

**The Town of Hilton Head Island  
Budget Workshop  
Thursday, May 05, 2011  
Benjamin M. Racusin Council Chambers  
4:00 P.M.**

**AGENDA**

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- 1. Call to Order**
- 2. FOIA Compliance** – Public notification of this meeting has been published, posted, and mailed in compliance with the Freedom of Information Act and the Town of Hilton Head Island requirements.
- 3. Tax Increment Financing (TIF) Review**
- 4. Capital Improvements Program (CIP) Review**
- 5. Appearance by Citizens**
- 7. Adjournment**

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# M E M O R A N D U M

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**DATE:** May 4, 2011  
**TO:** Town Council  
**FROM:** Steve Riley  
**RE:** Finishing out our Tax Increment Financing District

**Recommendation:** Town Council provides guidance on projects to fund as the Town finishes out the TIF by the end of 2014.

**Background:** In December 1999 the Town created a Tax Increment Financing District (TIF) in an attempt to spur redevelopment. The Town's TIF district, created based on state regulations for municipalities, encompasses a total of approximately 1,400 acres. The district is made up of areas around Coligny and Sea Pines Circles, along Pope and Palmetto Bay Roads and Mathews Drive, and portions of the Stoney and Chaplin neighborhoods. (See Attachment 1 - Map). The district was created for 15 years.

The premise behind the Town's TIF is that the levels of property tax revenues flowing to all taxing entities were frozen when the TIF is created (1999). Any property tax revenues above this level then flow to the Town to be used within the TIF district. These TIF generated funds must be used by the Town to make public improvements within the district which will spur redevelopment within the district. At the end of the TIF, in this case 15 years (2014), these incremental tax revenues begin flowing back to their respective taxing authority. Following state requirements each taxing authority within the district must agree to participate. In the case of our TIF district, this meant Beaufort County, the Beaufort County School District and Hilton Head Island Public Service District Number One. The County and PSD agreed to participate at 100% and the School District agreed to participate at a graduated scale beginning at a 50% participation rate and increasing incrementally over the 15 year life of the TIF to 75%.

In adopting the TIF, the Town developed a tax increment finance plan that describes the district and assesses the conditions of each area within the district. It further provides cost estimates for how the revenues may potentially be allocated. The basis for this estimate was an attempt to ensure that revenues were spent equitably between areas within the TIF and to demonstrate that public improvements identified in various redevelopment plans for these areas were being forwarded.

## **Analysis of TIF Spending**

The attached "TIF Executive Summary" table (Attachment 2) was prepared by staff to summarize the current status of TIF and other spending by area within the TIF district. This table demonstrates that we have been successful in achieving our goal of equitable fund allocation between areas in the TIF and will continue to be based on the direction proposed by staff in finishing the remaining years of the TIF. Column A in this table represents the TIF expenditures by area that were anticipated in the 1999 tax increment finance plan. As you see the total expenditures within the TIF district were anticipated to be \$65,000,000. This \$65,000,000 also represents the 1999 estimate of the total revenues that were expected to be generated over the 15 year life of the TIF district.

Column B in this table identifies by area the actual amount of TIF revenues that have been spent to date. These revenues have been spent to implement the various projects that were identified in our initiative area and redevelopment plans. As you see we have spent a little over \$44,000,000 of TIF revenues to date, leaving just over \$20,000,000 additional TIF revenues to be spent based on our 1999 TIF revenue projections.

Column C identifies additional TIF revenues to be spent. Of this \$20,442,449 identified as future TIF expenditures, \$6,867,449 has already been encumbered or committed by Town Council based on prior budget approvals for projects proposed in the various plans for these areas. This leaves \$13,575,000 to be allocated for projects through 2014 to complete the TIF. Staff has again reviewed the initiative area and redevelopment plans we developed for these areas and are proposing a short list of projects by TIF area they believe Town Council should fund with these remaining uncommitted TIF revenues. The individual cost figures for each of the TIF areas listed in Column C reflect both the already encumbered TIF funds and the estimated cost of the additional projects staff will propose. Column D represents the total of what TIF funds we have spent to date, TIF funds that are encumbered and not yet spent and TIF funds staff propose we spend. As we began our TIF there was concern that the Town would spend a much larger portion of the TIF revenues on the south end of the island (Coligny and Sea Pines Circle areas and Palmetto Bay Road) rather than on the north end of the island. The percentages at the bottom of Column D indicate the opposite will occur if we close out our TIF as proposed by staff. We will actually invest 52% of our TIF funds in Stoney, Chaplin and the Mathews Drive areas.

Column D also indicates another interesting point. Plans always change as we move forward. The original TIF plan proposed funding some soft cost items with TIF such as project management and finance charges. We were able to avoid some of these soft costs by having existing staff manage projects and do more

pay as you go with projects to avoid a large portion of the estimated finance charges. Thus we have been and will continue to be able to apply more of the TIF revenues to the actual hard cost of project design and construction.

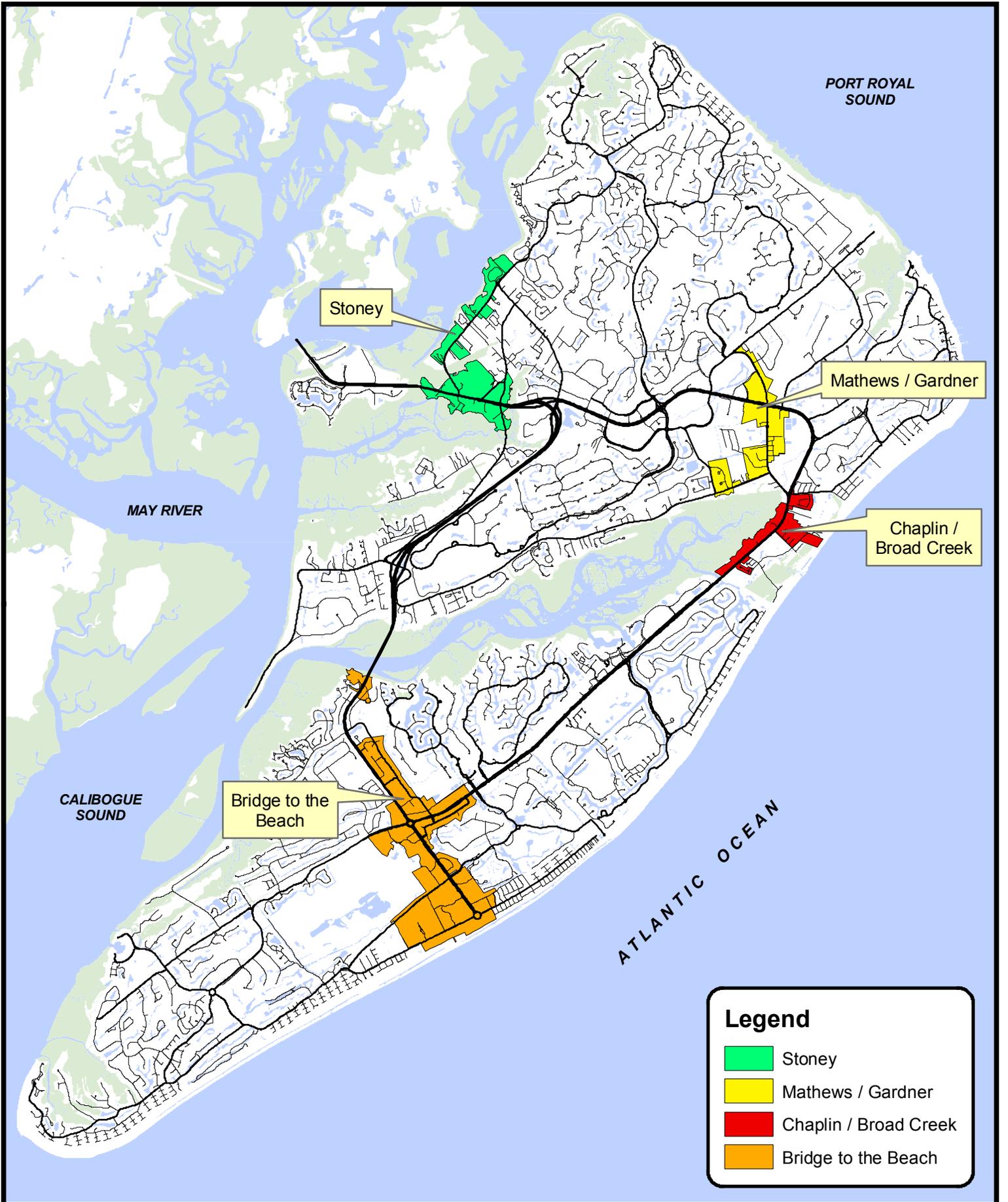
There is one last point I want to make about our TIF that is represented by Columns E, F and G. We have not exclusively funded improvements in these areas with TIF. Column E represents the money the Town has spent on improvements in these areas from other funding sources and Column F represents the additional money other than TIF that is going towards future burying of power lines within the TIF area. Column G provides a total of all funds both TIF and non-TIF that have been spent or that we propose to spend in each area within the TIF. As you can see by comparing Column G to Column A we have spent or will spend significantly more on improvements in all area except one. The total spending in the Palmetto Road area is approximately \$1.7 million less than we estimated in 1999. This is primarily because we have not been able to secure specific property where we hoped to build a water front park.

I have also included a detail report of the expenditures by project. (See Attachment 3.) This report is in the Capital Projects Fund format with which you are familiar. The TIF expenditures are presented from Inception through March 31, 2011.

### **Finishing out the TIF**

Earlier I mentioned that approximately \$13,575,000 of the original \$65,000,000 estimated in 1999 to be generated over the 15 year of the TIF have either not been spent, encumbered or budgeted. Staff has developed a list of future projects they propose be funded with this \$13,575,000 prior to the close out of our TIF district. These projects have been identified in various redevelopment plans and neighborhood plans the Town has prepared over the past 15 or more years. These projects also parallel many of the initiatives identified in our Comprehensive Plan. It is important to note that the \$65,000,000 revenue estimate prepared in 1999 is just that, an estimate. We are all aware of the impact our recent economic conditions have placed on all revenue sources. These 1999 revenue projections for TIF assumed property tax reassessments by the County would have a positive impact on revenue generation. We can no longer assume that and in fact reassessment may have a negative impact on future TIF revenues generated. We do not have a reasonable estimate of the magnitude reassessment may have but if we believe these are important projects we should precede with the understanding we will find other funding to supplement any TIF short fall.

The list of additional projects staff proposes to fund through the end of the TIF are identified in the attached table titled "Proposed Future TIF Funded Projects". (See Attachment 4.) Please keep in mind that as we move forward over the remaining years of our TIF, things may change that will require us to alter the projects we intend to complete. Should situations arise that require such changes, we will inform Town Council and seek your guidance.



**Legend**

- Stoney
- Mathews / Gardner
- Chaplin / Broad Creek
- Bridge to the Beach



TOWN OF HILTON HEAD ISLAND  
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 HILTON HEAD ISLAND, S.C. 29928  
 PHONE (843) 341-4600  
 Date Created: April 27, 2011  
 Project: TF\_HiltonHead.pdf

**Town of Hilton Head Island**  
 Tax Increment Finance District



The information on this map has been compiled from a variety of sources and is intended to be used only as a guide. It is provided without any warranty or representation as to the accuracy or completeness of the data shown. The Town of Hilton Head Island assumes no liability for its accuracy or state of completion or for any losses arising from the use of the map.

## TIF EXECUTIVE SUMMARY

	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>
<b>Tax Increment Sub Area</b>	<b>1999 Estimate Project Expenditures</b>	<b>Spent to Date with Tax Increment Funds</b>	<b>Future TIF Expenditures</b>	<b>Total TIF Spent/Projected</b>	<b>Spent with Other Funding Sources</b>	<b>Future Power Line Burial Expenditures (Non-TIF Funded)</b>	<b>ALL FUNDING SOURCES - Total Spent/Projected</b>
<b>Chaplin/Broad Creek Area Totals</b>	5,520,000	577,177	2,664,049	<b>3,241,226</b>	6,452,184	1,178,176	<b>10,871,586</b>
<b>Matthews/Gardner Area Totals</b>	1,690,000	10,617,183	3,512,928	<b>14,130,111</b>	712,898	-	<b>14,843,009</b>
<b>Bridge to the Beach</b>				-			-
Palmetto Bay Road Area Totals	5,030,000	232,818	13,639	<b>246,457</b>	2,502,592	551,116	<b>3,300,165</b>
Coligny Circle Area Totals	11,450,000	8,775,286	6,911,763	<b>15,687,049</b>	1,257,178	298,722	<b>17,242,949</b>
Sea Pines Circle Area Totals	1,950,000	4,967,033	2,410,550	<b>7,377,583</b>	1,936,299	634,680	<b>9,948,562</b>
<b>Stoney Area Totals</b>	8,200,000	5,394,725	3,233,746	<b>8,628,471</b>	4,343,304	2,376,717	<b>15,348,492</b>
				-			-
Land Acquisition	5,800,000	8,790,102	-	<b>8,790,102</b>	-	-	<b>8,790,102</b>
Studies	500,000	480,850	-	<b>480,850</b>	-	-	<b>480,850</b>
Project Management	3,500,000	649,948	184,330	<b>834,278</b>	-	-	<b>834,278</b>
Contingency	4,360,000	-	-	-	-	-	-
Finance Charges	<u>17,000,000</u>	<u>4,072,429</u>	<u>1,511,444</u>	<b><u>5,583,873</u></b>	<u>-</u>	<u>-</u>	<b><u>5,583,874</u></b>
<b>Totals</b>	65,000,000	44,557,551	20,442,449	<b>65,000,000</b>	17,204,455	5,039,411	<b>87,243,866</b>
			North End Projects Percentage	52.72%	North End Projects Percentage		57.38%
			South End Projects Percentage	47.27%	South End Projects Percentage		42.61%

**Town of Hilton Head Island  
Tax Increment Financing  
Revenue/Debt/Expenditure Analysis  
Inception Through March 31, 2011**

**Project Detail - TIF**

	<u>Total</u>
<b>Administrative</b>	10,689
<b>Consulting</b>	
LDR International	449,016
Wilbur/Smith	24,000
Coltrane (Legal)	159
Pitkin	<u>7,675</u>
	<b>480,850</b>
<b>Debt - 2004</b>	
Principal	4,355,000
Interest	2,288,205
<b>Debt - 2008</b>	
Principal	7,945,000
Interest	1,345,096
<b>Cost of Issuance</b>	
McNair (Legal)	129,628
Alford (Legal)	6,000
Placement fee	80,000
Nexson Pruet	<u>223,500</u>
	<b>439,128</b>
<b>Transfer to General Fund</b>	<b>639,260</b>
<b>Transfer to Beach Preservation</b>	
<b>Pathways</b>	
(52309) Mathews Drive/Marshland South	248,555
(52318) Pope Avenue	2,219,378
(52325) Lagoon Road	126,410
(52326) Avocet Road	146,746
(52309) Mathews Drive/Marshland South	57,162
(52316) Mathews Drive/Marshland Rd.	176,683
(52321) Mathews Drive	140,005
(52328) U.S. 278 Gardner to Mathews	9,616
(52323) Mathews Drive/Islander Drive	928,925
(52319) Palmetto Bay Road	154,137
(52322) Target Road	78,681
(52327) Dunnagan's Alley	11,223
U.S. 278 Wexford to Fresh Market Shoppes	-
Dunnagan's Alley	-
(52324) New Orleans Road	710,473
(52307) Wild Horse Road	<u>-</u>
	<b>5,007,994</b>

**Drainage**

(53168)	Squire Pope Road	0
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**Roadways**

(53105)	Traffic signal mast arms	159,392
(53123c)	Roadway Safety Improvements	169,230
(53103)	Pedestrian crosswalks	-
(53103)	Pedestrian crosswalks	-
(53117)	Coligny Circle reconfiguration	436,706
(53119)	SCDOT road resurfacing - US 278/Deallyon Road & Cordillo Road	334,608
(53119)	SCDOT Road Resurfacing	357,766
(53125)	Directional Neighborhood Signage	102,840
(53130)	Nassau St. Extension	-
(53103)	Pedestrian crosswalks	-
(53103)	Pedestrian crosswalks	-
(53105a)	Traffic Signal Mast Arms	120,294
(53111)	Widen Mathews Drive	8,833,675
(53111)	Roadway Safety Improvements	-
(53120)	Widen Mathews Drive	197,003
(53126)	Mathews Drive/Chaplin Connectivity	21,448
(53182)	Mathews Drive/Marshland Road Connectivity	736
(53139)	Marshland Rd Roundabout	47,357
(53177)	Mathews Dr. N. - Roundabout at Beach City	84,279
(53107)	Widen Office Park Road	1,040,779
(53108)	Long Cove lane extension	50,000
(53112)	intersection improvements	295,826
(53123b)	Roadway Safety Improvements	50,697
(53125)	Directional Neighborhood Signage	-
(53132)	Intersection/Crosswalk Lighting	56,927
(53138)	Dunnagan's Alley Roundabout	216,593
(53137a)	Median Curbing	-
(53103)	Pedestrian crosswalks	110,283
(53103)	Pedestrian crosswalks	170,762
(53105a)	Traffic Signal Mast Arms	-
(53112)	intersection improvements	295,384
(53115)	Horseshoe Rd. connector	951,381
(53118)	Gumtree/Squire Pope Roundabout	1,758,242
(53123)	Roadway Safety Improvements	149,095
(53128)	US 278/ Squire Pope Road	22,052
(53129)	Stoney Secondary Road	40,037
(53179)	Honey Horn Entrance Improvements	-
(53133)	Honey Horn Road Project	200,000
		<b>16,273,391</b>

**Parks**

(52213)	Chaplin Linear Park	-
(52223)	Coligny Beach Park	1,752,000
(52220)	Rock's/Remy's	400
(52219)	Park Upgrades - Compass Rose Park /Art	462,713
(52221)	McKibben Property	5,270
(52222)	Compass Rose Park	1,217,618
		<b>3,438,001</b>

**Facilities**

(57207)	Demolition of Structures	-
(57207)	Demolition of Structures	-
(57013)	Coligny/Pope Avenue Imprv.	31,467
(57207)	Demolition of Structures	-
(57207)	Demolition of Structures	-
(57224)	Fire Station #1 Replacement	1,505,365
(57227)	Fiber to Sheriff's Building	12,000
(57207)	Demolition of Structures	-
(57207)	Demolition of Structures	-
(57207)	Demolition of Structures	-
(57207)	Demolition of Structures	-
(57207)	Demolition of Structures	3,520
(57207)	Demolition of Structures	-
(57014)	Dunnagan's Alley	71,409
(57216)	Sea Pines Circle	82,741
(57217)	McKibben Property	13,872
(57015)	Sewer Service Projects	344,521
(57015)	Sewer Service Projects	326,939
(57019)	Stoney Area CDBG Project	361,169
(57207)	Demolition of Structures	136,676
(57207)	Demolition of Structures	528,184
		<u>3,417,863</u>

**Land Acquisition**

	Hack - Fire Station #3	293,167	
15	Legendary Golf	1,750,000	moved to project
	Town Center (Shipyard fire station)	4,500	
	Hack - Fire Station #3	-	
3	Howell/Arrow Road	800,000	
101	Rock's/Remy's	1,810,036	
	Art Center	636,934	
	Office Park Rd. condemnation	(50,828)	moved to project
	Office Park LLC	727,800	moved to project
29	Land Acquisition Group, LLC	275,000	
84	Williams	551,616	
88	R.G. Holdings	603,550	
	Ackridge	2,510,284	
	Low Country Investments	1,210,944	
	Miscellaneous	94,071	
		<u>11,217,074</u>	
	Total Expended	<u>56,857,551</u>	
	Less Principal Repayment - not subject to cap		
	2004 Bond	(4,355,000)	
	2008 Bond	(7,945,000)	
	<b>Expenditures</b>	<b>44,557,551</b>	

<b>TIF Funded Projects Approved and Budgeted</b>		<b>\$ 6,867,449</b>
<b>TIF Funded Projects Yet to be Implemented</b>		<b>Estimated Cost</b>
<b>Chaplin</b>		
	Chaplin Linear Park w/ Boardwalk	\$ 2,500,000
<b>Mathews</b>		
	Mathews Drive Connectivity	\$ 600,000
	Mathews/Marshland Roundabout	\$ 1,190,000
	Pathway U.S. 278 from Gardner Drive to Matthews Drive	\$ 300,000
<b>Coligny Circle</b>		
	Coligny Area Improvements Phase II	\$ 6,275,000
<b>Sea Pines Circle</b>		
	Dunnagan's Alley Initiative Area Improvements	\$ 550,000
	Rock's/Remy's Park	\$ 30,000
<b>Stoney</b>		
	Traffic Signal U.S. 278/Spanish Wells Road	\$ 150,000
	Sewer Service Projects	\$ 330,000
	Sailing and Rowing Center	\$ 1,650,000
	<b>Total Cost - yet to be implemented projects</b>	<b>\$ 13,575,000</b>
	<b>Total Future TIF Expenditures</b>	<b>\$ 20,442,449</b>