# Town of Hilton Head Island
# FINANCE AND ADMINISTRATION COMMITTEE MEETING
# Tuesday, December 19, 2023, 1:00 PM
# Minutes

**Call to Order**

Chair Alex Brown called the meeting to order at 1:00 p.m.

**Adoption of the Agenda**

Glenn Stanford moved to approve the agenda as presented. David Ames seconded. Motion carried 4-0.

**Approval of the Minutes**

Regular Meeting Minutes of November 14, 2023

Glenn Stanford moved to approve the regular meeting minutes of November 14, 2023 as presented. David Ames seconded. Motion carried 4-0.

**Appearance by Citizens**

Sandra Espinosa addressed the Committee regarding Habitat for Humanity. She spoke about her experience in purchasing her home at an affordable price. She asked the Committee to consider the benefits for Habitat for Humanity within the community.

Skip Hoagland addressed the Committee for Lynn Greenly regarding the request for County Council officials to monitor resources. Routine audits are not designed to uncover corruption. A forensic audit would ask the questions to determine whether policies and practices are protecting and maximizing resources effectively.

Skip Hoagland addressed the Committee regarding the use of ATAX (Accommodation Tax) funds for the Hilton Head Island- Bluffton Chamber of Commerce and as well as many other nonprofit organizations. Because ATAX dollars funded the Direct Marketing Organization (DMO) website; he questioned if the Town should own the website, rather than the Chamber.

**Presentations and Recognitions**

Town of Hilton Head Island Fiscal Year 2024 Year to Date Financial Update - Jeff Herriman, Interim Finance Director

Jeff Herriman, Interim Finance Director, addressed the committee regarding the financial update ending October 31, 2023. His presentation mirrored the monthly financial statements presented to Town Council and posted to the Town's website. Mr. Herriman proceeded through the Power Point presentation slides.

He stated that the Town of Hilton Head Island is operating within the budget expectations at this time, with the exception for the four land purchases which will require a budget amendment. He continued with information regarding the General Fund Revenues and Transfers for the year to date as well as comparing FY2023 to FY2024. Mr. Herriman continued with the presentation to explain numbers for the General Fund Expenditures and Transfers Out; Summary of General Fund activities; summary of different categories of the Capital Projects Fund within the budget; FY24 Land Acquisitions, including properties on Bryant Road, Shelter Cove Lane, Matthews Drive, and Pope Avenue; Business license numbers; EMS revenues; Local ATAX Revenue; Real Estate Transfer fees; and Hospitality Tax Revenue. He concluded the presentation with the Beach Preservation numbers to date.

Committee members asked questions and made comments regarding the details of the Town Council fees listed on the General Fund slide; recategorization for public safety funding; explanation for the increase in investment income due to the Town investments; and questioned how the ATAX figure was calculated based on number of tourists who come onto the Island verses the room rate accommodations.

Chair Brown asked if there were any public comments on this item.

Skip Hoagland addressed the committee regarding the need for a certified public account on the Committee to understand the financial information presented. He noted the need to hire an out of state accounting firm that specializes in forensic audits.

Chair Brown brought the matter back to the dais and thanked Mr. Herriman for his presentation.

**Unfinished Business**

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

Josh Gruber, Deputy Town Manager, addressed the committee regarding the request for a resolution approving a memorandum of understanding (MOU) with the University of South Carolina Beaufort (USCB) inclusive of the Island Ambassador Program. Mr. Gruber started with the history of the partnership with USCB and the Town to support tourism and other associated activities on Hilton Head Island. Years ago, the Town put language in its local code, setting aside 5% of the local ATAX funds for the purpose of supporting this partnership with the University. Due to increases in both state and local ATAX, Town Council requested that Town staff remove that language, and place the funding on an annual budget basis as opposed to a straight numerical calculation based on collections. This would incorporate the University into the Town's annual Affiliated Agency Program. As an Affiliated Agency, staff requests a MOU be put in place to outline several items, including how money will be received, utilized, tracked, and how the information will be reported.

Mr. Gruber continued by clarifying the Center for Lowcountry Hospitality Education (CLHE) is the entity the Town would be contracting with for this MOU. The CLHE is supported by the University; however, it is separate and distinct from the greater University itself.

Mr. Gruber introduced Eva Smith, USCB Associate Professor and Chair of the Hospitality Management Program, to speak to the Committee. Ms. Smith began her conversation with information about Sarah Beachkofsky who joined the University and revived the Island Ambassador Program. As of this date, the Center has certified as many people in these last four months as they did in the previous year. Ms. Smith continued to discuss the Quality Management Program, which provides feedback to local tourism industries by finding out essentially what makes tourists happy. A sample of questions related to the matrix as an assessment plan was provided in the packet.

CLHE has identified clear objectives tying back to the Town's Strategic Action Plan which incorporates new programing related to include a Junior Island Ambassador Program; customizing the Island Ambassador Program for primary Spanish speakers; offering an Advanced Island Ambassador Program; branching out the Quality Management Program to include restaurants, lodging, recreation, and other vendors; and offering continuing education courses related to hospitality and tourism industry certifications.

Committee members asked questions and made comments regarding the historical levels of funding; separation of funding for personnel and operations; how the funding was budged and submission for payment; the distinction between CLHE and the University of SC; the number of students involved in the Quality Management Program; details regarding the Secret Shopper Program; details about the Assessment Plan provided in the packet; and how many full time employees are incorporated in the Island Ambassador Program.

Chair Brown asked if there were any public comments on this item.

Skip Hoagland addressed the committee regarding the specific laws tied to ATAX funds. He continued how the Hilton Head Island- Bluffton Chamber should not have access to these ATAX funds.

Chair Brown brought the matter back to the dais.

**Glenn Stanford moved to forward the recommendation from staff to Town Council for consideration of a resolution approving a memorandum of understanding with the University of South Carolina Beaufort (USCB) inclusive of the Island Ambassador Program as presented with the following amendments: the inclusion of reporting data on the number of students associated with the center's programming; feedback from employers on the benefits participating in the Island Ambassador Program and a two-year rolling commitment beginning with Fiscal Year 2025 and Fiscal Year 2026. David Ames seconded the motion. The motion carried 4-0.**

**New Business**

Consideration of a Resolution Authorizing a Memorandum of Understanding with the Coastal Community Development Corporation - Josh Gruber, Deputy Town Manager

Josh Gruber addressed the committee regarding consideration of a resolution authorizing a memorandum of understanding (MOU) with the Coastal Community Development Corporation (CCDC.) The Town was contacted by representative of the CCDC, a South Carolina nonprofit corporation, requesting funding specifically for the purpose of utilization towards the acquisition of various real estate assets on Hilton Head Island. The CCDC would use those funds for the purpose of providing affordable workforce housing. The CCDC made a presentation to this committee back in August 2023 where they outlined the business model and plans for phase one. Included in the packet are documents regarding how those finances would work; the AMI (area median income) ranges; and the policy documents.

Mr. Gruber explained that the Town is continuing to pursue movement on Act 57 which would allow the use of state accommodations taxes for the purpose of workforce housing. Prior to this meeting, Town staff prepared a MOU that has been presented to the Committee for discussion. It outlines the various functional responsibilities between the Town and CCDC. The document was shared with representatives of the CCDC and members of this Committee in advance of this meeting. Some of the comments received regarding the draft MOU are included within the attached document. Additional questions with conversation from Committee members were raised regarding the definition of an

Affiliated Agency; consequences of a tenant exceeding the income limitation; consideration to have a representative on the CCDC board; the question to report quarterly or other periodic reporting to the Work Force Housing Committee; the question if agreements with other affiliated agencies have the same type of “will consider” language; the question if other agencies required to have a separate fund and the same reporting language; confirmation that the language complies with the requirements set forth in the Attorney General’s Opinion letter; and the CCDC AMI range should be specific and not using the “up to” language.

Mr. Gruber introduced Alan Wolf, Coastal Community Development Corporation (CCDC) Chairman of the Board, to answer any additional questions. Mr. Wolf expanded upon the CCDC’s purchase of three units and said that they are ready to purchase an additional two units. The CCDC obtained the Beaufort County block grant. They continue to work with additional groups with Senator Davis being an important proponent of their group. Mr. Wolf continued to expand upon the questions that were raised by the Committee, including that CCDC will not be acquiring land acquisitions; the distribution of AMI levels; the 99-Year deed on purchased properties; rental preferences for renters to be employed on Hilton Head Island; and the AMI and disposable income percentages for the renters.

Committee members asked questions and made comments regarding the revisions identified to include an outline of the roles and responsibilities for both parties; the requirement that CCDC submit a proposed budget as part of the Affiliated Agency Funding Program; if the funding would be used to acquire real property; limitations for units only within the Town’s boundaries; preparation of a maintenance plans for the acquired units; selection process for area median incomes. Discussions continued about the critical requirement for annual reporting and transparency, requiring that any funding that is provided be tracked and accounted for separately with this accounting provided to the Town on an annual basis. Additionally, the CCDC would perform an external independent audit review.

Chair Brown opened this item up for public comment.

Matthew Sweeney addressed the Committee with a product shortage analogy in reference to this item. He continued with the request that the greater good should not be defined by special interest groups. He asked that the committee know the metrics on how our Island benefits verses those who would not benefit.

Xiaodan Li addressed the Committee regarding her concerns for the viability of the CCDC model benefiting low wage earners; that there would be an ongoing requirement for government funding; that the affiliated partners would have first priority for their rent-controlled units; and that the investors receive tax credits while taxpayers who fund these endeavors do not. She asked the committee to vote no to the MOU.

Megan Fitzpatrick addressed the Committee stating that this was low-income housing, not affordable housing. She stated that if this is needed quickly, the non- profit companies and businesses can fund this. She concluded by asking the Committee to slow down and not make a hasty decision.

Sherry Migrate addressed the Committee regarding her impression that this CCDC project favors a ponzi scheme rather than an investment. She noted that the CCDC has too many layers who would make money off the initial investment. Home ownership is the best way to proceed.

Matt Stock addressed the Committee regarding his support of both the CCDC and Habitat for Humanity MOU. He spoke of his life and the need for permanent affordable housing. He continued with the CCDC being an immediate solution to the housing situation.

Bonnie Canova addressed the Committee regarding her request to the Committee to vote no to the CCDC MOU. She continued with additional reasons, concluding that the CCDC involves too many layers for a non-profit entity, whereby all layers would deplete the moneys from the grant.

Ashley Phillips addressed the Committee regarding her request to the committee to vote no on the CCDC MOU. Tax dollars should not be used for a nonprofit organization. She continued that this would be a yearly monetary request with additional support staff and special treatment for the development and renovations of those units. She noted that there are other solutions for the workforce housing shortage.

Lee Lucier addressed the Committee regarding the Richardson Group which has recently created Islander housing, worker housing and medical housing, all with private funding and without public assistance. All reasonable models of workforce housing while supporting the inventory and securing of additional long term rental options are necessary. Private funding isn't the only answer, and all feasible models should be pursued by the Town. He reiterated his support for the MOU for CCDC and Habitat for Humanity.

John Zmarzley addressed the Committee regarding clear due diligence on all financial matters. He asked if the CCDC shows any proof of concept to warrant giving a monetary start-up for years to come. The potential has not been verified. He said that the Committee needs to further scrutinize and consider all financial repercussions.

Eric Sommerville addressed the Committee regarding the MOU for the CCDC. He does not support this MOU if the money comes from Town funding. He will support the CCDC MOU if the funding comes from the Federal government. He noted the example of using the American Rescue plan.

Susan Wierzbicki addressed the Committee regarding her opinion for the Committee to vote no on the MOU for the CCDC.

Lynn Fontaine addressed the Committee regarding her support for the CCDC model if it is a purely private initiate that solely utilizes private investments and donations to subsidize housing for workers. She added that this is not an appropriate use of taxpayer dollars.

Susan Giarrusso addressed the Committee regarding voting no on the MOU at this point. She requested that the Committee slow down and find out all the answers first.

Carol Auger addressed the Committee regarding her advocacy for affordable housing. She voiced her concerns over who would be allowed to rent these units. She asked the Committee to vote no on the MOU and study this more.

Thomas Barnwell Jr. addressed the Committee regarding his time on Hilton Head Island. He spoke of his service on the housing committee at the Town. He asked the Committee to support the effort, doing whatever it takes to get housing for working people on Hilton Head Island.

Skip Hoagland addressed the Committee regarding the laws regulating the funds. He continued about the lawsuit regarding the funds spent dredging Harbor Town. He also asked for an independent audit annually with a forensic audit occurring every three years.

Chair Brown brought the matter back to the dais and asked Mr. Gruber for any additional comments.

Mr. Gruber added that the Town is currently working under the requirements of Act 57 of 2023 which authorized the expenditure of those funds for this particular purpose. Within those requirements, Town staff will add additional information to the MOU document, including the addition of an indemnification clause; add clear language on restrictive covenants; require active on-Island employment at the time of qualification; reinvestment of proceeds from the sale of any property to be reinvested back into new properties; include a cap and floor for AMI – 30%-120%; request an Affiliated Agency Application to avoid conflict; remove development of land language and limit activity to the purchase of existing units; prohibit prioritizing selection of CCDC members for occupancy; and develop a list of policy specific questions to review at the next meeting.

Chair Brown thanked Josh for his comments.

**There was no action to be taken at this meeting. The item will be placed on an upcoming agenda.**

Consideration of Resolution Authorizing a Memorandum of Understanding with Habitat for Humanity to Support Workforce Housing - Josh Gruber, Deputy Town Manager

Josh Gruber addressed the committee regarding a consideration of a resolution authorizing a memorandum of understanding (MOU) with Habitat for Humanity to support Workforce Housing. Mr. Gruber began with the history that during the past year Habitat for Humanity applied through the Affiliated Agency funding cycle a request for $500,000 in funding to be used towards the acquisition of land that would then be used to develop workforce housing units. At the time, Council did not apply funding because Act 57of 2023 was not finalized. Since then, Act 57 was adopted by the South Carolina General Assembly on May 19, 2023. Town staff has been asked to create a MOU associated with providing Habitat with those funds.

Mr. Gruber stated that a draft of the MOU was provided to the Committee. He went on to explain the provisions in the agreement and mortgage financing. There was further explanation of the business plan with the hosing process including permitting to build within the municipal boundaries exclusively on Hilton Head Island; Habitat's business plan; the AMI language in the agreement; insurance requirements; and the accounting with reporting and transparency requirements including an annual independent audit performed by a CPA every year.

Josh Gruber introduced Benda Dooley to address the Committee. Ms. Dooley spoke to the Committee presenting information about the Habitat's Homeownership program including the application process, the leadership of the organization, and accomplishments with the program. She spoke about the challenges to land acquisition and Habitat's solutions to this. Habitat has utilized an architect to design land lots and they are willing to look at building duplexes, triplexes, or quads in the future.

Committee members asked questions and made comments regarding the MOU being a true partnership between Habitat and the Town; applicant's ability to sell a purchased unit; occupants of the houses be employed on the Island; insurance with the additional indemnification language added to the agreement; alternate housing designs along with construction concerns; request for Habitat to build a different type of model due to the limited land available on the Island; structure of the money in the MOU on a reimbursement basis; duration of affordability and a long term thought process; 30 year affordability limits; home ownership model versus a rental model for community benefit; the details on the mortgages and 2$^{nd}$ mortgages within the program; the occupant's benefit to working off Hilton Head Island; and concerns with Habitat's merge into Beaufort and Jasper County.

Chair Brown requested that Mr. Gruber bring this back to the Committee by adding language to the

MOU including indemnification language similar to what was discussed in the CCDC; requirement that applicants be employed on Hilton Head Island; add language that specifies the funding is going to be provided on a reimbursement basis; the Town to use AMI language of 30% to 80%; and discussion with the Habitat board about a potential program that will allow the Town to evaluate a return on investment as well as the right of first refusal in the event of a sale.

Chair Brown opened this item up for public comment.

Tom DeMint addressed the Committee regarding his time on Habitat's board. He spoke of the occupant's sense of pride in the ownership of their own home. This MOU would help fulfill the need for workforce housing on the Island.

Ayaks Castellanos addressed the Committee regarding his blessing to buy his house through Habitat for Humanity. This significantly changed his and his family's life which will have a long-term positive impact for his family. He asked the Committee to support Habitat and this MOU.

Jeb Bush addressed the Committee regarding his work with Habitat. He told of the volunteers in all aspects of the process as well as Habitat's relationships with companies to keep their costs low. The MOU is a great opportunity for both Habitat and the Town, noting that this creates more workforce housing.

Heather Rath addressed the Committee regarding moving the MOU forward today. Ms. Rath addressed comments by the Committee members regarding the request for applicants to work in our community. She countered that the freedom to carry their own mortgage leaves them free to decide where they want to live. The occupant would pay taxes here, shop here and this would be their community. She asked that the Committee reconsider this expectation and move the MOU forward.

Susan Giarrusso addressed the Committee regarding her request that the Committee make the adjustments to the MOU, have further discussions before making a decision.

Chair Brown brought the matter back to the dais.

**There was no action to be taken at this meeting. The item will be placed on an upcoming agenda.**

**Adjournment**

The meeting was adjourned at 4:15 p.m.

Approved: January 11, 2024

The recording of this Meeting can be found on the Town's website at www.hiltonheadislandsc.gov