

A work session of the Beaufort City Council was held on November 19, 2013 at 5:00 p.m. in the Beaufort Municipal Complex, 1901 Boundary Street. In attendance were Mayor Billy Keyserling, Council members Donnie Ann Beer, Mike Sutton, Mike McFee, and George O'Kelley, and City Manager Scott Dadson.

In accordance with the South Carolina Code of Laws, 1976, Section 30-4-80(d) as amended, all local media were duly notified of the time, date, place, and agenda of this meeting.

CALL TO ORDER

Mayor Keyserling called the work session to order at 5:00 p.m.

PROPOSED TAX INCENTIVE FOR REHABILITATING VACANT / ABANDONED BUILDING IN THE HISTORIC DISTRICT

Libby Anderson said **Lauren Kelly** had done the research and put the presentation together. Ms. Anderson showed a map of the types of properties that are on the list of vacant/abandoned properties or possibly face being on it. There are 50 properties on the vacant/abandoned list, and of them 38 are contributing to the Historic District and are eligible for tax incentives. The city receives just \$12,440 in tax dollars for these properties. 25 that are on the watch list are occupied but not well-maintained.

Ms. Anderson showed an overview of the properties on the vacant/abandoned list: commercial, multi-unit, cottages, and 2-story houses. There are some incentives currently for the rehab of historic properties; they're listed on the website. There are federal, state, and local incentives: tax credits and the South Carolina Abandoned Buildings Revitalization Act, adopted in 2013. The state has an incentive for owner-occupied properties – a 25% tax credit on rehab expenditures. Locally, there's a rebate of city taxes for rehabbing vacant and abandoned structures known as the Beaufort Redevelopment Income Program. Ms. Anderson said this will probably be better developed through work with the Redevelopment Commission. There's also local relief for fees for building permits and the review board.

South Carolina special property tax assessment freezes taxes at the pre-rehab assessment rate, Ms. Anderson said. The municipality can set the eligibility criteria. It can be between 20 – 100% of the fair market value. The higher the expenditure rate, the more likely it will focus on the vacant/abandoned properties.

Ms. Anderson said the criteria for the special tax assessment are that the property must be either in the National Register of Historic Places or at least 50 years old and in a Historic District. 38 would qualify for this currently. The building doesn't have to be vacant to qualify. Ms. Anderson said there are 2 taxing jurisdictions, and for the most bang for the buck, the county should also be on board.

Ms. Anderson showed a comparison of the properties that would qualify for the Special Assessment and Redevelopment Incentives. These programs have been of interest since the 1980s. In Georgia and Oregon it's mandatory legislation. It's been adopted by many

communities in South Carolina, e.g., Greenville, Aiken, Columbia, Greer, etc. On average, the terms of the special assessment is 10 years. Some increase the rate gradually.

Ms. Anderson said the fiscal impact can be difficult to determine, but the taxing authority would be in the same position as it was before the rehab; it would be the same as it was on an unimproved building. Eventually, though, it will come back to its higher rate in 10+ years with an incentive, whereas it would stay frozen if the property was never rehabbed.

Ms. Anderson showed a sample calculation of a subsidy-to-rehab ratio. If the county participates as well, it's a much better value to the property owner. Studies show that the average price of a house in Beaufort's Historic District is 21% higher than a house outside the district. The incentive appears to have little or no negative effect on the current tax revenue for the city in the short term, since the vacant/abandoned homes are not paying much in taxes right now. In the long term, Ms. Anderson said, it could have a positive effect in the future. For maximum impact, both the city and county should adopt this incentive. The public impact is also important in that it reiterates that the city supports the restoration of historic properties within the Historic District.

Ms. Anderson said staff's recommendation is to adopt the legislation, possibly with a sunset provision, and they should work with county council to encourage the county to adopt this legislation as well. The county should consider automatic approval of the incentive for an project that is approved by the city, as in Richland County.

Mayor Keyserling asked about the impact this might have on a block or neighborhood; some will feel the effect is adverse because it raises the value on houses around the rehabbed house and those property owners will have to pay higher taxes. However, Mayor Keyserling said, someone is more likely to build on a vacant lot adjacent to a rehabbed house; there is "a spillover impact that can bring up the whole." Most of these properties belong to people of little means, he said, so tax credits don't mean a lot to them.

Mayor Keyserling asked if there was anything on the federal side that would allow someone to sell the tax credits they will receive. Mr. Dadson said that is true for income taxes, not property taxes, which "are direct taxes and can't be commodified." Councilman Sutton said it doesn't work currently because they have no income, so they would have no abatement on their income tax. Ms. Anderson said the Bailey Bill deals with property tax, which is assessed regardless of income. Mayor Keyserling said a 20% income tax credit could be sold for less than its value. He said they need to figure out how to make incentives valuable to those who most need it. **Maxine Lutz** said those who own these houses could benefit by not having their property taxes increase.

Councilman O'Kelley said many of the owners are absentee, so the first thing to look at is how to get the word out about the program. The cost to absentee owners may be such that they will have incentive to partner with a developer and then sell the property through a realtor. Mayor Keyserling said without something else, "this is a path to gentrification because it's geared to

those who have money.” Councilman O’Kelley gave an example of a run-down house that’s being developed now and said that’s what they hope to find.

Ms. Anderson said they hope not to put people out of the vacant/abandoned houses but to make life better for the people who are living next door to a vacant/abandoned house. She’s sensitive to gentrification.

Mayor Keyserling said the Town of Port Royal and Bluffton would also have properties that would qualify, and they should all work together to get the county to participate as well. Mayor Keyserling said they need to maintain diversity, too.

Councilman Sutton said “there’s a false sense of the reality of what’s out there for these property owners.” A lot of families have the money, but they don’t plan to live in the house, so they don’t want to spend the money to rehab the house they inherited. Some owners might like to sell their house, or live in one that’s currently vacant/abandoned if it were rehabbed, but it’s at the point where it needs to be torn down, which they don’t want to do, and the owners don’t want to put the money into it that they could spend on a new house. Councilman Sutton feels property owners in Beaufort County want the same things their neighbors have. This could be a tool for the current landowners to get someone who wants to rehab a property to buy the house from them.

Councilman McFee said if they could develop the properties to be rental income properties, that would be incentive. Councilman O’Kelley said most of the single family homes are heirs’ property, and it will cost thousands of dollars to clear the title, and there are often multiple heirs.

Ms. Lutz said Historic Beaufort Foundation supports the Bailey Bill and thinks it will be a winner for the city and preservation. She said several of the properties on the list “are owned by people of means”; not all of the owners are low-income. They’ve seen a lot of progress in the last 10-15 years, Ms. Lutz said, and there have been difficulties, but in the Old Commons neighborhood alone, they have had at least 6 properties come available. She thinks they need to educate realtors, not just property owners, with a seminar about the Bailey Bill.

Councilman Sutton said the timing is good for this as the tax assessment just came out. He’d like to see more information on the Bailey Bill and how it would work, as well as a “graduating scale back to neutral.” Mr. Dadson said the city doesn’t lose on this, but they have to make it so that someone can see the incentive in doing it. If the municipalities and the county come together, it would be an easier choice for people to make. He said they will “also have to play with the term.”

Councilman Sutton suggested Ms. Kelly should interview those who have rehabbed recently and see what incentives would have appealed to them, so they have case studies to prove the value. Ms. Anderson said they will contact the county and get with property owners like the

Dickersons and come back to another work session with an ordinance for first reading. Councilman Sutton said they should come up with something easy so they can sell it.

QUARTERLY FINANCIALS REVIEW

Kathy Todd said the expenditures' behavior doesn't follow a particular routine in each quarter. Also, the revenue collections don't occur until the 3rd or 4th quarter, so it's not recorded as revenue until it's collected. The city holds money for the Beaufort Museum, so it doesn't show in the fund balance. There has been no state Accommodations Tax money yet. There's still a fund balance in TIF 1 that will be spent. She explained the categories for assets and liabilities. She detailed the percentage distribution of expenditures for the quarter.

Ms. Todd showed a comparison of the General Fund budget to actual compared to the quarter ending September 20, 2012. Hospitality Tax and Accommodations Tax appear to be an indicator of the economy, she said, at least preliminarily. In regard to the expenditure side, most departments are under budget, though a few are over budget due to capital expenditures, e.g., stormwater and police department vehicles.

Ms. Todd showed a detailed schedule of all the revenues compared to last year at this time. She said the city is where it expects to be at this time; revenues are coming in as expected. They have received slightly more delinquent property taxes than last year. Business licenses are comparatively slightly down, but she said that's because they ended last year very strong, and the notices will go out at the beginning of 2014.

Ms. Todd showed a summary of activity on the FY 2014 approved capital projects through the Capital Improvement Plan and a summary of the funding sources. They haven't had a lot of expenditure except for the new fire station, and that was for the purchase of the property.

Councilman Sutton asked about the general obligation bonds and asked if it was only the fire department, and Ms. Todd said yes. She went on to show a summary of the funding sources and then a per project listing of funding sources and the amount of funding from each source. She also showed current progress on those projects in regard to grants applied for (e.g., Allison Road and the day dock which both potentially have other grant income that could be awarded). Ms. Todd said the mooring field project is awaiting the arrival of the grant agreement. Mr. Dadson said they had held a pre-contractors meeting on the dock connectors that day, so they are trying to move forward while they wait for the grant agreement to come and be signed by all the parties.

Ms. Todd showed financial indicators for the quarter and said the General Fund fund balance is "more than adequate." To date they have expended roughly \$1,041 per citizen.

Eddie Rodgers said that she had read in the newspaper that the city may have to buy more land for the fire station, and Mayor Keyserling said "the Design Review Board recommended that, but that is not likely to happen." Mr. Dadson said they are working on access through various

properties to make Bowling Alley Lane go through as rear access, and the county is working with the city on that.

Ms. Rodgers said she's "ready to hear about the street light replacement" and asked if there was a plan for that outside of the commercial district. Mr. Dadson said they are repairing the poles that can be repaired. Mayor Keyserling said they are doing a little bit more on Craven and West Streets.

CIVIC MASTER PLAN SCHEDULE

Mayor Keyserling said they were waiting for a recommendation from the Metropolitan Planning Commission, which they have now, so they need to set a date. Mr. Dadson said they don't necessarily legally need 30 days from November 17, but they should give as much possible public notice as possible. Mr. Dadson said council had tabled the public hearing on the matter. Councilman Sutton suggested December 10. Councilman O'Kelley said either December 17 or December 10 was fine with him. Councilman McFee said he thought December 10 was best.

Mayor Keyserling said he'd suggested that before first reading there be a council workshop on the Civic Master Plan, or they could have first reading before the workshop. Councilman Sutton suggested a workshop on the same day as the public hearing. Mayor Keyserling said they could have the public hearing and then first reading on the same day. Mayor Keyserling said he would prefer to do the workshop and the public hearing on December 10.

December 17 would be a special meeting, and they would do the first reading. Ms. Rodgers said she was concerned about council having a special meeting. Councilman McFee said it would be "special" in that it would be a voting meeting, not just a regular work session, so that they would not need to have a meeting on December 24. Council will have a work session on December 17, though not on a special subject. Councilman O'Kelley said second reading would not be until January 14. They will make notice of the cancellation of the December 24 meeting, Mr. Dadson said.

There was further discussion about the best dates for the public hearing and the workshop on the Civic Master Plan. Mayor Keyserling said the public would be able to make their views heard at all points in the process. Ms. Rodgers said traditionally council cut out a meeting in December, and she "was told that they are rescheduling that 24th meeting to the 17th."

Councilman O'Kelley said he's "fine with pushing it to January." Mayor Keyserling said they "are operating under the UDO and will until there's a new UDO." He doesn't feel a rush except that they can't move forward on the form-based code until the Civic Master Plan is approved. Councilwoman Beer said she would prefer January. Councilman O'Kelley said he doesn't "want anyone in the community to feel like they were rushed through."

Council then decided to cancel the December 17 meeting, so the only meeting in December will be December 10: the work session on the Civic Master Plan. Mr. Dadson said there are no action items for next Tuesday, November 26, so that council meeting was cancelled as well.

EXECUTIVE SESSION

Pursuant to Title 30, Chapter 4, and Section 70 (a) (2) of the South Carolina Code of Law, **Councilwoman Beer made a motion, second by Councilman McFee, to enter into Executive Session for the purpose of receipt of legal advice. The motion passed unanimously.**

Councilwoman Beer made a motion, second by Councilman O’Kelley, to come out of Executive Session and resume the work session. The motion passed unanimously.

ADJOURNMENT

There being no further business to come before City Council, the work session adjourned at 7:21 p.m.

ATTEST: _____
IVETTE BURGESS, CITY CLERK