

Memo

To: Town Council
From: Steve Riley, Town Manager
Date: April 20, 2015
Re: USCB

Below is a timeline and links to the agendas/minutes of the workshop regarding USCB, the agendas/minutes of the meetings regarding the TIF Extension, and a link to the the USCB Update on the Town's website.

November 12, 2013 Workshop (Coligny Area/USCB)
<http://www.hiltonheadislandsc.gov/council/tcagendas.cfm>
2013
Select: Select a meeting date: November 12, 2013
Select: View Agenda

May 20, 2014 TIF Public Hearing and First Reading
<http://www.hiltonheadislandsc.gov/council/tcagendas.cfm>
2014
Select a meeting date: May, 20, 2014
Select: View Agenda

June 10, 2014 TIF Second Reading
<http://www.hiltonheadislandsc.gov/council/tcagendas.cfm>
2014
Select a meeting date: June 10, 2014
Select: View Agenda

Town Website USCB Update
<http://www.hiltonheadislandsc.gov/projects/uscb/home.cfm>

AN ORDINANCE APPROVING THE AMENDED TAX INCREMENT FINANCING PLAN FOR THE TOWN OF HILTON HEAD ISLAND, REDEVELOPMENT PLAN, MARCH 2014; AND PROVIDING FOR SEVERABILITY AND AN EFFECTIVE DATE.

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

Section 1. Findings and Determinations. The Town Council (the "Council") of the Town of Hilton Head Island, South Carolina (the "Town"), hereby finds and determines:

(a) The Town is an incorporated municipality located in Beaufort County, and as such possesses all powers granted to municipalities by the Constitution and general laws of this State.

(b) Pursuant to Section 5-5-10, Code of Laws of South Carolina, 1976, as amended (the "Code"), the Town has selected the Council form of government and is governed by a Council composed of a Mayor and six (6) council members which constitute the governing body of the Town.

(c) Pursuant to Ordinance No. 99-35 duly enacted by Council on December 7, 1999, the Town established and approved a plan for the redevelopment of a portion of the Town pursuant to the Hilton Head Tax Increment Financing Development Plan dated October 1999 (the "Original TIF Plan"); designating a redevelopment project area; making findings of the redevelopment project areas a conservation area; and designating redevelopment projects.

(d) The Town has caused to be prepared a redevelopment plan entitled: "Amended Tax Increment Financing Plan for the Town of Hilton Head Island Redevelopment Area, March 2014" (the "Amended TIF Plan").

(e) The Amended TIF Plan amends the Original TIF Plan as follows: (1) Extending the time for the implementation of the Original TIF Plan, as amended, and of the existence of the Town's tax increment financing district (the "TIF District") for an additional 10 years; (2) Increasing the cap on TIF expenditures from \$65 million in the Original TIF Plan to a cumulative \$115 million through the Amended TIF Plan; (3) Describing the TIF Projects which will be included in the Amended TIF plan; and (4) Establishing binding terms and conditions upon which Hilton Head Public Service District (the "PSD"), Beaufort County, South Carolina (the "County"), and the Beaufort County School District, South Carolina (the "School District") (collectively the "Taxing Districts") will agree to participate in the Amended TIF Plan.

(f) The Amended TIF Plan does not change the boundaries of the TIF District.

(g) Pursuant to Section 31-6-80, Code of Laws of South Carolina, 1976, as amended (the "TIF Act"), the Taxing Districts (as defined in the TIF Act) have the right to allow or disallow the revenue generated within the TIF District from millage imposed for each of the Taxing Districts as applied to assessed value above the initial equalized assessed value (the "Incremental Tax Revenue") to be used to fund TIF Expenditures.

(h) On April 1, 2014, the Council adopted a Resolution authorizing the distribution of the Amended TIF Plan to the Taxing Districts and scheduling a public hearing for May 20, 2014, at 5:00 p.m. in Council Chambers at Town Hall.

(i) Pursuant to the Act, the Town distributed the Amended TIF Plan and Notice of Public Hearing to the Tax Districts not less than forty-five (45) days prior to the date set for the public hearing.

(j) The Taxing Districts have each agreed to participate in the Amended TIF Plan by allowing such revenue to be included as Incremental Tax Revenue so long as the following conditions are observed:

(i) The Incremental Tax Revenue generated from the millage of the School District of Beaufort County to be included in funding the Amended TIF Plan will be limited to 75% of its debt service millage provided that the total contribution for the Amended TIF Plan will be no more than \$13,000,000;

(ii) The Incremental Tax Revenue generated from the millage of Beaufort County to be included in funding the Amended TIF Plan will be limited to \$26 million or the cost necessary to establish the University of South Carolina Beaufort campus (as described in the Amended TIF Plan) within the incorporated boundaries of the Town, whichever is less;

(iii) The Original TIF Plan and TIF District will not be further amended or modified without the approval of the Taxing Districts; and

(iv) Participation in the Amended TIF Plan is contingent upon the consent of all Taxing Districts.

(k) It is now in the best interest of the Town for the Council to approve the Amended TIF Plan.

Section 2. Approval of Amended TIF Plan. The Town Council hereby approves and adopts the Amended TIF Plan attached hereto as Exhibit A and incorporated herein by reference.

Section 3. Notice of Public Hearing. The Council hereby ratifies and approves the publication of a notice of public hearing regarding the Amended TIF Plan and this Ordinance having been published in The Island Packet, a newspaper of general circulation in Beaufort County, not less than 15 days prior to the date of such public hearing.

Section 4. Filing of Ordinance. A certified copy of this Ordinance shall be filed with the Clerk of the County Council of Beaufort County and Treasurer of Beaufort County and such filing shall constitute the authority for the extension of the TIF District and collection of the taxes to be deposited in the Special Tax Allocation Fund (as defined in the Act).

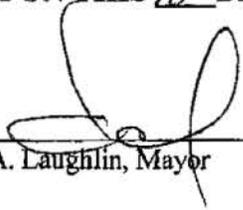
Section 5. Notice. Pursuant to the Act, a notice of the enactment of this Ordinance shall be published in The Island Packet, a newspaper of general circulation in Beaufort County.

Section 6. Declaration of Intent to Reimburse Certain Expenditures. This Ordinance shall constitute the Town's declaration of official intent pursuant to Regulation §1.150-2 of the IRC to reimburse the Town from a portion of the proceeds of the Bonds for expenditures it anticipates incurring (the "Expenditures") with respect to the projects prior to the issuance of tax-exempt bonds. The Expenditures which are reimbursed are limited to Expenditures which are: (a) properly chargeable to a capital account (or would be so chargeable with a proper election or with the application of the definition of placed in service under Regulation §1.150-2 of the IRC) under general federal income tax principals; or (2) certain de minimis or preliminary Expenditures satisfying the requirements of Regulation §1.150-2(f) of the IRC. The source of funds for the Expenditures with respect to the projects will be the Town's reserve funds. To be eligible for reimbursement of the Expenditures, the reimbursement allocation must be made not later than 18 months after the later of (a) the date on which the Expenditures were paid; or (b) the date such projects were placed in service, but in no event more than three (3) years after the original Expenditures.

Section 7. Severability. If any section, phrase, sentence, or portion of this Ordinance is for any reason held invalid or unconstitutional by any court of competent jurisdiction, such portion shall be deemed a separate, distinct, and independent provision, and such holding shall not affect the validity of the remaining portions thereof.

Section 8. Effectiveness of Ordinance; Codification. This Ordinance shall be in full force and effect from and after it is enacted as provided by law

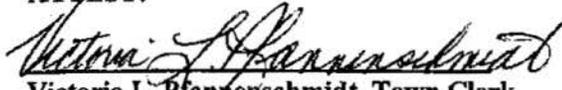
PASSED, APPROVED, AND ADOPTED BY THE COUNCIL FOR THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA ON THIS 10th DAY OF JUNE, 2014.



Drew A. Laughlin, Mayor

(SEAL)

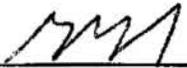
ATTEST:



Victoria L. Piannenschmidt, Town Clerk

Public Hearing: 05/20/2014
Date of First Reading: 05/20/2014
Date of Second Reading: 06/10/2014

APPROVED AS TO FORM:



Gregory M. Alford, Town Attorney

Introduced by Council Member: WILLIAM D. HARKINS

EXHIBIT A

**AMENDED TAX INCREMENT FINANCING PLAN
FOR THE TOWN OF HILTON HEAD ISLAND REDEVELOPMENT AREA**

(See Attached)

**AMENDED TAX INCREMENT FINANCING PLAN
FOR THE TOWN OF HILTON HEAD ISLAND
REDEVELOPMENT AREAS**

HILTON HEAD ISLAND, SOUTH CAROLINA

MARCH 2014

May 2014: Amended Section II. 4. B. to include County's conditions and informed all Taxing Districts of the change.

I. INTRODUCTION

This amendment to the Tax Increment Financing Plan for the Town of Hilton Head Island Redevelopment Area (the "Amended TIF Plan") is intended to modify and supplement the original Tax Increment Financing Plan for the Town of Hilton Head Island Redevelopment Area approved in 1999 (the "Original TIF Plan"). The Original TIF Plan will remain in full force and effect except to the extent modified herein.

The amendments to the Original TIF Plan are being proposed for the purposes of:

1. Extending the time for the implementation of the Original TIF Plan, as amended, and of the existence of the Town of Hilton Head Island's (the "Town") tax increment financing district (the "TIF District") for an additional 10 years;
2. Increasing the cap on TIF expenditures from \$65 million in the Original TIF Plan to a cumulative \$115 million through the Amended TIF Plan;
3. Describing the TIF Projects which will be included in the Amended TIF plan; and
4. Establishing binding terms and conditions upon which Hilton Head Public Service District (the "PSD"), Beaufort County, South Carolina (the "County"), and the Beaufort County School District, South Carolina (the "School District") (collectively the "Taxing Districts") will agree to participate in the Amended TIF Plan.

II. FINDINGS OF FACT

This Amended TIF Plan sets forth the following significant facts supplementing the Original TIF Plan.

1. The Original TIF Plan was approved in December 1999 and has been implemented over the past 14 years, with the desired results of encouraging private investment in the TIF District. Many improvements in the conditions existing in 1999 have been made. However, deleterious conditions continue to exist which cannot be mitigated within the one remaining year and remaining capped expenditures of the original TIF Plan.
2. Additional public investment in the TIF District will encourage additional private development, which will result in increases in the assessed values within the TIF District, and improve land use conditions and improve quality of life for the residents within the TIF District.
3. Continued implementation of the Original TIF Plan, as amended, and completion of the TIF Projects will advance the interests of the health, safety, and general welfare of the Town.
4. Pursuant to Section 31-6-80, Code of Laws of South Carolina, 1976, as amended (the "TIF Act"), the Taxing Districts have the right to allow or disallow the revenue generated within the TIF District from millage imposed for each of the Taxing Districts as applied to assessed value above the initial equalized assessed value (the "Incremental Tax Revenue") to be used to fund the TIF Projects. The Taxing Districts have agreed to participate in the Amended TIF Plan by allowing such revenue to be included as Incremental Tax Revenue so long as the following conditions are observed.
 - A. The Incremental Tax Revenue from the School District for funding the Amended TIF Plan will be generated from 75% of the debt service millage of the School District for no more

than 10 years and not exceed \$13 million in total (the District will retain its total operating millage revenues in the Amended TIF Plan);

- B. The Incremental Tax Revenue generated from the millage of Beaufort County; Beaufort County to be included in funding the Amended TIF Plan will be limited to \$26 million or the cost necessary to establish the University of South Carolina Beaufort campus as described in this Amended TIF Plan within the incorporated boundaries of the Town, whichever is less;
- C. The Incremental Tax Revenue to be included in funding the Amended TIF Plan will be generated from the millage of the PSD for no more than 10 years;
- D. The 10 years of Incremental Tax Revenues in the Amended TIF Plan are based on tax years 2015 through 2024 which correlate with the Town and Taxing Districts' fiscal years 2016 through 2025;
- E. Expenditures from the Original TIF Plan and Amended TIF Plan will not exceed \$115 million;
- F. All Incremental Tax Revenue from the TIF District during the implementation of the Amended TIF Plan will be used to retire tax increment financing bonds or directly pay the costs of the TIF Projects;
- G. The Amended TIF Plan and TIF District will terminate and cease to exist upon the later of the repayment of the tax increment bonds or completion of the TIF Projects;
- H. The TIF Projects as described herein will be the only projects included in this Amended TIF Plan;
- I. The Town will continue to provide the Taxing Districts with an annual report of the Incremental Tax Revenues received and expended;
- J. The geographic area of the TIF District as described in the Original TIF Plan will not be amended;
- K. The Original TIF Plan and TIF District will not be further amended or modified without the approval of the Taxing Districts; and
- L. The consent to this Amended TIF Plan and the agreement to participate in this Amended TIF Plan of each Taxing District is contingent upon the consent of the other Taxing Districts.

III. CURRENT CONDITIONS

While significant improvements have been made in the inadequacy of utilities, deteriorating structures, and excessive vacancies identified in the Original TIF Plan, many areas within the TIF District continue to experience problems associated with the following conditions.

1. Dilapidated, obsolete and deteriorating structures;
2. Structures below minimum Town code standards;
3. Excessive vacancies and abandonment of property;
4. Inadequate utilities;

5. Deleterious land use or layout;
6. Depreciation of physical maintenance;
7. Lack of community planning; and
8. Illegal use of structures.

Eliminating or mitigating each of these problem areas continues to be a priority for the Town. The TIF Projects are intended to directly address the need for catalyzing private investment in distressed and underperforming areas of the TIF District. This public investment is intended to make the area within the TIF District more desirable for residential and commercial development. The quality of life, general safety and welfare of residents of the TIF District and the community as a whole will be greatly improved as the result of the TIF Projects.

IV. DESCRIPTION OF TIF PROJECTS

TIF Expenditures through June 30, 2013 **\$51,875,403**

Through June 30, 2013, the Town has completed most of the projects included in the Original TIF Plan; a few are in progress or not yet started. These actual project expenditures have been reported to the Taxing Districts in the annual TIF report for fiscal year 2013.

TIF Budget for remainder of Original TIF Plan **\$13,124,597**

1. Projects Completed within Original TIF Plan
2. Financing and Project Management
3. Coligny/Pope Initiative Area – Planning/Design/Land Acquisition
4. Chaplin Linear Park – Planning/Design/Phase I
5. Mathews/Chaplin and Stoncy – Planning/Design/Begin Construction

In fiscal years 2014 and 2015 with Original TIF Plan revenues, the Town will make the final interest payments on its 2004 and 2008 TIF Revenue Bonds and incur project management costs. The Town will begin the remaining three groups of projects described below but completion of these projects will likely extend several years into the Amended TIF Plan.

Estimated TIF Expenditures in Amended TIF Plan **\$50,000,000**

As noted above, the TIF Projects in the Amended TIF Plan will consist of projects designed or started in the final two years of the Original TIF Plan. Due to timing and funding limitations or significant project size, these projects will not be complete at the end of the Original TIF Plan. The Town anticipates these project expenditures to be paid with monies generated through the Original TIF Plan, the Amended TIF Plan or both.

1. COLIGNY/POPE INITIATIVE AREA

- A. Coligny Area Improvements
- B. University of South Carolina - Beaufort (USCB) at Office Park Road

2. CHAPLIN LINEAR PARK

3. COMPLETION OF MATHEWS/CHAPLIN AND STONEY PROJECTS

4. FINANCING COSTS AND PROJECT MANAGEMENT

TOTAL TIF EXPENDITURES FOR ORIGINAL AND AMENDED TIF PLANS \$115,000,000

V. TAX INCREMENT FUNDING PLAN

As described above, the TIF Projects in the Amended TIF Plan shall be initially funded with monies generated from the Original TIF Plan and subsequently funded with the monies generated during the Amended TIF Plan. The cumulative TIF Project expenditures for the Original and Amended TIF Plans will not exceed \$115 million.

Additional funding beyond TIF Incremental Tax Revenues for the TIF Projects will come from USCB's fundraising or appropriations, other Town funding sources, investment income, and private fundraising. Some of the remaining TIF Projects are currently in design phases; therefore, final estimated total costs and funding sources have not been determined.

VI. IMPACT ON TAXING DISTRICTS

Based on current millage rates for the Town and the Taxing Districts, the Town estimates the following breakdown of Incremental Tax Revenues by Taxing District over the life of the Amended TIF Plan. These amounts and percentages will change as one Taxing District increases its millage rates independently of the other Taxing Districts. The table below represents only the \$50 million Incremental Tax Revenues planned during the Amended TIF Plan. The Town and its other partners using other public funding sources and private fundraising will provide additional monies to the TIF Projects and other projects within the TIF District.

<u>Taxing District</u>	<u>Percentage</u>	<u>Incremental Tax Revenues Projected During Amended TIF Plan</u>
Beaufort County	52%	\$ 26,100,000
Hilton Head Island PSD	2%	1,100,000
Town of Hilton Head Island	20%	9,800,000
Beaufort County School District	26%	13,000,000 ^a
Total TIF Extension Tax Revenues	100%	\$ 50,000,000

a The School District will participate at 75% of debt service millage and its Incremental Tax Revenues for the Amended TIF Plan will be capped at \$13 million.