

CITY OF FOLLY BEACH
Tim Goodwin, Mayor



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City Council Meeting
Tuesday April 26th, 2022
WORK SESSION 11:00 AM
City Hall
21 Center Street
2nd Floor Council Chambers
Folly Beach, SC 29439

Work Session Agenda 11:00 AM

- a. Recommendations from the Mayor's Short Term Rental Committee.



City of Folly Beach

Date: May 10, 2022

Topic: Mayor's STR Recommendations

Council,

The Mayor's recommendations for short term rental regulation changes are below. These recommendations are presented in context with those of the STR Committee to track the addition/deletion/replacement of language based on the Committee's report.

Additions are shown in **red**, while edits to the Committee's recommendations are shown with ~~strike through~~.

The recommendations follow the four primary issues identified for review. Each issue has multiple recommendations along with policy, reasoning and data supporting each one.

Issue #1: The number of short term rentals in the City is increasing.

Recommendation 1: The ~~STR committee~~ **Mayor** recommends that the City limit future growth of short term rentals. ~~while preserving the right of full time residents (4% owners) to rent their homes.~~ **The Mayor proposes to include 4% properties used as short term rentals as part of the cap on total rentals.**

Policy: Short term rental of primary residences shall ~~not be capped~~ **be included as part of the overall cap.** Residency shall be established by the prior year property tax bill showing 4% exemption.

Reasoning: Currently, the number of primary residences used as rentals is low. However, ~~the committee believes that growth should be allowed in this category~~ **the conversion of 4% properties to short term rental use is the primary driver of the expansion of rentals into areas that have the highest concentration of full time residents.** ~~1) Short term rentals in primary homes have less negative impact than those in secondary homes. 2) 1)~~

Although ~~primary residence rentals are limited by duration (less than 72 days a year) and more likely to occur when the owner is on premise~~ **they often occur when residents are out of town for the weekend or the season.** ~~3) 2)~~ The ability of residents to rent their homes for income to offset taxes, insurance, and other expenses lowers the overall cost of ownership and allows more people the option to live in the City. ~~4) 3)~~ The conversion of new construction to STR has not occurred at a rapid rate despite no current restrictions. **This shows that there is less demand among existing and new full time residents to utilize short term rentals to offset costs.**

Data: Current percentage of STR primary residences, various white paper articles, #of homes built.

Recommendation 2: The STR committee Mayor recommends that the City limit future growth of short term rentals while preserving the rights of existing rental uses by leveling the playing field between current and future owners and avoiding the creation of “winners” and “losers”.

Policy: Existing regulations for nonconforming uses will be applied to short term rentals licensed on the date of the ordinance. This includes the right to sell the property to new owners who will be able to obtain licenses. All existing licenses on the date of the ordinance will be allowed to remain and be renewed until transfer of ownership. They will be given priority each year as part of the cap.

- Any license that is not renewed within 30 days of expiration or transfer of ownership must be renewed under new limits. Transfer of ownership shall make the license subject to the cap and, if the cap has been reached, put the license onto the waitlist. Current licenses will only continue with current ownership except in the case of family transfers (grandparents, parents, children).
- Any license that is inactive (with no documented short term rental reservations within 12 months) and does not documented reasoning (including court order, condemnation letter, probate, etc.) to not allow for the use of that property for more than 12 months) will lapse and must be renewed under new limits. Any license for a 4% property that does not document at least \$1,000 of income shall be considered inactive. Any license for a 6% percent property that does not document at least \$3,000 of income shall be considered inactive.
- Currently, strikes are attached to the business license owner not the property. A new business license starts the strike count over. Sham owners do not wipe the slate clean.
- Anyone who is a 4% property owner without a rental license at the time the ordinance passes will have the opportunity to maintain that right via a one-time waiver for new owners to apply for a short term rental license within 30 days of sale of home. This will require assistance from additional staff. All future licenses shall be determined under the cap system. No special privilege for future licensing shall be created.

Reasoning: Discourage hoarding of licenses but uphold vested rights. The City wishes to preserve the right to sell their property to whomever and not impact avoid creating artificial inflation of property values based on available short term rental licenses.

Data: Nonconforming use codes from Folly’s ordinance, other model ordinances.

Recommendation 3: The STR committee Mayor recommends that the City limit future growth of rentals across the board including within multifamily complexes, but not hinder various property types from procuring a short term rental license by allowing high density multifamily units (structures with 6 units or more) to not be included in a cap.

Policy: Short term rentals in a property used as multifamily will not be subject to a cap. with proof of legal ownership at the address.

Reasoning: Many condos do not allow STRs, or they are already almost fully run as short term rentals. They are also controlled by HOA and that should/can be a building by building decision Having these entire buildings become short term rentals would not impact quality of life as they are either off island or within the commercial districts. New

~~multifamily dwellings are not allowed per zoning ordinance. By exempting these properties from the cap, it allows the City to set a realistic number for a cap.~~

Data: License registration data, Parcel data, HomeCompliance maps

Recommendation 4: The ~~STR committee~~ **Mayor** recommends that the City limit future growth by implementing a cap on the total amount of STR licenses ~~for 6% properties in Folly Beach.~~

Policy: The target total number of ~~renters~~ **licenses** on the island is ~~X as a set~~ **at a fixed** number ~~is easiest~~ for enforcement. This will require assistance from additional staff.

Options:

1. Freeze all issuance of new licenses and eliminate licenses through attrition to a set number of allowable licenses **based on a percentage of total dwelling units (proposed as 900 for 2389 units).**
- ~~2. Exempt 4% owners, existing license holders and 6% multifamily dwelling units (recommendations 1-3 above) and set a low cap of licenses (ex: 200 non-exempt licenses). Currently 1780 licenses are exempt under this proposal.~~
- ~~3. Exempt only existing license holders and set a higher cap of licenses (ex: 500 non-exempt licenses).~~

The Mayor proposes eliminating all exemptions from the cap and only limited exceptions for transfers. The total number of licenses allowed would slightly lower than 2020 levels. The new cap would be 15% of 4% properties (vs 14.9% in 2020) and 50% percent of 6% properties (vs 51.5% in 2020). The total number of licenses would be 900 vs 923 in 2020. The percentage of total properties rented would fall from 38% to 37%.

Late renewals will lose preferred status and be subject to the cap.

Inactive licenses would lose renewal privileges and be subject to the cap.

Once attrition lowers the total number of licenses to the allowable limit, a lottery would be established to replace licenses within the limits of the cap.

Additional license applications can be made and will be added to a waitlist. When spots open under the cap, the City will give the oldest application first priority. The system in place at Kiawah will serve as a model.

Reasoning: Control growth and maintain a diverse and vibrant community to foster full time residency.

Data: County tax assessor and business license fee annual data; Case studies on home values and selling homes under STR cap.

Issue #2: Fees charged for short term rentals do not provide enough support to City resources based on the demand brought by the STR population.

Recommendation 1: The ~~STR committee~~ **Mayor** recommends that the City increase the fees associated with Short Term Rentals.

Policy: ~~New application fee for ALL property is \$500 annually this is in line with other~~

~~communities which do not differentiate with 4% and 6% owners. In 2023, after standardization is complete, an evaluation should be conducted to increase the base fee.~~
The Mayor proposes a fee of \$1,000 annually for 4% properties and \$2,000 annually for 6% properties. This is a separate fee from the business license cost.-

Reasoning: Business license fees/rates cannot be adjusted this year due to state standardization of business licenses. Thus, an additional application fee will be implemented. These fees are absorbed by the renters, not residents or owners. The new application fee can then be used of fund infrastructure (sidewalks, parks and ped paths), services (public safety, sanitation), and staff (full time dedicated rental staff). These fees could also be used to subsidize long term rentals and affordable housing with some zoning law changes at the City level to encourage this development. Fee would also be used to support more personnel for enforcement of either civil noise violations or for rental management in general. Another option is to set up a dedicated fund for public improvements that serve tourism. Long term rentals would not be impacted as this is a separate application. A graduated fee schedule is equitable based on the potential impact of the number of renters/nights rented. 4% properties are limited to 72 nights a year for rental activity. 6% properties have unlimited rental potential. Fees need to be substantially because, even at a reduced level, the number of rentals in Folly Beach is far above that in a typical community and a high percentage of City services are based on service to rental properties and renters.

Data: Fee schedules from surrounding and similar municipalities.

Recommendation 2: The STR committee Mayor recommends increasing the fines and immediacy of fines when there is a rental strike.

Policy:

- Change the STR ordinance to state that fines are implemented on the second strike rather than two warnings. to make all rental violations subject to \$500 civil tickets. Each conviction shall constitute a strike. After three strikes in a rolling 12 month period, the City will initiate revocation of a license
 1. ~~Warning~~
 2. ~~\$500~~
 3. ~~\$500~~
 4. ~~Hearing~~
- Add if local agents cannot appear on site or respond to emergency within two hours of emergency, then that constitutes a strike is a ticketed offense.
- Add if advertising for less than 3 nights, then that constitutes a rental strike (refer to Issue 3, Recommendation 5). is a ticketed offense.
- ~~Add dogs at large to constitute a rental strike.~~
- This will require assistance from additional staff.

Reasoning: Strikes happen so rarely that two warnings is not needed and impacts of strikes should be more immediate to discourage strikes from being obtained. Basing the license revocation on convictions rather than strikes is a stronger position. Issuing tickets rather than strikes creates an immediate effect. Lowering the threshold for strikes/tickets from four in six months to three in twelve months will allow the City to act more quickly to revoke nuisance licenses.

Data: Strikes written, noise complaint reports

Recommendation 3: The ~~STR committee~~ Mayor recommends adding City staff for short term rental related issues.

Policy: Hire ~~two~~ additional staff (~~1 administration and 1 code enforcement~~) to administer the short term rental ordinance and related tasks. **The number of staff shall be suitable to manage enforcement, licensing, rental registration, and administration of the rental ordinance. This includes night and weekend enforcement.**

Reasoning: Short term rentals are a growing concern on the island, and it takes staff personnel to administer a successful program including consistent and timely enforcement and faster application issuance and compliance. **Increase fees will allow the City to fund these positions through income received from rentals.**

Data: Fees, workload, rental license applications

Recommendation 4: The Mayor recommends that all applications for a rental license renewal include proof of paid up status for accommodations tax accounts.

Issue #3: Short term rentals cause an unwanted atmosphere on the island for full time residents.

Recommendation 1: The ~~STR committee~~ Mayor recommends that the City require clearly marked parking spaces on site for rental properties upon issuance or renewal of license.

Policy: All required parking spaces must be delineated on the property with a minimum of front stop bumpers or City approved method. Number of spaces is determined by bedroom count. If a license cannot meet this requirement, it has an option to present an alternate parking plan to the Building Official for approval with reasoning. If a property does not have the required spots or approved plan, then no business license will be issued. **The Mayor recommends that the property owner be required to submit and post the maximum number of vehicles parked on site.**

Reasoning: Increase safety and aesthetics on the island.

Data: Anecdotal evidence and accounts from full time residents stating cars are illegally parking on ROW; parking tickets

Recommendation 2: The ~~STR committee~~ Mayor recommends that the City use a more robust verification of local agents.

Policy: Require properties be managed by someone with a SC property manager **in charge or realtor** license. ~~and an office located within 20 miles of Folly Beach.~~ **Require property agents to be able to respond within 30 minutes.**

Reasoning: This will limit the number of poorly run rentals by 4% property owners who only rent during high season and reduce the number of nonlocals from violating the short term rental ordinances. ~~Local agents are invested in the community.~~ **Properly licensed agents are held to professional standards.**

Data: Public safety call log and emergency response times

Recommendation 3: The ~~STR committee~~ Mayor recommends that the City utilize a notification more flexible and quicker than certified letters via mail.

Policy: The City will use email or an automated response to the local contact when a violation occurs, a process similar to what Turtle Patrol utilizes. This will require assistance from additional staff.

Reasoning: The renters are already gone by the time the notice is received and owners/agents cannot correct the issue in a timely manner.

Data: Rental strike letters, feedback from property management companies

Recommendation 4: The ~~STR committee~~ Mayor recommends that the City make the noise ordinance easier to enforce.

Policy:

- Installation and maintenance of noise monitoring software in rentals at owners' expense with at least one noise violation.
- Change a noise violation from a criminal to civil violation (taking away jail time) and make it a true code enforcement issue which will allow enforcement by code officers versus law officers.

Reasoning: Strikes are historically difficult to get, and full time residents are growing frustrated that noise violations are not being cited and therefore a strike is not issued. This will reduce the complaints, make enforcement easier and encourage a more desirable atmosphere. Increases efficiency of resources and frees up law enforcement officers.

Data: Noise complaint reports, anecdotal evidence from Public Safety.

Recommendation 5: The ~~STR committee~~ Mayor recommends restricting the numbers of nights a rental can advertise.

Policy: Make a minimum 3 night requirement per rental reservation.

Reasoning: This will reduce the strain on city resources by having less turnover in rentals, limiting the number of renters, and eliminating certain clientele and quick trips, similar to day trippers.

Data: Articles on short term rental impacts and nuisance rentals.

Recommendation 6: The ~~STR committee~~ Mayor recommends adding the requirement that a building have a Certificate of Occupancy, or it is a habitable dwelling before a short-term rental business license is issued. **No licenses shall be issued for properties under construction.**

Policy: Require a CO be issued or proof that a dwelling is habitable before a license is issued. ~~If a building has an active building permit the date of the ordinance passing, then they have 18 months from permit issuance date to obtain a CO and apply for a license. If they do not meet the deadline, then they fall under the cap limits.~~

Reasoning: This will reduce the speculative building of STRs or people trying to rush to get a short term rental license and increase safety on the island.

Data: Building code

Recommendation 7: The ~~STR committee~~ Mayor recommends adding the requirement that an annual third party inspection be completed for STRs to verify the property meets the 2018 Property Maintenance Code. **All first time licenses will only be issued after a documented inspection.**

Policy: Require an inspection report completed within last 12 months to be submitted

with a STR application. The inspection will verify smoke alarms, carbon monoxide monitors, fire extinguishers, the # of bedrooms, the # of parking spaces, certain structural elements, the provision of trash receptacles, the posting of address and house numbers, and posting of rules and regulations, and, if present, that sprinklers are operational. This will require assistance from additional staff.

Reasoning: The Property Maintenance Code covers life safety aspects of a building and would reduce the likelihood structural collapse and personal injury. There are different standards for new construction and existing buildings.

Data: Recent porch collapse and railing failures, Building code

Recommendation 8: The STR Committee recommends adding the requirement of septic tank capacity documentation must be provided as part of the STR permit application.

Policy: Provide a copy of a valid septic permit showing 120 GPD of capacity per bedroom to be rented. If no septic permit is available, certification from a licensed septic installer demonstration 120 GPD of capacity per bedroom to be rented shall also meet this requirement.

Reasoning: Existing septic systems can have detrimental effects on the environment if not maintained correctly. Many systems are old and short term rentals potentially have an increased load.

Data: Existing failed septic systems

Recommendation 9: The Mayor recommends that the number of bedrooms be supported by data from the Charleston County Tax assessors office.

Issue #4: Short term rentals regulations are confusing and hard to find.

Recommendation 1: The ~~STR committee~~ Mayor recommends developing a robust communications plan addressing all stakeholders to provide information on short term rentals.

Policy: This could include a dedicated page on the website with a feedback form, a robust communication plan addressing all stakeholders to educate them on existing ordinances (STR and Noise) via the Sandspur and Folly Current, ~~reinstate the Livability Committee~~, insert educational material into tax bills, how enforcement works with Public Safety, utilize TVPC to market beach as a family beach, and what tools they can appeal to Council for a Rezoning under a neighborhood preservation zoning overlay.

Reasoning: Many stakeholders find the rules confusing or difficult to navigate. The City also wishes to be as transparent and helpful as possible.

Data: Anecdotal evidence