



City of Folly Beach

Topic: Mayor's STR Recommendations

Council,

The Mayor's recommendations for short term rental regulation changes are below. 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 Mayor recommends that the City limit future growth of short term rentals to include all properties (either 4% or 6% tax rate) used as short term rentals as part of the cap on total rentals.

Policy: Short term rental of primary residences shall 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 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) Although primary residence rentals are limited by duration (less than 72 days a year they often occur when residents are out of town for the weekend or the season. 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. 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 Mayor recommends that the City limit future growth of short term rentals by leveling the playing field between current and future owners and avoiding the creation of "winners" and "losers".

Policy: All existing licenses on the date of the ordinance will be allowed to remain and be renewed until transfer of ownership or attrition through inactivity. They will be given priority each year as part of the cap.

- 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 (spouse,

grandparents, parents, children).

- Any license that is inactive (with no documented short term rental reservations within 12 months) with no 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.
- 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 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 Mayor recommends that the City limit future growth of rentals across the board including within multifamily complexes.

Policy: Short term rentals in a property used as multifamily will be subject to the overall cap.

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

Data: License registration data, Parcel data, HomeCompliance maps

Recommendation 4: The Mayor recommends that the City limit future growth by implementing a cap on the total amount of STR licenses in Folly Beach.

Policy: The target total number licenses on the island should be set at a fixed number 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). This is slightly less than 2020 levels.

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 waitlist 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 Mayor recommends that the City increase the fees associated with Short Term Rentals.

Policy: 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 Mayor recommends increasing the fines and immediacy of fines when there is a rental strike.

Policy:

- Change the STR ordinance 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
- Add if local agents cannot appear on site or respond to emergency within 30 minutes of an emergency, then that-is a ticketed offense.
- Add if advertising for less than 3 nights, then that is a ticketed offense.
- 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 Mayor recommends adding City staff for short term rental related issues.

Policy: Hire additional staff 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 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 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. 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. Properly licensed agents are held to professional standards.

Data: Public safety call log and emergency response times

Recommendation 3: The 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 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 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 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.

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 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 Mayor 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 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, 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