

A work session of Beaufort City Council was held on August 27, 2019 at 5:00 p.m. in the Beaufort Municipal Complex, 1901 Boundary Street. In attendance were Mayor Billy Keyserling, Councilwoman Nan Sutton, Councilmen Stephen Murray, Mike McFee, and Phil Cromer, and Bill Prokop, city manager.

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 5:04 p.m.

EMPLOYEE NEW HIRE RECOGNITION

Linda Roper introduced **Tara Hodges**, a new administrative assistant ^[1]_[SEP] in Downtown Operations and Community Services.

Kathy Todd introduced **Katelyn Papritan**, a new accounting clerk ^[1]_[SEP] in the finance department.

PRESENTATION: BEAUFORT AREA HOSPITALITY ASSOCIATION (BAHA) TASK FORCE REPORT ON SHORT TERM RENTALS

Jonathan Sullivan discussed the membership and purpose of BAHA. **Lise Sundrila** is the executive director. In March 2019, there were “significant trends” in “the traditional lodging environment,” he said, and these changes “caused some concern,” so BAHA formed a task force with various partners “to understand what was taking place.”

Mr. Sullivan described the factors the task force looked at; the common thread over a few years was “the rapid growth of short-term rentals in our market.” He described where the task force had acquired the data that was used, and said, “It seems to be the single, limiting factor that is inhibiting a lot of our businesses’ . . . ability to attract and retain workforce.”

Ms. Sundrila said BAHA is new a new organization, but it communicates with various entities in the hospitality industry and finds out their concerns.

Ms. Sundrila said there was fluctuation in the hospitality numbers from 2016 to 2019, and the task force found it wasn’t because of fewer visitors; it identified “the short-term rental market” as responsible for that.

As opposed to traditional vacation rentals, short-term rentals “as we know them today are a totally new phenomenon,” Ms. Sundrila said. The “challenge” of short-term rentals is that they are affecting “our traditional residential neighborhoods,” she said, as well as “the traditional lodging industry,” workforce, housing, “and the overall health of the economy,” so it’s broader than the effect on the hospitality industry, in that the

proliferation of short-term rentals “affects our quality of life.”

Ms. Sundrla presented statistics about short-term rentals; for example, there are 15,000 vacation homes in Beaufort County, according to “a Bowen study,” which derived that number from the 2010 census. She listed other adverse effects that the task force found from short-term rentals.

The majority of rentals north of the Broad are at Fripp and Harbor, Ms. Sundrla said, but 400 of them are not associated with a resort community, she said. There are currently 99 in Port Royal (up from 34 in 2017) and 106 in the City of Beaufort up from 62 in 2017). The rapid, “collective” growth in short-term rentals north of the Broad is “impacting our economy . . . and our workforce,” she said.

Ms. Sundrla said the City of Beaufort’s 2016 short-term rental task force looked at “what was happening in our market,” and “tried to project what the impacts could be.” The intent was to periodically review the short-term rental ordinance that was adopted in 2017, she said. In 2018, the city contracted with Host Compliance to track and manage short-term rentals. She said BAHA hopes Port Royal will do the same. There is now a \$1,000 fine in the City of Beaufort for short-term rentals that do not have a city business licenses, which Ms. Sundrla said is good.

The city’s zoning recognizes short-term rentals as a “commercial transient lodging use,” Ms. Sundrla said. She described other aspects of the short-term rental ordinance.

Ms. Sundrla said the ordinance is strong but suggested that the neighborhood cap should be reviewed because it “does not include owner-occupied” houses or vacant and abandoned structures that are rehabbed to be short-term rentals in the Northwest Quadrant and the Old Commons neighborhoods. Short-term rentals might improve properties, she said, but “we can’t count on those improvements to be a revitalization tool for our neighborhoods,” because that is not “sustainable.” Those vacant and abandoned structures “could be rehabbed to be long-term [rentals] or owner-occupied” housing, Ms. Sundrla said.

Ms. Sundrla said BAHA is seeking a change in state statutes to include owner-occupied short-term rentals in the collection of the state sales tax and the local accommodations tax, and “a change in building codes to recognize residential structures with short-term rentals as commercial transient lodging uses.”

Ms. Sundrla named some of the “impacts” on neighborhoods identified by the City of Beaufort’s and Beaufort County Council’s short-term rental task forces, as well as by the Town of Port Royal’s ordinance. “Chief among concerns identified by the BAHA task force is the loss of long-term rental and for-sale housing stock,” she said.

Ms. Sundrla discussed the “issue of workforce,” primarily the numbers of employees

who work in Beaufort County but commute in because they live outside of the county. "At least half" of these workers commute because of "a lack of affordable housing in the county," according to the Bowen study, Ms. Sundrla said.

Ms. Sundrla broke down the employment areas of the 8,839 people employed in the City of Beaufort, and the new and additional housing units needed for rent or sale between now and 2022. In various price ranges, with average wages (e.g., for first-year teachers, accommodations, food service, and retail workers), 721 new/additional rental units are needed between now and 2022, she said, and no rentals between \$488 and \$950 a month are currently available.

Ms. Sundrla described the "direct link" between "limited housing options" and "workforce"; 57.1% of employers in Beaufort County "have had difficulty attracting and retaining employees due to housing challenges," while "residential owners/investors" find it more cost-effective to renovate and operate a short-term rental than a long-term rental.

Ms. Sundrla then discussed "the imbalance" in the traditional lodging market, in which annual occupancy in Northern Beaufort County peaked at 58% in 2016 and leveled to 52% in 2018. Occupancy "dipped to a critical low of 49.1%" in the first quarter of 2019, and it has since gone up, but she said that lenders would not want to invest in traditional lodging because of such fluctuation. Meanwhile, between 2016 and the first quarter of 2019, short-term rentals grew from 41% occupancy to "a stable 53%," she said.

Ms. Sundrla said owner-occupied short-term rentals with fewer than 6 sleeping rooms are exempt from the 6% state sales tax, 2% state accommodations tax, and 3% local accommodations tax, which traditional lodging has to pay.

Short-term rentals don't have the same designation as "transient lodging" that traditional lodging has, Ms. Sundrla said, yet they have the same effects as traditional lodging (e.g., parking, increased traffic, waste disposal, etc.), only those "adverse" effects are on the residential neighborhoods where they're located. There could be as many as 3 turnovers in one week at a short-term rental in a residential neighborhood, Ms. Sundrla said, which "creates disruptions in that neighborhood."

Ms. Sundrla said it's not important what other communities do regarding short-term rentals; what is important is what the Beaufort community wants "to support and preserve your neighborhoods" and the "quality of life in those neighborhoods."

The task force process showed that "the impact of short-term rentals is much broader than we thought," Ms. Sundrla said.

Ms. Sundrla reviewed BAHA's suggestions for the city to enact for Beaufort's short-term

rentals:

1. Grandfather in existing short-term rentals to the new regulations
2. Consider a minimum stay of 7 to 30 days “to reduce the adverse effects” of short-term rentals “on the neighborhood fabric”
3. Strengthen short-term rental health and safety codes
4. Pursue change to state regulations to include all short-term rentals in the collection of 6% state sales tax, 2% state accommodations tax, and 3% local accommodations tax
5. Pursue change to state building codes to recognize short-term rentals as commercial lodging and adopt those regulations
6. Include all short-term rentals in the calculation of the “neighborhood or zone cap”
7. On short-term rental applications, applicants should be required to state the “prior use of the structure or space so the number of units being transferred from other uses such as long-term housing can be tracked.”
8. “Establish a periodic system to monitor, track and mitigate impacts adversely affecting neighborhoods”
9. Enact “escalating monetary penalties” for “the failure to comply with regulations”

Mayor Keyserling suggested having the public comment rather than council discussing the matter at this time.

Councilman Murray asked Ms. Sundrla to name the members of the BAHA task force and their organizational affiliations. Ms. Sundrla indicated that the information is in the back of the task force report. Mr. Sullivan said the report would be distributed online. Ms. Sundrla then put the list on the overhead.

Mr. Sullivan added that BAHA would like the city to consider “taking the cap from 6% to 4% of all short-term rentals.” Unlike a hotel, if the short-term rental “market starts to get over-saturated or dry up,” an owner could put in a long-term tenant or revert to an owner-occupied “private residence,” he said. Port Royal’s and Beaufort County’s “key stakeholders” are “watching the City of Beaufort because you were the first to come to the table with [a short-term rental] ordinance,” Mr. Sullivan said. The city “has the greatest risk in this game” in Northern Beaufort County, because the majority of hotel room nights are in the City of Beaufort, so “if they start to slow down, your budget . . . will take the biggest [hit], not unincorporated Beaufort County’s,” he said.

Marc Honaker, 817 Audusta Place, said people out on the water around Beaufort see a town that looks like it did 400 years ago, rather than a view from the water of hotels, like there are on Hilton Head, for example. He said the BAHA task force’s report doesn’t address the military at all, but Marines in Beaufort contribute much more to the community than in other towns, such as Jacksonville, NC.

The 7-day minimum stay that BAHA suggests does not serve the families of Marine grads, Mr. Honaker said, or people who come to visit those at the Air Station, the Naval Hospital, or Parris Island. These visitors want to stay in “residential lodging,” he said.

The incomes of those serving in the military also weren’t addressed in the report, Mr. Honaker said.

Mr. Honaker said he’s concerned about development and about “changing the landscape of the area” by building hotels. He was welcomed when he came to visit Beaufort and stayed at VRBOs (vacation rental by owner), and then he and his wife bought a house for a short-term rental, where “typically” guests “leave the property better than when they got here.” He and his wife are planning to retire here, and the “VRBO community” gave them that opportunity. Mr. Honaker said he doesn’t want this city to look like the Town of Hilton Head in 20 years.

Robert Achurch said BAHA says it represents “the hospitality industry,” but it doesn't represent him because he has a short-term rental. The BAHA position on short-term rentals seems to be “disingenuous,” he said. He doesn’t believe that the people who stay at his short-term rental are more likely to cause an increase in crime than those who stay at lodging like the Holiday Inn. BAHA presented “no link” between short-term rentals and crime, nor was any evidence presented, Mr. Achurch said. He feels the report is “a thinly veiled attempt to get rid of the competition” by “the hoteliers in the association.”

An average hotel has 115 rooms, Mr. Achurch said, while there are 106 short-term rentals. New hotels are being planned or are being built, he said, so there might be “an oversupply” of rooms; he suggested “reconfiguring” some of the hotels’ rooms and housing “the labor force in those rooms” if there’s genuine concern about “supplying low-cost housing for labor.”

There is also no empirical evidence that a property loses value if it’s next to a structure that’s been rehabbed as a short-term rental, Mr. Achurch said. No one will come to stay in a short-term rental if it’s not well-maintained, he said, which all of the short-term rentals in his neighborhood are. There’s been no increase in noise or crime as a result of short-term rentals there, he said.

Josh Gibson said he was once advised “never to fall in love with your business model,” and he thinks that’s what’s happening with traditional lodging, the market of which has changed, in the same way that Uber has affected the taxi business. “Short-term rentals have changed the hotel [business] model,” he said, so with this report, the lodging industry is asking that the short-term rental model be changed, rather than changing their own.

Mr. Gibson said in the last 3 years, there have been “zero” calls to the police to address

crimes at short-term rentals. He suggested that hotels could rent out empty rooms as long-term lodging for the workforce who can't find affordable local housing.

BAHA "gave away the game," Mr. Gibson feels, with this report: When they saw that their occupancy rates had gone down, they "reverse-engineered an argument" to make that decrease about the problems with short-term rentals. He then showed a house he and his wife had renovated that was featured on the cover of a national magazine.

Andy Corriveau agreed with the previous speakers and said it was apparent to him that "the focus of" BAHA's "presentation is to eliminate competition" from short-term rentals. The report "actually alleges an imbalance in the economy resulting in an oversupply in the lodging market impacting the overall economy," he said. If there is an oversupply of hotel rooms, "and there might not be," he said, that "situation . . . was created by the hotels themselves," in that 241 rooms have been added since 2015, "with even more planned." He added that he supports "the development of a boutique hotel downtown." That would not be "competition," Mr. Corriveau said, as short-term rentals are not competition for traditional lodging; "we are not in the same market as hotels." There has been a change in consumer demand for "a homelike accommodation," and short-term rentals meet that demand; "that can't be regulated away," he said.

Mr. Corriveau finds it "absurd" that the issue of a lack of workforce housing is being blamed on "the proliferation of short-term rentals." The Beaufort 2030 study showed no correlation between short-term rentals and the lack of workforce housing, he said, and he suggested that paying the workforce "a living wage" would solve that problem.

Mr. Corriveau said short-term rentals were unfairly represented in BAHA's report as competitors with traditional lodging, which he said they are not. He added that he was "excluded" from participating on BAHA's task force, but he would have loved to have participated and to "help address [the] issues."

Victor Granquist said he owns a short-term rental in Pigeon Point. He said a lot of people who come to the Lowcountry want the experience that short-term rentals like his offer. Visitors to Beaufort should have the right to enjoy the Lowcountry lifestyle if they want it, Mr. Granquist feels, and as a retiree, he also depends on the short-term rental income and enjoys the home when visitors are not there.

Palo Luzny said his family stays at short-term rentals when they travel because they like to stay together and cook together. He found the report difficult to take seriously because of the composition of the task force, which he compared to "a butcher shop and steak house association giving a report" on "the negative effects of vegetarian restaurants" on their industry.

Mr. Luzny doesn't see the impact of short-term rentals on the workforce and feels

employees in Northern Beaufort County should be paid better so they could afford housing in Beaufort. He said the report “complained that housing prices are too high for employees to buy,” but “on the other hand” claimed that “the short-term rentals are lowering the values of the houses.”

Lori Malijenovsky said she owns a short-term rental a couple of miles from Parris Island, and it provides an affordable stay for families coming to pick up new recruits at their graduation for “a fraction of the price of staying in a hotel.” She described what she provides for these families, including accommodating late checkouts, so new Marines “can come take a shower before going home.” She also provides discounts on her rates if needed.

Ms. Malijenovsky listed the taxes that she pays from her short-term rental and described the safety measures she’s taken and the inspections it undergoes.

More restrictions on short-term rentals would be a penalty on the military community, Ms. Malijenovsky said, and they wouldn’t benefit the city. To solve the problem of a lack of workforce housing, the hospitality industry could provide long-term rentals in their hotels, or local developers could build more apartment complexes, she said.

Barry Edwards, Old Commons, said people coming to short-term rentals are looking for a different experience than they get at a hotel. He thinks the BAHA report is “a thinly veiled attempt” to “create a monopoly,” which he said is wrong. He has no issues with “licensing” or with paying the same taxes that hotels pay. Mr. Edwards said that many short-term rentals “are renovating old housing,” which takes “a tremendous amount of time, energy, and money.” He owns businesses on Hilton Head, and his employees live north of the Broad because he pays them double what they would otherwise earn, so that he can get “the best employees,” and other businesses could do the same thing.

Lisa Glod, 904 Woodward Avenue, owns a short-term rental on Pigeon Point Road. She said they care about their guests and take them shrimping and fishing. Many are military families and like to be together while they’re here to cook, etc. Their experience at her cottage is “totally different than they would experience at a hotel.” Increasing the minimum number of room nights “would hurt military families,” she said, and if those families can’t afford to stay in short-term rentals, it would adversely affect Beaufort’s economy.

In Ms. Glod’s neighborhood, everyone “follows the rules” for short-term rentals, she said. There are houses for sale in her neighborhood, and she doesn’t feel short-term rentals hurt the housing market but are more likely to be helping it. Many people come back to Beaufort and consider moving here because of the experiences they have when staying at short-term rentals, Ms. Glod said.

Marc Sviland, 1105 Greene Street, stayed at seven short-term rentals in Beaufort before

moving here because they were more affordable and “the nicest place to stay.” The owners showed him and his wife around Beaufort, he said, so they built a new home on Greene Street and moved here. He thinks short-term rentals are an important part of tourism and the economy in Beaufort.

Barbara Rader said she doesn’t own a hotel or a short-term rental. She lives “on a small street in a small neighborhood,” and there’s a short-term rental across the street from her. It’s “quite horrid” to sit on her porch “and watch strangers wheel their suitcases in and out,” she said. She doesn't like it, and neither do the neighborhood dogs, she said. Ms. Rader thinks “the placement of short-term rentals is vital,” and the one on her “street has made an inhuman difference.”

Colleen Yeager, Best Western Sea Island Inn, said she knows that military families and others come here and need different opportunities for lodging. As a workforce member in hospitality, she makes a living wage, but she has had a hard time finding a long-term rental in Beaufort that fits her budget.

Greta Maddox manages rental properties and has short-term rentals. She is an Airbnb “Superhost” and is very attentive to her guests needs, including taking them places. On average, a short-term rental is used 139 days a year, as opposed to 365 days of wear and tear from a long-term tenant, which is “quite a bit better for the neighborhood and the community.” The report suggested that the solution for the shortage of rental housing for area employees was to rent houses long-term, but doing so would mean it would take a substantially longer time for investors/owners to recoup their return on investment, so Ms. Maddox asked if the businesses represented in BAHA would be willing to supplement the costs of renovating houses for long-term, rather than short-term, rental.

Mike Tomy, the Metropolitan Planning Commission (MPC) chairman and “a recovering VRBO owner,” said he agrees with what has been said in favor of short-term rentals. He thinks there were a number of inconsistencies in the BAHA report. He’d like the city to develop “a monitoring and accountability system” for long-term and short-term rentals, B&Bs, and apartments, many of which have fallen into disrepair and have problems with crime. Mr. Tomy said he’d be a part of a group that looked into such a system.

Yancy O’Kelley said she lives downtown. A lot of positive things were said about short-term rentals, she said, but that’s been not her experience. There are multiple short-term rentals near her house, and “none of them are like Mr. Achurch’s,” she said. One owner lives out of town, and she called him about her concerns that his property “doesn’t look good.” He told her he had a property manager, but she told him, “No, this is on you. The responsibility is on you.” Ms. O’Kelley discussed other problems with the short-term rentals in her neighborhood, which she said represent “another side of this story.”

Ms. O’Kelley said, “The people who do [short-term rentals] wrong mess it up for the

people who do it right.” She has called **Justin Rose**, the city’s business license inspector, about issues with short-term rentals in her neighborhood, and he has been responsive.

“We want our neighborhood back with nice people” that the residents like to be around, Ms. O’Kelley said, and for it to be a place their “grandchildren can ride their bikes around and feel safe.” She asked city council to think of the “legitimate concerns” of homeowners who have lived here a long time. Ms. O’Kelley said she and her husband are looking for other places to live because short-term rentals have “so negatively impacted” the neighborhood.

Sue Sagui said she was on the task force and has a long-term rental, but she is “not a hotel person.” She always stays in short-term rentals when she travels, including while she was “in the process of moving to Beaufort,” and now she lives here. She said 50% of the time, she got the experience she was looking for at a short-term rental, and 50% there were unwelcome smells, mold, noises, or she “wasn’t sure about the neighborhood” because it was different than what she had seen online.

Ms. Sagui said BAHA isn’t asking the city to eliminate short-term rentals but to look at how they’re regulated. “Only 50% of the houses” in the Northwest Quadrant, where she lives, “are occupied,” and “the other 50% are either empty lots or rundown housing that needs to come back,” she said. “The way the rules are written now,” if everyone who bought a house or an empty lot in that neighborhood wanted to have an Airbnb, they would be “exempt from the taxes,” as long as their short-term rental was owner-occupied. The Northwest Quadrant “would never reach the cap” because all of these short-term rentals would be owner-occupied, Ms. Sagui said, so “the whole Northwest Quadrant could be filled” with them.

John Dickerson said this is “the third time we’ve been through the short-term rental thing since 2009.” Short-term rentals are market-driven, he said, which no one could change with “any rule or regulation.” Since the short-term rental ordinance was put in place, it has worked well, so he feels there’s no need to “re-litigate it.” Mr. Dickerson said, “We all know [the ordinance] works well.”

Maxine Lutz lives in the Old Commons neighborhood; she said BAHA hadn’t suggested eliminating short-term rentals, which she agreed are “market-driven and popular.” BAHA is asking for the short-term rental policy to be “refined” and for council to “look at some details.” The short-term rental behind her house allows stays of just one night, Ms. Lutz said, and guests “leave trash” around the yard, as well as leaving the garbage cans out.

Jerry Stocks also lives in the Old Commons neighborhood. She’s concerned about garbage and recycling receptacles, which the ordinance says should be put out no sooner than 4 a.m. on the day off pick-up and put back up by 7:30 p.m. that same day. She said short-term rental owners pay someone to clean their houses, and those people

might put the garage receptacles out on the curb, but they don't put them back after pick-up. Ms. Stocks said short-term rentals aren't the only places that do this – some owner-occupied houses do it, too – and she feels it's "a blight" on the city's neighborhoods.

Councilman Murray thanked the public in attendance for being civil about this matter. He thinks the BAHA report "has a lot of flaws," but he's a business owner, and if his market share were eroding, he might want a similar report. He said he appreciates the work BAHA does.

Affordable housing and workforce housing are "a very deep issue" with a number of factors, including short-term rentals, Councilman Murray said. The number of visitors to his attraction are down, and his receipts are, too, so the tourism economy as a whole in Beaufort is down, which is the conversation he thinks they should be having, to determine how to bolster the tourism economy.

Councilman Murray said BAHA's request to remove the exemption for short-term rentals in the 34 vacant and abandoned houses in the Historic District "baffles me a bit" because if they care about the Historic District, they should use every tool available to rehab those structures. He assumes "a very small number" would be renovated to be short-term rentals, but if all of them were, that would be "a monumental task" and a very fortunate occurrence.

Councilman Murray said, in regard to crime and code violations at short-term rentals, he had asked the city's police and codes enforcement departments about the number of issues in short-term rentals in the last year or so, "and it's been almost zero." He also asked those departments to "research the number of issues that we had with traditional accommodations over the last year"; they reported that since October 2018, "in the hotels across the City of Beaufort, there were 35 actual criminal violations that ranged from indecent exposure to fraud to vandalism to theft . . . to simple assault to weapons violations."

Councilman Cromer said he's concerned that "the character and quality of life in our neighborhoods" is being "transformed to create neighbor-less neighborhoods," which he feels is "wrong." He suggested two changes to the short-term rental ordinance: create "minimum spatial requirements between short-term rentals" and limit the number of them that would be allowed per block.

Councilwoman Sutton feels concerned that an industry is complaining about its competition. As a retail business owner, her competition comes from Amazon, so she has to fight for her business every day. She doesn't believe the number of short-term rentals has affected workforce housing. Concerning the vacant and abandoned structures exemption, Councilwoman Sutton explained her husband's past work to rehab a number of properties in the Northwest Quadrant, and said 34 of them remain

because “it’s a complicated issue.” (E.g., Many are heirs’ properties and tracking down all of the owners is difficult.)

Councilman McFee said he appreciates everything that has been said and appreciates BAHA for putting the report together. He agreed that there are problems in Beaufort with workforce and affordable housing, but he’s not sure those problems are tied to short-term rentals.

Mayor Keyserling thanked the public for coming to the meeting and for being civil. There will be future work sessions on short-term rentals, he said, and more opportunities for people to be heard. He thinks there is a way to review and work on the ordinance.

BOARDS AND COMMISSIONS INTERVIEW – TOURISM DEVELOPMENT ADVISORY COMMITTEE (TDAC) ^[L]_[SEP]

Council interviewed **John Ragsdale** for an open position on the committee.

ESTABLISHING A TASK FORCE FOR HIGHER EDUCATION IN THE CITY OF BEAUFORT ^[L]_[SEP]

Jon Verity handed out a proposal to create a higher education task force. He described the composition of the task force and a tentative timetable. He named those in the working group that would review the names of potential task force members. The work process would begin in October, Mr. Verity said, with a report to city council in February 2020, a 6-month report in April 2020, and a working plan to be delivered to city council within 12 months.

Councilman Murray said they are asking for council’s blessing on the ideas in the handout and for suggested changes within the next couple weeks. The purpose and scope of the task force will be posted on the city’s website in the next week, he said.

SPANISH MOSS TRAIL CONNECTOR UPDATE ^[L]_[SEP]

This matter was postponed until a future work session in the interest of time.

EXECUTIVE SESSION

Pursuant to Title 30, Chapter 4, and Section 70 (a) (2) and (1) of the South Carolina Code of Law, **Councilman Murray made a motion, seconded by Councilman McFee, to enter into Executive Session for discussion of land acquisition and boards and commissions. The motion passed unanimously.**

There being no further business to come before council, the work session was adjourned at 7:04 p.m.