# Town of Hilton Head Island

## Finance and Administration Committee Meeting

**Tuesday, December 19, 2023, 1:00 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. **Adoption of the Agenda**
3. **Approval of the Minutes**
   a. Regular Meeting Minutes of November 14, 2023
4. **Appearance by Citizens:** Citizens who wish to speak on the matters being discussed during the meeting may do so by submitting the Request to Speak form no later than 4:30 PM the day prior to the meeting.
5. **Presentations and Recognitions**
   a. Town of Hilton Head Island Fiscal Year 2024 Year to Date Financial Update - Jeff Herriman, Interim Finance Director
6. **Unfinished Business**
   a. Consideration of a Resolution Approving a Memorandum of Understanding with the University of South Carolina Beaufort (USCB) Inclusive of the Island Ambassador Program - Josh Gruber, Deputy Town Manager
7. **New Business**
   a. Consideration of a Resolution Authorizing a Memorandum of Understanding with the Coastal Community Development Corporation - Josh Gruber, Deputy Town Manager
   b. Consideration of Resolution Authorizing a Memorandum of Understanding with Habitat for Humanity to Support Workforce Housing - Josh Gruber, Deputy Town Manager

## 8. Adjournment

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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
# FINANCE AND ADMINISTRATION COMMITTEE MEETING
# Tuesday, November 14, 2023, 1:00 PM
# Minutes

Call to Order: Chair Brown called the meeting to order at 1:00 PM.

Adoption of the Agenda:

**David Ames moved to approve the agenda as presented. Steve Alfred seconded. Motion carried 4-0.**

Approval of the Minutes:

**David Ames moved to approve the minutes of October 17, 2023 with clerical changes. Glenn Stanford seconded. Motion carried 4-0.**

Appearance by Citizens:

Skip Hoagland addressed the Committee regarding the need for transparency with the use of ATAX funds. He requested a forensic audit for Hilton Head Island, with full transparency of the accounting procedures.

Melinda Tunner addressed the Committee regarding the RBC Heritage request for additional financial support. She asked how the privileges listed in the proposed contract compare to last year's contract. She also asked if the Town's commercial ad is the run during the entirety of the event or if it was only for a single day.

Unfinished Business:

Consideration of Approval of a Sponsorship Agreement with the Heritage Classic Foundation for the RBC Golf Tournament - Josh Deputy, Deputy Town Manager

Josh Gruber addressed the Committee regarding the request, from the Heritage Classic Foundation to the Town of Hilton Head Island, to consider a sponsorship agreement for this year's upcoming 2024 RBC Golf Tournament. The Heritage is requesting an increase in sponsorship support from $200,000 to $500,000 for this year's event. Mr. Gruber introduced Simon Fraser, Chairman of the Heritage Classic Foundation to answer concerns that were raised at last month's Finance & Administration (F&A) Committee meeting.

Simon Fraser addressed the committee with additional clarity about the magnitude of cost difference between a regular PGA Tour event to this being a Signature Event. It is a cost difference from $8.5 million to $20 million. One of the cost differentials includes the Skybox contract with bleachers going from $1 million to $2 million. All sponsors involved in the Tour are paying more, including hospitality sponsors, real estate companies, and various banks. There is a 30, 40 or 50% increase for all involved in upgrading the overall tournament, skyboxes, bleachers, and transportation for handling a big event. Additionally, RBC utilizes local vendors, civic clubs, rotary clubs, and high school boosters to volunteer for a donation or allotment of tickets as partial payment for services rendered. Mr. Fraser also noted the RBC Heritage and Boeing covers the tournament purse; it is not part of the Town funding.

Mr. Fraser reiterated the strong partnership between the tournament and the Town. He commented that other than the four major golf tournaments, last year the RBC Heritage had the highest TV rating of any other event. CBS was given talking points by the Heritage, and provided excellent coverage of the Island. The Town's commercial was displayed on the video boards during the tournament on a continuous loop, appearing once an hour.

Committee members asked questions and made comments regarding the need to be good stewards of public dollars and see justifications for the increase; Town Council requested a sampling of the percentage of increases that the sponsors are experiencing; an opportunity to measure the distribution of some of the additional work needed for a successful tournament; the opportunity to distribute some of that work to minority businesses; the request to see more images of the Town during the broadcast; additional guidance from key staff employees regarding the promotion of the Town with the television broadcast; and the need to provide a packet of information to the television broadcast network specifically regarding the Gullah Geechee Historic Neighborhood community and Mitchelville.

Chair Brown asked if there were any public comments.

<u>Skip Hoagland</u> addressed the committee asking questions and making comments regarding the sponsorship legalities for the Town. He also addressed the use of funds to dredge Sea Pines, workforce housing and the Chamber. He continued with his request for transparency of how the millions of tax funds are being used and dispersed.

**It was the consensus of the Committee to circle back to this item and place it on an upcoming agenda.**

<u>Discussion of Act 57 of the 2023 South Carolina General Assembly Legislation Session, Development of Workforce Housing - Josh Gruber, Deputy Town Manager</u>

Josh Gruber addressed the committee regarding Act 57 of the 2023 South Carolina General Assembly Legislation Session and the development of workforce housing in relation to the Attorney General's (AG) opinion on questions the Town had posed to their office. Mr. Gruber noted the Attorney General provided their thoughts on what the court is most likely to do; however, only an actual court case will provide guidance on this matter.

Mr. Gruber discussed the AG's response to the questions regarding what the allowable percentage of revenue that may be used to develop Workforce Housing; if the action is permissible utilizing nonprofit vs a for-profit organizations to develop Workforce Housing; and if local government identified a lack of Workforce Housing as an impediment to economic growth and the well-being of the community, would making a donation or a grant from the local government's general fund to a nonprofit entity that develops affordable housing meet the public purpose doctrine.

Mr. Gruber went on to discuss the details of the South Carolina Supreme Court Nichols case that identified how to go about interpreting whether an expenditure of public funds is a public purpose. It was noted that the four-way test provided in Nichols is not a series of exact requirements that must be met. Rather it is a series of analyses that the government must engage in prior to the use of public funds.

Josh Gruber went on to discuss the options that the Town Council could take in moving this forward. Some of the options include a process in place to qualify applicants, and consideration of an out of cycle funding request. A memorandum of understanding (MOU) will ensure that the funds are used for the purposes for which they're expended with an outline of the respective rights and responsibilities between those entities as well as provide ongoing oversight of the funds. The MOU will include summarizing and justifying those expenses.

Committee members asked questions and made comments regarding a summarization of the four-way test from the Nichols case; details about the purpose of the funds and who would benefit; how does Tow Council pick and choose between different applicants; an the process and timeline to move forward.

Chair Brown asked if there were any public comments.

Skip Hoagland addressed the committee asking questions and making comments regarding the use of ATAX funds and if it is legal to use those funds for workforce housing. He continued to make comments regarding the Chamber and the dredging of Harbour Town in Sea Pines.

Melinda Tunner addressed the committee asking questions and making comments regarding an answer to the question of the 15% limit and how it is calculated. She recommends that the Town be conservative with its calculation.

Moving the matter back to the dais, Chair Brown thanked Mr. Gruber and staff.

New Business

Consideration of a Resolution Approving a Memorandum of Understanding with Island Recreation Association - Josh Gruber, Deputy Town Manager

Josh Gruber addressed the committee regarding the consideration of a Resolution approving a memorandum of understanding (MOU) with the Island Recreation Association

(Island Rec.) Mr. Gruber started the presentation explaining that back in July of 2018, the Town entered into a MOU with the Island Recreation Association. That agreement was expiring at the end of September. Town Council took action to adopt a continuing resolution which allowed the agreement to continue on a month-to-month basis based upon the existing terms and conditions outlined in the memorandum.

The Town had formed a working group of members of Town Council and staff to meet with representatives of the Island Rec. Based upon feedback received from both of those entities, the Town prepared a draft MOU which would carry this agreement forward into the future. The draft document in the agenda packet has been presented and unanimously approved by the Island Recreation's Board of Directors.

Mr. Gruber introduced Frank Soule, Executive Director of Hilton Head Island Recreation Association to answer questions from the Committee.

Frank Soule addressed the committee regarding the activities and events held by the Island Rec, including the Oyster Festival, Turkey Trot and assisting with the Lantern Parade. Mr. Soule discussed the staffing for the Island Rec. They have added two full-time people; one employee whose focus is on events and sponsorships; the other employee's focus is on reservations at the new pickleball courts. The Island Rec's goal is to improve member play as well as provide lessons. Event revenue has been a significant portion of the revenues for the Island Rec Center. It allows the ability to provide scholarships, with last year providing over $375,000 in scholarships to the childcare area, including their summer camp, an after-school program, a Challenge Camp program for special needs children and athletics and swim lessons. Mr. Soule noted that the Island Rec's budget is shared directly with the Town and Councilmember Alex Brown on a regular basis. The Town staff representative on the Board is Ben Brown.

Committee members asked questions and made comments regarding the Island Rec events around the Island; how the Island Rec's staff has grown in the last couple years; if the event revenue is a significant portion of the overall revenues for the Rec Center; who manages the reservations of the new pickleball courts at Old Schoolhouse Park; what are the fees of the pickleball courts; and a better understanding of the budget beyond what is shared with finance department at Town Hall.

Chair Brown asked if there were any public comments.

Skip Hoagland addressed the committee asking questions and making comments regarding the need for the Town to have tax recipient agreements documenting the legal and proper use of tax funds. He continued about the need for transparency and accountability.

Butch Kisiah addressed the committee asking questions and making comments regarding his time on the Island Recreation Association Board. He believes the Island Rec is doing a fantastic job for the citizens and visitors here on Hilton Head Island. He encourages the adoption of the MOU.

Chair Brown brought the matter back to the dais.

**David Ames moved to forward the recommendation from staff to Town Council for**

**consideration of a resolution approving a memorandum of understanding with the Island Recreation Association. Glenn Stanford seconded the motion. The motion carried 4-0.**

<u>Consideration of a Resolution Approving a Memorandum of Understanding with the University of South Carolina Beaufort (USCB) Inclusive of the Island Ambassador Program - Josh Gruber, Deputy Town Manager</u>

Josh Gruber addressed the committee regarding consideration of a resolution approving a memorandum of understanding (MOU) with the University of South Carolina Beaufort (USCB) inclusive of the Island Ambassador Program. Mr. Gruber began his presentation with a historical perspective. The Town and USCB entered into a partnership whereby the Town would provide funding in exchange for receiving certain services from the University related to special events, volunteerism and hospitality training. In the last budget cycle, the Town had previously funded USCB based upon a fixed percentage of local accommodations tax collections. Town Council asked Town staff to come back with a MOU that would allow the Town to continue to redefine and receive those services and how they would be funded. Staff met with representatives of the University and developed a proposed MOU for the Finance & Administration (F&A) Committee's consideration. Inside the agenda packet is a list of services that the University would provide.

Sarah Beachkofsky, USCB, Director of the Center for Lowcountry Hospitality Education (CLHE) was introduced to speak about the Island Ambassador Program and the Quality Management Program. The Quality Management Program includes secret shoppers at local businesses. The secret shoppers provide quantifiable feedback and comments to those businesses on the overall experience at their establishment. Ms. Beachkofsky also spoke about the Island Ambassador Program. This course had included a large portion of ecotourism education; however, Ms. Beachkofsky's department has redeveloped the program. Based on information received from the Town, they have redesigned to include more history and cultural content, including the Gullah Geechee Corridor information, and Mitchelville. There is a recommendation to expand from English to include a Spanish version. CLHE will continue to personalize those programs for the individual schools, businesses, and the Town. There is also a focus to provide continuing education for those individuals on the Island within the different hospitality and tourism sectors. The idea is to bring the community together to be educated throughout the year.

Ms. Beachkofsky introduced Eva Smith, USCB Associate Professor and Chair of the Hospitality Management Program, to speak about USCB and bringing the community to the USCB- Hilton Head Island campus. Ms. Smith addressed the committee by discussing the student attendance on the Hilton Head Island campus. There are a number of items they are doing to increase enrollment on the Hilton Head Island campus. Some include offering fewer courses online; encouraging students to take classes face to face, offer more enticing classes (ex: wedding planning, special event planning,) and aggressively targeting social media sites (ex: Instagram, Facebook, and LinkedIn.) There are also discussions of student housing and dual enrollment at the Beaufort County schools.

Ms. Smith noted that in the agreement before the committee today, there's a provision stating that as part of the annual budget process, USCB will also submit a corresponding annual report. This report will contain detailed information about the Island Ambassador Program, participation levels, accomplishments during the reporting period and other relevant information about the performance and effectiveness. It will allow the Town to gauge the effectiveness of the program going forward.

Committee members asked questions and made comments regarding the details secret shopper program including who participates; identifying the number and type of entities that are participating or receiving services within the Quality Control Program; and the results of some of the secret shopping program with the satisfaction controls; concerns over the low number of students on the Hilton Head Island campus; how USCB is trying to stimulate use of this campus for the students; more information about the students that come to this campus (including part time vs full time students, how many work on the Island, and their income ranges;) ability to provide Island workers the opportunity to serve the residents and tourists at a higher level; and the list of services provided and tracking the most important ones.

Chair Brown asked if there were any public comments.

Melinda Tunner addressed the committee asking questions and making comments regarding the structure of the MOU and funding. In particular, USCB funding is built into the MOU at $235,000 plus the inflation factor for five years. In contrast, the Island Rec does not have their funding built into the MOU.

Skip Hoagland addressed the committee asking questions and making comments regarding the ATAX law and what is allowable. He continued to speak about the amount of money given to the Chamber of Commerce.

Chair Brown brought the matter back to the dais.

**It was the consensus of the Committee to place this on an upcoming agenda.**

Adjournment

The meeting was adjourned at 2:55 PM.

The recording of this Meeting can be found on the Town's website at [www.hiltonheadislandsc.gov](http://www.hiltonheadislandsc.gov)

# TOWN OF HILTON HEAD ISLAND

*Finance & Administrative Committee*

| | |
|---|---|
| **TO:** | Finance and Administrative Committee |
| **FROM:** | Jeff Herriman, Interim Finance Director |
| **CC:** | Marc Orlando, ICMA-CM, Town Manager |
| | Josh Gruber, Deputy Town Manager |
| **DATE:** | December 12, 2023 |
| **SUBJECT:** | Financial Update |

## RECOMMENDATION:

Town staff recommends the Finance and Administrative Committee hear and discuss the financial update presented by the Interim Finance Director.

## BACKGROUND:

The Interim Finance Director seeks to keep the Finance and Administrative Committee up-to-date on the Town's financial status and financial activity. The financial update to the Finance and Administrative Committee has proven to be a useful method to keep the Finance and Administrative Committee informed and prepared to take any action that may be required.

## SUMMARY:

The Interim Finance Director will provide the Finance and Administrative Committee an update on the Town's financial status and financial activity through October 2023.

## ATTACHMENTS:

1. Financial Update for the four months ending October 31, 2023.

# Town of Hilton Head Island Financial Update

Finance and Administrative Committee I For the four months ending October 31, 2023

# Key Issues

- The initial months of each fiscal year are traditionally low collections on the revenue side.

- Expenditures, which are primarily personnel related, are incurred more evenly throughout the fiscal year.

- Temporary deficit is the norm for the four months of the fiscal year

- The estimated revenues used to craft the budget are still expected to support the budget as passed.

- The Town is operating within the budget expectations for this time of year – except for – the 4 land purchases – which will require a budget amendment.

# General Fund – Revenues and Transfers In

| | FY 2024 | | | |
|---|---|---|---|---|
| | BUDGET | Y-T-D | $ VARIANCE | % OF BUDGET |
| **Revenues and Transfers In:** | | | | |
| Real and Personal Property Taxes | $ 16,942,000 | $ 308,709 | $ (16,633,291) | 2% |
| Business Licenses | 12,421,015 | 1,831,610 | (10,589,405) | 15% |
| Franchise Fees - Cable | 967,752 | 371,530 | (596,222) | 38% |
| Franchise Fees - Beach | 52,650 | - | (52,650) | 0% |
| Permits | 1,979,200 | 828,162 | (1,151,038) | 42% |
| State Shared Funds | 926,755 | 463,377 | (463,378) | 50% |
| Public Safety | - | 960 | 960 | 0% |
| EMS | 2,117,000 | 810,192 | (1,306,808) | 38% |
| Beach Fees | 243,000 | 51,370 | (191,630) | 21% |
| Accommodations Tax - Local | 7,034,520 | 2,801,878 | (4,232,642) | 40% |
| Miscellaneous Revenue | 345,129 | 62,011 | (283,118) | 18% |
| Investment Income | 585,000 | 616,341 | 31,341 | 105% |
| **Subtotal** | **43,614,021** | **8,146,140** | **(35,467,881)** | **19%** |
| **Transfers In & Other:** | | | | |
| Short Term Rental | 1,750,000 | - | (1,750,000) | 0% |
| Accommodations Tax - State | 3,515,021 | 1,221,181 | (2,293,840) | 35% |
| Hospitality Tax | 5,062,424 | 1,687,475 | (3,374,949) | 33% |
| Beach Preservation Fees | 1,983,508 | 661,169 | (1,322,339) | 33% |
| TIF Tax | 110,000 | 36,667 | (73,333) | 33% |
| Stormwater Utility | 125,000 | 41,666 | (83,334) | 33% |
| Capital Projects | - | - | - | 0% |
| Electric Franchise Fees | 540,603 | 180,201 | (360,402) | 33% |
| Sale of Equipment/Vehicles | - | 11,923 | 11,923 | 0% |
| **Total Revenues & Transfers In** | **56,700,577** | **11,986,422** | **(44,714,155)** | **21%** |

# General Fund – Revenues and Transfers In

| | FY 2024 Y-T-D | FY 2023 Y-T-D | FY 2024 vs FY 2023 $ VARIANCE | % VARIANCE |
|---|---|---|---|---|
| **Revenues and Transfers In:** | | | | |
| Real and Personal Property Taxes | $ 308,709 | $ 331,126 | $ (22,417) | -7% |
| Business Licenses | 1,831,610 | 545,765 | 1,285,845 | 236% |
| Franchise Fees - Cable | 371,530 | 282,517 | 89,013 | 32% |
| Franchise Fees - Beach | - | - | - | - |
| Permits | 828,162 | 611,812 | 216,350 | 35% |
| State Shared Funds | 463,377 | 441,311 | 22,066 | 5% |
| Public Safety | 960 | 1,410 | (450) | -32% |
| EMS | 810,192 | 810,080 | 112 | 0% |
| Beach Fees | 51,370 | 74,551 | (23,181) | -31% |
| Accommodations Tax - Local | 2,801,878 | 2,770,279 | 31,599 | 1% |
| Miscellaneous Revenue | 62,011 | 128,068 | (66,057) | -52% |
| Investment Income | 616,341 | 269,616 | 346,725 | 129% |
| **Subtotal** | **8,146,140** | **6,266,535** | **1,879,605** | 30% |
| **Transfers In & Other:** | | | | |
| Short Term Rental | - | - | - | - |
| Accommodations Tax - State | 1,221,181 | 871,866 | 349,315 | 40% |
| Hospitality Tax | 1,687,475 | 1,687,475 | - | 0% |
| Beach Preservation Fees | 661,169 | 661,169 | - | 0% |
| TIF Tax | 36,667 | 51,000 | (14,333) | -28% |
| Stormwater Utility | 41,666 | 41,667 | (1) | 0% |
| Capital Projects | - | - | - | - |
| Electric Franchise Fees | 180,201 | 180,201 | - | 0% |
| Sale of Equipment/Vehicles | 11,923 | 3,656 | 8,267 | 226% |
| **Total Revenues & Transfers In** | **11,986,422** | **9,763,569** | **2,222,853** | 23% |

# General Fund – Expenditures and Transfers Out

| | FY 2024 BUDGET | Y-T-D | $ VARIANCE | % OF BUDGET |
|---|---|---|---|---|
| **Expenditures:** | | | | |
| **Town Council** | 450,842 | 172,184 | (278,658) | 38% |
| **Town Manager** | 1,698,127 | 468,215 | (1,229,912) | 28% |
| **Administration/Legal** | 6,356,000 | 2,105,142 | (4,250,858) | 33% |
| **Finance** | 2,667,700 | 756,510 | (1,911,190) | 28% |
| **Community Development** | 4,886,012 | 1,233,447 | (3,652,565) | 25% |
| **Public Projects and Facilities** | 8,770,478 | 2,457,667 | (6,312,811) | 28% |
| **Public Safety** | 1,490,215 | 446,308 | (1,043,907) | 30% |
| **Fire Rescue** | 21,146,990 | 5,800,633 | (15,346,357) | 27% |
| **Townwide** | 7,514,613 | 2,925,581 | (4,589,032) | 39% |
| **Transfers Out:** | | | | |
| Housing | 2,000,000 | 2,000,000 | - | 100% |
| Economic Development Corporation | - | - | - | 0% |
| Sale of Land | 1,000,000 | 1,000,000 | - | 100% |
| **Total Expenditures & Transfers Out** | **57,980,977** | **19,365,687** | **(38,615,290)** | **33%** |

## General Fund – Expenditures and Transfers Out

| | FY 2024 Y-T-D | FY 2023 Y-T-D | FY 2024 vs FY 2023 $ VARIANCE | % VARIANCE |
|---|---|---|---|---|
| **Expenditures:** | | | | |
| **Town Council** | 172,184 | 96,371 | 75,813 | 79% |
| **Town Manager** | 468,215 | 384,805 | 83,410 | 22% |
| **Administration/Legal** | 2,105,142 | 1,702,588 | 402,554 | 24% |
| **Finance** | 756,510 | 671,207 | 85,303 | 13% |
| **Community Development** | 1,233,447 | 908,328 | 325,119 | 36% |
| **Public Projects and Facilities** | 2,457,667 | 2,039,296 | 418,371 | 21% |
| **Public Safety** | 446,308 | 877,050 | (430,742) | -49% |
| **Fire Rescue** | 5,800,633 | 5,375,745 | 424,888 | 8% |
| **Townwide** | 2,925,581 | 1,881,508 | 1,044,073 | 55% |
| **Transfers Out:** | | | | |
| Housing | 2,000,000 | - | 2,000,000 | - |
| Economic Development Corporation | - | - | - | - |
| Sale of Land | 1,000,000 | - | 1,000,000 | - |
| **Total Expenditures & Transfers Out** | **19,365,687** | **13,936,898** | **5,428,789** | **39%** |

## General Fund Activity
## YTD October FY24 vs FY23

| | YTD FY 24 | YTD FY 23 |
|---|---|---|
| Revenues and Transfers In | 11,986,422 | 9,763,569 |
| Expenditures and Transfers Out | (19,365,687) | (13,936,898) |
| Net Revenues Over/(Under) Expenditures | (7,379,265) | (4,173,329) |

# Capital Projects Fund
# Budgets and Actual
# FY24 – through October (4th period)

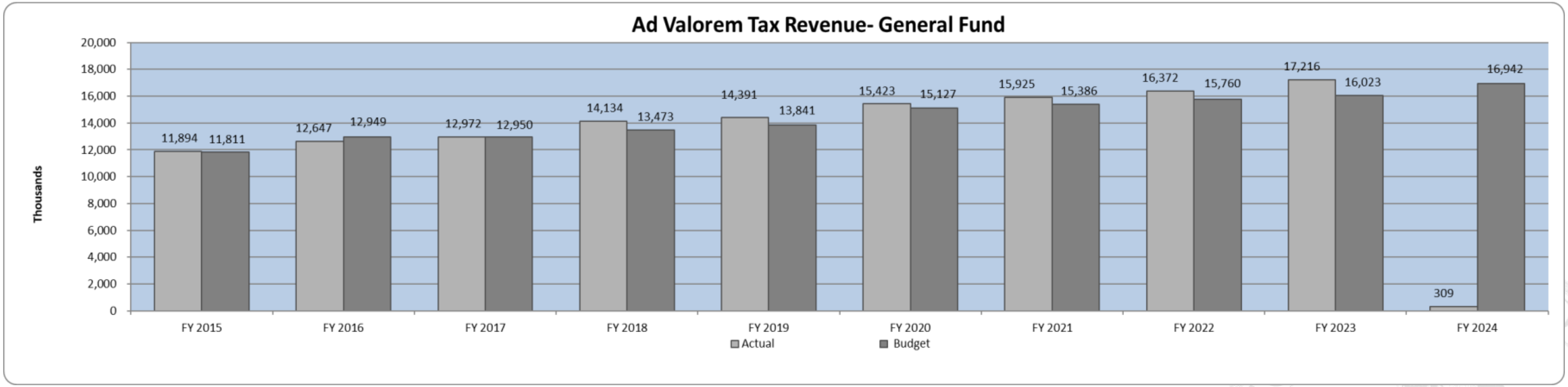
| | Original Budget | Actual | Commitments | Variance with Amended Positive (Negative) |
|---|---|---|---|---|
| Expenditures: | | | | |
| Park Development | 9,129,500 | 402,832 | 1,227,884 | 7,498,783 |
| Land Acquisition | 400,000 | 11,716,907 | 20,709 | (11,337,616) |
| Beach Maintenance | 4,556,000 | 196,276 | 1,770,962 | 2,588,762 |
| Facilities Improvements | 14,033,116 | 1,236,517 | 7,772,768 | 5,023,832 |
| Roadway Improvements | 6,204,465 | 387,124 | 998,406 | 4,818,935 |
| Stormwater Projects | 860,000 | 66,430 | 245,183 | 548,387 |
| Pathway Improvements | 4,810,000 | 276,570 | 245,697 | 4,287,733 |
| Housing | - | 21,450 | - | (21,450) |
| | | | | |
| **Total Expenditures** | **39,993,081** | **14,304,106** | **12,281,608** | **13,407,366** |

# FY24 Land Acquisitions -- $11,688,000

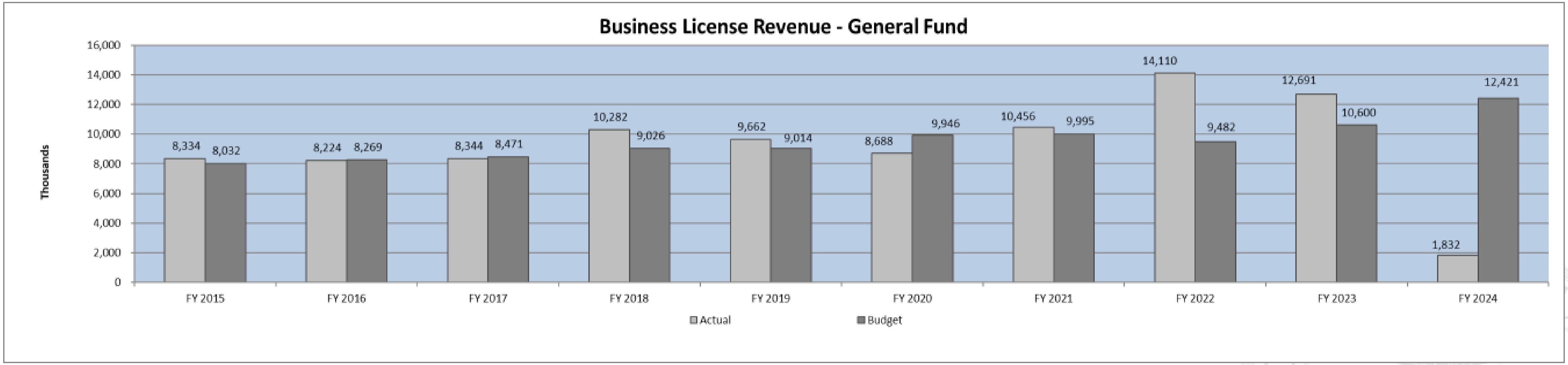
- Bryant Road -- $3,400,000
- Shelter Cove Lane -- $3,938,000
- Matthews Drive -- $350,000
- Pope Avenue -- $4,000,000

**Ad Valorem Tax Revenue - General Fund**
**Revenues by Month/Fiscal Year**

| Fiscal Year | July | August | September | October | Total |
|---|---|---|---|---|---|
| **2015** | 38,766 | 40,487 | 78,203 | 1,930 | **159,386** |
| **2016** | 54,378 | 56,645 | 44,580 | 242,654 | **398,257** |
| **2017** | - | 45,492 | 151,125 | 96,211 | **292,828** |
| **2018** | - | 50,808 | 137,351 | 72,190 | **260,349** |
| **2019** | - | 91,400 | 156,556 | 97,341 | **345,297** |
| **2020** | - | 78,876 | 117,043 | 77,560 | **273,479** |
| **2021** | - | 129,642 | 134,157 | 78,169 | **341,968** |
| **2022** | - | 123,150 | 130,348 | 88,593 | **342,091** |
| **2023** | - | 109,860 | 128,669 | 92,597 | **331,126** |
| **2024** | - | 82,227 | 125,358 | 101,124 | **308,709** |


Ad Valorem Tax Revenue- General Fund
Thousands
20,000
18,000
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
11,894
11,811
12,647
12,949
12,972
12,950
14,134
13,473
14,391
13,841
15,423
15,127
15,925
15,386
16,372
15,760
17,216
16,023
309
16,942
FY 2015
FY 2016
FY 2017
FY 2018
FY 2019
FY 2020
FY 2021
FY 2022
FY 2023
FY 2024
Actual
Budget

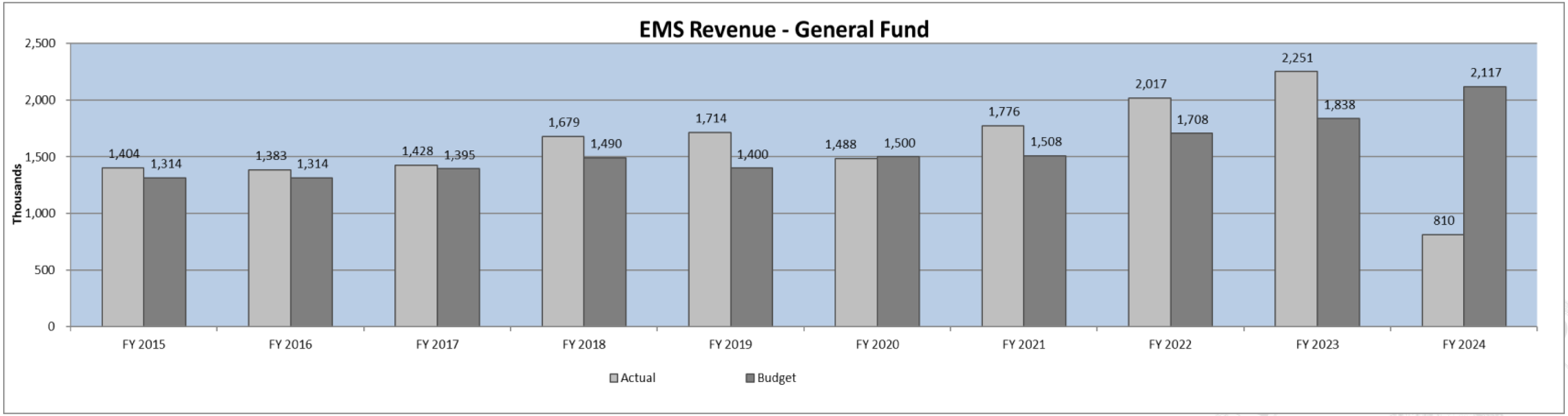
| Business License Revenue - General Fund | | | | | |
|---|---|---|---|---|---|
| Revenues by Month/Fiscal Year | | | | | |
| **Fiscal Year** | July | August | September | October | **Total** |
| **2015** | 79,439 | 46,277 | 37,406 | 54,303 | **217,425** |
| **2016** | 27,568 | 80,864 | 36,572 | 29,088 | **174,092** |
| **2017** | 64,509 | 86,648 | 59,972 | 86,132 | **297,261** |
| **2018** | 67,290 | 30,256 | 20,838 | 28,558 | **146,942** |
| **2019** | 120,174 | 97,474 | 21,523 | 18,774 | **257,945** |
| **2020** | 66,795 | 70,285 | 28,064 | 22,083 | **187,227** |
| **2021** | 24,115 | 328,495 | 1,155,774 | 28,558 | **1,536,942** |
| **2022** | 87,288 | 1,720,313 | 62,727 | 16,434 | **1,886,762** |
| **2023** | 155,970 | 164,738 | 175,702 | 49,355 | **545,765** |
| **2024** | 422,122 | 98,915 | 1,065,622 | 244,951 | **1,831,610** |


Business License Revenue - General Fund
Thousands
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
8,334
8,032
8,224
8,269
8,344
8,471
10,282
9,026
9,662
9,014
8,688
9,946
10,456
9,995
14,110
9,482
12,691
10,600
1,832
12,421
FY 2015
FY 2016
FY 2017
FY 2018
FY 2019
FY 2020
FY 2021
FY 2022
FY 2023
FY 2024
Actual
Budget

**EMS Revenue - General Fund**

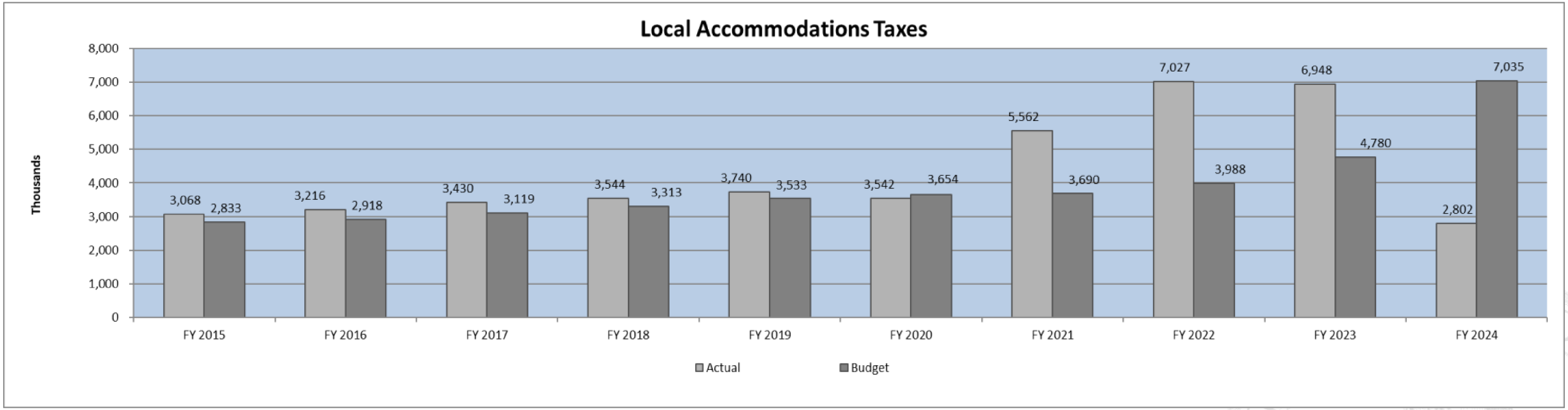
**Revenues by Month/Fiscal Year**

| Fiscal Year | July | August | September | October | Total |
|---|---|---|---|---|---|
| **2015** | 139,480 | 111,016 | 153,870 | 103,719 | **508,085** |
| **2016** | 145,913 | 131,219 | 149,176 | 139,828 | **566,136** |
| | | | | | **25%** |
| **2017** | 233,539 | 147,126 | 154,104 | 27,675 | **562,444** |
| | | | | | **5%** |
| **2018** | 227,954 | 169,694 | 44,667 | 127,532 | **569,847** |
| | | | | | ***22%*** |
| **2019** | 156,264 | 141,829 | 113,277 | 118,673 | **530,043** |
| | | | | | ***22%*** |
| **2020** | 99,463 | 245,680 | 73,682 | 176,650 | **595,475** |
| | | | | | ***30%*** |
| **2021** | 191,893 | 131,658 | 193,145 | 107,825 | **624,521** |
| | | | | | ***17%*** |
| **2022** | 254,063 | 188,742 | 168,576 | 117,394 | **728,775** |
| | | | | | ***16%*** |
| **2023** | 230,289 | 236,286 | 169,083 | 174,422 | **810,080** |
| | | | | | ***22%*** |
| **2024** | 169,625 | 238,513 | 159,824 | 242,230 | **810,192** |
| | | | | | ***30%*** |


EMS Revenue - General Fund
Thousands
2,500
2,000
1,500
1,000
500
0
FY 2015
FY 2016
FY 2017
FY 2018
FY 2019
FY 2020
FY 2021
FY 2022
FY 2023
FY 2024
1,404
1,314
1,383
1,314
1,428
1,395
1,679
1,490
1,714
1,400
1,488
1,500
1,776
1,508
2,017
1,708
2,251
1,838
810
2,117
Actual
Budget

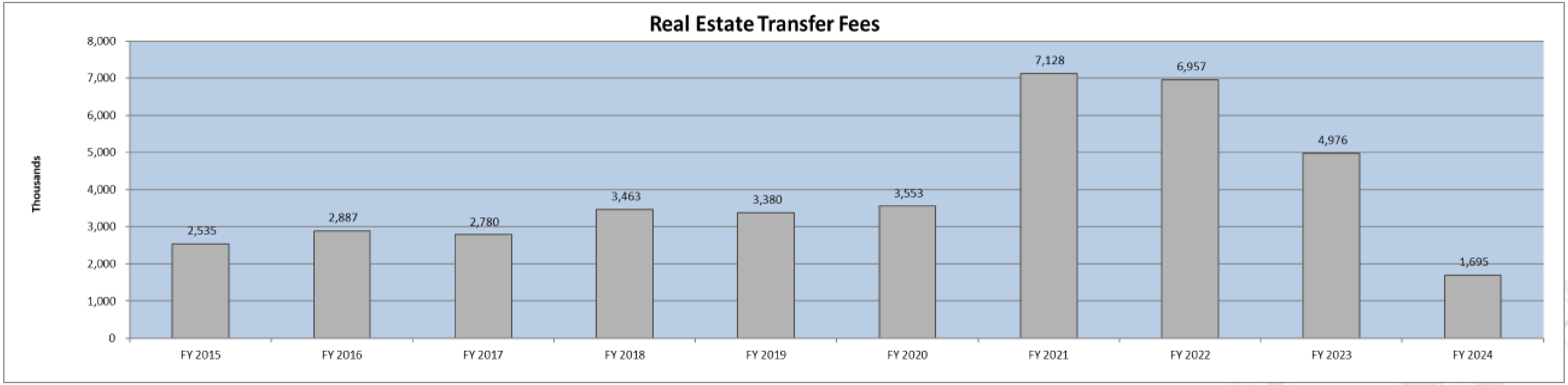
**Local ATAX Revenue - General Fund**
**Revenues by Month/Fiscal Year**

| Fiscal Year | July | August | September | October | Total |
|---|---|---|---|---|---|
| **2015** | (614) | 66,510 | 88,566 | 1,159,004 | **1,313,466** |
| **2016** | (815) | 67,305 | 56,154 | 1,229,155 | **1,351,799** |
| **2017** | (2) | 104,685 | 75,399 | 1,037,898 | **1,217,980** |
| **2018** | 121 | 81,067 | 50,523 | 1,274,638 | **1,406,349** |
| **2019** | 35 | 110,663 | 69,539 | 1,281,174 | **1,461,411** |
| **2020** | 12 | 129,431 | 89,668 | 1,329,949 | **1,549,060** |
| **2021** | (172) | 324,378 | 216,254 | 1,418,057 | **1,958,517** |
| **2022** | (14) | 441,439 | 295,412 | 2,002,671 | **2,739,508** |
| **2023** | 1,928 | 508,911 | 242,573 | 2,016,867 | **2,770,279** |
| **2024** | (245) | 558,108 | 247,272 | 1,996,743 | **2,801,878** |

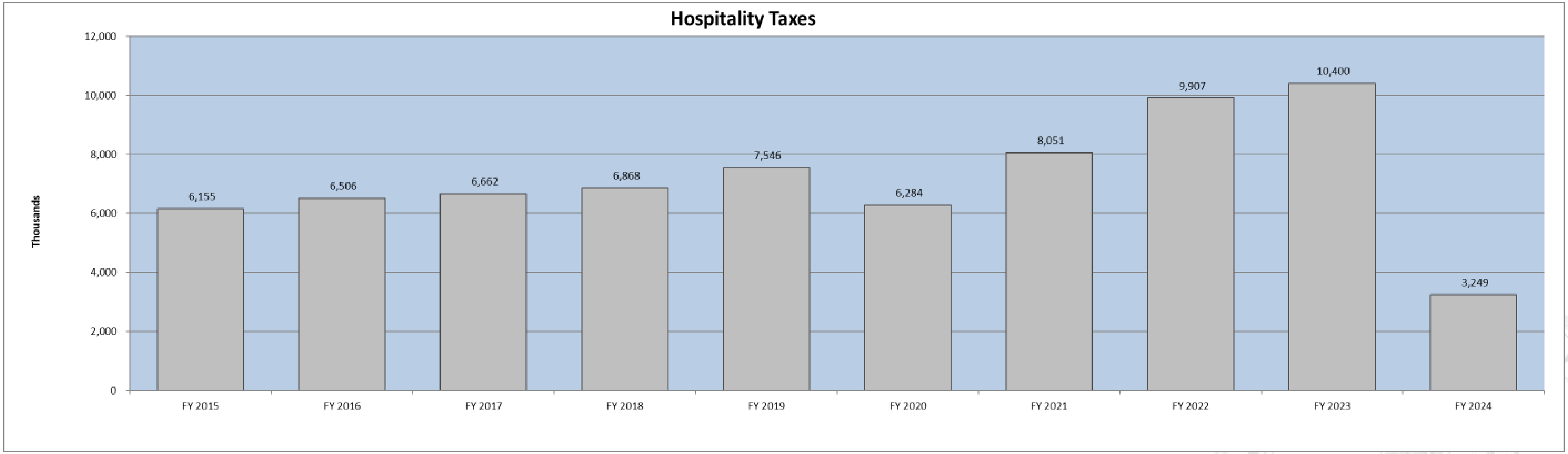

Local Accommodations Taxes
Thousands
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
3,068
2,833
3,216
2,918
3,430
3,119
3,544
3,313
3,740
3,533
3,542
3,654
5,562
3,690
7,027
3,988
6,948
4,780
2,802
7,035
FY 2015
FY 2016
FY 2017
FY 2018
FY 2019
FY 2020
FY 2021
FY 2022
FY 2023
FY 2024
Actual
Budget

**Real Estate Transfer Fee Revenue**
**Revenues by Month/Fiscal Year**

| Fiscal Year | July | August | September | October | Total |
|---|---|---|---|---|---|
| **2015** | 221,317 | 199,496 | 188,301 | 253,080 | **862,194** |
| **2016** | 234,595 | 279,002 | 202,973 | 216,847 | **933,417** |
| **2017** | 211,072 | 245,654 | 244,422 | 174,911 | **876,059** |
| **2018** | 264,872 | 340,779 | 262,410 | 335,365 | **1,203,426** |
| **2019** | 296,001 | 313,882 | 206,316 | 320,404 | **1,136,603** |
| **2020** | 351,658 | 300,875 | 296,053 | 339,361 | **1,287,947** |
| **2021** | 507,895 | 633,339 | 590,226 | 704,857 | **2,436,317** |
| **2022** | 658,402 | 625,669 | 553,975 | 562,174 | **2,400,220** |
| **2023** | 502,466 | 382,365 | 499,057 | 432,972 | **1,816,860** |
| **2024** | 434,928 | 423,083 | 460,863 | 375,976 | **1,694,850** |

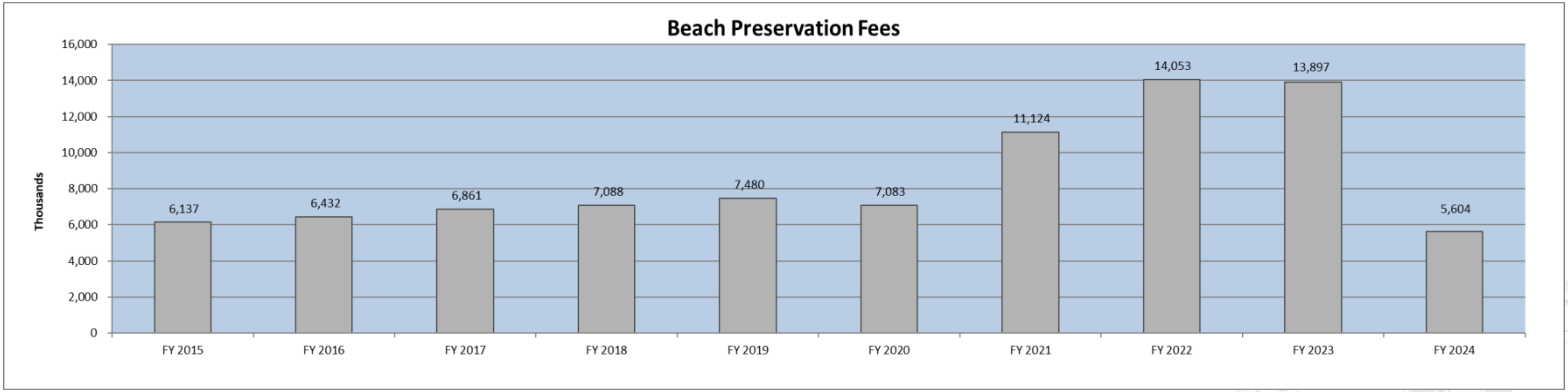

Real Estate Transfer Fees
Thousands
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
2,535
2,887
2,780
3,463
3,380
3,553
7,128
6,957
4,976
1,695
FY 2015
FY 2016
FY 2017
FY 2018
FY 2019
FY 2020
FY 2021
FY 2022
FY 2023
FY 2024

| Hospitality Tax Revenue | | | | | |
|---|---|---|---|---|---|
| Revenues by Month/Fiscal Year | | | | | |
| **Fiscal Year** | July | August | September | October | **Total** |
| **2015** | - | 263,460 | 250,552 | 1,376,186 | **1,890,198** |
| **2016** | (2,451) | 296,736 | 254,972 | 1,473,719 | **2,022,976** |
| **2017** | (112) | 307,641 | 266,071 | 1,280,180 | **1,853,780** |
| **2018** | (1,896) | 350,984 | 272,962 | 1,354,343 | **1,976,393** |
| **2019** | (9,311) | 519,830 | 311,840 | 1,442,824 | **2,265,183** |
| **2020** | (1,966) | 440,781 | 322,265 | 1,533,954 | **2,295,034** |
| **2021** | (1,066) | 479,724 | 302,201 | 1,465,205 | **2,246,064** |
| **2022** | - | 640,898 | 432,750 | 1,964,624 | **3,038,272** |
| **2023** | - | 678,986 | 420,270 | 2,000,402 | **3,099,658** |
| **2024** | 3,569 | 675,017 | 446,721 | 2,123,476 | **3,248,783** |


Hospitality Taxes
Thousands
12,000
10,000
8,000
6,000
4,000
2,000
0
6,155
6,506
6,662
6,868
7,546
6,284
8,051
9,907
10,400
3,249
FY 2015
FY 2016
FY 2017
FY 2018
FY 2019
FY 2020
FY 2021
FY 2022
FY 2023
FY 2024

**Beach Preservation Fee Revenue**
**Revenues by Month/Fiscal Year**

| Fiscal Year | July | August | September | October | Total |
|---|---|---|---|---|---|
| **2015** | (1,229) | 133,020 | 177,134 | 2,318,006 | **2,626,931** |
| **2016** | (1,630) | 134,604 | 112,309 | 2,458,309 | **2,703,592** |
| **2017** | (6) | 209,371 | 150,800 | 2,075,794 | **2,435,959** |
| **2018** | 241 | 162,135 | 101,045 | 2,549,276 | **2,812,697** |
| **2019** | 70 | 221,325 | 139,080 | 2,562,348 | **2,922,823** |
| **2020** | 24 | 258,863 | 179,335 | 2,659,898 | **3,098,120** |
| **2021** | (344) | 648,756 | 432,509 | 2,836,113 | **3,917,034** |
| **2022** | (28) | 882,878 | 590,824 | 4,005,343 | **5,479,017** |
| **2023** | - | 1,021,679 | 485,145 | 4,033,734 | **5,540,558** |
| **2024** | (490) | 1,116,704 | 494,055 | 3,993,487 | **5,603,756** |


Beach Preservation Fees
Thousands
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
6,137
6,432
6,861
7,088
7,480
7,083
11,124
14,053
13,897
5,604
FY 2015
FY 2016
FY 2017
FY 2018
FY 2019
FY 2020
FY 2021
FY 2022
FY 2023
FY 2024

# Comments or Questions?

?

For More Information

Be sure to check the Monthly Statements and Annual Reports on the Town's website!

# TOWN OF HILTON HEAD ISLAND

*Finance and Administrative Committee*

| | |
|---|---|
| **TO:** | Finance and Administrative Committee Members |
| **FROM:** | Joshua Gruber, *Deputy Town Manager* |
| **CC:** | Marc Orlando, *Town Manager* |
| **DATE:** | December 12, 2023 |
| **SUBJECT:** | Consideration of a Resolution Approving a Memorandum of Understanding with the University of South Carolina Beaufort |

## RECOMMENDATION:

The Committee should review the proposed Memorandum of Understanding with the University of South Carolina Beaufort for its operation of the Center for Lowcountry Hospitality Education and provide comments on any suggested modifications to this document. Once finalized, the Committee should make a recommendation to the Town Council on the adoption of this updated Memorandum of Understanding.

## BACKGROUND:

Beginning in 2011, the Town formed a partnership with the University of South Carolina Beaufort to support hospitality training, special event management, and volunteerism efforts on Hilton Head Island. A copy of the initial collaboration document is enclosed as Attachment 1. To fund these services, the Town incorporated into its Municipal Code a provision whereby 5% of the funding that the Town collected under its Local Accommodation Tax would be provided to the University for these purposes. A copy of Ordinance 2011-13 is enclosed as Attachment 2.

In recent years, the Town's rate of collections for both State and Local Accommodations Taxes have increased significantly. In response, the Town Council amended its Municipal Code and removed the automatic funding formula as a set percentage of collections in preference to having the University seek funding pursuant to an annually submitted budget as an Affiliated Agency of the Town. Staff were then directed to begin working on a draft Memorandum of Understanding that would serve to outline the roles of both entities and be the basis of any funding that might be provided as part of this annual budget process.

Staff met with representatives of the University and utilized the services contained within the provisions of the Town's Municipal Code as a starting point. Staff then worked with the University to reimaging the Island Ambassador program and bring it up to date with current Town expectations. Correspondingly, the University is seeking to establish consistent recurring funding that will allow it to employ and retain the necessary professional services required to meet these objectives. As such, and similar to other existing Town Memorandums of Understanding, the University is requesting an annual funding amount of $235,000 which would be adjusted annually by 3% to stay current with expected inflation levels. Any additional services beyond those outlined within the Memorandum of Understanding would require an Addendum that would need to be approved by both the Town and the University. For comparative purposes, the Town provided the Center funding authorizations in the amounts of $238,985 in FY2024, $190,094 in FY2023, $186,367 in FY2022, and $184,522 in FY2021.

At its meeting on November 14, 2023, the Finance and Administrative Committee provided feedback on the draft Memorandum. The Committee members reinforced the need to obtain metrics, demographic information, and other similar data about the effectiveness of the Island Ambassador program. This has been included as an express requirement of the draft Memorandum. Additionally, the Committee requested information regarding the program's budget generally to understand the scope of the funding request that has been included within the Memorandum. That information will be provided to the Committee at its upcoming meeting.

During the Committee meeting, members of the Committee also requested to receive more information about the general state of the University and its student population on the island. The University has committed to providing this information to the Committee on a period basis. However, it has requested that this not be included as a requirement of the Memorandum since the Memorandum deals with programming of the Center for Lowcountry Hospitality Education and they do not want to mix those efforts with the University's other general education services. The frequency of this update would be no less than annually and could occur more often if requested.

**CONCLUSION:**

The Committee should review the new Memorandum of Understanding between the Town and the University of South Carolina Beaufort which has been enclosed as Attachment 3 and provide any comments or other feedback that it may have on this document. Once finalized, the Committee should forward the Memorandum of Understanding to the Town Council with a recommendation that it adopt a Resolution authorizing its execution.

**ATTACHMENTS:**

1. Collaboration Document Between the Town of Hilton Head Island and the University of South Carolina Beaufort
2. Town of Hilton Head Island Ordinance 2011-13
3. Draft Memorandum of Understanding between the Town of Hilton Head Island and the University of South Carolina Beaufort
4. Resolution Approving a Memorandum of Understanding with the University of South Carolina Beaufort

# Vision for the Future:
# A collaboration between USC Beaufort and the Town of Hilton Head Island

Summary:

Since the inception of the Hospitality Management education program at the University of South Carolina Beaufort (USCB), the University's vision has encompassed delivery of world-class education to the Hospitality and Tourism industry. Hilton Head Island is an internationally known and recognized hospitality destination and the natural partner for the University in this vision. As the USCB program grows, there are natural synergies that would occur between the Island and a USCB College of Hospitality Management located on the island.

A successful hospitality industry is key to the future of Hilton Head Island. USCB proposes to collaborate with the Town to improve and enhance the hospitality industry through the establishment of the Center for Event Management and Hospitality Training. The Center will focus on two areas: Special Events Production and Volunteerism, and Hospitality Education. The Special Events component will assist in the establishment of new festivals attracting new tourists to Hilton Head Island and support special events and festivals that are currently held on the Island. The Education and Training component will provide training to employees, students and hospitality professionals, attracting tourists, professionals and students to the area to receive specialty training.

Vision 2025, as presented by the Mayor's Task Force on the Island's Future, set forth thirteen Stretch Goals for the community. The work of the Center will support five of those goals, namely

- Become the #1 hospitality and family-friendly, beach destination in the Southeast
- Become the #1 Cultural/Arts destination of choice in the Southeast
- Become the #1 ecotourism destination in the Southeast
- Broaden and Deepen the Economy
- Become a great learning Center destination.

Each component of the Center will result in a significant, positive economic impact to the community. Special event productions will help deepen the economy through their positive economic impact in the hospitality industry, estimated at $5 million (budget attached). This will help to achieve vision element #4 economic diversification, tactic # 1 (page 17): to increase the economic impact of Hospitality by $500,000,000 over 5 years. With events in the areas of arts, culture, ecotourism and sports, the Center will support the Island's goal of becoming the #1 destination in the Southeast. The learning opportunities available through the Center will help to make Hilton Head Island a learning center destination. Combined, the activities of the Center will help to bring about sustained growth in the hospitality industry of the Town of Hilton Head Island. As the

Center grows areas relating to Ecotourism and Sustainability will be natural areas of expansion.

**Introduction:**

The Department of Hospitality Management at USCB has a long established history of offering teaching, research and service to the Hilton Head Island community. The department has conducted survey research and provided student volunteers to assist at ATAX sponsored events since 1997. Since the University's move from the Hilton Head location to Bluffton in 2004, with the concomitant establishment of baccalaureate degree programs, the Hospitality Management Program has grown to become one of the largest degree programs at USCB, with 165 majors out of a total enrollment of approximately 1750 students. Students from the United States as well as international locations are choosing to study Hospitality Management in the Lowcountry at USCB. Many of the students who decide to study at USCB vacationed on Hilton Head Island while growing up. We expect that the extraordinary growth of enrollment in the Hospitality Management program will continue, given that the department has recently expanded academic offerings by adding certificates in Events Management, Hotel Management, Food and Beverage Management and Private Club Management.

Many of the Hospitality Management students currently work in Hilton Head Island businesses. They have also provided volunteer services at many of the area's local festivals and events. Students past and present have been involved in everything on the Island from The Heritage Golf Tournament to a reception for Governors' Conference attendees. The student volunteers majoring in hospitality provide a degree of professionalism, competence, and enthusiasm that assists Hilton Head Island by providing visitors, residents and future retiree residents with outstanding experiences at these local venues and events. In addition, past USCB graduates continue to be a part of the fabric of the island through their employment in hospitality operations or support services.

The Hospitality Management department would like to expand its presence on Hilton Head Island through the establishment of the USCB-Hilton Head Island Center for Events Management and Hospitality Training. As our program grows, we will offer students from around the globe the chance to study and participate in events that will give them valuable experience in a world-class destination. In addition, the center will enable Hilton Head Island to develop necessary support for current events and festivals as well as to source, expand, and develop other destination events.

**Mission:**

To provide specialized education and training that will enable Hilton Head Island to become known as an international destination for Events Management and Hospitality Training. The center will work to expand destination events and assist in the management of current local events through student volunteers and management when appropriate. In additon, the center will provide training to island workers, and individuals who are both degree seeking and non-degree seeking individuals, and be a hub for supporting the hospitality industry on Hilton Head Island. Programs will be developed for markets that include tourists, USCB students, local residents, local industry employees, community college students, and individuals who are interested in bettering themselves through education and training. The two components of the Center are explained below.

**1) Special Events Management and Staffing**

**EVENT PRODUCTION:** People want to celebrate! Whether licking their fingers at WingFest or shivering at Snow Day – people love a party. The special events industry is experiencing a growth phase as communities and companies learn of the positive economic impact these events can have. An Event Management Certificate Program was recently approved by USCB for its Hospitality Management Department, and one function of the Center would be to promote Hilton Head Island as an Event Destination.

Hilton Head Island has many successful special events; however, there is plenty of room for growth. In the Event Center, we envision the addition of at least three new special events that are currently being offered in other locations. The events would be marketed to attract new visitors to the Island and entice former visitor to come on back. The economic impact on Hilton Head Island of adding three additional special events could easily reach in excess of $5 million. Attached is simple economic impact model for the proposed special events. The estimates used are conservative. In addition, a sample economic impact analysis for a Certification Course in Events is also included.

Examples of Special Events:

- ARTS ALIVE! : Arts Alive is just that – a festival bringing the arts alive to all of its attendees. The event would feature several staged areas for live performances including music, dance and drama, an expo for individuals displaying their art forms including sculpture, glass blowing, pottery, painting, sketching, jewelry making and photography, as well as exhibits for the culinary arts.

- Distance Sporting Event: Hilton Head is the prime location for a distance sporting event either a Marathon or a half iron distance triathlon. Kiawah Island currently offers an event weekend including a half marathon and marathon race. The marathon event almost always sells out early in the year, capping entrants at 2500 runners. If each runner stays the weekend, the economic impact for such an event is over 1.2 million for just the marathon runners, not including those registered in the half marathon event. Hilton Head is also a perfect venue for a half distance ironman event. The sport of triathlon is one of the fastest growing sports in the nation. USA Triathlon reports that 67% of their members are business and community leaders between the ages of 30 and 50. Members have a median household income of $126,000, and spent $3.4 billion on goods and services in 2010. Again, an event of this nature can easily attract in excess of 2500 community leaders with income to spend. Hilton Head is currently under consideration by one major triathlon production group and is willing to work with this community.

- GO GREEN –GO HHI: The ecotourism festival would feature just that – ecotourism activities – kayak paddles, trail runs, beach sweeps, kite surfing, paddle surfing and oyster roasts. The history and culture of Hilton Head Island would be celebrated as well with information sessions and the performing arts.

All special events would be green events, practicing responsible festival production. Cans, bottle, glass and cardboard would be recycled, and land usage would be careful and protective. Hilton Head Island is a beautiful location for a festival and it needs to remain protected for future celebrations.

## VOLUNTEER MANAGEMENT:

Special events cannot be successful without volunteers and USCB students have helped to make Island special events successful for years, including The Heritage Classic of Golf, the Concours d'Elegance, Hilton Head Wine and Food Festival, Wing Fest, Snow Day, Seafood Jazz and Brew and the Play Hard Sports Duathlon.

In addition, the Center stands ready to formally partner with key groups such as the Gullah Festival, Hilton Head Hospitality Association, and the Public Art Festival to deliver quality events.

The Center will enable the University to expand its volunteer program to allow more and more extensive student volunteer opportunities including but not limited to a practicum course in Events. This will benefit the students as they learn with a hands on approach, and will also benefit the event managers who will be assured a pool of qualified volunteers that will help ensure the success of the event.

Examples of Volunteer Positions:

- Island Recreation Center: The Island Recreation Center builds community and does so by its successful production of community events such as the Turkey Trot, the Oyster Roast, Wing Fest and Cajun Festival to name a few. Students will be placed as interns with Island Recreation to help with the production, marketing, budgeting, and promotion of such events.

- The Heritage Classic of Golf: USCB currently provides over 60 student volunteers during this prestigious PGA event. The Center will be able to allow the University to increase its volunteers and also develop an internship position with the Heritage Classic Foundation.

- Concours D'Elegance, Seafood Jazz and Brew, Hilton Head Wine and Food Festival: Students can assist with research and various volunteer positions.

**2) Hospitality Training:**

The Center will offer education opportunities in credit courses, non-credit courses, certificates, and training. Programs will be developed for markets that include: Tourists, USCB students, local residents, local industry employees, community college students, and individuals who are interested in bettering themselves through education and training.

Examples of programs could include:

- Island Knowledge and Island Customer Service Training: Non-credit certificates.
    - Target Market: Local hospitality industry employees who are in need of specific Hilton Head Island knowledge training, certifications, service training.

- USCB can partner with organizations such as the National Restaurant Association and the American Hotel and Lodging Association, to provide service training and skills training. Examples include certificates in areas such as Customer Service, Food Sanitation, and Alcohol Service Training.
    - Target Markets:
        - Local hospitality industry employees who are in need of specific certifications, service training, or Island knowledge training.
        - Managers and Industry leaders who will come to Hilton Head Island in order to become certified.
        - High School students who are currently working in or thinking of working in the hospitality industry in part-time positions.

- Two 3-Day Specialized Certification Courses offered to industry leaders, managers and business owners from international locations and the United States.
    - Target Market: Managers and Professional in the field of Hospitality.
    - Two 3-day schools, each related to a specific topic such as Event Planning and Management, Destination Wedding Management, Event Research. Participants would come to Hilton Head Island for a specific course of study at the Center and participate in Festivals and Events, stay in local hotels for 2-

3 nights, eat in local restaurants, and receive a USCB continuing education certificate or other national certifications in the area of Events Management.

- Continuing Education for Retirees and Island Residents. The Center for Events Management and Hospitality Training, in partnership with the Osher Lifelong Learning Center at USCB, will offer seminars and classes in the area of Food and Wine.

- Appropriate University Courses in Events Management
    - Target Market: Students enrolled in a baccalaureate degree. Students will assist at festivals and events on Hilton Head Island through such activities as volunteering, planning, marketing, conducting research, and other aspects of festival and event management that will allow current events to thrive and allow for the possibility of creating or attracting new events.

- 2-3 Day Culinary Programs.
    - Target Market: Tourists and Retirees
    - 1-3 day Cooking schools related to a specific topic. Tourists and residents would take a courses taught at local restaurants.
    - 1-3 day Wine and/or Spirits programs. Tourists and residents would participate in programs

**Impact on Tourism**

The Center will provide a platform for addressing training issues and challenges in the hospitality industry. More importantly, the programs will become a viable means of professional growth and career advancement for all local hospitality industry employees. This educational opportunity will have far reaching effects for the Island by increasing the visibility of our area while educating hospitality executives from all over the world. The following population segments will be impacted by the center: 1) tourists will benefit through better service in Hilton Head Island hotels, resorts, restaurants, and hospitality businesses, 2) hospitality employees will benefit through better education, 3) hospitality employees will benefit by understanding the Hilton Head environment and history, 4) employers will benefit through better educated employees, and 5) Hilton Head Island will benefit through national exposure as a destination for education and certificates, which will increase the number of visitors.

**Benefit to the Community**

Travel and tourism is one of the largest industries in the world, and is the largest industry on Hilton Head Island. However, Hilton Head Island and its tourism-related businesses are competing with high quality destinations throughout the world. This intense global competition for tourism dollars can be counteracted by maintaining and enhancing the superior quality of service provided on Hilton Head Island as well expanding and supporting local events. By entering into this collaboration, the Accommodation tax funds will be reinvested by the Center to ensure that all who live here and visit here will an exceptional experience on Hilton Head Island. This seed money will allow USCB to re-establish a presence on the Island and grow programs that are integral to the continued success of Hilton Head Island as a world-class destination and community.

Special Event Economic Impact

| | |
|---|---|
| Lodging<br>2 nights @ $100 | $200 |
| Food and Beverage<br>3 Days @ $50 | 150 |
| Shopping, Snacks, Misc.<br>3 Days at $25 | $75 |
| Total Per Guest | $425 |
| Attendees | |
| 2000 | $850,000 |
| 2500 | $1,062,500 |
| 3000 | $1,275,000 |
| 3500 | $1,487,500 |
| 4000 | $1,700,000 |
| 4500 | $1,912,500 |
| 5000 | $2,125,000 |

Special Event Education
Certification Course
Economic Impact

| | |
|---|---|
| Lodging<br>2 nights @ $100 | $200 |
| Food and Beverage<br>3 days @ $50 | $150 |
| Shopping, Snacks, Misc.<br>3 days @ $25 | $75 |
| Total per Student | $425 |
| Students Annually<br>25 per quarter | 100 |
| Total | $42,500 |

**ORDINANCE NO.: 2011-13** **PROPOSED ORDINANCE NO.: 2011-13**

**AN ORDINANCE TO AMEND CHAPTERS 10 AND 13 OF TITLE 4 (FINANCE AND TAXATION), OF THE MUNICIPAL CODE OF THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA, BY AMENDING SECTION 4-10-70, PERMITTED USES OF LOCAL ACCOMMODATIONS TAX FUNDS; AMENDING SECTION 4-10-100, MANAGEMENT AND USE OF LOCAL ACCOMODATIONS TAX; AMENDING SECTION 4-13-80, PERMITTED USES OF FUNDS; AND PROVIDING FOR SEVERABILITY AND AN EFFECTIVE DATE.**

**WHEREAS,** on July 2, 1997, the Town Council amended the Code of the Town of Hilton Head Island, South Carolina, (1983), by adding a new chapter 10 of article 4, entitled "Local Accommodations Tax"; and

**WHEREAS,** on February 8, 2000, the Town Council amended the Code of the Town of Hilton Head Island, South Carolina, (1983), by adding a new chapter 13 of article 4, entitled "Local Hospitality Tax"; and

**WHEREAS,** Town Council desires to amend Section 4-10-70, (Permitted uses of local accommodations tax funds), in order to consistently provide for an advertising account in the General Fund in accordance with guidelines established in the Town Budget's accounting and financial policies; and

**WHEREAS,** Town Council desires to amend Section 4-10-100 (a), (Management and use of local accommodations tax), in order to abolish the Festival and Island Ambassador Program fund and replace it with an Event Management and Hospitality Training Program fund.

**WHEREAS,** Town Council desires to repeal Section 4-10-100 (b), (Reserve fund).

**WHEREAS,** Town Council desires to amend Sections 4-13-80, (Permitted uses of funds), in order to consistently provide for an advertising account in the General Fund in accordance with guidelines established in the Town Budget's accounting and financial policies; and

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

**Section 1.** **Amendment.** That the Code of the Town of Hilton Head Island, South Carolina, be, and the same hereby is, amended to read as indicated on the attached pages.

**NOTE:** New text is indicated by a double underline and deleted text is indicated by a ~~strike through~~.

**Section 2.** **Severability.** If any sections, 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 attest the validity of the remaining portions thereof.

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

**PASSED, APPROVED, AND ADOPTED BY THE COUNCIL FOR THE TOWN OF HILTON HEAD ISLAND ON THIS 2nd DAY OF August 2011.**

Drew A Laughlin, Mayor

**ATTEST:**

Cori Brock, Town Clerk

First Reading: July 5, 2011

Second Reading: August 2, 2011

**APPROVED AS TO FORM:**

Gregory M. Alford, Town Attorney

Introduced by Council Member: KENNETH S HEITZKE

## LOCAL ACCOMODATIONS TAX

Sec. 4-10-70. - Permitted uses of local accommodations tax funds.

(a) The Town Council is hereby authorized to utilize the funds collected from the imposition and collection of the local accommodations tax and any other funds deposited into "The Town of Hilton Head Island, South Carolina, Local Accommodations Tax Account." The revenue generated by the local accommodations tax must be used exclusively for the following purposes:

(1) Tourism-related buildings, including, but not limited to, civic centers, coliseums, and aquariums;

(2) Tourism-related cultural, recreational, or historic facilities;

(3) Beach access and renourishment;

(4) Highways, roads, streets, and bridges providing access to tourist destinations;

(5) Advertisements and promotions related to tourism development;

(6) Water and sewer infrastructure to serve tourism-related demand; and,

(7) The operation and maintenance of those items provided in (a)(1) through (a)(6) above, including police, fire protection, emergency medical services, and emergency-preparedness operations directly attendant to those facilities;

(8) For those purposes set forth in section 4-10-100.

(b) The Town shall set aside five (5) percent of the local accommodations tax collected hereunder, and shall deposit the same into an advertising account in the General Fund as identified in the Accounting and Financial Policies section of the annual budget as adopted by town council, with said funds to be utilized as provided therein.

~~(b)~~ (c) Authorization to utilize any funds from the "the town, Local Accommodations Tax Account," shall be by the annual budget ordinance duly adopted by the town council for the town.

Sec. 4-10-100.- Management and use of local accommodations tax.

(a) Event Management and Hospitality Training ~~Festival and Island Ambassador~~ Program fund. The town shall set aside five (5) percent of this local accommodations tax for special events production and volunteerism and hospitality training. ~~the promotion of festivals created after January 21, 1998, and promotion and sponsorship of the Island Ambassador Program and similar programs.~~ The ~~T~~town shall select one (1) organization to manage and direct such fund expenditures. To be eligible for selection the organization must be local, organized as a nonprofit (501c), and be mission driven to promote tourism development. ~~whose membership consists of representatives from the lodging, restaurant, golf, tennis and related hospitality industry.~~ The organization must employ a full-time executive director and provide an annual audited financial report in accordance with generally accepted accounting principles. The organization must not otherwise be designated as the official tourism agency by the town or any other governmental agency. The organization is required to submit an annual budget to the town~~'s accommodations tax advisory committee~~ prior to April 1 of each calendar year for inclusion in the town's proposed annual budget. ~~The accommodations tax advisory committee shall review and make recommendations to the town council by May 15 of each calendar year.~~ The town council shall consider the budget and award the organization a reimbursable grant on a June 30 fiscal year basis. ~~Funds shall be distributed to the designated organization on a quarterly basis no later than thirty (30) days after the end of the quarter.~~

~~(b) Reserve fund. The town shall set aside, in a separate account, five (5) percent of the one (1) percent local accommodations tax, as a reserve fund for disaster management communications-oriented programs. Fund expenditures shall be used to provide for post disaster advertising, a communications link to emergency agencies, and media programs to provide public notice. Funds may be distributed upon authorization by the town manager.~~

(Ord. No. 98-05, § 1, 1-21-98; Ord. No. 00-06, § 1, 2-8-00; Ord. No. 2008-16, § 1, 6-17-08)

**LOCAL HOSPITALITY TAX**

Sec. 4-13-80. - Permitted uses of funds.

(a) The town council is hereby authorized to utilize the funds collected from the imposition of the local hospitality tax and any other funds deposited into the town hospitality tax account for the following purposes, and no other:

(1) To pay, in whole or in part for the current and future construction, enhancement, preservation and maintenance of:

a. Tourism-related buildings, including, but not limited to, civic centers, coliseums, and aquariums;

b. Tourism-related cultural, recreational, or historic facilities;

c. Beach access and renourishment;

d. Highways, roads, streets, and bridges providing access to tourist destinations;

e. Advertisements and promotions related to tourism development; and,

f. Water and sewer infrastructure to serve tourism-related demand.

(3) The town shall set aside two (2) percent of the local hospitality taxes collected hereunder, and shall deposit the same into~~the disaster "reserve fund" heretofore established under the provisions of section 4-10-100(b),~~ an advertising account in the General Fund as identified in the Accounting and Financial Policies section of the annual budget as adopted by town council,with said funds to be utilized as provided therein.

# Memorandum

**TO:** Town Council

**FROM:** Steve Riley, Town Manager

**VIA:** Susan Simmons, Director of Finance

**DATE:** July 6, 2011

**RE:** **Second Reading of Proposed Ordinance No. 2011-13**

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There were no changes made to Proposed Ordinance #2011-13 during the first reading on July 5, 2011.

# MEMORANDUM

**TO:** Town Council

**FROM:** Stephen G. Riley, CM, Town Manager

**VIA:** Susan M. Simmons, CPA, Director of Finance

**DATE:** June 24, 2011

**RE:** **First Reading of Proposed Ordinance No. 2011-13**

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**Recommendation:**

Town Council approves first reading of Proposed Ordinance No. 2011-13 amending the Town Code for Local Hospitality Tax (Section 4-13-80) and Local Accommodations Tax (Sections 4-10-70 and 4-10-100) related to the restricted advertising account and USCB's Center for Event Management and Hospitality Training.

**Summary:**

Restricted Advertising Account. The ordinance will codify the proposed change to the Restricted Advertising Account (previously called the Disaster Advertising Reserve) to allow broader permitted uses of these funds. Previously, this account consisted of two subaccounts: (1) when fully funded, $1 million was for Disaster Advertising and (2) any excess amount over $1 million was accumulated for a General Reserve up to a max of 15% of the General Fund's operating revenues. Under the new proposal, the General Reserve portion of these funds will be eliminated and the newly structured Restricted Advertising Account may be used for:

- a "near miss" or a declared disaster (can take the Account below $1 million),
- other such targeted advertising needs authorized by Town Council (cannot take the Account below $1 million),
- supplemental annual tourism advertising distributed to the Town's designated tourism promotion agency when the Account balance at fiscal yearend exceeds $1 million after distribution of approved uses above.

This ordinance amends the Town Code authorizing establishment and funding of the Account but the permitted uses will be addressed in the Accounting and Financial

Policies enacted each year with the Town's annual budget ordinance. Therefore, the policy change will require a budget amendment ordinance. In an unrelated matter, staff must also amend significant portions of the Accounting and Financial Policies to address the new requirements of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This ordinance will be proposed by staff in August or September. In the interim, the draft changes for only the Restricted Advertising Account are included as **Attachment 1** to this memo.

USCB's Center for Event Management and Hospitality Training (the Center). The proposed ordinance will codify changes necessary to implement action taken by Town Council on May 3, 2011 to establish the Center as the designated agency to receive funds to promote tourism through a two faceted program to provide Special Events Production and Volunteerism as well as Hospitality Education. The Center will reinstate USCB's presence on the Island.

**Background:**

Restricted Advertising Account. When originally established, the Town intended to use these funds primarily for natural disasters (such as hurricanes and tropical storms). It later realized that even a "near miss" could impact tourism and the economy. In the last couple of years' recession, the Town realized that economic disasters are just as likely to impact the Town's economy as natural disasters. The near loss of the Heritage and the necessity for the Town to support the Heritage to maintain it for the next five years will require sources of revenue to fund the Town's share, possibly funds from this Restricted Advertising Account. The permitted uses for this Account may also include development, production and similar costs related to advertising. In addition, the Island has lost ground to promote tourism when compared to its competing tourist markets. Staff believes that utilizing balances above $1 million to promote tourism and help restore the Island's marketing presence would be a better use of funds than building up large reserves.

**Note:** Changes to the Restricted Advertising Account should not be confused with the Town's main Operating Reserve. The Town has a **separate** fully-funded Operating Reserve (minimum of 25% up to a maximum of 30% of the annual operating budget) which is not being eliminated or changed.

USCB's Center for Event Management and Hospitality Training (the Center). The Event Management and Hospitality Training Program will replace the Festival and Island Ambassador Program as a similar but expanded program. The Hilton Head Hospitality Association no longer qualifies to be the recipient organization to receive these funds and has in fact announced plans to disband. The changes to the Code will not impact the funding of this account which is 5% of the Local Accommodations Tax revenues.

The proposed ordinance will codify changes necessary to implement action taken by Town Council on May 3, 2011 to establish the USCB Center on the Island and make it the designated organization to receive funds to promote Island tourism through Event Management and Hospitality Training.

**Attachment 1**

**Notes to Readers:** Attachment 1 is a draft from the Accounting and Financial Policies of the Town's Annual Budget. In August or September, staff will propose a comprehensive budget amendment ordinance to amend the Policies to comply with GASB 54. This excerpt from the Policies is included here to represent the planned changes for the Restricted Advertising Account which is pertinent to this Proposed Ordinance 2011-13.

New text is indicated by a double underline and deleted text is indicated by a ~~strike through~~.

## Disaster Planning Reserves/Policies

~~*Advertising Reserve*~~

~~The Town will set aside 2% of the 2% local hospitality tax and 5% of the 1% local accommodations tax revenues collected annually into a disaster advertising reserve account. These funds are held in reserve for disaster management communications oriented programs. The fund will be used to provide post disaster advertising, a communications link to emergency agencies, and media programs to provide public notice. Funds may be distributed upon authorization by the Town Manager. The total amount of funds to be deposited in the reserve for this purpose will not exceed $1 million. Annual interest earned on funds in the reserve will also be deposited into the account.~~

~~*General Reserve*~~

~~Once the Disaster Advertising Reserve reaches $1 million, the Town will set aside 2% of the 2% local hospitality tax and 5% of the 1% local accommodations tax revenues collected annually into a disaster general reserve account. These funds may be used for pre-disaster planning and post disaster recovery efforts (non-communication related activities or debt service payments). The total amount of funds held in reserve for this purpose will not exceed 15% of the General Fund's annual operating revenue.~~

### Restricted for Advertising

The Town shall maintain a Restricted Advertising Account for the purpose of having ready access to funds for special advertising needs in cases of a) a near miss of a hurricane, b) for advertising in response to a declared disaster, c) for other such targeted advertising needs as determined by Council on a case-by-case basis, and d) for supplemental annual tourism advertising.

The Town shall deposit two percent (2%) of the local hospitality tax revenues and five percent (5%) of the local accommodations tax revenues collected annually into the Restricted for Advertising account. Annual interest earned shall be deposited into the account. The Town will maintain at least one million dollars in the account. Deposits into this account shall first be used to replenish the Restricted Advertising Account to a minimum of one million dollars if the account has fallen below that threshold.

**Attachment 1 (continued)**

Permitted Uses of Funds

Funds may be distributed as follows:

A. The Town Manager may authorize advertising expenditures associated with responding to a near miss or declared disaster and are the only expenditures authorized to take the account below one million dollars.

B. Following a vote of Town Council, funds may be distributed for other such targeted advertising needs as approved. In no case shall such a release of funds for such purposes take the account below one million dollars.

C. At the end of each fiscal year, the Town Manager shall review the amounts deposited into and distributed from the account for that year. Any remaining amount above one million dollars shall be made available to the Town's designated tourism promotion agency for supplemental tourism advertising during the subsequent fiscal year.

**STATE OF SOUTH CAROLINA )**
**) MEMORANDUM OF UNDERSTANDING**
**COUNTY OF BEAUFORT )**
**)**

This Memorandum of Understanding (the "Memorandum") is entered into by and between the Town of Hilton Head Island (hereinafter referred to as the "Town,") a South Carolina Municipal Corporation, and the University of South Carolina Beaufort (hereinafter referred to as "USCB"), a South Carolina public education institution. When referred to collectively, these entities shall be known as the "Parties".

**1.** **<u>Governing Document and Statement of Purpose.</u>** It is the intent of the Parties that this Memorandum shall serve to outline the various services that USCB will provide to the public on behalf of the Town and the corresponding financial support that will be provided by the Town in order to receive these services. Those services shall include, but not necessarily be limited to, supporting organizations in the development of special events, providing hospitality training, increasing volunteerism, continuing community education, and facilitating the Island Ambassador Program. This document is not intended in any way to impact or amend any other programing, facilities, or financial support documents that may already exist between the Town and USCB separate and apart from this Memorandum.

**2.** **<u>Programming.</u>**

a. To be eligible for funding under this Memorandum, USCB shall remain an agency of the state and be mission driven to support tourism development on Hilton Head Island through the Center for Lowcountry Hospitality Education.

b. USCB must employ a full-time executive director who will be responsible for overseeing the creation, development, and delivery of a hospitality training program which shall serve to educate Hilton Head Island residents and visitors as to the Island's rich history, cultural resources and communities, Island operations/resources, environment, and ecology. The scope of services that USCB will provide related to the Island Ambassador Program are outlined in attachment "A" incorporated herein by reference to this Memorandum.

c. The Island Ambassador Program shall be offered to the public no less than five (5) times per calendar year at such dates and times as may be determined by USCB. Additionally, USCB may provide the Island Ambassador Program to select groups and organizations as it deems appropriate.

d. As part of the Island Ambassador Program, USCB shall provide participants with a meaningful opportunity to provide feedback on the quality of the Program materials, presenters, and other relevant information in order to provide ongoing evaluation as to the effectiveness of the program and any potential program modifications that may need to be considered. This information shall be submitted to the Town with its annual budget request and its corresponding annual report. This report should detail information about program participation levels, accomplishments during that reporting period, and other relevant information to help inform the Town about the performance and effectiveness of the Island Ambassador Program.

e. In addition to the Island Ambassador Program, USCB will also provide consultation to nonprofit organizations located on Hilton Head Island in the planning, development, and/or execution of special event production and associated volunteerism related activities.

f. USCB will provide an annual audited financial report in accordance with generally accepted accounting principles.

g. Upon request of the Town, USCB shall make its financial records associated with any grant funding provided herein available to the Town for review.

h. USCB will submit a proposed annual budget in conformity with the terms of this Memorandum to the Town prior to February 1st of each calendar year for consideration by the Town Council as an affiliated agency.

**3.** **Funding.** In support of providing the services outlined herein on behalf of the Town of Hilton Head Island, the Town will provide USCB with funding in the amount of $235,000 annually. This figure shall be subject to an annual inflation factor of three percent (3%) for each successive year under the Term of this Memorandum.

**4.** **Notices.** All notices required under this Memorandum shall be deemed to have been given if in writing and

a. delivered personally; or

b. mailed first class, postage prepaid, to the address of record set forth below, in which case delivery shall be deemed to have occurred two calendar days after the date of postmark.

**UNIVERSITY OF SOUTH CAROLINA BEAUFORT**
Chancellor
One University Boulevard
Bluffton, SC 29909

**TOWN OF HILTON HEAD ISLAND**
Town Manager
One Town Center Court
Hilton Head Island, SC 29928

The address of record may be changed by written notice to the other party.

5. **Term.** The term of this Memorandum of Understanding shall be for a period of five (5) years from the date of execution. No less than six (6) months prior to the expiration of this Memorandum, it will be reviewed by the Town and USCB for purposes of determining if such Memorandum should be extended, terminated, or if modifications need to be made prior to the execution of any subsequent agreements. Changes to this document may be made only with and by the mutual consent of both parties.

6. **Termination.** In addition to any other rights of termination set forth in this Memorandum, each party shall have the right to terminate this Memorandum, by written notice to the other party, if the other party is in default of any term or provision of this Memorandum, and the defaulting party fails to cure or correct such default within fourteen (14) days of notice thereof from the non-defaulting party. A party may elect to disregard a default for the period of time without waiving its right to declare a default at a subsequent time or upon reoccurrence of the default.

**IN WITNESS WHEREOF,** the Town and USCB has caused this Agreement to be signed and sealed this ______ day of ___________________________, 20_____.

| | |
|---|---|
| **SIGNED, SEALED AND DELIVERED IN THE PRESENCE OF:** | **UNIVERSITY OF SOUTH CAROLINA BEAUFORT** |
| ______________________________ | By:________________________________ |
| | Dr. Al M. Panu<br>Chancellor |
| ______________________________ | |
| **SIGNED, SEALED AND DELIVERED IN THE PRESENCE OF:** | **TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA** |
| ______________________________ | By:________________________________ |
| | Marc Orlando<br>Town Manager, ICMA-CM |
| ______________________________ | |

ATTACHMENT A

## ISLAND AMBASSADOR/HOSPITALITY TRAINING/COMMUNITY EDUCATION PROGRAM OUTLINE

1. Island Ambassador Program

    a. USCB will collect data from a variety of focus groups and Hilton Head Island stakeholders to completely redesign the Island Ambassador Program ("Program").

    b. The Program is envisioned to be sorted into required content that is directly related to Hilton Head Island's history, culture (including an emphasis on Gullah Geechee culture, native islander communities, and their importance to Hilton Head Island), natural resources and ecology, governance, economy, and additional a la carte content that takes a deeper dive into some or all of these areas, depending on audience. Local experts in these areas will be incorporated into the Program through videos, in-person presentations, or other meaningful methods.

    c. The program will include an introduction from the mayor speaking to those people participating in the Program who live and/or work on the island.

    d. Redesign the Island Ambassador ("IA") "pin" and create a digital badge for use in the employee's signature line.

    e. Schedule a minimum of five (5) Program sessions to occur annually on USCB's Hilton Head Island campus with additional events to be scheduled with local industries and delivered on-site as determined by USCB.

    f. Develop and implement a pilot for a "junior ambassador" program targeting $4^{th}$ graders on the island as $4^{th}$ grade educational standards include South Carolina History.

2. Quality Management Program

    a. Refresh the quality management program; increase "secret shopper" program to local industries to continually improve the guest/tourist experience.

3. Continuing Education

    a. Survey needs of various industry partners and community stakeholders to identify potential continuing education program offerings.

    b. Offer relevant industry certifications (ex. AHLEI) that develop and recognize the expertise of local industry leaders.

4. Ecotourism

    a. Expand Finnegan's Sharing Shack to include other locations and create co-branding opportunities with beachfront resorts.

    b. Collaborate with the Town to minimize the carbon footprint of tourists and support other environmentally responsible strategies to preserve the natural beauty of the island.

5. Develop New and Improved Media Presence

    a. Demonstrate CEMHT's commitment to incorporating the Town Goals as outlined in the Town's *Our Plan*, as well as any current Strategic Action Plan.

    b. Overhaul the Program's website to reflect these items.

    c. Introduce use of social media for marketing purposes.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**RESOLUTION NUMBER 2023-__**

**A RESOLUTION BY THE TOWN OF HILTON HEAD ISLAND AUTHORIZING A MEMORANDUM OF UNDERSTANDING WITH THE UNIVERSITY OF SOUTH CAROLINA BEAUFORT**

**WHEREAS,** beginning in 2011, the Town formed a partnership with the University of South Carolina Beaufort to support hospitality training, special event management, and volunteerism efforts on Hilton Head Island; and

**WHEREAS,** to fund these services, the Town incorporated into its Municipal Code a provision whereby 5% of the funding that the Town collected under its Local Accommodation Tax would be provided to the University for these purposes; and

**WHEREAS**, in recent years, collections of both State and Local Accommodations Taxes have increased significantly thereby causing the Town to remove this automatic funding formula from its Municipal Code in favor of funding these services as an Affiliated Agency of the Town; and

**WHEREAS,** Town staff were directed to prepare a Memorandum of Understanding that would serve to outline the roles of both the Town and the University and be the basis of any funding that might be provided as part of the annual budget process; and

**WHEREAS,** the parties have completed their negotiations in developing a draft Memorandum of Understanding and the result of which is being presented to the Town Council for its consideration.

**NOW, THEREFORE, BE IT RESOLVED** by the Mayor and Councilmembers of the Town of Hilton Head Island, in Council duly assembled, that the Mayor and Town

Manager are hereby authorized to take such actions as may be necessary to enter into a Memorandum of Understanding enclosed with this Resolution as Attachment A.

**MOVED, APPROVED, AND ADOPTED ON THIS _____ DAY OF ________________, 2023.**

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

______________________________
Alan R. Perry, Mayor

**ATTEST:**

__________________________________________
Kimberly Gammon, Town Clerk

**APPROVED AS TO FORM:**

__________________________________________
Curtis L. Coltrane, Town Attorney

Introduced by Council Member:__________________________________

# TOWN OF HILTON HEAD ISLAND

*Finance and Administrative Committee*

| | |
|---|---|
| **TO:** | Finance and Administrative Committee Members |
| **FROM:** | Joshua Gruber, *Deputy Town Manager* |
| **CC:** | Marc Orlando, *Town Manager* |
| **DATE:** | December 12, 2023 |
| **SUBJECT:** | Consideration of a Resolution Approving a Memorandum of Understanding with the Coastal Community Development Corporation |

## RECOMMENDATION:

The Committee should review the proposed Memorandum of Understanding with the Coastal Community Development Corporation and if it is supportive of providing funding to this organization for the purposes of providing workforce housing, what terms and conditions must be set forth concerning the manner in how this funding will be utilized.

## BACKGROUND:

The Town was contacted by representatives of the Coastal Community Development Corporation (CCDC), a South Carolina nonprofit corporation, requesting funding in the amount of $600,000 that would allow the organization to pursue the acquisition of various condominium units located on Hilton Head Island. These units would be utilized to provide dedicated affordable workforce housing.

The CCDC has stated that its goal is to increase the availability of homes for the local and regional workforce by preserving existing housing, redeveloping existing property and developing new property to meet the demand of our region while serving working residents. To accomplish this, the organization would purchase various condominiums and villas that would become available on the open market, acquire them, and record restrictive covenants that would limit the Area Median Income (AMI) requirements that could be applied to any rental of the property.

## ANALYSIS:

The CCDC made an initial presentation to the Town's Finance and Administrative Committee on August 15, 2023. At the conclusion of this meeting, staff was asked to prepare a Memorandum of Understanding that would outline the various roles and responsibilities of the parties should the Town authorize the requested funding. Staff worked with representatives of the CCDC to create this document. A copy was provided to all members of the Committee in advance of the upcoming meeting and any comments or proposed revisions were solicited. The following represents the feedback that was received and is being provided in this staff Memorandum for consideration by the Committee and the CCDC:

- Is there a definition of Affiliated Agency?
- Do we need to get into the consequences of a tenant exceeding the income limitations, such as by promotion, marriage, or otherwise?
- Do we want to consider having a representative on their board?
- Should we consider quarterly or other periodic reporting to the Work Force Housing Committee?
- Do agreements with other affiliated agencies have the same type of "will consider" language?
- Are the other agencies required to have a separate fund & the same reporting language? A separate fund seems reasonable.
- I would ask for confirmation that the language complies with the requirements set forth in the Attorney General's Opinion letter.
- CCDC AMI range should be specific and not using the "up to" language.

**CONCLUSION:**

The Committee should review the proposed Memorandum of Understanding with the Coastal Community Development Corporation and determine if it is supportive of this funding request. If it is, then any corresponding amendments to the Memorandum of Understanding they should be included in the recommendation that is sent to the Town Council for its consideration.

**ATTACHMENTS:**

1. Draft Memorandum of Understanding with the Coastal Community Development Corporation (Revised)
2. CCDC Presentation Materials
3. CCDC 2023 13 Unit Purchase Model
4. CCDC Villa Purchase Model
5. CCDC 2023 AMI & Rent Schedule
6. CCDC Rental Guidelines
7. Critical Path Timeline on Use of State Accommodation Tax Funds
8. State A-Tax Availability Summary

**STATE OF SOUTH CAROLINA )**
**) MEMORANDUM OF UNDERSTANDING**
**COUNTY OF BEAUFORT )**

This Memorandum of Understanding ("Agreement") is entered into this _____ day of __________________, 2023, by and between the Town of Hilton Head Island ("Town"), a South Carolina Municipal Corporation, and the Coastal Community Development Corporation ("Coastal"), a South Carolina nonprofit corporation. When referred to jointly, these entities shall be referred to as the "Parties."

**WHEREAS,** the Town is committed to fostering a strong sense of community and well-being for all of its residents through the creation of affordable workforce housing; and

**WHEREAS**, within *Our Plan*, the Town of Hilton Head Island's Comprehensive Plan, the Town has identified a specific goal of encouraging the development of workforce housing and home ownership through effective incentives; and

**WHEREAS**, one of the strategies identified within Comprehensive Plan is to support programs that are aimed at increasing workforce housing availability similar to the program that is offered by the Coastal Community Development Corporation; and

**WHEREAS,** Coastal is dedicated to the development of affordable workforce housing and has presented a plan whereby it would acquire existing residential units on Hilton Head Island and restrict their future occupation and use to established affordable housing criteria; and

**WHEREAS,** both parties acknowledge the need for an effective partnership between the Town and Coastal to facilitate the development of affordable workforce housing within the municipal limits of Hilton Head Island.

**NOW, THEREFORE**, for and in consideration of the mutual promises, undertakings, and covenants set forth herein, the receipt and sufficiency of which is acknowledged and affirmed by both the Town and Coastal, the Parties do hereby agree as follows:

1. **Governing Document**

It is the intent of the parties that this Memorandum shall only govern circumstances wherein the Town has provided funding to Coastal for the purposes of developing affordable workforce housing.

2. **Funding**

The Town will consider an annual financial contribution to Coastal through its Affiliated Agency funding process to support the acquisition of land, the creation of affordable workforce housing, and the oversight and management of the same. The balance of any capital or operating funding that may be necessary to accomplish this purpose above and beyond any amount appropriated by the Town shall be raised by Coastal from sources other than what has been provided by the Town through its Affiliated Agency funding.

<u>Nothing in this document, or the Affiliated Agency funding process shall be deemed to require the Town to continue the Affiliated Agency funding process, or to otherwise be deemed a commitment of the Town to provide any future funding.</u>

3. **Roles and Responsibilities**

a. Coastal's Obligations:

i. <u>Approval of Plan and Budget</u>. Prior to awarding any funding identified under this Agreement, Coastal shall submit annually through the Town's Affiliated Agency program. Among other program requirements, this submission shall include a detailed plan (the "Plan") and budget (the "Budget") for the development of workforce housing for which this funding will be utilized. The Town will provide Coastal with access to its staff to assist in the development of both the Plan and the Budget.

ii. <u>Use of Funding</u>. Coastal may only use the above referenced funding for the purposes of acquiring real property and/or acquiring single and/or multi-family workforce housing units within the municipal boundaries of Hilton Head Island.

iii. <u>Maintenance Plan</u>. Within its Plan, Coastal shall provide information outlining how the affordable workforce housing units developed with the use of the Town's funding will be maintained in accordance with generally accepted maintenance standards. Coastal shall also identify how applicants will be screened and ultimately selected to own and/or occupy any units created under this Agreement.

iv. <u>Income Requirements</u>. Within its submitted Plan, Coastal shall identify the Area Median Incomes ("AMI") applicable to the affordable workforce housing units that it seeks to create under this Agreement. The rental or conveyance of any workforce housing homes created under this Agreement shall not exceed 120% of the AMI applicable to Hilton Head Island, South Carolina without the express prior written approval by the Town.

v. Ongoing Affordable Nature of Housing Units. Within its submitted Plan, Coastal shall identify the nature and extent to which the affordable workforce housing units it seeks to create under this Agreement shall be maintained and the duration of time, expressed in years, that it will ensure that the affordability standards for these units are maintained as stated in its submitted Plan. Copies of any restrictive covenants that are created for these purposes shall be provided as part of Coastal's annual Plan and Budget submission. Additionally, within the submitted Plan, any units acquired and/or created under this agreement shall be documented as being restricted from use as a short-term rental during any period of time to which the unit is limited to workforce housing purposes.

vi. No units acquired or created under this agreement shall be sold by Coastal without the express consent of the Town.

Accounting, Reporting, and Transparency. Any funding awarded under this Agreement shall be accounted for in a separate fund according to Generally Accepted Accounting Principles for governmental and non-profit entities. All such financial statements shall be signed by the president of Coastal certifying that the statements are a complete and fair statement of the financial status of Coastal for the applicable period. Coastal shall allow the Town to access all records related to the Grant funds upon seventy-two (72) hour written notice. To the extent that it should become necessary, Coastal agrees that it will provide the Town with any documentation that may be necessary to appropriately identify and account for any funding that it may receive. Coastal shall also work with the Town to provide any documentation that may be requested of any state or federal entity pertaining to this funding.

Coastal shall cause a financial statement to be prepared each year at the conclusion of Coastal's fiscal year by an entity independent of, and unconnected to, Coastal. Coastal shall deliver a copy of its financial statement to the Town within thirty (30) days of the completion of the financial statement each calendar year. All such financial statements shall be signed by the president of Coastal certifying that the statements are a complete and fair statement of the financial status of Coastal for the applicable period.

Coastal shall provide the Town with an annual independent audit report or review report prepared by a Certified Public Accountant (CPA) acceptable to the Town. An annual report shall be submitted no less than every third year.

Coastal shall prepare and submit an annual report to the Town identifying the manner in which any funding that it has received by the Town was utilized, the outcomes that it has created to support the development of workforce housing on Hilton Head Island, and any performance metrics that may be that may be necessary to evaluate the overall effectiveness that this funding has had in addressing workforce housing issues on Hilton Head Island.

vii. Insurance. Coastal shall provide a Certificate of Insurance covering all activities necessary in the carrying out of acquiring real property, and/or during any occupancy of either single and/or multi-family workforce housing units within the municipal boundaries of Hilton Head Island. The Town shall be named as an additional insured within this document.

viii. The insurance policies required by this agreement shall include:

a. Fire insurance with limits equal to the replacement cost of any structure covered by this agreement;

b. General liability insurance with limits of no less that $1million.

b. Town Obligations:

i. Staff Support: The Town will provide Coastal with access to its staff to support its activities provided for under this Agreement.

ii. Processing of Permits. The Town agrees to work with Coastal to expeditiously process any requests that it may submit for the development and/or renovation of any residential units that it acquires or maintains, and the building permits associated with any workforce housing units provided for under this Agreement.

4. **Specific Obligations**

Because of the unknown nature of future Plans and Budget that may be submitted by Coastal, as a condition of any funding that may be awarded to Coastal through the Affiliated Agency funding process, the Town may require additional obligations that shall be consistent with the Plan and Budget approved by the Town Council. Any such specific obligations will be incorporated via separate agreement and shall identify the nature and scope to which such specific obligations shall apply.

5. **Claw Backs and Dissolution**

In the event Coastal materially breaches this Agreement, the Town reserves the right to claw back the entirety of the Grant funds, or a portion thereof, that it has provided to Coastal.

Additionally, should any funding awarded under this Agreement not be utilized pursuant to the terms and conditions outlined herein, or any additional specific obligations that may be associated with any such award, then Coastal agrees to refund any such funding to the Town upon the receipt of a written demand by the Town to return such funding.

Should at any time in the future Coastal cease to exist or otherwise operate as a South Carolina nonprofit corporation, Coastal's assets shall be transferred to another similar entity, with the consent of the Town, who shall assume the ownership and responsibilities for the residential units outlined within this agreement and shall continue their occupation, maintenance, and management of these units under the same terms and conditions outlined herein or in any corresponding Plan or Budget that has been approved by the Town Council. Should a sufficient successor organization not be identified, the Town shall have the right to assume the ownership and responsibility for these units under the same terms and conditions outlined herein or in any corresponding Plan or Budget that has been approved by the Town Council.

6. **Notices**

All notices required under this Memorandum shall be deemed to have been given if in writing and

a. delivered personally; or

b. mailed first class, postage prepaid, to the address of record set forth below, in which case delivery shall be deemed to have occurred two calendar days after the date of postmark.

**COASTAL COMMUNITY DEVELOPMENT CORPORATION**
Executive Director
1000 Main Street Suite 100-B
Hilton Head Island, South Carolina 29926

**TOWN OF HILTON HEAD ISLAND**
Town Manager
One Town Center Court
Hilton Head Island, SC 29928

The address of record may be changed by written notice to the other party.

7. **Term**

The term of this Memorandum of Understanding shall be for a period of five (5) years from the date of its execution. No less than one hundred and eighty (180) days prior to the conclusion of this Memorandum, the Town and Coastal shall meet to discuss any extensions, modifications, or terminations of the same. Changes to this Agreement may be made only with and by the mutual written consent of both Parties. This Agreement and any future requests for funding that are contemplated herein are subject to an annual budget appropriation by the Town Council as part of its Affiliated Agency funding program.

8. **Termination**

In addition to any other rights of termination set forth in this Memorandum, each party shall have the right to terminate this Memorandum, by written notice to the other party, if the other party is in default of any term or provision of this Memorandum, and the defaulting party fails to cure or correct such default within fourteen (14) days of notice thereof from the non-defaulting party. A party may elect to disregard a default for the period of time without waiving its right to declare a default at a subsequent time or upon reoccurrence of the default. Additionally, either of the Parties may elect to terminate this Agreement for convenience by written notice to the other party, thirty (30) days in advance of such termination.

(SIGNATURE PAGES FOLLOW)



**IN WITNESS WHEREOF,** Coastal has caused this Agreement to be signed and sealed this ______ day of ___________________________, 20_____.

**SIGNED, SEALED AND DELIVERED IN THE PRESENCE**

**COASTAL COMMUNITY DEVELOPMENT CORPORATION**

**OF:**

________________________________ By:___________________________________
Executive Director

________________________________

Attest:________________________________

Print Name:____________________________

**STATE OF SOUTH CAROLINA** )
) **ACKNOWLEDGEMENT**
**COUNTY OF _______________________** )

I, the undersigned Notary Public, do hereby certify that ___________________________ and _______________________________ personally appeared before me this day and acknowledged the due execution of the foregoing instrument on behalf of the Coastal Community Development Corporation.

Witness my hand and seal this _____ day of ______________________, 20_____.

________________________________
Notary Public for South Carolina
My Commission Expires:__________

**IN WITNESS WHEREOF,** the Town has caused this Agreement to be signed and sealed this ______ day of ____________________________, 20_____.

**SIGNED, SEALED AND DELIVERED IN THE PRESENCE OF:**

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

__________________________________ By:__________________________

Alan Perry, Mayor

__________________________________ Attest:_________________________

Marc Orlando, ICMA~CM
Town Manager

**STATE OF SOUTH CAROLINA** )
) **ACKNOWLEDGEMENT**
**COUNTY OF BEAUFORT** )

I, the undersigned Notary Public, do hereby certify that Alan Perry and Marc Orlando personally appeared before me this day and acknowledged the due execution of the foregoing instrument on behalf of the Town of Hilton Head Island, South Carolina.

Witness my hand and seal this _____ day of____________________, 20_____.

______________________________
Notary Public for South Carolina
My Commission Expires:__________

# Coastal Community Development Corporation

## 501c3 Non-Profit Overview

8/15/23

coastal community development corporation

https://ccdc-sc.org/

# WHO
## We Are

# Organizational Design - Governance

- 501c3 Non-Profit Organization
- 7 Member Board of Directors to oversee the strategy and implementation of non-profit work
  - Board Chairman: Alan Wolf - President, SERG Restaurant Group
  - Kim Likins –Director, Boys & Girls Club of Hilton Head Island
  - Ken Campbell – Entrepreneur, Founder Planned Development Co.
  - Geoff Block – Entrepreneur, Manager RLB Squared Development
  - Timothy Zwerner – Partner, Burr-Forman LLP Law Firm
  - Tony Alfieri – Retired RBC Managing Director of LIHTC
  - Dave Wetmore – Retired Investment Banker, Venture Capitalist, Public Co CEO & CPA
- Advisory Board of community and regional leaders for development

coastal community development corporation

# WHAT

## we are doing.

4

# Coastal Community Development Corporation Mission

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

# Mechanisms to Serve Workforce

- Targeted rents that serve 50%-150% AMI
- Units will be deed restricted in line with funding source requirements
- Application process will ensure workers have first access to CCDC owned housing inventory in the community they work in
- No short term rentals, i.e. AIR BnB

ccdc coastal community development corporation

# WHY

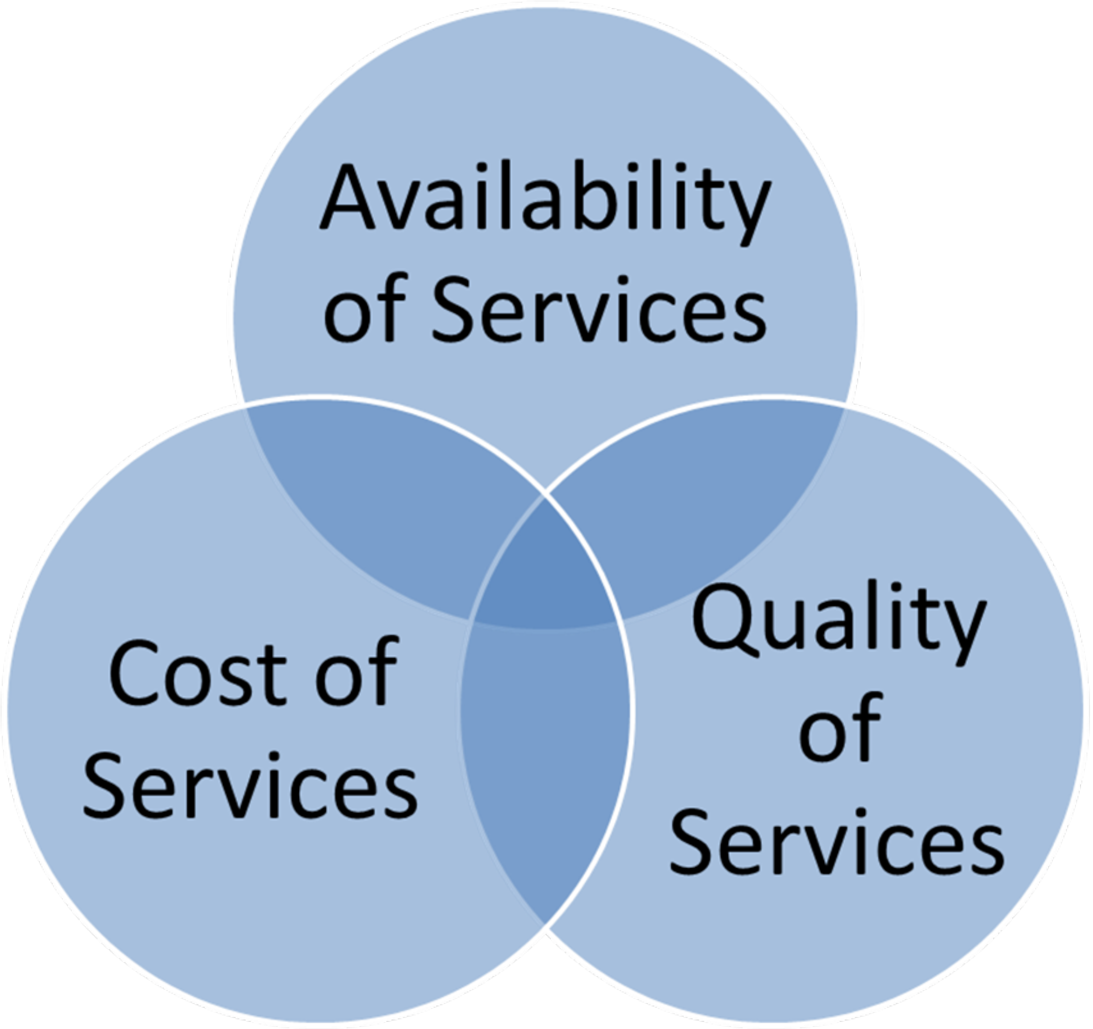
## we are doing it.

7

# The Challenge:

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

## Ensuring Resident Quality of Life



# Housing Needs Assessment

- Released in April 2018
- Identified the necessary additional rental units in Beaufort County markets
- Broke out 2017-2022 and 2017- 2027 targets

Beaufort County, South Carolina
Housing Needs Assessment

FINAL

*Prepared For:*

Beaufort County Purchasing Department
106 Industrial Village Road, Building #2
Beaufort, SC 29906-4291

*Prepared By:*

Bowen National Research
Author: Patrick M. Bowen, President
155 E. Columbus Street, Ste. 220
Pickerington, Ohio 43147
(614) 833-9300
patrickb@bowennational.com

*Effective Date*

April 6, 2018
Revised: May 24, 2018

***Town of Hilton Head***

| Rental Units Needed | 2017-2022 | 2017-2027 |
|---|---|---|
| <$20K/rent <$500 | 138 | 152 |
| $20K-$24K/rent $500-$874 | 88 | 29 |
| $35K-$59K/rent $875-$1,474 | 494 | 733 |
| $60K-$84K/rent $1,475-$2,099 | 446 | 706 |
| $85K+/rent $2,100+ | 449 | 715 |
| | 1,615 | 2,335 |

***Town of Bluffton***

| Rental Units Needed | 2017-2022 | 2017-2027 |
|---|---|---|
| <$20K/rent <$500 | 16 | 11 |
| $20K-$24K/rent $500-$874 | 78 | 105 |
| $35K-$59K/rent $875-$1,474 | 228 | 317 |
| $60K-$84K/rent $1,475-$2,099 | 281 | 432 |
| $85K+/rent $2,100+ | 188 | 309 |
| | 791 | 1,174 |

These numbers cannot be attained through development alone and require an alternative approach.

ccdc
coastal
community
development
corporation

# HOW
## we are doing it.

10

# Phased Approach: Phase 1-3 Strategy

## Overall

- Ensure long term rentals remain as such for minimum of 99 years
- Stop the turnover of properties that drive workforce housing costs higher
  - This stops the cycle of buy, short term rent, resale at higher price, further expanding the gap in affordability
- Remove short term rental units from the market and return them to long term market

## Hilton Head Island

- Purchase of existing condos and villas

## Bluffton

- Purchase of existing condos and homes

## Beaufort & Jasper

- Purchase of existing condos and homes

For profit private development alone will not solve the challenge over the short term in a sustainable manner for the region.

# Cost Curve Bending Strategies

## Property Tax Abatement

IRS Safe Harbor and SC Law provides property tax relief for 50-120% AMI

## Low-Cost Capital

- Altruistic Investment
- Community Investment
- Bank Mortgages

## Grants & Donations

- Foundations
- Businesses
- Non-Profits
- Churches
- Town of HHI

## Local, State & Federal

- Bonds
- Tax Credits
- AARPA
- State Housing Programs

## Profit Interest

Non-profit approach removes developer or investor profit

# Property Taxes

A 501c3 Non-Profit Organization in South Carolina can qualify for 0% property tax

- This conforms to the IRS Safe Harbor standards of a 501c3
- 501c3 must be the sole managing member of any properties it owns or manages
- Units must be rented at defined AMI's
    - 20% of units must be at 50% of AMI
    - 55% of units must can be up to 80% of AMI
    - 25% of units can be over 81% of AMI

Ratio for acquisition:
1:
2:
1:

**Units that exceed this AMI schedule will serve workforce members earning up to 150% of AMI and not be eligible for full property tax abatement**

- Working with Beaufort County Tax Assessor to limit taxes to 4% or lower based on income valuation which will be limited by deed and rent restrictions

# Acquisition Funding Strategy

40% DOWN PAYMENT

**Grants & Donations**

- Town of Hilton Head Island
- Businesses
- Local Churches

**Altruistic Investors**

60% MORTGAGE

- 5% 30-year fixed mortgages
- 60% Loan to value
- Mortgages on each property but issued through guidance line of credit
- Secured by rental incomes of the properties

# Property Ownership

- Units and houses will be purchased and owned by the non-profit and kept on the balance sheet
- Non-profit is incentivized to maintain as the they own the property and the equity for resale
- CCDC will prioritize sale to existing renters with covenant at time of sale for 99-year restriction on home sale price tied to AMI
- Sales will recycle capital for purchasing additional inventory from market

# Household AMI Eligibility

| CCDC Workforce Housing Income Limits Based on 2022 Beaufort County AMI | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| # In Household | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| Income Limit | 50% | $ 39,000.00 | $ 44,550.00 | $ 50,100.00 | $ 55,650.00 | $ 60,150.00 | $ 64,600.00 | $ 69,050.00 | $ 73,500.00 |
| Monthly Income | | $ 3,250.00 | $ 3,712.50 | $ 4,175.00 | $ 4,637.50 | $ 5,012.50 | $ 5,383.33 | $ 5,754.17 | $ 6,125.00 |
| Monthly Rent | | $ 975.00 | $ 1,113.75 | $ 1,252.50 | $ 1,391.25 | $ 1,503.75 | $ 1,615.00 | $ 1,726.25 | $ 1,837.50 |
| Income Limit | 80% | $ 62,350.00 | $ 71,250.00 | $ 80,150.00 | $ 89,050.00 | $ 96,200.00 | $ 103,300.00 | $ 110,450.00 | $ 117,550.00 |
| Monthly Income | | $ 5,195.83 | $ 5,937.50 | $ 6,679.17 | $ 7,420.83 | $ 8,016.67 | $ 8,608.33 | $ 9,204.17 | $ 9,795.83 |
| Monthly Rent | | $ 1,558.75 | $ 1,781.25 | $ 2,003.75 | $ 2,226.25 | $ 2,405.00 | $ 2,582.50 | $ 2,761.25 | $ 2,938.75 |
| Income Limit | 100% | $ 77,950.00 | $ 89,050.00 | $ 100,200.00 | $ 111,300.00 | $ 120,250.00 | $ 129,150.00 | $ 138,050.00 | $ 146,950.00 |
| Monthly Income | | $ 6,495.83 | $ 7,420.83 | $ 8,350.00 | $ 9,275.00 | $ 10,020.83 | $ 10,762.50 | $ 11,504.17 | $ 12,245.83 |
| Monthly Rent | | $ 1,948.75 | $ 2,226.25 | $ 2,505.00 | $ 2,782.50 | $ 3,006.25 | $ 3,228.75 | $ 3,451.25 | $ 3,673.75 |
| Income Limit | 120% | $ 93,540.00 | $ 106,860.00 | $ 120,240.00 | $ 133,560.00 | $ 144,300.00 | $ 154,980.00 | $ 165,660.00 | $ 176,340.00 |
| Monthly Income | | $ 7,795.00 | $ 8,905.00 | $ 10,020.00 | $ 11,130.00 | $ 12,025.00 | $ 12,915.00 | $ 13,805.00 | $ 14,695.00 |
| Monthly Rent | | $ 2,338.50 | $ 2,671.50 | $ 3,006.00 | $ 3,339.00 | $ 3,607.50 | $ 3,874.50 | $ 4,141.50 | $ 4,408.50 |
| Income Limit | 150% | $ 116,925.00 | $ 133,575.00 | $ 150,300.00 | $ 166,950.00 | $ 180,375.00 | $ 193,725.00 | $ 207,075.00 | $ 220,425.00 |
| Monthly Income | | $ 9,743.75 | $ 11,131.25 | $ 12,525.00 | $ 13,912.50 | $ 15,031.25 | $ 16,143.75 | $ 17,256.25 | $ 18,368.75 |
| Monthly Rent | | $ 2,923.13 | $ 3,339.38 | $ 3,757.50 | $ 4,173.75 | $ 4,509.38 | $ 4,843.13 | $ 5,176.88 | $ 5,510.63 |

# Household AMI Eligibility

| A | B | C | D | E | F | G | H | I |
|---|---|---|---|---|---|---|---|---|
| ***Based on 2022 Beaufort County Area Median Income*** | | | | | | | | |
| **Income Classification** | **Gross Income** | | **Rental Housing @ 30% with utilities** | **Utilities Allowance HUD Rates SFH all Electric** | **Monthly Rent @30% before adding utilities** | **Rental Housing @ 30% with utilities** | **Utilities Allowance HUD Rates SFH all Electric** | **Monthly Rent @30% before adding utilities** |
| Household of 1 | Annual | Monthly | 1 bedroom | | | | | |
| 50% AMI= very low | $ 39,000 | $ 3,250 | $ 975 | $ 176 | $ 799 | | | |
| 80% AMI= low | $ 62,350 | $ 5,196 | $ 1,559 | $ 176 | $ 1,383 | | | |
| 100% AMI= median | $ 77,950 | $ 6,496 | $ 1,949 | $ 176 | $ 1,773 | | | |
| 120% AMI= moderate | $ 93,540 | $ 7,795 | $ 2,339 | $ 176 | $ 2,163 | | | |
| 150% AMI= high | $ 116,925 | $ 9,744 | $ 2,923 | $ 176 | $ 2,747 | | | |
| | | | | | | | | |
| Household of 2 | Annual | Monthly | 1 bedrooms | | | 2 bedrooms | | |
| 50% AMI= very low | $ 44,550 | $ 3,713 | $ 1,114 | $ 176 | $ 938 | $ 1,114 | $ 212 | $ 902 |
| 80% AMI= low | $ 71,250 | $ 5,938 | $ 1,781 | $ 176 | $ 1,605 | $ 1,781 | $ 212 | $ 1,569 |
| 100% AMI= median | $ 89,050 | $ 7,421 | $ 2,226 | $ 176 | $ 2,050 | $ 2,226 | $ 212 | $ 2,014 |
| 120% AMI= moderate | $ 106,860 | $ 8,905 | $ 2,672 | $ 176 | $ 2,496 | $ 2,672 | $ 212 | $ 2,460 |
| 150% AMI= high | $ 133,575 | $ 11,131 | $ 3,339 | $ 176 | $ 3,163 | $ 3,339 | $ 212 | $ 3,127 |
| | | | | | | | | |
| Household of 3 | Annual | Monthly | 2 bedrooms | | | 3 bedrooms | | |
| 50% AMI= very low | $ 50,100 | $ 4,175 | $ 1,253 | $ 212 | $ 1,041 | $ 1,253 | $ 270 | $ 983 |
| 80% AMI= low | $ 80,150 | $ 6,679 | $ 2,004 | $ 212 | $ 1,792 | $ 2,004 | $ 270 | $ 1,734 |
| 100% AMI= median | $ 100,200 | $ 8,350 | $ 2,505 | $ 212 | $ 2,293 | $ 2,505 | $ 270 | $ 2,235 |
| 120% AMI= moderate | $ 120,240 | $ 10,020 | $ 3,006 | $ 212 | $ 2,794 | $ 3,006 | $ 270 | $ 2,736 |
| 150% AMI= high | $ 150,300 | $ 12,525 | $ 3,758 | $ 212 | $ 3,546 | $ 3,758 | $ 270 | $ 3,488 |

# AMI Household Income Examples

**The Ultrasound Tech**

- Single Mother
- Household of 2
- Income of $80,000

CCDC Application Qualifies Tenant → Income Verification Provides Max Allowable Rent → CCDC Matches Tenant to Available Unit at Defined AMI

| Income Classification | Gross Income | | Rental Housing @ 30% with utilities | Utilities Allowance HUD Rates SFH all Electric | Monthly Rent @30% before adding utilities |
|---|---|---|---|---|---|
| Household of 2 | Annual | Monthly | 2 bedrooms | | |
| 50% AMI= very low | $ 44,550 | $ 3,713 | $ 1,114 | $ 212 | $ 902 |
| 80% AMI= low | $ 71,250 | $ 5,938 | $ 1,781 | $ 212 | $ 1,569 |
| 100% AMI= median | $ 89,050 | $ 7,421 | $ 2,226 | $ 212 | $ 2,014 |
| 120% AMI= moderate | $ 106,860 | $ 8,905 | $ 2,672 | $ 212 | $ 2,460 |
| 150% AMI= high | $ 133,575 | $ 11,131 | $ 3,339 | $ 212 | $ 3,127 |

# AMI Household Income Examples

**The Program Manager & Teacher**

- Household of 3
- Combined Income of $120,000

CCDC Application Qualifies Tenant → Income Verification Provides Max Allowable Rent → CCDC Matches Tenant to Available Unit at Defined AMI

| Income Classification | Gross Income | | Rental Housing @ 30% with utilities | Utilities Allowance HUD Rates SFH all Electric | Monthly Rent @30% before adding utilities |
|---|---|---|---|---|---|
| Household of 3 | Annual | Monthly | 2 bedrooms | | |
| 50% AMI= very low | $ 50,100 | $ 4,175 | $ 1,253 | $ 212 | $ 1,041 |
| 80% AMI= low | $ 80,150 | $ 6,679 | $ 2,004 | $ 212 | $ 1,792 |
| 100% AMI= median | $ 100,200 | $ 8,350 | $ 2,505 | $ 212 | $ 2,293 |
| 120% AMI= moderate | $ 120,240 | $ 10,020 | $ 3,006 | $ 212 | $ 2,794 |
| 150% AMI= high | $ 150,300 | $ 12,525 | $ 3,758 | $ 212 | $ 3,546 |

# AMI Household Income Examples

**The Director of Sales**

- Single Guy
- Salary of $100,000

CCDC Application Qualifies Tenant → Income Verification Provides Max Allowable Rent → CCDC Matches Tenant to Available Unit at Defined AMI

| Income Classification | Gross Income | | Rental Housing @ 30% with utilities | Utilities Allowance HUD Rates SFH all Electric | Monthly Rent @30% before adding utilities |
|---|---|---|---|---|---|
| Household of 1 | Annual | Monthly | 1 bedroom | | |
| 50% AMI= very low | $ 39,000 | $ 3,250 | $ 975 | $ 176 | $ 799 |
| 80% AMI= low | $ 62,350 | $ 5,196 | $ 1,559 | $ 176 | $ 1,383 |
| 100% AMI= median | $ 77,950 | $ 6,496 | $ 1,949 | $ 176 | $ 1,773 |
| 120% AMI= moderate | $ 93,540 | $ 7,795 | $ 2,339 | $ 176 | $ 2,163 |
| 150% AMI= high | $ 116,925 | $ 9,744 | $ 2,923 | $ 176 | $ 2,747 |

# AMI Household Income Examples

**The Ultrasound Tech &**
**The Director of Sales**

- Married
- Household of 4
- Income of $180,000

| Income Classification | Gross Income | |
|---|---|---|
| Household of 4 | Annual | Monthly |
| 50% AMI= very low | $ 55,650 | $ 4,638 |
| 80% AMI= low | $ 89,050 | $ 7,421 |
| 100% AMI= median | $ 111,300 | $ 9,275 |
| 120% AMI= moderate | $ 133,560 | $ 11,130 |
| 150% AMI= high | $ 166,950 | $ 13,913 |

CCDC Provides Long Runway for Relocation → Offers Tenant Opportunity to Purchase Unit → CCDC Provides Reduced Purchase Rate for Unit Based on Model Appreciation

coastal community development corporation

# HOW

## we are doing it.

# CCDC Phased Approach

## Phase One – 13 Units on Hilton Head Island

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

# Phase 1 Details: Hilton Head Island

| | MLS | Community | Address | Address 2 | BR | Full Bath | Half Bath | Year Built | List Price | Sale Price | Down Payment 40% | Mortgage 60% | Annual Loan Payment P&I |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 432932 | The Oaks | 400 Wm Hltn Pkwy | #4 | 1 | 1 | 0 | | $ 175,000.00 | $ 166,250.00 | $ 66,500.00 | $ 99,750.00 | $6,425.75 |
| 2 | 431720 | Marsh Side | 5 Gumtree Rd | #D8 | 1 | 1 | 0 | 1984 | $ 224,000.00 | $ 212,800.00 | $ 85,120.00 | $ 127,680.00 | $8,224.97 |
| 3 | 430181 | Woodlake | 96 Mathews Dr #216 | #452B | 2 | 2 | 1 | 1982 | $ 230,000.00 | $ 218,500.00 | $ 87,400.00 | $ 131,100.00 | $8,445.28 |
| 4 | 430729 | Woodlake | 96 Mathews Dr #207 | #324B | 2 | 2 | 0 | 1982 | $ 275,000.00 | $ 261,250.00 | $ 104,500.00 | $ 156,750.00 | $10,097.61 |
| 5 | 431526 | Woodlake | 96 Mathews Dr #74 | #240C | 2 | 2 | 1 | 1982 | $ 230,000.00 | $ 218,500.00 | $ 87,400.00 | $ 131,100.00 | $8,445.28 |
| 6 | 431692 | Woodlake | 96 Mathews Dr #45 | #016B | 2 | 2 | 0 | 1982 | $ 230,000.00 | $ 218,500.00 | $ 87,400.00 | $ 131,100.00 | $8,445.28 |
| 7 | 432325 | Cotton Hope | 155 Dillon Road #242 | #2427 | 2 | 2 | 1 | 1979 | $ 249,000.00 | $ 236,550.00 | $ 94,620.00 | $ 141,930.00 | $9,142.93 |
| 8 | 430215 | Cordillo Courts | 104 Cordillo Pkwy | #B5 | 2 | 1 | 1 | 1979 | $ 224,000.00 | $ 212,800.00 | $ 85,120.00 | $ 127,680.00 | $8,224.97 |
| 9 | 432685 | Woodlake | 96 Mathews Dr #154 | #217A | 2 | 2 | 0 | 1982 | $ 225,600.00 | $ 214,320.00 | $ 85,728.00 | $ 128,592.00 | $8,283.72 |
| 10 | 432978 | Woodlake | 96 Mathews Dr #114 | #245C | 2 | 2 | 0 | 1982 | $ 239,900.00 | $ 227,905.00 | $ 91,162.00 | $ 136,743.00 | $8,808.79 |
| 11 | 431351 | Forest Cove | 110 Broad Creek Land | #110 | 2 | 2 | 0 | | $ 255,000.00 | $ 242,250.00 | $ 96,900.00 | $ 145,350.00 | $9,363.24 |
| 12 | 433238 | Forest Cove | 110 Broad Creek Land | #41 | 2 | 2 | 0 | | $ 285,000.00 | $ 270,750.00 | $ 108,300.00 | $ 162,450.00 | $10,464.80 |
| 13 | 432113 | Marsh Side | 5 Gumtree Rd | #M-17 | 2 | 2 | 0 | 1984 | $ 295,000.00 | $ 280,250.00 | $ 112,100.00 | $ 168,150.00 | $10,831.99 |
| | | | | | 24 | | | | $ 3,137,500.00 | $ 2,980,625.00 | $ 1,192,250.00 | $ 1,788,375.00 | $115,204.60 |

| | MLS | Community | Address | Monthly Regime | Annual Regime | Proposed Monthly Rent | Annual Gross Rent | Rent/BR | **MAX AMI** | **# In Family** | Annual MGT Fee 10% |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 432932 | The Oaks | 400 Wm Hltn Pkwy | $ 309.00 | $ 3,708.00 | $ 1,383.00 | $ 16,596.00 | $ 1,383.00 | **80%** | **1** | $ 1,659.60 |
| 2 | 431720 | Marsh Side | 5 Gumtree Rd | $ 452.00 | $ 5,424.00 | $ 1,605.00 | $ 19,260.00 | $ 1,605.00 | **80%** | **2** | $ 1,926.00 |
| 3 | 430181 | Woodlake | 96 Mathews Dr #216 | $ 619.00 | $ 7,428.00 | $ 938.00 | $ 11,256.00 | $ 469.00 | **50%** | **2** | $ 1,125.60 |
| 4 | 430729 | Woodlake | 96 Mathews Dr #207 | $ 619.00 | $ 7,428.00 | $ 1,041.00 | $ 12,492.00 | $ 520.50 | **50%** | **3** | $ 1,249.20 |
| 5 | 431526 | Woodlake | 96 Mathews Dr #74 | $ 619.00 | $ 7,428.00 | $ 1,179.00 | $ 14,148.00 | $ 589.50 | **50%** | **4** | $ 1,414.80 |
| 6 | 431692 | Woodlake | 96 Mathews Dr #45 | $ 619.00 | $ 7,428.00 | $ 1,234.00 | $ 14,808.00 | $ 617.00 | **50%** | **5** | $ 1,480.80 |
| 7 | 432325 | Cotton Hope | 155 Dillon Road #2427 | $ 410.00 | $ 4,920.00 | $ 1,600.00 | $ 19,200.00 | $ 800.00 | **80%** | **2** | $ 1,920.00 |
| 8 | 430215 | Cordillo Courts | 104 Cordillo Pkwy | $ 395.00 | $ 4,740.00 | $ 1,700.00 | $ 20,400.00 | $ 850.00 | **80%** | **3** | $ 2,040.00 |
| 9 | 432685 | Woodlake | 96 Mathews Dr #154 | $ 619.00 | $ 7,428.00 | $ 2,000.00 | $ 24,000.00 | $ 1,000.00 | **80%** | **4** | $ 2,400.00 |
| 10 | 432978 | Woodlake | 96 Mathews Dr #114 | $ 619.00 | $ 7,428.00 | $ 2,100.00 | $ 25,200.00 | $ 1,050.00 | **80%** | **5** | $ 2,520.00 |
| 11 | 431351 | Forest Cove | 110 Broad Creek Landir | $ 402.00 | $ 4,824.00 | $ 2,400.00 | $ 28,800.00 | $ 1,200.00 | **120%** | **2** | $ 2,880.00 |
| 12 | 433238 | Forest Cove | 110 Broad Creek Landir | $ 402.00 | $ 4,824.00 | $ 2,600.00 | $ 31,200.00 | $ 1,300.00 | **120%** | **3** | $ 3,120.00 |
| 13 | 432113 | Marsh Side | 5 Gumtree Rd | $ 477.00 | $ 5,724.00 | $ 2,800.00 | $ 33,600.00 | $ 1,400.00 | **120%** | **4** | $ 3,360.00 |
| | | | | $ 6,561.00 | $ 78,732.00 | $ 22,580.00 | $ 270,960.00 | | | | $ 27,096.00 |

Sample of MLS listings of for sale units on Hilton Head Island over past 6 months.

## Phase 1 Hilton Head 13 Unit Model

| | | | | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Cash Receipts | | | | | | | | | | | | | | |
| | Gross Rent | Increase | 4.17% | $ 240,853 | $ 282,259 | $ 294,029 | $ 306,290 | $ 319,063 | $ 332,367 | $ 346,227 | $ 360,665 | $ 375,705 | $ 391,371 | |
| | Interest on Available Cash | | 2.00% | | $ - | $ 142 | $ 200 | $ 168 | $ 223 | $ 368 | $ 608 | $ 947 | $ 1,390 | |
| Total Cash Receipts | | | | $ 240,853 | $ 282,259 | $ 294,171 | $ 306,490 | $ 319,231 | $ 332,590 | $ 346,595 | $ 361,273 | $ 376,652 | $ 392,762 | |
| | | | | | | | | | | | | | | |
| Cash Disbursements for Expenses | | | | | | | | | | | | | | |
| | MGT Fee | Fixed | 10.00% | $ 24,085 | $ 28,226 | $ 29,403 | $ 30,629 | $ 31,906 | $ 33,237 | $ 34,623 | $ 36,066 | $ 37,570 | $ 39,137 | |
| | CCDC Admin Fee | Fixed | 2.00% | $ 4,817 | $ 5,645 | $ 5,881 | $ 6,126 | $ 6,381 | $ 6,647 | $ 6,925 | $ 7,213 | $ 7,514 | $ 7,827 | |
| | Repairs & Maintenance | Fixed | 12.00% | $ 7,226 | $ 16,936 | $ 26,463 | $ 36,755 | $ 38,288 | $ 39,884 | $ 41,547 | $ 43,280 | $ 45,085 | $ 46,965 | |
| | (Y1@3%, Y2@6%, Y3@9%, Y4-Y10@12%) | | | | | | | | | | | | | |
| | Owners Insurance Units | Increase | 7.50% | $ 8,436 | $ 9,069 | $ 9,749 | $ 10,480 | $ 11,266 | $ 12,111 | $ 13,019 | $ 13,996 | $ 15,045 | $ 16,174 | |
| | Regime | Increase | 5.00% | $ 78,732 | $ 82,669 | $ 86,802 | $ 91,142 | $ 95,699 | $ 100,484 | $ 105,508 | $ 110,784 | $ 116,323 | $ 122,139 | |
| | Principal & Interest Paymei | Rate | 6.00% | $ 99,451 | $ 115,205 | $ 115,205 | $ 115,205 | $ 115,205 | $ 115,205 | $ 115,205 | $ 115,205 | $ 115,205 | $ 115,205 | |
| Total Cash Disbursements for Expenses | | | | $ 222,747 | $ 257,749 | $ 273,502 | $ 290,336 | $ 298,745 | $ 307,568 | $ 316,827 | $ 326,544 | $ 336,742 | $ 347,447 | |
| | | | | | | | | | | | | | | |
| Cash Flow | | | | $ 18,106 | $ 24,511 | $ 20,670 | $ 16,154 | $ 20,486 | $ 25,022 | $ 29,768 | $ 34,729 | $ 39,910 | $ 45,315 | $ 274,669 |
| Return to Investors (Annual Distribution at Year Er | | | 3.00% | $ 17,760 | $ 17,760 | $ 17,760 | $ 17,760 | $ 17,760 | $ 17,760 | $ 17,760 | $ 17,760 | $ 17,760 | $ 17,760 | $ 177,600 |
| Net Available Cash After Return to Investors | | | | $ 346 | $ 7,096 | $ 10,006 | $ 8,400 | $ 11,126 | $ 18,388 | $ 30,396 | $ 47,365 | $ 69,514 | $ 97,069 | |
| Principal Paydown | | | | $ 26,918 | $ 28,263 | $ 29,677 | $ 31,160 | $ 32,719 | $ 34,354 | $ 36,072 | $ 37,876 | $ 39,770 | $ 41,758 | $ 338,567 |
| Annual Net Investment Equity | | Fix to Y1 | | $ 27,263 | $ 35,360 | $ 50,346 | $ 47,314 | $ 53,204 | $ 59,376 | $ 65,840 | $ 72,605 | $ 79,679 | $ 87,073 | |
| Compound Net Investment Equity | | | | $ 27,263 | $ 62,623 | $ 112,970 | $ 160,284 | $ 213,488 | $ 272,865 | $ 338,705 | $ 411,310 | $ 490,989 | $ 578,062 | $ 578,062 |
| Housing Unit Appreciation | 20 yr avg | | 4.17% | $ 124,292 | $ 129,475 | $ 134,874 | $ 140,498 | $ 146,357 | $ 152,460 | $ 158,818 | $ 165,441 | $ 172,339 | $ 179,526 | $ 1,504,081 |

# Phase 1 HHI 13 Unit Model

# Phase 1 HHI 13 Unit Model

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

# Progress Update

- Matching Grant of $100,000 from CFL along with $125,000 in donations has provided administrative operating funds for first year.
- Interviewing for Program Managers is underway.
- Risk disclosure documents drafted to receive debt for financing from altruistic investors.
- Closed on 3 units on Hilton Head Island
- Two Woodlake 2 Bedroom Units
- One Marshside 1 Bedroom Unit

# Benefits of CCDC Approach

1. Immediacy: The CCDC can begin immediately preserving existing housing for workforce without changes to zoning, development applications or permitting.

2. The purchase of existing units ties into initiative of growth management that is so important on Hilton Head Island and throughout the Lowcountry as it requires no new development.

3. Our efforts will have an immediate impact on the growing short term rental market by ensuring existing long term housing inventory remains as such and in many cases we'll be able to purchase units that are currently in the short term market and add them back to the long term market.

# Benefits of CCDC Approach

4. Eventual home ownership in the community will be encouraged by the accrual over time of funds that the occupant will have available towards a down payment on a home.

5. The CCDC intends to rent units tied to AMI for 99 years through covenants on the properties. Over that period of time the resale value of the units will be capped for resale purposes based on any growth of the area AMI. This will ensure affordability for the next 99 years.

# Benefits of CCDC Approach

6. Home ownership will be prioritized to renters who earn out of the restricted rental income limits. This will ensure working citizens have the opportunity to live and work in their community without risk of displacement.

7. Our approach will provide housing options to workers across the workforce spectrum. Civil, medical, educational, hospitality, services and trade workers will have the ability to find affordable workforce housing in the community that they work in.

# Benefits of CCDC Approach

8. The benefits to the Town of HHI and other municipalities include not having to enter the landlord business and manage housing inventory, a model that has proved challenging to countless communities that have attempted this approach. In addition, the municipalities will be able to fund its share of future phases with both grants and investment dollars if it chooses.

9. Investment in the CCDC is not a one-way hand out to developers to pad their profits but an investment of taxpayer dollars in the community that can be recouped and or reinvested over time

# Next Steps

- Expand community outreach
- Begin presentation to altruistic investors
- Secure financial commitments for phases 1-3
- Town of Hilton Head taking a leadership role in our region by supporting our effort with grant request and annual source of funding.

ccdc coastal community development corporation

# WHERE
## do you fit in?

Take a leadership role in our region by supporting our effort with grant request and annual source of funding.

Attachment 3

## Phase 1 Hilton Head 13 Unit Model

| | | | | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Cash Receipts | | | | | | | | | | | | | | |
| | Gross Rent | Increase | 4.17% | $ 240,853 | $ 282,259 | $ 294,029 | $ 306,290 | $ 319,063 | $ 332,367 | $ 346,227 | $ 360,665 | $ 375,705 | $ 391,371 | |
| | Interest on Available Cash | | 2.00% | | $ - | $ 142 | $ 200 | $ 168 | $ 223 | $ 368 | $ 608 | $ 947 | $ 1,390 | |
| Total Cash Receipts | | | | $ 240,853 | $ 282,259 | $ 294,171 | $ 306,490 | $ 319,231 | $ 332,590 | $ 346,595 | $ 361,273 | $ 376,652 | $ 392,762 | |
| Cash Disbursements for Expenses | | | | | | | | | | | | | | |
| | MGT Fee | Fixed | 10.00% | $ 24,085 | $ 28,226 | $ 29,403 | $ 30,629 | $ 31,906 | $ 33,237 | $ 34,623 | $ 36,066 | $ 37,570 | $ 39,137 | |
| | CCDC Admin Fee | Fixed | 2.00% | $ 4,817 | $ 5,645 | $ 5,881 | $ 6,126 | $ 6,381 | $ 6,647 | $ 6,925 | $ 7,213 | $ 7,514 | $ 7,827 | |
| | Repairs & Maintenance | Fixed | 12.00% | $ 7,226 | $ 16,936 | $ 26,463 | $ 36,755 | $ 38,288 | $ 39,884 | $ 41,547 | $ 43,280 | $ 45,085 | $ 46,965 | |
| | (Y1@3%, Y2@6%, Y3@9%, Y4-Y10@12%) | | | | | | | | | | | | | |
| | Owners Insurance Units | Increase | 7.50% | $ 8,436 | $ 9,069 | $ 9,749 | $ 10,480 | $ 11,266 | $ 12,111 | $ 13,019 | $ 13,996 | $ 15,045 | $ 16,174 | |
| | Regime | Increase | 5.00% | $ 78,732 | $ 82,669 | $ 86,802 | $ 91,142 | $ 95,699 | $ 100,484 | $ 105,508 | $ 110,784 | $ 116,323 | $ 122,139 | |
| | Principal & Interest Payment | Rate | 5.00% | $ 99,451 | $ 115,205 | $ 115,205 | $ 115,205 | $ 115,205 | $ 115,205 | $ 115,205 | $ 115,205 | $ 115,205 | $ 115,205 | |
| Total Cash Disbursements for Expenses | | | | $ 222,747 | $ 257,749 | $ 273,502 | $ 290,336 | $ 298,745 | $ 307,568 | $ 316,827 | $ 326,544 | $ 336,742 | $ 347,447 | |
| Cash Flow | | | | $ 18,106 | $ 24,511 | $ 20,670 | $ 16,154 | $ 20,486 | $ 25,022 | $ 29,768 | $ 34,729 | $ 39,910 | $ 45,315 | $ 274,669 |
| Return to Investors (Annual Distribution at Year End) | | | 3.00% | $ 17,760 | $ 17,760 | $ 17,760 | $ 17,760 | $ 17,760 | $ 17,760 | $ 17,760 | $ 17,760 | $ 17,760 | $ 17,760 | $ 177,600 |
| Net Available Cash After Return to Investors | | | | $ 346 | $ 7,096 | $ 10,006 | $ 8,400 | $ 11,126 | $ 18,388 | $ 30,396 | $ 47,365 | $ 69,514 | $ 97,069 | |
| Principal Paydown | | | | $ 26,918 | $ 28,263 | $ 29,677 | $ 31,160 | $ 32,719 | $ 34,354 | $ 36,072 | $ 37,876 | $ 39,770 | $ 41,758 | $ 338,567 |
| Housing Unit Appreciation | | 20 yr avg | 4.17% | $ 124,292 | $ 129,475 | $ 134,874 | $ 140,498 | $ 146,357 | $ 152,460 | $ 158,818 | $ 165,441 | $ 172,339 | $ 179,526 | $1,504,081 |
| HUA Plus Principal Paydown | | | | | | | | | | | | | | $1,842,648 |
| | | Annual Return Rate | Compounding Rate | Annual Return | | | | | | | | | | |
| Payment at End Year 10 based on Appreciation | | 2.0% | 2.0% | $ 12,000 | $ 12,240 | $ 12,485 | $ 12,734 | $ 12,989 | $ 13,249 | $ 13,514 | $ 13,784 | $ 14,060 | $ 14,341 | $ 131,397 |
| | Payment Required | Minumum Appreciation Above Historical Rate | | | | | | | | | | | | |
| Minumum HUA Appreciation to Make Payment | $ 131,397 | $218,994 | | | | | | | | | | | | |

Note: Total Return to Investors is 5%: Distribution at 3% Annually and Appreciation Based Payment at 2% Compounded Annually at 2% and Paid at the End of 10 Years

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Appreciation Range Table | Estimated Total Value of the Units | 4.17% | $ 3,104,917 | $ 3,234,392 | $ 3,369,266 | $ 3,509,765 | $ 3,656,122 | $ 3,808,582 | $ 3,967,400 | $ 4,132,841 | $ 4,305,180 | $ 4,484,706 |
| | Rate Requiured to Return 2% to Investors | 4.67% | $ 3,119,820 | $ 3,265,516 | $ 3,418,015 | $ 3,577,637 | $ 3,744,712 | $ 3,919,590 | $ 4,102,635 | $ 4,294,228 | $ 4,494,769 | $ 4,704,674 |
| | Rate Required Value Less HAR Value | 0.50% | | | | | | | | | | $ 219,968 |

| | | |
|---|---|---|
| Source of Funds | | |
| | Town of Hilton Head | $ 600,000 |
| | Investors | $ 592,000 |
| | Bank Loan | $ 1,788,375 |
| | Total | $ 2,980,375 |

| | | |
|---|---|---|
| Recapitalization Table at End c | Original Loan | $ 1,788,375 |
| | Plus: | |
| | Principal Return to Investors | $ 600,000 |
| | Apprection Return to Investors | $ 131,397 |
| | Less: | |
| | Principal Paydown | $ (338,567) |
| | Available Cash | $ (97,069) |
| | New Loan for Years 11-20 | $ 2,084,135 |

Max Loan Amount End of Year 10 that Year 11 Can Find & Maintain Positive Cash I $ 2,200,000
(Maintaining Working Capital Minimum of $20K in Year 11)

| Year 11 | Year 12 | Year 13 | Year 14 | Year 15 | Year 16 | Year 17 | Year 18 | Year 19 | Year 20 | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| $ 407,692 | $ 424,692 | $ 442,402 | $ 460,850 | $ 480,068 | $ 500,087 | $ 520,940 | $ 542,663 | $ 565,292 | $ 588,865 | |
| | $ 573 | $ 1,258 | $ 2,061 | $ 2,984 | $ 4,033 | $ 5,211 | $ 6,523 | $ 7,973 | $ 9,566 | |
| $ 407,692 | $ 425,265 | $ 443,660 | $ 462,911 | $ 483,052 | $ 504,120 | $ 526,151 | $ 549,187 | $ 573,266 | $ 598,431 | |
| $ 40,769 | $ 42,527 | $ 44,366 | $ 46,291 | $ 48,305 | $ 50,412 | $ 52,615 | $ 54,919 | $ 57,327 | $ 59,843 | |
| $ 8,154 | $ 8,505 | $ 8,873 | $ 9,258 | $ 9,661 | $ 10,082 | $ 10,523 | $ 10,984 | $ 11,465 | $ 11,969 | |
| $ 48,923 | $ 51,032 | $ 53,239 | $ 55,549 | $ 57,966 | $ 60,494 | $ 63,138 | $ 65,902 | $ 68,792 | $ 71,812 | |
| $ 17,387 | $ 18,691 | $ 20,093 | $ 21,600 | $ 23,220 | $ 24,961 | $ 26,833 | $ 28,846 | $ 31,009 | $ 33,335 | |
| $ 128,246 | $ 134,658 | $ 141,391 | $ 148,461 | $ 155,884 | $ 163,678 | $ 171,862 | $ 180,455 | $ 189,478 | $ 198,952 | |
| $ 135,576 | $ 135,576 | $ 135,576 | $ 135,576 | $ 135,576 | $ 135,576 | $ 135,576 | $ 135,576 | $ 135,576 | $ 135,576 | |
| $ 379,055 | $ 390,989 | $ 403,539 | $ 416,735 | $ 430,612 | $ 445,204 | $ 460,548 | $ 476,682 | $ 493,647 | $ 511,486 | |
| $ 28,637 | $ 34,276 | $ 40,122 | $ 46,176 | $ 52,440 | $ 58,916 | $ 65,604 | $ 72,505 | $ 79,619 | $ 86,945 | |
| $ 28,637 | $ 62,913 | $ 103,035 | $ 149,210 | $ 201,650 | $ 260,566 | $ 326,170 | $ 398,675 | $ 478,294 | $ 565,239 | |

## Phase 1 Impact Fund

| | | Annual Increase | % of Revenue | | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 |
|---|---|---|---|---|---|---|---|---|---|---|
| Cash Receipts | | | | | | | | | | |
| | AMI Rent | | 4.17% | | $ 533,553.20 | $ 751,086.53 | $ 782,406.84 | $ 815,033.21 | $ 849,020.09 | $ 884,424.23 |
| | Interest Income on Available Cash | | | | | $ 1,728.38 | $ 2,243.97 | $ 2,614.15 | $ 2,803.05 | $ 3,408.26 |
| Total Cash Receipts | | | | | $ 533,553.20 | $ 752,814.92 | $ 784,650.82 | $ 817,647.36 | $ 851,823.14 | $ 887,832.49 |
| Cash Disbursements | | | | | | | | | | |
| | Property Management Fee | | 10.00% | | $ 53,355.32 | $ 75,108.65 | $ 78,240.68 | $ 81,503.32 | $ 84,902.01 | $ 88,442.42 |
| | CCDC Admin Fee | | 2.00% | | $ 10,671.06 | $ 15,021.73 | $ 15,648.14 | $ 16,300.66 | $ 16,980.40 | $ 17,688.48 |
| | Repairs & Maintenance | | 12.00% | | $ 16,006.60 | $ 45,065.19 | $ 70,416.62 | $ 97,803.98 | $ 101,882.41 | $ 106,130.91 |
| | (Note: R&M is 3% in Y1, 6% in Y2, 9% in Y3, 12% Y4-Y10) | | | | | | | | | |
| | Property Taxes | 4.00% | | | $ 29,773.61 | $ 61,929.12 | $ 64,406.28 | $ 66,982.53 | $ 69,661.83 | $ 72,448.31 |
| | Regime - Villas & Condos | 5.00% | | | $ 39,032.13 | $ 81,967.47 | $ 86,065.85 | $ 90,369.14 | $ 94,887.60 | $ 99,631.98 |
| | POA - Homes | 5.00% | | | $ 3,897.75 | $ 8,185.28 | $ 8,594.54 | $ 9,024.27 | $ 9,475.48 | $ 9,949.25 |
| | Homeowners Insurance | 5.00% | | | $ 14,836.48 | $ 31,156.60 | $ 32,714.43 | $ 34,350.15 | $ 36,067.66 | $ 37,871.04 |
| Total Cash Disbursements for Expenses | | | | | $ 167,572.95 | $ 318,434.04 | $ 356,086.53 | $ 396,334.06 | $ 413,857.39 | $ 432,162.39 |
| Memo: Total Expenses Minus Loan Payment % of Gross Rent | | | | | 31% | 42% | 46% | 49% | 49% | 49% |
| Net Cash Flow From Operations | | | | | $ 365,980.25 | $ 434,380.88 | $ 428,564.28 | $ 421,313.30 | $ 437,965.75 | $ 455,670.10 |
| | Mortgage Payments at 6% | 6.00% | | | $206,844.93 | $323,757.28 | $323,757.28 | $323,757.28 | $323,757.28 | $323,757.28 |
| Net Cash Flow After Mortgage Payments | | | | | $ 159,135.32 | $ 110,623.59 | $ 104,807.00 | $ 97,556.02 | $ 114,208.47 | $ 131,912.82 |
| | | Note Value | Annual Interest Rate | Annual Payment | | | | | | |
| Interest Paid to Note Holders | | $ 3,000,000.00 | 3.00% | $ 90,000.00 | $ 90,000.00 | $ 90,000.00 | $ 90,000.00 | $ 90,000.00 | $ 90,000.00 | $ 90,000.00 |
| (Maintain Minumum Balance for Working Capital) | | $ 20,000.00 | | | | | | | | |
| Net Cash Available | | | | | $ 69,135.32 | $ 89,758.91 | $ 104,565.91 | $ 112,121.93 | $ 136,330.40 | $ 178,243.22 |
| Cash Disbursements to Note Holders Shortfall | | | | | $ - | $ - | $ - | $ - | $ - | $ - |
| Net Income (GAAP) | Net Cash Flow from Operations | | | | $ 365,980.25 | $ 434,380.88 | $ 428,564.28 | $ 421,313.30 | $ 437,965.75 | $ 455,670.10 |
| | Less: Depreciation | | | | $ (37,500.00) | $ (75,000.00) | $ (75,000.00) | $ (75,000.00) | $ (75,000.00) | $ (75,000.00) |
| | Less: Loan Interest | | | | ($134,248.38) | (265,088.41) | (261,469.84) | (257,628.09) | (253,549.38) | (249,219.11) |
| | Net Income (GAAP) | | | | $ 194,231.87 | $ 94,292.47 | $ 92,094.44 | $ 88,685.21 | $ 109,416.37 | $ 131,450.99 |

| | Annual Return Rate | Compounding Rate | Annual Return | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Housing Unit Appreciation (HUA) | | 2.17% | | $ 81,375.00 | $ 164,515.84 | $ 168,085.83 | $ 171,733.29 | $ 175,459.91 | $ 179,267.39 |
| | | 4.17% | | $ 156,375.00 | $ 319,270.84 | $ 332,584.43 | $ 346,453.20 | $ 360,900.30 | $ 375,949.84 |
| Breakeven Point for Note Holders to Earn Roughly 5% Return over 10 Years | | 4.60% | | $ 172,500.00 | $ 352,935.00 | $ 369,170.01 | $ 386,151.83 | $ 403,914.81 | $ 422,494.90 |
| (3% Annual Distribution Plus 2% Appreciation Compounded Annually at 2%) | | 6.00% | | $ 225,000.00 | $ 463,500.00 | $ 491,310.00 | $ 520,788.60 | $ 552,035.92 | $ 585,158.07 |
| | | 7.00% | | $ 262,500.00 | $ 543,375.00 | $ 581,411.25 | $ 622,110.04 | $ 665,657.74 | $ 712,253.78 |
| | | 8.00% | | $ 300,000.00 | $ 624,000.00 | $ 673,920.00 | $ 727,833.60 | $ 786,060.29 | $ 848,945.11 |
| Payment at End Year 10 based on Appreciation | 2.0% | 2.0% | $ 60,000.00 | $ 60,000.00 | $ 61,200.00 | $ 62,424.00 | $ 63,672.48 | $ 64,945.93 | $ 66,244.85 |
| Principal Paydown | | | | $55,260.53 | $58,668.88 | $ 62,287.44 | $ 66,129.20 | $ 70,207.90 | $ 74,538.17 |
| HUA Plus Principal Paydown - Investment Equity | | | | $ 211,635.53 | $ 377,939.71 | $ 394,871.87 | $ 412,582.40 | $ 431,108.20 | $ 450,488.01 |

| | |
|---|---|
| Source of Funds for Purchase $15M + Renovations $750K | |
| Bank | $ 4,500,000.00 |
| Town of Hilton Head | $ - |
| Gated Community Investors | $ 2,000,000.00 |
| CFL/Local Businesses | $ 1,000,000.00 |
| Total | $ 7,500,000.00 |
| Annual Interest Income Rate | 2.50% |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Memo: Depreciation Pass Through Tax Benefit | $ 277,777.78 | 27.00% | $ 75,000.00 | $ 75,000.00 | $ 75,000.00 | $ 75,000.00 | $ 75,000.00 | $ 75,000.00 |
| Note: Housing Unit Cost Plus Appreciation | | 2.17% | $ 7,581,375 | $ 7,745,891 | $ 7,913,977 | $ 8,085,710 | $ 8,261,170 | $ 8,440,437 |
| | | 4.17% | $ 7,656,375 | $ 7,975,646 | $ 8,308,230 | $ 8,654,683 | $ 9,015,584 | $ 9,391,534 |
| | | 4.60% | $ 7,672,500 | $ 8,025,435 | $ 8,394,605 | $ 8,780,757 | $ 9,184,672 | $ 9,607,167 |
| | | 6.00% | $ 7,725,000 | $ 8,188,500 | $ 8,679,810 | $ 9,200,599 | $ 9,752,635 | $ 10,337,793 |
| | | 7.00% | $ 7,762,500 | $ 8,305,875 | $ 8,887,286 | $ 9,509,396 | $ 10,175,054 | $ 10,887,308 |
| | | 8.00% | $ 7,800,000 | $ 8,424,000 | $ 9,097,920 | $ 9,825,754 | $ 10,611,814 | $ 11,460,759 |

| | | |
|---|---|---|
| Year 11 thru 20 Amortization Schedule | | |
| Annual Interest rate | 6.00% | |
| Loan Term | 30 | |
| Payments per year | 12 | |
| | LA For Calculating Max Debt | LA in Model |
| Loan Amount (LA) | $ 7,350,000.00 | $ 6,897,062.68 |
| Sensitivity: Year 11-20 Payments @ | 6.00% | ($496,216.51) |

Amount to be Refinanced in Year 11

| | | | |
|---|---|---|---|
| | Original Loan | $ | 4,500,000.00 |
| | Less Principal Paydown | $ | (734,142.38) |
| | Plus Payback to: | | |
| | Appreciation Payment to Note Holders | $ | 656,983.26 |
| | Gated Community Investors (Note Holder) | $ | 2,000,000.00 |
| | CFL/Local Businesses (Note Holder) | $ | 1,000,000.00 |
| | Less: Available Cash (ex WC) | $ | (525,778.20) |
| | | $ | 6,897,062.68 |
| Minumum Appreciated Value to Finance LTV at 60% | | $ | 11,495,058.49 |

| Year One Payment Calculation | | Amount Borrowed | % of Total Loan | |
|---|---|---|---|---|
| January | | | | |
| February | | | | |
| March | $ | 300,000.00 | 6.667% | $1,798.65 |
| April | $ | 1,200,000.00 | 26.667% | $7,194.61 |
| May | $ | 2,400,000.00 | 53.333% | $14,389.21 |
| June | $ | 3,600,000.00 | 80.000% | $21,583.82 |
| July | $ | 4,500,000.00 | 100% | $26,979.77 |
| August | $ | 4,500,000.00 | 100% | $26,979.77 |
| September | $ | 4,500,000.00 | 100% | $26,979.77 |
| October | $ | 4,500,000.00 | 100% | $26,979.77 |
| November | $ | 4,500,000.00 | 100% | $26,979.77 |
| December | $ | 4,500,000.00 | 100% | $26,979.77 |
| | | | | |
| Total Year One Payment | | | | $206,844.93 |

| Year 7 | Year 8 | Year 9 | Year 10 | Total |
|---|---|---|---|---|
| $ 921,304.72 | $ 959,723.13 | $ 999,743.58 | $ 1,041,432.89 | |
| $ 4,456.08 | $ 5,974.06 | $ 7,991.07 | $ 10,537.32 | |
| $ 925,760.80 | $ 965,697.19 | $ 1,007,734.65 | $ 1,051,970.20 | |
| | | | | |
| $ 92,130.47 | $ 95,972.31 | $ 99,974.36 | $ 104,143.29 | |
| $ 18,426.09 | $ 19,194.46 | $ 19,994.87 | $ 20,828.66 | |
| $ 110,556.57 | $ 115,166.78 | $ 119,969.23 | $ 124,971.95 | |
| | | | | |
| $ 75,346.24 | $ 78,360.09 | $ 81,494.49 | $ 84,754.27 | |
| $ 104,613.57 | $ 109,844.25 | $ 115,336.47 | $ 121,103.29 | |
| $ 10,446.72 | $ 10,969.05 | $ 11,517.50 | $ 12,093.38 | |
| $ 39,764.59 | $ 41,752.82 | $ 43,840.46 | $ 46,032.48 | |
| $ 451,284.25 | $ 471,259.77 | $ 492,127.38 | $ 513,927.32 | |
| | | | | |
| 49% | 49% | 49% | 49% | |
| | | | | |
| $ 474,476.55 | $ 494,437.42 | $ 515,607.26 | $ 538,042.89 | |
| | | | | |
| $323,757.28 | $323,757.28 | $323,757.28 | $323,757.28 | |
| | | | | |
| $ 150,719.26 | $ 170,680.14 | $ 191,849.98 | $ 214,285.60 | |
| | | | | |
| $ 90,000.00 | $ 90,000.00 | $ 90,000.00 | $ 90,000.00 | $ 900,000.00 |
| | | | | |
| $ 238,962.48 | $ 319,642.62 | $ 421,492.60 | $ 545,778.20 | |
| | | | | |
| $ - | | | | |
| | | | | |
| $ 474,476.55 | $ 494,437.42 | $ 515,607.26 | $ 538,042.89 | |
| $ (75,000.00) | $ (75,000.00) | $ (75,000.00) | $ (75,000.00) | |
| (244,621.76) | (239,740.86) | (234,558.91) | (229,057.35) | |
| $ 154,854.79 | $ 179,696.57 | $ 206,048.36 | $ 233,985.54 | |

| | | | | |
|---|---|---|---|---|
| $ 183,157.49 | $ 187,132.01 | $ 191,192.77 | $ 195,341.65 | $ 1,697,261.17 |
| $ 391,626.95 | $ 407,957.80 | $ 424,969.64 | $ 442,690.87 | $ 3,558,778.87 |
| $ 441,929.66 | $ 462,258.43 | $ 483,522.31 | $ 505,764.34 | $ 4,000,641.29 |
| $ 620,267.56 | $ 657,483.61 | $ 696,932.63 | $ 738,748.58 | $ 5,551,224.96 |
| $ 762,111.55 | $ 815,459.35 | $ 872,541.51 | $ 933,619.42 | $ 6,771,039.64 |
| $ 916,860.72 | $ 990,209.58 | $ 1,069,426.34 | $ 1,154,980.45 | $ 8,092,236.09 |
| | | | | |
| $ 67,569.75 | $ 68,921.14 | $ 70,299.56 | $ 71,705.55 | $ 656,983.26 |
| | | | | |
| $ 79,135.52 | $ 84,016.43 | $ 89,198.38 | $ 94,699.94 | $ 734,142.38 |
| | | | | |
| $ 470,762.47 | $ 491,974.22 | $ 514,168.01 | $ 537,390.81 | $ 4,292,921.24 |
| | | | | |
| $ 75,000.00 | $ 75,000.00 | $ 75,000.00 | $ 75,000.00 | $ 750,000.00 |
| | | | | |
| $ 8,623,595 | $ 8,810,727 | $ 9,001,920 | $ 9,197,261 | |
| $ 9,783,161 | $ 10,191,118 | $ 10,616,088 | $ 11,058,779 | |
| $ 10,049,096 | $ 10,511,355 | $ 10,994,877 | $ 11,500,641 | |
| $ 10,958,060 | $ 11,615,544 | $ 12,312,476 | $ 13,051,225 | |
| $ 11,649,419 | $ 12,464,879 | $ 13,337,420 | $ 14,271,040 | |
| $ 12,377,620 | $ 13,367,829 | $ 14,437,256 | $ 15,592,236 | |

## CCDC Rent Calculations

***Based on 2022 Beaufort County Area Median Income***

| Income Classification | Gross Income | | Rental Housing @ 30% with utilities | Utilities Allowance HUD Rates SFH all Electric | Monthly Rent @30% before adding utilities | Rental Housing @ 30% with utilities | Utilities Allowance HUD Rates SFH all Electric | Monthly Rent @30% before adding utilities |
|---|---|---|---|---|---|---|---|---|
| Household of 1 | Annual | Monthly | 1 bedroom | | | | | |
| 50% AMI= very low | $ 39,000 | $ 3,250 | $ 975 | $ 176 | $ 799 | | | |
| 80% AMI= low | $ 62,350 | $ 5,196 | $ 1,559 | $ 176 | $ 1,383 | | | |
| 100% AMI= median | $ 77,950 | $ 6,496 | $ 1,949 | $ 176 | $ 1,773 | | | |
| 120% AMI= moderate | $ 93,540 | $ 7,795 | $ 2,339 | $ 176 | $ 2,163 | | | |
| 150% AMI= high | $ 116,925 | $ 9,744 | $ 2,923 | $ 176 | $ 2,747 | | | |
| Household of 2 | Annual | Monthly | 1 bedrooms | | | 2 bedrooms | | |
| 50% AMI= very low | $ 44,550 | $ 3,713 | $ 1,114 | $ 176 | $ 938 | $ 1,114 | $ 212 | $ 902 |
| 80% AMI= low | $ 71,250 | $ 5,938 | $ 1,781 | $ 176 | $ 1,605 | $ 1,781 | $ 212 | $ 1,569 |
| 100% AMI= median | $ 89,050 | $ 7,421 | $ 2,226 | $ 176 | $ 2,050 | $ 2,226 | $ 212 | $ 2,014 |
| 120% AMI= moderate | $ 106,860 | $ 8,905 | $ 2,672 | $ 176 | $ 2,496 | $ 2,672 | $ 212 | $ 2,460 |
| 150% AMI= high | $ 133,575 | $ 11,131 | $ 3,339 | $ 176 | $ 3,163 | $ 3,339 | $ 212 | $ 3,127 |
| Household of 3 | Annual | Monthly | 2 bedrooms | | | 3 bedrooms | | |
| 50% AMI= very low | $ 50,100 | $ 4,175 | $ 1,253 | $ 212 | $ 1,041 | $ 1,253 | $ 270 | $ 983 |
| 80% AMI= low | $ 80,150 | $ 6,679 | $ 2,004 | $ 212 | $ 1,792 | $ 2,004 | $ 270 | $ 1,734 |
| 100% AMI= median | $ 100,200 | $ 8,350 | $ 2,505 | $ 212 | $ 2,293 | $ 2,505 | $ 270 | $ 2,235 |
| 120% AMI= moderate | $ 120,240 | $ 10,020 | $ 3,006 | $ 212 | $ 2,794 | $ 3,006 | $ 270 | $ 2,736 |
| 150% AMI= high | $ 150,300 | $ 12,525 | $ 3,758 | $ 212 | $ 3,546 | $ 3,758 | $ 270 | $ 3,488 |
| Household of 4 | Annual | Monthly | 2 bedrooms | | | 3 bedrooms | | |
| 50% AMI= very low | $ 55,650 | $ 4,638 | $ 1,391 | $ 212 | $ 1,179 | $ 1,391 | $ 270 | $ 1,121 |
| 80% AMI= low | $ 89,050 | $ 7,421 | $ 2,226 | $ 212 | $ 2,014 | $ 2,226 | $ 270 | $ 1,956 |
| 100% AMI= median | $ 111,300 | $ 9,275 | $ 2,783 | $ 212 | $ 2,571 | $ 2,783 | $ 270 | $ 2,513 |
| 120% AMI= moderate | $ 133,560 | $ 11,130 | $ 3,339 | $ 212 | $ 3,127 | $ 3,339 | $ 270 | $ 3,069 |
| 150% AMI= high | $ 166,950 | $ 13,913 | $ 4,174 | $ 212 | $ 3,962 | $ 4,174 | $ 270 | $ 3,904 |

# CCDC Rent Calculations

***Based on 2022 Beaufort County Area Median Income***

| Income Classification | Gross Income | | Rental Housing @ 30% with utilities | Utilities Allowance HUD Rates SFH all Electric | Monthly Rent @30% before adding utilities | Rental Housing @ 30% with utilities | Utilities Allowance HUD Rates SFH all Electric | Monthly Rent @30% before adding utilities |
|---|---|---|---|---|---|---|---|---|
| Household of 5 | Annual | Monthly | 3 bedrooms | | | 4 bedrooms | | |
| 50% AMI= very low | $ 60,150 | $ 5,013 | $ 1,504 | $ 270 | $ 1,234 | $ 1,504 | $ 313 | $ 1,191 |
| 80% AMI= low | $ 96,200 | $ 8,017 | $ 2,405 | $ 270 | $ 2,135 | $ 2,405 | $ 313 | $ 2,092 |
| 100% AMI= median | $ 120,250 | $ 10,021 | $ 3,006 | $ 270 | $ 2,736 | $ 3,006 | $ 313 | $ 2,693 |
| 120% AMI= moderate | $ 144,300 | $ 12,025 | $ 3,608 | $ 270 | $ 3,338 | $ 3,608 | $ 313 | $ 3,295 |
| 150% AMI= high | $ 180,375 | $ 15,031 | $ 4,509 | $ 270 | $ 4,239 | $ 4,509 | $ 313 | $ 4,196 |

| Household of 6 | Annual | Monthly | 4 bedrooms | | | 5 bedrooms | | |
|---|---|---|---|---|---|---|---|---|
| 50% AMI= very low | $ 64,600 | $ 5,383 | $ 1,615 | $ 313 | $ 1,302 | $ 1,615 | $ 364 | $ 1,251 |
| 80% AMI= low | $ 103,300 | $ 8,608 | $ 2,583 | $ 313 | $ 2,270 | $ 2,583 | $ 364 | $ 2,219 |
| 100% AMI= median | $ 129,150 | $ 10,763 | $ 3,229 | $ 313 | $ 2,916 | $ 3,229 | $ 364 | $ 2,865 |
| 120% AMI= moderate | $ 154,980 | $ 12,915 | $ 3,875 | $ 313 | $ 3,562 | $ 3,875 | $ 364 | $ 3,511 |
| 150% AMI= high | $ 193,725 | $ 16,144 | $ 4,843 | $ 313 | $ 4,530 | $ 4,843 | $ 364 | $ 4,479 |

| Houeshold of 7 | Annual | Monthly | 5 bedrooms | | |
|---|---|---|---|---|---|
| 50% AMI= very low | $ 69,050 | $ 5,754 | $ 1,726 | $ 364 | $ 1,362 |
| 80% AMI= low | $ 110,450 | $ 9,204 | $ 2,761 | $ 364 | $ 2,397 |
| 100% AMI= median | $ 138,050 | $ 11,504 | $ 3,451 | $ 364 | $ 3,087 |
| 120% AMI= moderate | $ 165,660 | $ 13,805 | $ 4,142 | $ 364 | $ 3,778 |
| 150% AMI= high | $ 207,075 | $ 17,256 | $ 5,177 | $ 364 | $ 4,813 |

| Household of 8 | Annual | Monthly | 5 bedrooms | | |
|---|---|---|---|---|---|
| 50% AMI= very low | $ 73,500 | $ 6,125 | $ 1,838 | $ 364 | $ 1,474 |
| 80% AMI= low | $ 117,550 | $ 9,796 | $ 2,939 | $ 364 | $ 2,575 |
| 100% AMI= median | $ 146,950 | $ 12,246 | $ 3,674 | $ 364 | $ 3,310 |
| 120% AMI= moderate | $ 176,340 | $ 14,695 | $ 4,409 | $ 364 | $ 4,045 |
| 150% AMI= high | $ 220,425 | $ 18,369 | $ 5,511 | $ 364 | $ 5,147 |

*Utility Allowances are based on all electric single family home*

# Coastal Community Development Corporation

## Workforce Housing Rental Qualifications, Occupancy & Use and Application Guidelines

### Key Points

#### Qualifications

- CCDC owned properties have an income limit of 150% of AMI
- No Asset limits
- One person in the household must work full-time for a Local Business (see definition below) (1,560 hours per year - an average of 30 hours/week)
- 75% of total household's income must be earned from a Local Business (see definition below) at time of rental and during occupancy
- May not own residential real estate within 50 miles of Beaufort County, South Carolina

#### Occupancy & Use

- There is no minimum household size for Workforce units.
- May not sublet/rent any rooms in the home or the home without prior approval of the CCDC.
- Must occupy the home for 80% of the lease term.
- Rental units must not be owner occupied and must remain rental units

#### Rental Preferences

- First priority is given to eligible households that work for CCDC affiliate partners.
- Second priority is given to eligible households that have been or will be involuntarily displaced from the municipality or unincorporated county in which they resided or reside and work at a Local Business in, in which the available unit is located.
- Third priority is given to eligible households that reside and work at a Local Business within the municipality or unincorporated county in which the available unit is located.
- Fourth priority is given to eligible households that work at a Local Business within the municipality or unincorporated county in which the available unit is located.
- Fifth priority is given to eligible households that reside and work at a Local Business within Beaufort or Jasper County, South Carolina.
- Sixth priority is given to eligible households that work at a Local Business within Beaufort or Jasper County, South Carolina.

**Rental Process**

- All tenants of Workforce rentals are selected by the CCDC via application process.
    - Application includes income qualification and Local Business work history documentation and proof thereof.
- Rental rates are capped at pre-determined rates tied to household size and Area Median Income of the county in which the property resides in.
    - For CCDC owned or managed units rental rates are capped at 150% of AMI.
- Units may not remain vacant for more than 60 days.
- The CCDC must qualify the household at time of application and requalify the household annually.
- The CCDC must keep verification records of tenants who qualify for at least 3 years.
- Income limits by household size and AMI used for qualification are listed below.

| CCDC Workforce Housing Income Limits Based on 2022 Beaufort County AMI | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| # In Family | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| Income Limit | 50% | $ 30,350.00 | $ 34,700.00 | $ 39,050.00 | $ 43,350.00 | $ 46,850.00 | $ 50,300.00 | $ 53,800.00 | $ 57,250.00 |
| Monthly Income | | $ 2,529.17 | $ 2,891.67 | $ 3,254.17 | $ 3,612.50 | $ 3,904.17 | $ 4,191.67 | $ 4,483.33 | $ 4,770.83 |
| Monthly Rent | | $ 758.75 | $ 867.50 | $ 976.25 | $ 1,083.75 | $ 1,171.25 | $ 1,257.50 | $ 1,345.00 | $ 1,431.25 |
| Income Limit | 80% | $ 48,550.00 | $ 55,500.00 | $ 62,450.00 | $ 69,350.00 | $ 74,900.00 | $ 80,450.00 | $ 86,000.00 | $ 91,550.00 |
| Monthly Income | | $ 4,045.83 | $ 4,625.00 | $ 5,204.17 | $ 5,779.17 | $ 6,241.67 | $ 6,704.17 | $ 7,166.67 | $ 7,629.17 |
| Monthly Rent | | $ 1,213.75 | $ 1,387.50 | $ 1,561.25 | $ 1,733.75 | $ 1,872.50 | $ 2,011.25 | $ 2,150.00 | $ 2,288.75 |
| Income Limit | 100% | $ 60,700.00 | $ 69,400.00 | $ 78,100.00 | $ 86,700.00 | $ 93,700.00 | $ 100,600.00 | $ 107,600.00 | $ 114,500.00 |
| Monthly Income | | $ 5,058.33 | $ 5,783.33 | $ 6,508.33 | $ 7,225.00 | $ 7,808.33 | $ 8,383.33 | $ 8,966.67 | $ 9,541.67 |
| Monthly Rent | | $ 1,517.50 | $ 1,735.00 | $ 1,952.50 | $ 2,167.50 | $ 2,342.50 | $ 2,515.00 | $ 2,690.00 | $ 2,862.50 |
| Income Limit | 120% | $ 72,840.00 | $ 83,280.00 | $ 93,720.00 | $ 104,040.00 | $ 112,440.00 | $ 120,720.00 | $ 129,120.00 | $ 137,400.00 |
| Monthly Income | | $ 6,070.00 | $ 6,940.00 | $ 7,810.00 | $ 8,670.00 | $ 9,370.00 | $ 10,060.00 | $ 10,760.00 | $ 11,450.00 |
| Monthly Rent | | $ 1,821.00 | $ 2,082.00 | $ 2,343.00 | $ 2,601.00 | $ 2,811.00 | $ 3,018.00 | $ 3,228.00 | $ 3,435.00 |
| Income Limit | 150% | $ 91,050.00 | $ 104,100.00 | $ 117,150.00 | $ 130,050.00 | $ 140,550.00 | $ 150,900.00 | $ 161,400.00 | $ 171,750.00 |
| Monthly Income | | $ 7,587.50 | $ 8,675.00 | $ 9,762.50 | $ 10,837.50 | $ 11,712.50 | $ 12,575.00 | $ 13,450.00 | $ 14,312.50 |
| Monthly Rent | | $ 2,276.25 | $ 2,602.50 | $ 2,928.75 | $ 3,251.25 | $ 3,513.75 | $ 3,772.50 | $ 4,035.00 | $ 4,293.75 |
| Income Limit | 180% | $ 109,260.00 | $ 124,920.00 | $ 140,580.00 | $ 156,060.00 | $ 168,660.00 | $ 181,080.00 | $ 193,680.00 | $ 206,100.00 |
| Monthly Income | | $ 9,105.00 | $ 10,410.00 | $ 11,715.00 | $ 13,005.00 | $ 14,055.00 | $ 15,090.00 | $ 16,140.00 | $ 17,175.00 |
| Monthly Rent | | $ 2,731.50 | $ 3,123.00 | $ 3,514.50 | $ 3,901.50 | $ 4,216.50 | $ 4,527.00 | $ 4,842.00 | $ 5,152.50 |
| Income Limit | 200% | $ 121,400.00 | $ 138,800.00 | $ 156,200.00 | $ 173,400.00 | $ 187,400.00 | $ 201,200.00 | $ 215,200.00 | $ 229,000.00 |
| Monthly Income | | $ 10,116.67 | $ 11,566.67 | $ 13,016.67 | $ 14,450.00 | $ 15,616.67 | $ 16,766.67 | $ 17,933.33 | $ 19,083.33 |
| Monthly Rent | | $ 3,035.00 | $ 3,470.00 | $ 3,905.00 | $ 4,335.00 | $ 4,685.00 | $ 5,030.00 | $ 5,380.00 | $ 5,725.00 |

**Local Business Definition**

To qualify as a Local Business, the business must meet all of 'A' below or all of 'B'.

A.) (1) a business physically located within Beaufort or Jasper County, South Carolina, holding a business license with the Town of Hilton Head Island, Town of Bluffton, Town of Port Royal, Town of Hardeeville, Beaufort County or Jasper County, South Carolina or one that can provide other verification of business status physically located in Beaufort or Jasper County, South Carolina, and (2) A minimum of seventy-five percent (75%) of the business' clients or customers are physically located in Beaufort or Jasper County, South Carolina, and (3) the employees/owners must work in Beaufort or Jasper County, South Carolina to perform their job.

Or

B.) A business physically located in Beaufort or Jasper County, South Carolina who employs two or more Qualified Employees, which qualified employees must work in Beaufort or Jasper County, South Carolina to perform their job.

## State Accommodations Tax for Workforce Housing Critical Path

Housing Impact Analysis Adoption/Comprehensive Plan Amendment

**December 17, 2023:** Legal ad in newspaper posting deadline.
**December 18, 2023:** Housing Impact Analysis transmitted to all required entities.
**January 17, 2024:** Planning Commission Public Hearing.
**February 8, 2024:** Public Planning Committee meeting.
**March 5, 2024:** Town Council 1st Reading of Ordinance.*
**March 19, 2024:** Town Council 2nd Reading of Ordinance.*^

**First and second reading of the budget amendment ordinance to appropriate the available state a-tax funds could be done contemporaneously with both first and second reading of the Comprehensive Plan amendment.*

^ *Approval of a Memorandum of Understanding between the Town and any entity receiving state Accommodation Tax funding could occur contemporaneously with second reading of the Comprehensive Plan amendment and budget amendment.*

FY24-25 Affiliated Agency Timeline

**January 2, 2024**: Affiliated Agency Applications are posted/distributed.
**January 31, 2024**: Affiliated Agency Application Submissions are due.
**March 12, 2024**: Affiliated Agency Presentations to the Finance and Administration Committee.
**April 16, 2024**: Finance and Administration Committee Recommendations to Town Council.
**May 7, 2024**: Town Council 1st Reading of Budget Ordinance.
**June 4, 2024**: Town Council 2nd Reading of Budget Ordinance.

**Town of Hilton Head Island**
**Calculation of State Accommodations Taxes (ATAX) & Available Funds**
**Updated - December 7, 2023**

| | | |
|---|---|---|
| Funding Carryforward | | **1,139,792** |
| | | |
| 2023 ATAX Collections | **13,344,903** | |
| Interest Earnings | **371,636** | |
| | | **13,716,539** |
| | | |
| Required Distributions | | |
| General Fund | **(25,000)** | |
| DMO 30% (after first $25k) | **(3,995,971)** | |
| General Fund 5% | **(665,995)** | |
| Subtotal Required Distributions | | **(4,686,966)** |
| | | |
| Available for Optional Decisions | | **10,169,365** |
| | | |
| **Town Council Allocations in the FY 2024 Budget:** | | |
| General Fund Operations Budgets 2024 | **(3,515,021)** | |
| Capital Improvements Budget 2024 | **(3,000,000)** | |
| Total Town Council Allocations | | **(6,515,021)** |
| | | |
| **ATAX Funds Available for Calendar Year 2024 ATAX Grants and Other Possible Uses** | | **3,654,344** |
| | | |
| Calendar Year 2024 ATAX Grants - Approved by Town Council 12/5/2023 | | **(4,282,328)** |
| | | |
| Amounts based on (future) past revenues | | **(627,984)** |
| | | |
| **Expected Activity (July - December 2023)** | | |
| State ATAX Revenues - July-September 2023 (Actual) | **5,148,616** | |
| State ATAX Revenues - October-December 2023 (Forecast) | **1,612,716** | |
| Total Revenues (July-December 2023) | **6,761,332** | |
| Required Distributions | **(2,382,716)** | |
| | **4,378,616** | |
| Expected Interest Earnings (July-December 2023) | **245,000** | |
| | | |
| Expected ATAX Revenue and Interest Earning (July-December 2023) | | **4,623,616** |
| | | |
| **Expected Available ATAX Funds at December 31, 2023** | | **3,995,632** |
| | | |
| **Possible Uses of Available ATAX Funds** | | |
| Planned Land Purchases | **(2,000,000)** | |
| Possible Workforce Housing | **(1,200,000)** | |
| Total Possible Uses | | **(3,200,000)** |
| | | |
| **Expected Amounts on Hand for Future Decisions** | | **795,632** |

Note - the numbers are fiscal years - the grants are based on calendar years.
Possibly uses will be Town Council decisions.

# TOWN OF HILTON HEAD ISLAND

*Finance and Administrative Committee*

| | |
|---|---|
| **TO:** | Finance and Administrative Committee Members |
| **FROM:** | Joshua Gruber, *Deputy Town Manager* |
| **CC:** | Marc Orlando, *Town Manager* |
| **DATE:** | December 12, 2023 |
| **SUBJECT:** | Consideration of a Resolution Approving a Memorandum of Understanding with the Hilton Head Regional Habitat for Humanity |

## RECOMMENDATION:

The Committee should review the proposed Memorandum of Understanding with the Hilton Head Regional Habitat for Humanity and if it is supportive of providing funding to this organization for the purposes of providing workforce housing, what terms and conditions must be set forth concerning the manner in how this funding will be utilized.

## BACKGROUND:

As part of the Fiscal Year 2024 Budget adoption process, the Hilton Head Regional Habitat for Humanity ("Habitat") applied to receive funding as an Affiliated Agency. Habitat's mission is to put God's love into action, and brings together people to build affordable homes, communities, and hope. Habitat partners with local families who are in need of a home of own and fosters a sense of stability, self-reliance, and a strong sense of community.

In its application, Habitat requested $500,000 to be utilized towards the purchase of land on Hilton Head Island to build affordable homes. With this funding, Habitat hoped to be able to purchase a 1 acre plot and develop somewhere between 8-10 single-family homes for purchase by qualified individuals through the Habitat for Humanity program. To become a family partner (a homebuyer through Habitat), the family must go through an intensive application process, attend home-ownership classes, and perform at least 300 hours of sweat equity. At completion of the build, they purchase the home with a no-interest mortgage which has a monthly payment plan at 30% or less of their household income. To qualify, homeowners must earn between 30% and 70% of the average median household income for southern Beaufort and Jasper Counties.

Habitat did not receive any funding as a part of its Fiscal Year 2024 Affiliated Agency application. However, on May 19, 2023, Act 57 of 2023 was adopted by the South Carolina General Assembly. Shortly after this, staff was asked to create a draft Memorandum of Understanding associated with providing Habitat with funding to create affordable workforce housing.

## ANALYSIS:

A draft of the Memorandum of Understanding was provided to members of the Committee for review and comment. As of the date identified in this correspondence, the only comments received are as follows:

- The Habitat agreement should have language to eliminate the possibility of short-term rentals.

Currently, the terms of the mortgage financing that is provided to Habitat homeowners restricts the ability of the home to be rented, either short-term or long-term, until the mortgage has been paid in full. Once it has been satisfied, these restrictions are removed.

## CONCLUSION:

The Committee should review the proposed Memorandum of Understanding with the Hilton Head Regional Habitat for Humanity and determine if it is supportive of this funding request. If it is, then any corresponding amendments to the Memorandum of Understanding should be included in the recommendation that is sent to Town Council for its consideration.

## ATTACHMENTS:

1. Draft Memorandum of Understanding with the Hilton Head Regional Habitat for Humanity
2. Critical Path Timeline on State Accommodation Tax Usage
3. State A-Tax Funding Summary

**STATE OF SOUTH CAROLINA )**
**)**
**COUNTY OF BEAUFORT )**

**MEMORANDUM OF UNDERSTANDING**

This Memorandum of Understanding ("Agreement") is entered into this _____ day of __________________, 2023, by and between the Town of Hilton Head Island ("Town"), a South Carolina Municipal Corporation, and Hilton Head Regional Habitat for Humanity ("Habitat"), a South Carolina nonprofit corporation. When referred to jointly, these entities shall be referred to as the "Parties."

**WHEREAS,** the Town is committed to fostering a strong sense of community and well-being for all of its residents through the creation of affordable workforce housing; and

**WHEREAS**, within *Our Plan*, the Town of Hilton Head Island's Comprehensive Plan, the Town has identified a specific goal of encouraging the development of workforce housing and home ownership through effective incentives; and

**WHEREAS**, one of the strategies identified within Comprehensive Plan is to support programs that are aimed at increasing workforce housing home ownership similar to the program that is offered by Habitat for Humanity; and

**WHEREAS,** Habitat is dedicated to the development of affordable workforce housing and has proven experience in both the construction and management of such projects on Hilton Head Island; and

**WHEREAS**, both parties support Habitat's pursuit of financial support for workforce housing development through the Town's adopted Affiliated Agency funding process; and

**WHEREAS,** both parties acknowledge the need for an effective partnership between the Town and Habitat to facilitate the development of affordable workforce housing within the municipal limits of Hilton Head Island.

**NOW, THEREFORE**, for and in consideration of the mutual promises, undertakings, and covenants set forth herein, the receipt and sufficiency of which is acknowledged and affirmed by both the Town and Habitat, the Parties do hereby agree as follows:

1. **Governing Document**

It is the intent of the parties that this Memorandum shall only govern circumstances wherein the Town has provided funding to Habitat for the purposes of developing affordable workforce housing. Any additional capital and operating costs necessary for the development of qualified affordable workforce housing will be the responsibility of Habitat.

2. **Funding**

The Town will consider an annual financial contribution to Habitat through its Affiliated Agency funding process to support the acquisition of land, the creation of affordable workforce housing, and the oversight and management of the same. The balance of any capital or operating funding that may be necessary to accomplish this purpose above and beyond any amount appropriated by the Town shall be raised by Habitat from sources other than what has been provided by the Town through its Affiliated Agency funding.

3. **Roles and Responsibilities**

a. Habitat's Obligations:

i. Approval of Plan and Budget. Prior to awarding any funding identified under this Agreement, Habitat shall submit annually through the Town's Affiliated Agency program. Among other program requirements, this submission shall include a detailed plan (the "Plan") and budget (the "Budget") for the development of workforce housing for which this funding will be utilized. The Town will provide Habitat with access to its staff to assist in the development of both the Plan and the Budget.

ii. Use of Funding. Habitat may only use the above referenced funding for the purposes of acquiring real property, and/or designing and constructing single and/or multi-family workforce housing units within the municipal boundaries of Hilton Head Island.

iii. Review of Plans. Habitat shall submit all conceptual, design, engineering, and site plans to the Town for review and approval consistent with the standard and ordinary development review and building construction process. The plans submitted by Habitat shall follow the Town's Land Management Ordinance as well as any other applicable laws and regulations.

iv. Maintenance Plan. Within its Plan, Habitat shall provide information outlining how the affordable workforce housing units developed with the use of the Town's funding will be maintained in accordance with generally accepted maintenance standards. Habitat shall also identify how applicants will be screened and ultimately selected to own and/or occupy any units created under this Agreement.

v. Income Requirements. Within its submitted Plan, Habitat shall identify the Area Median Incomes ("AMI") applicable to the affordable workforce housing units that it seeks to create under this Agreement. The rental or conveyance of any workforce housing homes created under this Agreement shall not exceed 120% of the AMI applicable to Hilton Head Island, South Carolina without the express prior written approval by the Town.

vi. Ongoing Affordable Nature of Housing Units. Within its submitted Plan, Habitat shall identify the nature and extent to which the affordable workforce housing units it seeks to create under this Agreement shall be maintained and the duration of time, expressed in years, that it will ensure that the affordability standards for these units are maintained as stated in its submitted Plan. Additionally, within the submitted Plan, any units created under this agreement shall be restricted from being used for short-term rental purposes.

vii. Accounting, Reporting, and Transparency. Any funding awarded under this Agreement shall be accounted for in a separate fund according to Generally Accepted Accounting Principles for governmental and non-profit entities. Habitat shall allow the Town to access all records related to the Grant funds upon seventy-two (72) hour written notice. To the extent that it should become necessary, Habitat agrees that it will provide the Town with any documentation that may be necessary to appropriately identify and account for any funding that it may receive. Habitat shall also work with the Town to provide any documentation that may be requested of any state or federal entity pertaining to this funding.

Habitat shall cause a financial statement to be prepared each year at the conclusion of Habitat's fiscal year by an entity independent of, and unconnected to, Habitat. Habitat shall deliver a copy of its financial statement to the Town within thirty (30) days of the completion of the financial statement each calendar year.

Habitat shall provide the Town with an annual independent audit report or review report prepared by a Certified Public Accountant (CPA) acceptable to the Town. An annual report shall be submitted no less than every third year.

Habitat shall prepare and submit an annual report to the Town identifying the manner in which any funding that it has received by the Town was utilized, the outcomes that it has created to support the development of workforce housing on

Hilton Head Island, and any performance metrics that may be necessary to evaluate the overall effectiveness that this funding has had in addressing workforce housing issues on Hilton Head Island.

viii. Insurance. Habitat shall provide a Certificate of Insurance covering all activities necessary in the carrying out of acquiring real property, and/or designing and constructing single and/or multi-family workforce housing units within the municipal boundaries of Hilton Head Island. The Town shall be named as an additional insured within this document.

b. Town Obligations:

i. Support for Habitat Services: The Town will encourage and guide Habitat in the submission of any necessary procurement documentation that may be required in order to facilitate Habitat's participation as a qualified vendor in the Town's Home Safe and Repair program as well as any additional contracting opportunities that may be appropriate for Habitat's services in the home construction and home repair industry.

ii. Staff Support: The Town will provide Habitat with access to its staff to support identifying opportunities within historic neighborhoods and the development of home ownership opportunities on all properties located within the Town of Hilton Head Island inclusive of Gullah land. This access to staff will include, but will not be limited to, the Historic Neighborhoods Principal Planner, staff from the Gullah Geechee Historic Neighborhoods Community Development Corporation, and others as may be necessary to accomplish this purpose.

iii. Development Support: The Town will work cooperatively with Habitat to assist in performing site selection, site design, building design, and construction related activities that support the creation of home ownership workforce housing on Hilton Head Island.

iv. Processing of Permits. The Town agrees to work with Habitat to expeditiously process any requests that it may submit for development and/or building permits associated with the creation of affordable workforce housing called for under this Agreement.

v. Project Assistance. The Town may assist and/or perform functions that aid in the acquisition, transfer, and/or development of affordable workforce housing properties for homeownership in a joint partnership with Habitat as provided for within Section 11-1-911 of the Municipal Code of the Town of Hilton Head Island, South Carolina.

vi. Future Funding Opportunities: The Town will work cooperatively with Habitat to jointly pursue external funding opportunities that support workforce housing development.

4. **Specific Obligations**

Because of the unknown nature of future Plans and Budget that may be submitted by Habitat, as a condition of any funding that may be awarded to Habitat through the Affiliated Agency funding process, the Town may require additional obligations that shall be consistent with the Plan and Budget approved by the Town Council. Any such specific obligations will be incorporated via separate agreement and shall identify the nature and scope to which such specific obligations shall apply.

5. **Claw Backs**

In the event Habitat materially breaches this Agreement, the Town reserves the right to claw back the entirety of the Grant funds, or a portion thereof, that it has provided to Habitat. Additionally, should any funding awarded under this Agreement not be utilized pursuant to the terms and conditions outlined herein, or any additional specific obligations that may be associated with any such award, then Habitat agrees to refund any such funding to the Town upon the receipt of a written demand by the Town to return such funding.

6. **Notices**

All notices required under this Memorandum shall be deemed to have been given if in writing and

a. delivered personally; or

b. mailed first class, postage prepaid, to the address of record set forth below, in which case delivery shall be deemed to have occurred two calendar days after the date of postmark.

**HILTON HEAD REGIONAL HABITAT FOR HUMANITY**
Executive Director
PO Box 2747
Bluffton, SC 29910

**TOWN OF HILTON HEAD ISLAND**
Town Manager
One Town Center Court
Hilton Head Island, SC 29928

The address of record may be changed by written notice to the other party.

7. **Term**

The term of this Memorandum of Understanding shall be for a period of five (5) years from the date of its execution. No less than one hundred and eighty (180) days prior to the conclusion of this Memorandum, the Town and Habitat shall meet to discuss any extensions, modifications, or terminations of the same. Changes to this Agreement may be made only with and by the mutual written consent of both Parties. This Agreement and any future requests for funding that are contemplated herein are subject to an annual budget appropriation by the Town Council as part of its Affiliated Agency funding program.

8. **Termination**

In addition to any other rights of termination set forth in this Memorandum, each party shall have the right to terminate this Memorandum, by written notice to the other party, if the other party is in default of any term or provision of this Memorandum, and the defaulting party fails to cure or correct such default within fourteen (14) days of notice thereof from the non-defaulting party. A party may elect to disregard a default for the period of time without waiving its right to declare a default at a subsequent time or upon reoccurrence of the default. Additionally, either of the Parties may elect to terminate this Agreement for convenience by written notice to the other party, thirty (30) days in advance of such termination.

(SIGNATURE PAGES FOLLOW)

**IN WITNESS WHEREOF,** Habitat has caused this Agreement to be signed and sealed this ______ day of __________________________, 20_____.

**SIGNED, SEALED AND DELIVERED IN THE PRESENCE OF:**

______________________________

______________________________

**HILTON HEAD REGIONAL HABITAT FOR HUMANITY**

By:_________________________________
Brenda Dooley
Executive Director

Attest:______________________________

Print Name:__________________________

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| **STATE OF SOUTH CAROLINA** | ) | |
| | ) | **ACKNOWLEDGEMENT** |
| **COUNTY OF** ______________________ | ) | |

I, the undersigned Notary Public, do hereby certify that Brenda Dooley and ______________________________ personally appeared before me this day and acknowledged the due execution of the foregoing instrument on behalf of the Hilton Head Regional Habitat for Humanity, Inc.

Witness my hand and seal this _____ day of ____________________, 20_____.

______________________________
Notary Public for South Carolina
My Commission Expires:__________

**IN WITNESS WHEREOF,** the Town has caused this Agreement to be signed and sealed this ______ day of _________________________, 20_____.

| | |
|---|---|
| **SIGNED, SEALED AND DELIVERED IN THE PRESENCE OF:** | **TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA** |
| ______________________________ | By:__________________________<br>Alan Perry, Mayor |
| ______________________________ | Attest:________________________<br>Marc Orlando, ICMA~CM<br>Town Manager |

**STATE OF SOUTH CAROLINA** )
) **ACKNOWLEDGEMENT**
**COUNTY OF BEAUFORT** )

I, the undersigned Notary Public, do hereby certify that Alan Perry and Marc Orlando personally appeared before me this day and acknowledged the due execution of the foregoing instrument on behalf of the Town of Hilton Head Island, South Carolina.

Witness my hand and seal this _____ day of____________________, 20_____.

________________________________
Notary Public for South Carolina
My Commission Expires:__________

## State Accommodations Tax for Workforce Housing Critical Path

Housing Impact Analysis Adoption/Comprehensive Plan Amendment

**December 17, 2023:** Legal ad in newspaper posting deadline.
**December 18, 2023:** Housing Impact Analysis transmitted to all required entities.
**January 17, 2024:** Planning Commission Public Hearing.
**February 8, 2024:** Public Planning Committee meeting.
**March 5, 2024:** Town Council 1st Reading of Ordinance.*
**March 19, 2024:** Town Council 2nd Reading of Ordinance.*^

**First and second reading of the budget amendment ordinance to appropriate the available state a-tax funds could be done contemporaneously with both first and second reading of the Comprehensive Plan amendment.*

*^ Approval of a Memorandum of Understanding between the Town and any entity receiving state Accommodation Tax funding could occur contemporaneously with second reading of the Comprehensive Plan amendment and budget amendment.*

FY24-25 Affiliated Agency Timeline

**January 2, 2024**: Affiliated Agency Applications are posted/distributed.
**January 31, 2024**: Affiliated Agency Application Submissions are due.
**March 12, 2024**: Affiliated Agency Presentations to the Finance and Administration Committee.
**April 16, 2024**: Finance and Administration Committee Recommendations to Town Council.
**May 7, 2024**: Town Council 1$^{st}$ Reading of Budget Ordinance.
**June 4, 2024**: Town Council 2$^{nd}$ Reading of Budget Ordinance.

**Town of Hilton Head Island**
**Calculation of State Accommodations Taxes (ATAX) & Available Funds**
**Updated - December 7, 2023**

| | | |
|---|---|---|
| Funding Carryforward | | **1,139,792** |
| 2023 ATAX Collections | **13,344,903** | |
| Interest Earnings | **371,636** | |
| | | **13,716,539** |
| Required Distributions | | |
| General Fund | **(25,000)** | |
| DMO 30% (after first $25k) | **(3,995,971)** | |
| General Fund 5% | **(665,995)** | |
| Subtotal Required Distributions | | **(4,686,966)** |
| Available for Optional Decisions | | **10,169,365** |
| **Town Council Allocations in the FY 2024 Budget:** | | |
| General Fund Operations Budgets 2024 | **(3,515,021)** | |
| Capital Improvements Budget 2024 | **(3,000,000)** | |
| Total Town Council Allocations | | **(6,515,021)** |
| **ATAX Funds Available for Calendar Year 2024 ATAX Grants and Other Possible Uses** | | **3,654,344** |
| Calendar Year 2024 ATAX Grants - Approved by Town Council 12/5/2023 | | **(4,282,328)** |
| Amounts based on (future) past revenues | | **(627,984)** |
| **Expected Activity (July - December 2023)** | | |
| State ATAX Revenues - July-September 2023 (Actual) | **5,148,616** | |
| State ATAX Revenues - October-December 2023 (Forecast) | **1,612,716** | |
| Total Revenues (July-December 2023) | **6,761,332** | |
| Required Distributions | **(2,382,716)** | |
| | **4,378,616** | |
| Expected Interest Earnings (July-December 2023) | **245,000** | |
| Expected ATAX Revenue and Interest Earning (July-December 2023) | | **4,623,616** |
| **Expected Available ATAX Funds at December 31, 2023** | | **3,995,632** |
| **Possible Uses of Available ATAX Funds** | | |
| Planned Land Purchases | **(2,000,000)** | |
| Possible Workforce Housing | **(1,200,000)** | |
| Total Possible Uses | | **(3,200,000)** |
| **Expected Amounts on Hand for Future Decisions** | | **795,632** |

Note - the numbers are fiscal years - the grants are based on calendar years.
Possibly uses will be Town Council decisions.