



Town of Hilton Head Island TOWN COUNCIL MEETING Tuesday, March 5, 2024, 3:00 PM Minutes

Call to Order

Mayor Perry called the meeting to order at 3:00 p.m.

Council Members present: Alan Perry, Mayor, Patsy Brison, Ward 2; Alex Brown, Ward 1; Tammy Becker, Ward 4; Steve Alfred, Ward 5; Glenn Stanford, Ward 6 (joined the meeting via Microsoft Teams).

Council Members absent: David Ames, Ward 3, Mayor Pro-Tempore

Invocation

Reverend Jonathan Tompkins of St. Andrews by the Sea United Methodist Church delivered the invocation.

Adoption of the Agenda

Mr. Alfred moved to approve. Ms. Brison seconded. Motion carried 6-0.

Developmental Disabilities Awareness Month Proclamation - Mayor Alan Perry

Galen Sturup-Comeau was present to accept the proclamation. He thanked Council for the proclamation and provided information and background regarding the program(s) provided by the Beaufort County Disabilities and Special Needs Department.

Hilton Head Island Destination Marketing Organization (DMO) Quarterly Report - Andrew Davis, Director of Marketing and Communication

Andrew Davis provided information and background regarding the efforts being made to inform the public of the progress of the DMO and the reporting process. He introduced Ariana Pernice, Vice President of the Visitor & Convention Bureau, Hilton Head Island-Bluffton Chamber of Commerce to conduct a presentation on the efforts to date.

Ms. Pernice conducted a detailed presentation regarding destination values stating they work with Town and in alignment with our community, our destination's core

values, and how they support out-marketing efforts.

She reviewed highlights from October 2023 through December 2023. She noted the need for positive recognition from a reputable global media outlet, along with alignment of travel trends signifies the success of our marketing shift, emphasizing the destination's relevance and forward-thinking approach. She reviewed the highlights of why tourists come to Hilton Head Island.

Ms. Pernice explained that aligning the Hilton Head Island brand with top luxury media outlets and their readership ensures we're consistently creating awareness of the destination amongst our target audience of \$150k-\$250k+ household income, averaging two to four trips per year.

She noted bringing forward the importance of our destination values to key editors across multiple publications and reaching their qualified audience matters. Ms. Pernice further explained the official Vacation Planner brings our destination into the homes of our visitors, further instilling our core values and key attributes while serving as a planning tool for those looking to travel to Hilton Head Island. The combination of website analytics and social media insights empowers data-drive decision-making, ensuring adaptability and responsiveness to digital out marketing efforts.

Ms. Pernice proceeded to review the social engagement statistics for Hilton Head Island.

Members of Council extended their thanks for the report and efforts to focus on what is needed from our DMO. It was suggested a UR Code be accessible at the kiosks throughout the Island with links to oral histories regarding the Island.

Appearance by Citizens

Diane Baima addressed Council regarding the current struggles regarding housing for residents in Chimney Cove with short-term leases and monthly increases in rent.

Mike Davis addressed Council regarding the abandoned watercraft proposed ordinance asking that they consider limiting where the moorings are permitted to be located and have a requirement regarding distance from housing.

New Business

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

Ms. Luick conducted a presentation and explained 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

Mayor Perry asked for public comment.

Ken Campbell addressed Council and extended his thanks to staff for their efforts regarding the report.

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

Members of Council had questions, comments and discussion regarding: confirmation that the current housing market conditions included in the analysis are from summer of 2023; and market conditions were gathered from Hilton Head Realtors Association as well as various housing related sites.

Concluding discussion, the motion carried 5-1 (Becker opposed).

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

Mr. Gruber provided background and conducted a presentation regarding the item. 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 or other vessels within the territorial jurisdiction of the Town. At its meeting on February 12, 2024, the Community Services & Public Safety Committee unanimously voted to recommend adoption of the proposed Ordinance to Town Council.

Mayor Perry asked for public comment.

Pamela Martin Ovens addressed Council and stated she spoke with boat captains, and they agreed help is needed with the removal of abandoned boats.

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

Members of Council had questions, comments and discussion regarding: the need to control our waterways and environment; acknowledgement of the need to work with the State; the need to work towards reimbursement for removals; confirmation that if the Town were to do the removal there would be a budget proposal to do so; confirmation there has been a partnership between the Town and a non-profit organization and the County to keep the waterways clean.

Concluding discussion, the motion carried 6-0.

Executive Session

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

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

Mayor Perry asked the Town Manager if there was a need to enter Executive Session. Mr. Orlando stated there was a need regarding the items listed above.

At 3:48 p.m. Ms. Brison moved to enter into Executive Session for the reasons cited by the Town Manager. Ms. Becker seconded. Motion carried 6-0.

Mr. Stanford left the meeting at this time.

At 4:55 p.m. Ms. Brison moved to come out of Executive Session. Mr. Alfred seconded. Motion carried 6-0.

Action from Executive Session

Mayor Perry asked if there was any action required as a result of Executive Session.

Ms. Brison moved that Council authorize the Mayor and Town Manager to execute and deliver the agreement by and between the Town of Hilton Head Island, South Carolina, and Herbert Ford, for the purchase and sale of 0.639 acres, more or less, on Marshland Road, and to take such other and further actions as may be necessary to complete the transaction described in the agreement. Ms. Becker seconded.

Mayor Perry asked for public comment. There was none.

Motion carried 6-0.

Ms. Brison moved that Town Council authorize the Mayor and Town Manager to execute and deliver the agreement by and between the Town of Hilton Head Island, South Carolina, and Lawrence Orage, personal representative of the estate of Bessie J. Orage, for the purchase and sale of 0.169 acres, more or less, on Wild Horse Road, and to take such other and further actions as may be necessary to complete the transaction described in the agreement. Ms. Becker

seconded.

Mayor Perry asked for public comment. There was none.

Motion carried 6-0.

Adjournment

The meeting was adjourned at 4:57 p.m.

Approved: March 19, 2024


Kimberly Gammon, Town Clerk


Alan R. Perry, Mayor

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