked for public comment. There was none.

Following discussion by Council, the motion carried 7-0.

<u>Consideration of a Resolution of the Town of Hilton Head Island Approving the Execution of a Contract with the Hilton Head Island-Bluffton Chamber of Commerce for Destination Marketing Organization Services - Angie Stone, Assistant Town Manager</u>

Ms. Stone provided the following information.

South Carolina Code of Laws Section 6-4-10 requires that municipalities and counties who have collected more than $50,000.00 in local accommodations taxes to allocate the taxes based on a prescribed formula. The first $25,000 plus 5% of the balance must be allocated to the general fund. Beyond that, the formula requires that 30% 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.

The Hilton Head Island-Bluffton Chamber of Commerce Visitor and Convention Bureau (Chamber VCB) has provided destination marketing services for the Town since 1998. Initially, the Town Council adopted Ordinance 98-03 naming the Chamber VCB as the Town's DMO. In 2015, the Town entered into its first contract with the Chamber VCB to provide DMO services.

The most recent contract was awarded to the Chamber VCB in 2020 and expired on November 30, 2025.

In early 2025, Staff prepared and issued a request for qualifications (RFQ) for DMO services. The RFQ yielded seven responses. A staff team reviewed the responses and interviewed the top two respondents to evaluate qualifications and capabilities to serve as a DMO. Concurrently with the evaluation of qualifications and capabilities, a legal review of respondents' eligibility under SC Law was conducted. The Chamber was identified as the most qualified, eligible respondent.

As a result, the Town entered into negotiations with the Chamber to develop an agreement focused on:
• Clarifying roles and expectations;
• Improving financial transparency;
• Enhancing reporting;
• Aligning marketing efforts with the Town's core values, and
• Refining metrics and performance indicators.

The negotiations resulted a contract for DMO services. The contract clearly articulates the Town Council's expectations and achieves the objectives outlined above. This is a three-year contract with one renewal option for up to two-years.

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

Mayor Perry asked for public comment.

Following discussion, comments and questions by Council, Ms. Brison moved to strike Article 8 from the contract, which is in regard to the Chamber requesting additional funds. Motion failed due to a lack of a second.

Following further discussion by Council, the original motion carried 7-0.

Public Comment - Non Agenda Items

None.

Adjournment

At 11:40 a.m., Ms. Becker moved to adjourn. Mr. Alfred seconded. Motion carried 7-0.

Kimberly Gammon

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