



Town of Hilton Head Island

Public Planning Committee Meeting

Thursday, February 8, 2024, 10:00 AM

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 January 11, 2024
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 p.m. the day prior to the meeting.
5. **New Business**
 - a. Consideration of an Ordinance to Amend the Town of Hilton Head Island Comprehensive Plan to Incorporate a Housing Impact Analysis - Missy Luick, Director of Planning
 - b. Consideration of an Ordinance to amend Title 10, Chapter 2 of the Municipal Code of the Town of Hilton Head Island to amend Parking and/or Occupancy Regulations for Short-Term Rentals and Short-Term Rental Properties - Missy Luick, Director of Planning
6. **Adjournment**

FOIA Compliance: Public notification of this meeting has been published, posted, and distributed in compliance with the South Carolina Freedom of Information Act, and the requirements of the Town of Hilton Head Island.

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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
PUBLIC PLANNING COMMITTEE MEETING
Thursday, January 11, 2024, 10:00 AM
Minutes

Call to Order

Chair Ames called the meeting to order at 10:00 a.m.

Committee Members Present: David Ames, Chair, Ward 3; Tammy Becker, Ward 4; Patsy Brison, Ward 5, Glenn Stanford, Ward 6

Council Members in Attendance: Steve Alfred, Ward 5; Alex Brown, Ward 1

Adoption of the Agenda

Mr. Stanford moved to approve. Ms. Becker seconded. Motion carried 4-0

Approval of the Minutes

Regular Meeting Minutes of October 13, 2023

Regular Meeting Minutes of November 9, 2023

Mr. Stanford moved to approve the minutes of October 13, 2023 and November 9, 2023 as presented. Ms. Becker seconded. Motion carried 4-0.

Appearance by Citizens:

David Schweiger addressed the Committee regarding the change in character of the North Forest Beach neighborhood noting the original intent for zoning was not for VRBO rentals.

Patricia Courtney addressed the Committee noting that short-term and long-term rental regulations are in need of revamping. She suggested grandfathering in the existing ones with changes to future builds and a limit of the number of bedrooms allowed.

Melissa Robin, Hilton Head Vacation Rental Association (HHVRA) addressed the Committee and requested a member of the HHVRA have a seat on any committee regarding rentals. She noted one size does not fit all.

Melinda Tunner addressed the Committee stating she felt there is not a need for the creation of a short-term rental committee and data from the previous year needs analyzed. She suggested

staff create a presentation regarding the results and come forward with recommendations and strategies on going forward as short-term rentals should be part of district planning.

Pam Franklin addressed the Committee regarding issues regarding overdevelopment on Hickory Lane and Shellman Lane with safety being a big concern.

Jim Brolley addressed the Committee regarding overdevelopment and safety concerns on pathways due to the use of electric bicycles, scooters, one-boards, etc.

Unfinished Business

Presentation of Land Management Ordinance Contract and Project Schedule - Missy Luick, Director of Planning

Ms. Luick conducted a detained presentation. The LMO Amendment Plan will incorporate policy changes to address administrative processes, residential and commercial development, design standards, and natural resource regulations to bring the LMO into alignment with the comprehensive plan, Our Plan, simultaneously incorporating the growth framework and district planning recommendations. Several code amendments have been brought forward over the past year.

Three phases of LMO amendments have been approved by Town Council:

- Phase 1 - approved by Town Council on March 7, 2023
- Phase 2 - approved by Town Council on March 7, 2023
- Phase 3 - approved by Town Council on May 2, 2023
-

On September 18, 2023, an RFQ was released, seeking qualified firms for code writing services, specifically for LMO and overall municipal code; the goals being to align these codes with Town's plans, policies, and growth strategies. The scope involved thorough research, drafting amendments, and guiding approval processes. Key aspects included:

1. Alignment with Plans: Ensuring the code amendments matched the goals outlined in the Town's Comprehensive Plan and other ongoing planning efforts.
2. Research and Input: Gathering feedback from Town staff, stakeholders, and consultants on administrative issues, best practices, and model ordinances.
3. Drafting Amendments: Writing innovative code amendments covering various topics from zoning districts to specific regulations like storm water, subdivisions, short term rentals, transportation, workforce housing, and more.
4. Public Engagement: Involving stakeholders and the public in the process through workshops and communication to gather input and feedback.
5. Drafting the Code and Zoning Map: Creating a comprehensive, user-friendly code with graphics and a potential web-based system. This included a clear outline of changes and potential options for discussion.

Adoption Process: Guiding the code amendments through the approval process

with presentations, public hearings, and tracking changes during adoption.

Ms. Luick stated that after careful review Code Studio has been chosen as the firm to assist. She provided background information regarding the organization. Code Studio emphasizes user-friendly, design-centric codes that enhance urban form and ease administration. Code Studio and staff will be assisting in undertaking a significant review and amendment process for the LMO that will result in a full rewrite of the code including an applications manual.

The overall Land Management Ordinance overhaul project includes 5 tasks:

1. Issue Identification
2. Quick Fixes
3. Public Engagement
4. Draft Code and Zoning Map
5. Adoption Process

Ms. Luick reviewed the topic areas to be included in the quick fix LMO set which include:

- Single-family dwelling mass and scale (calibrate appropriate single-family dwelling development scale)
- Single-family parking (calibrate residential parking)
- Residential subdivision regulations (context sensitive design, neighborhood scale, pedestrian connectivity, lot configuration, etc.)
- Public review of Major Subdivisions and Major Developments (require Planning Commission approval)
- Open space standards (adjust open space requirements)
- Traffic impact analysis (adjust threshold requirements and expand to multi-modal transportation evaluation)
- Tree protection (strengthen protected tree requirements and tree mitigation)
- Sign standards (content neutral amendments for compliance with *Reed v. Gilbert*)

Members of the Committee had questions, comments and discussion regarding: the opportunity for council members to be stakeholders during the process; inquiry as to why Code Studio was selected; inquiry as to whether a law firm or staff attorney is associated with Code Studio; an expectation there would be legal review and input during the process and not at the end; confirmation there would be two parts to addressing the LMO with the quick fix list and the complete overhaul; confirmation that if certain items in the set proved to not be a quick fix, they will be pushed to the full rewrite; support of adopting the list of quick fixes to be accomplished within a three month timeframe for presentation to the public; concern the list is too much for a quick fix; a statement that the request from the Design Review Board regarding a redesign of mass and scale of non-single family residences needs to be on the list; a suggestion to reduce

the list to focus on the Design Review Board request; a suggestion to remove open space standards from the list; a suggestion to only address traffic analysis if a case demands; the need for clarification that short-term rentals are not single family dwellings and the need for a definition of such; a comment that Council needs to follow through on the Floor Area Ratio and parking for single family dwellings; and a suggestion to move on to other agenda items before addressing this one.

Following discussion, Mr. Stanford moved to accept the list as presented. Ms. Becker seconded.

Chair Ames asked for public comment.

Jocelyn Steiger addressed the Committee stating data should be discussed rather than basing decisions on emotion.

Lisa Cottle addressed the Committee stating a quick fix is not a good term to use and three months is not enough time. She added there should not be blanket rules across the Island.

Jim Callan addressed the Committee stating they need to consider the differences in neighborhoods and there needs to be a balance for the future of the Island. He stated investment in property needs to be considered.

Ryan Esposito addressed the Committee stating parking needs to be controlled and addressed and the need for careful and thoughtful development.

Jim Brolley addressed the Committee expressing his concern that the Public Planning Committee was not involved in the development of the list. He stated a single-family residence should not be permitted to have large box rentals in the neighborhood and should be on the list.

Ms. Brison moved to amend the motion on the floor to be tabled until the end of new business. The motion died due to lack of a second.

Chair Ames called for a vote on the original motion. Motion carried 3-1 (Brison opposed)

Discussion of Amendments to the Land Management Ordinance related to Parking, Floor Area Ratio, and Mass and Scale for Single Family Dwellings - Missy Luick, Director of Planning

Ms. Luick stated the purpose of this discussion was to identify issues and then go back to crafting the code with those issues in mind. She reviewed the following discussion questions included in the packet and hopefully will result in direction from the Public Planning Committee. The following are the questions that were addressed

Parking Issues

1. Do you believe parking is an issue for all single-family homes Island-wide?
2. Do you believe parking is an issue for single-family homes within planned development

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communities?

3. Do you believe parking is an issue for single family homes that are short-term rentals?

Mass and Scale

1. Do you believe the mass and scale of single-family homes is an issue Island-wide?
2. Do you believe the mass and scale of single-family homes is an issue within planned development communities?
3. Do you believe the mass and scale of single-family homes is an issue for new development or existing single-family development?
4. Do you believe the mass and scale of single-family homes should be a uniform standard applied Island-wide or be calibrated by neighborhood type or zoning district?

Chair Ames invited the audience to vote yes or no by show-of-hands on the various questions listed above. Committee members voiced their opinions on each issue. Please see the recording for detailed answers.

Concluding discussion, Ms. Brison moved to recommend that the Town Council amend Section 16-3-106. H. 4.d. for the Forest Beach Neighborhood Character Overlay District to reduce the Floor Area Ratio from 0.55 to 0.45 [and the maximum square footage be reduced from 5,000 square feet to 4,500 square feet] so that the language in the first sentence reads as follows: “The maximum gross floor area is limited to 0.45 times the area of the lot [containing a single-family residence up to a maximum of 4,500 square feet].” Mr. Stanford seconded.

Mr. Ames stated he is not in favor of reducing the maximum square footage to 4,500 square feet but is in favor of reducing the maximum gross floor area to 0.45.

Mr. Ames moved to amend the motion to keep the maximum square footage at 5,000 square feet. Mr. Stanford seconded. Mr. Stanford clarified all this motion is doing is making a recommendation to Town Council to consider approval, and the rules are not being changed at this time.

Ms. Becker stated the motion and the discussion had apparently taken place previously which she was not party to and separating out individual communities when it is an Island-wide issue leaves some communities with substantial concerns and long-standing problems. Mr. Ames stated he tried to call her yesterday. She asked that her statement be on the record.

Chair Ames asked for public comment.

Patricia Courtney addressed the Committee regarding needing a limit on the number of bedrooms.

Melinda Tunner addressed the Committee and voiced concern on focusing on a particular area and questioned the process, particularly public notice regarding the issue.

Lisa Cotter addressed the Committee regarding the need for public notice and expressed her opinion and the need for specifics, noting that they are back at square one.

Jack Daly addressed the Committee and stated the Forest Beach representatives met with staff and agreed to the proposed 0.45, a 5,000 square foot cap, and a delayed effective date or grandfather clause for those homes recently purchased.

Mr. Ames stated that the Committee met on November 9 and these same discussions took place with no motions. He stated he is trying to act on those items that took place in November.

Mr. Stanford called for a vote. The amended motion carried 4-0.

Ms. Brison moved to recommend that the Town Council amend Section 16-3-106. I. 4.e. For the Folly Field Neighborhood Character Overlay District to reduce the Floor Area Ratio from 0.45 to 0.32 and the maximum square footage be reduced from 4,500 to 4,000 square feet so that the language in the first sentence reads as follows: "The maximum gross floor area is limited to 0.32 times the area of the lot containing a single-family dwelling up to a maximum of 4,000 square feet." Ms. Becker seconded.

Mr. Stern, representing Folly Field residents, addressed the Committee stating this is something that needs to be brought back to their membership because the consensus is they do not want to lose the cap.

Ms. Brison withdrew her motion. The seconder agreed.

Shawn Colin suggested staff bring forward an assessment of all communities regarding floor area ratio and square footage for the Committee to review. He stated the need for the members of the communities to know the items that are being discussed. Ms. Brison suggested an outline be prepared of what an overlay district would look like for those communities that don't have overlay districts.

Ms. Luick asked for confirmation that Island beach neighborhoods, Jonesville and Mitchelville are the areas Committee would like assessments regarding FAR details. It was confirmed they were. Ms. Becker requested an outreach to the communities involved for the purpose of providing input. Ms. Brison requested a copy of recorded subdivision plats be provided so the Committee can see lot sizes in the various communities.

Ms. Brison moved to recommend that the Town Council amend Section 10-2-50(d) of the Municipal Code of The Town of Hilton Head Island as shown on the attached copy of the Section, with amended language shown by tracking changes. (The copy will be attached to the minutes as Exhibit A.) Mr. Stanford seconded.

Mr. Stanford expressed concern with the motion as the items within the motion have not been vetted by staff or the community. Ms. Becker noted this data had been vetted previously and questioned the 10% requirement stating it would not work. Ms. Luick confirmed this change would apply Island-wide. Mr. Ames stated he is in support of moving the item forward but not under the specifics noted today as feedback is needed.

Mr. Colin noted this motion would address parking under the short-term rental permit and not the LMO and is a new direction and expressed concerns with the timeline for vetting with stakeholders and the public in time to bring it back to the Committee in February. Ms. Brison expressed her lack of patience and requested a media release be prepared to tell the public the item will be heard in February by the Committee stating the public could “speak now or forever hold their peace”.

Ms. Brison moved to amend the motion on the floor (contained within Exhibit A) provided the vote on the amendment be considered at the February meeting of the Public Planning Committee. Mr. Stanford seconded.

Melissa Robin addressed the Committee and questioned if the impervious requirement was reviewed as crushed stone and shells could be an option.

Jim Callan addressed the Committee regarding existing parking requirements for short-term rentals.

Pam Franklin addressed the Committee noting the need for clear cut regulations for short-term rental properties.

Chair Ames called for a vote. The motion carried 4-0.

New Business

Introduction of the Town of Hilton Head Island Conditions and Trends Assessment Report - Missy Luick, Director of Planning

Ms. Luick conducted a presentation and detailed the key points listed below:

Agenda

1. Introducing the Conditions & Trends Assessment
 - Purpose, objectives, and impetus
 - Relationship to preceding work
 - Intended outcomes and future use
2. Case study: Land use analysis
 - Methodology and findings

- Integration and use

3. Next steps

Purpose

1. Collect and organize a baseline of critical data
 - Investigate available sources and existing research
 - Assemble a comprehensive database organized around ten topics.
2. Identify major trends
 - Organize findings around critical trends.
 - Supplement with a database of all information collected through analysis
3. Clearly communicate the information
 - Focus on “need to know” information
 - Present in a clear, graphically rich format
4. Consider application and “next steps”
 - Introduce future strategies and actions to be considered as an outgrowth of the analysis.
 - Leverage the work through forthcoming plans and studies

Work Program

1. Initiation
2. Discovery
 - Collect, catalogue, and evaluate all pertinent data sources it receives through Town Staff and additional sources
3. Strategic Analysis
 - Conduct detailed analysis into target questions based on the conclusions from the gaps analysis
4. Sharing and Integration

Topic and Clusters

The Conditions and Trends Assessment is a statistical report that provides a community snapshot in ten key topic areas including:

- Demographics
- Workforce
- Economics
- Real Estate
- Environment
- Housing
- Governance
- Community
- Systems
- Land Use

Key Findings

- About 7%, or 1,500 acres, of the Island's total land area (above mean high tide) is undeveloped. Of that 1,500 acres, 28% (425 acres) is Town-Owned Property.
- The Land Management Ordinance, in conjunction with several boards and commissions, regulates the character and desired development forms on the Island.
- Redevelopment of aging retail centers and the addition of single-family homes are the biggest development trends on the Island.
- While the Island as a whole is dominated by Planned Development zoning districts, overall land use is more evenly distributed.
- Older commercial properties are more susceptible to change or redevelopment in the near-term.
- Housing density is slowly increasing but varies significantly across the Island's neighborhoods.

How will we use what we've learned?

- Identifying areas susceptible to change based on zoning, current land use, performance, real estate patterns, and market forces
- Marking trends in recent building patterns: density, use, quality, etc.
- Recognizing and mapping major and minor constraints to development or redevelopment

Next Steps

- Integrating your questions and ideas into the research and analysis
- February consideration of Resolution by Public Planning Committee
- Adoption by Town Council
- Publishing and sharing findings
- Integrating work with ongoing and future planning processes

Ms. Luick stated now that we have the baseline then we can see further trend data and if it is decided to change a specific trend, it can be mapped over time and see if intentional actions are having an impact on the data and future analysis. She then asked the Committee for feedback to assist in development of the resolution which would come back to the Committee for review and consideration of moving it forward to Town Council.

Members of the Committee had questions, comments and discussion regarding: inquiry as to whether the plan would be added as an appendix to the Comp Plan; confirmation that ultimately it will be a Comp Plan amendment but initially staff is requesting support by resolution from Council so it can be utilized as a tool to help decision making; a suggestion that the summary be placed on the website for the public to see; what needs to be focused on based on the condition and trends assessment; confirmation that the assessment will help make data-driven decisions and help inform how to move forward; a request for assistance to

focus on where the priorities are; a comment this document would be more of an appendix to the Comp Plan because it will be reviewed and updated more often; concern regarding timeframes and the need for further discussion; what is the expectation of interaction with Council and the timeframe of such; and confirmation that staff is not asking the Committee to approve action plans as concrete.

It was the consensus of the Public Planning Committee accept the report and recommend it come back to the Public Planning Committee in the form of a Resolution.

Discussion regarding the Creation of a Short-Term Rental Ad Hoc Committee - Missy Luick, Director of Planning

After discussion, Chair Ames stated this item should be postponed until they are closer to the LMO and Short-Term Rental Ordinance demand for that kind of input. It was the consensus of the Committee to postpone the item until such time.

Adjournment

The meeting was adjourned at 12:50 p.m.

Approved:

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

Section 10-2-50. Regulations for short-term rentals and short-term rental properties.

51B

(d) Parking regulations. During any lease of any short-term rental property and prior to the issuance of any short-term rental permit:

(1) The owner must designate the number of vehicles allowed to be parked on the premises during any short-term rental and designate the on-site areas available for parking of vehicles. The number of parking spaces must comply with the chart set out below:

(i) 4,5,6,7, & 8 Bedrooms---

2500-3499 sq. ft.: 3

3500-3999 sq. ft.: 4

4000-4499 sq. ft.: 5

4500-5499 sq. ft.: 6

5500-5999 sq. ft.: 7

6000 & above sq. ft.: 8

(ii) At least 75 % of ~~±~~ the areas for parking of more than four (4) vehicles must be improved with either ~~a pervious or an~~ impervious surface; provided, however, no more than ten percent (10%) of the total of the front, side & rear yards of the premises may be used for parking spaces.

(iii) Parking areas must include a space at least nine (9) feet by eighteen (18) feet for each vehicle allowed to be parked on the premises, ~~and improved with an impermeable or semi-impermeable surface.~~

(iv) Areas for parking must comply with all other applicable requirements of section 16-1-101, et seq., Municipal Code of the Town of Hilton Head Island, South Carolina (1983) which are not in conflict with these requirements.

(2) The owner must notify all prospective short-term lessees in writing of the maximum number of vehicles permitted at the short-term rental property prior to making any agreement for any short-term rental.

(3) The owner must ensure that no vehicles associated with the short-term lessee will park off-site, including in adjacent rights-of-way, during the short-term rental lease.



TOWN OF HILTON HEAD ISLAND

Public Planning Committee

TO: Public Planning Committee
FROM: Quincy White, Chief Housing Officer
VIA: Shawn Colin, Assistant Town Manager- Community Development
VIA: Missy Luick, Director of Planning
CC: Marc Orlando, Town Manager
CC: Tammie Hoy Hawkins, Together Consulting
DATE: February 8, 2024
SUBJECT: Consideration of an Ordinance to Amend the Town of Hilton Head Island Comprehensive Plan to Incorporate a Housing Impact Analysis

RECOMMENDATION:

Consideration of an Ordinance to Amend the Town of Hilton Head Island Comprehensive Plan to Incorporate a Housing Impact Analysis and make a recommendation to Town Council.

BACKGROUND:

The Town of Hilton Head Island was instrumental in the passage of Act 57 of the 2023 South Carolina General Assembly Legislative Session. This Act allows local governments to utilize a portion of its state or local accommodations taxes, or both, to be utilized in the development of qualified workforce housing as a tourism related expenditure.

A key component of Act 57 necessary for the Town to utilize up to 15% of Accommodations Tax revenue for workforce housing is the requirement to complete a Housing Impact Analysis which must be adopted by ordinance as an amendment to the Town's Comprehensive Plan Housing Element. As part of this process the planning commission must solicit input for this analysis from homebuilders, developers, contractors, and housing finance experts when developing this element.

The Town worked with Together Consulting, our housing consultant, to draft the Town's Housing Impact Analysis. In addition to researching and compiling the data required for the Housing Impact Analysis from local, state, and national sources, our housing consultant also received information and data from the Hilton Head Area Realtors, Hilton Head Island Homebuilders Association, and local builders and developers.

Housing Impact Analysis (HIA) required by Act 57:

If local governments opt to use ATAX for workforce housing needs, they will be required to prepare a Housing Impact Analysis (as outlined in Section 6-4-12 in the Act) prior to the second reading of the ordinance allowing such usage. This Analysis will help to define the actual needs in their communities and how these funds will help solve the local workforce housing needs.

This Housing Impact Analysis serves as a foundational tool to inform decision-making and policy formulation. By dissecting these components, we gain a holistic understanding of our community's housing landscape and can implement targeted solutions to meet the diverse needs of our residents.

Act 57 Key Points:

- For the purposes of the Act, workforce housing means “residential housing for rent or sale that is appropriately priced for rent or sale to a person or family whose income falls within thirty percent (30%) and one hundred twenty percent (120%) of the median income for the local area, with adjustments for household size, according to the latest figures available from the United States Department of Housing and Urban Development (HUD).”
- Expenditures of both state and local ATAX are capped at fifteen percent (15%) of the local government’s annual collections.
- The provisions of this Act are no longer effective after December 31, 2030.
- A Housing Impact Analysis must be completed and adopted prior to second reading of an Ordinance to Town Council for approval.
- Town must update (amend) its Comprehensive Plan to include/adopt the Housing Impact Analysis as a part of its housing element.

The Housing Impact Analysis required by Act 57 must include:

- Cost of developing, construction, rehabilitating, improving, maintaining, or owning single-family or multifamily dwellings;
- An analysis of the relative impact of the ordinance on low- and moderate-income households.
- The following housing cost information is required as part of the Housing Impact Analysis:
 - Reasonable estimates of the effect of housing costs, either in a brief summary or worksheet demonstrated by computations in dollar amounts.
 - If the local government determines that it is not possible to make an estimate expressed in dollar amounts, then the analysis must include a statement setting forth the reasons for the local government's determination.
 - The analysis must include descriptions of both the immediate effect and the long-term effect of the ordinance on housing costs.

The local government shall provide copies of the Housing Impact Analysis to:

- The Department of Revenue,
- The Tourism Expenditure Revenue Committee, and
- As an ordinance to the members of the legislative body of the local government.

The Department of Revenue may not disburse any ATAX revenue for workforce housing unless and until the local government has provided the housing impact analysis to the parties listed.

Procedural steps that must be taken:

1. Complete a Housing Impact Analysis.
2. Distribute the Housing Impact Analysis to the required entities.
3. Update/Ratify the Town's Comprehensive Plan.
 - a) Share the Housing Impact Analysis with the Planning Commission.
(Solicit input from homebuilders, developers, contractors, and housing finance experts.)
 - b) Adopt an Ordinance incorporating the Housing Impact Analysis into the Comprehensive Plan.

The Housing Impact Analysis has five areas of focus outlined below:

1. Employment Analysis:

The Employment Analysis assesses the current job market, growth projections, and employment trends within Hilton Head Island. This chapter also highlights how area employees are housing cost burdened. Households are considered cost-burdened if they spend over 30% of their household income on housing. Households are considered extremely cost-burdened if they spend over 50% of their household income on housing.

In May 2022, a US Bureau of Labor Statistics Occupational Employment and Wages study indicated the following averages for Hilton Head Island employment sectors. Workers in the Hilton Head Island-Bluffton-Beaufort, SC Metropolitan Statistical Area had an average (mean) hourly wage of \$22.21 in May 2022, 25 percent below the nationwide average of \$29.76.

In this chapter we pulled wages from the Bureau of Labor Statistics for the top employment sectors for Hilton Head.

- Based on these wages and 30% rule of thumb, rents would need to be below \$964.50 to be considered affordable.
- The current median rent is \$1,330.

2. Housing Market Analysis:

The Housing Market Analysis Chapter highlights the current cost of housing on the Island looking at both single family and condo/villa prices. In addition to

national real estate data, the Hilton Head Area Realtors and Hilton Head Island Area Homebuilders Association helped to provide data sources for this section.

The Hilton Head Area Realtors 2022 Year-end Market Trend Analysis indicated a significant increase in median sales costs on the Island in both single family attached and detached showing between 15-20% increases depending on what type of housing. With these accelerated increases in pricing, housing affordability has taken a direct hit.

Recent data from May 2023 indicated historical housing affordability continuing to decline significantly on the Island. The chart below shows a continual trend as housing becomes less affordable based on average incomes on the Island. The lower the number the less affordable the community.

3. Housing Market Conditions:

The Housing Market Conditions Chapter highlights various factors related to increased housing costs.

- This chapter also focused on the Town's housing costs versus other rapidly growing South Carolina markets. Several of these communities compete for the same employment sectors and employees. Hilton Head was by far the most expensive housing market.
- This chapter goes into detail on the rapid growth in housing prices over the last few years on the Island.
- The chart on the left shows overall housing types (condos, townhomes and single-family ownership) with a trend of almost doubling the median sale price from 2020 to 2023. If we just look at single family homes, the median home price is over \$1M.

4. Construction & Development Costs:

The Construction/Development Chapter highlights specific development costs impacting housing affordability. Construction costs have significantly increased the cost of housing over the past few years along with other development factors including but not limited to the availability of developable land, insurance costs and mortgage rate increases. The following development costs were analyzed:

Land Costs:

- Over 70% of the land is in a planned unit development (PUD), minimizing the availability of land for developments, not to mention affordable land. For example, a recent search on Land Watch for vacant lots for sale on the Island showed one .11 acre lot Mid-Island for \$359,000.
- Developers indicated land cost can be as much \$25,000/door for an apartment development on Hilton Head Island where available, developable land is scarce.

Construction Costs:

- The average price per square foot was \$541. Rate.com research indicated a \$261/sq. ft. increase from \$279/sq. ft. to \$540/sq. ft. from August 2021 to August 2023.
- This means for a 1,000 square foot house, construction pricing grew from \$279,000 to \$540,000, not accounting for land, fees, insurance, and taxes.

Development Fees:

- On Hilton Head, assuming a \$20M development with approximately 50 dwelling units, 2,500 sq. ft/unit on 2 acres, the Town's fees could be as much as \$360,927 and does not include planning fees estimated at \$7,218.55 per unit in development fees.
- Other fees such as permit fees for the Town of Hilton Head Island and Beaufort County impact fees (water and sewer etc.) can cost over \$3,000/unit.

Insurance Costs:

- A June 2023 article in the Island Packet indicated some insurance costs have increased by 500% from 2022. Several insurance policies for Island properties have doubled or tripled in the past two years.

Mortgage Rates:

- Increased mortgage rates continue to limit affordable home buying opportunities for families. Since August 2023, interest rates have risen to as high as 8% depending on the loan type, the amount of down payment provided and varying credit score between 580-800.

5. Solving the Housing Crisis:

The Solving the Housing Crisis Chapter highlights past, current, and future strategies the Town has implemented or will consider to address the growing demand for affordable workforce housing.

- The adoption of the Finding Home, Workforce Housing Framework in 2022 was a key step in addressing not only the need to preserve and produce more workforce housing but also outlined priority strategies and action items for the town and council to help move the needle on meeting the community's housing needs.
- With the Adoption of the Housing Impact Analysis, the Town will have the authority to utilize up to 15% of its state and local Accommodation Tax (ATAX) to support critical action steps and strategies that will increase the production and preservation of workforce housing on the Island.

Public Review Timeline: Housing Impact Analysis – Comprehensive Plan

- December 17, 2023: Legal ad posting
- January 17, 2024: Planning Commission Public Hearing

- February 8, 2024: Public Planning Committee
- February 20, 2024: Town Council Brief
- March 5, 2024: Town Council 1st Reading
- March 19, 2024: Town Council 2nd Reading

ATTACHMENTS:

1. Town of Hilton Head Island Housing Impact Analysis (HIA)
2. Proposed Ordinance
3. Housing Impact Analysis Presentation



THE TOWN OF HILTON HEAD ISLAND



HILTON HEAD ISLAND
**WORKFORCE
HOUSING**

HOUSING IMPACT ANALYSIS

DECEMBER 2023



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ACKNOWLEDGEMENTS

The information and resources within this Housing Impact Analysis was made possible thanks to several community partners .

Community Partners:

- Hilton Head Island Area REALTORS
- Jean Beck, CEO, Hilton Head Island Area REALTORS
- Hilton Head Island Area Home Builder Associations (HHAHBA)
- Meg James, Executive Director, HHAHAB
- Local Developers and Homebuilders
- Lowcountry Council of Governments

Town Staff:

- Marc Orlando, Town Manager
- Josh Gruber, Deputy Town Manager
- Shawn Colin, Assistant Town Manager, Community Development
- Ben Brown, Senior Advisor to the Town Manager
- Missy Luick, Director of Planning
- Katie Kabala, Customer Service Manager
- Shari Mendrick, Floodplain Administrator
- Nigte Barrientos, Planner-Economic Development

Town Council:

- Alan Perry, Mayor
- David Ames, Mayor Pro-Tem
- Alex Brown
- Patsy Brison
- Tamara Becker
- Steve Alfred
- Glenn Stanford



Created and Presented by:



Designed by:

Virginia Howat



EXECUTIVE SUMMARY



Housing Impact Analysis

EXECUTIVE SUMMARY



In November 2022, the Town of Hilton Head Island Town Council adopted the Town of Hilton Head Island's Workforce Housing Framework, *Finding Home*. The goal of the Framework is to provide the Town and municipal leaders with the specific strategies and defined actionable tactics that address both the need for housing preservation and new production of workforce housing. The foundation of the Framework was built on previous planning efforts and broad community engagement through a multi-day planning charrette. The Finding Home Framework is organized by prioritizing four core Pillars: Community, Planning, Revenue and Management. Each of the Pillars includes key strategies and critical first steps.

An essential part of the Framework will be the development of a Multiyear Housing Action Plan that includes broad community engagement and partnership development. To compliment the final Multiyear Housing Action Plan, the Town will also develop a funding plan to support the implementation of the strategies, tactics and action items defined within the plan.

The Town has already committed:

- Town-owned land to support the development of public private partnerships that will help to support and deliver newly constructed workforce housing units.
- \$3.3M in the Town's 2024 FY Budget to support workforce housing initiatives on the Island.
- Established a community-led Housing Action Committee that will provide advice and guidance on policies and programs the Town will consider for implementation to meet the Town's housing goals.
- Hiring a full time Chief Housing Officer who will lead, in partnership with Planning and Community Development leadership, the development and implementation of a Multiyear Housing Action Plan.

EXECUTIVE SUMMARY



CONTINUED

The passage of Senate Bill “S284 Development of Workforce Housing” (Act 57) led by state Senator Tom Davis, will enable the Town of Hilton Head Island to access a new funding source to support the Town’s Workforce Housing Framework objectives. The passage of Act 57 enables local governments to use up to 15% of their Accommodations Tax (ATAX) revenue to support local workforce housing projects and programs, and for the Town, this could be as much as \$2M in new funding annually.

In order to designate any percentage of ATAX funds to workforce housing, the local government must prepare a Housing Impact Analysis (HIA) and provide a copy of that analysis to the South Carolina TERC, Department of Revenue and the members of the local government’s legislative body for review prior to the second reading of the ordinance designating ATAX for the purposes of workforce housing. The Housing Impact Analysis must be developed along with the local government’s comprehensive plan or be included as an amendment to the local government previously adopted comprehensive plan.

Over 25% of the Town of Hilton Head Island’s workforce are employed in the hospitality and accommodation sectors. The growing demand for affordable housing for these households continues to be a focus for the Town and area employers. The availability of ATAX as a new funding source for workforce housing also aligns with the strategies and critical action steps defined in the Revenue Pillar in the 2022 Workforce Housing Framework, *Finding Home*. The following Housing Impact Analysis addresses the required questions outlined as part of Act 57 allowing the Town to utilize ATAX as an eligible funding source to support local workforce housing needs.

The following Housing Impact Analysis per Act 57 requirements includes:

- Current housing and employment trends on Hilton Head Island
- Local analysis of housing and development costs
- Market-rate housing prices
- Cost of available financing to purchase or develop housing.
- Local determination of need for workforce housing including income and housing disparities
- ATAX revenue impacts on short- and long-term housing costs

INTRODUCTION



Housing Impact Analysis

INTRODUCTION



The Hilton Head Island community is a key economic engine within Beaufort County and the broader region. Hilton Head Island is a big part of the economic growth and employment opportunities within the region. However, Island employers are increasingly competing with employers in Bluffton and other area communities for workers. A lack of workforce housing on the Island is an impediment to recruiting and retaining both private-sector and public-sector employees to meet the community's workforce demands.

There is a real risk that a lack of a qualified, stable workforce will lead to a decline in services and quality of life on the Island. Population shifts over the last 20 years show a significant increase in residents moving to these surrounding communities. The 65 and over population has seen the greatest increase on the Island, an 80% increase since 2000. This population would not necessarily be contributing to the workforce but more likely will want and need more services from the workforce including sectors like hospitality and health care.

The Lowcountry Council of Governments, *2022 People and the Economy Report* indicated 1.5% population growth for the Town of Hilton Head Island versus neighboring Town of Bluffton that has seen 113.6% increase in population.

	Census 2000	Census 2010	Census 2020	Estimates 2021	Percent Change 2000-2010	Percent Change 2010-2020
Beaufort County	120,937	162,233	187,117	186,007	34.1%	15.3%
City of Beaufort	12,950	12,361	13,607	12,899	-4.5%	10.1%
Town of Bluffton	1,275	12,978	27,716	27,596	917.9%	113.6%
Town of Hilton Head Island	33,862	37,099	37,661	38,068	9.6%	1.5%
Town of Port Royal	3,950	10,678	14,220	12,734	170.3%	33.2%

INTRODUCTION

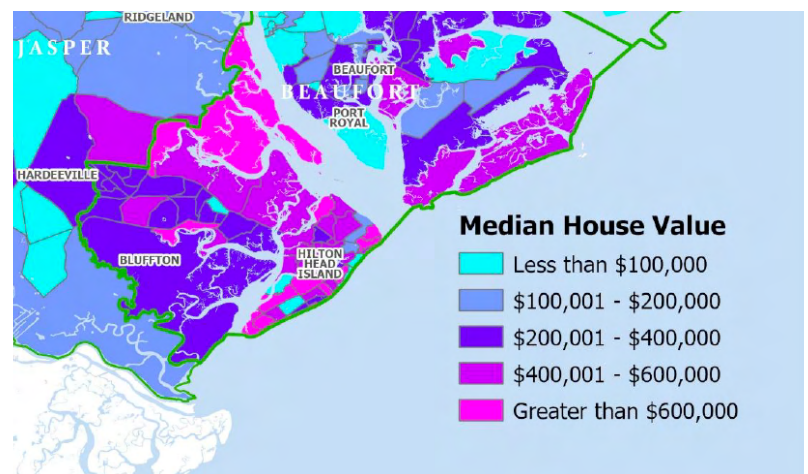


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The Hilton Head Island community is facing a growing challenge around ensuring there is a sufficient supply of affordable and appropriate housing to support its workforce. Employers are having a harder time recruiting and retaining workers for Island employment. Working individuals and families are increasingly being priced out of the community. Everyone on Hilton Head Island—from long-term, year-round residents to seasonal visitors—will feel the impact if the community cannot sustain a qualified workforce.

The ability to attract needed private- and public-sector workers partly depends on the ability of workers to afford housing near their jobs. The growth of employment centers in other parts of Beaufort County means that Hilton Head Island employers will have a more difficult time finding workers as there are more employment options off Island, closer to communities where housing is more affordable, and commutes are shorter. Without an intentional effort to expand workforce housing options on Hilton Head Island, both the economic sustainability and quality of life on the Island may be at risk. (*WFH Strategic Plan*) As shown in the map below from the Lowcountry Council of Governments, *2022 People and the Economy Report* median home values are almost double on Hilton Head Island versus neighboring communities off the Island.

The Town of Hilton Head Island is at a critical juncture to ensure the development and preservation of diverse housing options that are available and affordable for its workforce. Over the last few years, Town Council and Town leadership have consistently indicated this as a top strategic priority. Key recommendations and strategic direction have been defined in the Town’s 2019 Workforce Housing Strategic Plan, the Town’s Our Plan (Comprehensive Plan) and the recently adopted 2022 Workforce Housing Framework.



BACKGROUND



Housing Impact Analysis

BACKGROUND



In 2019, Town Council adopted the Workforce Housing Strategic Plan in an effort to advance policy that is favorable to address the housing needs of the Island. It includes a set of recommendations that are designed to address current and future workforce housing needs within the Town of Hilton Head Island.

On November 4, 2020, Town Council adopted amendments to the Town’s Land Management Ordinance to create a Workforce Housing Program. This included incentives for the conversion of commercial square footage to residential units. On February 16, 2021, Town Council adopted amendments to the Town’s Land Management Ordinance to allow for a housing density bonus provided in exchange for workforce housing units.

On February 22, 2022, Town Council held a special meeting where they discussed housing initiatives and proposed next steps. This resulted in three primary efforts that led to the execution of an intergovernmental agreement for participation in the Beaufort Jasper Housing Trust, the pursuit of a public private partnership to develop affordable/workforce housing on the Town-owned Northpoint Tract and the creation of two new public assistance programs for Home Safety and Repair Program and Sewer Connection Program.

On April 1, 2022, the Town released an RFQ seeking a Developer Partner for the Northpoint Tract project. Since that time, an advisory committee reviewed all submittals and the Town Manager announced a development partner in October 2023 and will negotiate a development agreement for Town Council review and consideration.



BACKGROUND

CONTINUED



An increased sense of urgency arose around this issue when an estimated 300 residents, most part of the Island’s workforce, were issued eviction notices on August 12, 2022, and residents were only provided one month to move out. The property owner was pursuing plans to redevelop the site. In response to the rising concerns by the community, a special Town Council meeting was held on September 6, 2022, to discuss the status of current workforce housing initiatives. Town Council held a workshop on September 14, 2022 and directed staff to create a housing framework by November 1, 2022.

The Town held a multi-day charette in October 2022 with over 30 community stakeholders along with the Town’s senior staff. These two days led to the creation of the Town’s Workforce Housing Framework, *Finding Home* which was adopted by Town Council on November 1, 2022. The Framework recommendations are aligned by four pillars, Community, Planning, Management and Revenue with each Pillar defining very specific goals, strategies, and critical first steps for action. This framework outlines the Town’s commitment to the creation and preservation of affordable workforce housing on the Island. Key to the implementation of the Framework will be the Revenue pillar, where the Town will define funding and financing sources to support projects and programs that deliver diverse affordable housing options on the Island.

The passage of South Carolina Senate Bill 284, now known as Act 57, provides a direct nexus between the Accommodations and Hospitality industry and the ability to support workforce housing opportunities. Local governments now have access to a new funding source to support the development of additional housing to meet the growing demand for workforce housing on the Island to support the local tourism economy. The recent escalation in housing cost on the Island has made this choice more difficult for this critical workforce.



EMPLOYMENT & HOUSING ANALYSIS



Housing Impact Analysis

The Lowcountry Council of Governments, *2022 People and the Economy Report* indicated Beaufort County as on one of the top tourist destinations in the state, with the Hilton Head Island community being a significant draw for visitors. With the increased cost of housing on the Island, employers are finding it more difficult to retain and recruit workers to these tourism related employment sectors.

Tourism Industry

Tourism is vital for the success of the region's economy. As reflected in Table 17, the region's expenditures had increased until 2019, then declined in 2020 due to the COVID-19 pandemic. Beaufort County, is considered one of the top tourism destinations in the state, having the greatest amount of visitor spending and the largest tourism-generated jobs. Colleton County, nationally recognized for the ACE Basin eco-tourism destination and several 1-95 interchanges, ranks second for tourism expenditures and payrolls.

Table 17: Economic Impact of Visitors 2017-2020

	2017	2018	2019	2020	Percent Change 2017-2020
Beaufort County					
Tourism Employment	14,170	14,590	15,280	14,620	5.6%
Payroll from Tourism	\$261,570,000	\$270,780,000	\$294,880,000	\$307,230,000	23.1%
Expenditures by Visitors	\$1,374,800,000	\$1,433,990,000	\$1,539,740,000	\$1,379,800,000	5.8%

Despite this robust tourism economy, the increased cost of housing on the Island is having an impact on the ability for area employers to recruit and retain workers within the tourism-related employment sectors. Although many of these employers pay above median wages (over \$15/hour) for these positions, employees continue to be cost burdened as they balance other household expenses with the accelerating housing costs. Housing affordability is determined by the percentage of an individual's gross pay that is absorbed by housing costs. An "affordable" unit should cost no more than 30% of that individual's or family's total income. Households are considered "cost burdened" when their housing costs exceed this figure. A household is considered to be "extremely cost burdened" if they are spending over 50% of their income on housing.

There is already evidence of the workforce housing impact. Some local restaurant owners are closing down one day a week because they cannot find sufficient staff. Healthcare providers are having difficulty retaining key employees, like nurse technicians. Landscaping companies on the Island struggle to find enough people to mow lawns, trim trees and install and maintain landscaping. The public school system faces challenges with teacher recruitment and turnover. Employers consider housing availability and affordability on Hilton Head Island as essential for attracting and keeping qualified workers.

Many people working on Hilton Head Island commute from elsewhere in Beaufort County and beyond. **More than 14,000 workers commute onto the Island each day for work, with the number of in-commuters rising steadily each year.**

People who work on Hilton Head Island commute longer distances than those commuting to either Bluffton or Beaufort. **About 17 percent of workers on Hilton Head Island—or nearly 4,400 workers—commute 50 miles or more each way to get to work.** On their way to and from Hilton Head Island, those commuters will pass by growing areas in Bluffton, Hardeeville, Port Royal and other communities where employment opportunities are expanding. More job options in other parts of the county will make it less attractive for workers to continue to commute onto Hilton Head Island to work. (*WFH Framework 2022*)

EMPLOYMENT ANALYSIS

CONTINUED



Based on 2021 data, the largest employers on Hilton Head Island are mainly in the service industry and health care. These employment sectors' median salaries are between \$25,000 and \$57,000 depending on experience and tenure as reported by the Bureau of Labor Statistics, May 2022. Based on these salaries service workers in Hilton Head Island can afford to pay \$575 a month in rent while the median rent in Hilton Head Island as of 2020 was \$1,330, while health care employees can afford to pay \$1,250 which is still not enough to afford the median priced apartment on the Island.

In May 2022, a US Bureau of Labor Statistics Occupational Employment and Wages study indicated the following averages for Hilton Head Island employment sectors. Workers in the Hilton Head Island-Bluffton-Beaufort, SC Metropolitan Statistical Area **had an average (mean) hourly wage of \$22.21 in May 2022, 25 percent below the nationwide average of \$29.76.** Regional Commissioner Victoria G. Lee of BLS, noted that, after testing for statistical significance, wages in the local area were lower than their respective national averages in 21 of the 22 major occupational groups.

When compared to the nationwide distribution, Hilton Head Island area employment was more highly concentrated in 7 of the 22 occupational groups, including food preparation and serving related, sales and related, and building and grounds cleaning and maintenance. Thirteen groups had employment shares significantly below their national representation, including production, transportation and material moving, and business and financial operations.

One occupational group—food preparation and serving related—was chosen to illustrate the diversity of data available for any of the 22 major occupational categories. Hilton Head Island had 12,450 jobs in food preparation and serving related, accounting for 16.0 percent of local area employment, significantly higher than the **8.5-percent share nationally.**

TOP ISLAND EMPLOYERS (2021)

EMPLOYER	EMPLOYEES
SERG GROUP RESTAURANTS	1,244
MARRIOTT VACATION CLUB INTL	580
SEA PINES RESORT	536
HILTON HEAD MEDICAL CENTER AND CLINICS	506
COASTAL RESTAURANTS AND BARS	500
BEAUFORT COUNTY SCHOOL DISTRICT	438

Source: Town of HHI Comprehensive Annual Financial Report

"WHAT'S AFFORDABLE?" BY WORKER SEGMENTS



Source: US Census Bureau, 2018 Workforce Housing Strategic Plan

EMPLOYMENT ANALYSIS

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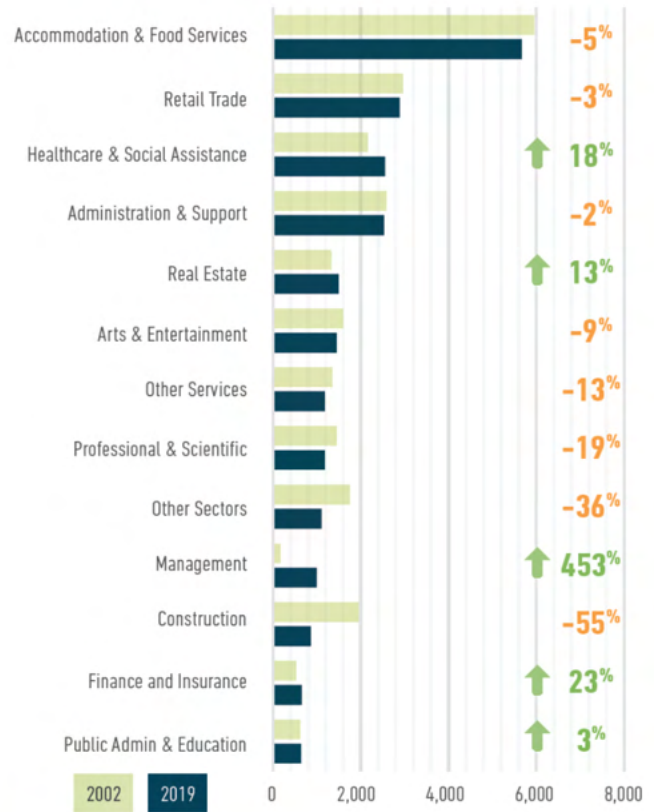
This chart based on the US Census Bureau data shows the size of the top employment sectors on the Island along with the percentage of change over time. Although accommodations and retail related positions have decreased slightly compared to other employment sectors, they remain the top two employment sectors with Healthcare and Administration within the top five. Accommodations and Food Service have the largest percentage of employment in the region.

The chart below indicates the top three employment sectors and their median wages for each from the 2022 Bureau of Labor Statistics for Hilton Head Island.

The chart shows average hourly wages and salaries for Accommodations and Food service, Retail, Healthcare and Administration employment sectors aligned with what would be considered affordable rents based on spending no more than 30% of an individual's or family's total income on housing. Rents would need to be below \$964.50 for most employment sectors to be considered affordable.

Households who spend over 50% of their income are considered extremely cost burdened.

SECTOR SIZE & CHANGE, 2002-2019



Source: US Census Bureau, 2000 to 2021 Censuses

Employment and wage data for Top related occupations, Hilton Head Island metropolitan area, May 2022						
Occupation	Levels	Hourly	Annual Salary	Housing Affordability (30%)	Cost Burden (50%)	
Total Food preparation and serving related occupations	12,450	\$ 13.32	\$ 27,700.00	\$ 692.50	\$ 1,154.17	
Total Office and Administrative Support Occupations	10,050	\$ 18.52	\$ 38,520.00	\$ 963.00	\$ 1,605.00	
Total Sales and Related Occupations	9,450	\$ 18.55	\$ 38,580.00	\$ 964.50	\$ 1,607.50	
Total Building and Grounds Cleaning and Maintenance Occupations	4,220	\$ 15.84	\$ 32,950.00	\$ 823.75	\$ 1,372.92	
Total Personal Care and Service Occupations	2,910	\$ 15.38	\$ 31,980.00	\$ 799.50	\$ 1,332.50	

EMPLOYMENT ANALYSIS

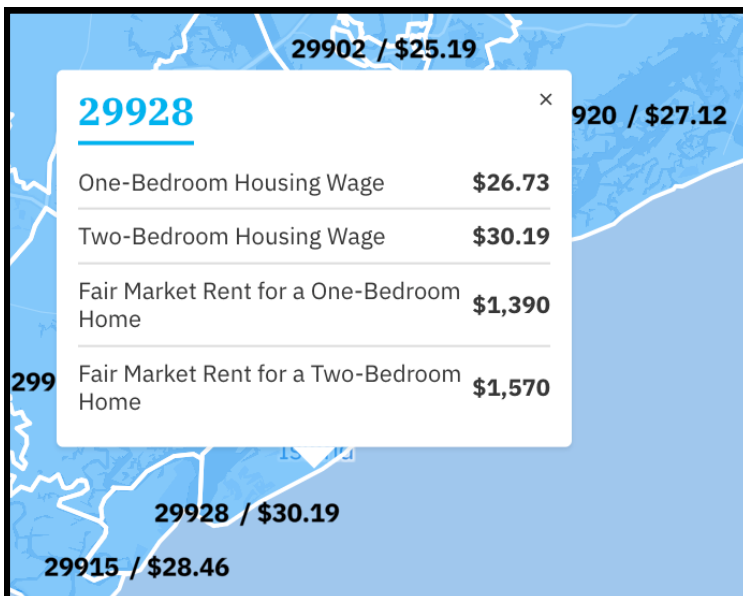
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Based on the 2023 National Low Income Housing Coalition’s Out of Reach Data the following Zip Code data shows the hourly wage necessary to afford a market rate rental unit within 29926 and 29928 areas.

The median wages highlighted on previous page indicates Accommodations and Food Preparation for Hilton Head Island was \$13.32, while an employee must earn at least \$25.96 to afford a one-bedroom apartment on the Island as defined in the charts to the left as indicated by the National Low Income Housing Coalition’s Out of Reach Data.

Based on this analysis, all major employment sector employees on the Island would be considered “Cost Burdened”.



National Low Income Coalition Zip Code Analysis for Housing Wage

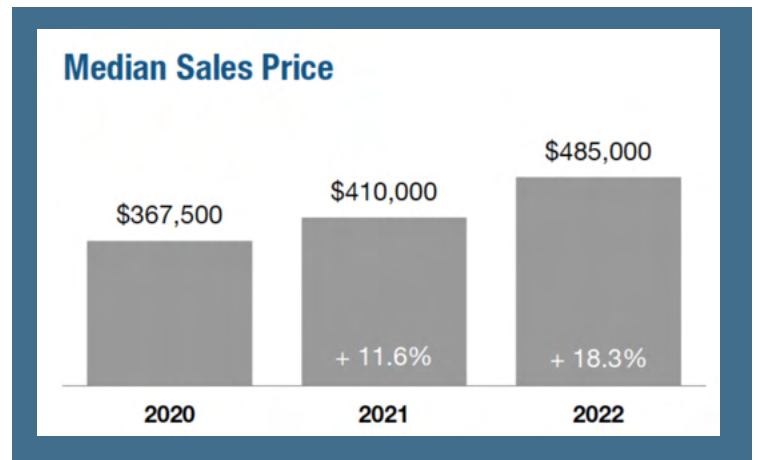
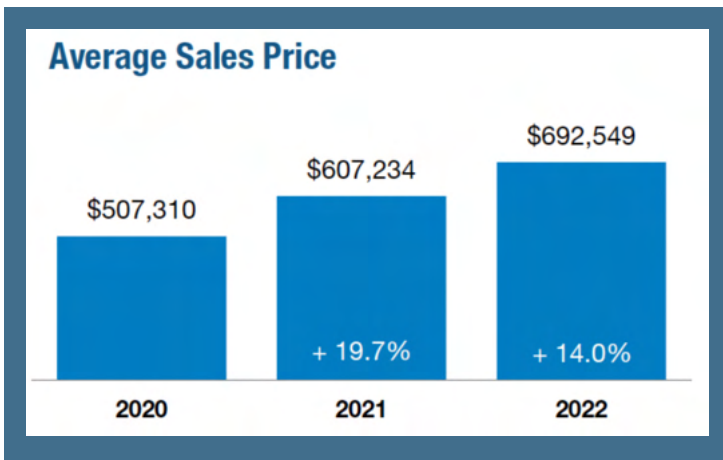
The dollar amount shown for each zip code is the two-bedroom Housing Wage, which are only available within metropolitan areas. Zip code-level Housing Wages are based on HUD’s Small Area Fair Market Rents (FMRs) for Zip Code Tabulation Areas (ZCTAs) from the U.S. Census Bureau, which differ slightly from U.S. Postal Service zip codes.

HOUSING MARKET ANALYSIS



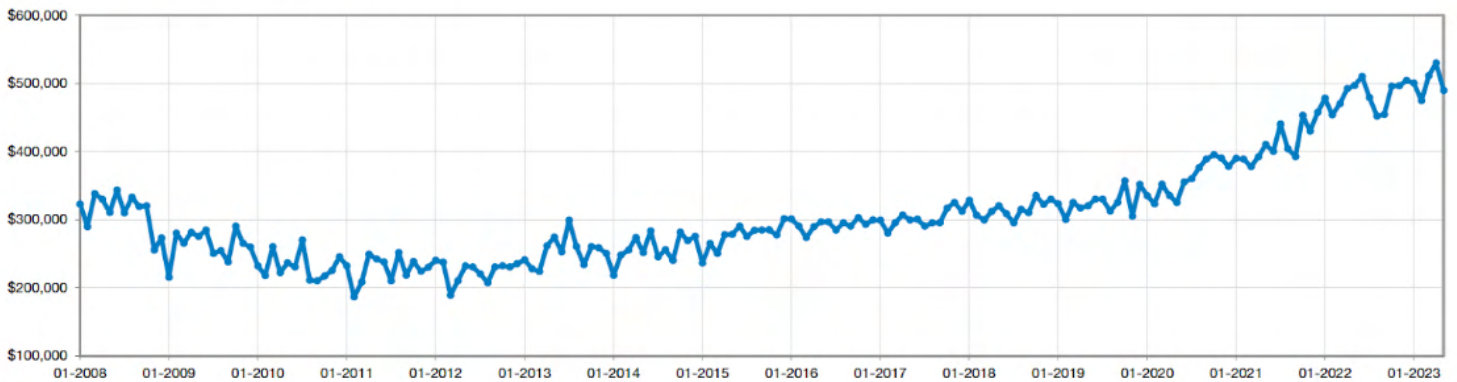
The Hilton Head Area REALTORS 2022 Year-end Market Trend Analysis indicated a significant increase in ownership housing costs on the Island in both single family attached and detached from 2021, and an even greater increase over the last five months of 2023.

The accompanying charts show these increases. From 2021 to 2022, the overall median sales price increased 18.3 percent to \$485,000 for the year. Detached home prices were up 15.0 percent compared to last year, and attached home prices were up 20.0 percent.



2022 Year-End Report Hilton Head Island Housing Market Report

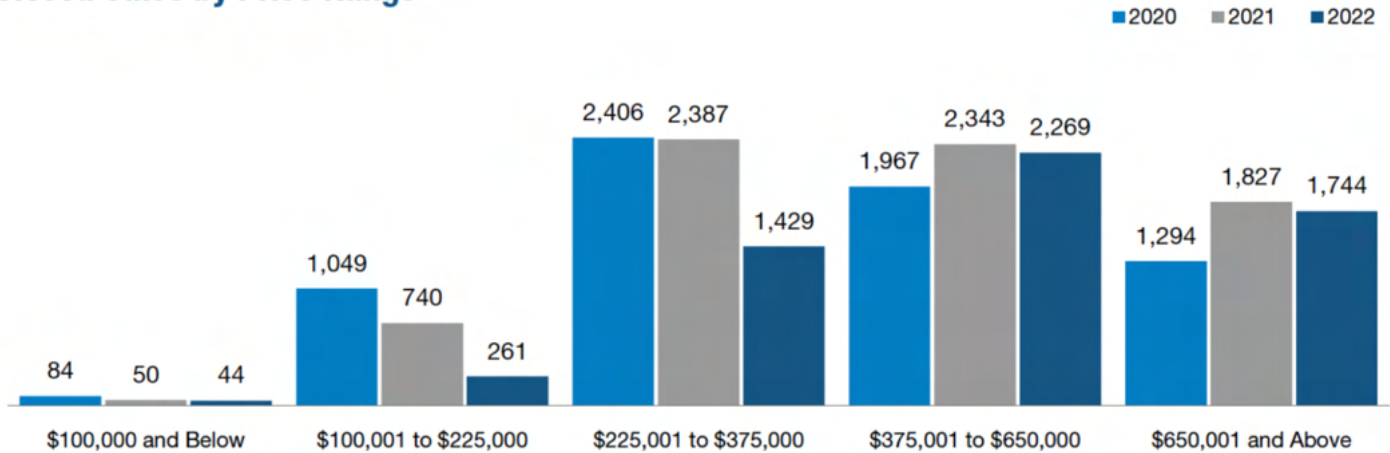
Historical Median Sales Price by Month



In addition, the number of housing units closed below \$225,000 has declined significantly over the last few years showing a huge loss in affordable inventory.

(See Sales closed by Price Range Chart below)

Closed Sales by Price Range



Recent data from May 2023 indicated historical housing affordability continuing to decline significantly on the Island. The chart below shows a continual trend as housing becomes less affordable based on average incomes on the Island. The lower the number the less affordable the community. Homeownership keeps getting tougher for potential buyers as average 30-year home-mortgage rates in the U.S. have risen from 3 percent in 2021 to over 7 percent. Those latest price and interest rate hikes, along with other forces, continue to push the typical cost of major ownership expenses up far faster than wages, resulting in declining home affordability.

Historical Housing Affordability Index by Month

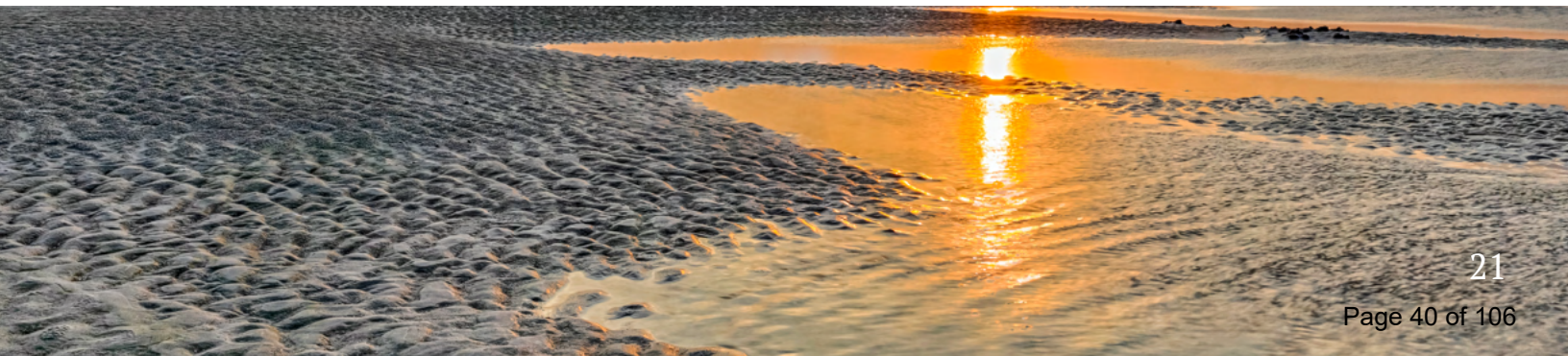
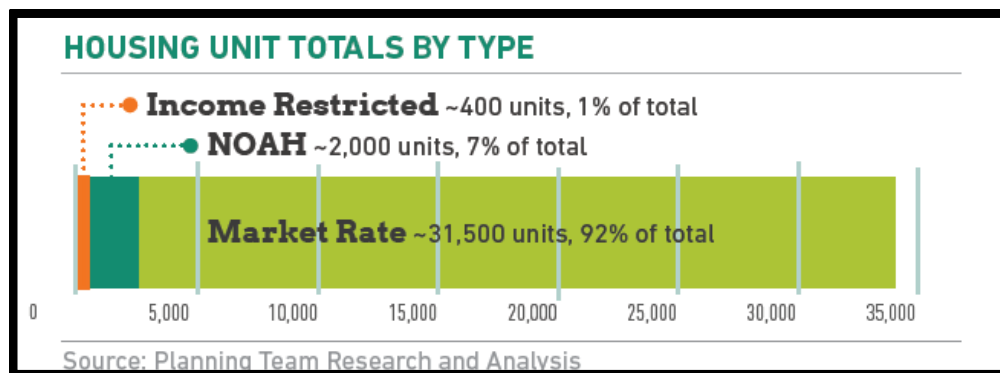


RENTAL MARKET DATA:

These trends are unsustainable to meet the growing demands for workforce housing on the Island. With increased costs in construction, labor, materials, insurance and interest rates, affordability of housing will play a huge role in the future population and workforce on the Island if the Town does not address these growing needs.

Preliminary housing analysis revealed only about 400 “protected” (meaning they are income restricted or deed restricted based on income) affordable housing rental units on the Island and about 2,000 “naturally occurring affordable housing” (NOAH) rental units. NOAH units are not income restricted or protected by income related deed restrictions; therefore, they are not protected from the possibility of large-scale rental hikes or future redevelopment into luxury or short-term rentals.

Many of these historically affordable housing units are at the greatest risk of being redeveloped into to higher end housing as the overall rental housing supply continues to remain low of the Island. Building permit data indicated only two multifamily rental communities have been built on the Island in the last 20 years both of which are market rate communities. Over the last decade, average monthly rents grew by almost 40%.



HOUSING MARKET CONDITIONS



Factors in Housing Market Cost:

Although the South Carolina population continues to have strong population growth, building has not kept up with the growth. **The 2023 Palmetto State Housing Study** published by SC State Housing indicated that a decade of underbuilding has culminated in a shortage of housing inventory. South Carolina’s population has grown steadily at an average annual rate of roughly 1.2% from 2002 to 2021 (compared to 0.8% for the overall US), yet the average annual growth rate in the number of new housing permits in South Carolina dropped by nearly half after the Great Recession of 2008. The decline includes both single and multi-family housing, therefore creating gaps in the supply and demand for housing and escalating the cost of housing due to the shortage of supply. **The lack of housing inventory in South Carolina is especially pronounced among lower price points.**

Although a lack of demand in the immediate aftermath of the Great Recession helped temporarily increase the availability of entry-level homes, **the number of homes sold in South Carolina for less than \$100,000 has decreased by 14.8 percent each year since 2014.**” (2023 Palmetto Study) The decrease in supply is most pronounced in coastal regions of South Carolina. **In 2022, the percentage of homes sold in South Carolina for under \$100,000 fell below 5 percent for the first time.**

Figure 6 – S.C. Multi-Family Housing Permits vs. Pop. Growth

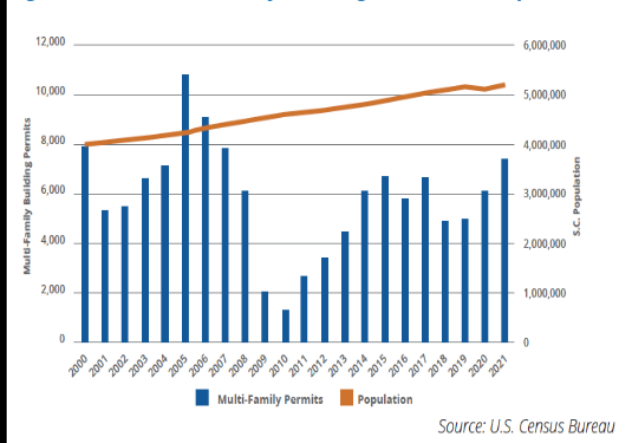
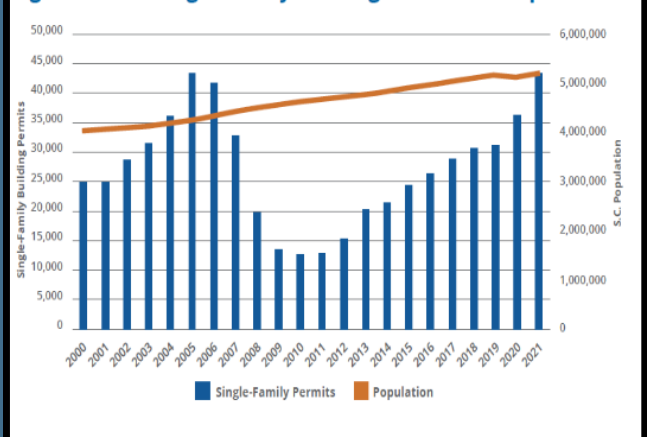


Figure 5 – S.C. Single-Family Housing Permits vs. Pop. Growth



HOUSING MARKET CONDITIONS

CONTINUED



The 2023 Palmetto Housing Study, as shown in the charts below, reveals that South Carolina’s housing market is imbalanced due to high demand and low inventory levels. This imbalance has resulted in affordability challenges for many South Carolinians.

Housing affordability is usually measured by examining the extent to which families are considered to be housing cost burdened. **The U.S. Department of Housing and Urban Development (HUD) defines a cost burdened household as one that pays more than 30 percent of its income for housing.**

By this measure, approximately 50 percent of renting households and 25 percent of households with a mortgage are housing cost burdened in South Carolina. Examining housing cost burdens by county reveals that renters are most likely to be cost burdened in the Midlands and coastal regions of South Carolina. By contrast, households with mortgages are most likely to be cost burdened in the Pee Dee and coastal regions, as shown in **Figures 9 and 10. On average, housing cost burdens across the state are higher for renters than they are for households with mortgages.**

Figure 9 – Pct. of Households (with Mortgages) that are House Cost Burdened

Geographic Unit of Analysis: County

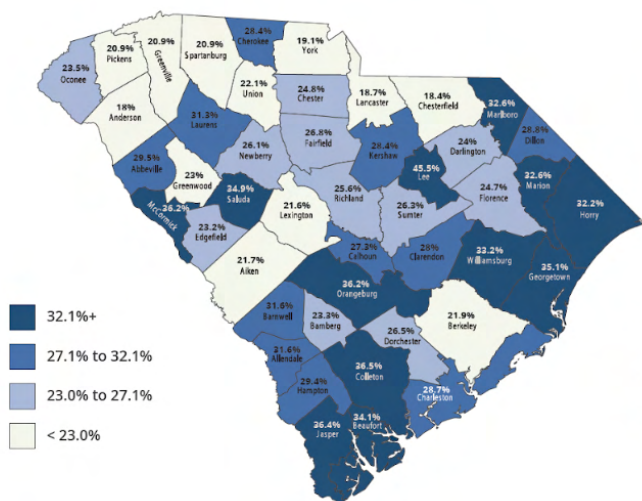
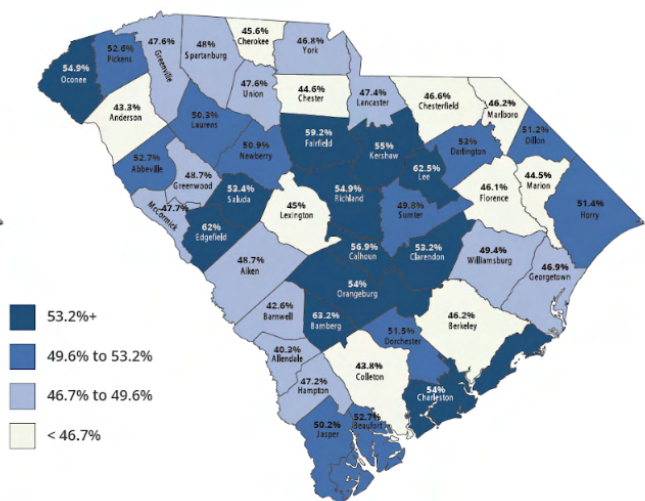


Figure 10 – Pct. of Households (Renters) that are House Cost Burdened

Geographic Unit of Analysis: County



HOUSING MARKET CONDITIONS

CONTINUED

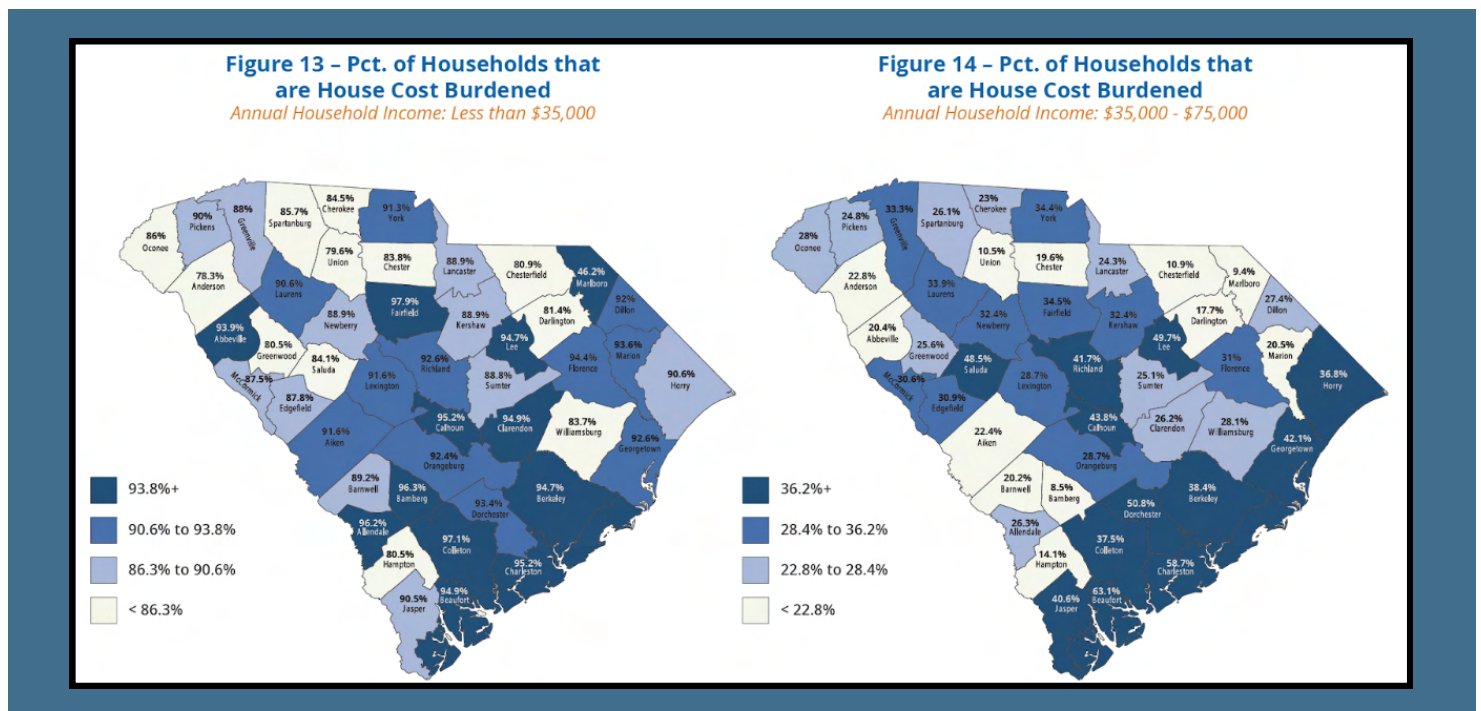


Housing affordability is often considered to be a challenge that is either mostly or exclusively concentrated among households with lower income. Approximately 90% of South Carolina's lower income households, defined as those earning less than \$35,000 annually are estimated to be housing cost burdened based on the 2023 Palmetto Housing Study.

However, in South Carolina there is also a significant population base of middle-income households that also face affordability challenges. Specifically, this study estimates that more than one-third (34.5%) of households earning between \$35,000 and \$75,000 annually are also housing cost burdened by traditional measures.

Existing statewide workforce housing initiatives are often designed for this population.

The cost burden of this segment of the population is especially high in coastal South Carolina as shown in Figures 13 and 14. The data demonstrates that while housing affordability is nearly a universal challenge for lower-income households, it is also a significant strain on working-class families. **Policies directed at improving housing affordability should also include attainable housing programs and new inventory for middle-income families.** Individuals in these households are often employed as teachers, first responders, and health care support workers.



For Homeownership:

- **The average salary in Hilton Head Island is \$68,437.**
- **The median home cost in Hilton Head Island is \$724,900**

Based on the US Department of Housing and Urban Development (HUD) rule of thumb for defining “affordability,” a household should spend **no more than 3 times** their annual salary for their housing cost for ownership and **no more than 30% of household income** on rental housing. Based on the above-mentioned average salary in Hilton Head Island, **\$205,311** would be the maximum “affordable” home for a family in the Town of Hilton Head Island. Over \$500,000 less than the median priced homes on the Island.

Escalating real estate costs are not the only barrier to homeownership. Increased mortgage rates continue to limit affordable home buying opportunities for families. Since August 2023, interest rates have risen to as high as 8% depending on the loan type, the amount of down payment provided and also takes into consideration a varying credit score between 580-800. These variables make home buying more difficult for lower income households that have limited downpayment and may have lower credit scores.

For example depending on these variables, a **\$200,000 home** could cost a household anywhere between **\$1,222- \$1,444/month**. The lower monthly payment would be a VA or FHA type loan. This scenario also considers a 3% down payment and a credit score of 780. This monthly estimate does not include insurance, taxes, or any HOA fees.

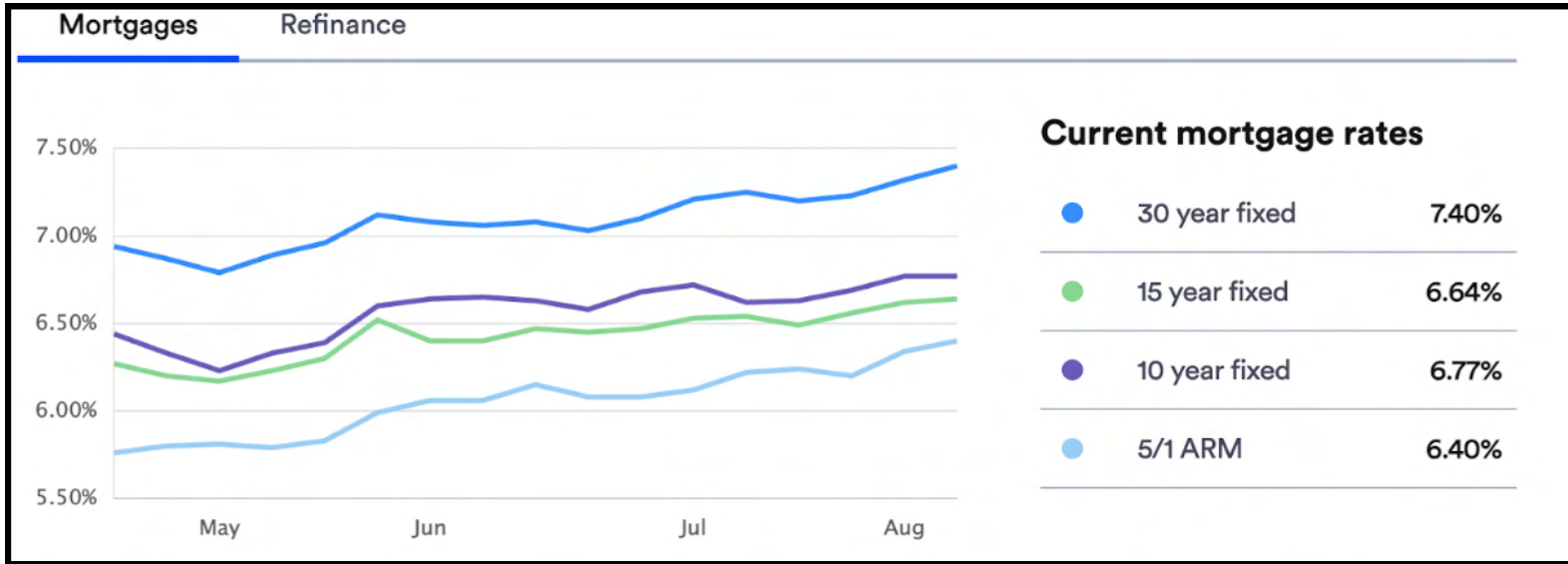


HOUSING MARKET CONDITIONS

CONTINUED



The below chart shows a snapshot of mortgage rate options nationally for single family purchases.



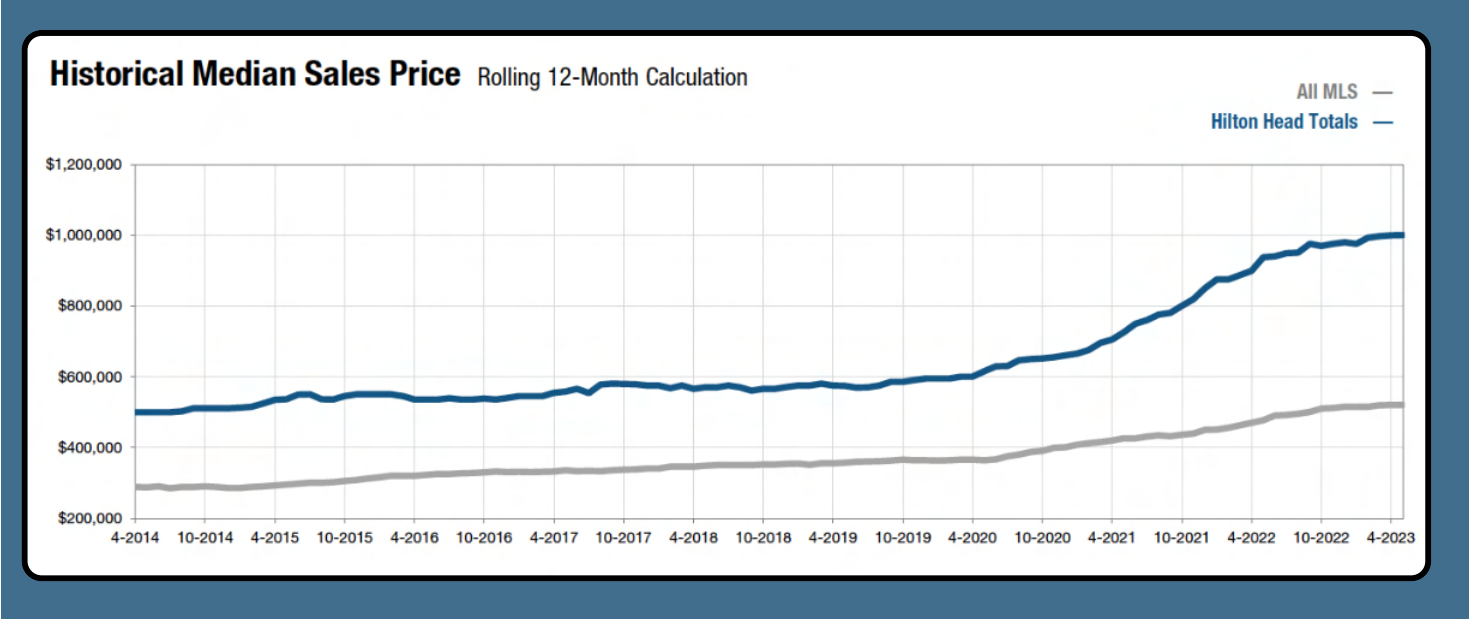
In a recent interview with the Hilton Head Area REALTORS, CEO, Jean Beck, indicated that there have been double digit increases in housing costs in both attached and detached housing. In 2018-2019 there was 26 month's worth of inventory, all of which has been sold.

There are currently only 2 month's worth of inventory on the Island. The reports on the next page show almost double digit increases in all housing sectors from 2020 to 2023. From \$600,000 for detached single family homes to over \$1M and \$350,000 to over \$600,000 in attached (condo/villa) homes.

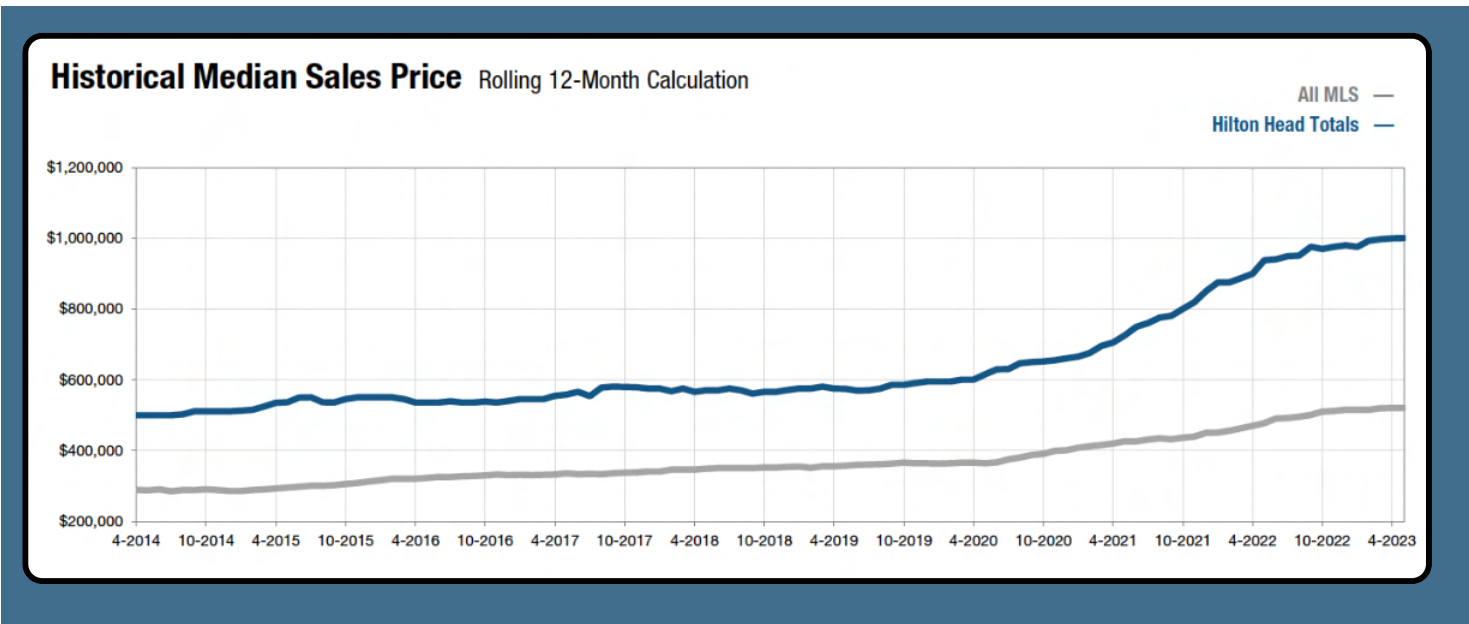




All Hilton Head Island Detached (Single Family Home)



All Hilton Head Island Attached (Condo/Villa)



HOUSING MARKET CONDITIONS

CONTINUED



The Market Reports on the previous pages from May 2023 shows year over year for Attached (Condo/Villas) and Detached (Single Family Homes) and include all Hilton Head Island properties. 70% of land on Hilton Head Island is located within a Planned Unit Development (PUD) limiting the amount of available and eligible land that could be used to support the demand for workforce housing.

Of the 30% of land outside of the PUD's, there is limited developable land due to various conservation easements, environmentally protected areas, wetland areas and tidal marsh.

The Hilton Head Area REALTORS 2023 General Reports includes listings and sales not included in housing units that are located within gated communities, in a PUD or in an established designated area or community, which would most likely be areas in which new workforce housing would be built. The charts on the following page show those area changes year over year.



The following General listings are NOT located in a PUD.

HH General

Detached Homes Only

Key Metrics	May			Year to Date		
	2022	2023	Percent Change	2022	2023	Percent Change
New Listings	20	22	+ 10.0%	86	51	- 40.7%
Closed Sales	17	8	- 52.9%	70	23	- 67.1%
Median Sales Price*	\$635,000	\$649,500	+ 2.3%	\$580,000	\$615,950	+ 6.2%
Percent of List Price Received*	99.5%	98.4%	- 1.1%	100.2%	98.0%	- 2.2%
Days on Market Until Sale	100	73	- 27.3%	98	70	- 28.6%
Inventory of Homes for Sale	27	32	+ 18.5%	--	--	--

* Does not account for sale concessions and/or downpayment assistance. † Percent changes are calculated using rounded figures and can sometimes look extreme due to small sample size.

HH General

Condos / Villas Only

Key Metrics	May			Year to Date		
	2022	2023	Percent Change	2022	2023	Percent Change
New Listings	44	29	- 34.1%	187	137	- 26.7%
Closed Sales	21	26	+ 23.8%	173	117	- 32.4%
Median Sales Price*	\$295,000	\$262,522	- 11.0%	\$280,000	\$292,500	+ 4.5%
Percent of List Price Received*	100.9%	97.9%	- 2.9%	100.0%	97.2%	- 2.8%
Days on Market Until Sale	57	56	- 2.2%	76	80	+ 5.0%
Inventory of Homes for Sale	42	37	- 11.9%	--	--	--

* Does not account for sale concessions and/or downpayment assistance. † Percent changes are calculated using rounded figures and can sometimes look extreme due to small sample size.

In addition to the limited land available to build new developments and the low inventory of existing housing units impacting the overall availability of affordable housing on the Island, increased cost in wind and flood insurance are also impacting overall households costs. In some cases, insurance costs have doubled for residential and commercial properties, pricing people out of their homes. For the rental market, insurance premiums are passed along to renters by apartment owners therefore increasing the cost of rent for many families on the Island, while incomes have not kept up with housing costs.

In some cases, rental property owners have converted their "previously affordable" rental properties into higher cost luxury apartments or short-term rentals, taking them out of the affordable housing inventory.

In addition to these accelerating housing costs along with low inventory, a recent 4 millage increase in property taxes for the school district will most dramatically impact properties that are already at a 6% tax rate. These increases are typically passed along to the end renters. Although the Town of Hilton Head Island recently reduced the millage rate for the Town, they do not have control over the school district increases.





Market Research and the Cost of Housing:

In May 2023, Hilton Head Island home prices were up 10.5% compared to last year, selling for a median price of \$768K. On average, homes in Hilton Head Island sell after 20 days on the market compared to 48 days last year. There were 176 homes sold in May this year, down from 185 last year. (*Redfin.com*)

Hilton Head Island is significantly higher compared to other South Carolina cities.

Location	Median Price	% Change from 2022 to 2023
Hilton Head Island	\$768,000	+10.5%
Charleston	\$563,500	+10.7%
Beaufort	\$390,000	+12.4%
Myrtle Beach	\$325,000	+10.6%
Greenville	\$377,500	-10.1%
Charlotte MSA	\$410,000	+1.5%

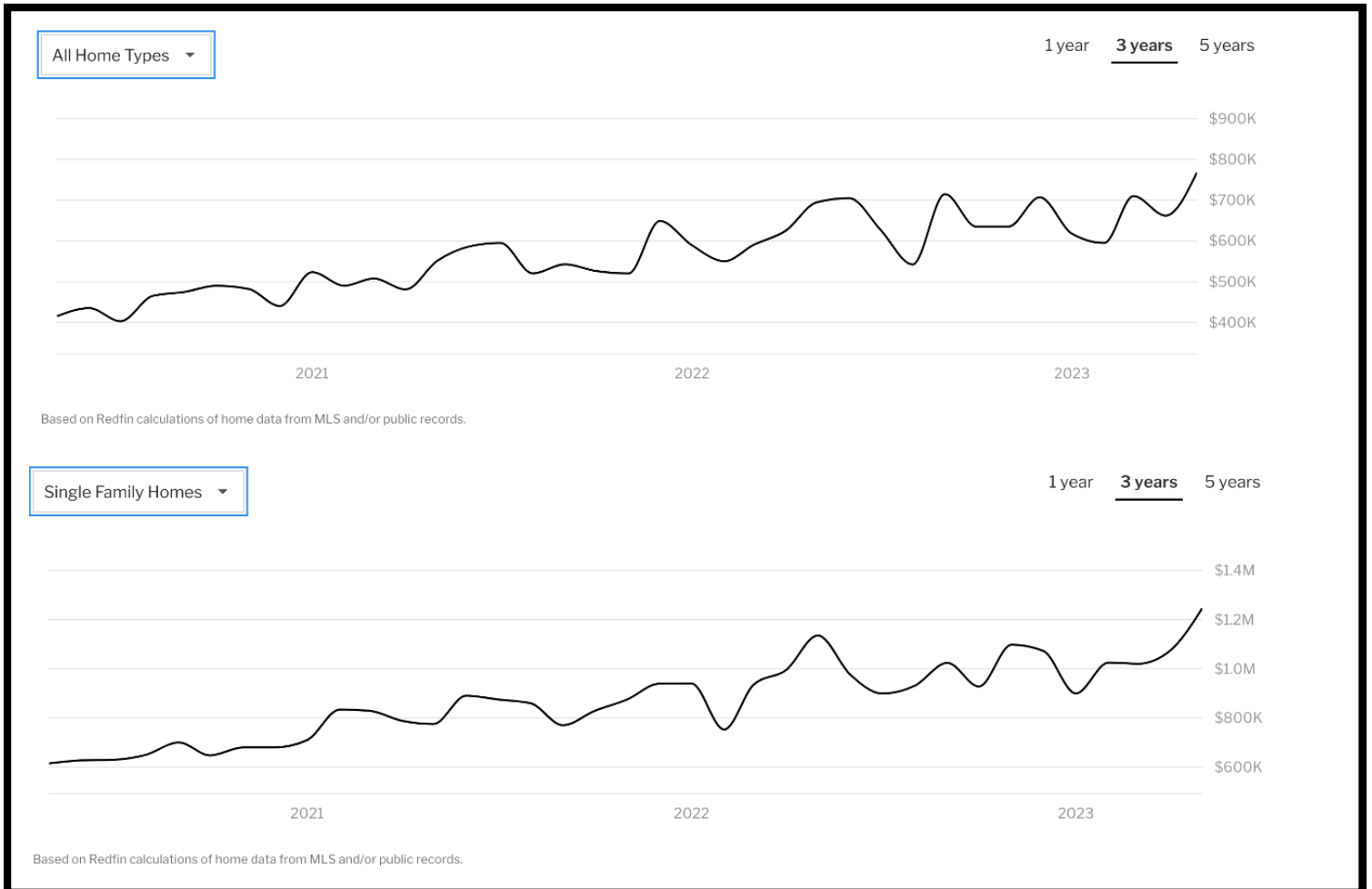
HOUSING MARKET CONDITIONS

CONTINUED



Based on recent data pulled from Redfin calculations of home data from MLS listings and public records the following charts show the continued rise in housing cost over the last 3-year. The Charts include 1) All Home Types listed (villas, condos, townhomes and detached) and 2) Single Family Homes separately.

The chart below shows overall housing types (condos, townhomes and single-family ownership) showing a trend of almost doubling the median sale price from 2020 to 2023. If we just look at single family homes, the median home price is over \$1M.



The overall cost of living in Hilton Head Island is 7% higher than the National average.

CONSTRUCTION AND DEVELOPMENT COSTS



Housing Impact Analysis

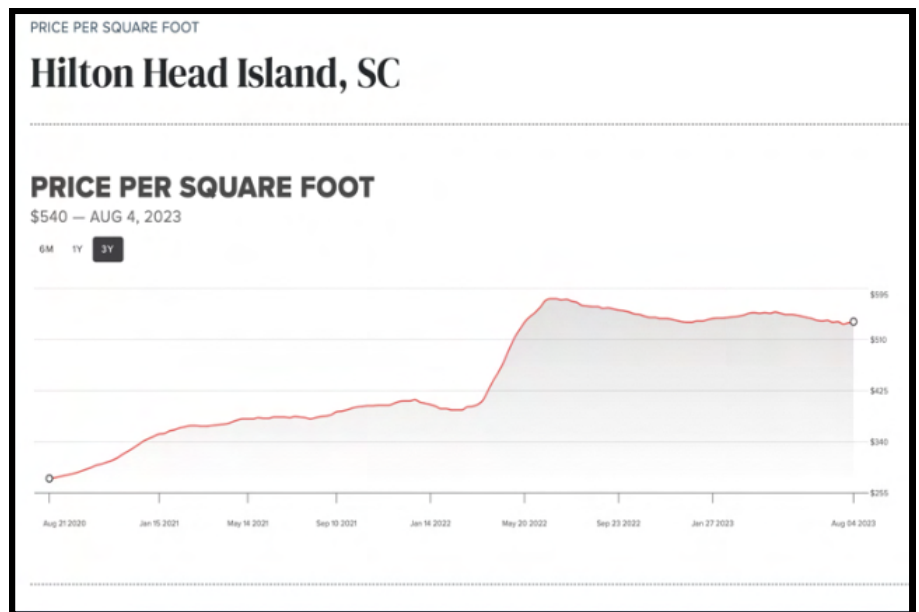
CONSTRUCTION AND DEVELOPMENT COSTS

Ownership Market Costs

Construction costs have significantly increased the cost of housing on the Island over the past few years. As of June 2023, single family homes were selling on average for \$1.7M with about 100 days on market. The average price per square foot was \$541. Rate.com research indicated over \$261 per square foot increase from \$279/square foot to \$540/square foot from August 2021 to August 2023. For a 1,000 square foot house, this means the construction cost has risen from \$279,000 to \$540,000, not accounting for land, fees, insurance, and taxes.

Townhomes and condos sold on average for \$495,000 and spent 86 days on the market. The average price per square foot was \$542. As of June 2023, the median home price was \$454,300 and the median rent was \$1,330.

Based on these home averages, an employee on the Island would need to earn close to \$100,000 to afford a \$500,000 home. In August 2023, BankRate.com indicated to afford a \$500,000 house, you need to make a minimum of \$91,008 a year — and probably more to make sure you're not house-poor and can afford day-to-day expenses, maintenance, HOA, taxes, and other debt, like student loans or car payments. One good guideline to follow is not to spend more than 30 percent of your income on housing.



Limited housing options within these price points make it difficult for working families to find affordable housing for both ownership and rent. Increases in short term rental on the Island has also impacted available inventory options. Around 7,000 units are actively permitted as short term rental.

HOUSING BY PRODUCT TYPE



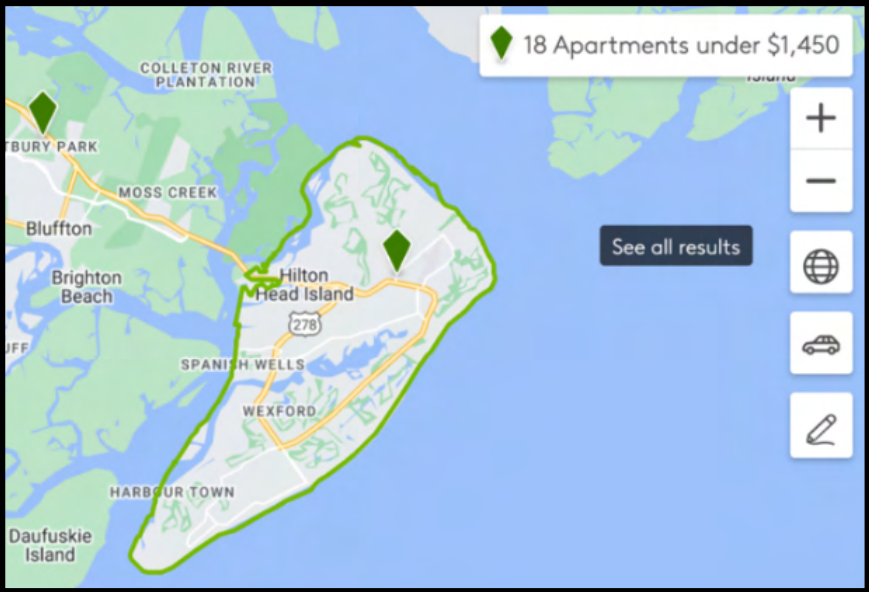
Source: US Census Bureau

CONSTRUCTION AND DEVELOPMENT COSTS

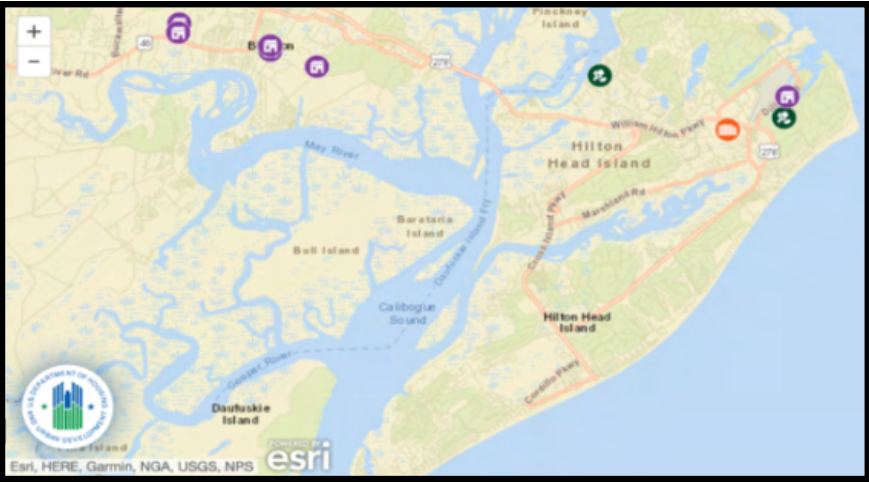


Rental Market Costs

There is limited affordable inventory available on the Island to support workforce housing needs. Based on recent research on Apartments.com there was only one apartment listed for rent on the Island below \$1,450/month, a studio apartment. Other available apartments were in Bluffton.



There were only two properties that are listed on the HUD website as considered subsidized “affordable housing” on the Island. As mentioned earlier, there has been very limited apartment developments on Hilton Head Island over the past two decades. A 2022 market study for an apartment development in Bluffton, just over the bridge from the Island, indicates escalating rental prices across the region.



In a market study, conducted by RPRG for a proposed tax credit project in Bluffton, indicated market rents for: One-bedroom were on average \$1,608 per month. The average one-bedroom unit size was 735 square feet resulting in a net rent per square foot of \$2.19. Two-bedroom unit rents average \$1,747 per month. The average two-bedroom unit was 1,052 square feet resulting in a net rent per square foot of \$1.66.

CONSTRUCTION AND DEVELOPMENT COSTS



A recent rental development proposed for the Beaufort area (not on the Island) that would produce about 100 units of multifamily rental housing for households with income below 60% of the area median income, estimated total development costs (without land cost) would be over \$17M, approximately \$172,000/per unit. Depending on the project design requirements and number of units allowed based on zoning, a recent 3-story, 24 unit garden style apartment development cost approximately, \$145/square foot to build (not including land). Another project recently completed cost over \$213/square foot, approximately \$272,000/unit. All these examples are located in Bluffton or Oaktie area but highlights overall escalating construction and labor costs in the region without even including specific land costs.

Developers interviewed indicated land cost in southern Beaufort can be as much \$25,000/door or apartment in areas like Hilton Head Island where available, however developable land is extremely scarce. Other fees such as permit fees for the Town of Hilton Head Island and Beaufort County impact fees (water and sewer etc.) can also increase per unit cost to over \$3,000/unit. Parking requirements and site restrictions including setbacks, lot size requirements and lower densities allowed can significantly impact the cost of development. One multifamily developer interviewed indicated that as much as \$50/square per unit could be added to the costs of a project based on some of these limitations. For example, the need for podium parking (parking under the building structure) can increase the cost of a 100-unit development by as much as 18% in development costs. Design flexibility and developer incentives will be also important to implement as the Town looks to address it workforce housing needs, in addition to financing to support projects funding needs.



CONSTRUCTION AND DEVELOPMENT COSTS

Land Costs:

Land costs are extremely high on Hilton Head Island due to limited amount of land available on the Island. Over 70% of the land is in a planned unit development (PUD), minimizing the availability of land for affordable developments even further. For example, a recent search on Land Watch for vacant lots for sale on the Island showed one .11 acre lot in the Mid-Island area for \$359,000.



Recent property acquisitions by the Town indicates average land costs anywhere between \$500,000 and \$1M per acre including the Town's acquisition of 71 Shelter Cove Lane. The recent acquisition the old Wild Wings property was \$4M for 1.8 acres. Although the Town is making aggressive steps to acquire property for future development opportunities these opportunities are extremely scarce due to the overall limits on available land.

Land Management Ordinance (LMO):

In addition to land acquisition strategies that support workforce housing, the Town is also in the process of updating its Land Management Ordinance (LMO) as part of its Comprehensive Plan update which will include a variety of planning and zoning tools that would encourage and incentive private developers to participate in building workforce housing. The Town already offers a density bonus for developers who include a percentage of workforce housing in larger developments. The Town also has a Commercial Conversion ordinance to support converting under-utilized retail or commercial space into workforce housing.

The Town has made workforce housing a priority as a part of the Housing Element within Our Plan (Town's Comprehensive Plan) and is currently planning on revisions to the LMO to ensure changes and adjustments will support workforce housing efforts.



CONSTRUCTION AND DEVELOPMENT COSTS



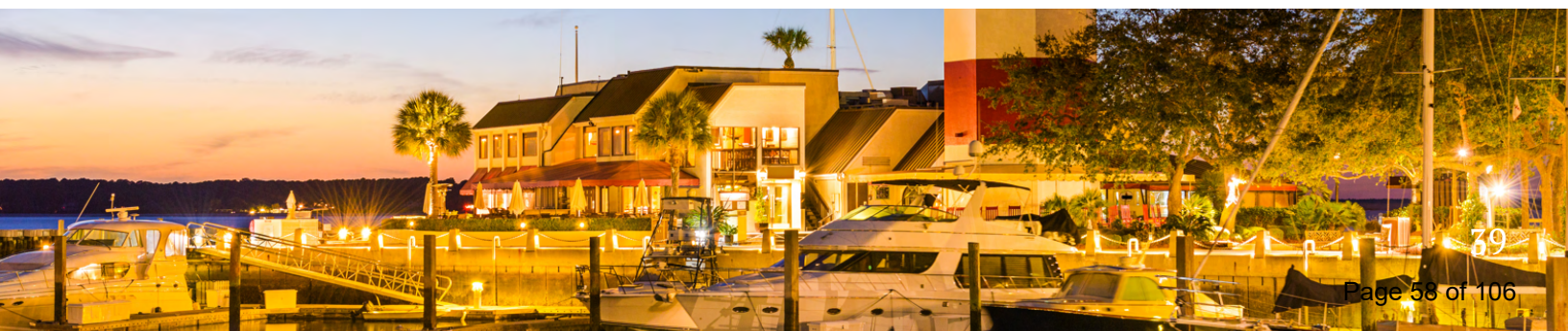
Development Fees:

Although development fees can vary depending on the type of development, the size and the location, these fees can add significant costs to the overall development of both single family and multifamily projects. For example, on Hilton Head Island, assuming a \$20M development with approximately 50 dwelling units, each unit about 2,500 sq. ft on 2 acres, the Town's fees could be as much as \$360,927 and does not include planning fees. This cost includes the demolition of an existing building and a pool. That is approximately, \$7,218.55 per unit in development fees. As part of the Town's Workforce Housing program the Town will be evaluating these fees as it relates to developing workforce housing. The reality is many of these fees are necessary to pay for the staffing and support needed to manage the development process. Also some of these impact and development fees are not controlled by the Town and are required to be paid based on state law and county requirements. This does include \$177,350 in impact fees to Beaufort County.

Insurance:

Dramatically rising insurance costs have hit owners, operators, and developers of rental housing hard in recent years. And in an environment of slower rent growth and rising interest rates, these costs have become increasingly tough for many rental housing providers to shoulder. As a result, many firms are in the difficult position of choosing whether to absorb the higher costs, knowing it means less reinvestment in other areas of their businesses or higher rents for residents, or find ways to scale back policies to mitigate the costs, raising their risk exposure. Continued uncertainty around costs and greater risk burdens creates negative repercussions for multifamily investment and development at a time when more housing is needed to meet an array of growing demand. Government policies intended to tackle the nation's housing shortage and address affordability challenges need to account for the structural problems in today's insurance markets.

A June 2023 article in the Island Packet indicated some insurance costs have increased by 500% from 2022. Several insurance policies for Island properties have doubled or tripled in the past two years.



CONSTRUCTION AND DEVELOPMENT COSTS



In the same Island Packet article, one homeowner in Sea Side Villas, indicated the master building insurance policy went from \$115,223 to \$690,000. Although this example is on the high side, condos owners across Beaufort County are seeing increases, according to several property management companies. Condos tend to be less expensive than single-family homes on the Island, so these increases largely impact more affordable housing options on the Island.

The Island Packet indicated in this same article, in May 2023, the average price of a condo on the island was \$452,500, less than half of the \$1,255,000 average home price, according to Hilton Head Area REALTORS market reports. For those with a smaller budget, looking to rent to make extra money or hoping to downsize, condos provide the opportunity to purchase property in a destination location. Not to mention owners aren't responsible for outside maintenance. Now, increasing insurance rates are adding thousands of dollars each year to the relatively cost-conscious option.



SOLVING THE ISLAND'S HOUSING CRISIS



Housing Impact Analysis

SOLVING THE ISLAND'S HOUSING CRISIS



Over the past five years, Town Council has made affordable workforce housing a number one priority for the future of the Island, recognizing the critical need to produce and preserve diverse housing options that can meet the workforce and community needs. In the Town of Hilton Head Island, over 69% of jobs are filled by non-locals, a 26% increase since 2002.

This trend is making it more difficult for sustainable economic growth as the Island's workforce is traveling through similarly paying and more proximate job centers on their way to work on the Island, causing even greater competition for labor on the Island. Increased regional competition for workers and the rising housing costs on the Island will continue to exacerbate the ability to attract and maintain a sustainable workforce on the Island. Additionally, the direct effect this level of daily commuters to and from the Island will have long term impacts on the overall community's quality of life due to increased traffic and infrastructure needs.

The Town is committed to solving its workforce housing challenges by supporting sustainable job growth opportunities and also by focusing on the preservation and production of diverse affordable housing options that meet the workforce needs. Maintaining tourism related employment and employees are core focus as part the Town's strategy.

The Town is unique among peer communities for its year-round population and relatively diverse local economy. Tourism and hospitality, however, drive all major sectors and have set records following the disruption caused by the COVID-19 pandemic.

SOLVING THE ISLAND'S HOUSING CRISIS



According to a 2021 Tourism Impact Report from the Hilton Head Island-Bluffton Chamber of Commerce, visitor expenditures generated a total of \$69.17 million in tax revenue in Hilton Head Island through the accommodations tax, the hospitality tax, and beach preservation fees.

To further support the implementation of the Town's Workforce Housing Framework, and with the adoption of the Housing Impact Analysis as an amendment to the Town's Comprehensive Plan, the Town can utilize up to 15% of its Accommodation Tax (ATAX) to support critical steps and strategies that will increase the production and preservation of workforce housing on the Island. Access to this new eligible source of funding could help leverage the Town's initial \$3.3M already committed to their housing program. The Town recognizes that funding alone cannot solve the workforce housing shortage and has also committed land for additional housing opportunities and has implemented a policy for commercial conversion and density bonus programs to encourage and incentivize developers to provide workforce housing inventory needs.

In addition, the Town will commit full time staff to the program and recently set up a citizen led Housing Action Committee to help provide local expertise and recommendations on new and innovative housing programs.

SOURCES



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- The National Housing Conference, 2023 Paycheck to Paycheck, <https://nhc.org/paycheck-to-paycheck/>
- Best Places, Hilton Head Island, SC
https://www.bestplaces.net/jobs/city/south_carolina/hilton_head_island
- Bureau of Labor Statistics, Occupational Employment and Wages in Hilton Head Island- Bluffton-Beaufort, May 2022, https://www.bls.gov/regions/southeast/news-release/occupationalemploymentandwages_hiltonheadisland.htm
- Palmetto State Housing Study, June 30, 2023, prepared by the Darla School of Business, University of South Carolina for South Carolina State Housing Finance, <https://www.schousing.com/home/Palmetto-State-Housing-Study>
- Hilton Head Area REALTORS, May 2023 Market Reports, <https://hhrealtor.com/market-reports/>
- Hilton Head Area Home Builders Association, <https://www.hhahba.com/>
- Town of Hilton Head Island Studies, 2020 Our Plan, 2019 Workforce Housing Strategic Plan, 2022 Workforce Housing Framework, *Finding Home*
- Living Wage Calculator, MIT, <https://livingwage.mit.edu/>
- National Association of Homebuilders, 2023 State of Housing in South Carolina
- Lowcountry Council of Governments, 2022 People and the Economy Report, <https://www.lowcountrycog.org/>
- The Nerd Wallet, <https://www.nerdwallet.com/mortgages/mortgage-calculator/south-carolina> (mortgage rates)
- Rate.com, https://www.rate.com/research/hilton_head_island-sc/price-per-square-foot
- Bankrate.com, <https://www.bankrate.com/real-estate/income-needed-for-500k-home/>

AN ORDINANCE OF THE TOWN OF HILTON HEAD ISLAND

ORDINANCE NO. 2024-XX

AN ORDINANCE TO PROVIDE FOR THE ADOPTION OF AN AMENDMENT TO OUR PLAN, THE TOWN OF HILTON HEAD ISLAND 2020-2040 COMPREHENSIVE PLAN TO INCORPORATE A HOUSING IMPACT ANALYSIS; AND TO PROVIDE FOR SEVERABILITY AND AN EFFECTIVE DATE.

WHEREAS, In May of 2010, Town Council adopted the Town of Hilton Head Island Comprehensive Plan and subsequently in 2012 and 2017 updated the Plan; and

WHEREAS, the Town of Hilton Head Island Comprehensive Plan is required to be updated in accordance with S. C. Code Ann. §§ 6-29-520 and 6-29-530 (Supp. 2023); and

WHEREAS, Town staff, the Our Plan Development Team, and the Planning Commission were asked to rewrite the Comprehensive Plan for the Town of Hilton Head Island; and

WHEREAS, Our Plan, the Town of Hilton Head Island's, 2020 to 2040 Comprehensive Plan was adopted by Town Council October 20, 2020; and

WHEREAS, Our Plan meets the requirements of The Comprehensive Planning Enabling Act of 1994 and its updates; and

WHEREAS, Our Plan includes the following core values: Relentless Pursuit of Excellence, Redefining Environmental Sustainability, Revitalizing and Modernizing the Economy, Fostering an Inclusive Multi-dimensional Community, Building a Connected and Collaborative Community Fabric, Expanding to Embrace an Integrated Regional Focus, and Innovative Approach to Create 'Right-sized' Infrastructure; and

WHEREAS, Our Plan includes the following elements: Cultural Resources, Natural Resources, Population, Housing, Community Facilities, Economic Development, Land Use, Transportation, Recreation, and Priority Investment and adopted appendices; and

WHEREAS, on May 13, 2023, the South Carolina Governor ratified Act 57, allowing a local governing body the ability to utilize up to 15% of their local and state collected Accommodations Tax revenue (ATAX) to support workforce housing efforts; and

WHEREAS, it is a requirement if a local government opts to use ATAX for workforce housing needs, the local government must prepare a Housing Impact Analysis as outlined in S. C. Code Ann. § 6-4-12 (Supp. 2023) prior to second reading of the ordinance amending the Comprehensive Plan; and

WHEREAS, S. C. Code Ann. § 6-4-12(F)(Supp. 2023) requires that the local government provide the Housing Impact Analysis to the members of the legislative body of the local government, the Department of Revenue, and the Tourism Expenditure Revenue Committee before the ordinance is considered by the legislative body, the Housing Impact Analysis was sent to the aforementioned bodies on January 22, 2024; and

WHEREAS, S. C. Code Ann. § 6-4-5 (Supp. 2023) and S. C. Code Ann. 6-4-12 (Supp. 2023) require the local government’s Housing Impact Analysis to be adopted as an amendment to the Housing Element of the local government’s approved Comprehensive Plan; and

WHEREAS, Act 57 amends S. C. Code Ann. § 6-29-510(D)(6) (Supp. 2023), pertaining to the development of a local Government’s Comprehensive Plan to read “the planning commission must solicit input for this analysis from homebuilders, developers, contractors, and housing finance experts when developing this element”, and;

WHEREAS, on December 13, 2023, the Housing Action Committee reviewed the Housing Impact Analysis and by a unanimous vote recommended the Housing Impact Analysis for approval to Town Council; and

WHEREAS, on January 17, 2024, the Planning Commission conducted a Public Hearing to consider the Housing Impact Analysis as an amendment to the Town’s Comprehensive Plan Housing Element, and by a unanimous vote recommended for approval to Town Council; and

WHEREAS, on February 8, 2024, the Public Planning Committee considered an Ordinance to amend the Town’s Comprehensive Plan to incorporate the Housing Impact Analysis and by xx vote recommended approval to Town Council; and

WHEREAS, Town Council finds that it is in the best interest of the Town and its citizens and residents to adopt the Housing Impact Analysis as an amendment to the Housing Element of the Town of Hilton Head Island’s 2020 to 2040 Comprehensive Plan;

NOW, THEREFORE, BE IT ORDERED AND ORDAINED BY THE TOWN COUNCIL OF THE TOWN OF HILTON HEAD ISLAND, SC; AND IT IS ORDAINED BY SAID

AUTHORITY OF THE SAID COUNCIL:

Section 1. Adoption: The Town Housing Impact Analysis as an amendment to Our Plan, the Town of Hilton Head Island 2020 to 2040 Comprehensive Plan, attached hereto as Exhibit A is hereby adopted pursuant to Article 2 of Chapter 1 of Title 16 (adopted July 21, 1998) of the Municipal Code of the Town of Hilton Head Island, South Carolina (1983) and S. C. Code Ann. §§Sections 6-29-510, 6-29-529, and 6-29-530 (Supp. 2023).

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

Section 3. Effective Date: This Ordinance shall be effective upon adoption by the Town Council of the Town of Hilton Head Island, South Carolina.

Passed, approved, and adopted, by the Town Council of the Town of Hilton Head Island this _____ day of _____ 2024.

Alan R. Perry, Mayor

ATTEST:

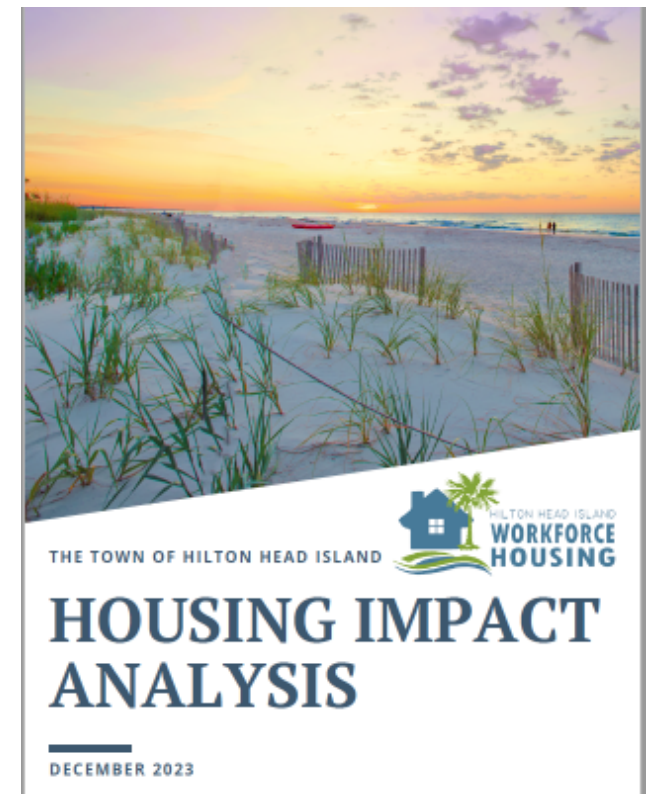
Kimberly Gammon, Town Clerk

First Reading: _____

Second Reading: _____

Approved as to form: _____
Curtis L. Coltrane, Town Attorney

Introduced by Council Member: _____



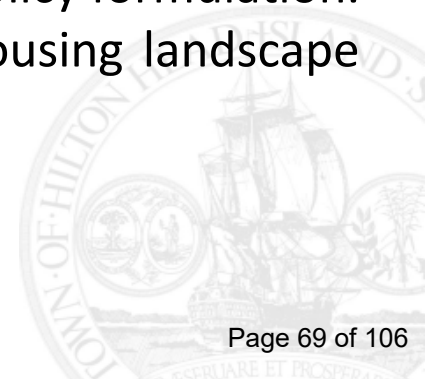
Consideration of an Ordinance to Amend the Town of Hilton Head Island Comprehensive Plan to Incorporate a Housing Impact Analysis

*Public Planning Committee Meeting
February 8, 2024*



Act 57 Background

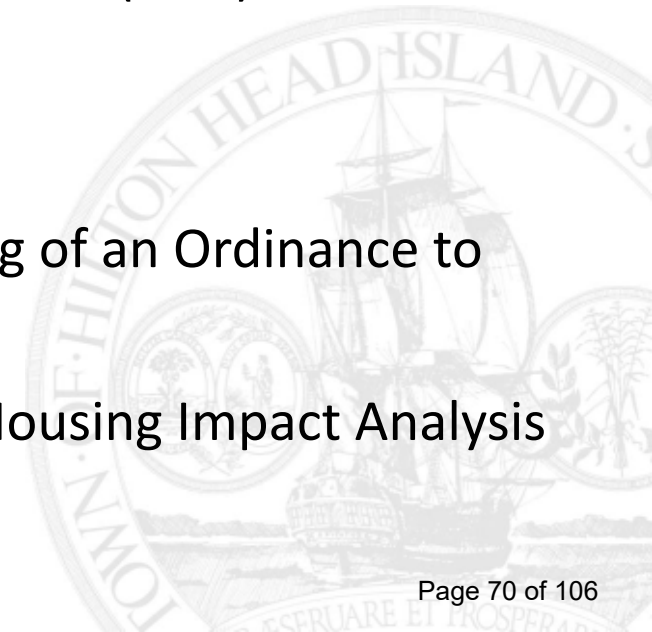
- In 2023 SC General Assembly passed Act 57 allowing Accommodations Tax Revenue (ATAX) to support the development of workforce housing. The Town of Hilton Head Island was instrumental in the passage of Act 57.
- Act 57 allows local governments to utilize a portion of its state or local accommodations taxes, or both, to be utilized in the development of qualified workforce housing as a tourism related expenditure.
- Act 57 requires that a local government entity that wants to utilize state ATAX revenue for workforce housing must complete and adopt a Housing Impact Analysis.
- This Housing Impact Analysis serves as a foundational tool to inform decision-making and policy formulation. By dissecting these components, we gain a holistic understanding of our community's housing landscape and can implement targeted solutions to meet the diverse needs of our residents.
- The following slides highlight the requirements for a Housing Impact Analysis.





Act 57 Key Points

- For the purposes of this Act, workforce housing means “residential housing for rent or sale that is appropriately priced for rent or sale to a person or family whose income falls within thirty percent (30%) and one hundred twenty percent (120%) of the median income for the local area, with adjustments for household size, according to the latest figures available from the United States Department of Housing and Urban Development (HUD)”.
- Expenditures of both state and local ATAX are capped at fifteen percent (15%) of the local government’s annual collections.
- The provisions of this Act are no longer effective after December 31, 2030.
- A Housing Impact Analysis (HIA) must be completed prior to second reading of an Ordinance to Town Council for approval.
- Town must update (amend) its Comprehensive Plan to include/adopt the Housing Impact Analysis as a part of its housing element.





Housing Impact Analysis Must Include

The HIA required by Act 57 must include:

- Cost of developing, construction, rehabilitating, improving, maintaining, or owning single-family or multifamily dwellings;
- An analysis of the relative impact of the ordinance on low- and moderate-income households.

The following housing cost information is required as part of the HIA:

- Reasonable estimates of the effect of housing costs, either in a brief summary or worksheet demonstrated by computations in dollar amounts.
- If the local government determines that it is not possible to make an estimate expressed in dollar amounts, then the analysis must include a statement setting forth the reasons for the local government's determination.
- The analysis must include descriptions of both the immediate effect and the long-term effect of the ordinance on housing costs.



Housing Impact Analysis Process

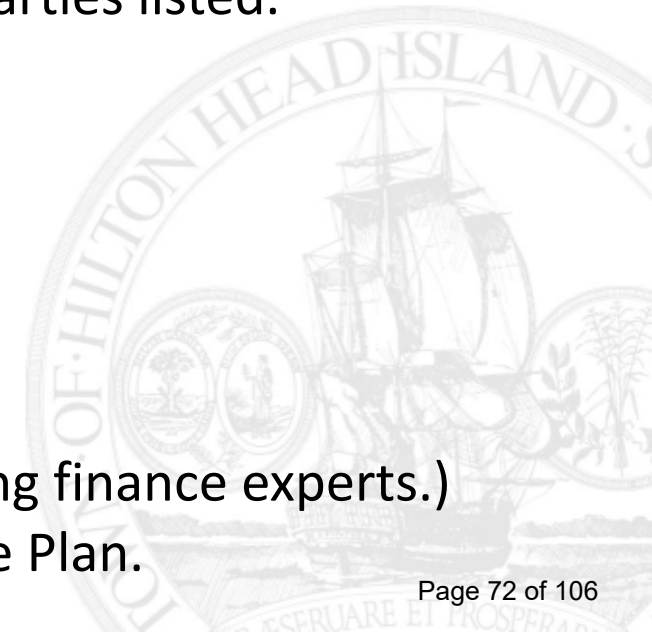
The local government shall provide copies of the HIA to:

- The Department of Revenue,
- The Tourism Expenditure Revenue Committee, and
- As an ordinance to the members of the legislative body of the local government.

The Department of Revenue may not disburse any ATAX revenue for workforce housing unless and until the local government has provided the housing impact analysis to the parties listed.

Procedural steps that must be taken:

1. Complete a Housing Impact Analysis.
2. Distribute the Housing Impact Analysis to the required entities.
3. Update/Ratify the Town's Comprehensive Plan.
 - a) Share the Housing Impact Analysis with the Planning Commission.
(Solicit input from homebuilders, developers, contractors, and housing finance experts.)
 - b) Adopt an Ordinance incorporating the HIA into the Comprehensive Plan.





Housing Impact Analysis Overview

The Housing Impact Analysis is a point in time analysis which includes the required data and analysis outlined in Act 57. Housing market challenges, costs associated with increased real estate prices, and the cost burden of local employees and families due to area income and housing cost imbalances.

The Town of Hilton Head Island Housing Impact Analysis has five areas of focus:

- 1. Employment Analysis:** Assesses the current job market, growth projections, and employment trends.
- 2. Housing Market Analysis:** Evaluates the broader housing market, examining factors such as housing supply and demand, pricing trends, and market saturation.
- 3. Housing Market Conditions:** Examines current housing availability and affordability for both homeownership and rental units.
- 4. Construction & Development Costs:** Analyzes the costs and barriers associated with building and developing housing affordably.
- 5. Solving the Housing Crisis:** Overview of the Town's Workforce Housing Framework along with the goals associated with the adoption of the HIA to allow for ATAX revenues as a potential funding source to support these strategies.



Employment Analysis Summary

The Employment Analysis Chapter highlights the percentage of various employment sectors and incomes for the region and the Town of Hilton Head. Tourism and service-related employment sectors still remain the top employment sectors for the Island, showing a direct nexus for the need for workforce housing within these sectors.

Households are considered cost-burdened if they spend over 30% of their household income on housing and considered extremely cost-burdened if they spend over 50% of their household income.

A May 2022 US Bureau of Labor Statistics Occupational Employment and Wage Study indicated workers in the Hilton Head Island-Bluffton-Beaufort, SC Area had an average hourly wage of \$22.21, 25% below the nationwide average of \$29.76.



Employment Analysis Summary

In this chapter we pulled wages from the Bureau of Labor Statistics for the top employment sectors for Hilton Head.

- Based on these wages and 30% rule of thumb, rents would need to be below \$964.50 to be considered affordable.
- The current median rent is \$1,330.

Employment and wage data for Top related occupations, Hilton Head Island metropolitan area, May 2022

<u>Occupation</u>	<u>Levels</u>	<u>Hourly</u>	<u>Annual Salary</u>	<u>Housing Affordability (30%)</u>	<u>Cost Burden (50%)</u>
Total Food preparation and serving related occupations	12,450	\$ 13.32	\$ 27,700.00	\$ 692.50	\$ 1,154.17
Total Office and Administrative Support Occupations	10,050	\$ 18.52	\$ 38,520.00	\$ 963.00	\$ 1,605.00
Total Sales and Related Occupations	9,450	\$ 18.55	\$ 38,580.00	\$ 964.50	\$ 1,607.50
Total Building and Grounds Cleaning and Maintenance Occupations	4,220	\$ 15.84	\$ 32,950.00	\$ 823.75	\$ 1,372.92
Total Personal Care and Service Occupations	2,910	\$ 15.38	\$ 31,980.00	\$ 799.50	\$ 1,332.50



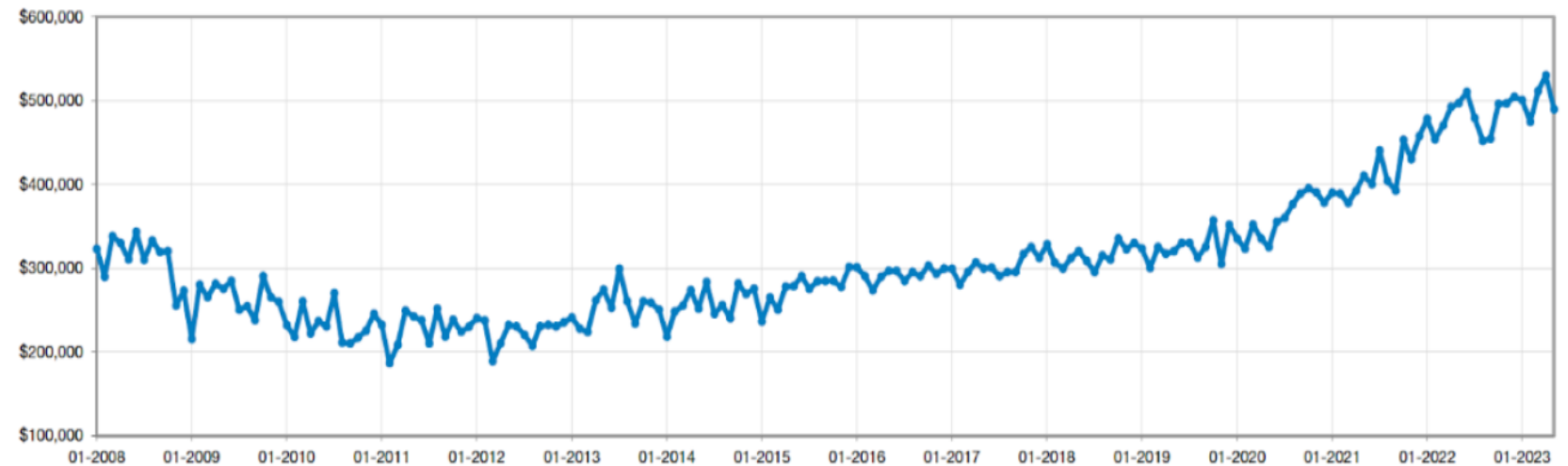
Housing Market Analysis Summary

The Housing Market Analysis Chapter highlights the current cost of housing on the Island looking at both single family and condo/villa prices. In addition to national real estate data, the Hilton Head Area Realtors and Hilton Head Island Area Homebuilders Association provided local data.

The Hilton Head Area Realtors 2022 Year-end Market Trend Analysis indicated a significant increase in median sales costs on the Island in both single family attached and detached showing between 15-20% increases depending on what type of housing. These accelerated increases in pricing are having a direct impact on housing affordability.

2022 Year-End Report Hilton Head Island Housing Market Report

Historical Median Sales Price by Month





Housing Market Analysis Summary

Recent data from May 2023 indicated historical housing affordability continuing to decline significantly on the Island. The chart below shows a continual trend as housing becomes less affordable based on average incomes on the Island. The lower the number the less affordable the community.

Historical Housing Affordability Index by Month





Housing Market Condition Summary

The Housing Market Conditions Chapter highlights various factors related to increased housing costs.

This chapter also focused on the Town’s housing costs verses other rapidly growing South Carolina markets. Several of these communities compete for the same employment sectors and employees. Hilton Head was by far the most expensive housing market.

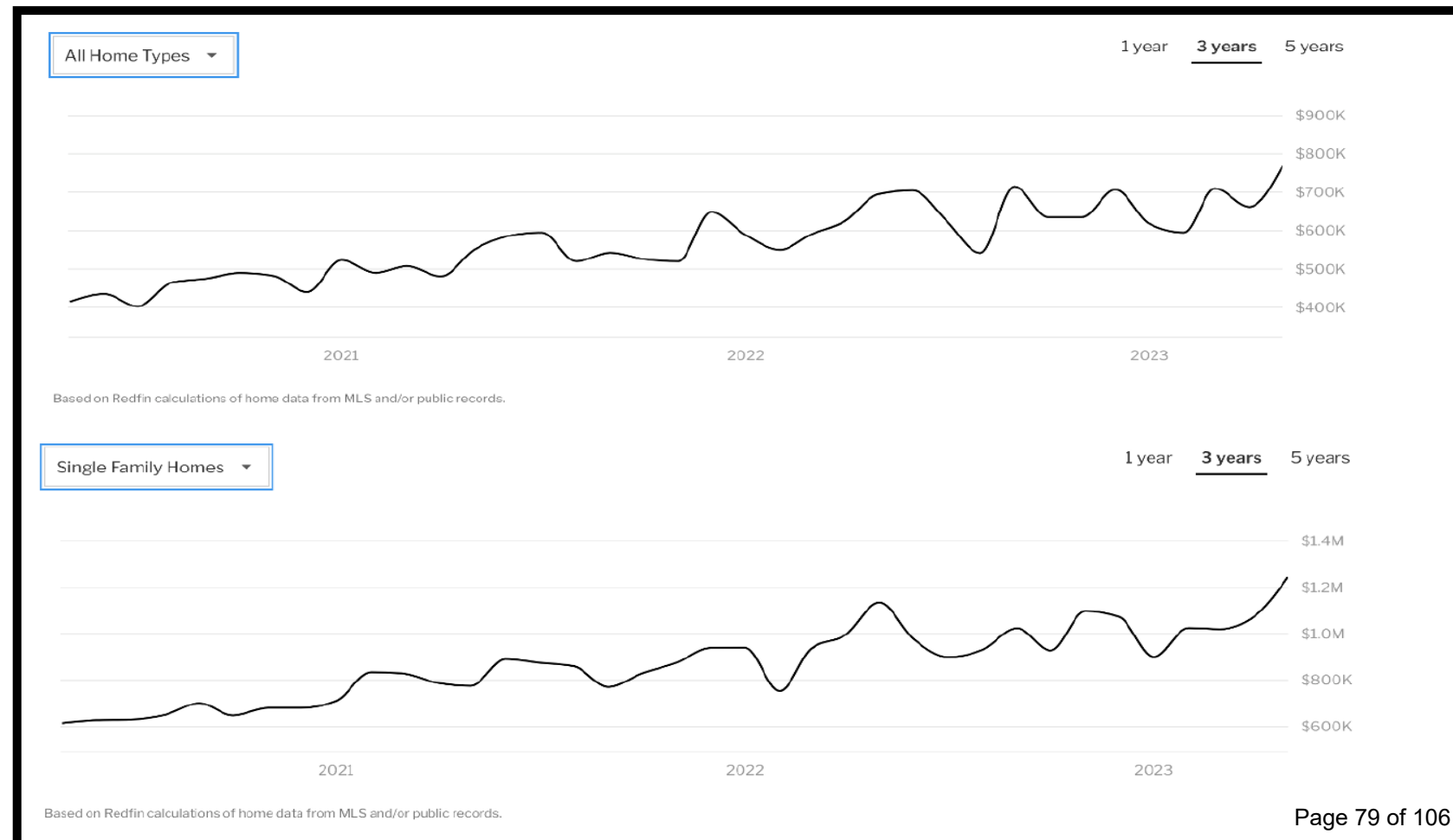
Location	Median Price	% Change from 2022 to 2023
Hilton Head Island	\$768,000	+10.5%
Charleston	\$563,500	+10.7%
Beaufort	\$390,000	+12.4%
Myrtle Beach	\$325,000	+10.6%
Greenville	\$377,500	-10.1%
Charlotte MSA	\$410,000	+1.5%



Housing Market Condition Summary

This chapter goes into detail on rapid growth in housing prices over the last few years on the Island.

The chart on the right shows overall housing types (condos, townhomes and single-family ownership) with a trend of almost doubling the median sale price from 2020 to 2023. If we just look at single family homes, the median home price is over \$1M.





Construction and Development Cost Summary

The Construction/Development Chapter highlights specific development costs impacting housing affordability.

Construction costs have significantly increased the cost of housing over the past few years along with other development factors including but not limited to the *availability of developable land, insurance costs and mortgage rate increases*. The following development costs were analyzed:

Land Costs:

- Over 70% of the land is in a planned unit development(PUD), minimizing the availability of land for developments, not to mention affordable land. For example, a recent search on Land Watch for vacant lots for sale on the Island showed one .11 acre lot Mid-Island for \$359,000.
- Developers indicated land cost can be as much \$25,000/door for an apartment development on Hilton Head Island where available, developable land is scarce.



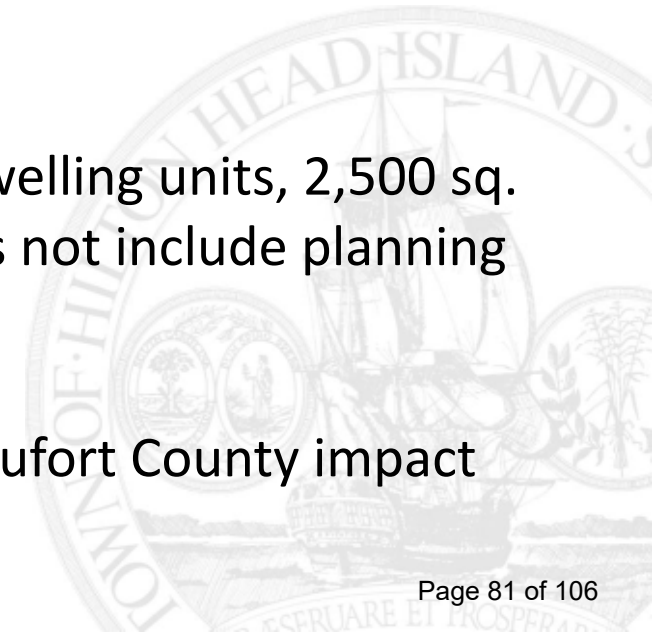
Construction and Development Cost Summary

Construction Costs:

- The average price per square foot was \$541. Rate.com research indicated a \$261/sq. ft. increase from \$279/sq. ft. to \$540/sq. ft. from August 2021 to August 2023.
- This means for a 1,000 square foot house, construction pricing grew from \$279,000 to \$540,000, not accounting for land, fees, insurance, and taxes.

Development Fees:

- On Hilton Head, assuming a \$20M development with approximately 50 dwelling units, 2,500 sq. ft./unit on 2 acres, the Town's fees could be as much as \$360,927 and does not include planning fees estimated at \$7,218.55 per unit in development fees.
- Other fees such as permit fees for the Town of Hilton Head Island and Beaufort County impact fees (water and sewer etc.) can cost over \$3,000/unit.





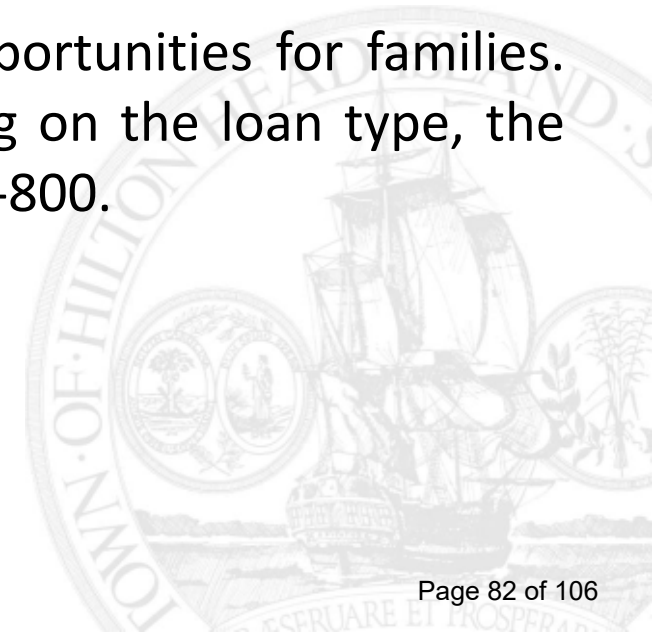
Construction and Development Cost Summary

Insurance Costs:

- A June 2023 article in the Island Packet indicated some insurance costs have increased by 500% from 2022. Several insurance policies for Island properties have doubled or tripled in the past two years.

Mortgage Rates:

- Increased mortgage rates continue to limit affordable home buying opportunities for families. Since August 2023, interest rates have risen to as high as 8% depending on the loan type, the amount of down payment provided and varying credit score between 580-800.

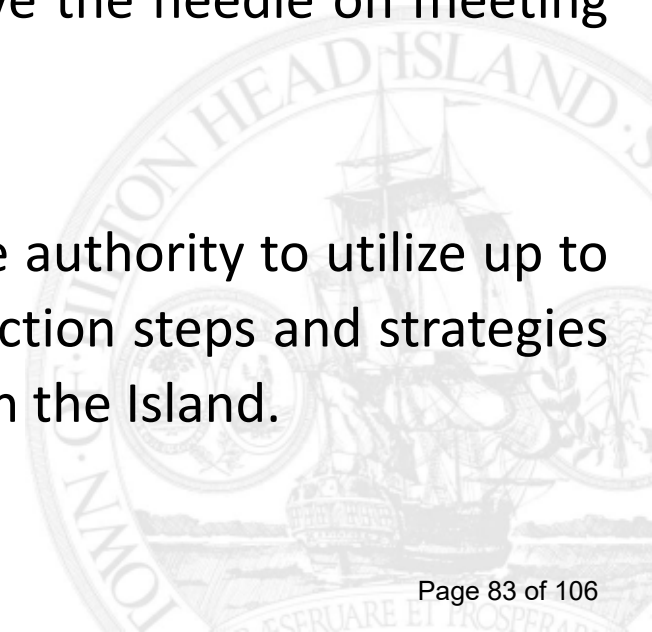




Solving the Housing Crisis Summary

The Solving the Housing Crisis Chapter highlights past, current and future strategies the Town has implemented or will consider to address the growing demand for affordable workforce housing.

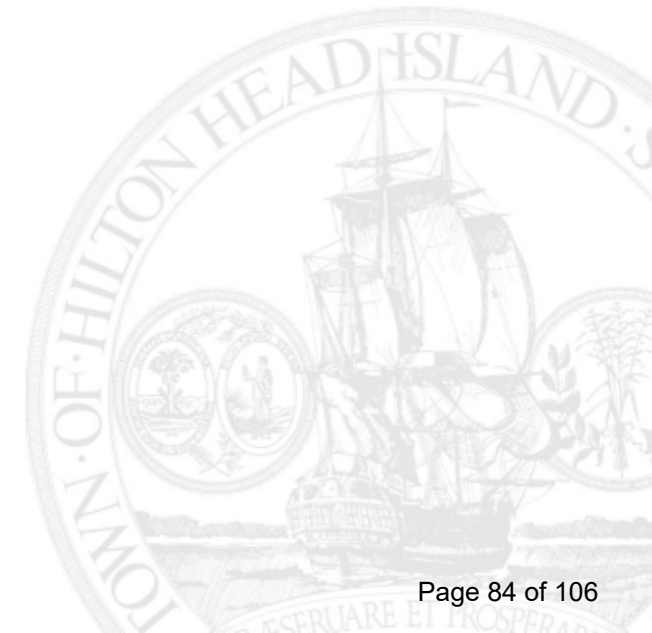
- The adoption of *the Finding Home*, Workforce Housing Framework in 2022 was a key step in addressing not only the need to preserve and produce more workforce housing but also outlined priority strategies and action items for the town and council to help move the needle on meeting the community's housing needs.
- With the Adoption of the Housing Impact Analysis, the Town will have the authority to utilize up to 15% of its state and local Accommodation Tax (ATAX) to support critical action steps and strategies that will increase the production and preservation of workforce housing on the Island.





Public Review Timeline

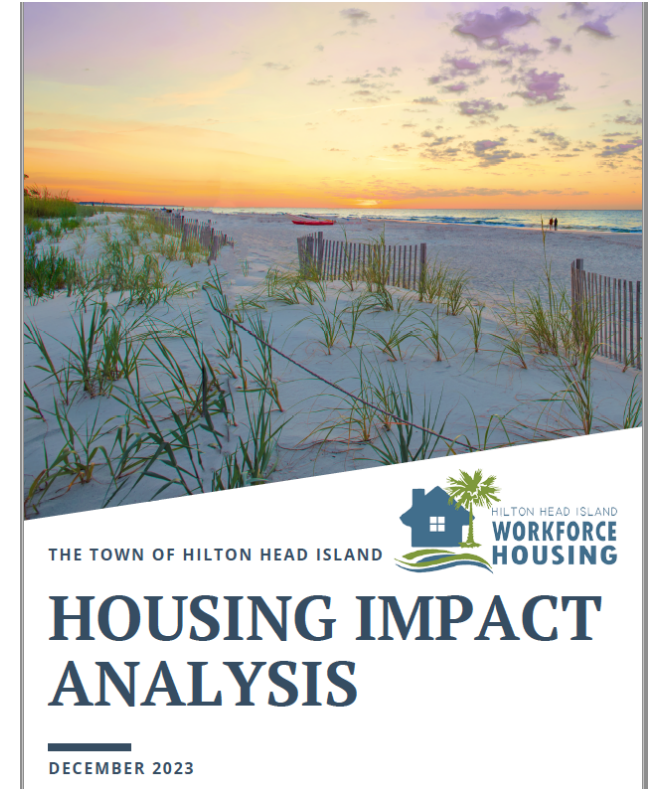
- December 17, 2023: Legal ad posting
- January 17, 2024: Planning Commission Public Hearing
- February 8, 2024: Public Planning Committee
- February 20, 2024: Town Council Brief
- March 5, 2024: Town Council 1st Reading
- March 19, 2024: Town Council 2nd Reading



Recommendation

Consideration of an Ordinance to Amend the Town of Hilton Head Island Comprehensive Plan to Incorporate a Housing Impact Analysis and make a recommendation to Town Council.

Questions?





TOWN OF HILTON HEAD ISLAND

Public Planning Committee

TO: Public Planning Committee
FROM: Shea Farrar, Principal Planner
VIA: Shawn Colin, Assistant Town Manager – Community Development
VIA: Missy Luick, Director of Planning
VIA: Aaron Rucker, Community Planning Manager
CC: Marc Orlando, Town Manager
DATE: February 8, 2024
SUBJECT: Consideration of an Ordinance to amend Title 10, Chapter 2 of the Municipal Code of the Town of Hilton Head Island to amend parking and/or occupancy regulations for short-term rentals and short-term rental properties

RECOMMENDATION:

Consideration of an Ordinance to amend Title 10, Chapter 2 of the Municipal Code of the Town of Hilton Head Island to amend parking and/or occupancy regulations for short-term rentals and short-term rental properties and make a recommendation to Town Council.

BACKGROUND:

On May 17, 2022, Town Council adopted a Short-Term Rental Ordinance. The Short-Term Rental Ordinance was adopted to address the impacts of Short-Term Rentals on neighborhoods by establishing expectations for their management and operation, specifically regarding safety, trash, noise, and parking. Implementation of the Ordinance began by establishing an operational program for administration of the Ordinance. This included securing necessary software and equipment; recruiting, hiring, and training new employees; creating and testing application and complaint portals; and creating and executing an education and communications plan. The effective date of the Short-Term Rental Ordinance began January 1, 2023, and is handled by the Town's Revenue Services Division and Public Safety Division who work proactively to educate owners, agents, and renters of the requirements and compliance. In 2023, there were 7,175 Short-Term rental permits issued on Hilton Head Island.

SUMMARY:

On May 17, 2022, Town Council adopted a Short-Term Rental Ordinance that created a Short-term rental permit and regulations for the management and operation of Short-Term Rentals, specifically regarding safety, trash, noise, and parking.

Currently, related to parking specifically, Short-Term Rental owners must notify guests in writing the maximum number of vehicles permitted at the rental property prior to making any rental agreement. Parking space size must be at least 9 feet by 18 feet and located on an improved surface. The owner must designate the number of vehicles allowed to be parked on the premises and designate the on-site areas available for parking. Currently, the Short-Term Rental Ordinance does not address a specific number of required parking spaces that are necessary to operate a short-term rental. There is no direct relationship required between the size of the short-term rental property and how many parking spaces must be available. There is also no regulation of the size of a short-term rental property and the allowable occupancy of the short-term rental property in the Short-Term Rental Ordinance.

Due to continued community concern with parking and short-term rentals, on January 11, 2024, the Public Planning Committee voted 4-0 to amend the Short-Term Rental Ordinance to revise parking standards per draft language that was presented at the meeting, to be brought back to the Committee for consideration in February.

At the January 11, 2024 Public Planning Committee meeting, the proposed draft language was presented to amend the Short-Term Rental Ordinance to specify the number of parking spaces required for homes with greater than 3 bedrooms and/or size of 2,500 square feet or greater. The proposed changes would also require that 75% of parking areas for more than four vehicles have an impervious surface and to limit the amount of the front, side and rear yards of a lot that can be used for parking to a maximum of 10%. Attachment A contains an Ordinance with these proposed changes.

The effective date of this ordinance is identified as May 1, 2024, due to the need to align the administration of the program and permit changes. A mid-year implementation will have administration and enforcement challenges.

Analysis

Although the Town's regulation of Short-Term Rentals occurs through a permit requirement administered from the Town's Municipal Code, changes to parking requirements for these permits will impact other regulations associated with the development of properties and parking that are regulated through the Town's Land Management Ordinance. The relationship between these regulations should be considered with any proposed changes. The following analysis outlines an assessment of the proposed changes relative to the Land Management Ordinance and other considerations.

Parking space requirement based on number of bedrooms and square footage:

- Parking is not regulated for 1-3 bedrooms and/or less than 2,500 sf homes.
- Does not allow flexibility in number of parking spaces, for example "no less than or not to exceed."
- Parking requirement does not relate to occupancy potential.
- Parking requirements apply to all unit types.

Parking space surface impervious requirement:

- Requiring 75% of the space for parking areas with more than 4 parking spaces as impervious conflicts with the overlay requirements that all site paving be pervious.
- This requires additional staff review for Short-Term Rental permits beyond what is currently required. Calculations would be needed on all permits with a minimum 4 parking spaces, i.e. minimum widths of driveways and site coverage.
- Increase overall amount of impervious coverage increases stormwater quantity and reduces quality.

Maximum site coverage of 10% with parking:

- This requires additional staff review and enforcement for Short-Term Rental permits beyond what is currently necessary. Calculations would be needed on all permits with 4 parking spaces. The limitation of 10% of total front, side, and rear yards available for parking may limit parking in driveways on smaller lots.
- May add additional cost to permit applications for survey work to prepare site plan.

General Comments:

- A mid-year effective date would impact the application requirements, require software changes, and require changes to the review and approval processes. It may be difficult to enforce with some 2024 Short-Term Rental permits under one set of rules and another batch of 2024 Short-Term Rental permits issued under different rules after May 1, 2024.
- Applies to all Short-Term Rental permits, including areas in the Planned Development communities.
- Does not address conditions if the parking requirement cannot be met, i.e. listing limitations based on actual number of spaces, or is the Short-Term Rental permit denied if the parking cannot be met.
- May add additional cost to permit applications for survey work.
- Does not specifically address garage spaces.
- Increases overall amount of impervious coverage.
- Areas outside of overlay districts do not have limitations on single family impervious.

The Town's consultant for the Land Management Ordinance Project has also reviewed the proposed changes and has provided 3 options to approach regulating Short-Term Rentals based on occupancy, ranging from the most simple to more nuanced. The 3 options key considerations are outlined below:

- Option 1 (Low): This establishes a maximum occupancy based on the number of parking spaces provided on-site that meet the requirements outlined in the LMO for parking spaces. It doesn't take into account a maximum based on unit size and is the most straightforward option. For example, if a unit provides 4 parking spaces, the occupancy is capped at 16 people (4 spaces x 4 people per space).

- Option 2 (Medium): This establishes a maximum occupancy based on either the unit size or number of parking spaces, whichever is less. For example, a 3,000 square foot unit would have a maximum occupancy of 15 people based on unit size (1 person per 200 sf), and it would require the unit to provide 4 parking spaces (1 space per 4 people). If the unit only can provide 3 spaces, the max. occupancy is capped at 12 people (3 spaces x 4 people per space). While occupancy is hard to enforce, the number of cars is fairly easily counted and could allow for violations to be cited by counting cars parked on the property or on the street.
- Option 3 (High): Similar to medium, it limits occupancy to either the unit size or parking, except maximum occupancy for unit size also takes into account the number of bathrooms. This allows for more nuanced regulation of larger units.

In January, Staff met with several Short-Term Rental property managers to review the draft Short-Term Rental Ordinance amendment which resulted in a recommendation to regulate parking based on the number of bedrooms and the square footage combined to make a more accurate level of regulation for properties. They also recommended both a minimum number of parking spots and a maximum number of parking spots as to address the concern of both occupancy and compliance within the Planned Development communities.

It is staff's recommendation that Option 2 proposed by the code writer be considered as a solution to calibrate parking and occupancy for short-term rentals and that it be applied to single-family dwelling units only and not multifamily dwellings (condos or villas).

There are two Exhibit A amendments for consideration:

- Exhibit A (January 11, 2024 Public Planning Committee Version) contains an Ordinance with the proposed modifications per the January 11, 2024 Public Planning Committee action.
- Exhibit A (February 8, 2024 Staff Recommendation Version) contains an Ordinance with the proposed modifications per Staff's recommendation above.

In the proposed Ordinance and associated Exhibit A, the text to be deleted is indicated with a strikethrough and the text to be added is indicated with a double underline.

ATTACHMENTS:

- A. Proposed Ordinance
- B. Exhibit A (January 11, 2024 Public Planning Committee Version)
- C. Exhibit A (February 8, 2024 Staff Recommendation Version)
- D. Short-Term Rental Artificial Intelligence Research

ORDINANCE NO. 2024-

AN ORDINANCE TO AMEND TITLE 10 CHAPTER 2, ENTITLED “SHORT-TERM RENTALS,” OF THE MUNICIPAL CODE OF THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA BY AMENDING SECTION 10-2-50, ENTITLED SHORT-TERM RENTALS, AS DESCRIBED IN EXHIBIT “A” TO THIS ORDINANCE; AND PROVIDING FOR SEVERABILITY AND AN EFFECTIVE DATE.

WHEREAS, on December 7, 2021, Town Council adopted the Town of Hilton Head Strategic Action Plan FY2021-2022 which includes an initiative to “Adopt & Implement Short-Term Rental Regulations”; and

WHEREAS, on May 17, 2022, Town Council added Chapter Two (2) Title 10 of the Municipal Code of the Town of Hilton Head Island to add short-term rental regulations with an effective date of January 1, 2023; and

WHEREAS, in 2023, the Town of Hilton Head Island issued, 7,175 Short-Term Rental Permits; and

WHEREAS, under S. C. Code Ann. § 5-7-30 (Supp. 2023), the Town Council is authorized to adopted ordinances on any subject which appears to it necessary and proper for the security, general welfare, and convenience of the municipality or for preserving health, peace, order, and good government in it; and,

WHEREAS, Town Council now desires to modify the short-term rental regulations; and

WHEREAS, on February 8, 2024, the Public Planning Committee voted (X - X) to recommend changes to Town Council for short-term rental regulations; and

WHEREAS, the Town Council finds that the regulations set out in this Ordinance are in the best interest of and promote the health, safety and general welfare

Attachment A

of the citizens, residents and visitors of and to the Town.

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

Section 1 – Adoption. Section 10-2-50 of the *Municipal Code of the Town of Hilton Head Island, South Carolina* (1983), be and the same hereby amended as shown on Exhibit "A" to this Ordinance. Newly added language is indicated with a strikethrough and the text to be added is indicated with a double underline.

Section 2 - Severability.

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

Section 3. Effective Date.

This Ordinance shall be effective on **May 1, 2024**, following adoption by the Town Council of the Town of Hilton Head Island, South Carolina.

Passed, approved, and adopted, by the Town Council of the Town of Hilton Head Island, South Carolina, on this _____ day of _____, 2024.

Alan R. Perry, Mayor

ATTEST:

Kimberly Gammon, Town Clerk

First Reading: _____

Second Reading: _____

Approved as to form: _____

Attachment A

Curtis L. Coltrane, Town Attorney

Introduced by Council Member: _____

Chapter 2 SHORT-TERM RENTALS

Sec. 10-2-10. Purpose and intent.

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

(Ord. No. 2022-08, § 1, 5-17-22)

Sec. 10-2-20. Definitions.

In this chapter, the following terms are defined terms and when capitalized in the text of this chapter, mean:

- (1) *Owner* means any individual, firm, partnership, limited liability partnership, limited liability company, cooperative non-profit membership, corporation, joint venture, association, estate, trust, business trust, receiver, syndicate, holding company, or other group or combination acting as a unit, in the singular or plural, who or which owns one or more short-term rental properties.
- (2) *Short-term lessee* means any person occupying all or any part of a short-term rental property or any other property under any lease or other form of agreement for a period of less than thirty (30) days.
- (3) *Short-term rental* means the leasing of any short-term rental property or permitting the occupancy of any short-term rental property or any other property by a lease or any other form of agreement.
- (4) *Short-term rental agent* means a person authorized by an owner to act on the owner's behalf in connection with any short-term rental property or short-term rental.
- (5) *Short-term rental permit* means an annual permit that an owner must obtain from the Town of Hilton Head Island, South Carolina for each of an owner's short-term rental properties, described in section 10-2-20 below. It is a violation of this chapter to offer any short-term rental property or any other residential property in the municipal limits of the Town of Hilton Head Island, South Carolina, for short-term rental without first obtaining a short-term rental permit from the Town of Hilton Head Island, South Carolina for any such property.
- (6) *Short-term rental property* means any residential property in the municipal limits of the Town of Hilton Head Island, South Carolina, that, in whole or in part, is offered for lease or occupancy under a lease or any other form of agreement, for periods of less than thirty (30) days.

The defined terms include the plural of any term set out in this section 10-2-20.

(Ord. No. 2022-08, § 2, 5-17-22)

Sec. 10-2-30. Short-term rental permit.

- (a) Any owner who offers any short-term rental property for short-term rental must first obtain a short-term rental permit from the Town of Hilton Head Island, South Carolina.
- (1) Short-term rental permits shall be valid from January 1 to December 31 of any calendar year and shall only be valid for the calendar year during which the short-term rental permit is issued, irrespective of the date on which the short-term rental permit is issued.
 - (2) A short-term rental permit must be obtained for each short-term rental property that is offered for short-term rental.
 - (3) Short-term rental permits are non-transferrable and are only valid for the short-term rental property described in the short-term rental permit.
 - (4) It is the duty of the owner to notify the Town of Hilton Head Island, South Carolina, of any changes to the contact information of the owner and any short-term rental agent employed or engaged by the owner for each short-term rental permit issued to the owner.
 - (5) The application fee for a short-term rental permit shall be set each year by the town council in the annual budget ordinance.
 - (6) The application for a short-term rental permit shall be made on a form published by the Town of Hilton Head Island, South Carolina, and must be delivered with the application fee.
 - a. Any application for a short-term rental permit for a single-family detached residence must include a site plan showing compliance with the requirements of section 10-2-50(c) and 10-2-50(d).
 - (7) Review of an application for a short-term rental permit shall be conducted by the Town of Hilton Head Island, South Carolina, and the short-term rental permit shall be granted unless the owner fails to meet the conditions and requirements of this chapter, or otherwise fails to demonstrate:
 - a. Compliance with this chapter; or
 - b. There are no outstanding citations for any activities occurring at or connected with the short-term rental property; or
 - c. Any other town ordinance or any relevant state or federal law regarding activities at the short-term rental property.
- Any false statements or inaccurate or untrue information in the application are grounds for revocation or suspension of the short-term rental permit and/or imposition of penalties, including denial of future applications.
- (b) Every person or business entity which:
- (1) Acts as a short-term rental agent, and
 - (2) Submits an application for short-term rental permit on behalf of any owner, must submit a complete application that includes all the information required in the form of the application and which has been signed by the owner.

(Ord. No. 2022-08, § 3, 5-17-22)

Sec. 10-2-40. Licenses, permits, payment of fees and taxes fees required.

No owner may offer any short-term rental property for short-term rental without initially and on a continuing basis:

- (1) Obtaining a valid and current short-term rental permit from the Town of Hilton Head Island, South Carolina; and
- (2) Obtaining a valid and current business license for short-term rental of property from the Town of Hilton Head Island, South Carolina; and
- (3) Paying all applicable fees and taxes associated with any application for a short-term rental permit or business license, and all sales or other similar taxes in connection with any short-term rental, paying all *ad valorem* taxes for any short-term rental property.

(Ord. No. 2022-08, § 4, 5-17-22)

Sec. 10-2-50. Regulations for short-term rentals and short-term rental properties.

- (a) *General regulations.* During any lease of any short-term rental property, the owner, or the short-term rental agent:
 - (1) Shall be available during any short-term rental period to respond to a complaint or other matter related to the operation or behavior of any short-term lessee of the short-term rental property; and
 - (2) Shall be available by telephone at all times during the short-term rental period and capable of being physically present at the short-term rental property, or taking other responsive action, within one (1) hour of notification of a complaint or other matter related to the short-term rental property; and
 - (3) Shall prominently display in the short-term rental unit contact information for the owner or short-term rental agent responsible for responding to complaints; and
 - (4) Shall maintain fully operable and building and fire code compliant smoke and carbon monoxide detectors in the short-term rental property as required by law; and
 - (5) Shall maintain at least one (1), or such other number as is required by any applicable building, fire or other applicable code, fully operable and charged fire extinguisher; and
 - (6) Shall maintain unobstructed escape routes from the short-term rental property in the event of fire; and
 - (7) Shall notify all prospective short-term lessees in writing of the existence of any swimming pool or hot tub at the short-term rental property and any safety equipment related to the swimming pool or hot tub prior to making any agreement for any short-term rental.
- (b) *Noise regulations.* During any lease of any short-term rental property, the owner, or the short-term rental agent:
 - (1) Shall display the following information in a prominent location in the short-term rental property:
 - a. In the Town of Hilton Head Island, South Carolina, it is unlawful to unreasonably disturb the peace and quiet of those in their homes and public places (Title 17, Chapter 4, Town Code); and
 - b. Quiet hours are between 10:00 p.m. and 7:00 a.m., though town noise regulations are in force twenty-four (24) hours each day (Title 17, Chapter 4, Town Code).
 - (2) Shall notify all prospective short-term lessees in writing of the provisions of subsection (b)(1)(a)(b) above to the short-term lessee prior to making any agreement for any short-term rental.

-
- (c) *Trash regulations.* During any lease of any short-term rental property, the owner, or the short-term rental agent:
- (1) Shall maintain a designated trash storage area for use of short-term lessees at the short-term rental property.
 - a. The designated trash storage area shall be fenced or screened so that trash containers are not seen from public streets and neighboring property, except during designated pick-up times; and
 - b. The owner shall prominently display instructions for managing trash disposal, including designated pick-up times and, if applicable, relevant property owner association requirements in the short-term rental property.
 - c. The owner shall ensure any outdoor trash containers remain secured to avoid spills and pests.
 - d. The owner shall ensure that trash containers are not placed curbside more than twenty-four (24) hours prior to scheduled pick-up times and will be removed no more than twenty-four (24) hours after pick-up.
- (d) *Parking regulations.* During any lease of any short-term rental property and prior to the issuance of any short-term rental permit:
- (1) The owner must designate the number of vehicles allowed to be parked on the premises during any short-term rental and designate the on-site areas available for parking of vehicles. The number of parking spaces must comply with the chart set out below:
 - (i) 4, 5, 6, 7 & 8 Bedrooms—
 - 2500-3499 sq. ft.: 3
 - 3500-3999 sq. ft.: 4
 - 4000-4499 sq. ft.: 5
 - 4500-5499 sq. ft.: 6
 - 5500-5999 sq. ft.: 7
 - 6000 & above sq. ft.: 8
 - (ii) At least 75% of the ~~The~~ areas for parking of more than (4) vehicles must be improved with ~~either a pervious or an~~ impervious surface; provided, however, no more than ten percent (10%) of the total of the front, side & rear yards of the premises may used for parking spaces.
 - (iii) Parking areas must include a space at least nine (9) feet by eighteen (18) feet for each vehicle allowed to be parked on the premises, ~~and improved with an impermeable or semi-impermeable surface.~~
 - (iv) Areas for parking must comply with all other applicable requirements of section 16-1-101, et seq., Municipal Code of the Town of Hilton Head Island, South Carolina (1983) which are not in conflict with these requirements.
 - (2) The owner must notify all prospective short-term lessees in writing of the maximum number of vehicles permitted at the short-term rental property prior to making any agreement for any short-term rental.
 - (3) The owner must ensure that no vehicles associated with the short-term lessee will park off-site, including in adjacent rights-of-way, during the short-term rental lease.

-
- (e) *Miscellaneous regulations.* During any short-term rental lease of any short-term rental property:
- (1) The owner shall prominently display in any short-term rental property any town-provided outreach and awareness materials related to applicable town requirements.
 - (2) Short-term rental properties must be properly maintained and regularly inspected by the owner or short-term rental agent to ensure continued compliance with this chapter and all other applicable zoning, building, health and life-safety code requirements.
- (f) In addition to the requirements of this chapter, any short-term rental property must also comply with all other statutes, ordinances, regulations or private covenants applicable to the short-term rental property. Nothing in this chapter is intended to authorize waiver of or limitations on compliance with any such requirements.

(Ord. No. 2022-08, § 5, 5-17-22)

Sec. 10-2-60. Violations.

- (a) *Violations.* It shall be a violation of this chapter to:
- (1) Lease any short-term rental property for a short-term rental without complying with the requirements of this chapter.
 - (2) Advertise any residential property for a short-term rental without first complying with the requirements of this chapter.
 - (3) Fail to comply with any requirement of this chapter.
- (b) Violations of this chapter are subject to the penalties and remedies available under section 1-5-10, General penalty; continuing violation, section 10-1-150, Business and professional licenses; suspension or revocation of license, section 9-1-111, Public nuisance; prohibition, *et seq.* These remedies are in addition to any other remedies available at law or in equity for a violation.

(Ord. No. 2022-08, § 6, 5-17-22)

Sec. 10-2-70. Suspension or revocation of short-term rental permit.

- (a) When the town determines:
- (1) A short-term rental permit has been mistakenly or improperly issued or issued contrary to law; or,
 - (2) An owner has breached any condition upon which the short-term rental permit was issued; or,
 - (3) An owner has obtained a short-term rental permit through any fraud, misrepresentation, a false or misleading statement, or evasion or suppression of a material fact in the short-term rental permit application; or,
 - (4) An owner is delinquent in the payment to the municipality of any tax or fee; or,
 - (5) The operation of a short-term rental property has been declared a nuisance; or,
 - (6) More than two (2) convictions for violations of the Municipal Code of the Town of Hilton Head Island, South Carolina, arising from any activities at, or connected with, a short-term rental property occur within any twelve-month period.

Then the town may give written notice to the owner that the short-term rental permit is suspended and may be revoked, pending a single hearing before town council for the purpose of determining whether the suspension should be upheld and whether the short-term rental permit should be revoked.

- (b) The written notice of suspension and proposed revocation shall state the time and place at which the hearing before town council is to be held and shall contain a brief statement of the reasons for the suspension and proposed revocation and a copy of the applicable provisions of this chapter. The written notice shall be delivered by personal service to the owner or short-term rental agent, or by certified mail, return receipt requested, addressed to the owner or short-term rental agent at the address for the owner or short-term rental agent shown on the application for the short-term rental permit. The written notice will be deemed to have been delivered on the date of personal service of the written notice as documented on an affidavit of service, or on the date that the certified mail return receipt is signed for by, or on behalf of, the owner or short-term rental agent.
- (c) The hearing before town council on the suspension and proposed revocation of any short-term rental permit shall be held by town council within thirty (30) days after delivery of the written notice described in this section 10-2-60. The hearing shall be held upon written notice at a regular or special meeting of town council. The hearing may be continued to another date by agreement of all parties. At the hearing, all parties shall have the right to be represented by counsel, to present testimony and evidence, and to cross-examine witnesses. The proceedings shall be recorded and transcribed at the expense of the party so requesting. The rules of evidence and procedure prescribed by town council shall govern the hearing. Following the hearing, town council by majority vote of its members present, shall render a written decision setting out its findings of fact and conclusions. The written decision shall constitute the final decision of town council. The written decision shall be delivered to the owner unless a different person and method of delivery is requested by the owner at the hearing.
- (d) The written decision of town council may be appealed in the same manner as appeals are made from the decisions of other administrative bodies of the Town of Hilton Head Island, South Carolina. An appeal, in and of itself, does not stay the effect of town council's decision.

(Ord. No. 2022-08, § 7, 5-17-22)

Chapter 2 SHORT-TERM RENTALS

Sec. 10-2-10. Purpose and intent.

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

(Ord. No. 2022-08, § 1, 5-17-22)

Sec. 10-2-20. Definitions.

In this chapter, the following terms are defined terms and when capitalized in the text of this chapter, mean:

- (1) *Owner* means any individual, firm, partnership, limited liability partnership, limited liability company, cooperative non-profit membership, corporation, joint venture, association, estate, trust, business trust, receiver, syndicate, holding company, or other group or combination acting as a unit, in the singular or plural, who or which owns one or more short-term rental properties.
- (2) *Short-term lessee* means any person occupying all or any part of a short-term rental property or any other property under any lease or other form of agreement for a period of less than thirty (30) days.
- (3) *Short-term rental* means the leasing of any short-term rental property or permitting the occupancy of any short-term rental property or any other property by a lease or any other form of agreement.
- (4) *Short-term rental agent* means a person authorized by an owner to act on the owner's behalf in connection with any short-term rental property or short-term rental.
- (5) *Short-term rental permit* means an annual permit that an owner must obtain from the Town of Hilton Head Island, South Carolina for each of an owner's short-term rental properties, described in section 10-2-20 below. It is a violation of this chapter to offer any short-term rental property or any other residential property in the municipal limits of the Town of Hilton Head Island, South Carolina, for short-term rental without first obtaining a short-term rental permit from the Town of Hilton Head Island, South Carolina for any such property.
- (6) *Short-term rental property* means any residential property in the municipal limits of the Town of Hilton Head Island, South Carolina, that, in whole or in part, is offered for lease or occupancy under a lease or any other form of agreement, for periods of less than thirty (30) days.

The defined terms include the plural of any term set out in this section 10-2-20.

(Ord. No. 2022-08, § 2, 5-17-22)

Sec. 10-2-30. Short-term rental permit.

- (a) Any owner who offers any short-term rental property for short-term rental must first obtain a short-term rental permit from the Town of Hilton Head Island, South Carolina.
- (1) Short-term rental permits shall be valid from January 1 to December 31 of any calendar year and shall only be valid for the calendar year during which the short-term rental permit is issued, irrespective of the date on which the short-term rental permit is issued.
 - (2) A short-term rental permit must be obtained for each short-term rental property that is offered for short-term rental.
 - (3) Short-term rental permits are non-transferrable and are only valid for the short-term rental property described in the short-term rental permit.
 - (4) It is the duty of the owner to notify the Town of Hilton Head Island, South Carolina, of any changes to the contact information of the owner and any short-term rental agent employed or engaged by the owner for each short-term rental permit issued to the owner.
 - (5) The application fee for a short-term rental permit shall be set each year by the town council in the annual budget ordinance.
 - (6) The application for a short-term rental permit shall be made on a form published by the Town of Hilton Head Island, South Carolina, and must be delivered with the application fee.
 - a. Any application for a short-term rental permit for a single-family detached residence must include a site plan showing compliance with the requirements of section 10-2-50(c) and 10-2-50(d).
 - (7) Review of an application for a short-term rental permit shall be conducted by the Town of Hilton Head Island, South Carolina, and the short-term rental permit shall be granted unless the owner fails to meet the conditions and requirements of this chapter, or otherwise fails to demonstrate:
 - a. Compliance with this chapter; or
 - b. There are no outstanding citations for any activities occurring at or connected with the short-term rental property; or
 - c. Any other town ordinance or any relevant state or federal law regarding activities at the short-term rental property.
- Any false statements or inaccurate or untrue information in the application are grounds for revocation or suspension of the short-term rental permit and/or imposition of penalties, including denial of future applications.
- (b) Every person or business entity which:
- (1) Acts as a short-term rental agent, and
 - (2) Submits an application for short-term rental permit on behalf of any owner, must submit a complete application that includes all the information required in the form of the application and which has been signed by the owner.

(Ord. No. 2022-08, § 3, 5-17-22)

Sec. 10-2-40. Licenses, permits, payment of fees and taxes fees required.

No owner may offer any short-term rental property for short-term rental without initially and on a continuing basis:

- (1) Obtaining a valid and current short-term rental permit from the Town of Hilton Head Island, South Carolina; and
- (2) Obtaining a valid and current business license for short-term rental of property from the Town of Hilton Head Island, South Carolina; and
- (3) Paying all applicable fees and taxes associated with any application for a short-term rental permit or business license, and all sales or other similar taxes in connection with any short-term rental, paying all *ad valorem* taxes for any short-term rental property.

(Ord. No. 2022-08, § 4, 5-17-22)

Sec. 10-2-50. Regulations for short-term rentals and short-term rental properties.

- (a) *General regulations.* During any lease of any short-term rental property, the owner, or the short-term rental agent:
 - (1) Shall be available during any short-term rental period to respond to a complaint or other matter related to the operation or behavior of any short-term lessee of the short-term rental property; and
 - (2) Shall be available by telephone at all times during the short-term rental period and capable of being physically present at the short-term rental property, or taking other responsive action, within one (1) hour of notification of a complaint or other matter related to the short-term rental property; and
 - (3) Shall prominently display in the short-term rental unit contact information for the owner or short-term rental agent responsible for responding to complaints; and
 - (4) Shall maintain fully operable and building and fire code compliant smoke and carbon monoxide detectors in the short-term rental property as required by law; and
 - (5) Shall maintain at least one (1), or such other number as is required by any applicable building, fire or other applicable code, fully operable and charged fire extinguisher; and
 - (6) Shall maintain unobstructed escape routes from the short-term rental property in the event of fire; and
 - (7) Shall notify all prospective short-term lessees in writing of the existence of any swimming pool or hot tub at the short-term rental property and any safety equipment related to the swimming pool or hot tub prior to making any agreement for any short-term rental.
- (b) *Noise regulations.* During any lease of any short-term rental property, the owner, or the short-term rental agent:
 - (1) Shall display the following information in a prominent location in the short-term rental property:
 - a. In the Town of Hilton Head Island, South Carolina, it is unlawful to unreasonably disturb the peace and quiet of those in their homes and public places (Title 17, Chapter 4, Town Code); and
 - b. Quiet hours are between 10:00 p.m. and 7:00 a.m., though town noise regulations are in force twenty-four (24) hours each day (Title 17, Chapter 4, Town Code).
 - (2) Shall notify all prospective short-term lessees in writing of the provisions of subsection (b)(1)(a)(b) above to the short-term lessee prior to making any agreement for any short-term rental.

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- (c) *Trash regulations.* During any lease of any short-term rental property, the owner, or the short-term rental agent:
- (1) Shall maintain a designated trash storage area for use of short-term lessees at the short-term rental property.
 - a. The designated trash storage area shall be fenced or screened so that trash containers are not seen from public streets and neighboring property, except during designated pick-up times; and
 - b. The owner shall prominently display instructions for managing trash disposal, including designated pick-up times and, if applicable, relevant property owner association requirements in the short-term rental property.
 - c. The owner shall ensure any outdoor trash containers remain secured to avoid spills and pests.
 - d. The owner shall ensure that trash containers are not placed curbside more than twenty-four (24) hours prior to scheduled pick-up times and will be removed no more than twenty-four (24) hours after pick-up.

(d) *Maximum occupancy.* During the lease of any short-term rental property:

- (1) The number of occupants in the unit at any time cannot exceed the maximum occupancy.
- (2) The maximum occupancy of the unit is determined by either the unit size or the number of parking spaces provided that meet the requirements of (e) *parking regulations*, whichever is less.
 - a. Maximum occupancy based on unit size is calculated as:
 - (i) For units 3,000 square feet or less: 1 occupant per 200 square feet of floor area.
 - (ii) For units above 3,000 square feet: 1 occupant per 250 square feet of floor area.
 - b. Maximum occupancy based on the number of parking spaces provided is calculated as 4 occupants per parking space.
- (3) The maximum occupancy of the property must be included in any property listing or advertisement and prominently displayed in the short-term rental unit.
- (4) The owner must notify all prospective short-term lessees in writing of the maximum number of occupants permitted at the property prior to making any agreement for any short-term rental.

(d e) *Parking regulations.* During any lease of ~~any~~ a single-family dwelling short-term rental property:

- (1) The owner must provide the minimum number of required parking spaces on the premises during any short-term rental, based on the maximum occupancy of the property. The minimum parking requirement is determined by the following:
 - a. 1 parking space per 4 occupants; and
 - b. Where the minimum parking requirement results in a fraction, the requirement will be determined by rounding up to the nearest whole number.
- (2) For a parking space to count toward the minimum required number of spaces, it must meet all the following standards:
 - a. The owner must designate the number of vehicles allowed to be parked on the premises during any short-term rental and designate the on-site areas available for parking of vehicles.
 - b. The areas for parking of vehicles must be improved with either a pervious or impervious surface.

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- c. Parking areas must include a space at least nine (9) feet by eighteen (18) feet for each vehicle allowed to be parked on the premises and improved with an impermeable or semi-impermeable surface.
 - d. Areas for parking must comply with all applicable requirements of section 16-1-101, et seq., Municipal Code of the Town of Hilton Head Island, South Carolina (1983).
 - (2) The owner must notify all prospective short-term lessees in writing of the maximum number of vehicles permitted at the short-term rental property prior to making any agreement for any short-term rental.
 - (3) The owner must ensure that no vehicles associated with the short-term lessee will park off-site, including in adjacent rights-of-way, during the short-term rental lease.
 - (e f) *Miscellaneous regulations.* During any short-term rental lease of any short-term rental property:

 - (1) The owner shall prominently display in any short-term rental property any town-provided outreach and awareness materials related to applicable town requirements.
 - (2) Short-term rental properties must be properly maintained and regularly inspected by the owner or short-term rental agent to ensure continued compliance with this chapter and all other applicable zoning, building, health and life-safety code requirements.
 - (f g) In addition to the requirements of this chapter, any short-term rental property must also comply with all other statutes, ordinances, regulations or private covenants applicable to the short-term rental property. Nothing in this chapter is intended to authorize waiver of or limitations on compliance with any such requirements.
- (Ord. No. 2022-08, § 5, 5-17-22)

Sec. 10-2-60. Violations.

- (a) *Violations.* It shall be a violation of this chapter to:

 - (1) Lease any short-term rental property for a short-term rental without complying with the requirements of this chapter.
 - (2) Advertise any residential property for a short-term rental without first complying with the requirements of this chapter.
 - (3) Fail to comply with any requirement of this chapter.
- (b) Violations of this chapter are subject to the penalties and remedies available under section 1-5-10, General penalty; continuing violation, section 10-1-150, Business and professional licenses; suspension or revocation of license, section 9-1-111, Public nuisance; prohibition, *et seq.* These remedies are in addition to any other remedies available at law or in equity for a violation.

(Ord. No. 2022-08, § 6, 5-17-22)

Sec. 10-2-70. Suspension or revocation of short-term rental permit.

- (a) When the town determines:

 - (1) A short-term rental permit has been mistakenly or improperly issued or issued contrary to law; or,
 - (2) An owner has breached any condition upon which the short-term rental permit was issued; or,

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- (3) An owner has obtained a short-term rental permit through any fraud, misrepresentation, a false or misleading statement, or evasion or suppression of a material fact in the short-term rental permit application; or,
 - (4) An owner is delinquent in the payment to the municipality of any tax or fee; or,
 - (5) The operation of a short-term rental property has been declared a nuisance; or,
 - (6) More than two (2) convictions for violations of the Municipal Code of the Town of Hilton Head Island, South Carolina, arising from any activities at, or connected with, a short-term rental property occur within any twelve-month period.

Then the town may give written notice to the owner that the short-term rental permit is suspended and may be revoked, pending a single hearing before town council for the purpose of determining whether the suspension should be upheld and whether the short-term rental permit should be revoked.

- (b) The written notice of suspension and proposed revocation shall state the time and place at which the hearing before town council is to be held and shall contain a brief statement of the reasons for the suspension and proposed revocation and a copy of the applicable provisions of this chapter. The written notice shall be delivered by personal service to the owner or short-term rental agent, or by certified mail, return receipt requested, addressed to the owner or short-term rental agent at the address for the owner or short-term rental agent shown on the application for the short-term rental permit. The written notice will be deemed to have been delivered on the date of personal service of the written notice as documented on an affidavit of service, or on the date that the certified mail return receipt is signed for by, or on behalf of, the owner or short-term rental agent.
- (c) The hearing before town council on the suspension and proposed revocation of any short-term rental permit shall be held by town council within thirty (30) days after delivery of the written notice described in this section 10-2-60. The hearing shall be held upon written notice at a regular or special meeting of town council. The hearing may be continued to another date by agreement of all parties. At the hearing, all parties shall have the right to be represented by counsel, to present testimony and evidence, and to cross-examine witnesses. The proceedings shall be recorded and transcribed at the expense of the party so requesting. The rules of evidence and procedure prescribed by town council shall govern the hearing. Following the hearing, town council by majority vote of its members present, shall render a written decision setting out its findings of fact and conclusions. The written decision shall constitute the final decision of town council. The written decision shall be delivered to the owner unless a different person and method of delivery is requested by the owner at the hearing.
- (d) The written decision of town council may be appealed in the same manner as appeals are made from the decisions of other administrative bodies of the Town of Hilton Head Island, South Carolina. An appeal, in and of itself, does not stay the effect of town council's decision.

(Ord. No. 2022-08, § 7, 5-17-22)

Attachment B – Short-Term Rental Occupancy and Parking Artificial Intelligence

Parking Regulations for Short-Term Rentals

One Parking Space per Bedroom:

- In many jurisdictions, the requirement is often one parking space per bedroom. This is a common standard, but it can vary.

Fractional Requirements:

- Some regulations may have fractional requirements, such as 0.5 parking spaces per bedroom, particularly if there are other considerations like proximity to public transportation.

Total Occupancy Considerations:

- Instead of focusing solely on bedrooms, some regulations may base parking requirements on the total occupancy of the short-term rental property, which includes common areas and living spaces.

Varied Requirements by Zone:

- Parking requirements may differ based on the zoning district. Residential zones might have different standards than commercial or mixed-use zones.

Influence of Property Size:

- The size of the property may also play a role. Larger properties may have higher parking space requirements.

Special Considerations for Accessible Parking:

- Regulations often include provisions for accessible parking spaces, ensuring compliance with accessibility standards for individuals with disabilities.

Per Occupant:

- Some regulations calculate parking requirements based on the number of occupants in the short-term rental. This can include both sleeping accommodations and common areas.

Fractional Requirements:

- Parking requirements may be expressed as a fraction of the total occupancy. For example, 1 parking space for every 2 or 3 occupants.

Parking Spaces per Unit:

- Requirements may specify a certain number of parking spaces per guest unit or per rental property, regardless of the total number of occupants.

Total Bedrooms and Common Spaces:

- Regulations may take into account the total number of bedrooms and common spaces to determine parking needs. This can include living rooms, dining areas, and other shared spaces.

Property Size:

- Some jurisdictions consider the overall size of the property in determining parking requirements. Larger properties may be subject to higher parking standards.

Zoning District:

- Zoning regulations often play a role in parking calculations. Different zoning districts may have different parking requirements.

Accessible Parking:

- Compliance with accessibility standards may include the provision of accessible parking spaces for individuals with disabilities.

Occupancy Regulations for Short-Term Rentals

Per Bedroom Limits:

- One common approach is to set a maximum occupancy limit per bedroom. For example, a regulation might specify a maximum of two occupants per bedroom.

Total Occupancy Limits:

- Some jurisdictions set a maximum total occupancy for the entire property, considering both bedrooms and common areas.

Square Footage Requirements:

- Maximum occupancy may be based on the total square footage of the property, ensuring that there is enough space for the occupants.

Fire and Safety Codes:

- Regulations often consider fire and safety codes when determining maximum occupancy to ensure a safe and quick evacuation in case of an emergency.

Local Zoning Regulations:

- Zoning ordinances may influence maximum occupancy limits, with different requirements for residential, commercial, or mixed-use zones.

Health and Sanitation Codes:

- Health and sanitation codes may play a role in determining occupancy limits to ensure proper sanitation facilities for the number of occupants.

Accessible Occupancy:

- Regulations may include provisions for accessible occupancy limits to accommodate individuals with disabilities.

Define Bedroom Criteria:

- Clearly define what constitutes a bedroom according to local regulations and industry standards. Typically, a bedroom should have proper egress, ventilation, and meet specific size requirements.

Use Online Platforms Guidelines:

- If you list your property on online platforms like Airbnb or Vrbo, follow their guidelines regarding occupancy. Some platforms may provide recommendations or requirements based on your property's location.

Consider Bedrooms and Common Areas:

- If local regulations specify occupancy limits per bedroom, calculate the total occupancy by multiplying the number of bedrooms by the allowed occupancy per bedroom. Also, consider any limitations on using common areas for sleeping.