



Folly Beach Short Term Rental Committee Regular Meeting Notes

June 24, 2021

2:00 PM REGULAR MEETING

Committee Members:

PRESENT: Adam Barker: City Council, Laura Pace: Planning Commissioner, Alex Hunter: Rental Manager (Carolina One), Katie Gerling: Planner, Amberly Flowers: Business License Official, Aaron Pope: City Administrator; Joe Vandiver: Resident (Design Review Board)

2:00 PM REGULAR MEETING

This meeting agenda was posted but not streamed. This is an exploratory committee accepting public comment and assessing the current trends of short term rentals at Folly Beach. There is no formal timeline and no moratorium of short term rental licenses on Folly. The committee hopes to have recommendations in 3-4 months. The committee was formed by the Mayor on May 11 to study the impacts of Short Term Rentals. The scope of this committee is centered around the balance of rentals vs. residences and the impacts on the community, regulating rentals and managing growth.

Attached items below were distributed to the committee prior to or at the meeting. A discussion occurred about each document.

Items that were discussed additionally include an analysis of ownership of rentals for 2018 (modeled after Table 3 below), an analysis of business license fees from other jurisdictions, the use of zoning overlays for rezoning as a current strategy, nuisance renters and the experience of full time residents, enforcement and correlation to strike letters for rental properties, regulating length of stay, parking at rental properties, and the current ordinances we have in effect (Noise and Short Term Rental).

These items will be evaluated and further explored at the next meeting.

Next meeting will be July 14th @ 2pm at City Hall.



City of Folly Beach

Date: June 24th, 2021

Topic: Short Term Rental Summary Data

Committee Members:

Attached you will find summary tables of the data points we have collected to date. The tables represent a compilation and analysis of rental licenses [Short Term Rental (STR) and Long Term Rental (LTR)], business license and rental registration fees, and residency. This data was obtained from the Charleston County Assessor's Office, Charleston County Revenue Collections Office, City of Folly Beach permit records, and budgets. An analysis of the economic impact of STRs on Folly Beach and a literature search of STR license management was conducted. The information provides answers to various questions pertaining to the rental community on Folly Beach and what regulations impacts could be.

Staff also did an inventory of surrounding jurisdictions' fees and regulations. We are continuing to analyze this information and package it in a digestible way. We hope to have it ready by next meeting.

Table 1 tracks the total number rental licenses per year, the number of STR vs. LTR licenses, and the direct fees paid to the City by rental licensees over time from 2015-2020.

- In 2020, there are a total of 1042 rental licenses to date with 923 STR and 119 LTR. Long term rental licenses have relatively stayed consistent from year to year, while short term rental licenses have increased on average 23% (discounting the 40% increase in 2018, the average drops to 17.68%).
- Increases in the number of STR licenses are the result of true growth but also changes to the City's tracking methods and policy changes. 2018 in particular was the first full year the City used the rental tracking software.
- LTR license increases post 2017 may be attributed to a reclassification that began to split LTR and STR license types.
- The growth in fees represents a growth in total licenses and gradual fee increases that raised the cost of a rental registration (now paid as part of the base fee for a license) from \$50 to \$245 dollars.

Table 2 shows the changing mix of 4% primary residences and 6% nonprimary residences over time as well as the growth in the total number of residential units.

- In 2020, there are 844 primary resident parcels and 1545 nonprimary resident parcels. These are unique parcel numbers from the Assessor's Office. While condos have unique parcel numbers, duplexes and triplexes often share one parcel number. There are estimated 131 additional dwelling units from

duplexes/triplexes according to rental license data below. *These units are not counted separately in Table 2.*

- The number of primary residences (4% properties) has increased an average of over two percent year over year while the number of nonprimary residences (6% properties) parcels has decreased.

Table 3 provides insights into how many rental licenses are issued vs. total residential units and how many licenses are attached to primary residences and non primary residences.

- 15.05% of all primary residences are used as rentals (13.27% STR and 1.78% LTR).
- 50.74% of all nonprimary residences are used as rentals (45.50% STR and 5.24% LTR).
- 38.13% of all total residential units are used as rentals (34.11% STR and 4.02% LTR).
 - Of the 34.11% of properties that are licensed as STR, 13.74% are primary residences and 86.26% are nonprimary residences.
 - Of the 4.02% of properties that are licensed as LTR, 15.63% are primary residences and 84.38% are nonprimary residences.

Table 4: Shows the total number of single family permits issued since 2015 and the current use.

- There were 144 SFRs built since 2015. Thirty-two properties have a rental license.
- Two licenses are LTRs and 30 are STRs. Of the 30 STR licenses, 25 are nonprimary residents.

Please let me know if you have any questions about this data. You can email me at kgerling@follybeach.gov or call my cell at 843-693-1101. I look forward to our Short Term Rental Committee meeting on Thursday, June 24th at 2pm to discuss this data.

Thank you,

Katherine Gerling, Zoning Administrator

Summary Tables

Table 1: Rental Licenses per year, STR vs. LTR, fees and % increase

year	# of lic	STR (721199)	LTR (531120)	Total Fees	% increase total lic	% increase STR	% increase LTR
2020	1042	923	119	\$ 260,283.35	16.29	17.73	6.25
2019	896	784	112	\$ 255,577.32	16.97	18.25	-0.88
2018	766	663	113	\$ 208,073.11	32.76	40.17	8.65
2017	577	473	104	\$ 133,825.13	26.81	26.47	28.40
2016	455	374	81	\$ 110,803.37	11.25	13.68	1.25
2015	409	329	80	\$ 99,106.42	-	-	-

Table 2: Resident Type per year with total properties and % increase

year	Primary (4%)	Nonprimary (6%)	Total Properties*	% increase Primary Res	% increase Nonprimary Res
2020	844	1545	2389	2.93	-1.65
2019	820	1571	2391	3.54	-1.63
2018	792	1597	2389	0.00	1.98
2017	792	1566	2358	1.67	-0.57
2016	779	1575	2354	2.91	-0.57
2015	757	1584	2341	-	-

*developed residential parcels from tax assessor (duplex and triplex are combined but not stat sig).

Estimated 131 duplex/triplex based on rental lic data below

4% LTR (15)	4% STR (112)	6% LTR (81)	6% STR (703)
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*Total Unique TMS # with licenses = 911

*duplexes and triplexes often share a TMS number but have individual rental licenses

This accounts for the difference in rental licenses in these charts

Table 3: Breakdown of Rental Type by Parcel Counts

Resident Type	# of parcels	LTR License	STR License	% of total parcels rented as long term rentals	% of total parcels rented as short term rentals	Totals
Primary (4%)	844	15	112	1.78%	13.27%	15.05%
Nonprimary (6%)	1545	81	703	5.24%	45.50%	50.74%
Total	2389	96	815	4.02%	34.11%	38.13%

Table 3A: Rental type by residency	Percentage of long term rentals by residency	Percentage of short term rentals by residency
Primary (4%)	15.63%	13.74%
Nonprimary (6%)	84.38%	86.26%
Total	100.00%	100.00%

Table 4: SFRs Permitted since 2015

Rental Lic	32
No Rental Lic	112
Total SFRs	144

Table 4A: SFRs by Rental Type and Residency	SFRs with Rental Licenses	Primary Residents (4%)	Nonprimary Residents (6%)
LTR	2	0	2
STR	30	5	25
Total	32	5	27

Short Term Rental Info

National Case Study/Literature on Caps of STRs

- Most common “caps” are either limiting rentals to only permanent/4% residents or by geography/zoning district allowance or number of licenses.

- Most academic research has been done on limiting/regulating short term rentals and how that affects, housing stock, affordability and livability of a neighborhood

-*Example: [Grover Beach, California](#)*: Is there a "cap" on the number of Short-Term Rental (STR) permits within the city?

Yes there is a cap for "non-owner" occupied, meaning you as the homeowner, is not present during the stay. The maximum number of permits issued includes the following:

- A total of 40 units will be permitted within the coastal zone. Generally these are properties located west of North 4th Street and South 5th Street.
- A total of 60 units will be permitted outside of the coastal zone. Generally these are properties located east of North 4th Street and South 5th Street. You can view if your property is in the coastal zone by clicking this [link](#).

If you are an Owner-Occupied permit holder (meaning you rent rooms and are staying at your residence during the duration of a short term renter's visit, there is no limit on the number of STR permits.

- “Quantitative Restrictions. The use of quantitative restrictions (i.e., fixed caps, proximity restrictions, and maximum short-term to long-term occupancy ratios) as a means of mitigating the impacts of short-term rentals can be viewed in two ways. On the one hand, such limitations on the number of short-term rentals allowed in a community are preferable to an outright prohibition on the use. On the other hand, for property owners desiring to enter the short-term rental market after the effective date of a short-term rental ordinance, a quantitative restriction may act as a barrier to entry. Quantitative restrictions therefore may constitute a reasonable compromise position in circumstances where community support is divided on a proposed short term rental ban. Jurisdictions considering a quantitative restriction should carefully consider which technique is best suited to further the needs and goals of the community. For example, if a community finds that the negative impacts of short-term rentals are manifested only when they exist in clusters or in close proximity to one another in a residential neighborhood, then a proximity restriction would be a more effective technique than a fixed cap or ratio. On the other hand for a community seeking to maintain a balance between its long-term housing needs and visitor oriented accommodations, a maximum ratio of long term residential dwelling units to short-term rental permits would be more effective than a fixed cap or proximity restriction.” (Short Term Rental Housing Restrictions – White Paper by Robinson and Cole LLP).

Financial Impact Information

1) What is the total estimated Accommodations Taxes collected on STR activity from 2015-2020?

FY21 (Anticipated Total)	\$1,129,000
FY20	\$993,000
FY19	\$1,084,000
FY18	\$1,129,000
FY17	\$1,055,000
FY16	\$896,000
FY15	\$634,000
Total	\$6,920,000

2) What is total estimated sales tax collected on STR activity based on Accommodations Tax receipts?

Calculated @ 2% of A Tax:

FY21 (Anticipated Total)	\$22,585
FY20	\$19,868
FY19	\$21,676
FY18	\$22,585
FY17	\$21,101
FY16	\$17,918
FY15	\$12,681
Total	\$138,414

Grand Total Collected Revenue for 7 years: \$7,058,414

3) Link for the 2020 millage rates for all Charleston County districts:

<https://auditor.charlestoncounty.org/files/2020-millage-card.pdf>

Folly isn't THE lowest, but we are comparatively low on the list for Towns and Cities.

4) If all STRs were eliminated, how many mills would the City need to increase to make up for lost revenues of business license fees, A tax and sales tax, hypothetically?

Year 2020

Total BL Fees = \$257,083
Rental Registration Fees = 923 STRs x \$100 = \$92,300 **(A)**
LTR Base Fees = 119 LTRs x \$45 = \$5,355
Approx. STR BL Gross Income Receipts = \$159,428 **(B)**
2020 STR Local Accommodations Taxes = \$993,000 **(C)**
2020 STR Local Option Sales Taxes = \$19,868 **(D)**

A + B + C + D = \$1,264,596 Lost STR City Revenue for 2020 if no STR

How much is 1 mill?

Approximately \$83,000.

$\$1,264,596 / \$83,000 = 15.24$ mills, which would make increase our old millage from 0.0369 to new millage 0.0521

What would be the change in tax bill now vs. the new millage for the examples below:

\$500k 4% house

Current: \$2,075

New: \$2,380

Increase of \$305 annually

\$500k 6% house

Current \$6,815

New: \$7,272

Increase of \$457 annually

5) At what rate are restaurants taxed and how does that compare to short term rentals?

Short Term Rental base fee and per thousand fee - STR Base fee \$245.00 up to \$2,000.00 then \$2.75 per \$1,000.00

Long Term Rental base fee and per thousand fee - LTR Base fee \$45.00 up to \$2,000.00 then \$2.75 per \$1,000.00

Full Service Restaurant base fee and per thousand fee - Base fee \$30.00 up to \$2,000.00 then \$2.00 per \$1,000.00

Full Service Restaurant/Serves Alcohol - Base fee \$300.00 up to \$2,000.00 then \$2.25 per \$1,000.00

Total taxes paid by rentals - 14%

Total taxes paid by restaurants - 11% (9% sales tax plus 2% hospitality tax)

A-tax is collected by the City, County, and the State. Only State A-tax (and only a portion of those funds) is sent to the TVPC for marketing. The remainder of State money as well as City and County A-tax collections fund City operations, beach renourishment, and local organizations that hold events/programs that attract tourism.

2% LOCAL A-TAX

By State law, 1% must go to Beach Preservation. The other 1% goes to the General Fund.

FY19 Collections: \$902,815 (\$451,408 General Fund+ \$451,408 Beach Fund)

FY20 Collections: \$709,395 (\$354,698 General Fund+ \$354,698 Beach Fund)

COUNTY A-TAX**

***In the past, the County has also kicked in some money from their local accommodations taxes collected as a result of activity on Folly Beach. This money is earmarked for Beach Preservation in addition to the receipts above. This is typically an annual agreement, but was not renewed in 2021 because of budget uncertainty at the County due to the pandemic. We are unsure if this contribution will resume, but A-tax has rebounded strongly from the pandemic and we believe that it will.

FY19 Beach Preservation Contribution: \$303,000

FY20 Beach Preservation Contribution: \$408,000

2% STATE A-TAX

After the State apportions what they keep per the annual State budget, the remainder is apportioned as follows per State law. All funds except those designated for the General Fund must be spend to tourism related needs according to SC Code Section 6-1-530.

FY19 Collections: \$982,884

FY20 Collections: \$883,537

The first \$25,000 goes to the City General Fund.

FY19 Collections: \$25,000

FY20 Collections: \$25,000

The remaining money is distributed as follows:

5% to the City General Fund

FY19 Collections: \$47,894

FY20 Collections: \$42,927

65% to the City State A-Tax Committee

The money sent to the A-Tax Committee is split between funding City operations and funding local tourism events/programs. Funding of Public Safety and Beach Preservation from A-tax allows money that would otherwise come from the General Fund to be used on other City needs.

FY19 Contribution to General Fund: \$450,000

FY19 Contribution to Beach Fund: \$40,433

FY20 Contribution to General Fund: \$450,000

FY20 Contribution to Beach Fund: \$50,000

FY19 Approved Requests:

All organizations making application to the local Accommodations Tax Advisory Committee must be reported whether funding was approved or not. Please duplicate this form as necessary.			Amount Requested by	Amount Recommended by Advisory	Amount Approved** by Local	Amount Disbursed by Local
Organization Name	Category	Project Name/Description*	Organization	Committee	Government	Government
City of Folly Beach	4	Folly Beach Public Safety Tourism Accommodation	\$450,000.00	\$450,000.00	\$450,000.00	\$450,000.00
City of Folly Beach	3	Folly Beach Beach Preservation: Beach Access & Dunes	\$30,000.00	\$40,433.47	\$40,433.47	\$40,433.47
Save the Light, INC.	3	Preservation of the Morris Island Light House	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00
Warrior Surf Foundation	2	Veteran Tourist Surf Therapy	\$35,926.00	\$10,000.00	\$10,000.00	\$10,000.00
Folly Beach Wahine Classic, LLC	2	19th Annual Folly Beach Wahine Classic	\$8,000.00	\$8,000.00	\$8,000.00	\$8,000.00
Eastern Surfing Association, SSCESA	2	Southern South Carolina District	\$9,000.00	\$9,000.00	\$9,000.00	\$9,000.00
Folly Beach Business Association	1	Marketing- visitfolly.com	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00
Folly Beach Business Association	2	NYE & 4th July Fireworks	\$35,000.00	\$35,000.00	\$35,000.00	\$35,000.00
Folly Beach Business Association	2	Folly Beach Beautification	\$35,000.00	\$35,000.00	\$35,000.00	\$35,000.00
Folly Beach Arts & Crafts Guild	2	Festival of the Arts	\$1,340.00	\$1,340.00	\$1,340.00	\$1,340.00
Folly Beach Arts & Crafts Guild	2	Tides of March	\$1,340.00	\$1,340.00	\$1,340.00	\$1,340.00
TOTALS			\$655,606.00	\$ 640,113.47	\$ 640,113.47	\$ 640,113.47

FY20 Approved Requests:

All organizations making application to the local Accommodations Tax Advisory Committee must be reported whether funding was approved or not. Please duplicate this form as necessary.			Amount Requested by	Amount Recommended by Advisory	Amount Approved** by Local	Amount Disbursed by Local
Organization Name	Category	Project Name/Description*	Organization	Committee	Government	Government
Save the Light, INC.	3	Preservation of the Morris Island Light House	\$25,000.00	\$0.00	\$0.00	\$0.00
Folly Beach Wahine Classic, LLC	2	19th Annual Folly Beach Wahine Classic	\$3,000.00	\$3,000.00	\$3,000.00	\$3,000.00
City of Folly Beach	4	Folly Beach Public Safety Tourism Accommodation	\$450,000.00	\$450,000.00	\$450,000.00	\$450,000.00
City of Folly Beach	3	Folly Beach Beach Preservation: Beach Access & Dunes	\$50,000.00	\$50,000.00	\$50,000.00	\$50,000.00
City of Folly Beach	2	Beautification	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00
Folly Beach Business Association	2	NYE & 4th July Fireworks	\$18,000.00	\$0.00	\$0.00	\$0.00
Folly Beach Business Association	1	Marketing- visitfolly.com	\$20,000.00	\$20,000.00	\$20,000.00	\$20,000.00
Folly Beach Business Association	1	Folly Dollars gift cards marketing campaign	\$30,000.00	\$27,256.40	\$27,256.40	\$27,256.40
TOTALS			\$ 621,000.00	\$ 575,256.40	\$ 575,256.40	\$ 575,256.40

30% to the City Tourism Visitors Promotion Committee (TVPC)

They present a budget to Council for approval annually. All expenditures are tourism promotional or for tourist facilities.

FY19 TVPC Marketing Funds: \$287,365

FY20 TVPC Marketing Funds: \$257,561

TOTAL A-TAX COLLECTIONS FROM ALL SOURCES

FY19: \$2,188,666 (General Fund: \$974,302+Beach Preservation Fund \$794,841+Tourism Events/Programs \$149,680*+TVPC Marketing \$287,365)

FY20: \$2,000,932 (General Fund: \$872,625+Beach Preservation Fund \$812,698 , Tourism Events/Programs \$75,256* +TVPC Marketing \$257,561)

TOTAL: \$4,189,598 (General Fund: \$1,846,927+Beach Preservation Fund \$1,607,539 , Tourism Events/Programs \$224,936* +TVPC Marketing \$544,926)

Percent: 100% (GF 44.08%, BPF3 38.36% , TEP 5.37%, TVPC 13%)