



Town of Hilton Head Island
PUBLIC PLANNING COMMITTEE
MEETING
Thursday, February 8, 2024, 10:00 AM
Minutes

Call to Order

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

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

Adoption of the Agenda

Ms. Becker moved to amend the agenda by moving item 5.b under New Business to Executive Session. Mr. Stanford seconded.

Ms. Brison stated she would be voting against the motion because she has reviewed the materials and is ready to proceed.

Motion carried 3-1 (Brison opposed).

Approval of the Minutes

Regular Meeting Minutes of January 11, 2024

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

Appearance by Citizens

Jay Sudowski addressed the Committee regarding the timing of the proposed changes in the Short-Term rental maximum occupancy regulations. He noted he submitted a FOIA request regarding issues and questioned the need for such changes.

Patricia Courtney addressed the Committee stating that amendments regarding parking and/or occupancy are trying to fix a problem that has not been identified.

Elizabeth Petro addressed the Committee and thanked them for removing the item regarding the proposed amendments to the Short Term Rental regulations from New Business.

Lee Stevens addressed the Committee for taking on the issue of parking and/or occupancy in regards to short-term rentals and asked that all loopholes be considered.

New Business

Consideration of an Ordinance to Amend the Town of Hilton Head Island Comprehensive Plan to Incorporate a Housing Impact Analysis - Missy Luick, Director of Planning

Ms. Luick conducted a presentation and provided background in regard to Act 57. The

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

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

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

Housing Impact Analysis (HIA) required by Act 57:

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

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

Act 57 Key Points:

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

The Housing Impact Analysis required by Act 57 must include:

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

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

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

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

Procedural steps that must be taken:

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

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

1. Employment Analysis:

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

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

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

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

2. Housing Market Analysis:

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

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

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

3. Housing Market Conditions:

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

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

4. Construction & Development Costs:

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

Land Costs:

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

Construction Costs:

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

Development Fees:

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

Insurance Costs:

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

Mortgage Rates:

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

5. Solving the Housing Crisis:

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

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

Public Review Timeline: Housing Impact Analysis – Comprehensive Plan

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

Members of the Committee had questions, comments and discussion regarding: it was noted that the Town of Hilton Head Island is a leader on this subject and other communities will look at how the Town handled the issue moving forward; and the need to implement as many tools as possible to complete the project.

Ms. Brison moved to move the item forward to Town Council for consideration of approval. Mr. Stanford seconded.

Chair Ames asked for public comment. There was none.

Ms. Becker explained her reason for opposition to the proposed ordinance was that she does not believe government should play a role in development of a housing component.

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

Executive Session

Consideration of an Ordinance to amend Title 10, Chapter 2 of the Municipal Code of the Town of Hilton Head Island to amend Parking and/or Occupancy Regulations for Short-Term Rentals and Short-Term Rental Properties - Missy Luick, Director of Planning

At 10:40 a.m. Ms. Brison moved to go into Executive Session for the reasons stated above. Ms. Becker seconded.

Action from Executive Session

At 11:40 a.m. Council returned to the dais and Chair Ames moved to end the Executive Session and return to the regular meeting. Mr. Stanford seconded. Motion carried 4-0

Chair Ames stated there was no action to take as a result of Executive Session.

Adjournment

The meeting was adjourned at 11:41 a.m.

Approved: March 14, 2024

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