

CITY OF FOLLY BEACH

Tim Goodwin, Mayor



Folly Beach, SC 29439

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**Chris Bizzell, Council Member
William Farley, Council Member
Billy Grooms, Council Member**

**Katherine Houghton, Council Member
Eddie Ellis, Council Member
D.J. Rich, Mayor Pro-Tem**

**City Council Work Session Meeting Special 10:15AM
Tuesday, December 19, 2023**

1. Work Session Items

- a. Review of STR Discussion, Meeting #4-Aaron Pope.
 - Limited Short Term Rental Licenses.
 - A Reduction of Investment Short Term Rental Licenses.
 - Waitlist Format.

PUBLIC NOTICE

ALL MEDIA WERE NOTIFIED PURSUANT TO STATE LAW

City Council will not vote on matters discussed during Work Sessions or Executive Sessions.

However, matters discussed may be voted on during the evening City Council meeting. In keeping with the Americans with Disabilities Act, persons needing assistance, alternative formats, ASL interpretation, or other accommodation, please contact the Municipal Clerk at 843- 513-1833 during regular business hours at least 24 hours prior to the meeting. Hearing devices are available upon request for those with hearing difficulties.

The City of Folly Beach, in an effort to go green, will no longer have the Ordinances and Resolutions included in the agenda. Citizens interested in having a copy, please see the Municipal Clerk.



City of Folly Beach

Date: December 19th, 2023

Re: Limited Short Term Rental Licenses and A Reduction of Investment Short Term Rental Licenses

Mayor and Council,

At the December 12 meeting Council asked for more information on limited rentals as a compromise for heirs/purchasers/owners who are ineligible for ISTR licenses. Staff has prepared a brief overview of the concept for review on December 19. The general principles are:

The driving factor in license classification would shift to the number of nights rented versus property tax status.

A limited license would allow 72-night rentals (equivalent to the current OSTR).

6% Purchasers, heirs, and current owners could apply for limited licenses (4% owners already have access to 72-night licenses). This would allow some rental activity while on the waitlist for an ISTR.

The number of allowable ISTR licenses would be reduced in anticipation of additional 72-night rentals.

The presentation next Tuesday will be an overview to address the interactions between a 72-night license and the current topics we are reviewing. Further study will be needed if Council is interested in pursuing it. Staff will also present options for the basic structure of a waitlist so that Council can provide direction on developing more specific requirements.

Aaron Pope, AICP
City Administrator

STR Work Session 12/19/2023

STR Review Timeline

STR Cap First Year Overview

- License/revenue/violation information.

STR Ordinance Technical Amendments/Codifying Policies

- Provisional licenses for SC Vacation Rental Act.
- Requiring the number of bedrooms advertised to match rental registration.
- Licensing partial 6% rated structures (portions of homes that are not separate units).
- Grace period for annual renewals of business licenses.
- License loss related to demolition of structure.
- Allowable property transfers.

STR Ordinance Substantive Amendments

- Retroactive grace period for licenses that expired prior to moratorium.
- Allowing licenses for properties under construction.
- Revoking licenses below minimum rental activity.
- Allowing purchasers of licensed properties to apply for an ISTR license.
- Allowing heirs to obtain ISTR licenses.
- Exempting multiunit buildings from the cap.
- Exempting commercially zoned properties from the cap.
- Exempting properties governed by an HOA from the cap.
- Allowing existing 4% owners to convert to ISTR licenses (without changing ownership).

Draft Waitlist Procedure and Timeline

Additional Study Areas

- Septic Pump Out Requirements.
- Limited Short Term Rental Licenses

STR Review: Limited Short Term License

- A limited short-term license would offer a license to allow 72 rental nights for properties that are ineligible for ISTRs.
- Limited rentals would offer heirs and purchasers with a 6% property tax rate a stepped down amount of rentals.
- The number of allowable ISTRs should be reexamined if an alternate license type is created.
- No license is transferable. New owners must open new accounts.

LSTR Review: Definitions

- LSTR would add # of nights rented as a factor license classification.
- All 4% property owners are currently eligible for an OSTR and would be eligible for an LSTR. (no change).
- A 6% property owner is only eligible for an ISTR or the waitlist (no rentals). LSTR would create a stepped down option.

§ 117.01 PURPOSE, APPLICABILITY, AND DEFINITIONS.

INVESTMENT SHORT TERM RENTAL BUSINESS LICENSE (ISTR). A license issued for a dwelling unit that is not the legal residence of the owner to be used as a short term rental **and is rented for more than seventy-two (72) days annually.**

Limited Short Term Rental License (LSTR). A license issued for a dwelling unit to be used as a short-term rental for no more than seventy-two (72) days annually. An LSTR may be issued for the rental of any dwelling unit.

~~**OWNER-OCCUPIED SHORT TERM RENTAL BUSINESS LICENSE (OSTR).** A license issued for a dwelling unit that is the legal residence of the owner to be used as a short term rental.~~

PROVISIONAL SHORT TERM RENTAL LICENSE (PSTR). A license issued for a dwelling unit to be used as a short-term rental for no more than ninety (90) days to allow compliance with the requirements of the South Carolina Vacation Rental Act, specifically South Carolina Code § 27-50-250. A PSTR shall only be issued to the purchaser of an existing Short-Term Rental with a ISTR or **LSTR** ~~OSTR~~ license in good standing, is valid only for rental contracts disclosed under the terms of the Act, and shall expire at the end of the last authorized rental period.

§ 117.02 SHORT TERM RENTAL BUSINESS LICENSES.

(A) The city shall issue investment short term rental business licenses, ~~and owner-occupied short term rental business licenses,~~ **limited short term rental licenses, and provisional short term rental licenses.**

(D) *Non-transferable.*

(1) Investment short term rental license wait list status terminates upon transfer of property and is non-transferable.

(2) Investment short term rental business licenses terminate upon transfer of property and are non-transferable.

(3) ~~Owner-occupied~~ **Limited** short term rental business licenses terminate upon transfer of property and are non-transferable.

~~(4) Owner-occupied short term rental business licenses terminate upon loss of 4% property tax assessment status and are non-transferable.~~

(4) Provisional short term rental licenses terminate upon completion of the last authorized rental period and are not transferable.

LSTR Review: CAP limits and transferability.

- 56% of owners (955 licenses/1697 parcels) currently hold ISTR licenses for 6% properties.
- At the cap, 47% of owners (800 licenses/1697 parcels) will hold ISTR licenses for 6% properties.
- With a reduced cap, 40% of owners (675 licenses/1697 parcels) would hold ISTR licenses.*
- LSTR creates the opportunity for more total *rental licenses*.
- Lowering the cap of ISTR licenses offsets the *increase in total rental nights*.
- More time is needed to determine license utilization and saturation rates for comparison.

*this is a placeholder only

LSTR Review: CAP limits and transferability.

§ 117.02 SHORT TERM RENTAL BUSINESS LICENSES.

(A) The city shall issue investment short term rental business licenses, ~~and owner-occupied short term rental business licenses,~~
limited short term rental licenses, and provisional short term rental licenses.

(B) There will be no limit on the number of ~~owner-occupied~~ **limited** short term rental business licenses issued.

(C) The maximum number of investment short term rental business licenses issued shall be ~~800~~ **675***, henceforth referred to as the cap.

(1) No new investment short term rental business licenses shall be issued unless the total number of investment short term rental business licenses are below the cap.

(2) Any existing investment short term rental business license issued prior to February 7, 2023 which remains in good standing may continue to be renewed annually, even if the number of investment short term rental business licenses exceeds the cap.

(3) A wait list will be established as soon as practical and maintained by the city. New licenses shall be offered to applicants according to procedures adopted by City Council.

(D) *Non-transferable.*

(1) Investment short term rental license wait list status terminates upon transfer of property and is non-transferable.

(2) Investment short term rental business licenses terminate upon transfer of property and are non-transferable.

(3) ~~Owner-occupied~~ **Limited** short term rental business licenses terminate upon transfer of property and are non-transferable.

~~(4) Owner-occupied short term rental business licenses terminate upon loss of 4% property tax assessment status and are non-transferable.~~

(4) Provisional short term rental licenses terminate upon completion of the last authorized rental period and are not transferable.

LSTR and the SC Vacation Rental Act

- SC Vacation Rental Act requires buyers to honor 90 days of rentals.
- If the number of rental nights was 72 or less, new owner could apply for an LSTR.
- If the number of rental nights was between 73-90 owner could apply for an PSTR.
- Owner can renew PSTR in second year and beyond as an LSTR.

§ 117.01 PURPOSE, APPLICABILITY, AND DEFINITIONS.

PROVISIONAL SHORT TERM RENTAL LICENSE (PSTR). A license issued for a dwelling unit to be used as a short-term rental for no more than ninety (90) days to allow compliance with the requirements of the South Carolina Vacation Rental Act, specifically South Carolina Code § 27-50-250. A PSTR shall only be issued to the purchaser of an existing Short-Term Rental with a ISTR or **LSTR** ~~OSTR~~ license in good standing, is valid only for rental contracts disclosed under the terms of the Act, and shall expire at the end of the last authorized rental period.

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LSTR and Property Transfer

- Licenses terminate on “transfer of property.”
- Current proposals to define types of transfers in relation to loss of future license only apply to ISTR licenses.

LSTR and Demolition

- A certificate of occupancy is required for all STR licenses.
- Demolition of a unit triggers the loss on an ISTR license. Future ISTR license applications would be reviewed under the cap.
- Demolition of a unit would also trigger the loss of an LSTR, but future LSTR license applications would not be reviewed under the cap.

LSTR and Late Renewals

- Licenses expire annually on April 30th.
- The penalty for late renewal of an ISTR would be revocation of license.
- The penalty for late renewal an LSTR would be a late fee.
 - Council may opt to make penalty more severe (loss of license until next business year).

LSTR and Partial 6% rating

- Some dwelling units have a blended rate (legal residence with one or more rooms taxed partial 6%).
- Future licenses for blended properties (post 2024) would be subject to 72-day rental limits (number of nights allowed no longer tied to 6% rating).

LSTR and structures with a building permit prior to referendum.

- An LSTR would allow any owner to apply for 72 night rentals.
- Owners wishing to rent more than 72 days would fall under the cap and must join the waitlist for an ISTR.

STR Ordinance Substantive Amendments

Properties with no valid 2022 license prior to moratorium.

- An LSTR would allow any owner to apply for 72 night rentals.
- Owners wishing to rent more than 72 days would fall under the cap and must join the waitlist for an ISTR.

LSTR and good standing (minimum rental activity).

- An LSTR would allow any owner to apply for 72 day rentals with no requirement for activity.
- ISTR licenses must meet proposed minimum activity.

LSTR Ordinance Substantive Amendments

Allowing heirs/new owners to obtain licenses.

- An LSTR would allow any owner to apply for 72 day rentals.
- Future owners who desire an ISTR would need to join the waitlist.

LSTR Ordinance Substantive Amendments

Exempting multiunit buildings/commercial districts from the cap.

- An LSTR would allow any owner to apply for 72 day rentals.
- Owners wishing to rent more than 72 days would fall under the cap.
- Question of allowing additional ISTR licenses for multiunit buildings or commercial districts remains.

Waitlist

- Multiple models exists.
- Council must decide foundational structure prior to developing detailed requirements and processes.
- A random or lottery system gives equal weight to all applications on the list.
- A first come first serve system prioritizes application order.
- A preferential waitlist gives different weight to certain criteria.
 - Residency status.
 - Residency length.
 - Familial relationships.
 - Ownership length.