



REVISED AGENDA

- Addition of Item 8.a.4

Town of Hilton Head Island

Town Council Meeting

Tuesday, March 5, 2024, 3:00 PM

1 Town Center Court, Hilton Head Island, SC
Benjamin M. Racusin Council Chambers

The meeting can be viewed on the [Town's YouTube Channel](#), the [Beaufort County Channel](#), and Spectrum Channel 1304.

1. **Call to Order**
2. **Pledge to the Flag**
3. **Invocation**
4. **Adoption of the Agenda**
5. **Presentations and Recognitions**
 - a. Developmental Disabilities Awareness Month Proclamation - Mayor Alan Perry
 - b. Hilton Head Island Destination Marketing Organization (DMO) Quarterly Report - Andrew Davis, Director of Marketing and Communication
6. **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 12:00 PM the day of the meeting.
7. **New Business**
 - a. Consideration of an Ordinance to Amend the Town of Hilton Head Island's Comprehensive Plan to Incorporate a Housing Impact Analysis - First Reading - Missy Luick, Director of Planning
 - b. Consideration of an Ordinance to Amend Title 8, Chapter 3, of the Town of Hilton Head Island Code of Ordinances, to add Section 8-3-114 titled Abandoned Watercraft - First Reading - Josh Gruber, Deputy Town Manager
8. **Executive Session**
 - a. Discussion of Negotiations Incident to Proposed Contractual Arrangements

and Discussions for the Proposed Sale or Purchase of Property (Pursuant to the South Carolina Freedom of Information Act Section 30-4-70 [a]) related to:

1. Marshland Road Area
2. Beach City Road Area
3. Cordillo Parkway Area
4. Wild Horse Road Area

- b. Receipt of Legal Advice from the Town Attorney on Matters Covered Under the Attorney-Client Privilege [Pursuant to the South Carolina Freedom of Information Act Section 30-4-70(a)(2)] Related to:

1. Forrest Beach Villas
2. Beaufort County v. Town of Hilton Head Island (Law Enforcement Fee)
3. Royal Dunes POA v. Town of Hilton Head Island
4. Hilton Head Motorcoach Resort v. SIPSD and Town of Hilton Head Island
5. Transcon v. Town of Hilton Head Island
6. White and Wilkes v. Town of Hilton Head Island

9. Action from Executive Session

10. Adjournment

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

In accordance with the requirements of Title II of the Americans with Disabilities Act of 1990 ("ADA"), the Town of Hilton Head Island will not discriminate against qualified individuals with disabilities on the basis of disability in its services, programs, or activities. Auditory accommodations are available. Any person requiring further accommodation should contact the Town of Hilton Head Island ADA Coordinator as soon as possible but no later than 48 hours before the scheduled event.

Municipal Association of South Carolina (MASC) Civility Pledge:

"I pledge to build a stronger and more prosperous community by advocating for civil engagement, respecting others and their viewpoints, and finding solutions for the betterment of my city or town."

The Town of Hilton Head Island



Proclamation

WHEREAS, individuals with developmental disabilities, their families, friends, neighbors, and co-workers encourage everyone to focus on the abilities of all people; and

WHEREAS, the most effective way to increase this awareness is through everyone's active participation in community activities and the openness to learn and acknowledge each individual's contribution; and

WHEREAS, opportunities for citizens with developmental disabilities to function as independently and productively as possible must be fostered in our community; and

WHEREAS, we encourage all citizens to support opportunities for individuals with developmental disabilities in our community that include full access to education, housing, employment, and recreational activities.

NOW, THEREFORE, I, Alan Perry, Mayor of the Town of Hilton Head Island, South Carolina, do hereby proclaim the month of March 2024 as **Developmental Disabilities Awareness Month** in the Town of Hilton Head Island and encourage our citizens to work together to promote increased opportunities for people with disabilities; to recognize the many contributions made by people with disabilities to our community; and to honor the dedication of the caregivers who bring support and hope to their fellow citizens.

IN TESTIMONY WHEREOF, I have hereunto set my hand and caused this seal of the Town of Hilton Head Island to be affixed this 5th day of March, in the year of our Lord, two thousand and twenty-four.



Alan R. Perry, Mayor

Attest:

Kimberly Gammon, Town Clerk



TOWN OF HILTON HEAD ISLAND

Town Council

TO: Town Council
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: March 5, 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.

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.

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. The Analysis outlines workforce housing needs in their communities and how these funds will help solve the local workforce housing needs.

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 Review Committee, and
- As an ordinance to the members of the legislative body of the local government.

Staff has confirmed receipt by both agencies above. Both agencies also confirmed that the Town of Hilton Head Island is the first municipality to deliver a Housing Impact Analysis.

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 implementation.
- If the Housing Impact Analysis is adopted, the Town will have the authority to utilize up to 15% of its state and local Accommodation Tax (ATAX) to support strategies that will increase the production and preservation of workforce housing on the Island.

Public Review Timeline: Housing Impact Analysis – Comprehensive Plan

- November 27, 2023: Housing Action Committee review
- December 13, 2023: Housing Action Committee recommendation of approval
- December 17, 2023: Legal ad posting
- January 17, 2024: Planning Commission Public Hearing and recommendation of approval
- February 8, 2024: Public Planning Committee recommendation of approval

- 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



HOUSING IMPACT ANALYSIS

DECEMBER 2023



TABLE OF CONTENTS

EXECUTIVE SUMMARY | 4

INTRODUCTION | 7

BACKGROUND | 10

EMPLOYMENT ANALYSIS | 13

HOUSING MARKET ANALYSIS | 19

HOUSING MARKET CONDITIONS | 22

CONSTRUCTION & DEVELOPMENT COSTS | 34

SOLVING THE HOUSING CRISIS | 41

SOURCES | 44

APPENDIX | 45





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
- Nicte Barrientos, Planner-Economic Development

Town Council:

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



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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

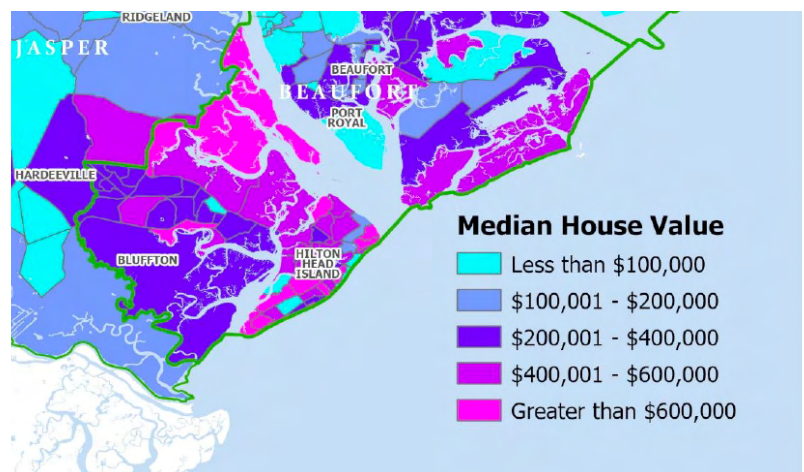
CONTINUED



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.



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

CONTINUED



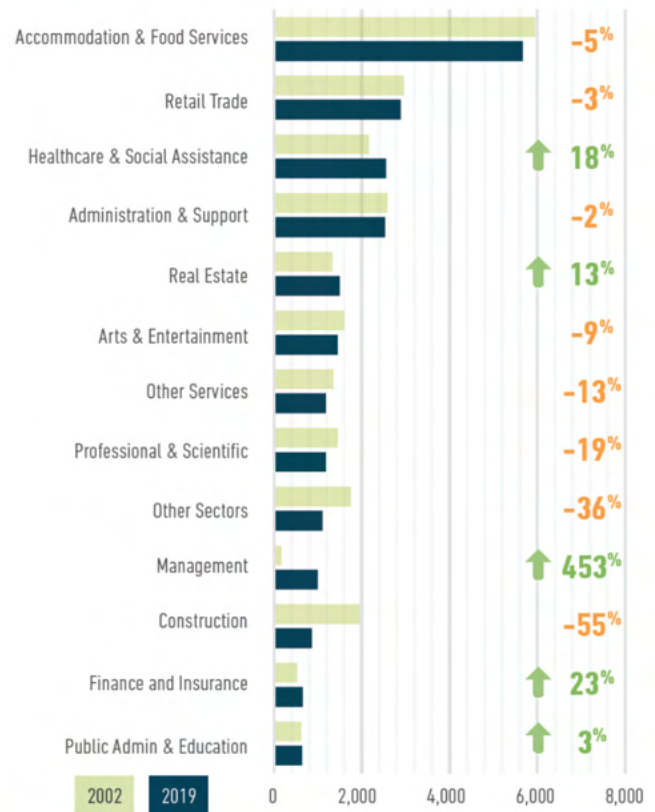
This chart based on the US Census Bureau data shows the size of the top employment sectors on the Island along with the percentage of change over time. Although accommodations and retail related positions have decreased slightly compared to other employment sectors, they remain the top two employment 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



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".

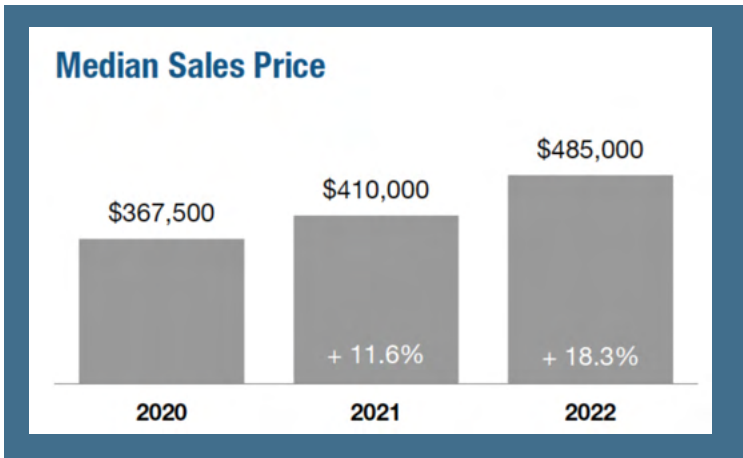
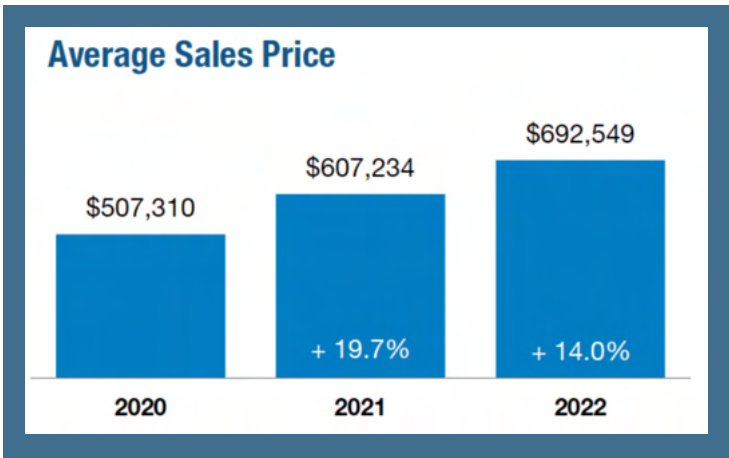


National Low Income Coalition Zip Code Analysis for Housing Wage

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.

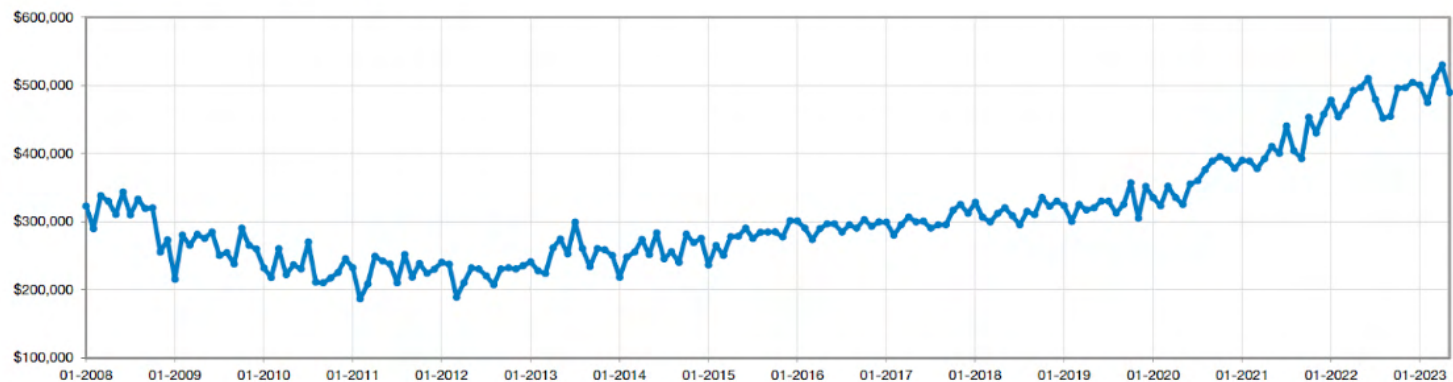
The Hilton Head Area REALTORS 2022 Year-end Market Trend Analysis indicated a significant increase in ownership housing costs on the Island in both single family attached and detached from 2021, and an even greater increase over the last five months of 2023.

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

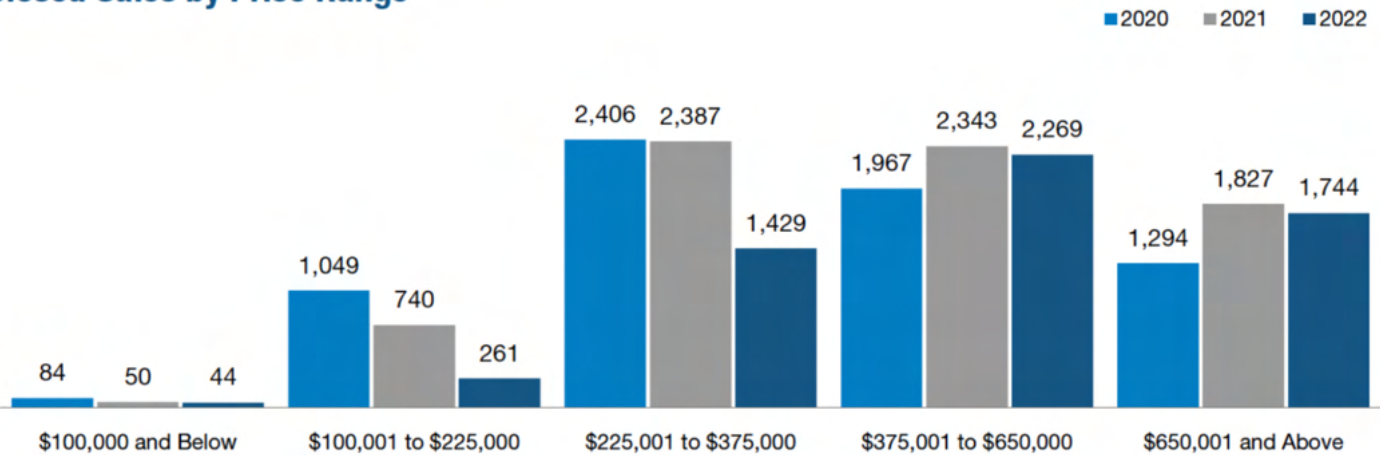
Historical Median Sales Price by Month



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

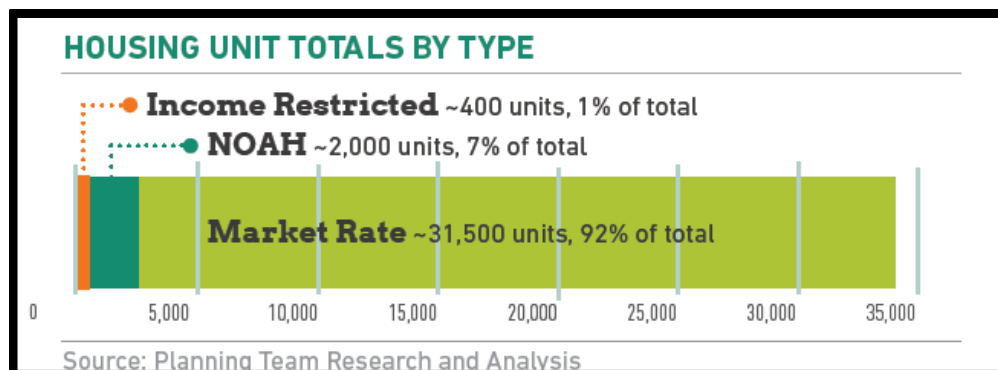


RENTAL MARKET DATA:

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



Housing Impact Analysis

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

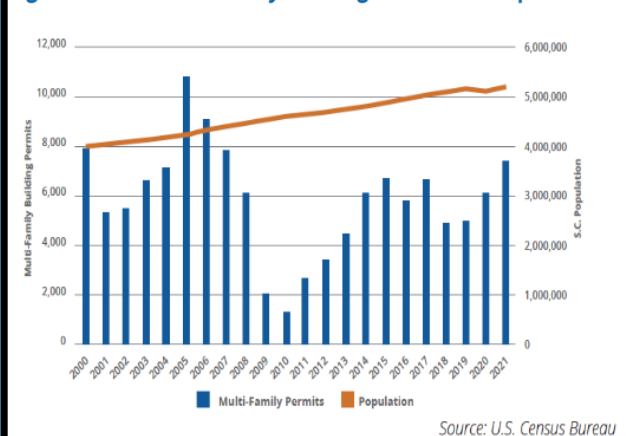
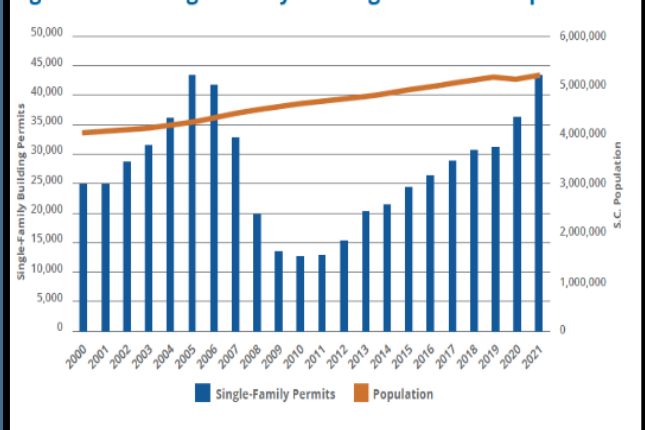


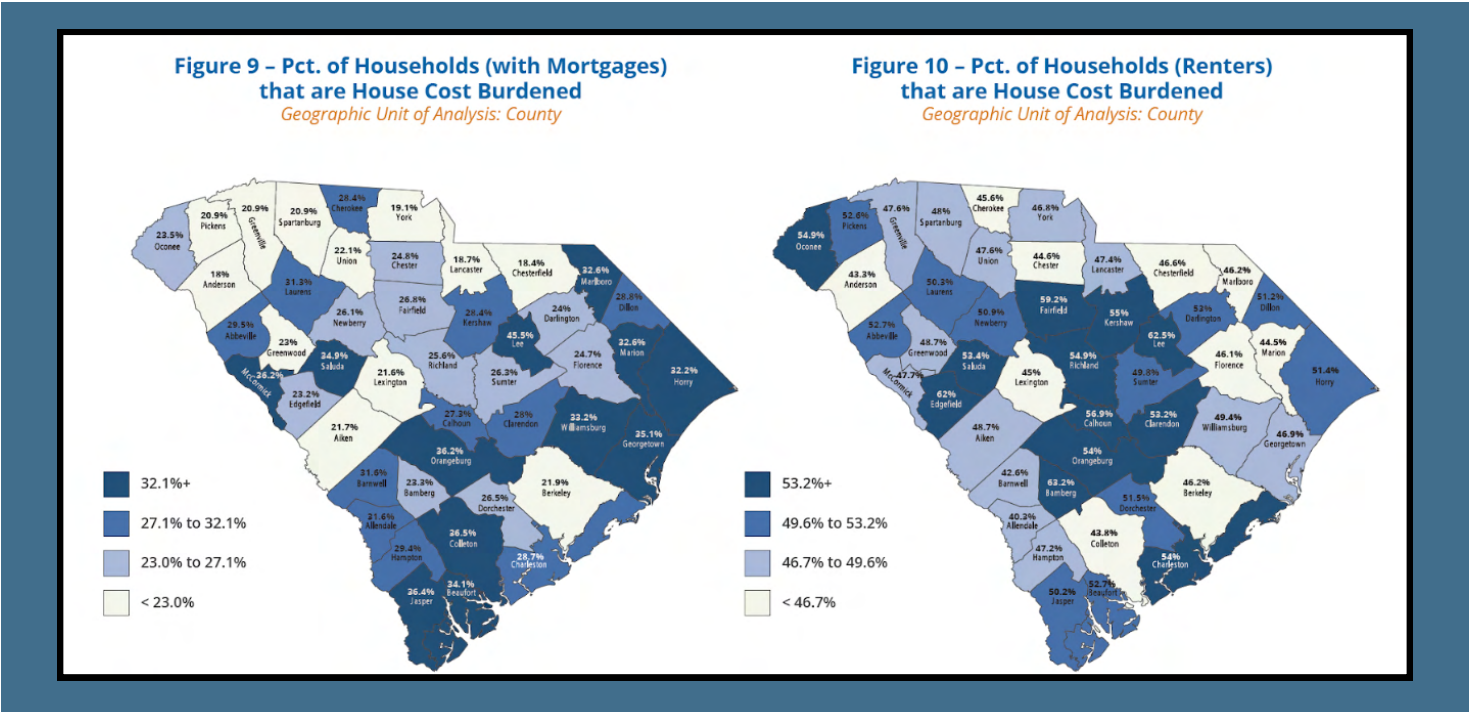
Figure 5 – S.C. Single-Family Housing Permits vs. Pop. Growth



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.**

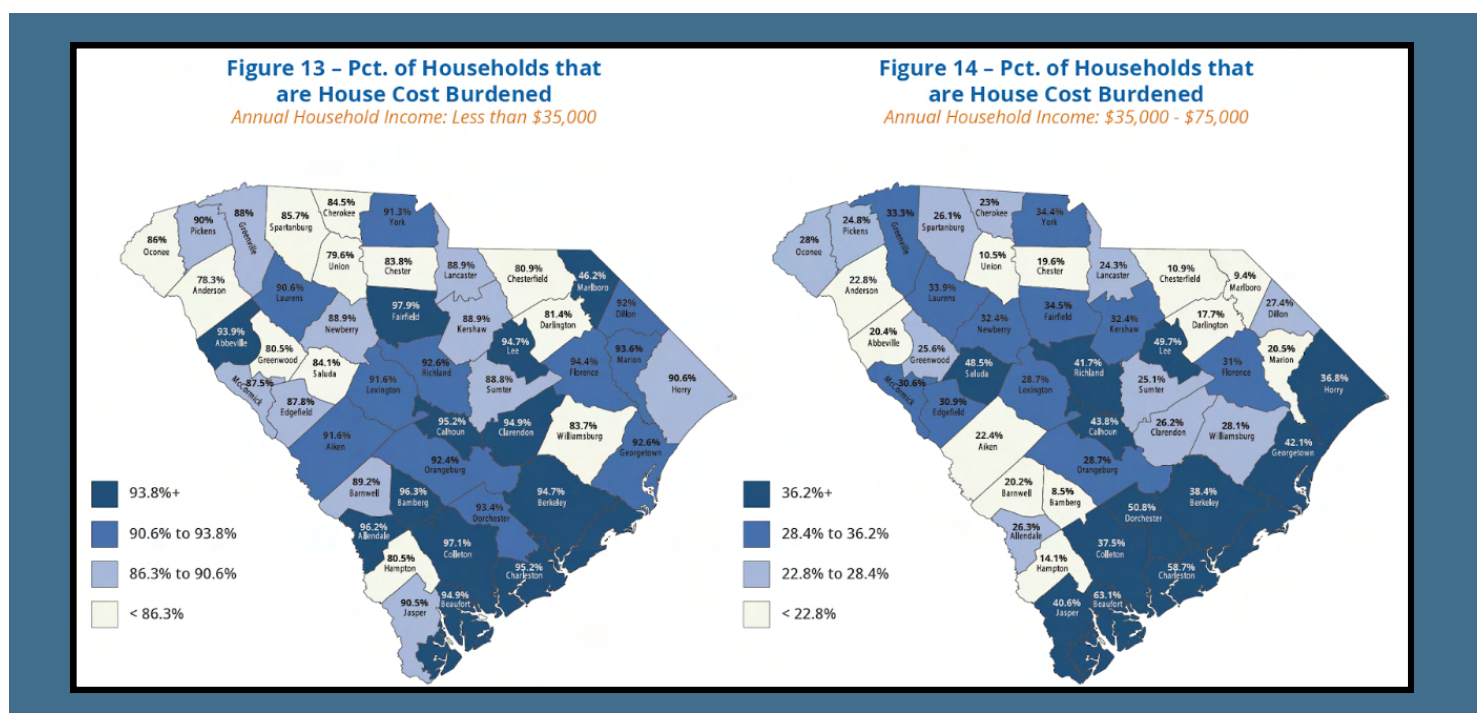


Housing affordability is often considered to be a challenge that is either mostly or exclusively concentrated among households with lower income. Approximately 90% of South Carolina's lower income households, defined as those earning less than \$35,000 annually are estimated to be housing cost burdened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

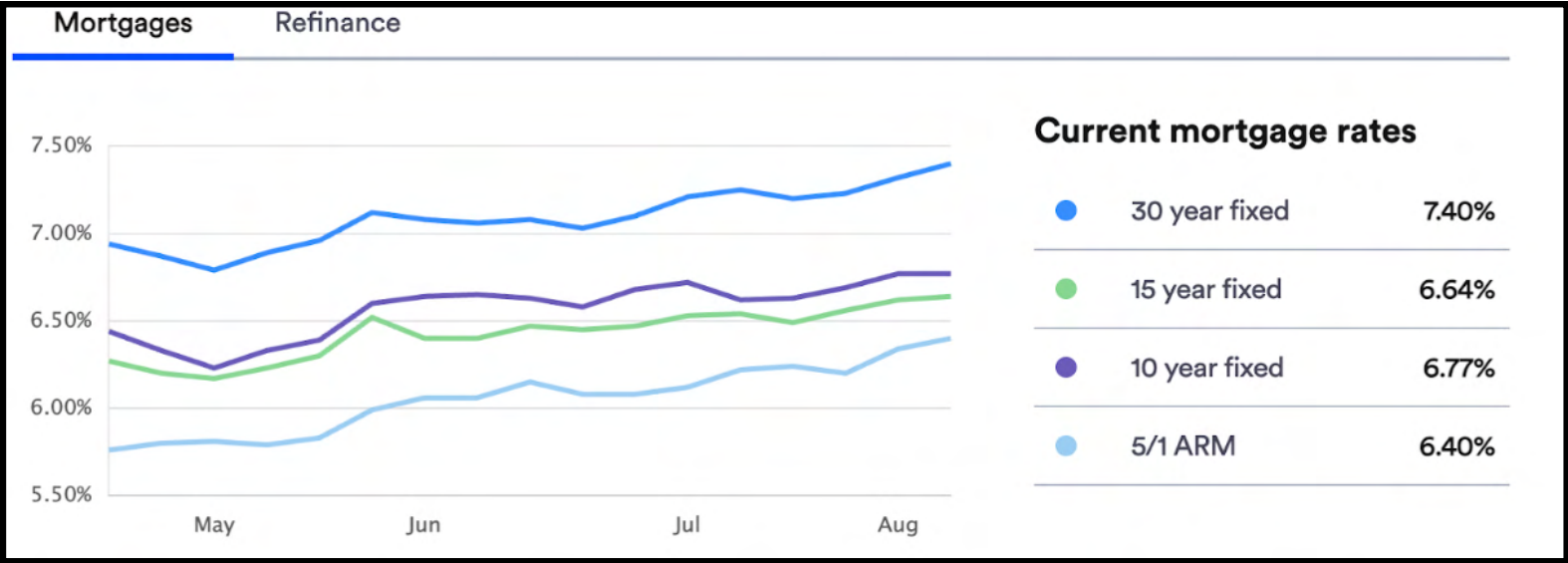
Based on the US Department of Housing and Urban Development (HUD) rule of thumb for defining “affordability,” a household should spend **no more than 3 times** their annual salary for their housing cost for ownership and **no more than 30% of household income** on rental housing. Based on the above-mentioned 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.



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

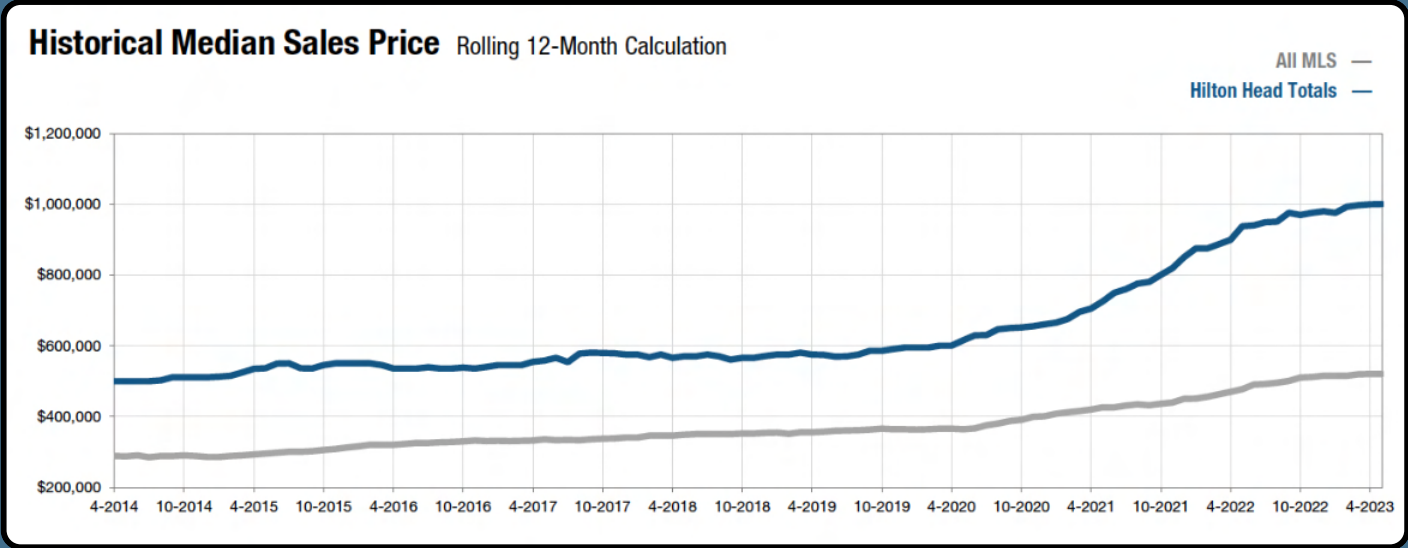


In a recent interview with the Hilton Head Area REALTORS, CEO, Jean Beck, indicated that there have been double digit increases in housing costs in both attached and detached housing. In 2018-2019 there was 26 month's worth of inventory, all of which has been sold.

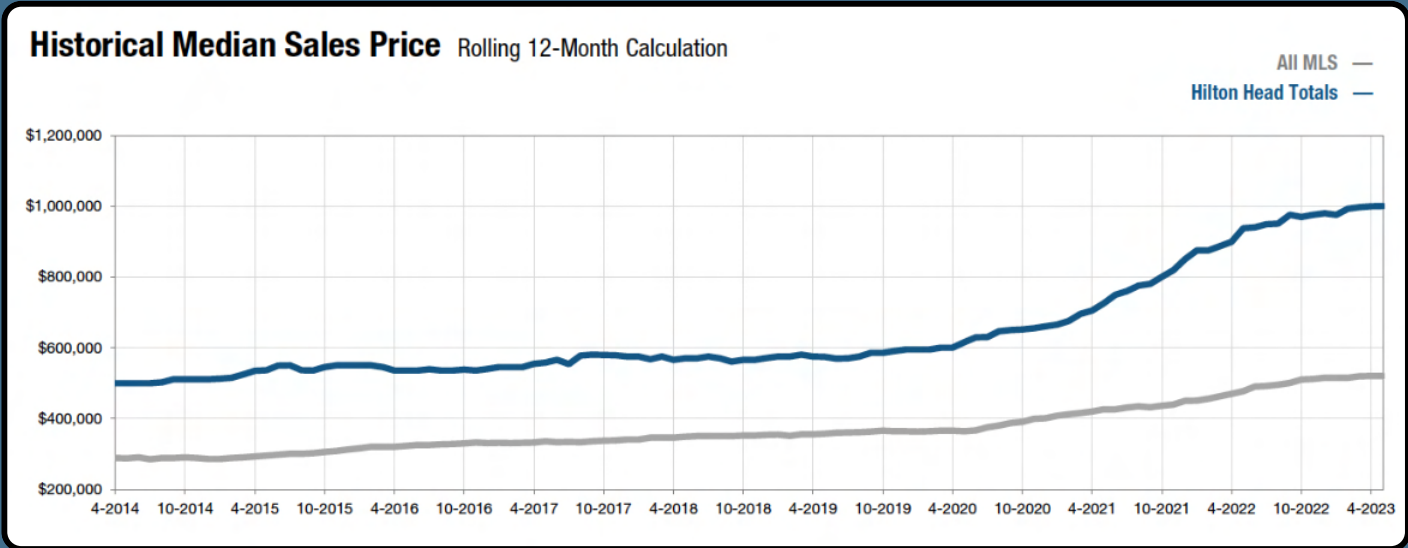
There are currently only 2 month's worth of inventory on the Island. The reports on the next page show almost double digit increases in all housing sectors from 2020 to 2023. From \$600,000 for detached single family homes to over \$1M and \$350,000 to over \$600,000 in attached (condo/villa) homes.



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:

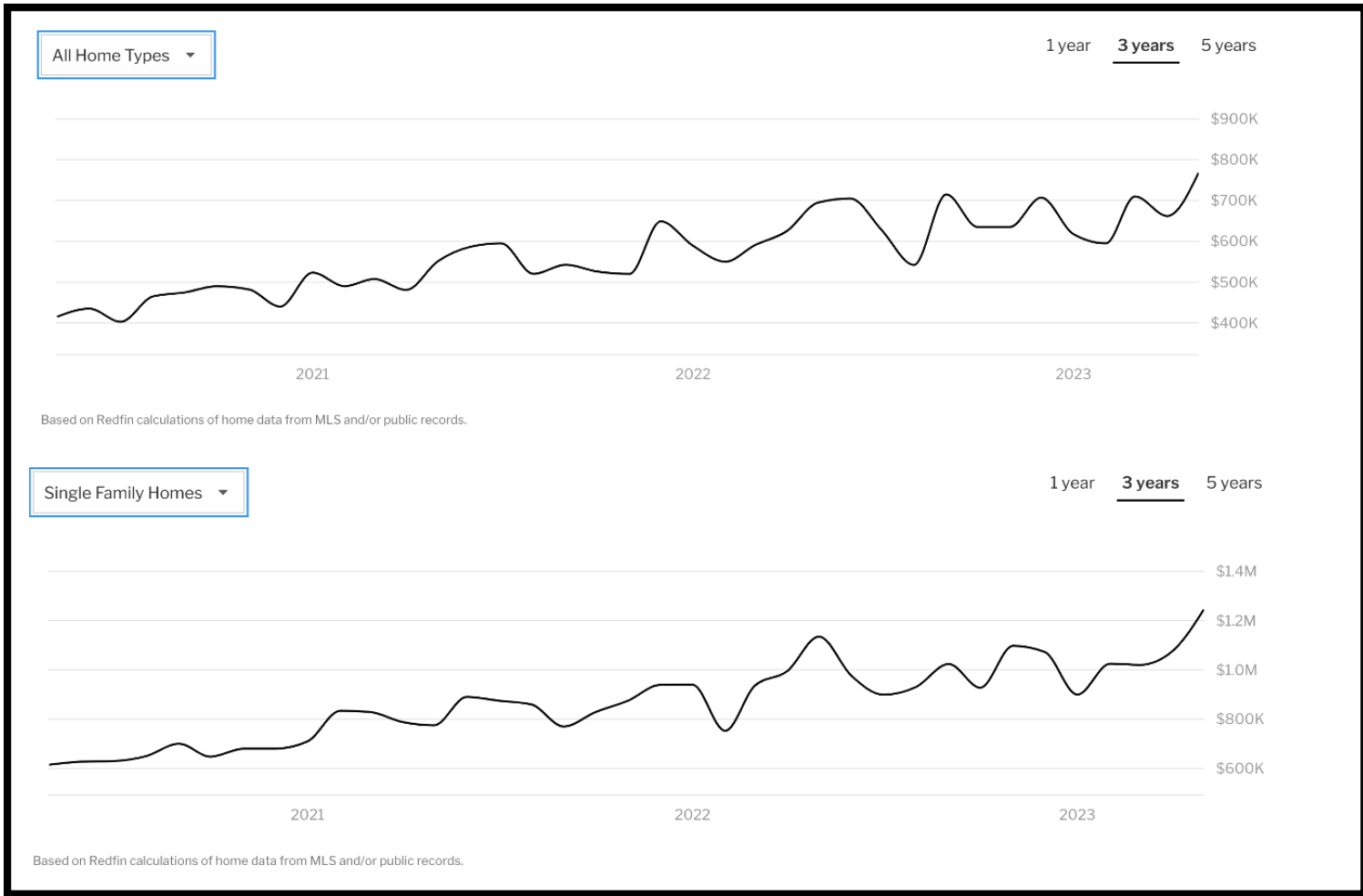
In May 2023, Hilton Head Island home prices were up 10.5% compared to last year, selling for a median price of \$768K. On average, homes in Hilton Head Island sell after 20 days on the market compared to 48 days last year. There were 176 homes sold in May this year, down from 185 last year. (*Redfin.com*)

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%

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



CONSTRUCTION AND DEVELOPMENT COSTS

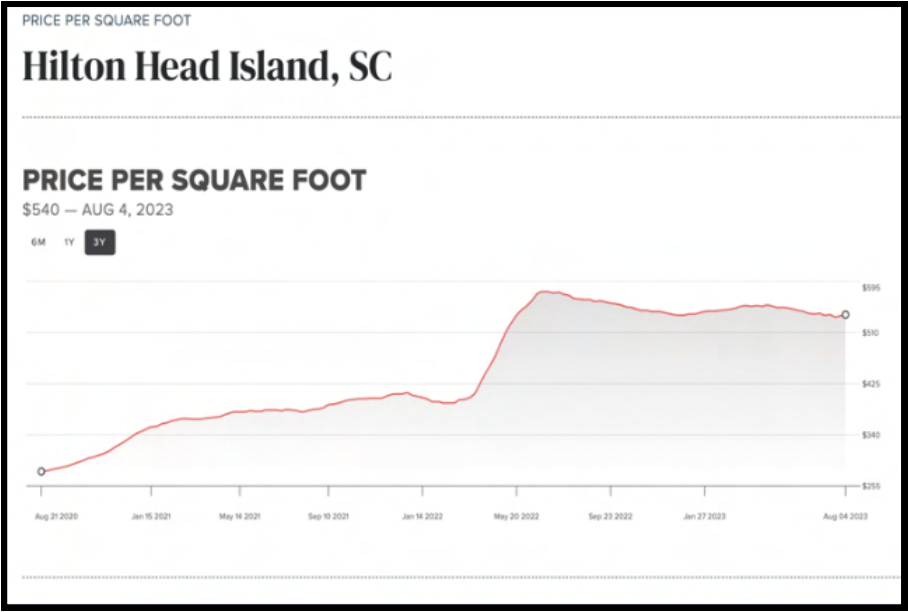


Ownership Market Costs

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

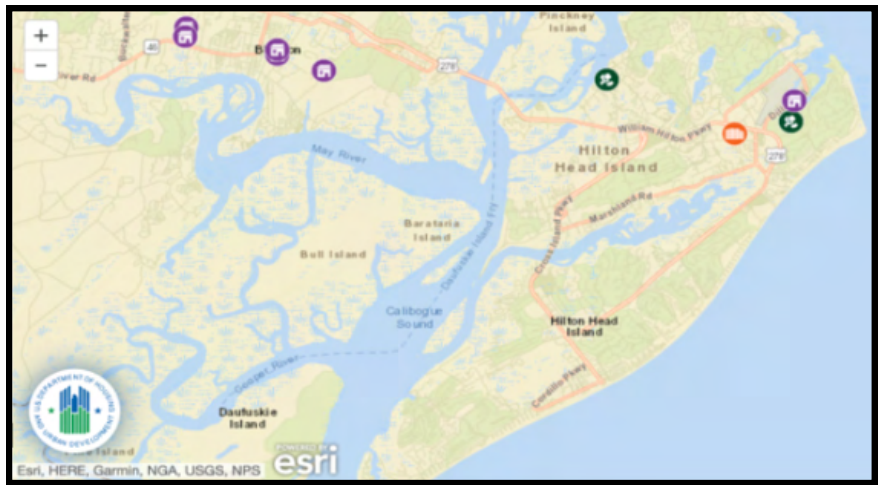
CONSTRUCTION AND DEVELOPMENT COSTS

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 it's 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



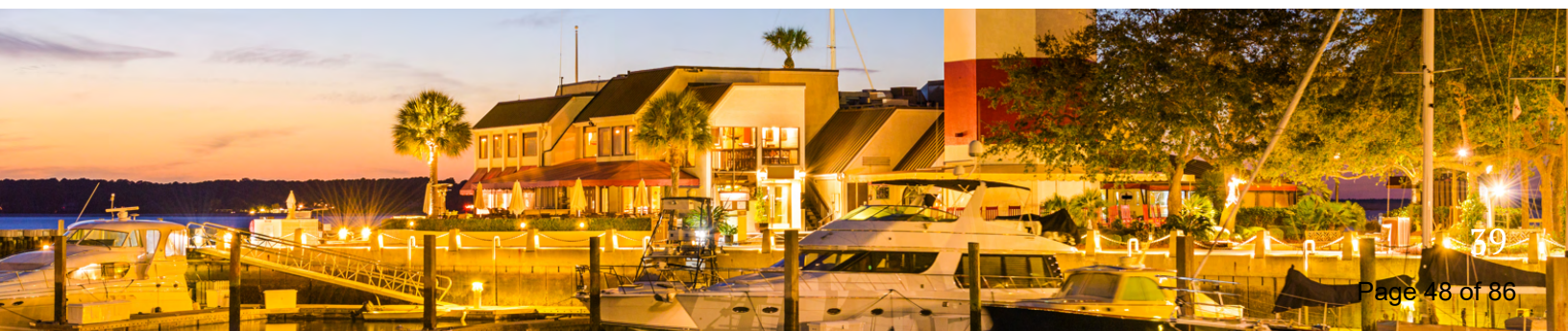
Development Fees:

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

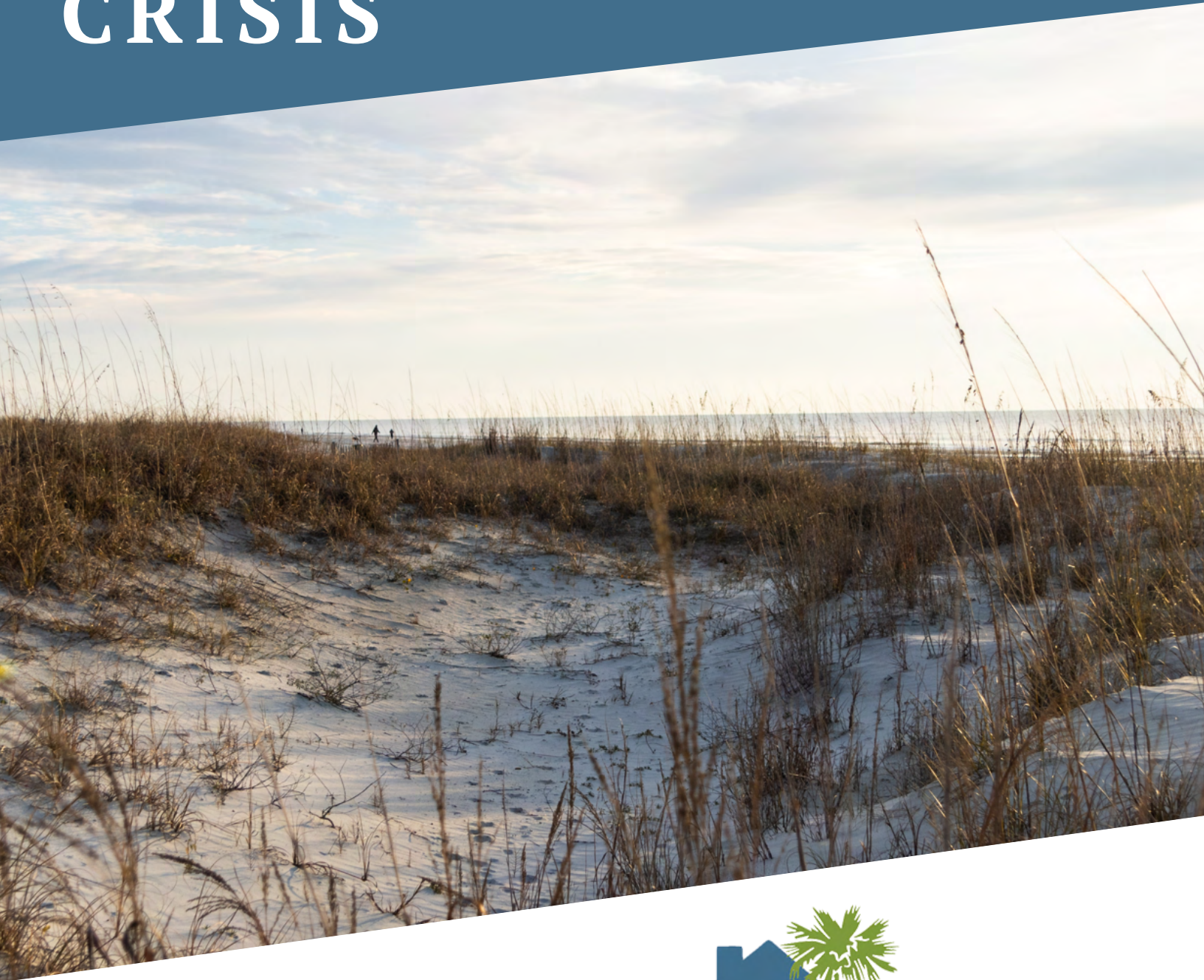


In the same Island Packet article, one homeowner in Sea Side Villas, indicated the master building insurance policy went from \$115,223 to \$690,000. Although this example is on the high side, condos owners across Beaufort County are seeing increases, according to several property management companies. 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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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 a 3-1 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:

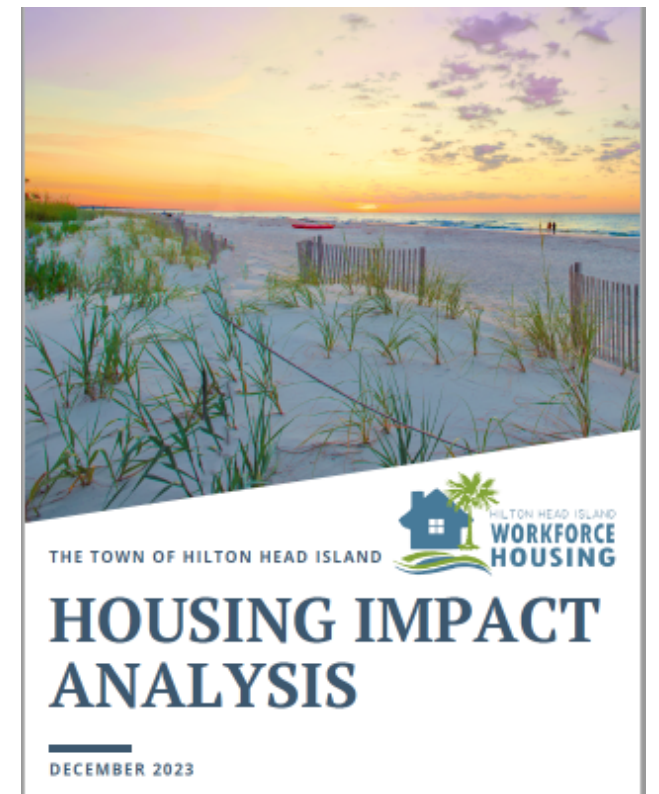
Kimberly Gammon, Town Clerk

First Reading: _____

Second Reading: _____

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

Introduced by Council Member: _____



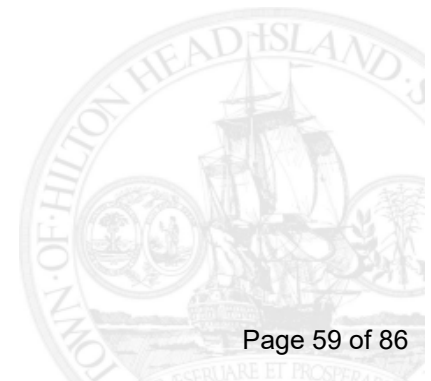
Consideration of an Ordinance to Amend the Town of Hilton Head Island Comprehensive Plan to Incorporate a Housing Impact Analysis

*Town Council (First Reading)
March 5, 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.
- 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 Review Committee, and
- As an ordinance to the members of the legislative body of the local government.

Staff has confirmed receipt by both agencies above. Both agencies also confirmed that the Town of Hilton Head Island is the first municipality to deliver a Housing Impact Analysis.

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					
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



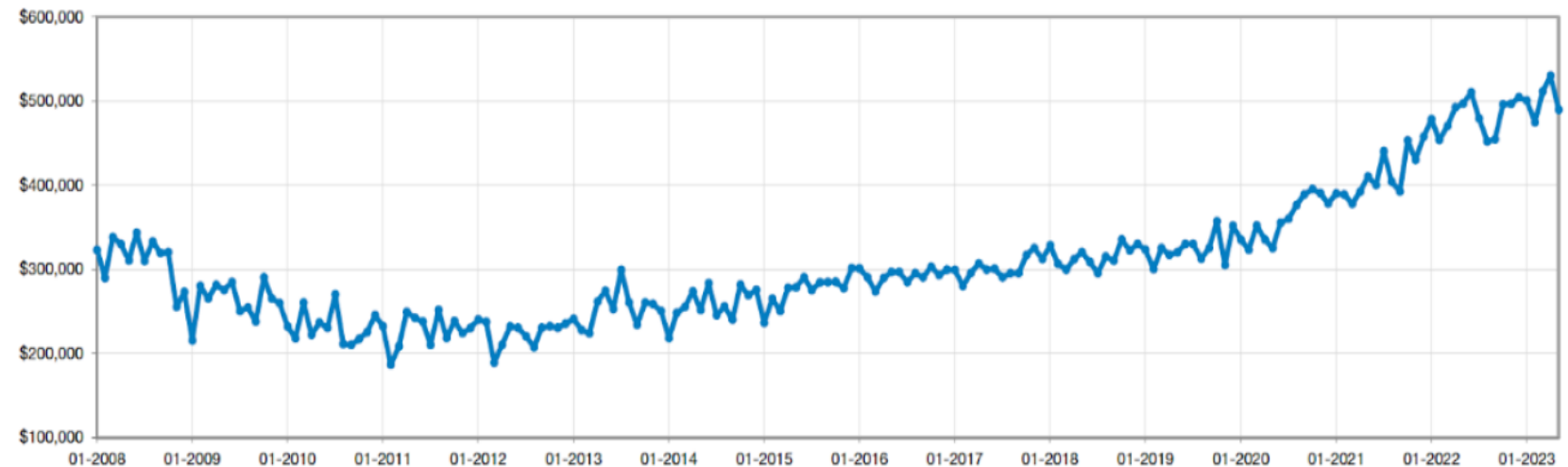
Housing Market Analysis Summary

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.

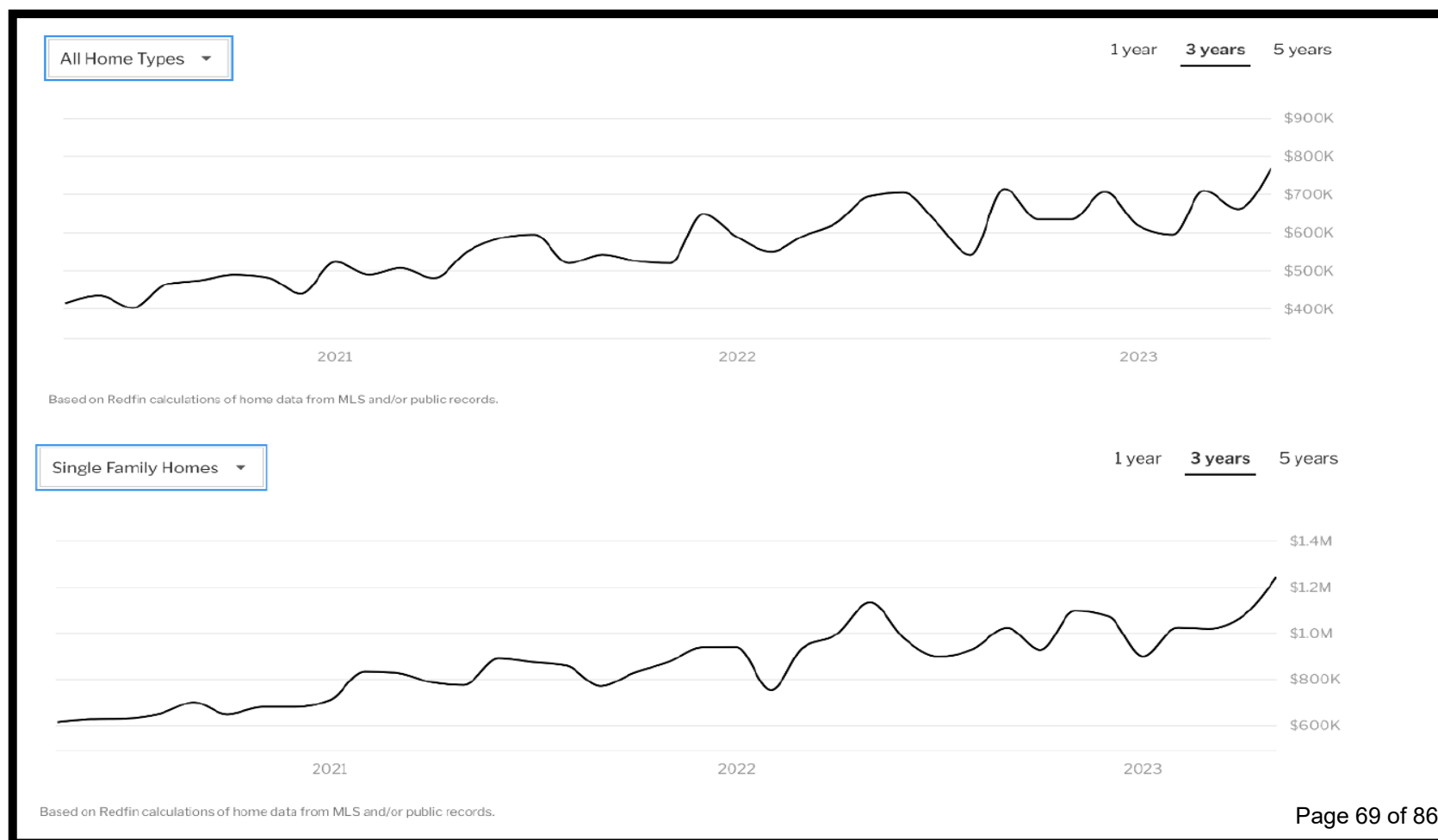
This chapter also focused on the Town’s housing costs verses other rapidly growing South Carolina markets. Several of these communities compete for the same employment sectors and employees. Hilton Head was by far the most expensive housing market.

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.



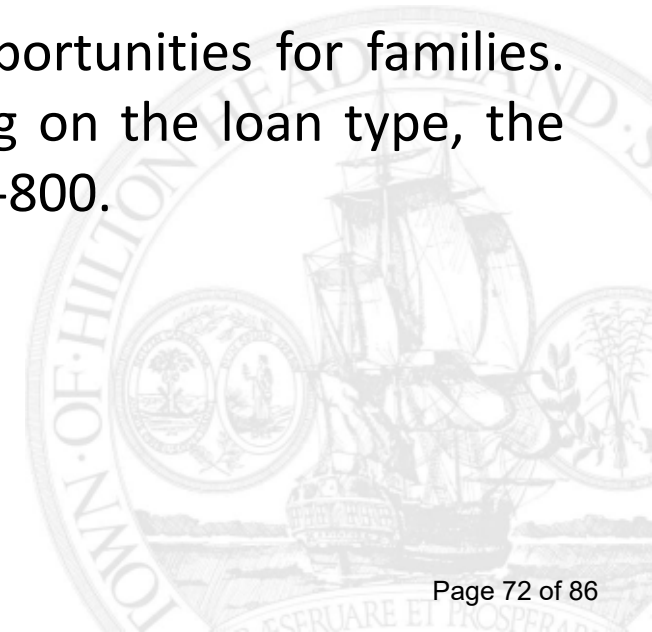
Construction and Development Cost Summary

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.

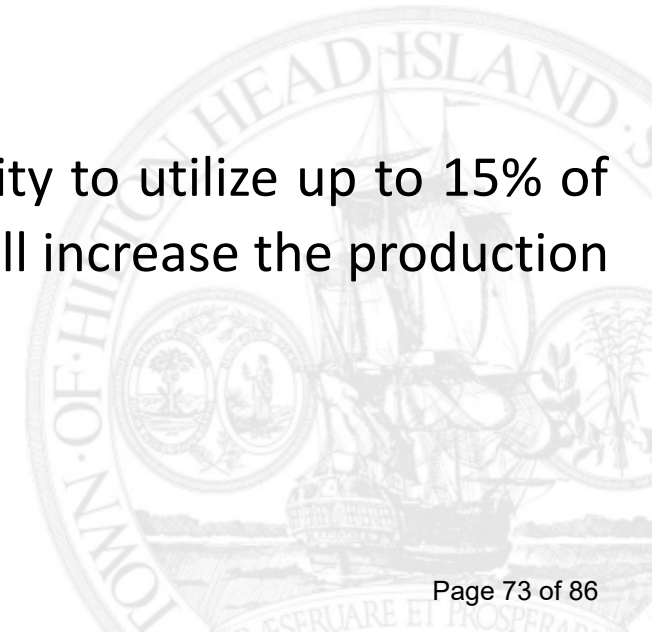




Solving the Housing Crisis Summary

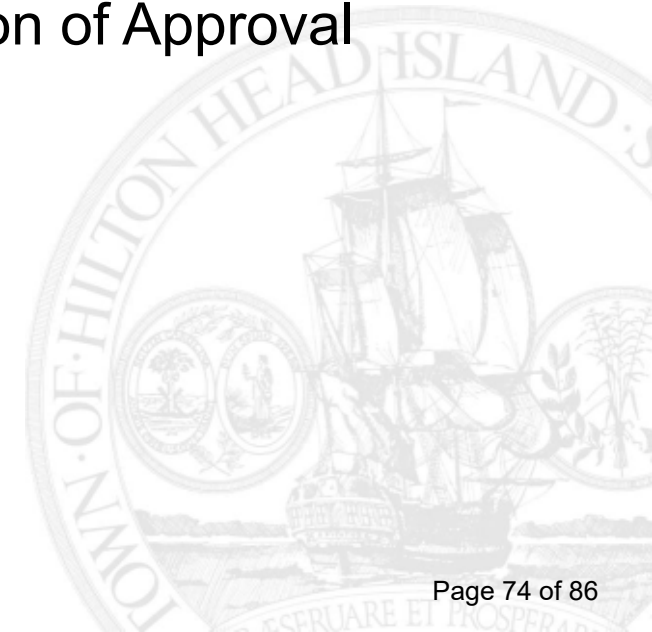
The Solving the Housing Crisis Chapter highlights past, current and future strategies the Town has implemented or will consider to address the growing demand for affordable workforce housing.

- 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 implementation.
- If the Housing Impact Analysis is adopted, the Town will have the authority to utilize up to 15% of its state and local Accommodation Tax (ATAX) to support strategies that will increase the production and preservation of workforce housing on the Island.



Public Review Timeline

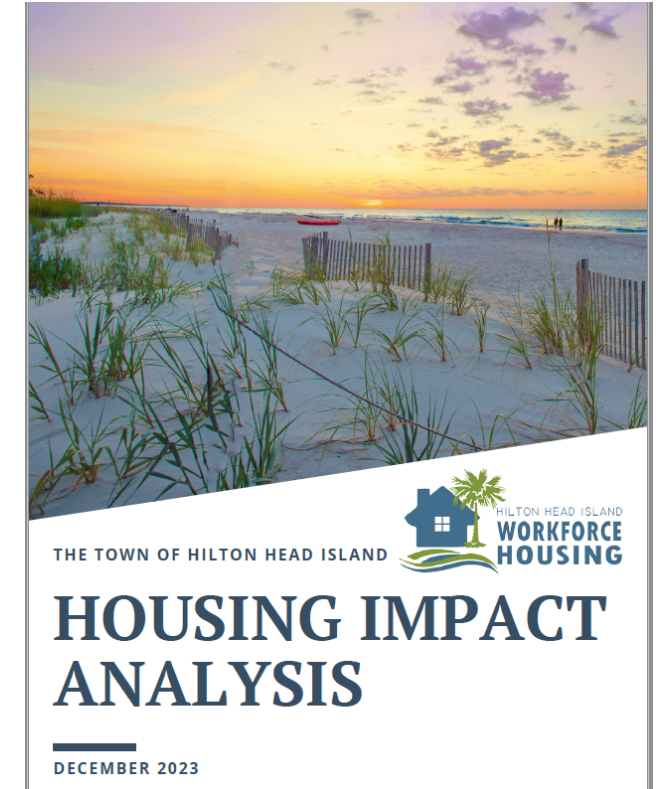
- November 27, 2023: Housing Action Committee Review
- December 13, 2023: Housing Action Committee Recommendation of Approval
- December 17, 2023: Legal ad posting
- January 17, 2024: Planning Commission Public Hearing and Recommendation of Approval
- February 8, 2024: Public Planning Committee and Recommendation of Approval
- 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

Town Council

TO: Town Council Members
FROM: Josh Gruber, Deputy Town Manager
CC: Marc Orlando, Town Manager
DATE: February 26, 2024
SUBJECT: Consideration of an Ordinance to Amend Title 8, Chapter 3, of the Town of Hilton Head Island Code of Ordinances, to add Section 8-3-114 entitled Abandoned Watercraft

RECOMMENDATION:

The Town Council is requested to review the proposed Ordinance to amend the Town Code by adding additional provisions related to the abandonment of watercraft within the territorial jurisdiction of the Town of Hilton Head Island. If the Town Council supports taking such actions, it should vote to approve such changes being incorporated into the Town's code.

Summary:

In 2021, the South Carolina General Assembly adopted Section 50-21-30 which states that if a local government wishes to regulate the operation, titling, equipment, numbering, or all other matters relating to the regulation of watercraft while on the waters of the State, it must adopt legislation that is identical to South Carolina Code of Laws Section 50-21-190.

In recent years, the Town has observed an increase in the number of vessels, boats, and other watercraft that are abandoned, severely neglected, or even sunk, and for which it wishes to amend its code to adopt regulation specifically dealing with these types of issues.

Therefore, the Town is proposing to amend the Town Code to incorporate Section 8-3-114 entitled Abandoned Watercraft as required by Section 50-21-30 of the South Carolina Code of Laws. This action will allow the Town to utilize the provisions found within Section 50-21-30 as it works to address issues arising from the abandonment of watercraft of other vessels within the territorial jurisdiction of the Town. A Memorandum outlining this issue in greater detail has been prepared by attorney Mac Deford and is enclosed with this staff report as Attachment 1.

At its meeting on February 12, 2024, the Committee unanimously voted to recommend adoption of the proposed Ordinance to Town Council.

ATTACHMENTS:

1. Mac Deford Cover Letter
2. Draft Ordinance Amending Town Code by Adding Section 8-3-144, Abandoned Watercraft

PAGLIARINI LAW FIRM, LLC

ATTORNEYS AT LAW

Mac Deford, Counsel
Mac@lawplf.com

145 River Landing Drive, Suite 101 B
Daniel Island, SC 29492
Phone: 843-813-4922
Fax: 843-971-8745

October 3, 2023

Josh Gruber, *Deputy Town Manager*
Town of Hilton Head Island
1 Town Center Court
Hilton Head Island, SC 29928

Re: *Proposed Abandoned Boat Ordinance*

Dear Josh,

As you requested, I have researched and prepared this Memo outlining the legal parameters the Town must adhere to when it comes to abandoned watercraft regulation. Additionally, I've prepared a draft ordinance in alignment with state law concerning abandoned vessels.¹ It's also important to highlight that the existing Town ordinance only addresses abandoned vessels found on Town beaches (e.g., not on waterways subject to the Town's jurisdiction).

Issue Presented

Are there any limitations on the Town of Hilton Head Island's ability to pass an ordinance for the regulation of abandoned and derelict vessels on waterways within the Town's corporate limits?

Conclusion

Yes, the South Carolina General Assembly passed S.C. Code Ann. § 50-21-30 in 2021 which narrowed the ability of local governments to pass regulations for the operation, equipment, titling, numbering, and all other matters relating thereto for watercraft and water devices on the waters of the State. Therefore, pursuant to § 50-21-30, a local government may not adopt an ordinance regulating abandoned boats, unless identical to S.C. Code Ann. § 50-21-190.

Discussion

S.C. Code Ann. § 50-21-30(B) states that the "provisions of Title 50 and other applicable laws of this State shall govern the operation, equipment, titling, numbering, and all other matters relating thereto for watercraft and water devices using or held for use on the waters of this State. A local government may not adopt an ordinance regulating watercraft or water devices used or held for use on the waters of this State unless the ordinance is:

¹ For purposes of this Memo, the term "vessel" is analogous with the term "boat."

1. identical to a provision of this chapter;
2. identical to a regulation promulgated under the authority of a provision of this chapter; or
3. authorized pursuant to the provisions of this section.”

§50-21-30(C) specifically permits local governments to “adopt an ordinance requiring a permit for a watercraft or floating structure to remain moored, anchored, or otherwise located in any one five-mile radius on public waters within its local jurisdiction for more than fourteen consecutive days. The cost of a permit required by a local government may not exceed fifteen dollars. An ordinance adopted pursuant to this subsection must not apply to watercraft:

- a. moored to a dock or marina berth with permission from the dock or berth owner;
- b. moored to a mooring buoy that is permitted by the Department of Health and Environmental Control with permission from the buoy owner; or
- c. moored to a mooring buoy with permission from the buoy owner, provided that the buoy is in the location as it existed on public waters on June 30, 2021.”

For the purpose of ordinances adopted pursuant to §50-21-30(C) and notwithstanding the provisions of §5-7-140(B), “the corporate limits of any municipality bordering on the high-water mark of a navigable body of water, other than the Atlantic Ocean, are extended to the center of the channel of the navigable body of water.”

Any SCDNR officer “who reasonably believes that watercraft within a local government's jurisdiction is in violation of an ordinance adopted pursuant to the provisions of this section must provide the location of the watercraft to the local government.” S.C. Code Ann. § 50-21-30(D).

Pursuant to §50-21-30, a local government’s ability to pass an ordinance regulating the operation, equipment, titling, numbering, and all other matters relating thereto for watercraft and water devices is very limited. Any ordinances adopted by the local government must mirror existing state law.

§50-21-190 provides an offense and penalty for abandoning watercraft or outboard motors. Furthermore, §50-21-10 provides for a definition of “abandon”, “abandoned”, “boat”, and “waters of the state”. §50-23-20 provides for titling requirements of watercraft; §50-23-30 provides exemptions to titling; §50-23-55 provides for evidence of ownership of a watercraft; and §50-23-205 provides for the procedures for seizure of watercraft. Therefore, any regulations passed must mirror these state statute provisions.

However, a local government may adopt an ordinance requiring a permit for watercraft of floating structures moored or anchored in public waters.

It is recommended that any regulations passed by the Town of Hilton Head for abandoned boats in public waters mirror the provisions of §50-21-190, contain the same definitions as provided in §50-21-10, and mirror all other provisions contained in Title 50.

Existing Abandoned Boat Regulations from Similar Municipalities

The City of Charleston, Town of Mount Pleasant, City of North Myrtle Beach, and City of Georgetown each have existing regulations which make it unlawful to abandon watercraft and provide penalties for abandoning watercraft. All ordinances are similar to existing state law with the following exceptions:

1. The Town of Mount Pleasant provides a list of expenses that could be incurred by the owner of an abandoned boat for removal of the boat (state law does provide that the owner shall be responsible for expenses associated with the abandoned boat's removal).
2. The Town of Mount Pleasant and City of North Myrtle Beach both provide for a limitation of liability for any damages incurred for removal and storage of an abandoned boat.
3. City of North Myrtle Beach prohibits anchoring and mooring of a vessel, as well as the installation of a mooring buoy, in any public waters for a period of more than 24 hours.
4. City of North Myrtle Beach also provides notice to be posted on the abandoned vessel. The owner has 10 days after the posting of notice to respond, otherwise the boat will be removed.
5. City of North Myrtle Beach and City of Georgetown's penalty is less than what is provided under state law – a fine not exceeding \$500.00 and/or imprisonment for a period not exceeding thirty days.²
6. City of Georgetown's ordinance also allows for permits to be issued for mooring buoys owned and maintained by the City.

Existing Local Regulations in Beaufort and Jasper Counties

Both the City of Beaufort and Town of Port Royal have an ordinance governing abandoned vessels. However, their ordinances are incompatible with state law and are likely illegal because they (1) impose a 7-day timeframe for determining abandonment (as opposed to the state law's 45-day requirement), (2) mandate insurance requirements, and (3) levy a \$500, which runs afoul with the state law's \$1,000 minimum fine.

There are no existing ordinances which address abandoned boat in waterways for Beaufort County (with the exception of watercraft abandoned at or near boat landing), Jasper County (abandoned boats are mentioned in their littering ordinance), Town of Bluffton (with the exception of abandoned boats at the Oyster Factory Park boat landing), Town of Yemassee, and Town of Hardeeville.

Please let me know if you have any questions or would like to discuss further.

Sincerely,



Mac Deford

Attachments: Proposed Abandoned Watercraft Ordinance

² S.C. Code Ann. §50-21-190(B) sets forth a minimum fine of \$1,000 and a maximum fine of \$5,000.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

AN ORDINANCE TO AMEND TITLE 8, CHAPTER 3 OF THE MUNICIPAL CODE OF THE TOWN OF HILTON HEAD ISLAND, TITLED MOTOR BOATS AND WATER SAFETY BY ADDING PROVISIONS RELATED TO ABANDONED WATERCRAFT IN ACCORDANCE WITH THE SOUTH CAROLINA CODE OF LAWS

WHEREAS, abandoned watercraft on public lands and waters within the corporate limits of the Town of Hilton Head Island poses a risk to the health and safety of the citizens and visitors to the Town as well as a posing a significant danger to the environment and aesthetics of the Town's beaches and waterways; and

WHEREAS, the Town continues to experience the abandonment of vessels and other watercraft that results in environmental, ecological, and economic harm if not adequately addressed.

WHEREAS, the South Carolina General Assembly has addressed abandoned watercraft with legislation it passed enacting Chapters 21 and 23, within Title 50 of the Code of Laws of South Carolina; and

WHEREAS, S.C. Code Ann. § 50-21-30 authorizes local governments to pass ordinances to address abandoned watercraft, provided that the provisions of such ordinance are identical to the provisions of Chapters 21 and 23, Title 50 of the Code of Laws of South Carolina; and

WHEREAS, the Hilton Head Island Town Council has the authority to amend its Code of Ordinances when deemed to be in the best interest of the citizens of the Town, and it now desires to do so with respect to the subject of abandoned watercraft within its municipal limits, as set forth below.

NOW, THEREFORE, BE IT ORDAINED by the Mayor and Councilmembers of the Municipality of Hilton Head Island, in Council assembled, that Article 1, Chapter 3 of the of the

Hilton Head Island Code of Ordinances titled *Abandoned Watercraft* is hereby enacted to specifically read as follows:

Chapter 3 - MOTOR BOATS AND WATER SAFETY

ARTICLE 1. - GENERAL PROVISIONS

Sec. 8-3-111. - Title.

This chapter shall be known and may be cited as the "Hilton Head Island Boat Control Ordinance."

Sec. 8-3-112. - Definitions.

For the purposes of this chapter the following terms, phrases, words, and their derivations shall have the meaning given herein:

- (1) Boat: Any watercraft, including seaplanes when not airborne, in or upon, or docked or moored at any place in any waterway within the boundaries of the town.
- (2) Waterway: Any waters, waterway, harbours, lake, river, tributary, canal, lagoon or connecting waters within the boundaries of the town.

Sec. 8-3-113. - Authority.

(a) The town shall have the right to regulate the use of all waterways within the town limits and the conduct of all persons using same, consistent with and not in conflict with federal or state laws and regulations. All ordinances of the town regulating the conduct of persons on land shall apply to persons using waterways, insofar as the same are applicable.

(b) Any law enforcement officer of the town or any law enforcement acting pursuant to a delegation of authority from the town shall be responsible for the enforcement of this chapter. Any such officer shall have the authority to stop and board any vessel for the purpose of inspection or determining compliance with the provisions of this chapter and is empowered to issue a summons for appearance in a court of competent jurisdiction or make arrests for violations of this chapter.

Every vessel if underway or upon being hailed by a police officer, shall stop immediately and lay to or if this is impractical or unsafe, shall maneuver in such a way as to permit such officer to come aboard.

Sec. 8-3-114. ABANDONED WATERCRAFT.

(A) Definitions.

In addition to the common meaning of words, the following definitions shall be used when interpreting the provisions of this section.

- (1) Abandon or Abandoned. Means any watercraft that has been moored, stranded, wrecked, sinking, or sunk, and has been left unattended for longer than forty-five (45) days. A watercraft is not abandoned if it is legally moored or is on private property.
- (2) Boat. Means a vessel.
- (3) Department. Means the South Carolina Department of Natural Resources.
- (4) Marina. Means a facility which provides mooring or dry storage for watercraft.
- (5) Outboard Motor. Means a combustion engine or electric propulsion system, which is used to propel a watercraft, and which is detachable from the watercraft as a unit. No outboard motor of less than five horsepower or its equivalent is required to be titled under this chapter.
- (6) Owner. Means a person, other than a lienholder, who claims lawful possession of a vessel or outboard motor by virtue of legal title or equitable interest in it which entitled him to possession.
- (7) Person. Means an individual, a partnership, a firm, a corporation, an association, or other legal entity.
- (8) Town. Means the Town of Hilton Head Island.
- (9) Use. Means operate, navigate, or employ.
- (10) Vessel. Means every description of watercraft, other than a seaplane regulated by the federal government, used or capable of being used as a means of transportation on water.
- (11) Water Device. Means a motorboat, boat, personal watercraft or vessel, water skis, an aquaplane, surfboard, or other similar device.

- (12) Waters of the State. Means waters within the territorial limits of the State but not private lakes or ponds.
- (13) Watercraft. Means anything used or capable of being used as a means of transportation on the water but does not include: a seaplane regulated by the federal government, water skis, aquaplanes, surfboards, windsurfers, tubes, rafts, and similar devices or anything that does not meet construction or operational requirements of the state or federal government for watercraft.

(B) Scope. The provisions of this chapter and other applicable laws of this State, including but not limited to, Title 50 of the South Carolina Code of Laws, shall govern all activity and matters related to abandoned watercraft on the public land and waters of the Town and the State that are located within the jurisdictional limits of the Town of Hilton Head Island.

(C) Administration. The administration and enforcement of the provisions of this Section shall be vested in the Town's Public Safety Department or sheriff's office. Public safety officers and deputy sheriffs are empowered to issue a summons for appearance in court, or to make arrest for violations of this chapter or any applicable rules and regulations prescribed under Title 50 of the South Carolina Code of Laws.

(D) Abandoning watercraft or outboard motor; penalty; removal.

- (1) It is unlawful to abandon a watercraft or outboard motor on the public lands or waters of the Town or on private property without permission of the property owner. This section does not apply to persons who abandon a watercraft in an emergency for the safety of the persons onboard; however, after the emergency is over, the owner and operator of the abandoned watercraft shall make a bona fide attempt to recover the watercraft.
- (2) A person violating the provisions of this section is guilty of a misdemeanor and, upon conviction, must be fined not less than one thousand dollars nor more than five thousand dollars or imprisoned for up to thirty days, or both. In addition, the owner must remove the abandoned watercraft within fourteen days of conviction. The magistrate courts are vested with jurisdiction for cases arising under this section.
- (3) An abandoned watercraft as identified by the Department may be removed at the risk and expense of the owner and disposed of by any governmental agency that has jurisdiction over the area where the abandoned watercraft is located.
- (4) The Town or the Department of Natural Resources must conduct investigations of any watercraft subject to the provisions of this section to determine the status of the watercraft as abandoned. The Town or the Department must send written notice and make additional reasonable efforts to notify the last known owner, if any, of the status of the watercraft. If efforts to notify fail, then the Town or the Department must post a notice on the watercraft advising that the watercraft is abandoned. If the owner claims the watercraft within forty-five (45) days of the date the notice is posted, the watercraft is not considered abandoned.

- (5) A watercraft identified by the Town or the Department as abandoned for at least ninety days may be claimed by any person or entity as abandoned property.

(E) Watercraft titles; notification of transfer.

Any watercraft or outboard motor, or both, held or principally used in this State must be titled by the Department. An owner of a watercraft or outboard motor titled in this State must notify the Department within thirty days if ownership is transferred to another person, entity, or transferred out of state or otherwise disposed.

(F) Exemptions to titling.

Watercraft documented by the United States Coast Guard or its predecessor or successor agency and water skis, aquaplanes, surfboards, windsurfers, and similar devices, and those watercrafts propelled exclusively by human power are not required to be titled.

(G) Certificate of title as evidence of ownership; watercraft from other states.

- (1) A certificate of title to a watercraft or outboard motor is prima facie evidence of ownership of a watercraft or outboard motor. All watercraft and outboard motors subject to the titling requirements of this chapter must be titled.
- (2) No person may acquire a watercraft or outboard motor, subject to the titling requirements of this chapter, without obtaining a certificate of title or in the case of a new watercraft or outboard motor a manufacturer's or importer's statement of origin reflecting the person acquiring the watercraft or outboard motor as the original purchaser as provided in this chapter. In the case of watercraft or outboard motors from other jurisdictions that do not require titling, a bill of sale and proof of registration may be substituted for the title.
- (3) No person may dispose of a watercraft or outboard motor subject to the titling provisions of this chapter without transferring to the person acquiring the watercraft or outboard motor a certificate of title reflecting the transfer of the watercraft or outboard motor. In the case of new watercraft, a manufacturer's statement of origin must be delivered to the purchaser. In the case of watercraft or outboard motors from other states or foreign jurisdictions, which do not title such watercraft or outboard motors, a bill of sale and proof of registration may be substituted.

(H) Seizure of certain watercraft; notice of seizure and of time for removal; forfeiture and disposal.

- (1) A stolen or abandoned, junked, adrift, destroyed, or salvaged watercraft or outboard motor, a watercraft or outboard motor for which the true owner is not determined, or a watercraft or outboard motor on which the manufacturer's or assigned serial number has been destroyed, removed, covered, altered, or defaced may be seized.
- (2) Upon seizure of the watercraft or outboard motor, the Department shall notify a person claiming an interest in it, and the person has the right to prove his interest before the circuit court in the county where the property was seized. If no action is filed within sixty (60) days of notification, the Department may retain the property for official use or transfer the

property to another public entity for official use, sell the property at public auction, or, if the watercraft or outboard motor is determined to be unsafe, destroy it. The proceeds derived from the sale must be deposited in the Boating Operating Fund of the Department for administration of the program.

- (3) When the Department determines the owner of a seized watercraft or outboard motor and related marine equipment, it shall notify the owner by certified mail of the procedure, the location, and the fact that he has not less than thirty days from the date of the certified letter to remove the equipment from the Department's storage facility. If a security interest has been perfected, the Department must notify the lienholder by certified mail allowing thirty days to respond. Failure to respond within thirty (30) days or remove the watercraft or outboard motor by the date designated forfeits the equipment to the department to be used or disposed of according to law.

THIS ORDINANCE SHALL BE EFFECTIVE IMMEDIATELY UPON ITS ADOPTION AT FINAL READING THIS ____ DAY OF _____, 2024.

Alan R. Perry, Mayor
Town of Hilton Head Island

Attest:

Kimberly Gammon, Town Clerk

APPROVED AS TO FORM:

Curtis L. Coltrane, Town Attorney