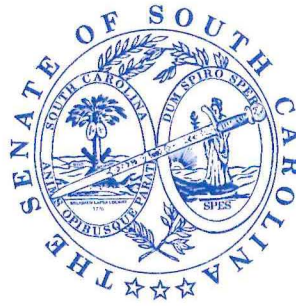


SENATOR TOM DAVIS
SENATE DISTRICT 46
BEAUFORT AND JASPER COUNTIES

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COLUMBIA OFFICE:
613 GRESSETTE SENATE BLDG.
POST OFFICE BOX 142
COLUMBIA, SOUTH CAROLINA 29202
PHONE: (803) 212-6056
FAX: (803) 212-6299
TOMDAVIS@SCSENATE.GOV

BEAUFORT OFFICE:
POST OFFICE DRAWER 1107
BEAUFORT, SOUTH CAROLINA 29901-1107
PHONE: (843) 252-8583
FAX: (843) 524-6401
EMAIL: TOM@SENATOR TOMDAVIS.COM

January 9, 2025

Mr. Michael Moore
Administrator, Beaufort County
100 Ribaut Road
Beaufort, South Carolina 29902

VIA HAND-DELIVERY

Mr. Marc Orlando, Manager
Manager, Town of Hilton Head Island
1 Town Center Court
Hilton Head Island, South Carolina 29928

Re: 278 Corridor Improvements from Moss Creek Drive to Spanish Wells Road (the "Project")

Mr. Moore and Mr. Orlando:

I have discussed the status of the Project with the three other members of the Beaufort County Legislative Delegation who represent areas directly impacted by the Project – Representatives Jeff Bradley, Bill Herbkersman, and Weston Newton – and we respectfully submit the following recommendations for consideration by your respective councils.

Following the failure of the Local Sales Tax Referendum on November 5, 2024, the South Carolina Department of Transportation ("SCDOT") and the South Carolina Transportation Infrastructure Bank ("SIB") asked Beaufort County (the "County") to explain (see SIB Chairman John White's letter to Mr. Moore dated November 7, 2024, copy enclosed) how it intended to fund the approximately \$190 million difference between the current \$488 million estimated cost of the Project (see SCDOT Chairman Justin Powell's letter to Mr. Moore dated November 18, 2024, copy enclosed) and the \$298.85 million in committed funds, a breakdown of these committed funds being set forth in a summary provided on July 22, 2022, by then-SCDOT Chairwoman Christy Hall, copy enclosed.

[Note: For our analysis we need to know the amount of cash available, so the \$3.335MM shown on the funding summary provided by former SCDOT Chairwoman Hall as coming from the Town of Hilton Head Island (the "Town"), which is a monetized land contribution, must be subtracted, as does the \$4.18 million spent by the SCDOT, the \$6.89 million spent by the County, and the \$2 million spent by LATS. However, Secretary Powell advised us yesterday that the SCDOT is willing to commit an additional \$16.1 million to the Project, so this sum must be added, thus making the current total of (cash) committed funds \$298.53 million – \$204.42 MM in state funds and \$94.1MM in local funds (figures rounded to the hundredth decimal). The revised funding summary provided to us yesterday by SCDOT Secretary Powell is enclosed.]

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Messrs. Moore and Orlando
January 9, 2025
Page 2

Initially, the deadline for providing that explanation was November 22, 2024, but it was extended until March 31, 2025. This explanation was requested because officials for the County had proposed to the SCDOT and the SIB on May 29, 2024, that: 1) the County pay \$90 million of the \$190 million Project shortfall using funds from a sales tax to be approved by the voters via the Referendum; and 2) the state agencies cover the remaining \$100 million. The state agencies didn't refuse that proposal, but SIB Chairman White has stressed that SIB funds are limited and that demand for those funds far outstrips supply. We must therefore caution you that, even with a substantial local contribution, the ability to secure additional state funding to help defray the \$190 million shortfall is not certain. Once the Referendum failed, of course, the County's proposal became moot, leading to the state agencies' pending request for a backup plan.

At a public meeting held on November 12, 2024, Beaufort County Council discussed ways to fund this shortfall. (SIB Chairman White correctly notes in his letter to Mr. Moore that the Intergovernmental Agreement makes the County responsible for the entire \$190 million) At that council meeting there seemed to be no political will by members to either generate new revenue through higher taxes or to postpone other planned projects to free up existing revenue, and from this we have inferred that the County was (and still is) either unwilling or unable to make a significant contribution to the shortfall.

If a plan acceptable to the state agencies to fund the \$190 million shortfall is not in place by March 31, 2025, the SCDOT will proceed to replace the existing eastbound bridge over Mackay Creek, no other aspect of the Project will be pursued, and the \$120 million SIB grant will be revoked. We think that is a suboptimal outcome and that it would be better for the County and the Town to propose to the SCDOT and the SIB a way to spend the \$298.53 million in committed funds that best satisfies the objectives of all the stakeholders: the County, the Town, the SCDOT, the SIB, the Federal Highway Administration (the "FHWA"), and our constituents. In other words, to propose to do the best we can with the money we have. Here are our thoughts on what that might look like:

1. Propose that the SCDOT and the SIB allocate the \$204.42 million in committed state funds to build a new three-lane eastbound span from Moss Creek Drive to Windmill Harbor to the south of and parallel to the existing two-lane eastbound span, with the latter to be removed once the new span is completed. SCDOT Secretary Powell advised us yesterday that the estimated cost this new three-lane span is \$257.7 million; therefore, \$53.28 million of the \$94.1 million in existing committed local funds would also need also to be allocated to building this new three-lane eastbound span. In this proposal, the existing two-lane westbound spans from Windmill Harbor to Moss Creek, which includes bridges that are structurally sound with a useful life of at least another 20-plus years, would be left in place. Importantly, Secretary Powell believes this scaling down of the Project would qualify as a Categorical Exclusion in compliance with the National Environmental Policy Act.

We think this first proposal would accomplish several important objectives: 1) the structurally impaired eastbound bridge over Mackay Creek would be replaced; 2) access to the island would be increased; and 3) safety would be improved. Importantly, too, it would result in physically separated eastbound and westbound spans; the combination of these two spans into one single large span is widely resisted by many of our constituents.

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2. Propose that the SCDOT and the SIB allow the remaining \$40.82 million in existing committed local funds to implement a master plan for improvements extending from Windmill Harbor to the Cross Island Parkway, the specifics to be provided by the County and the Town by March 31, 2025. This would involve an extension of the Project's scope beyond the current eastern terminus of Spanish Wells Road.

This second proposal would require the County and the Town to come up with an on-island master plan. SCDOT believes a reasonable argument can be made to have the FHWA treat this on-island component as a separate project distinct from the building of a new three-lane eastbound span from Moss Creek Drive to Windmill Harbor. However, even if it is, we urge the County and the Town to finalize the master plan by March 31, 2025, since what that plan ends up looking like may impact the design of the new three-lane eastbound span as it approaches Windmill Harbor and may also necessitate modifications to the existing two-lane westbound span as it leaves the island. A binding agreement as to how the remaining \$40.82 million in local funds will be spent may also be necessary to discharge the SIB's "local match" obligation.

In the development of an on-island master plan, we respectfully suggest that deference be provided to the Town and the residents of Hilton Head Island, in that they are the most directly impacted parties. There are several important island-specific quality-of-life issues to be sorted out in the master plan: mitigating impacts on the Stoney Community, facilitating the free flow of traffic, reducing the number of accidents that occur at the signalized intersections, and providing for an aesthetically pleasing entrance to the island.

The approach we suggest would require that approvals be obtained from the SCDOT, the SIB, and the FHWA. Complications in addition to the ones we have identified may also arise. That said, given the financial constraints, we believe this is a reasonable path forward. Thanks for your consideration.

Sincerely,



Tom Davis



Representative Jeff Bradley



Representative Bill Herbkersman



Representative Weston Newton



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**South Carolina
Transportation Infrastructure Bank**



955 Park Street
Room 120 B
Columbia, SC 29201
P: (803) 737-2825
Fax: (803) 737-2014

November 7, 2024

Michael Moore
Beaufort County Administrator
100 Ribault Road
Beaufort, SC 29201

Re: Beaufort County US 278 Project

Dear Mr. Moore:

In your July 3, 2024, letter to me, you informed the Bank the estimated funding shortfall for the US 278 Project was approximately \$190 million. You indicated the County intended to fund approximately \$90 million from a transportation sales tax referendum to be placed on the November general election ballot. On November 5, 2024, this bond referendum failed by a substantial margin of 55% to 45%.

As you know, the Intergovernmental Agreement between Beaufort County and the Bank provides that Beaufort County is responsible for any overages over the total cost of the Project. The total project cost referenced in the IGA is \$292,350,000. The Bank's commitment is a grant of \$120 million. An updated total project cost now ranges between \$425 million and \$480 million depending on the design of the project. Your letter indicated Beaufort County would allocate \$90 million toward the overage with funding coming from the transportation sales tax. Now that the transportation sales tax has been soundly rejected, please provide a detailed and complete explanation how Beaufort County intends to fund its approximately \$200 million requirement. Your letter requested the Bank provide an additional grant of \$90 million to go toward the funding shortfall. As you can imagine, the Bank Board must obtain better information from Beaufort County how it intends to fund the shortfall before the Bank can contemplate whether to provide additional grant dollars to the project.

Please respond within 15 days so the Bank Board can make a decision on how best to proceed with this Project.

If you should have any questions, please do not hesitate to contact me or Charles Cannon at (803) 737-1225.

Sincerely,

John B. White, Jr.
Chairman

Cc: Board Members

November 18, 2024

Mr. Michael Moore
County Administrator, Beaufort County
PO Drawer 1228
Beaufort, SC 29901

Dear Mr. Moore:

I appreciate the ongoing partnership between Beaufort County and the South Carolina Department of Transportation (SCDOT) on the development of the US-278 project between Bluffton and Hilton Head Island.

SCDOT has had the US-278 eastbound bridge over Mackay Creek on its priority lists for several years. This structure was built in 1956 and is reaching the end of its design life. Recent bridge inspections have rated the bridge as a 4 (out of 10), or poor. Due to the advanced age and current condition of the structure, SCDOT inspects the bridge annually rather than biannually like most other bridges in the state's inventory.

The present US-278 project initiated out of a desire from Beaufort County to replace all of the bridges and improve traffic operations between Bluffton and Hilton Head Island. In lieu of a separate project for the Mackay Creek bridge only, SCDOT entered into an intergovernmental agreement with Beaufort County to serve as project manager of the US-278 bridge and improvement project.

Through this partnership, this project has progressed through many steps up to this point, including obtaining municipal consent from the Town of Hilton Head Island. SCDOT anticipates a Federal Decision (Finding of No Significant Impact) from the Federal Highway Administration (FHWA) in the first half of 2025 and is prepared to move into right of way acquisition in late 2025. This would put the project on track to go to construction in 2027.

As was communicated by former Secretary Hall earlier this year, the project's current estimated budget is \$488 million, which is approximately \$190M short of the amount presently committed to the project from Beaufort County, the South Carolina Transportation Infrastructure Bank (SCTIB), and SCDOT. I am aware that there is a pending request to the SCTIB to cover \$90 million of the shortfall that will be discussed at the SCTIB's meeting on November 20. I am also aware that the referendum to fund Beaufort County's portion of the shortfall did not pass on November 5.

The condition of the US-278 eastbound bridge concerns me, especially in the harsh environment affected by saltwater and tides. The bridge is at risk in the future of being load posted which could limit the ability of emergency vehicles, commercial trucks, and school buses to access the island. Rehabilitation is an undesirable option with a current estimate of \$50 million being needed to add just 10 years to the bridge's lifespan.

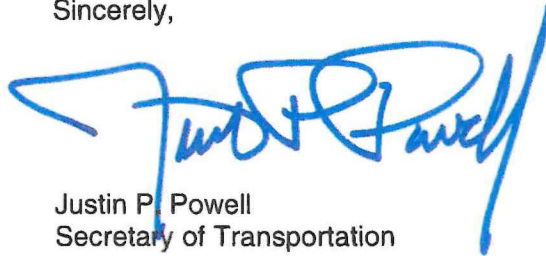
While a comprehensive solution of replacing all structures and improving traffic operations is the



most ideal path forward, we are approaching a point where time is of the essence on the US-278 eastbound bridge over Mackay Creek. In the professional opinion of SCDOT's Engineering team, a decision must be made by March 31, 2025 if the US-278 project is to continue with funding identified for construction. If not, SCDOT will be prepared to move forward with terminating existing agreements between SCDOT and Beaufort County so that there is sufficient time to design and permit a new bridge solely to replace the existing US-278 eastbound bridge over Mackay Creek.

As always, my team is available to assist as you consider options. Please do not hesitate to reach out to me as both Beaufort County and SCDOT consider next steps on this project.

Sincerely,



Justin P. Powell
Secretary of Transportation

CC: John B. White, Jr., Chairman of the South Carolina Transportation Infrastructure Bank
SCDOT Commission



Available Funding				
	PE	ROW	Construction	Total
Beaufort County	\$13,000,000	\$1,490,000	\$86,510,000	\$101,000,000
LATS (SCDOT)	\$2,000,000			\$2,000,000
SCDOT Bridge Funding	\$7,000,000	\$500,000	\$65,000,000	\$72,500,000
State Infrastructure Bank	\$0	\$0	\$120,000,000	\$120,000,000
Town of Hilton Head		\$3,350,000		\$3,350,000
Total	\$22,000,000	\$5,340,000	\$271,510,000	\$298,850,000

*Summary of committed
funding provided by
SCDOT Secretary Christy
Hall on July 22, 2022*

	Budget	Expense	Remaining	Proposed Additional	TOTAL AVAILABLE
SCDOT Bridge	\$ 72,500,000	\$ 4,180,718	\$ 68,319,282	\$ 16,100,000	\$ 84,419,282
SCTIB	\$ 120,000,000	\$ -	\$ 120,000,000	\$ -	\$ 120,000,000
Beaufort County	\$ 101,000,000	\$ 6,892,780	\$ 94,107,220	\$ -	\$ 94,107,220
LATS	\$ 2,000,000	\$ 2,000,000	\$ -	\$ -	\$ -
	\$ 295,500,000	\$ 13,073,498	\$ 282,426,502	\$ 16,100,000	\$ 298,526,502

*Revised summary
of committed funding
provided by SCDOT
Secretary Justin Powell
on January 8, 2025*