



The Town of Hilton Head Island  
**Public Planning Committee Meeting**  
Thursday, August 22, 2019 – 3:00 p.m.  
Benjamin M. Racusin Council Chambers

## **AGENDA**

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*As a courtesy to others please turn off / silence ALL mobile devices during the meeting. Thank You.*

**1. Call to Order**

**2. 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.

**3. Approval of Minutes**

- a. Regular Meeting July 25, 2019

**4. Unfinished Business**

- a. Review of Holes and Shovels on the Beach Ordinance
- b. Acceptance of the Workforce Housing Strategic Plan and consideration of tools and strategies for implementation to address Workforce Availability

**5. New Business**

- a. Discussion of Regional Housing Trust Fund Recommendation

**6. Adjournment**

*Please note that a quorum of Town Council may result if four (4) or more of their members attend this meeting.*



Town of Hilton Head Island  
**Public Planning Committee Regular Meeting**

Thursday, July 25, 2019 at 3:00 p.m.  
Benjamin M. Racusin Council Chambers

## **MEETING MINUTES**

**Present from the Committee:** Chairman David Ames, Tamara Becker, Tom Lennox, Glenn Stanford

**Absent from the Committee:** Bill Harkins

**Present from Town Council:** None

**Present from Town Staff:** Wendy Conant, Code Enforcement Officer; Charles Cousins, Assistant to the Town Manager; Anne Cyran, Senior Planner; Alice Derian, Assistant Facilities Manager; Nicole Dixon, Development Review Administrator; Josh Gruber, Assistant Town Manager; Sally Krebs, Sustainable Practices Coordinator; Scott Liggett, Director of Public Projects and Facilities/Chief Engineer; Savannah Littlejohn, Local Government Intern; Tyler Newman, Senior Planner; Jennifer Ray, Deputy Director of Community Development; Teresa Haley, Senior Administrative Assistant

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**1. Call to Order**

Chairman Ames called the meeting to order at 3:00 p.m.

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

**3. Approval of Minutes**

a. Regular Meeting June 27, 2019

b. Special Meeting June 28, 2019

Mr. Stanford moved to approve the minutes of the June 27, 2019 regular meeting and June 28, 2019 special meeting. Ms. Becker seconded. The motion passed with a vote of 3-0-1. Mr. Lennox abstained as he was not present at the subject meetings.

**4. Unfinished Business**

a. Update on Sea Turtle Protection Ordinance Revisions

Ms. Cyran presented the update as described in the Committee's Memo. No action is recommended by Staff at this time. Further updates and recommendations will be presented at a future Committee meeting. Additionally, staff will be preparing a series of ordinances related to the beaches, traffic, parking, sea turtles, shovels, tents, chairs, and the like. The Committee will be working with staff to review those ordinances in preparation of the Town Council's retreat in December.

The Committee made comments and inquiries regarding the revisions, including: if put into the ordinance, window film would be optional and not a requirement so not to void a manufacturer warranty; the results of the stakeholder meetings; research of model communities pertaining to lighting, shovels, etc.; communication and education on issues to parents versus children; consider putting creative signage at public beach access points to communicate rules; enlist

tourism partners to distribute list of rules to renters prior to their arrival; the Town needs to invest in more personnel to enforce the ordinance; determine the level of restriction the Town desires; and fitting together sea turtle protection, beach safety and aesthetics into an ordinance.

Chairman Ames asked for public comments and the following were received: communication, education, and enforcement of the ordinance are of utmost importance; consider removing trash receptacles and impose on beachgoers to dispose of their waste properly; and the Committee needs to take the lead on beach preservation.

The Committee made additional comments and inquiries regarding: carrying out a prototype on one part of the beach to gain experience and determine cost before creating an ordinance; getting beach resorts more involved to assist with the issues.

Chairman Ames then asked staff to work on and bring forward a definition of shovel, an outlook towards tents, and a draft ordinance of the issues discussed today.

**b. Update on Garden Shovels on the Beach**

Ms. Cyran introduced Ms. Savannah Littlejohn to present the item. Ms. Littlejohn presented information regarding other communities' regulations, education, and enforcement of garden shovels and other similar items on the beach. No action is recommended by Staff at this time. Further updates and recommendations will be presented at a future Committee meeting.

The Committee made comments and inquiries regarding: the type of shovel prohibited by other communities; the size and dimension of holes regulated, whether the other communities have lifeguards on duty.

Chairman Ames asked for public comments and received comments regarding nearby communities' regulations for holes on the beach.

**5. New Business**

**a. Discussion of two potential LMO Amendments (Zero Lot Lines and Clear Cutting)**

The Committee had an in depth discussion regarding zero lot lines and clear cutting.

Mr. Stanford moved that the Public Planning Committee request staff to study the LMO with respect to the lack of limitation that appears to be in the LMO concerning clear cutting and removal of trees over an entire development site. Ms. Becker seconded.

There was additional discussion by the Committee following the motion. A member of the public thanked the Committee for addressing important issues to support the vision of Hilton Head Island.

Upon the conclusion of the discussion and public comments, Chairman Ames called for a vote on the motion. The motion passed with a vote of 4-0-0.

**6. Adjournment**

The meeting was adjourned at 4:17 p.m.

**Submitted by:** Teresa Haley, Secretary

**Approved:** [DATE]



# TOWN OF HILTON HEAD ISLAND

## *Community Development Department*

**TO:** Public Planning Committee  
**VIA:** Shawn Colin, *AICP, Director of Community Development*  
**VIA:** Jennifer Ray, *ASLA, Deputy Director of Community Development*  
**FROM:** Anne Cyran, *AICP, Senior Planner*  
**DATE:** August 12, 2019  
**SUBJECT:** Proposed Ordinance – Regulating Beach Holes & Shovels

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### **Recommendation**

Staff recommends the Public Planning Committee forward the draft ordinance and the recommended methods of education and enforcement to Town Council with a recommendation of approval.

### **Summary**

The proposed ordinance would add regulations on digging holes and using shovels on the beach to the Municipal Code. The regulations would: prohibit digging holes larger than 12 inches deep by 12 inches wide; require anyone digging a hole or creating a sand structure to restore the beach back to its natural condition before leaving the beach; and prohibit shovels larger than 14 inches in length on the beach. Authorized personnel would be exempt from these regulations.

This change will require public education including coordination with the Chamber of Commerce, rental companies, businesses, and volunteer groups. Enforcement of the new regulations may require contracting with a private company to patrol the beach during the summer months to educate beachgoers and to enforce the new regulations. Enforcement should be coordinated with Beaufort County Sheriff's Office, the beachfront planned unit developments, and property owners' associations.

### **Background**

On June 27, 2019, the Public Planning Committee discussed the problems caused by the trend of large holes being dug on the beach. The Committee voted unanimously to recommend to Town Council that large shovels be prohibited on the beach and that staff should report on how this could be enforced.

Staff reviewed the ordinances of neighboring coastal communities, and discussed with them how their regulations are enforced. Communities with successful ordinances have continual public education campaigns and employ authorized personnel to enforce the regulations.

AN ORDINANCE TO AMEND CHAPTER 1 OF TITLE 8 (BEACHES, WATERWAYS, RECREATIONAL AREAS, AND ARTS), OF THE MUNICIPAL CODE OF THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA; TO AMEND SECTION 8-1-211, UNLAWFUL ACTIVITIES ENUMERATED; AND PROVIDING FOR SEVERABILITY AND AN EFFECTIVE DATE.

**WHEREAS**, the Town Council of the Town of Hilton Head Island did previously adopt Chapter One (1) of Title 8 of the Municipal Code of the Town of Hilton Head Island to regulate use of the beaches; and

**WHEREAS**, Town Council desires to regulate holes being dug on the beach that produce problems such as impeding sea turtle access to nesting areas, slowing emergency vehicles, and injuring those who are walking, running, and biking on the beach; and

**WHEREAS**, Town Council desires to amend Chapter One (1) Title 8 of the Town of Hilton Head Island to regulate the digging of holes and the size of shovels allowed on the beach;

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

**NOTE:** Underlined and bold-face typed portions indicate additions to the Ordinance.

**Section 1. Amendment.** That Section 8-1-211 of the Municipal Code of the Town of Hilton Head Island, South Carolina, be and the same hereby amended as follows:

Sec. 8-1-211. – Unlawful activities enumerated.

In order to assure the public health, safety, and welfare of all individuals using the beaches within the town, it shall be unlawful for any person to do any of the following activities on the beaches within the town:

**(22) Digging holes and shovels. No persons shall dig any hole to a depth or width greater than 12 inches. Anyone digging a hole or creating a sand structure on the beach shall restore the sand to its natural condition before leaving the beach but in no case not later than 30 minutes prior to sunset as stated by the National Weather Service. Shovels, except those that are intended for use by children and are less than 14 inches in length, shall be prohibited on the beach. Authorized personnel, including members of the Sea Turtle Patrol, Town employees performing work related to beach preservation, and others approved by the Town shall be exempt from the application of this section.**

**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 of the remaining portions thereof.

**Section 3. Effective Date.** This Ordinance shall be effective upon its adoption by the Town Council of the Town of Hilton Head Island, South Carolina.

**PASSED, APPROVED, AND ADOPTED BY THE COUNCIL FOR THE TOWN OF HILTON HEAD ISLAND ON THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 2019.**

THE TOWN OF HILTON HEAD  
ISLAND, SOUTH CAROLINA

\_\_\_\_\_  
John J. McCann, Mayor

ATTEST:

\_\_\_\_\_  
Krista Wiedmeyer, Town Clerk

First Reading:  
Second Reading:

APPROVED AS TO FORM:

\_\_\_\_\_  
Curtis L. Coltrane, Town Attorney

Introduced by Council Member: \_\_\_\_\_



# TOWN OF HILTON HEAD ISLAND

## *Community Development Department*

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**TO:** Public Planning Committee  
**VIA:** Shawn Colin, *AICP, Director of Community Development*  
**VIA:** Jennifer Ray, *ASLA, Deputy Director of Community Development*  
**FROM:** Jayme Lopko, *AICP, Senior Planner*  
**CC:** Teri Lewis, *AICP, Deputy Director of Community Development*  
**DATE:** July 11, 2019  
**SUBJECT:** Workforce Housing Strategic Plan

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### **Recommendation**

Staff recommends that the Public Planning Committee (PPC) forward a recommendation to Town Council to accept the Workforce Housing Strategic Plan; and, further recommend to Town Council tools and strategies, as outlined in the staff approach, for implementation to address Workforce Availability.

The PPC met on June 28, 2019 to provide clarification and direction on the recommendations presented by staff, which build on recommendations made by Lisa Sturtevant & Associates, LLC.

### **Summary**

A recommendation of approval by the Public Planning Committee will allow staff to bring these recommendations forward in August to Town Council for approval and implementation.

### **Background**

The community has expressed a concern with access and the availability of a qualified workforce including difficulties in finding affordable housing. Workforce availability, with a focus on workforce housing and transportation, has been identified as a key priority of Town Council. The Public Planning Committee (PPC), a subcommittee of Town Council, has hosted a series of stakeholder input sessions to discuss specific needs and goals for affordable housing on Hilton Head Island and to develop a backdrop for moving forward on these issues. Through these meetings it has become evident that affordable workforce housing should be viewed as a critical element of the Town's infrastructure. Town Council held a workshop with staff and the public to begin developing preliminary policy direction related to affordable housing and transportation. This workshop led to a recommendation to hire a consultant.

In August of 2018, the Town hired consultant Lisa Sturtevant & Associates, LLC (LSA) to prepare a Workforce Housing Strategic Plan with goals, objectives, and policies for workforce housing. Staff, working with LSA, the community, and Town Council, utilized the recommendations from the Workforce Housing Strategic Plan, gathered further information, and responded to each recommendation.

### **Attachments**

1. Workforce Housing Strategic Plan Staff Response
2. PPC Discussion Summary
3. Workforce Housing Strategic Plan

## **Workforce Housing Strategic Plan Staff Response June 2019**

Lisa Sturtevant & Associates, LLC (LSA), the consultant hired by the Town to prepare a Workforce Housing Strategic Plan, delivered a series of eight recommendations in April 2019 to be implemented together to provide a comprehensive workforce housing plan for the Town.

Staff agrees that to be most effective, these recommendations should be implemented together; however, based on current staffing levels and funding, as well as community appetite, the Town may need to approach them individually in the near term.

According to the Review of Best Practices: Workforce Housing Strategies by LSA, “workforce housing” is defined as housing that is affordable to working households at a specific income level based on income data published by HUD. Additionally, “affordable housing” refers to below-market-rate housing delivered with some type of public-private partnership or incentive and targets households that earn below 60% of the average median income (AMI).

Staff recommends a workforce housing program for the Town of Hilton Head Island that targets a household income of 30-100% of the AMI for Beaufort County. This target is based on a Policy Response Matrix developed by Community Development staff with responses from the Public Planning Committee (PPC) and Town Council as well as recommendations by LSA. According to the Bowen *Beaufort County Housing Needs Assessment* and the LSA *Workforce Housing Strategic Plan*, the Town may not be able to fully meet the need for workforce housing on the Island; however, any workforce housing units provided would offset the identified need.

### **STRATEGY RECOMMENDATION & IMPLEMENTATION**

1. **CONSULTANT RECOMMENDATION:** Establish a public-private local housing trust fund with a dedicated recurring source of funding.

Local funds are critical for filling the gap between the cost of delivering market-rate housing and the cost of delivering housing at workforce housing prices and rents. In addition, local funding can leverage non-local funds and be used to prioritize housing for workers in the Town. Without a local source of funding, other workforce housing initiatives (e.g., adaptive reuse, density bonus) will not be as successful as they could be.

**STAFF APPROACH:** Staff acknowledges the benefit of a local housing trust fund; however, a regional approach would provide more impact by aggregating funding regionally. Staff recommends evaluating this from a regional perspective by continuing to work with the Southern Lowcountry Regional Board (SoLoCo) through the process to evaluate the creation of a regional housing trust fund and if a recommendation is made, to participate in the fund.



Each participating municipal government would contribute a set amount to the trust annually for use on workforce housing projects within the region. The Town should identify a dedicated source of funding for future contributions to the trust. The money in the trust could leverage a range of additional funding sources, which expands the impact the fund can have. A common use for these funds is financing to close the gap between delivering market-rate units versus workforce units.

Additional details are forthcoming from the SoLoCo Housing Trust Fund Subcommittee. The subcommittee made a recommendation in late May to pursue a regional housing trust fund and will present additional information to the SoLoCo Board in late June.

**2. CONSULTANT RECOMMENDATION:** Create a commercial reuse policy.

The Town should adopt a comprehensive policy that provides the right framework and incentives to encourage appropriate repurposing of commercial buildings as workforce housing. The focus of an adaptive reuse policy should be both on utilizing existing buildings, as well as incentivizing redevelopment.

**STAFF APPROACH:** Staff supports the creation of a commercial reuse policy for the Town that uses floor area ratio (FAR) instead of density for conversion of commercial space to residential space. This would require an amendment to the Town’s Land Management Ordinance (LMO).

Floor Area Ratio (FAR) is the ratio of a building’s total floor area (gross floor area) to the size of the piece of land or property upon which it is built. FAR provides flexibility in mass and scale to better accommodate workforce units in a mixed-use development. For conversion of commercial space to residential space, the base commercial density is used to calculate the FAR for the site. FAR is further explained in Attachment 1 – the Local Planning Handbook’s “Calculating Floor Area Ratio”.

Residential units have been classified below with a minimum size for each type of unit.

***Minimum Unit Sizes***

<b>Unit Type</b>	<b>Minimum Unit Size</b>	<b>Market-Rate Conversion</b>	<b>Workforce Housing Conversion</b>
Micro Efficiency	350 square feet	NA	280 square feet
Studio	500 square feet	NA	400 square feet
1-bedroom	750 square feet	750 square feet	600 square feet
2-bedroom	1,000 square feet	1,000 square feet	800 square feet
3-bedroom	1,250 square feet	1,250 square feet	1,000 square feet

Micro efficiency and studio units are not available for use in market-rate commercial conversion projects. Commercial conversion projects that include at least 10% workforce housing units can include up to 50% of micro efficiency and studio units. The minimum size of residential units can be reduced by 20% as long as it is demonstrated that parking requirements can be met to the extent practicable. Consideration should also be given to requiring a minimum of each type of unit to be provided for workforce housing.

Staff recommends allowing commercial reuse or conversion in each zoning district that allows both commercial and residential uses with the exception of the PD-1 zoning district. Staff further recommends amending the LMO to include residential use as an allowable use in the CC (Community Commercial) zoning district if the proposed residential use is part of a commercial reuse or conversion project.

**3. CONSULTANT RECOMMENDATION: Make Town-owned land available.**

The Town should make some unrestricted and un-programmed Town-owned land available for the production of workforce housing, setting clear goals and objectives in any partnership with a developer that takes advantage of lower-cost land from the Town.

**STAFF APPROACH:** Staff recommends identifying at least one Town-owned property to make available for the workforce housing initiative. This recommendation can be achieved in a shorter term than many of the other recommendations and should be a priority for the Town. There are limitations with the use of Town-owned property.

Hilton Head Island has severe land constraints for developing workforce housing. To achieve the public benefit of providing affordable housing, the Town could consider donating or reducing the cost of land for development of workforce units which would close the gap in the cost of providing market-rate units versus workforce units. The Town successfully donated land for the development of affordable housing units through work with the Habitat for Humanity organization. The Town conveyed property to Habitat for Humanity in 2011 for the development of a 32 lot single-family subdivision. Phase 1 was completed in 2014 and Phase 2 is currently being developed. Town-owned property should only be available for projects that demonstrate that they will meet the workforce housing targets as identified by Town Council.

If Town Council supports this recommendation, staff will work with Town Council to establish criteria to select candidate properties and work through the RFP process. The RFP will identify items such as the number of workforce units required, potential rebate of impact fees, affordability term requirements, etc. If the land is donated by the Town, the developer should receive no property tax or impact fee rebates; however, the developer can request a waiver of County impact fees through the County's affordable housing program. Staff recommends partnering with a group such as the Beaufort Housing Authority (BHA), the potential housing trust fund, or another non-profit to provide income verification or require the developer to provide this as part of the RFP.

4. **CONSULTANT RECOMMENDATION:** Establish a density bonus program.

The Town should amend the LMO to offer a density bonus in certain zoning districts for properties that meet particular criteria (i.e., proximity to jobs, services and/or transportations) in exchange for the provision of workforce housing.

**STAFF APPROACH:** Staff recommends amending the LMO to allow bonus density in certain zoning districts via a Workforce Housing Overlay using FAR as a more effective density calculation than units. The intent is to provide flexibility in the number of units without affecting the character or massing of the structure. Staff recommends partnering with a group such as the Beaufort Housing Authority (BHA), the potential housing trust fund, or another non-profit to maintain the program and provide income verification. Past experience with affordable housing projects has shown that operation and maintenance of such a program is vital. The program must be monitored and education of those interested in participating in the program will be key.

Increased density may not be appropriate Island-wide. Staff recommends certain criteria be met such as proximity to jobs, services, and transportation, etc. to qualify areas for the overlay. These criterion should include a limitation of the use of micro efficiency and studio units in new development of market-rate units and the establishment of a maximum house size. It should be noted that the three existing single-family overlay districts (Forest Beach, Folly Field and Holiday Homes) each already have a FAR and a maximum house size.

The proposed density bonus program should consider a maximum unit size, based on FAR, for each zoning district where this program is permitted. This maximum can only be achieved if there is enough land based on FAR or units must be built smaller. Staff would propose maximum units sizes for each zoning district that allows residential uses with the exception of the PD-1 zoning district.

New development that includes at least 10% workforce housing units can receive a 20% bonus FAR, can include up to 50% micro efficiency and studio units, and the minimum size of residential units can be reduced by 20%. Consideration should also be given to requiring a minimum of each type of unit to be provided for workforce housing. Modifications to parking ratios will also be included as part of the proposed overlay.

New development that takes advantage of the bonus density program and cannot fit the required workforce housing units within their development can pay a fee-in-lieu per unit into a trust or program yet to be defined.

5. **CONSULTANT RECOMMENDATION:** Expand employer-assisted housing programs through a program that provides down payment assistance to public-sector workers.

The Town should take a leadership role by providing housing assistance to public sector employees and encouraging private-sector employers to match the Town's initiative. These efforts should include both down payment assistance, as well as local rental assistance to workers.

**STAFF APPROACH:** Staff would support consideration of a down payment assistance program in the future once an inventory of eligible workforce housing units become available. During discussions related to workforce housing several people mentioned the monthly stipend program that is in place for Beaufort County Sheriff's Office employees who live on the Island. Staff researched this program and found that under this program the County pays \$350 per employee residing on the island per month to offset the cost of living. Staff recommends other employers consider this as a model. For example, the Town currently has 105 employees that live on the island. If all 105 employees qualified for the stipend at \$350 a month, the cost to the Town would be \$441,000 a year; this number could be less if a qualifying threshold was established.

The Town should consider taking a leadership role in encouraging other employers on the Island to provide a similar type of program.

6. **CONSULTANT RECOMMENDATION:** Offer property tax and impact fee rebates.

A property tax and/or impact fee rebate can make it easier to deliver below-market-rate housing. The Town should work both with the County and on its own to offer property tax/impact fee rebates for workforce housing.

**STAFF APPROACH:** Staff recommends integrating assistance with the costs of property taxes and impact fees into the regional housing trust fund program. Additionally, the Town should consider reducing or waiving development application fees for workforce housing applications.

Beaufort County currently reduces their impact fees for affordable housing development. The Town should work with the County to offer a similar reduction in County impact fees for workforce housing development on the Island.

The cost to the Town would be the amount contributed to the regional housing trust fund annually. In mixed income developments, workforce units are the only units eligible for rebate of taxes or fees.

7. **CONSULTANT RECOMMENDATION:** Partner on a home linking/home sharing program.

The Town should be a partner in a resource (e.g., an online portal) that helps employers connect their employees either to housing that might be vacant and available for transitional or temporary rental and/or to existing homeowners who are looking to share their home.

**STAFF APPROACH:** Staff recommends the private sector pursue a home linking/home sharing program.

The Chamber should gauge the interest of the business community to take on this program. If there is a desire for the program then responsibilities should be assigned for elements of the program.

8. **CONSULTANT RECOMMENDATION:** Make rental projects more competitive for Low-Income Housing Tax Credits.

The Town should continue to advocate for changes to the State's Qualified Allocation Plan (QAP) criteria and should promote local policies that encourage the competitive of local projects for tax credits.

**STAFF APPROACH:** The Town should support any efforts to change State programs to benefit Hilton Head Island. The regional housing trust could do this on behalf of regional partners.

Staff will support Town Council's efforts with the State Delegation as needed. Staff recommends Town Council work with the State Legislature on other funding options to be identified.

Along with these eight recommendations, Lisa Sturtevant & Associates, LLC (LSA) delivered a set of activities for capacity building to implement the workforce housing strategies.

Staff agrees capacity building activities are important to help with implementation and ensure the success of the workforce housing plan for the Town.

## **CAPACITY BUILDING**

1. **CONSULTANT RECOMMENDATION:** Develop relationships with local and regional residential developers.

**STAFF APPROACH:** Staff agrees with the recommendation to convene an annual roundtable meeting with developers and nonprofits. This is similar to the roundtable meetings conducted at the onset of this project with the PPC. Urban Land Institute (ULI) is a good resource for meetings and training and Town staff will utilize the nonmember information that is of no cost and available to the public.

2. **CONSULTANT RECOMMENDATION:** Establish procedures for monitoring workforce housing units.

**STAFF APPROACH:** Staff recommends the Beaufort Housing Authority (BHA), the potential housing trust fund, or another non-profit monitor workforce housing units on the Island.

**3. CONSULTANT RECOMMENDATION:** Continued education and outreach activities.

**STAFF APPROACH:** Staff recommends utilizing the Business Workforce Coalition through the Chamber to serve as a workforce housing advisory group. Town Council and PPC meetings are public meetings and should be used to provide regular (semi-annual) updates on workforce housing initiatives.

The Town should develop educational materials and outreach opportunities to support and promote workforce housing initiatives adopted by the Town. Additionally, the Town's website should release program information and project information related to the Town's programs. Allowing those who benefit from the program to tell their stories is a great idea; however, this cannot be achieved until a project has been built and there are success stories to share. This should be a long-term component for the project.

Staff supports the submittal of the workforce housing strategy not only to the ULI awards program, but other organizations like the American Planning Association (APA) for recognition in innovation and success in addressing workforce housing issues.

**4. CONSULTANT RECOMMENDATION:** Create a dedicated staff position to serve as the workforce housing coordinator/planner for the Town.

**STAFF APPROACH:** Staff believes immediate needs can be addressed by existing Community Development staff and that a dedicated position is not warranted at this time. If additional staff is needed, Staff is prepared to work with the County on a joint, regional staffing approach.

## **ADDITIONAL CONSIDERATIONS**

**1. CONSULTANT RECOMMENDATION:** Utilize Accessory Dwelling Units (ADU) as a source of workforce housing and a possible source of income for homeowners.

**STAFF APPROACH:** Staff agrees the Town should explore ADUs as a source of workforce housing, but also a potential source of income for an aging population. Complexities with covenants, especially within PUDs, could require special consideration within those communities to allow this to happen. This could require a referendum vote within the PUDs to allow this type of use.

# CALCULATING FLOOR AREA RATIO

LOCAL PLANNING  
HANDBOOK

## WHAT IS FAR?

Floor area ratio (FAR) is the measurement of a building's floor area in relation to the size of the lot/parcel that the building is located on. FAR is expressed as a decimal number, and is derived by dividing the total area of the building by the total area of the parcel (building area ÷ lot area). FAR is an effective way to calculate the bulk or mass of building volume on a development site, and is often used in conjunction with other development standards such as building heights, lot coverage and lot area to encourage a community's desired arrangement and form of development. In this context, higher FARs indicate greater building volume.

## PURPOSE AND ROLE IN PLANNING

FAR is most often used to express development intensity of non-residential land uses, and integrated into a community's zoning and other land development controls. FAR can be used to either limit the intensity of land use to lessen the environmental impacts of development or to control the mass and scale of development. In addition, by referencing characteristics for a given land use such as number of employees and number of vehicle or transit trips per square foot of building space, FARs can estimate the potential impact of a proposed development scenario. FAR is sometimes used as an analytical tool for projecting the impact of different land use and development intensity scenarios.

## HOW TO CALCULATE FAR

Typically, FAR is calculated by dividing the gross floor area of a building(s) by the total buildable area of the piece of land upon which it is built. Your community may choose to measure floor area and land area differently based upon local standards, policies, and other conditions. However, to calculate FAR using gross floor area and buildable land area, take the following steps:

- STEP 1.** Determine the total BUILDABLE LAND AREA, in terms of square feet, for the site. Buildable land area is that portion of a development site where construction can legally and reasonably occur – so public streets and rights-of way, wetlands and watercourses, and other constraints would not be included.
- Buildable Land Area (B) = (Parcel Width x Parcel Depth) – Square feet of undevelopable land (if applicable)
- STEP 2.** Determine the FLOOR AREA of each story of the building. Calculate the area of each story (floor) of the building, typically measured between the exterior walls. Those portions of each story above the ground surface prior to any manipulation or grading are usually included in the calculation.
- STEP 3.** Determine the GROSS FLOOR AREA of the Building. Gross floor area is the sum of the floor area of each story.
- Gross Floor Area (G) = Floor Area of 1st Story + Floor Area of 2nd Story... for all floors above the ground
- STEP 4.** Calculate the FLOOR AREA RATIO. Divide the GROSS FLOOR AREA by the BUILDABLE LAND AREA. The result is the Floor Area Ratio (FAR).
- Floor Area Ratio (FAR) = (G)/(B)

## FAR ILLUSTRATED

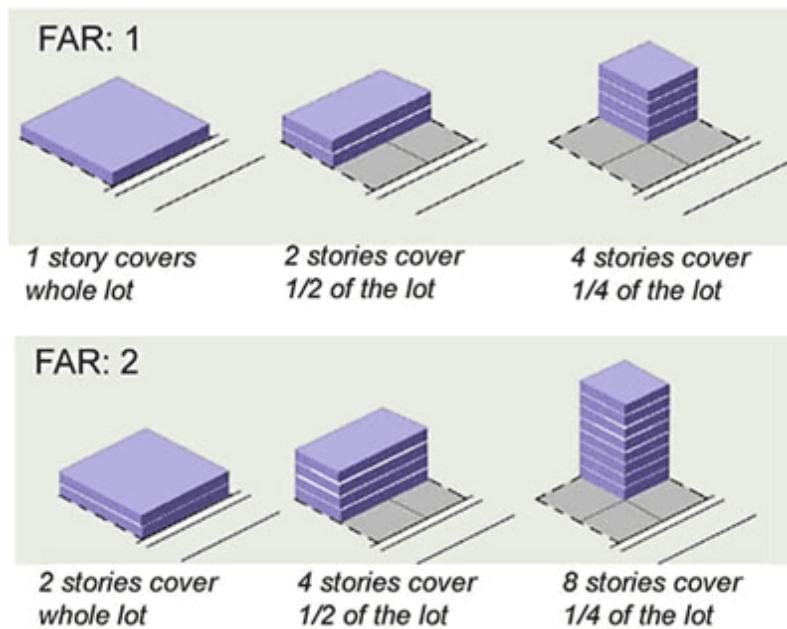


Figure 1. FAR Illustration (Image Credit: Julie Campoli, Visualizing Density)

### EXAMPLE: Calculating FAR

A development company is planning to build a two-story building on a rectangular parcel that has 100 feet of street frontage and 200 feet of depth. The first story measures 50 feet by 200 feet, and the second story measures 50 feet by 200 feet. There are no public rights-of-way, or other exceptional development limitations on the parcel.

**Step 1.** Determine the total BUILDABLE LAND AREA for the site.

$$(B) = (\text{Parcel Width} \times \text{Parcel Depth})$$

$$(B) = 100 \text{ ft.} \times 200 \text{ ft.}$$

$$(B) = 20,000 \text{ ft}^2$$

**Step 2.** Determine the FLOOR AREA of each story of the building.

$$\text{Story 1 Floor Area} = 50 \text{ ft.} \times 200 \text{ ft.} = 10,000 \text{ ft}^2$$

$$\text{Story 2 Floor Area} = 50 \text{ ft.} \times 200 \text{ ft.} = 10,000 \text{ ft}^2$$

**Step 3.** Determine the GROSS FLOOR AREA of the Building.

$$(G) = 10,000 \text{ ft}^2 + 10,000 \text{ ft}^2 = 20,000 \text{ ft}^2$$

**Step 4.** Calculate the FLOOR AREA RATIO.

$$\text{FAR} = G/B$$

$$\text{FAR} = 20,000 \text{ ft}^2 / 20,000 \text{ ft}^2 = 1.0$$



## **Workforce Housing Strategic Plan Public Planning Committee Discussion Summary**

The following is a summary of discussion on the Workforce Housing Strategic Plan recommendations that occurred at the June 28, 2019 Public Planning Committee Meeting (PPC).

Staff recommended a workforce housing program for the Town of Hilton Head Island that targets a household income of 30-100% of the AMI for Beaufort County. PPC recommended that the workforce housing program target 60-80% AMI due to other programs that may provide assistance for lower income households and 100% AMI would be very close to market rate cost.

### **Recommendations**

1. **CONSULTANT RECOMMENDATION:** Establish a public-private local housing trust fund with a dedicated recurring source of funding.

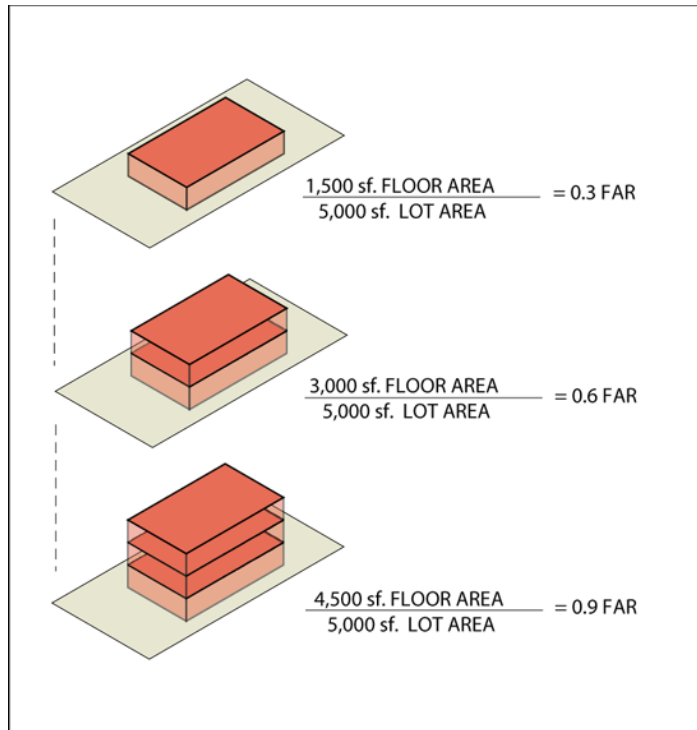
Staff acknowledged the benefit of a local housing trust fund; however, a regional approach would provide more impact by aggregating funding regionally.

PPC requested information on the pros and cons of a local trust fund versus a regional trust fund. The pro of a local housing trust fund is that the local municipality has control over what funds are spent on, as well as where and how the funds are spent. The cons to a local fund is that funding may be limited by the amount the municipality can raise locally and the impact is typically limited to the municipality versus addressing regional problems. The pros of a regional housing trust fund are cost sharing and greater leveraging of each jurisdiction's funding allocation. The dollars that an individual municipality contributes go farther and can have same or greater impact because there are multiple groups contributing. It can also address issues and projects on a regional scale due to the makeup of the group and the potential for higher amounts of money generated. Administration of the fund is not the responsibility of the sole municipality. The con to a regional housing trust fund is that the municipality typically has input but does not have complete control on where the money is spent. It is possible that dollars Hilton Head Island placed into the fund could be spent somewhere else in the region.

2. **CONSULTANT RECOMMENDATION:** Create a commercial reuse policy.

Staff supports the creation of a commercial reuse policy for the Town that uses floor area ratio (FAR) for conversion of commercial space to residential space.

Current commercial density permitted on the island is between 7,000 to 10,000 square feet per net acre, which would result in a FAR of 0.16 to 0.23. Below is an example of different FARs for a 5,000 square foot property.



The Town currently has three existing overlay zoning districts that use FAR for the permitted density. Below is a table showing the maximum allowed gross floor area and the FAR for properties located in each of the three overlay districts.

<b>Overlay District</b>	<b>FAR</b>	<b>Maximum Gross Floor Area Allowed</b>
Folly Field	0.45	4,500
Forest Beach	0.55	5,000
Holiday Homes	0.45	4,000

Staff recommended that commercial conversion projects include at least 10% workforce housing units. PPC noted that the minimum percentage of workforce units required is something that Town Council would need to decide.

Staff has created an inventory of all nonresidential properties on the island, the square footage of structures on the property, if the property is vacant land, and updates the data periodically to include vacant unit(s) and buildings. PPC requested information on the total commercial square footage on the island and how much of that square footage is vacant. Currently, there are approximately 8 million square feet of nonresidential development on the island with just over 300,000 square feet being vacant.

3. **CONSULTANT RECOMMENDATION:** Make Town-owned land available.

Staff recommended identifying at least one Town-owned property to make available for the workforce housing initiative. PPC was concerned that Town land was for use as open space, not development and that construction costs not land costs, were a major issue.

4. **CONSULTANT RECOMMENDATION:** Establish a density bonus program.

Staff recommended amending the LMO to allow bonus density in certain zoning districts via a Workforce Housing Overlay using FAR rather than the current density method of dwelling units per acre. PPC was concerned that there is a finite amount of land and conversion property on the island. There is a need to understand the number of units needed on the island and use that to figure out what incentives to offer.

In public comments it was mentioned that some development may not be able to place all their units onto the property and a fee-in-lieu should be an option for those developers. Staff did not cover it at the last meeting; however, it was recommended that a program to allow new development to take advantage of the bonus density program could be considered. Development that could not fit the required workforce housing units within their development could pay a fee-in-lieu per unit into a trust or program yet to be defined.

5. **CONSULTANT RECOMMENDATION:** Expand employer-assisted housing programs through a program that provides down payment assistance to public-sector workers.

Staff supports the consideration of a down payment assistance program in the future once an inventory of eligible workforce housing units become available. During discussions related to workforce housing several people mentioned the monthly stipend program that is in place for Beaufort County Sheriff's Office (BCSO) employees who live on the Island. There are currently 245 deputies employed by the BCSO with 15 of those residing on the island and receiving a stipend of \$350 a month. The Town could consider a similar stipend program for Town employees to incentivize living on the island while working for the Town. For reference, there are currently 258 employees working for the Town.

6. **CONSULTANT RECOMMENDATION:** Offer property tax and impact fee rebates.

Staff recommended integrating assistance with the costs of property taxes and impact fees into the regional housing trust fund program. PPC was concerned if this would be beneficial since Town impact fees are nominal. Staff shared that applicants often state that waiving fees would be beneficial.

7. **CONSULTANT RECOMMENDATION:** Partner on a home linking/home sharing program.

Staff recommended the private sector pursue a home linking/home sharing program. PPC agreed that this is not a Town initiative.

8. **CONSULTANT RECOMMENDATION:** Make rental projects more competitive for Low-Income Housing Tax Credits.

Staff stated that the Town should support any efforts to change State programs to benefit Hilton Head Island. PPC clarified that the Town should be a proactive leader in advocating for changes to the State's Qualified Allocation Plan and the promotion of local policies that encourage competitive local projects for Low-Income Housing Tax Credits.

#### **Additional Discussion**

During the meeting, staff discussed a website with information regarding low unemployment rates as well as low labor force availability in Bluffton and Hilton Head. Staff recommended that access to labor in outlying Counties may be an effective way to build capacity on the island. The workforce shortage on the island might be better solved through regional transportation solutions.

During the public comment portion of the meeting it was noted that the Town should ensure we keep and sustain current affordable units located on the island.



TOWN OF HILTON HEAD ISLAND

# WORKFORCE HOUSING STRATEGIC PLAN



DRAFT  
APRIL 2019



**Town Council**

John J. McCann, Mayor

William D. Harkins, Mayor Pro Tem

David Ames

Tamara Becker

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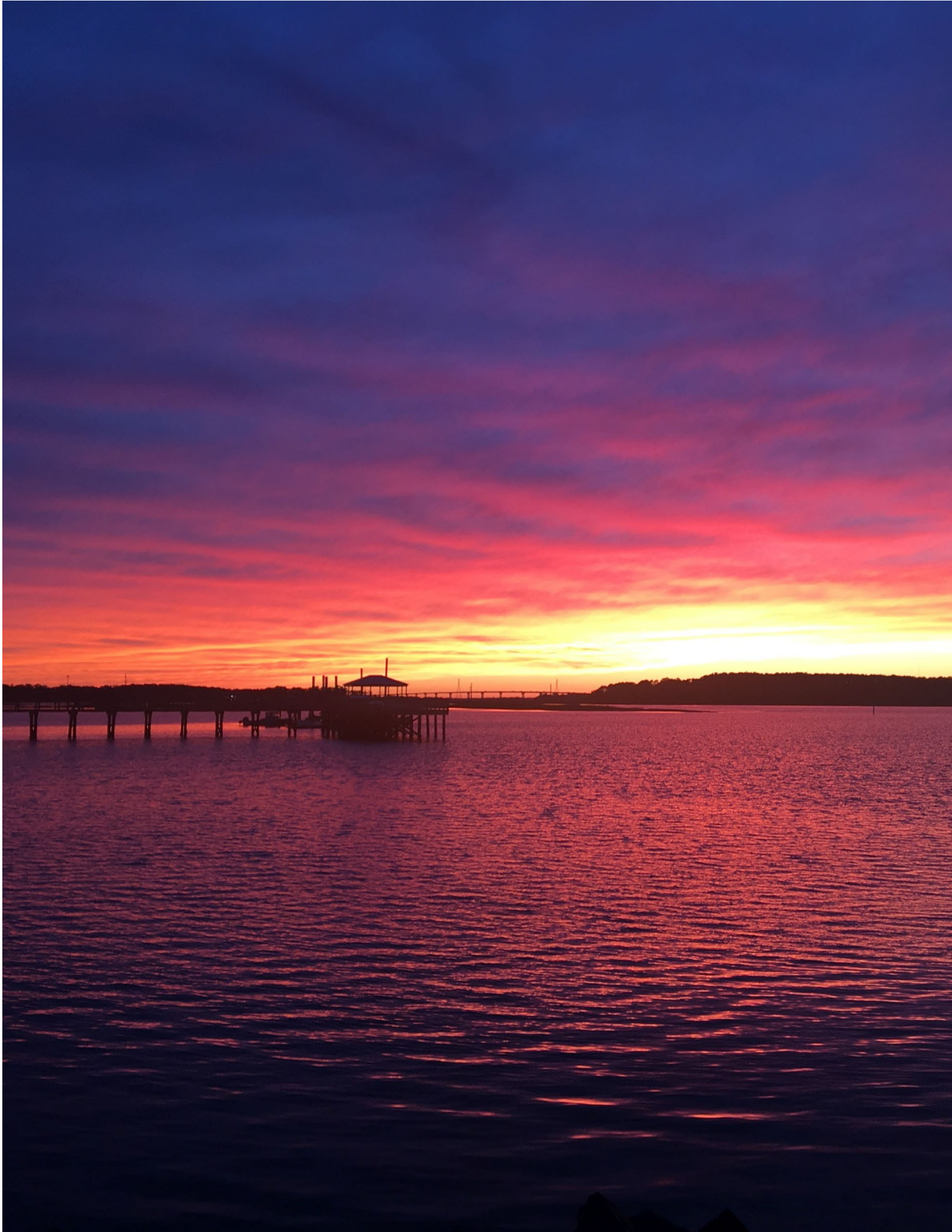
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TOWN OF HILTON HEAD ISLAND

# WORKFORCE HOUSING STRATEGIC PLAN

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## Executive Summary

The *Workforce Housing Strategic Plan* outlines strategies the Town of Hilton Head Island should implement, in collaboration with its private and nonprofit partners, to expand housing options for workers who serve the Hilton Head Island economy and community. This report is the result of a seven-month study process that included input from employers, residents, workers, advocates, Town staff and Town Council members. This plan includes specific recommendations to be adopted by the Hilton Head Island Town Council and implemented as a comprehensive plan to address housing needs and support local economic growth.

### Workforce Housing Definitions

Formally defining workforce housing is a fundamental first step in developing workforce housing policies. The Town of Hilton Head Island should codify a definition of “workforce housing” in the Town’s Land Management Ordinance (LMO) and apply this definition consistently across development proposals. Workforce housing should be defined as rental housing affordable to households with incomes up to 80 percent of the area median income (AMI) or for-sale housing affordable to households with incomes up to 100 percent of AMI.

### Workforce Housing Targets

The production of workforce housing on Hilton Head Island will necessarily come alongside market-rate development. The Town of Hilton Head Island should set as a goal facilitating the construction of 200 total net new housing units each year for the next 10 years, including at least 50 workforce rental units and 33 workforce homeownership units. This level of production will reach only a portion of the workforce housing demand, but the targets are set to reflect market conditions, development constraints and the expected impacts of the recommended workforce housing strategies. However, these targets also represent a purposeful shift in development activity on the Island to accommodate much-needed housing not currently being produced by the private market.

### Workforce Housing Strategies

This Plan includes eight recommended strategies that have been prioritized to have the biggest impact on the production and preservation of workforce housing on Hilton Head Island, while being consistent with the principles developed as part of the workforce housing study process. Many of the recommended strategies must work in concert in order to be most effective. Therefore, this *Workforce Housing Strategic Plan* is designed to be adopted and implemented in its entirety to help ensure that the Town’s efforts to expand workforce housing options are successful and sustainable.

- 1. Establish a public-private local workforce housing trust fund.**

Local funds are critical for filling the gap between the cost of delivering market-rate housing and the cost of delivering housing at workforce housing prices and rents. In addition, local funding can leverage non-local funds and be used to prioritize housing for workers in the Town. Without a local source of funding, other workforce housing initiatives (e.g., adaptive reuse, density bonus) will not be as successful as they could be.

**2. Create a commercial reuse policy.**

The Town should adopt a comprehensive policy that provides the right framework and incentives to encourage appropriate repurposing of commercial buildings as workforce housing. The focus of an adaptive reuse policy should be both on utilizing existing buildings, as well as incentivizing redevelopment.

**3. Make Town-owned land available.**

The Town should make some unrestricted and unprogrammed Town-owned land available for the production of workforce housing, setting clear goals and objectives in any partnership with a developer that takes advantage of lower-cost land from the Town.

**4. Establish a density bonus program.**

The Town should amend the Land Management Ordinance (LMO) to offer a density bonus in certain zoning districts for properties that meet particular criteria (i.e., proximity to jobs, services and/or transportation) in exchange for the provision of workforce housing.

**5. Expand employer-assisted housing programs.**

The Town should take a leadership role by providing housing assistance to public sector employees and encouraging private-sector employers to match the Town's initiatives. These efforts should include both down payment assistance, as well as local rental assistance to workers.

**6. Offer property tax and impact fee rebates.**

A property tax and/or impact fee rebate can make it easier to deliver below-market-rate housing. The Town should work both with the county and on its own to offer property tax/impact fee rebates for workforce housing.

**7. Partner on a home linking/home sharing program.**

The Town should be a partner in a resource (e.g., an online portal) that helps employers connect their employees either to housing that might be vacant and available for transitional or temporary rental and/or to existing homeowners who are looking to share their home.

**8. Make rental projects more competitive for Low-Income Housing Tax Credits.**

The Town should continue to advocate for changes to the state's Qualified Allocation Plan (QAP) criteria and should promote local policies that encourage the competitive of local projects for tax credits.

**Workforce Housing Plan Implementation Steps**

This Plan includes a detailed framework for implementing the recommended workforce strategies. Near-term (with one year), mid-term (within two to three years) and longer-term (within four or more years) strategies are outlined, along with the necessary public, private and nonprofit partners that will need to be involved in the implementation.



# SECTION 1

## BACKGROUND, HOUSING NEEDS + DEFINING WORKFORCE HOUSING



## Introduction

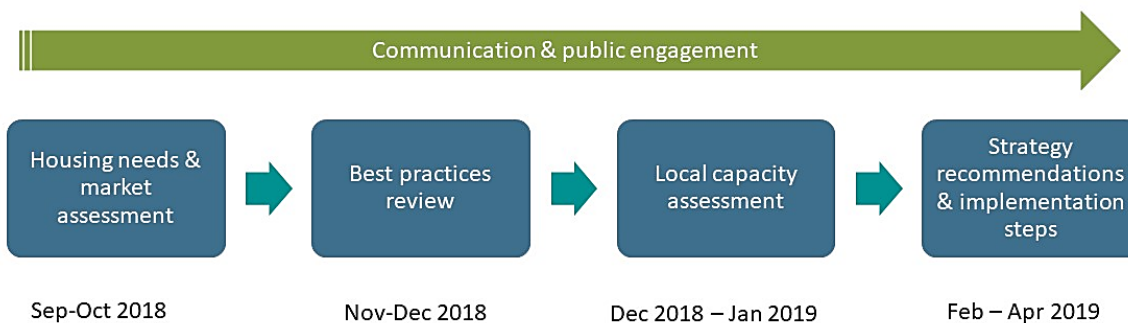
The Hilton Head Island community is facing a growing challenge around ensuring there is a sufficient supply of affordable and appropriate housing to support its workforce. Employers are having a harder time recruiting and retaining workers on the Island. Working individuals and families are increasingly 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 depends in part 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 harder and harder time finding workers who have 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.

This *Workforce Housing Strategic Plan* includes a set of recommendations that are designed to address current and future workforce housing needs in the Town of Hilton Head Island. There is no single initiative or policy that can solve the workforce housing challenge. Rather, this *Workforce Housing Strategic Plan* includes a series of specific policy recommendations that, when implemented together as a comprehensive workforce housing plan, can expand workforce housing options and help meet the community’s changing housing needs.

This strategic plan was developed over a seven-month period. Lisa Sturtevant & Associates (LSA) worked with Town staff to gather data and information, assess current and future housing needs, collect broad stakeholder input and prepare an actionable strategic plan. Contributions from members of the community, including employers, residents, housing developers and members of the Town’s Public Planning Committee were critical to the development of this plan. So, too, was assistance from Community Development Department staff.

Figure 1. Town of Hilton Head Island Workforce Housing Strategic Planning Process





## Past Workforce Housing Initiatives on Hilton Head Island

This *Workforce Housing Strategic Plan* does not represent the first time the Town of Hilton Head Island has pursued affordable and workforce housing strategies. Most of the past Town-initiated programs have been structured to rely on the private development community to produce below-market-rate housing in return for land-use related incentives. The Town has also provided land to nonprofit developers for affordable housing construction. Federal grant money has also been utilized by the Town, but participation in these programs has been limited.

In 1995, the Town Council established the Affordable Housing Task Force, which developed six specific recommendations for addressing housing affordability on the Island. The recommendations included creating stronger incentives to facilitate private development of affordable housing, establishing a Town housing authority and additional planning efforts in Ward 1, among others.

In May 1997, the Town Council established a Housing Commission both to implement the Affordable Housing Task Force recommendations and to formulate other housing strategies. A key initiative undertaken by the Town was a density bonus model called the Family Housing Program (FHP). The FHP provided developers a density bonus option through an overlay zoning district if housing was provided on site. The affordable units could either be for sale or rental, and their affordability was preserved through deed restrictions and covenants. The mortgage or rent payments were capped and occupants were required to meet Town residency and income-eligibility requirements.

Three development projects received approval from the Town Council through the FHP; however, only one was built—the 80-unit Summerfield development that included 19 affordable units. In 2006, the FHP was replaced with the Moderate Income Housing Program (MIHP). The MIHP also used a density bonus model through a floating housing zone that could be applied if affordable units were provided. Soon after its adoption, several issues were raised by the development community regarding the MIHP, primarily related to the deed restrictions placed on the affordable units. The 30-year affordability term was identified as being too long and the deed restrictions also prevented the owners from building equity in the properties. In addition, qualified buyers of the MIHP would often have difficulty securing financing from lenders due to the deed restrictions and re-sale limitations. As a result, the Town council repealed the MIHP in December 2007.

The Town of Hilton Head Island has used Federal HOME grant funds (Home Investment Partnership Program) in the past for affordable housing-related projects. The Town was originally awarded HOME grant funds in June 1999 to provide down payment assistance to qualified buyers. The goal was for the grant funds to facilitate 60 home sales in three years; however, only 10 buyers were assisted through the program. In June 2002, those original HOME funds were de-obligated because the target goals were not met.

Hilton Head Island has an active Habitat for Humanity organization that continues to produce affordable homes for low- and moderate-income homebuyers. In 2010, the Town gave the Hilton Head Regional



Habitat for Humanity organization 14 acres of land to construct a multi-phased development called “The Glen.” Phase 1 of the project was completed in 2014 and includes 16 homes affordable to homebuyers earning between 30 and 60 percent of the area median income. Phase 2, which began construction in the summer of 2018, includes an additional 16 units. The Habitat for Humanity model is funded through donations and grants, and requires hundreds of hours of volunteer labor for each unit. Habitat is able to sell the homes to eligible buyers at below-market prices because the organization takes out a second mortgage on each property to lower the amount of the first mortgage (which is paid by the homeowner) to an affordable level. The provision of free land from the Town is also a significant financial benefit to the Habitat project on the Island.

*Figure 2. Phase 1 of The Glen neighborhood constructed by Habitat for Humanity, Hilton Head Island, SC*





## Workforce Housing Needs on Hilton Head Island

The Town of Hilton Head Island is a key economic engine within Beaufort County and the broader region. However, Hilton Head Island is increasingly competing with the Town of Bluffton and other 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. 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.

There is already some evidence of that impact. Some local restaurant owners are closing down one day a week because they cannot find sufficient staff. Hilton Head Regional Healthcare has been 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 the Town of Bluffton or City of 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 into and home from Hilton Head Island, those commuters will pass by growing areas in Bluffton, Hardeeville, Port Royal and other communities where employment opportunities are expanding.<sup>1</sup> 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.

There will always be workers who choose to live off Island; however, having options for workers to live close to where they work is important for ensuring the continued strength and vitality of the local economy and the health of the community.

There is already a significant housing affordability challenge among current Hilton Head Island residents. About 40 percent of all Hilton Head Island households—including 37 percent of homeowners and nearly half of renters—are housing cost burdened, spending 30 percent or more of their income each month on housing costs.<sup>2</sup> When individuals and families spend a disproportionately high share of their income on housing, there can be too little left over for other necessities, including food, health care, transportation and clothing. There is also less left over to spend on goods and services in the local economy.

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<sup>1</sup> According to recent U.S. Census Bureau data, Hardeeville and Bluffton were the #1 and #2 fastest growing cities/towns in South Carolina between 2010 and 2018. Port Royal ranked #14.

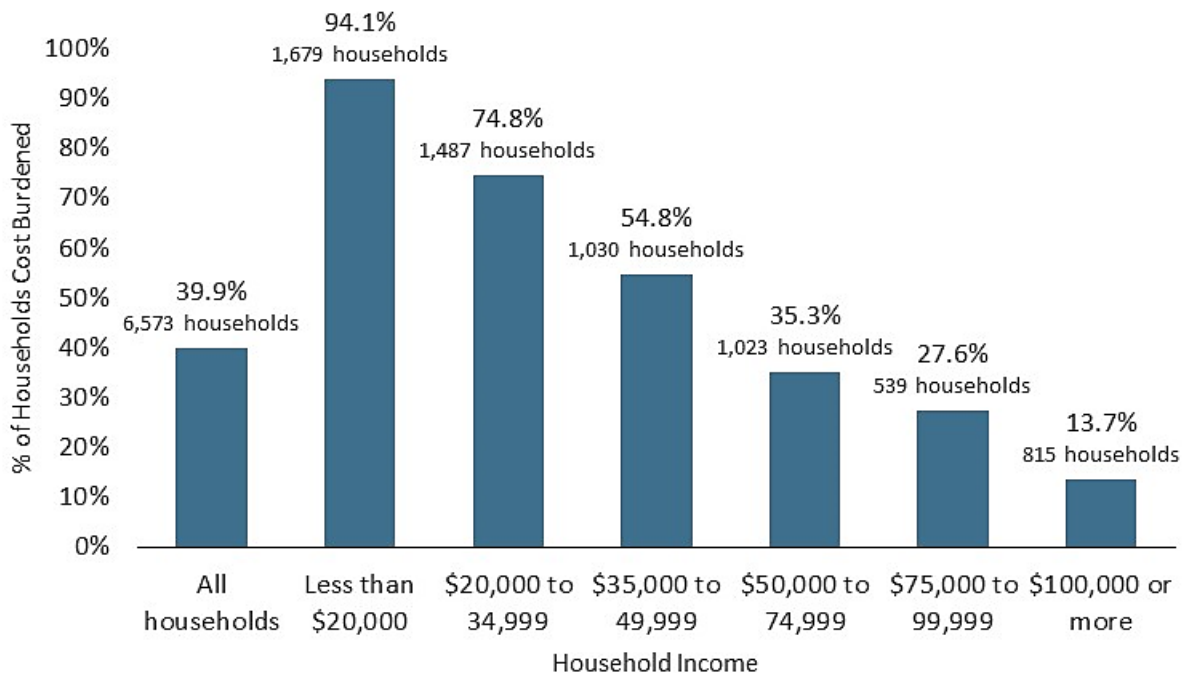
<sup>2</sup> Detailed data are available in the *Hilton Head Island Housing Needs and Market Assessment* report available online at <https://www.hiltonheadislandsc.gov/projects/workforcehousing/housingneeds.cfm>.



The biggest housing challenges are among lower-income households, but there are working individuals and families all along the income spectrum that have a hard time affording housing:

- More than nine out of 10 Hilton Head Island households with incomes below \$20,000 are housing cost burdened. These households include a single, full-time minimum wage worker or a senior or person with a disability living on Social Security.
- About three out of four households with incomes between \$20,000 and \$35,000 are housing cost burdened. Households in this income range include those with two full-time, minimum wage workers or workers in the Accommodation & Food Services, Retail Trade or Arts, Entertainment & Recreation sectors, and some Public Administration jobs.
- More than half of Hilton Head Island households with incomes between \$35,000 and \$49,999 are cost burdened. Households with two workers in the Accommodation & Food Services, Retail Trade or Arts, Entertainment & Recreation sectors fall in this income range. Many other local employees, including teachers, first responders and Town government employees, also have wages that put them in this income category.

Figure 3. Cost Burdened Households by Income Group, Hilton Head Island, 2016



Source: U.S. Census Bureau, American Community Survey, 2012-2016 5-year datafile





Working households, including both those who currently live on Hilton Head Island and those who work on the Island but live elsewhere, have an increasingly hard time finding housing they can afford. For example, there are an estimated 5,000 workers on Hilton Head Island in the Accommodation & Food Services industry.<sup>3</sup> The median wage for workers in this sector is \$22,622 annually. A single person earning this wage could afford rent of no more than \$566 per month. A couple (e.g., married couple or two roommates) could afford rent of no more than \$1,132 per month; they could afford to purchase a home priced at no more than about \$158,000.

Public sector workers, including police officers, teachers, fire fighters and other local government staff, also have a hard time finding housing they can afford in the community they serve. A typical worker in the public sector on Hilton Head Island earns \$39,361 annually and can afford housing costs of no more than \$984 per month. Two public sector workers earning the median wage for the sector earn enough to buy a home priced at not more than about \$275,000.

Figure 4. Median Wages and Housing Affordability on Hilton Head Island, 2016

Industry	Estimated No. of Workers	Median Wage (\$)	Affordable Rent (\$)*	Affordable Homeownership (\$)**
Accommodation & Food Services	5,000	22,622	566	158,354
Retail Trade	2,600	25,993	650	181,951
Administrative & Building Support Services	2,400	20,850	521	145,950
Health Care & Social Assistance	2,400	50,510	1,263	353,570
Arts, Entertainment & Recreation	1,200	23,497	587	164,479
Real Estate & Rental & Leasing	1,200	46,383	1,160	324,681
Professional, Scientific & Technical Services	900	49,327	1,233	345,289
Construction	900	28,138	703	196,966
Finance & Insurance	600	51,359	1,284	359,513
Public Administration***	600	39,361	984	275,527
Transportation & Warehousing	100	41,436	1,036	290,052

Source: U.S. Census Bureau, American Community Survey

\*Rent affordable to one worker at median wage.

\*\*Home price affordable to two workers at median wage, assuming a home price that is 3.5 times annual household income.

\*\*\*Includes teachers, police officers and fire fighters, as well as other state and local government staff.

The existing housing stock on Hilton Head Island does not include sufficient housing at the right prices and rents to meet the needs of the full spectrum of workers on the Island. About two out of five homes listed for sale on Hilton Head Island are priced at \$600,000 or more. Two typical full-time workers with jobs on the Island earn incomes that could allow them to purchase a home priced at no more than \$250,000.

<sup>3</sup> Data on workers on Hilton Head Island are from the U.S. Census Bureau and generally include only permanent jobs. As a result, some seasonal workers are not included in these numbers.



While these workers in this income range comprise nearly half of the Town's employment base, the number of homes in this price range account for just 19 percent of all homes listed for sale.<sup>4</sup>

On the rental side, data from the U.S. Census Bureau suggests that the estimated median rent on Hilton Head Island was \$1,114 in 2016; however, according to current available listings, more than 80 percent of rental apartments and homes on the Island rent for more than \$1,500 a month.<sup>5</sup> There is significant demand from Hilton Head Island workers for housing that rents for less than \$875 per month, but there are relatively few units in that rent range.

The Town of Hilton Head Island needs to facilitate the construction of more housing, and specifically more housing that is available at lower rents and prices. Between 2011 and 2017, the Town of Hilton Head Island issued permits for an average of 116 net new units per year.<sup>6</sup> This workforce housing plan recommends that the Town set as a target 200 net new housing units each year for the next decade, with a shift towards more smaller units, multifamily units and rental units to meet workforce housing needs.

This housing production target reflects a change for Hilton Head Island, both in terms of the number of new homes constructed, as well as the price and rents of available homes. Even at these targets, only a portion of the workforce housing demand will be met. However, these targets are designed to be realistic and achievable given the development constraints and market conditions on the Island.

### **Workforce Housing Targets**

The Town should set as a goal facilitating the construction of 200 total net new housing units each year, including:

100 net new rental units annually, with at least 25% of units renting for \$750 or less and 25% renting for between \$750 and \$1,000.

100 net new homeownership units annually, with 33% of units priced at \$250,000 or below.

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<sup>4</sup> Data are from Zillow.com, as of March 25, 2019.

<sup>5</sup> Median rent data are from the U.S. Census Bureau American Community Survey. Available listings are from Zillow.com, as of March 9, 2019.

<sup>6</sup> Permit data are from the Town of Hilton Head Island.



### **Workforce Housing Principles**

The following principles helped to guide the development of the Town of Hilton Head Island Workforce Housing Strategy. These principles were derived to reflect input from a broad range of community stakeholders on the Island:

1. Hilton Head Island's solutions for workforce housing should be designed to respect the Town's unique natural and cultural resources.
2. Hilton Head Island's Workforce Housing Strategy should include policies that not only provide housing for workers but also promote community on the Island.
3. Creating a range of workforce housing options on Hilton Head Island requires partnerships among the public, private and nonprofit sectors.
4. Incentives for the development of workforce housing should be applied in an equitable manner so that all property owners on Hilton Head Island can realize the economic value of their property.

The Town's workforce housing strategies should be adopted alongside sensible transportation investments



## Workforce Housing Definitions

All workforce housing policies and tools adopted by the Town should be consistent in the types of housing that they seek to promote. Workforce housing definitions should be codified in the Town’s Land Management Ordinance (LMO) and be applied consistently across development proposals. Formally defining workforce housing parameters and eligibility requirements will create a transparent and predictable process for the development community to work with the Town to build and preserve housing that is appropriate and affordable to workers on the Island.

**Income limits:** Workforce housing on Hilton Head Island should target households with incomes between 30 and 80 percent of area median income (AMI) for rental housing and up to 100 percent of AMI for for-sale housing. Income levels should be updated annually when HUD updates its income limits.<sup>7</sup>

Figure 5. FY2018 HUD Income Limits - Beaufort County, SC HUD Metro FMR Area

Income Group	Household Size			
	1-person	2-person	3-person	4-person
30% AMI	15,200	17,350	20,780	25,100
50% AMI	25,300	28,900	32,500	36,100
80% AMI	40,450	46,200	52,000	57,750
100% AMI	50,600	57,800	65,000	72,200

**Prices and Rents:** Workforce housing units need to be made available at rents and prices affordable to the households in the income ranges above. Specifically:

Workforce housing rents should be set at the following levels:

Efficiency or studio (i.e., no separate bedroom): 30% of monthly income for an individual earning between 30 and 80% of AMI

One-bedroom: 30% of monthly income for a two-person household earning between 30 and 80% of AMI

Two+ bedroom: 30% of monthly income for a three-person household earning between 30 and 80% of AMI

Figure 6. Workforce Housing Rent Levels

Unit Type	Workforce Housing Rents
Efficiency/studio (i.e., no separate bedroom)	\$380 - \$1,011
One-bedroom	\$434 - \$1,155
Two-bedroom	\$520 - \$1,300

<sup>7</sup> See HUD Office of Policy Development & Research, <https://www.huduser.gov/portal/datasets/il.html>.



Workforce housing owner-occupied units need to include two mechanisms for setting affordable price levels. The *initial* sales price of a new workforce housing unit should be set at the following levels, with assumptions updated as necessary but at least every year.<sup>8</sup>

Figure 7. Workforce Housing Initial Sale Prices

**Condos:** Assume targeting 100% AMI for a one-person household

Target Income	Interest Rate	Down Payment	Other Monthly Debt	Property Tax Rate	Home Insurance Rate	Monthly Condo fee	Max Price
1-person 100% AMI (\$50,600)	4.415%	\$5,000	\$500	0.48%	0.25%	\$200	\$131,400

**Single-family homes:** Assume targeting 100% AMI for a four-person household

Target Income	Interest Rate	Down Payment	Other Monthly Debt	Property Tax Rate	Home Insurance Rate	Monthly Condo fee	Max Price
4-person 100% AMI (\$72,200)	4.415%	\$5,000	\$500	0.48%	0.25%	\$0	\$263,400

Workforce housing *re-sale* sales prices should be set to allow homeowners to accrue equity but also preserve the home’s affordability for other working households. There are several models for determining re-sale price. The most popular approach to setting a re-sale price is an index-based formula. Typically, re-sale prices will be set equal to the original affordable purchase price plus a set rate of appreciation tied to changes in AMI or the consumer price index (CPI).

It is recommended that the Town of Hilton Head Island calculate workforce housing re-sale prices based on a change in AMI on a 10-year rolling average, which helps prevent a situation in which a homeowner would have to sell at a loss due to a short-term dip in AMI or sell at a price that is unlikely to allow the subsequent homeowner any price appreciation because of a short-term spike in AMI (see below). Affordability terms re-set to 15 years upon re-sale.

<sup>8</sup> See <https://www.realtor.com/mortgage/tools/affordability-calculator>.



Figure 8. Workforce Housing Re-Sale Price Example

Year bought:	2019
Original sales price:	\$263,400
Change in AMI, 10-year rolling average	22%
Year sold:	2024 (owned for five years)
Re-sale price	\$292,374 (original sales price plus 11%, but still affordable to a household with an income of 100% AMI in 2024)

The Town of Hilton Head Island should maintain a waitlist for income-eligible households interested in purchasing either a new or re-sale workforce housing unit. If the homeowner cannot find an eligible buyer within six months of listing the home, the deed restrictions can be written to allow the homeowner to sell at market value to any homebuyer. This provision would remove the unit from the stock of workforce housing. As an alternative, the Town could purchase the unit and make it available as a rental unit to an income-eligible household. The deed restrictions can also allow for exemptions for homeowners who are relocated by their employer more than 50 miles from Hilton Head Island or for military deployment.

**Affordability Terms:** Any housing that is developed under any policy, regulation or incentive adopted as part of the Town’s Workforce Housing Strategy should have put into place a requirement that housing units remain affordable to households at specified income targets for a specified period of time, as follows:

Ownership units: 15-year affordability term, with the term reset upon re-sale

Rental units: 99-year affordability term

The affordability terms are required to be included as deed restrictions on for-sale units and as part of development agreements/conditions of approvals of rental homes.

**Priority Groups:** Priority for any homes created through any policy, regulation or incentive adopted as part of the Town’s workforce housing strategy will be given to new workers with documentation of acceptance of a position with an employer on Hilton Head Island and current Hilton Head Island workers.



# SECTION 2

## STRATEGY RECOMMENDATIONS + IMPLEMENTATION



## Strategy Recommendations: Overview

This *Workforce Housing Strategic Plan* includes a set of recommendations that are designed to address current and future workforce housing needs in the Town of Hilton Head Island. There is no one, single initiative that can solve the workforce housing challenge. Rather, the Town will need to adopt a range of approaches—and make available the necessary resources—to have a comprehensive workforce housing strategy.

This Plan includes eight recommended strategies that have been prioritized to have the biggest impact on the production and preservation of workforce housing on Hilton Head Island, while being consistent with the principles developed as part of the workforce housing study process. Other workforce housing policies and tools were assessed but are not included in this Plan because they were deemed to be less impactful for Hilton Head Island than those included.<sup>9</sup>

### Overview of Workforce Housing Strategies

- 1. Establish a public-private local workforce housing trust fund.** Local funds are an important element of a comprehensive workforce housing strategy for many reasons. First, local funds are critical for filling the gap between the cost of delivering market-rate housing and the cost of delivering housing at workforce housing prices and rents. Second, local funds are essential for leveraging other funding, including funding from the federal and state government. Third, when local funds are used to support workforce housing, the Town can give priority for housing to workers on the Island. Without a local source of funding, other workforce housing initiatives (e.g., adaptive reuse, density bonus) will not be as successful as they could be.
- 2. Create a commercial reuse policy.** Adaptive reuse is an important workforce housing strategy because it makes use of existing structures and places on the Island where there is existing development, often well-connected to jobs, services and transportation. The Town should adopt a comprehensive policy that provides the right framework and incentives to encourage appropriate repurposing of commercial buildings as workforce housing. The focus of an adaptive reuse policy should be both on utilizing existing buildings, as well as incentivizing demolition and redevelopment.
- 3. Make Town-owned land available.** The availability of free or reduced-price land is one of the most valuable strategies for facilitating the production of below-market-rate housing. While there are limitations on how the Town of Hilton Head Island can use Town-owned property, the Town should make some unrestricted and unprogrammed Town-owned land available for the production of workforce housing. The Town can set specific goals and objectives in any partnership with a developer that takes advantage of lower-cost land from the Town.

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<sup>9</sup> A comprehensive list of workforce housing strategies, including those not recommended or prioritized for Hilton Head Island, is included in the Appendix.





- 4. Establish a density bonus program.** Additional density is an important mechanism for closing the gap between the cost of delivering market-rate and workforce housing, and for promoting mixed-income residential development. Increased density is not appropriate everywhere on the Island, so the density bonus policy should be implemented in particular parts of the Town. As such, the Town should amend the LMO to offer a density bonus for properties in certain zoning districts that meet additional criteria (i.e., proximity to jobs, services and/or transportation) in exchange for the provision of workforce housing.
- 5. Expand employer-assisted housing programs.** Providing assistance directly to working individuals and families is an important part of this workforce housing plan for the Town of Hilton Head Island. This assistance helps working households be better able to afford housing offered in the private market. The Town should take a leadership role by providing housing assistance to public-sector employees and encouraging private-sector employers to match the Town's initiatives.
- 6. Offer property tax and impact fee rebates.** A property tax and/or impact fee rebate can make it easier to deliver below-market-rate housing. The property tax/impact fee relief can serve to close some of the gap between the cost of building housing and the income generated by rents affordable to lower-income households. In addition, property tax rebates can also be used as an incentive to rehabilitate dilapidated rental properties when property owners agree to maintain rents at affordable levels. The Town should work both with the county and on its own to offer property tax/impact fee rebates for workforce housing.
- 7. Partner on a home linking/home sharing program.** A creative mechanism for creating more workforce housing options is to connect workers who need housing to available housing units that are un- or under-occupied. The Town should be a partner in a resource (e.g., an online portal) that helps employers connect their employees either to housing that might be vacant and available for transitional or temporary rental and to existing homeowners who are looking to share their home.
- 8. Make rental projects more competitive for Low-Income Housing Tax Credits.** The Low-Income Housing Tax Credit (LIHTC) program is a critical source of federal funding for the production and preservation of rental housing affordable to lower-income households. Projects proposed on Hilton Head Island are having a very difficult time competing for nine-percent credits, largely because of the specific criteria in the current Qualified Action Plan (QAP), the plan that guides the state's tax credit allocation process. However, changes to the QAP, along with changes at the local level, could make projects more competitive. The Town should continue in its advocacy efforts around changes to the state's QAP criteria and should promote local policies that encourage the competitive of local projects.



### Capacity Building to Implement Workforce Housing Strategies

The recommendations included in this *Workforce Housing Strategic Plan* include new incentives and programs to promote workforce housing on the Island, along with significant shifts in the ways in which some development proposals will be processed by the Town. Given the broad set of recommendations proposed to address workforce housing needs, it is important to ensure that the Town and its partners have the necessary capacity to be able to implement the recommendations successfully and to measure progress.

This *Workforce Housing Strategic Plan* advises that the Town undertake a number of capacity building activities to help position staff, elected officials and partners for successful implementation.

**Develop relationships with local and regional residential developers.** The ability to attract high-quality workforce and mixed-income housing development on the Island depends not only on the policies in place but on the capacity of local and regional developers and a collaborative working relationship between the development community and Town staff. Relationships already exist and these recommendations include expanding on those efforts. Suggested activities include:

*Convening a developer roundtable to include both locally active residential developers, as well as nonprofit and for-profit residential developers working in other parts of the county, South Carolina and the south/mid-Atlantic.* The purpose of the roundtable would be to describe the Town's workforce housing policy and incentives, to discuss specific opportunities on the Island, to better understand development and market constraints and to create a ready pool of potential developer partners.

*Attending meetings/training of the South Carolina chapter of the Urban Land Institute (ULI).* ULI SC is based in Charleston and is focusing this year on affordable/workforce housing in the state. The organization hosts a number of meetings and training events. Some are limited to ULI members but others are open to the public. The goal of attending these meetings/events would be for the Town to be part of the regional discussion of affordable/workforce housing efforts, to promote workforce housing opportunities in the Town and to make connections to workforce housing developers.

**Establish procedures for monitoring workforce housing units.** As part of the Workforce Housing Strategy, new residential projects will be incentivized to deliver housing that meets the definition of workforce housing. The Town will need to establish a mechanism for initial reporting of rents/sales prices, on-going monitoring of rent and price levels and certification of the eligibility of households for workforce housing. This function could be the responsibility of Town staff, Beaufort County Housing Authority, a nonprofit organization or some combination.



### Capacity Building to Implement Workforce Housing Strategies (continued)

**Continued education and outreach activities.** In order to build and retain support for the Workforce Housing Strategic Plan, it is important for the Town and its partners to continue public engagement and outreach work. Recommended activities include:

*Creating a workforce housing advisory group.* This group should meet quarterly to hear updates from the Town on workforce housing initiatives, to provide guidance on implementing the plan and to serve as spokespeople in the broader community on workforce housing issues. The six- to 10-person advisory group should be comprised of representatives of residents (representing both inside and outside of the PUDs), employers (public and private sector), employees (public and private sector), advocates and developers.

*Hold quarterly or bi-annual public meetings to provide updates on workforce housing initiatives, including updates on new projects under construction.* Plan these meetings as a public Town Council/PPC meeting or as a separate public meeting.

*Release information on the Town's website when new workforce housing projects are proposed and completed and when new workforce housing programs are implemented.* Provide press releases to local media who have covered workforce housing issues in the Town and county.

*Identify individuals and families on the Island who have benefited from new workforce housing and/or new workforce housing programs.* Provide a venue for them to tell their stories (e.g., blog on the Town's website, podcast/video, story in *Our Town*).

*Consider submitting the Town's workforce housing strategy for recognition by ULI through its award program.* ULI's Larson Award recognizes local policies that have been innovative and successful in addressing workforce housing issues.

**Create a dedicated staff position to serve as the workforce housing coordinator/planner for the Town.** Based on an assessment of the level of effort that will be required to implement the set of workforce housing recommendations included in this plan, and the review of current staff responsibilities, it is recommended that the Town have new staff resources dedicated specifically to workforce housing on the Island. A workforce housing position could either be a new Town position, a dedicated portion of an existing staff position within the Town, a new position shared and funded jointly by the Town and the county or a position partially funded by private employers. Given the nature of the workforce housing recommendations, the staff person on point for workforce housing in the Town should have a background not only in planning and community development, but also development finance.



## Strategy Recommendations: Implementation Steps

Each recommended strategy includes a series of specific steps the Town and its partners will need to take to implement the strategy. These implementation steps include those that should be undertaken in the near-term (within one year), in the mid-term (within two to three years) and in the longer-term (within four or more years). Many of the recommended strategies must work in concert in order to be most effective. Therefore, this *Workforce Housing Strategic Plan* is designed to be adopted and implemented in its entirety to help ensure that the Town's efforts to expand workforce housing options are successful and sustainable. These actions are intended to be taken alongside the capacity building activities recommended above.

### **Workforce Housing Partners**

TC	Town Council
PC	Planning Commission
CDD	Community Development Department
FD	Finance Department
NPD	Nonprofit developers
FPD	For-profit developers
BCHA	Beaufort County Housing Authority
BCC	Beaufort County Council
CoC	Hilton Head Island-Bluffton Chamber of Commerce
FI	Local financial institutions (e.g., banks, lenders)



## Detailed Workforce Housing Strategies and Implementation Steps

**1. Establish a public-private local workforce housing trust fund.** Local funds are critical for filling the gap between the cost of delivering market-rate housing and the cost of delivering housing at workforce housing prices and rents. Local funds are essential for leveraging other resources, including funding from the federal and state government. In addition, when local funds are used to support workforce housing, the Town can give priority for housing to workers on the Island.

Without a local source of funding, other workforce housing initiatives will not be as successful as they could be. Local funding can be combined with a density bonus to facilitate the development of more workforce housing units or units affordable to lower-income working households. A source of local funding can also help make projects more competitive for Low-Income Housing Tax credits.

In the most effective local housing trust funds, public dollars are used to leverage a range of additional funding sources, which expands the impact the fund can have. On Hilton Head Island, a local housing trust fund should combine resources from the public sector and the private-sector employer community.

The funds should be used to provide loans which are funneled back into the trust fund to be re-used for subsequent projects. Therefore, the Hilton Head Island housing trust fund should be set up as a revolving fund.

Finally, effective local housing trust funds typically have a dedicated source of funding, outside of the annual municipal budget process. Hilton Head Island should ultimately establish a dedicated stream of funding for the local housing trust fund.

***Estimated costs: \$200,000 annually (near-term)***

***Partners: TC, CDD, BCHA, CoC, FI***

### **NEAR-TERM (WITHIN 1 YEAR):**

**Identify the appropriate organization to administer the housing trust fund.** The local trust fund can be administered by the Town or by an independent organization. The decision on the administering agency should be made by the Town Council and staff, and will depend on the capacity of Town staff and local nonprofit organizations that might be in a position to administer the fund.

A Town-administered fund should be incorporated to allow for private contributions to come into the fund. Specific legal guidance should be sought before establishment of the fund.

A Town-administered fund should also establish a community advisory board to oversee the funding decisions.

If a nonprofit organization is identified to administer the fund, the fund can be set up as a 501(c)3 to allow for contributions from the private sector.



**Establish goals and funding mechanisms for the trust fund.** The housing trust fund should be set up to support projects and programs that explicitly lead to increased production of, preservation of or access to workforce housing on Hilton Head Island. The trust fund should give priority to projects that leverage other funding (e.g., LIHTC, employer funds) and/or projects that are deemed to meet an urgent need (e.g., acquisition of an existing affordable building at risk of redevelopment).

All funding from the trust fund should be made in the form of no- or low-interest loans repaid to the fund. Specific funding mechanisms can be made jointly by the Town and the housing trust fund advisory board. However, the funding approach should be set up so that the fund acts as a revolving loan fund.

**Establish the process for receiving applications for trust fund resources.** Funding can be made available in one of two ways: 1) through a formal RFP process which has specific dates for application or 2) on an on-going basis. A preference would be for an on-going application which allows projects to more easily compete for other funding while applying for local funding at the same time. However, it might be administratively easier to establish a specific timeline for the first allocations from the trust fund.

**Allocate local public resources in FY2020 in the amount of \$200,000.** The Town should commit a first-year funding amount to seed the trust fund, to allow an example project or projects to be funded and to demonstrate commitment to workforce housing on the Island. Initial funding support from the local housing trust fund could support workforce housing projects that take advantage of other policies and tools established as part of this workforce housing strategic plan.

The public funding should also serve to leverage private-sector contributions to the trust fund (see below).

**Establish employer commitments of resources to the fund in the amount of at least \$200,000 in FY2020.** It is important to partner with private-sector employers on the Island to fund the housing trust fund. The Town should work with the Chamber of Commerce to encourage private-sector employers to contribute to the fund. In the first year, resources from the private sector will be made as a voluntary contribution until a more formal process can be established.

There is a stated commitment from some segments of the employer community to financially contribute to workforce housing solutions and this initial contribution will allow them an opportunity to fulfill that commitment.

It must be made clear to employers that contributions to the local housing trust fund do not result in a *quid pro quo* for workforce housing options set aside specifically for their workers. The objective of the local housing trust fund is to establish a broad-based source of funding to support comprehensive workforce housing initiatives that will benefit the overall Hilton Head Island community.

**MID-TERM (2 TO 3 YEARS):**

**Allocate trust fund resources to at least one project or program.** In the second year, the trust fund should have completed an allocation to at least one workforce housing project or program.

**Identify a dedicated source of local public funding to the local housing trust fund that would come outside of the annual budget allocation process.** Potential sources of a dedicated public funding source could include:

- percentage of business licenses and franchise fees
- percentage of local accommodation tax rate
- percentage of property tax rate\*
- percentage of an increased hospitality tax \*
- short-term rental (i.e., Air BnB) fee/tax\*\*

\*Need for county/state authorization

\*\*Town would need to implement new fee/tax

**Monitor and report out on projects and programs supported with trust fund resources.** The Town should publicize the projects and programs supported with trust fund resources.

**LONGER-TERM (4+ YEARS):**

**Explore creating an in-lieu fee/contribution option to the trust fund as part of the bonus density program.** Part of the overall workforce housing strategic plan is the establishment of a bonus density program that allows developers to receive an increase in density in exchange for the provision of workforce housing (see below). In most cases, the Town's goal should be to incentivize the creation of workforce units on-site. However, for some sites, it may be more favorable to allow developers to receive the bonus density and to contribute a fee in lieu of building on-site workforce housing units. This fee could be leveraged with other trust fund resources to promote the production or preservation of workforce housing on other sites.

**Advocate for state authorization to increase the local hospitality tax as a dedicated source of funding for the trust fund.** According to state statute, local municipalities may impose a local hospitality tax of no more than two percent. All proceeds from a local hospitality tax must be kept in a separate fund segregated from the municipality's general fund. Use of the revenue from the hospitality tax is limited to:

1. tourism-related buildings including, but not limited to, civic centers, coliseums and aquariums;
2. tourism-related cultural, recreational or historic facilities;
3. beach access and renourishment;
4. highways, roads, streets and bridges providing access to tourist destinations;
5. advertisements and promotions related to tourism development; or
6. water and sewer infrastructure to serve tourism-related demand.



The Town and its employer partners (e.g., representatives of the restaurant and resort industries), potentially in partnership with other South Carolina municipalities, should advocate for the authority to raise the local hospitality tax and dedicate the revenue raised by that increase to the local housing trust fund.

**Continue to monitor and report out on projects and programs supported with trust fund resources.** Modify the structure and/or processes of the trust fund, as needed.





**2. Establish a commercial reuse policy.** Adaptive reuse projects create new housing in existing buildings once used for commercial, industrial or public purposes. Adaptive reuse provides an option for expanding housing options in an environmentally sustainable way, while also preserving existing community structures. Alternatively, an adaptive reuse policy can be extended to encourage the demolition and redevelopment of existing commercial structures at similar or higher densities to accommodate residential or mixed-use development.

While there are opportunities to repurpose commercial buildings on Hilton Head Island for workforce housing, not all commercial properties provide the same types of efficient options. Adaptive reuse is not always viable. Sometimes, it is financially more efficient to tear down and rebuild, rather than trying to repurpose an existing commercial structure as a residential building.

The Town should adopt a comprehensive adaptive reuse policy that provides the right framework and incentives to encourage appropriate repurposing of commercial buildings as workforce housing. The policy should be designed to cover potential re-use of 1) commercial buildings that can be repurposed into residential space and 2) commercial buildings that can be torn down and redeveloped as residential or mixed-use development.

***Expected Costs: Administrative***

***Partners: CDD, NPD, FPD, FI***

**NEAR-TERM (WITHIN 1 YEAR):**

**Allow developers to request a zoning change to accommodate workforce housing on a site that currently houses a commercial building.** As part of the rezoning, establish residential density based on floor area ratio (FAR) rather than units. Under this strategy, development proposals could request a rezoning either to maintain and reuse an existing commercial structure as residential space or to tear down and redevelop existing commercial space.

Additional provisions:

- Commercial reuse projects must allocate 50 percent of the total FAR as workforce housing to qualify for the rezoning.
- Projects designed as communal living arrangements (see description below) must go further and include 100% of the FAR as workforce housing affordable at 60 percent of AMI.
- On-site parking requirements are set at one spot per 700 square feet.

*Examples under base density assumptions:*

*Assume commercial allowable density is 10,000 sf per acre. Under “base” scenario, allow residential density in the amount of 10,000 residential square feet per acre.*

*Potential development scenarios:*

*13 units per acre at 750 sf / unit (i.e., mostly one-bedroom units). At this level of development, the impact on trip generation and parking needs would not exceed what would have been generated by the commercial use. Total of 13 residents, 14 parking spots. Half of all units must be affordable to individuals at 80 percent of AMI.*



*10 units per acre at 1,000 sf / unit (i.e., one and two bedrooms.) Again, at this level of development, the impact on trip generation and parking needs would not exceed what would have been generated by the commercial use. Total of between 10 and 20 residents, 14 parking spots. Half of all units must be affordable to one or two persons at 80 percent of AMI.*

*32 “beds” per acre / 8 quad shared living “units” per acre, assuming a communal living/shared kitchen set up (250 sf) with four individual bedrooms (250 sf each). Total of 32 residents, 14 parking spots. To qualify for the rezoning, all communal living “bedrooms” must be at rents affordable at 60 percent of AMI for an individual. Project must include a transportation management plan.*

Density bonus provision:

- For projects that involve redevelopment (i.e., the tear down of existing buildings), provide a bonus density of 2.0 times the base density if the project meets the following criteria:
  - includes 50% workforce housing units
  - includes street level commercial space and
  - is located within a half mile of a transit stop or includes a comprehensive transportation plan designed to mitigate traffic impacts.

#### **MID-TERM (2 TO 3 YEARS):**

**Develop a motel conversion ordinance.** Allow the conversion of motel rooms to residential units on a one-for-one basis through a Special Use Permit if units are made available as workforce housing. Allow the Special Use Permit for motels up to three stories.

**Change land use designations on big box sites and strip commercial sites where mixed-use redevelopment is appropriate.** This designation can provide an incentive for developers to look for opportunities to tear down and rebuild big box and other large commercial centers as mixed-use, walkable areas that include both market-rate and workforce housing, along with commercial uses. Through the rezoning process, developers may achieve additional density under the density bonus policy (see above) in exchange for the delivery of workforce housing units as part of the project.

**Adopt a vacant structure fee.** The Town should implement a fee on vacant and/or dilapidated commercial structures to provide an inducement to property owners to sell, improve or redevelop their property. Town staff and Town Council should determine the appropriate fee level.

#### **LONGER-TERM (4+ YEARS):**

**Offer financial incentives to developers interested in repurposing commercial space as workforce housing.** As the Town gains better understanding of how well the market supports the repurposing of commercial space as workforce housing (with appropriate zoning and land use incentives), there may be later opportunities to target financial incentives so that less immediately viable commercial sites can be converted into workforce housing.

**Evaluate the effectiveness of the policy and revise, as necessary.** Review projects built under the policy and solicit feedback from developers on the program’s parameters.



**3. Make Town-owned land available for workforce housing.** While there are limitations on how the Town of Hilton Head Island can use Town-owned property, the Town should make some unrestricted and unprogrammed Town-owned land available for the production of workforce housing.

The provision of free or reduced cost land is an important way to close the gap between delivering market-rate and below-market-rate housing, particularly in communities like Hilton Head Island with severe land constraints. In addition, making Town-owned land available is critical to public-private partnerships to create workforce housing options on the Island. Land is a major driver of the cost of development. Town control of land also provides the opportunity to incentivize the types of workforce housing projects that will meet the community's housing needs while also preserving other community goals.

**Expected Costs: Administrative, property tax/impact fee rebate**

**Partners: TC, CDD**

**NEAR-TERM (WITHIN 1 YEAR):**

**For Town-owned land where the bond restrictions do not explicitly say land is to be dedicated for conservation/open space and where land is currently not planned or programmed for other uses, prioritize sites for development of workforce housing.** Prioritization should take into account suitability of land for residential development, including the size and shape of the parcel, opportunities for parcel consolidation, considerations related to access to jobs and transit, environmental sensitivities and other site issues.

**Issue an RFP for development of a 100% workforce housing or mixed-income housing project on one Town-owned site.** The Town should develop specific criteria and goals for the site. While the specific priorities of the RFP will depend on the specific site, it is recommended that the RFP include the following elements:

- Town will rezone land to implement bonus density provision.
- At least 50% of units in the project should be workforce housing units.
- Town will provide property tax and/or impact fee rebate.
- Projects that include the following will be rated more highly:
  - provision of units affordable to households at 50% of AMI
  - permanent affordability term

The RFP should be circulated to local and regional developers, as well as more broadly through ULI and other networks.

**MID-TERM (2 TO 3 YEARS):**

**Solicit feedback from the developer community on the RFP process.** The Town should ask for formal feedback from the development community on the RFP process. This feedback should come both from the successful applicant, as well as other developers that either submitted unsuccessful applications or chose not to submit.



**Identify a second Town-owned site for workforce housing.** Revise, as necessary, the RFP and criteria and issue the RFP for a second project.

**Monitor and report out on the projects built with Town-owned land and modify the policy, as necessary.**

**LONGER-TERM (4+ YEARS):**

**Consider issuing bonds to purchase land specifically for workforce housing.** If the Town-owned land RFP process results in successful workforce housing developments, the Town could purchase additional land with the specific goal of a public-private partnerships for workforce housing.



**4. Establish a density bonus for workforce housing.** The Town should offer a density bonus in certain zoning districts in exchange for the provision of workforce housing.

Additional density is an important mechanism for closing the gap between the cost of delivering market-rate and below-market-rate housing. Increased density is not appropriate everywhere on the Island so the density bonus policy should be implemented in particular parts of the Town, as described below. It is important that the density bonus be applied in a transparent process so that developers have predictability in the approval process and so that the Town can be assured that workforce housing goals are met.

**Expected Costs: Administrative**

**Partners: TC, PC, CDD, NPD, FPD**

**NEAR-TERM (WITHIN 1 YEAR):**

**Modify the LMO to include a bonus density as an option in certain zoning districts as part of a Workforce Housing Overlay.** Properties eligible for a density bonus must be located in one of the zoning districts listed below *and* must meet additional criteria described below.

The bonus density should include the following provisions:

- Applicable residential development: 6+ units
- Density bonus: up to 50 percent (as determined on a case by case basis)
- Height increase: not to exceed maximum height allowed in the district or 75 feet
- Workforce housing provision: up to 33 percent of units must be workforce housing units
- Fee in lieu option: none in the near-term

Zoning District	Name
RM-4	Low to Moderate Density Residential District
RM-8	Moderate Density Residential District
RM-12	Moderate to High Density Residential District
MS	Main Street District
CR	Coligny Resort District
SPC	Sea Pines Circle District
WMU	Waterfront Mixed-Use District
MF	Marshfront District
S	Stoney District
MV	Mitchelville District
NC	Neighborhood Commercial District
LC	Light Commercial District
RD	Resort Development District
MED	Medical District



Additional criteria: The property must be located within a half mile of a transit stop or a “major commercial center” (to be defined by Town staff) *or* must include a comprehensive transportation plan designed to mitigate traffic impacts.

**Offer financial incentives to support workforce housing developed through the Town’s density bonus program.** Despite the fact that density can be an important tool for incentivizing housing, it is often not sufficient to close the gap between delivering housing at market-rate rents/prices and workforce housing. As a result, the Town may need to make available other financial incentives (e.g., no- or low-cost loans, property tax/impact fee rebates) to make workforce housing projects financially feasible.

**MID-TERM (2 TO 3 YEARS):**

**Re-examine areas associated with zoning districts where density bonus is allowed for moderate to high density residential and/or mixed-use development as part of the Comprehensive Plan Update.** The Comprehensive Plan sets the policy for development in the Town while the LMO sets the rules for development.

The re-zoning request as part of the density program allows the Town to require workforce housing in exchange for the additional density. Re-zoning to take advantage of the bonus density should reflect the vision for the parts of the Town where the density bonus is in place. As a result, changes to the Comprehensive Plan as part of the next update are necessary to facilitate workforce housing in these areas to promote moderate- and higher-density development that includes workforce housing.

**Monitor and report out on the bonus density program and seek out feedback from the development community.** This reporting will maintain transparency with the community and will help the Town modify the bonus density program, as necessary, with input from nonprofit and for-profit developers working in the Town and the region.

**Explore modifications to the bonus density program based on feedback from developers and other stakeholders.** After a year of implementation, it may be advisable to modify the program including (potentially) a fee-in-lieu option, changes to density/workforce housing requirements and/or other incentives.

**LONGER-TERM (4+ YEARS):**

**Continue monitoring and revising the density bonus program, as necessary.**



**5. Expand employer-assisted housing (EAH) programs.** Providing assistance directly to working individuals and families is an important way to expand housing access. This assistance helps working households be better able to afford housing offered in the private market.

Funding can be provided directly to working households to enable them to afford to rent or buy a home on the Island. Assistance can come from several different sources, including the Town, county, state and employers. This assistance targets those workers on Hilton Head Island that specifically want to live on the Island.

**Estimated Costs: \$75,000 (near term)**

**Partners: TC, BCHA, CoC, FI**

**NEAR-TERM (WITHIN 1 YEAR):**

**Offer down payment assistance to targeted public sector staff.** The Town should allocate funding (either through the housing trust fund or separately) to a program that can provide down payment assistance to public-sector workers. Initially, the amount of the down payment assistance should be set to \$7,500 (i.e., 3% down on a workforce housing homeownership unit priced at \$250,000). Lower levels of down payment assistance could be considered but may not afford sufficient benefits to employees looking to purchase a home on the Island. Aim to provide assistance to 10 public sector employees in the first two years.

**Promote county and state first-time homebuyer programs.** There are several first-time homebuyer programs offered by the county and the state, as well as through the federal government. The Town should increase education and awareness of county and state homebuying assistance, including Beaufort County's First-Time Homebuyer classes and the SC Housing Homebuyer Program.

**Encourage local private-sector employers offer assistance to its employees.** After setting itself as a model, the Town should work with the Chamber of Commerce and other local business organizations to convene local private employers and encourage them to provide similar assistance to their employees.

**MID-TERM (2 TO 3 YEARS):**

**Explore options for a local public-private rental grant program.** A local housing grant program would provide assistance to households to enable them to rent housing in the private market on Hilton Head Island. A program funded jointly by the Town and private employers (e.g., through the local housing trust fund) should give priority to public and private sector workers on Hilton Head Island.

**LONGER-TERM (4+ YEARS):**

**Monitor and report on public and private-sector housing assistance programs.** Town staff should maintain records on use of down payment and other assistance by public sector employees and should coordinate with the Chamber of Commerce to collect regular information from private employers.



**6. Offer property tax and impact fee rebates.** A property tax and/or impact fee rebate can make it easier to deliver below-market-rate housing. The property tax/impact fee relief can serve to close some of the gap between the cost of building housing and the income generated by rents affordable to lower-income households. Property tax rebates could also be used as an incentive to rehabilitate dilapidated rental properties when property owners agree to maintain rents at affordable levels.

**Estimated Costs:** Property tax rebate: \$100,000 annually (assuming 83 workforce housing units eligible annually and assuming an average assessed value of \$250,000 and a tax rate of 0.492%)

Impact fee rebate: TBD

**Partners:** TC, BCC, FD, CDD

**NEAR-TERM (WITHIN 1 YEAR):**

**Offer property tax and/or impact fee rebates for projects that include workforce housing.** The Town should provide up to a 100% rebate on property taxes and/or impacts fees to new residential developments. The rebate should apply *only* to the workforce housing portion of the new project. This rebate constitutes a valuable, and often essential, incentive to developers building workforce housing as part of the Town's density bonus program or adaptive reuse policy.

The Town should also offer partial property tax rebates to property owners who improve their properties and who lease units to individuals and families who meet workforce housing criteria. The property tax rebate would apply only to the additional property tax levied on the new improvement value. The property owner would have to agree to work with the Town and/or BCHA to certify incomes of renters.

The property tax rebates should be put into place for the duration of the time a unit meets the definition of a workforce housing unit and is occupied by a household that meets workforce housing eligibility requirements.

**MID-TERM (2 TO 3 YEARS):**

**Discuss options with the county for offering property tax and/or impact fee rebates to workforce housing projects.** The workforce housing challenge is a regional issue. Therefore, the Town should take a leadership role on regional solutions. To that end, the Town should work with the county on a long-term strategy for offering relief on property taxes and/or impact fees for projects in the county that include workforce housing.

**Monitor the property tax rebate and impact fee rebate programs, and modify as necessary.** The actual cost of the rebate program will depend on the number of projects that take advantage of the incentive. Therefore, it is important to monitor the project and evaluate the fiscal impact of the program.

**LONGER-TERM (4+ YEARS):**

**Continue to monitor the property tax rebate and impact fee rebate programs, and modify as necessary.**





**7. Partner on a home linking/home sharing program.** An important mechanism for creating more workforce housing options is to connect workers who need housing to available housing units. There are often vacant units on the Island that could be a source of workforce housing, if property owners and workers were able to be connected.

The Town should support the creation of a resource (e.g., an online portal) that helps employers connect their employees either to housing that might be vacant and available for transitional or temporary and/or to existing homeowners who are looking to share their home.

**Estimated Costs: Administrative, \$10,000 - 12,000 for website**

**Partners: CDD, CoC, BCHA**

**NEAR-TERM (WITHIN 1 YEAR):**

**Coordinate with the Chamber of Commerce to determine interest in a home linking/home sharing service.** As a first step, the Town should determine whether there is interest on the part of the private employer community to partner on this type of service. The Chamber of Commerce could serve as the appropriate organization through which to convene local businesses on this proposal.

**Assign responsibility for elements of the program (e.g., web site, coordination with existing homeowners, coordination with employers).** In the very short term, it is important to identify the steps necessary for implementing this type of program. Steps will include identifying homeowners interested in participating, employees who need housing, a mechanism for connecting homeowners and employees and a procedure for ensuring program meetings workforce housing goals and is consistent with the Town's other policies and ordinances (e.g., related to overcrowding, parking). In addition, it is also important to understand potential liability of the Town's participation in such a service.

**MID-TERM (2 TO 3 YEARS):**

**Expand home linking/home sharing portal in partnership with communities throughout the county.** The home linking/home sharing program provides another opportunity for the Town to work regionally with the county and other municipalities to expand access to workforce housing.

**LONGER-TERM (4+ YEARS):**

**Monitor and make modifications to the home linking/home sharing resource, as necessary.**



## 8. Make rental housing projects more competitive for Low-Income Housing Tax

**Credits.** The Low-Income Housing Tax Credit (LIHTC) program is a critical source of federal funding for the production and preservation of housing affordable to lower-income households, typically those earning between 50 and 60 percent of the area median income. The LIHTC program reduces the cost of development by providing tax credits to developers (who sell them to investors) and then requires that the developments remain affordable to low-income residents for 30 years.

Two types of tax credits are available depending on the type of affordable rental construction. The nine-percent credit is generally available for construction of new housing, while the four-percent credit is generally claimed by developers who are rehabilitating existing affordable housing or are doing new construction that is primarily financed with tax-exempt bonds. The nine-percent credits are awarded to developers through a competitive process administered by a state allocating agency. In South Carolina, SC Housing administers the LIHTC program.

Each year, there are far more applications for nine-percent credits than there are credits available, so most projects do not receive funding. (Four-percent credits are awarded on a non-competitive basis.) The state sets criteria for allocating nine-percent credits and those criteria are spelled out in the Qualified Allocation Plan (QAP).

Projects proposed on Hilton Head Island have a very difficult time competing for nine-percent credits, largely because of the specific criteria in the current QAP. However, changes to the QAP, along with changes at the local level, could make projects more competitive.

### ***Estimated Costs: Administrative***

***Partners: TC, FD, CDD, NPD, BCHA***

#### **NEAR-TERM (WITHIN 1 YEAR):**

None. (Comments have already been submitted for the 2019 QAP comment process. )

#### **MID-TERM (2 TO 3 YEARS):**

**Continue to advocate for changes to the state's QAP to make projects on Hilton Head Island more competitive.** The Town should continue to pursue the following changes to the state's QAP criteria and priorities:

- remove or substantially increase of the cost cap as a percentage of Total Development Costs to account for high land costs on the Island.
- remove points for proximity to a public school.
- provide additional points for tight housing markets as defined by low vacancy rates (i.e., less than 3, 5 and 7%)
- incentivize mixed-use and mixed-income projects
- allow for scattered site development

**LONGER-TERM (4+ YEARS):**

**Explore local options for private activity bond financing to leverage the four-percent Low-Income Housing Tax Credit.** These bonds are used to fund private activities that have a public benefit, such as upgrades to airports, hospitals and water treatment facilities. However, these bonds can also be used for below-market-rate multifamily rental developments. When bond financing is used to support below-market-rate housing development, these developments are eligible to receive the non-competitive four-percent housing tax credits.

Four-percent LIHTCs are worth less than the competitive nine-percent credits, but the four-percent credits are available as-of-right (i.e., are not competitive) when projects are bond financed. The four-percent credits are most often used for projects with relatively low development costs, such as preservation projects requiring only light rehabilitation, or when there is significant additional subsidy available.

The Town should work with local developer partners to explore options for using bond financing to take advantage of four-percent housing credits on Hilton Head Island. Collaboration with the Beaufort County Housing Authority would also be beneficial.



Figure 9. Town of Hilton Head Island Workforce Housing Strategies

Strategy	Near-term	Mid-term	Longer-term
<b>1 Establish a public-private local workforce housing trust fund</b>			
Identify the appropriate organization to administer the housing trust fund			
Establish goals and funding mechanisms for the trust fund			
Establish the process for receiving applications for trust fund resources			
Allocate local public resources in FY2020 in the amount of \$200,000			
Establish employer commitments of resources to the fund in the amount of at least \$200,000 in FY2020			
Allocate trust fund resources to at least one project or program			
Identify a dedicated source of local public funding to the local housing trust fund that would come outside of the annual budget allocation process			
Monitor and report out projects and programs supported with trust fund resources			
Explore creating an in-lieu fee/contribution option to the trust fund as part of the bonus density program			
Advocate for state authorization to increase the local hospitality tax as a dedicated source of funding for the trust fund			
<b>2 Create commercial reuse policy</b>			
Allow developers to request a zoning change to accommodate workforce housing on a			
Develop a motel conversion ordinance			
where mixed-use redevelopment is appropriate			
Adopt a vacant structure fee			
Offer financial incentives to developers interested in repurposing commercial space as workforce housing			
Evaluate the effectiveness of the policy and revise, as necessary			



Strategy	Near-term	Mid-term	Longer-term
<b>3 Make Town-owned land available</b>			
For Town-owned land where the bond restrictions do not explicitly say land is to be dedicated for conservation/open space and where land is not already programmed, prioritize sites for development of workforce housing			
Issue an RFP for development of a 100% workforce housing or mixed-income housing on one Town-owned site			
Solicit feedback from the developer community on the RFP process			
Identify a second Town-owned site for workforce housing			
Consider issuing bonds to purchase land specifically for workforce housing			
Monitor and report out on the projects built with Town-owned land and modify the policy, as necessary			
<b>4 Establish a density bonus program</b>			
Modify the LMO to include a bonus density as an option in the certain zoning districts as part of a Workforce Housing Overlay			
Offer financial incentives to support workforce housing developed through the Town's density bonus program			
Re-examine areas associated with zoning districts where density bonus is allowed for moderate to high density residential and/or mixed-use development as part of the Comprehensive Plan Update.			
Monitor and report out on the bonus density program and seek out feedback from the development community.			
Explore modifications to the bonus density program based on feedback from developers and other stakeholders.			



Strategy	Near-term	Mid-term	Longer-term
<b>5 Expand employer-assisted housing programs</b>			
Offer down payment assistance to targeted public sector staff			
Promote County and State first-time homebuyer programs			
Encourage local private-sector employers offer assistance to its employees			
Explore options for a local public-private rental voucher program			
Monitor and report on public and private-sector housing assistance programs			
<b>6 Offer property tax and impact fee rebates</b>			
Offer property tax and/or impact fee rebates for projects that include workforce housing			
Discuss options with the County for offering property tax and/or impact fee rebates to workforce housing projects			
necessary			
<b>7 Partner on a home linking/home sharing program</b>			
Coordinate with the Chamber of Commerce to determine interest in a home linking/home sharing service			
Assign responsibility for elements of the program			
Expand home linking/home sharing portal in partnership with communities throughout the County			
necessary.			
<b>8 Make rental projects more competitive for Low Income Housing Tax Credits</b>			
Continue to advocate for changes to the state's QAP to make projects on Hilton Head Island more competitive			
Explore local options for private activity bond financing to leverage the four-percent Low Income Housing Tax Credit			



# APPENDIX



## Workforce Housing Toolbox

There are many different strategies that have been used in communities across the country to expand workforce housing options. In most cases, local jurisdictions adopt a range of tools and policies, many that work together. Some tools will be more effective than others in a particular community. The strength of the market, the capacity of the development community, the regulatory environment and the characteristics of the existing housing stock will all impact the effectiveness of a particular approach.

The *Workforce Housing Strategic Plan* outlines specific recommendations that were deemed to be most appropriate and effective for the Town of Hilton Head Island to address the community's workforce housing needs. The following section describes a range of additional local workforce housing initiatives that also could be considered as the Town moves forward with a workforce housing strategy. More details and specific examples of these programs and policies in other communities around the country are available in the report *Review of Best Practices: Workforce Housing Strategies* available on the Town's website.

This Workforce Housing Toolbox is organized around Production Strategies, Housing Access, Financial Tools and Preservation Strategies.

### Production Strategies

#### **Incentive-Based Inclusionary Zoning**

Inclusionary zoning policies—sometimes referred to as inclusionary housing policies—use the zoning code to require or incentivize the production of housing affordable to low- and moderate-income households, often in exchange for increased density and/or other incentives. Nationally, inclusionary housing policies usually have been implemented as mandatory requirements, whereby developers must include affordable housing as part of a market-rate development. Even in these mandatory programs, however, local jurisdictions generally offer some type of regulatory relief to the residential developer to help offset the costs of providing below-market-rate housing units.

Inclusionary housing policies have been adopted in more than 500 jurisdictions in 28 states across the country. No municipality in South Carolina has adopted a mandatory inclusionary zoning ordinance because of limitations imposed by the state. However, there are examples of voluntary programs that exchange additional density for the provision of below-market-rate housing.

Inclusionary housing programs can be found in a wide range of places, from big cities to suburban communities to rural areas. However, inclusionary zoning policies work best in places with high or rising housing costs. In most cases, these policies are adopted as part of a larger local strategy to expand housing options that are affordable to low- and moderate-income households.

The ability for a local jurisdiction to enact a mandatory inclusionary zoning policy depends on the state's statutory provisions and the relationship between the state and local government authority. Legislation to allow municipalities and counties within South Carolina to adopt inclusionary zoning policies was not





passed during the state's 2018 legislative session. A new inclusionary zoning bill has not been introduced in the 2019 session. As a result, local municipalities in South Carolina cannot adopt formal, mandatory inclusionary zoning ordinances.

Even without state statutory authority, however, local communities in many parts of the country, including in South Carolina, have adopted incentive-based inclusionary zoning programs which tie local incentives—usually increased density—to the voluntary provision of below-market-rate units.

### **Adaptive/Commercial Reuse**

Adaptive reuse projects create new housing in existing buildings once used for commercial, industrial or public purposes. Adaptive reuse poses an alternative solution to demolition or deterioration, and provides an option for expanding housing options in an environmentally sustainable way, while also maintaining historic buildings and/or preserving existing community structures.

Common buildings used for adaptive reuse include, but are not limited to, historic buildings, schools, industrial factories and hotels. Increasingly, communities are looking at ways to convert vacant or underutilized commercial or retail buildings into housing, including commercial strip shopping centers, “big box” stores, malls and small standalone former office or retail spaces.

Changing the use of a commercial or industrial building to residential can often involve environmental remediation measures and modifications to bring the structures up to residential building code standards. While these safety-related requirements can sometimes add complexity to the scope of an adaptive reuse project, architects and engineers have become increasingly creative in this space and familiar with solutions. In addition, there are ways local governments can offset these costs through the regulatory and plan review process to make adaptive reuse an attractive option.

Adaptive reuse can require site plan committee review, special use permits, incentive programs, conversion factors and/or adoption of a new ordinance. Therefore, there is no one standard way to implement an adaptive reuse program. The approach depends on the goals and planning processes of the community, as well as the stock of potential buildings appropriate for repurposing as housing.

Adaptive reuse has been used to create affordable workforce housing units, both for individuals at higher and lower wages. Multifamily units are a common end result when converting nonresidential to residential uses, and units can either be rental or owner (e.g., condominium). In some cases, housing units that result from adaptive reuse are more affordable because they are smaller units and/or take advantage of existing infrastructure which can, in some cases, reduce the cost of building the housing. However, adaptive reuse does not automatically mean “affordable” or “workforce” housing. Often, a public subsidy is needed to make units affordable to lower-wage workers.

A handful of adaptive reuse projects have created “non-traditional” homes, such as microunits and spaces with communal living areas, as one way to keep housing affordable. Communal living, or shared housing, is generally where residents have private bedrooms and bathrooms but share kitchen and dining areas. Microunits generally have been considered a type of small studio apartment, typically between 150 and



400 square feet, with a fully functioning kitchen and bathroom. Microunits tend to appeal to young, single people. Both microunits and communal living tend not to be targeted at families.

Adaptive reuse is not always viable. Sometimes, it is financially more efficient to tear down and rebuild, rather than try to repurpose an existing commercial structure as a residential building.

### **Public Land**

Public land policies make government-owned land available at reduced or no cost for affordable or mixed-income housing. This could include land owned by the local government, school district, parks authority or transit agency, and can include both vacant and underutilized parcels. Because localities often own land in various locations throughout a jurisdiction, public land redevelopment can be a helpful strategy for siting workforce housing in areas connected to jobs, transit and other amenities throughout the jurisdiction. In high-cost jurisdictions, using public land has become an essential tool for subsidizing—without spending public money directly—the production of new, below-market-rate housing.

A successful public land policy involves a transparent process that balances competing interests in the publicly-held properties. The provision of free or reduced-price land can have a major impact on the costs of development—and therefore on the ability to produce below-market-rate homes—in some types of neighborhoods, and less of an impact in others.

Co-locating community facilities with workforce housing can be an effective way to create new housing options without the need for public financial subsidy. Reducing or eliminating the cost of land can reduce the amount of capital necessary to build housing that serves individuals and families with lower incomes. In addition to potential capital cost savings, co-locating complimentary uses also can produce operating efficiencies.

### **Faith-Based Development**

There has been growing interest on the part of the faith community to become more directly involved in the production of housing affordable to lower-income individuals and families. Faith-based organizations often partner with local jurisdictions to provide services to vulnerable populations in the community, including food assistance, job and life skills training, personal and family counseling and other services. However, faith-based organizations are increasingly looking for ways to partner with local governments and the development community to develop underutilized real estate resources into affordable housing.

A house of worship may have surplus land or underutilized density, which could be used for the construction of below-market-rate housing. In addition to working with partners on the finance and development side, the faith-based group often will have to work with the local jurisdictions to get zoning changes and other development approvals.

### **Community Land Trust & Land Bank**

A community land trust (CLT) is a nonprofit organization designed primarily to ensure community stewardship of land. CLTs can be used for many types of development, but are primarily used to provide permanently affordable housing options to lower-income households. The CLT purchases land and



maintains ownership of it permanently. To promote homeownership, a prospective homeowner enters into a lease agreement with the CLT for the land and can therefore purchase a home at a lower cost since he or she does not have to purchase the land. As part of the agreement, when the homeowner sells the home, he or she receives a portion of the increased value, with the other portion remaining with the CLT to help ensure affordability of the home for future homeowners. The length of the lease is generally 99 years and the percentage earned by the homeowner varies across CLTs. By separating the ownership of land and housing, the CLT is designed to mitigate market factors that would cause home prices to rise significantly and can guarantee that housing can remain affordable for multiple homeowners over the long-term.

While CLTs are often thought of as a mechanism primarily for homeownership, CLTs have been used to help make rental housing affordable to lower-income households. In fact, according to the National CLT Network, about two-thirds of residential properties stewarded by CLTs are rental properties. Because the land is owned by the trust, constructing and maintaining the overall property is lower, therefore allowing rents to be lower. Many rental CLTs also work to actively engage residents and provide services, such as financial counseling and other supports.

### **Transfer of Development Rights**

Transfer of Development Rights (TDR) is a zoning mechanism generally used to preserve or protect natural resources, open space and/or cultural resources and redirect development that would occur on that land elsewhere, targeting community growth and development. TDR, also known as a density transfer credit program, is an innovative approach to development and can promote economic opportunities for land parcels in areas not specifically targeted for development. A TDR is similar to a Purchase of Development Rights (PDR) program, though a PDR policy typically results in land preservation without new development elsewhere in the community.

TDR programs allows landowners to sell their right to develop their property to developers or municipalities so they may develop in another area at higher-than-allowed densities. Conservation easements and development restrictions are typically critical elements of a TDR program. Another key element of a TDR program is the establishment of the appropriate value for development rights (i.e., the value of a square foot of development or of a residential unit).

A local municipality can take on several roles in setting up and administering a TDR program. A local government can help fund the purchase of TDRs within their municipalities, “bank” purchased TDRs until needed by local developers, sell TDRs to developers through a public bid process and/or reinvest funds obtained through TDR sales for new TDR purchase transactions.

TDRs have been used to create and preserve affordable and workforce housing by linking increased density to the provision of below-market-rate housing. A TDR policy can serve not only lower-wage working households needing affordable housing, but can benefit individuals and families who own land in environmentally or culturally sensitive areas by providing an economic benefit in lieu of the ability to develop their land themselves.



Manufactured home sites, particularly those that are offering affordable single-family housing, could also be an important piece of a TDR program. By allowing manufactured home sites to qualify as a sending area, their development rights can be purchased and existing uses preserved.

### **Form-Based Code**

A form-based code is a land development tool that is designed to regulate physical form rather than specific use (e.g., commercial, residential). A form-based code is a regulation, not a mere guideline, adopted into local law. Communities often pursue form-based codes to attempt to create denser, more walkable, mixed-use neighborhoods. Often under a form-based code, developers are able to take advantage of higher allowable densities and more limited community review processes. However, local jurisdictions should invest considerable time upfront to get community input on the parameters that will shape the requirements under the code.

Form-based code is not typically used primarily to create workforce housing options. However, a form-based code can facilitate the production or preservation of below-market-rate housing by writing affordability requirements into the code. Higher densities also sometimes make it more feasible to produce below-market-rate housing units. Finally, a more predictable, streamlined review process under form-based code can help reduce the overall cost of development, making it easier to produce lower-cost units.

Well-designed form-based codes can potentially have a positive impact on affordability across the income spectrum if it encourages adequate supply and the development of “missing middle” housing typologies. Deeper levels of affordability can be provided if inclusionary housing elements are included in the policy.

### **Mixed-Use, Mixed-Income Housing**

“Mixed-use” and “mixed-income” can mean different things to different people. In general, these types of projects are defined based on the inclusion of households at different income levels and a variety of commercial and retail uses incorporated alongside the residential space. Mixed-use, mixed-income projects can be built both in low-income, emerging communities, as well as in higher-income, market-rate communities. There are different challenges associated with building in each type of submarket.

Mixed-use, mixed-income projects can only be developed if that mix of uses is allowed under the locality’s zoning. In addition to land use and zoning issues, financing is a big issue for developing mixed-use and mixed-income communities. The ability to assemble the necessary financing for these types of projects depends a lot on the structure of the project. It is often the case that 100-percent affordable deals are much easier to find financing for than mixed-income, mixed-use projects. For example, on a typical new construction of a 100-percent affordable project, there may be equity from the Low-Income Housing Tax Credit (LIHTC) program along with land equity and gap financing from a local jurisdiction. A mixed-income project marries conventional financing with affordable financing, but the requirements and risk tolerances for the two different investment sources often do not align. As a result, developers of mixed-income, mixed-use projects end up having to “condominium-ize” the property, establishing different owners for the affordable and market units on the property.



### **Expedited Permitting**

New residential (and commercial) construction typically goes through a process that involves review and approval by multiple local government departments (e.g., planning, zoning, transportation) and often must be reviewed by other agencies and organizations (e.g., utility companies, state environmental agencies). The review process can sometimes lead to the necessity of re-doing project plans or conducting additional studies to gain local support for the development.

Delays and unpredictability associated with project review, zoning, permitting, entitlement and other approvals processes add to the final costs of new housing. These costs typically are passed on to the final occupant of the new building and make it more difficult to build housing affordable to lower-income households.

Expedited development review and permitting can be one way of reducing costs and to help promote the development of housing affordable to low- and moderate-income households. While fast-tracking review and permitting of workforce housing projects reduces developer costs at no cost to local jurisdictions, it also may mean fewer opportunities for community input on proposed projects. Therefore, it is important to balance the goals of an expedited process with other goals in the community.

Alongside an expedited process, more education and coordinated outreach around the development review and approval process is often essential for helping developers and other stakeholders be more aware of the requirements and process.

### **Fee Waivers**

Fees are charged as part of the development review and approval process. Some fees—such as subdivision review fees or board of zoning appeals fees—are associated with specific steps in the review and approval process.

Impact fees are one-time charges assessed on new residential developments to help pay for new or expanded infrastructure to serve them. Revenue collected through impact fees can help fund the expansion of water and sewer lines if they do not exist, the building of new or improvement of existing roads or sidewalks in the area and/or the creation of public amenities, such as parks or new schools.

Like other development costs, fees add to the final cost of housing. To make it easier to develop workforce housing, local jurisdictions sometimes offer to waive the impact and/or other fees associated with developments which include below-market-rate units. Alternatively, a “proportional” fee reduction program may be developed in which impact fees are adjusted according to the size of the housing unit or the location of the new housing. Larger homes and those located in outlying areas where infrastructure does not currently exist usually command a higher fee than smaller, in-town units.

If fee waivers are not allowed in a community, an option has been to provide projects a rebate on impact and other fees from another local revenue source.

### **Reduced Parking**

Most zoning ordinances require that new residential developments include a certain number of parking spaces per unit or per bedroom. These requirements can add significantly to the cost of developing housing and have been found to have a substantial impact on the financial feasibility of below-market-



rate housing developments. According to one recent study, requiring one parking space per unit increases the cost of development by 12.5 percent, and two spaces per unit increases costs by 25 percent.<sup>10</sup> Areas near transit are particularly well-situated for the elimination or reduction of parking requirements.

### **Accessory Dwelling Units**

Accessory dwelling units (ADUs) are smaller housing units that are either attached units as part of a primary dwelling unit or structure (e.g., as a lower-level apartment, over-garage apartment) or are a detached structure (e.g., tiny home). Sometimes called “granny flats” or “in law” apartments, these units can also be a source of lower-cost workforce housing. With attention to design, ADUs can be constructed to preserve neighborhood character and to have minimal impacts.

In addition to serving as a source of workforce housing, accessory units can be a source of income for homeowners, allowing them to remain in their homes over time. ADUs can also be a source of housing for caregivers and family members.

## **Housing Access**

### **First-Time Homebuyer Programs**

Local first-time homebuyer programs assist low- and moderate-income households with purchasing a home by providing financial assistance with down payment, principal reduction and/or closing costs associated with a home purchase. Potential homebuyers generally apply for assistance and sometimes have to meet certain requirements, such as currently living or working in the community. In order to receive assistance, homebuyers must meet the definition of a first-time buyer, which typically means having not owned a home in the prior three years. Homebuyers often must qualify for a mortgage from an approved lender and undergo homeownership counseling. Funding for first-time homebuyer programs often comes from CDBG and HOME funding, as well as from local funding sources.

### **Local Housing Voucher/Grant**

Like the Federal Housing Choice Voucher program, a local housing voucher/grant program provides assistance to households to enable them to rent housing in the private market. A local housing grant program using local resources could offer priority to individuals who hold jobs in the community. Administration of local grants is often through a local housing authority, but can also be managed by the local municipality or a local nonprofit organization. Local housing voucher programs are most beneficial when there are sufficient apartments available, landlords willing to take local vouchers and/or source of income discrimination laws (i.e., landlords cannot turn down a tenant because he or she is using a voucher).

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<sup>10</sup> Litman, Todd. 2016. Parking Requirement Impacts on Housing Affordability. Victoria, British Columbia: Victoria Transport Policy Institute. Available online <http://www.vtppi.org/park-hou.pdf>



### **Employer-Assisted Housing**

Employer-assisted housing (EAH) is an employer-provided benefit, usually designed to assist employees in becoming homeowners. EAH programs often include grants for down payment assistance, low-interest loans, matched dollar savings plans, credit counseling and/or homebuyer education.

While there have been efforts to create EAH programs that extend to private-sector employers broadly, local EAH programs have traditionally focused on public employees (e.g., local government and school employees) and employees of large nonprofit or anchor institutions (e.g., universities and hospitals).

In addition to down payment and other homebuying assistance, there are examples of major employers investing directly in housing for their employees. This approach of directly building housing or supporting the construction of housing for employees has been most common in resort communities and in very high-cost markets.

### **Financial Tools**

#### **Local Housing Trust Fund**

Housing trust funds are distinct funds established by a city, county or state government that generally receive ongoing dedicated sources of public funding to support the preservation and production of housing affordable to lower-income households. Revenue for local housing trust funds is generated from a variety of sources, including real estate transfer taxes or recordation fees, litigation settlements, inclusionary in-lieu fees and appropriations from a municipality's general revenue. Less common is for donations or dedicated contributions from local employers.

There is wide variation in the amounts local jurisdictions commit to housing trust funds, and the amounts can vary from year to year. Trust fund dollars can be combined with other local funding to support affordable and workforce housing programs and services. While there may be limits on uses of local trust fund dollars imposed by the state, generally there is a lot of flexibility in how these resources may be used.

In the most effective local housing trust funds, public dollars are used to leverage a range of additional funding sources, which expands the impact the fund can have. Trust fund dollars can be used to fund a wide variety of housing production and preservation activities, depending on the goals of the community. Funds can be allocated as grants or as loans for predevelopment activities, construction, rehabilitation or resident services. Loan repayments can ideally account for a share of the trust funds revenue.

#### **National Housing Trust Fund**



The National Housing Trust Fund (HTF) is an affordable housing production program that complements existing federal, state and local efforts to increase and preserve the supply of housing for extremely low- and very low-income households, including homeless families.

states and state-designated entities are eligible grantees for the HTF. The U.S. Department of Housing and Urban Development allocates HTF funds to states by formula annually. A state must use at least 80 percent of each annual grant for rental housing, up to 10 percent for homeownership and up to 10 percent for the grantee's reasonable administrative and planning costs. In FY2018, South Carolina was allocated just over \$3 million from the HTF. Funding is allocated by the state to local projects on a competitive basis.

HTF funds may be used for the production or preservation of affordable housing through the acquisition, new construction, reconstruction and/or rehabilitation of “non-luxury” housing with suitable amenities. All HTF-assisted units are required to have a minimum affordability period of 30 years.

In South Carolina, HTF funding is made available through a competitive process by which the highest scoring applications submitted during an annual funding cycle are awarded funding. The award criteria emphasize proximity to walkable amenities. In addition, “underserved” communities are given priority.

### **South Carolina Trust Fund**

The South Carolina Housing Trust Fund (SC HTF) is a state-funded program designed to provide financial assistance for the development, rehabilitation and acquisition of affordable housing for low-income households throughout the state. Applications for the SC HTF are accepted for the following activities: Emergency Repair, Owner-Occupied Rehabilitation, Group Homes, Supportive Housing and Rental Housing. Flood Recovery was added as a category for the 2017 to 2018 cycle.

For FY2017-2018, an estimated \$9.9 million was allocated to nonprofit organizations from the SC HTF:

\$6.4 million for owner-occupied rehabilitation activities

\$2.0 million for supportive housing activities

\$459,000 for rental housing activities

\$1.0 million for flood recovery housing activities

### **Opportunity Zone**

Created as part of the 2017 Tax Cuts and Jobs Act, Opportunity Zones are designed to drive long-term capital into low-income communities across the nation, using tax incentives to encourage private investment into designated census tracts through privately- or publicly-managed investment funds. These investments can include supporting the development of affordable or workforce housing.

The Opportunity Zones program provides opportunities for investors with long-term capital gains to defer paying tax on those gains for a period of time while also investing in underserved communities that need capital. The funding would be administered through an Opportunity Fund. There is still uncertainty around how these funds would be managed. Most analysts believed the certification of Opportunity Funds would





be performed through a structured process, perhaps administered by the Treasury Department's Community Development Financial Institutions (CDFI) Fund. However, in a series of Frequently Asked Questions published by the IRS on April 24, 2018, the IRS said a Qualified Opportunity Fund can self-certify and "no approval or action by the IRS is required." If this holds true, individuals with smaller gains may be able to reinvest them without having to worry about potential costs associated with investing in a larger, institutionally-managed fund. This process could make Opportunity Zone investing more efficient than similar incentives directed at low-income communities, such as the New Markets Tax Credit program or the Low-Income Housing Tax Credit (LIHTC) program.

### **Social Impact Bonds/Impact Investing**

Social impact bonds (SIBs) are innovative financing tools that can allow local jurisdictions to use funds from private investors to develop or rehabilitate housing affordable to lower-income individuals and families. SIBs most commonly have been used to finance the development of supportive housing targeting homeless individuals who are frequent users of public services, including emergency rooms and police services. Savings associated with reduced costs in the health care and criminal justice systems resulting from individuals having access to stable housing is captured by the local jurisdiction and used to repay investors. SIBs are sometimes called "pay-for-success" programs, and investors are repaid if and when programs meet specified targets. Repayments are lower if goals are not met.

### **AirBnB Taxes**

Another potential source of local funding for affordable housing in high-cost markets is a tax on short-term rentals, sometimes known as the Airbnb tax. The rise of Airbnb and VRBO—the online resources that connect people with short-term rentals—has led to discussions about whether this new approach to lodging could actually be making housing affordability worse in some high-cost places. In response, communities have begun taxing owners of Airbnb properties and sometimes directing that revenue to affordable housing.

### **Tax Increment Financing**

Tax increment financing (TIF) has become a popular source of revenue for economic development projects in many communities, but can also be leveraged for the development of below-market-rate housing. The local jurisdiction defines a TIF district and allocations of real estate property tax revenue are frozen at baseline levels. The additional tax revenue generated as the value of properties in the district increase is allocated to projects in the TIF district.

The use of TIF revenue to finance workforce and affordable housing programs can help ensure that new economic development and growth that brings prosperity to the community does not have a negative impact on housing affordability among lower-wage working households.

### **General Obligation Bonds**

General Obligation (GO) Bonds are issued by a jurisdiction generally to pay for community improvement projects such as infrastructure, schools and other capital projects, though communities have used GO bonds to finance affordable housing. Unlike revenue bonds, projects funded by GO Bonds do not have to



have a revenue source that repays the debt. Rather, the GO bonds are paid off as part of the jurisdiction's general expenditures on interest and debt. Typically, GO bonds have been used for school construction, infrastructure improvements and land acquisition.

### **Property Tax Abatements, Exemptions and Rebates**

Local jurisdictions can adopt various types of tax incentives to encourage the development of new affordable housing or to incentivize owners to preserve the affordability of existing subsidized and unsubsidized affordable rental homes. Tax incentive programs often work by freezing or lowering the real estate tax assessments or tax rate, or rebating back all or a portion of the property tax amount, for properties that preserve affordability over a designated period of time.

## **Preservation Strategies**

### **Single-Family Rehabilitation**

Upkeep of older housing can be costly for homeowners, especially lower-income families, seniors and others living on fixed incomes. Homeowner rehabilitation programs are available to low- and moderate-income households to assist them to fix health and safety issues, increase energy conservation and undertake preventive home maintenance. Assistance is usually provided as low-interest loans, though some local jurisdictions have grant programs that provide direct assistance to homeowners without a repayment requirement. Funding for single-family rehabilitation programs can come from federal sources, including the CDBG and HOME programs, but many local jurisdictions supplement with local resources and/or partner with local nonprofits to provide assistance.

### **Manufactured Home and Site Rehabilitation**

Mobile homes can provide a valuable affordable housing option. Often, however, the condition of the mobile homes deteriorates and they can present health hazards. In addition, mobile homes are expensive to heat and cool

There are ways to preserve manufactured homes and improve conditions for families living in them. There are also options for redeveloping manufactured home parks/sites where the existing homes are in conditions beyond repair and rehabilitation.



Solid research.  
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# **TOWN OF HILTON HEAD ISLAND**

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## *Community Development Department*

**TO:** Public Planning Committee  
**VIA:** Shawn Colin, *AICP, Director of Community Development*  
**FROM:** Jennifer Ray, *ASLA, Deputy Director of Community Development*  
**DATE:** August 14, 2019  
**SUBJECT:** Regional Housing Trust Fund

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**Recommendation:** Staff recommends that the Public Planning Committee forward a recommendation to Town Council to approve a resolution authorizing the Town Manager to enter into a Memorandum of Agreement with Beaufort County for the purposes of cost sharing for contracting for consulting services to develop a regional Affordable Housing Trust Fund.

**Summary:** The Southern Lowcountry Regional Board (SOLOCO) has recognized a need for housing that is attainable to all and has prioritized the need for a regional approach for attainable housing. The Board designated staff from each jurisdiction involved in SOLOCO to serve on an Affordable Housing Trust Fund Sub-committee to research and evaluate the feasibility of a regional Affordable Housing Trust Fund. Based on the outcome of the research SOLOCO is seeking a consultant to develop the framework and funding requirements of a regional Affordable Housing Trust Fund. The Town and other SOLOCO member organizations are being asked to share in the cost of hiring the consultant.

**Background:** Beaufort County hired Bowen to prepare a Housing Needs Assessment for the County and all of its municipalities. The report indicated a need for both rental and owner-occupied housing, including a need for affordable housing. Jasper County and the region are thought to have similar needs. SOLOCO has prioritized the need for a regional approach for attainable housing. The Affordable Housing Trust Fund Sub-committee researched housing trust funds including examples from South Carolina and around the country. The Sub-committee recommended to SOLOCO to hire a consultant to develop the framework for a trust fund and to identify funding requirements and coordinate with the individual jurisdictions involved.

The Town is being asked to participate in the Housing Trust Fund Study with the other SOLOCO member organizations. The funding amounts are formulated related to the percentage of population of each potential participating jurisdiction. The Town's share is not to exceed \$25,000.

Attachment: Resolution