



ECONOMIC DEVELOPMENT ELEMENT

Element Goal

Through the coordination and cooperation of all governing entities, implement strategies that promote the economic vitality and financial stability of Seabrook Island while maintaining its residential character and preserving its natural beauty.

4.1: OVERVIEW

The Economic Development Element considers labor force and labor force characteristics, employment by place of work and residence, and an analysis of the community's economic base. This section provides an analysis of the Town's economy and the Town's impact on Charleston County's overall economy.

4.2: BACKGROUND AND INVENTORY OF EXISTING CONDITIONS

In 2016, at the request of the Town, five MBA students from the Citadel Graduate School of Business prepared an Economic Impact Study for the Town. The study, prepared under the oversight of two MBA Program professors, utilized two previous economic impact studies as reference tools, and an "insightful tour of its many amenities, commercial centers, residential neighborhoods, and multiple staff teams that work for the island," to document and further detail the value that Seabrook Island brings to the Charleston Area. The executive summary of this study concludes that "the economic impact of Seabrook Island, and their permanent and seasonal residents, is immeasurable and has increased significantly since the previous study was performed in 1996, with a combined economic impact of almost \$344 million supporting over 4,800 jobs." The Town believes these numbers to be conservative, as because of the time of year the study was put together, it

understated the economic impact of the many summer time visitors who vacation on Seabrook Island.

The economic activities associated with the Town of Seabrook Island are not only linked to the overall regional economy, they are also closely associated with the economic vitality of SIPOA, SIC, and SIUC. While each of these three Seabrook Island entities maintain revenue streams and incur costs that are exclusive of the Town, the overall economic success of the community is very much dependent upon the individual financial viability of all four entities. This relationship and financial dependence is recognized by each of the entities. For example, new Seabrook Island property owners become members, and are subject to the rules and regulations of the SIPOA, including the requirement that they also become members of SIC for a specific period of time. The dues associated with this requirement represent an important revenue stream for SIC. Similarly, one routine action identified in SIPOA's Comprehensive Plan is to "continue to look for opportunities to reduce cost and redundancy with the Town and SIC by sharing operations."

Unless specifically noted, all references made to Seabrook Island's "economy" and the island's economic development as a whole, is inclusive of each of the four entities. Data included in the above referenced Economic Impact Study, as well as a review of the Town of Seabrook Island's financial documents, U.S. Census data, real estate sales data, financial data provided by the SIPOA, and other various sources, are used to provide the background and inventory, as well as identify the needs and develop the strategies for this Economic Development Element.

Real Estate Sales

The Charleston Trident Association of Realtors (CTAR) provides monthly and annual regional and local real estate market reports for the Charleston Region. The most recent annual report is the *2017 Annual Report on the Charleston Area Housing Market*. The CTAR



report makes some general observations with regard to the Charleston regional housing market as a whole, including an increase in average home prices and an increase in pending sales as compared to 2016. The housing market on Seabrook Island follows this regional trend, as the average sale price of single-family detached homes has increased by 3.3 percent from 2016, and the average sale price for townhouse/condos has increased by over 27 percent from 2016. Similarly, year over year there has been a 35 percent increase in single-family detached home sales, and a 48 percent increase in townhouse/condo home sales (Figures 4.1 and 4.2).

As would be expected for the community of Seabrook Island, the 2017 average sales price for single-family detached homes exceeds both Johns Island and Charleston County. However, while the average sales price for Seabrook Island townhouse/condos is much higher than Johns Island, it is about the same as Charleston County as a whole (Figure 4.3).

FIGURE 4.1 SINGLE-FAMILY DETACHED ANNUAL REAL ESTATE METRICS, 2014-2017				
	2014	2015	2016	2017
New Listings	125	133	142	161
Closed Sales	66	82	80	108
Median Sales Price	\$497,500	\$525,000	\$615,000	\$608,750
Average Sales Price	\$573,195	\$659,538	\$743,774	\$768,378
% of Original List Price Received	85.7%	88.1%	88.3%	91.0%
Days on Market	223	228	196	142

Source: Charleston Trident Association of Realtors, Seabrook Island Local Market Updates, 2015 - 2017.

FIGURE 4.2 TOWNHOUSE-CONDO ATTACHED ANNUAL REAL ESTATE METRICS, 2014-2017				
	2014	2015	2016	2017
New Listings	83	116	108	149
Closed Sales	51	48	52	77
Median Sales Price	\$290,000	\$196,050	\$216,000	\$270,000
Average Sales Price	\$296,760	\$315,373	\$249,593	\$317,621
% of Original List Price Received	86.1%	91.0%	91.3%	91.2%
Days on Market	191	128	174	133

Source: Charleston Trident Association of Realtors, Seabrook Island Local Market Updates, 2015 - 2017.

It is important to note that the comparative real estate data provided

FIGURE 4.3 MEDIAN AND AVERAGE SALES PRICE COMPARISONS, 2017				
	SINGLE-FAMILY DETACHED		TOWNHOUSE-CONDO ATTACHED	
	MEDIAN SALES PRICE	AVERAGE SALES PRICE	MEDIAN SALES PRICE	AVERAGE SALES PRICE
Seabrook Island	\$608,750	\$768,378	\$246,000	\$304,667
Johns Island	\$311,604	\$356,691	\$210,375	\$198,379
Charleston County	\$359,000	\$476,725	\$224,500	\$304,387

Source: Charleston Trident Association of Realtors, Seabrook Island, Johns Island and Charleston County Local Market Updates, 2017.

in the tables above include existing homes sales and new home sales. New home construction is a primary indicator of growth in a region, and is also directly linked to a region's economy, including the stability of construction sector employment and fluctuations in local government revenue. In 2017, new construction represented 21.6 percent of the market share for the Charleston region, indicating strong growth of the area as a whole. Johns Island, with a new construction market share of 46.7 percent, is the fastest growing sub-region in the Charleston area. Seabrook Island's new



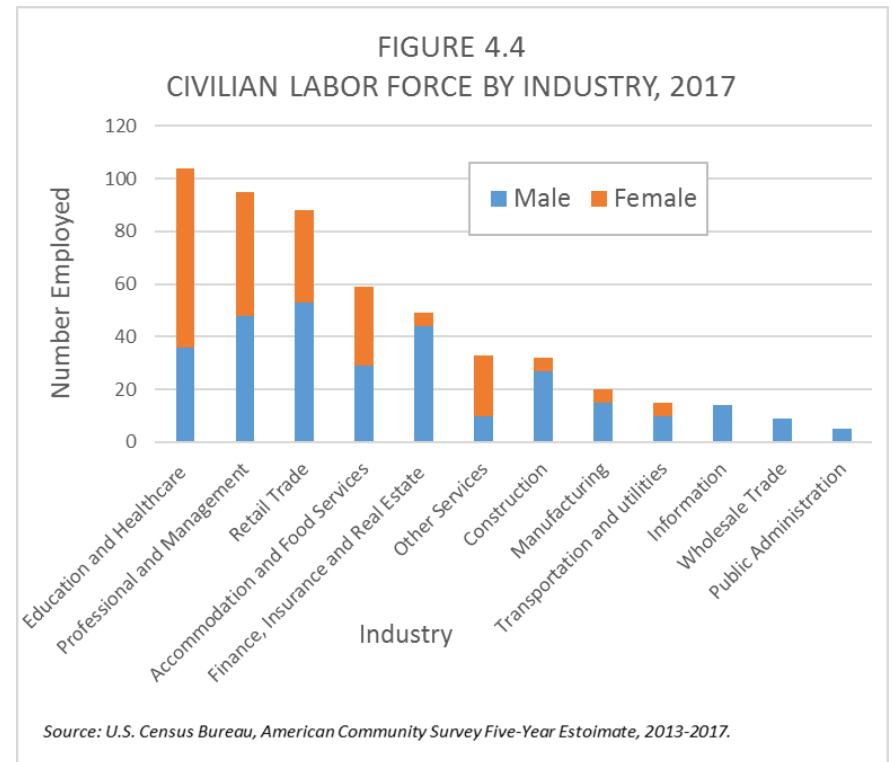
construction market share is only 5.1 percent in 2017, averaging only 3.8 percent over the last three years. This means that the vast majority of home sales on Seabrook Island are in the form of resale of existing homes. As discussed in Chapter 8 – Housing Element, there are less than 400 remaining vacant residential properties on Seabrook Island, and a portion of these properties may never be built on. *This finite number of buildable lots means the Town's future revenue from new home construction will continue to decrease over time.*

Labor Force Characteristics

The U.S. Census 2013-2017 American Community Survey (ACS) is the most recently published data source reflective of the labor characteristics for the Town of Seabrook Island. In 2017, 523 Town residents, 16 years of age and older, were employed in the civilian labor force, of which 300 were males and 223 were females. This represents 31.6 percent of all Town residents 16 years of age and older (523 out of 1,653 residents). For South Carolina and Charleston County, the percentage of residents, 16 years of age and older, employed in the civilian labor force is 55.5 percent (2,181,046 out of 3,926,466 residents), and 61.5 percent (198,823 out of 317,988 residents), respectively.

The 523 Town residents that are employed include those that commute to a job on or off the island, as well as those who “work from home”. According to the 2016 Gallup Report “State of the American Workplace”, nationwide remote working is on the rise across most industries, including over an 8 percent rise since 2012 in finance/insurance/real estate industries. A similarly themed 2012 CNN article entitled “Work from Home Soars” notes that more than 1 in 10 people working exclusively from home were over the age of 65. With over 60 percent of the Town’s residents over the age of 65 (996 out of 1,653 residents), it would be reasonable to conclude that more than 10 percent of the civilian labor force work from home. As shown in Figure 4.4, the Town’s labor force is employed in a wide array of industries. However, almost 55 percent of the labor force is concentrated in three industry groups: Education and

Healthcare, Professional and Management, and Retail Trade. Employment in several industries are split fairly evenly between males and females, however men make up nearly 90 percent of the finance, insurance and real estate industries, while women make up over 65 percent of the Education and Healthcare industry.



Seabrook Island Economic Impact on the Charleston Area

Previously referenced in this element was the 2016 economic impact study prepared by the Citadel Graduate School of Business. The purpose of the study was to provide detail on the economic value that Seabrook Island provides to the city and county of Charleston. The project, originally intended to be performed over a three-month period, was truncated by Hurricane Matthew and its



aftermath. Nevertheless, the study did provide insight into the total economic impact generated by the Town for the Charleston area as a whole. The study used 2015 data from various sources, including public records, Town Hall, Charleston County Auditor’s Office, on-island and local real-estate publications, and management and staff of island businesses. A summary of the financial impact and jobs created are included in Figure 4.5.

FIGURE 4.5 SEABROOK ISLAND ECONOMIC IMPACT ON THE CHARLESTON REGION, 2015			
DESCRIPTION	VOLUME	TOTAL IMPACT	JOBS
ON ISLAND SALES (Residents & Visitors)	\$29,244,315	\$43,281,586	871
OFF ISLAND SALES (Residents)	\$66,677,577	\$100,683,141	1,806
OFF ISLAND SALES (Visitors)	\$5,831,693	\$8,630,906	174
CONSTRUCTION	\$32,342,494	\$48,513,742	443
REAL ESTATE SALES	\$67,500,000	\$91,125,000	712
CHARITABLE CONTRIBUTIONS	\$10,175,000	\$10,175,000	276
UTILITIES & CHARLESTON COUNTY TAXES	\$24,790,378	\$36,193,953	550
TOTAL	\$236,561,458	\$338,603,328	4,831

Source: Seabrook Island Economic Impact on the Charleston Area, Citadel Graduate School MBA Program, Fall 2015.

Town Finances and Budget

The Town adopts an annual budget each year by ordinance. In addition, the Town’s management prepares and submits financial statements to an independent auditor, currently the local, full service Certified Public Accounting Firm of Glaser and Company, LLC, for the purpose of receiving an independent opinion on whether the financial statements “present fairly, in all material respects, the respective financial position of the (Town’s) governmental activities.” The firm has consistently praised the Town on their management of the Town’s finances, noting in a 2017 presentation of the audit to Town Council that:

“The liquidity of this town is very good. The town has been taking in more than they spend – nothing complicated about it.”

Each year the Town Administrator prepares a draft budget for the mayor to review and present to council. By law, the Town is required to have a balanced budget. The draft budget is accompanied by detail of each revenue and expense item. The Town budgeted revenue sources are identified as both unrestricted and restricted. The latter consist of revenues received from the state accommodations tax, county accommodation tax and state alcohol tax, and may only be spent as mandated by applicable statute or rule. While municipalities are legally empowered to collect taxes on real and personal property, the Town does not currently levy a property tax millage.

FY 2019 Town Budget – General Fund

As itemized in the adopted FY 2019 Budget, revenues associated with the General Fund can be categorized into nine revenue groupings. The General Fund is the primary operating fund of the Town. Each General Fund grouping is listed below, excluding the use of fund balance, along with the percentage of the overall FY 2019 General Fund it represents, followed by a more detailed description of each of these revenue streams.

- Business Licenses (49.2%);
- Local Option Sales Tax (19.5%);
- Franchise Fees (17.2%);
- Interest Income (4.0%);
- Aid to Subdivisions (3.2%);
- State Accommodations Tax (portion) (2.6%);
- Planning and Zoning Fees (2.2%); and
- Other Sources (2.1%).

Description of revenue streams:

Business Licenses Revenue. This revenue includes licensing fees collected from eight classes of business licenses and fee



revenues allocated from the Municipal Association of South Carolina (MASC). The MASC fees come from three programs administered by the association on behalf of member municipalities; Brokers Tax Collection Program, Insurance Tax Collection Program, and Telecommunications Tax Collection Program.

Local Option Sales Tax Revenue. Local Option Sales Tax (LOST) is a referendum-approved county sales and use tax of one percent levied on the gross proceeds of sales within the county. The overall LOST funds collected are divided into two funds: 71% goes to the Property Tax Credit Fund and 29% goes to the County/Municipal Revenue Fund. From the Property Tax Credit Fund, 33% is distributed to municipalities based on population. From the County/Municipal Revenue Fund, 50% is distributed based on location of sale, and 50% is distributed based on population. All of the funds received by the Town from the LOST allocation are shown under the Local Option Sales Tax line item.

Franchise Fees. The Town has entered into franchise agreements with Berkeley Electric Cooperative, BellSouth, now AT&T U-verse, and Comcast. Each of the agreements require the company to pay a specific percentage of total revenue to the Town. Franchise fees collected through each of the agreements are identified as individual franchise fee line items in the General Fund.

Interest Income. There are two interest income line items in the General Fund, interest accrued from checking accounts and interest income generated from the Town's funds deposited with the South Carolina Local Government Investment Pool. The Pool is an investment trust fund in which public monies in excess of current needs which are under the custody of any county treasurer or any governing body political subdivision of the State, may be deposited.

Aid to Subdivisions. This revenue comes from the Local Government Fund administered by the State Treasurer and is part of the general fund of the State. The amount appropriated to the Local Government Fund is an amount equal to not less than four and one-half percent of the State's general fund revenues. About 83% of the Local Government Fund is distributed to counties, and the remaining 17% is distributed to municipalities based on population.

State Accommodations Tax. In South Carolina, the rental of transient accommodations is subject to a 2% State Accommodations Tax (State ATAX) in addition to the state sales tax, and any applicable local tax. In the town's Budget, the State ATAX is allocated to both the General Fund and a State ATAX Restricted Fund as follows:

General Fund - The first 25%, plus 5% of the balance must be put in the Seabrook General Fund and these funds can be used on anything.

Restricted Fund - 30% of the balance must be spent on advertising and promotion, and the expenditure(s) must be managed and directed by a nonprofit organization. The remaining balance and any interest must be spent on Tourism.

Planning and Zoning Fees. Permitting fees associated with planning and zoning are directly collected by the Town as well building permit fees indirectly collected by the County and distributed to the Town. Examples include permitting fees collected for sign permits, and building permits for new construction and remodeling.

Other Revenue Sources. Other miscellaneous revenue sources include court fines, facility rentals, credit card convenience fees, and sale of assets.

Use of Fund Balance. Transfer of funds from reserve fund balances can be used to finance specific projects. In the FY2019 Budget, General Fund Reserves and Road



Improvement Fund Reserves were transferred to fund miscellaneous capital improvement projects, Phase 1 and 2 of the Drainage Improvement Project for Seabrook Island Road, and design and construction of a new garage at town hall.

The amount of revenue generated from all sources fluctuates from year to year. For example, revenues from Class 8 Business Licenses (Contractors) and Permits are directly associated with construction, and as the Town has only a finite number of buildable lots remaining, these revenue streams are likely to go down over time. Offsetting these dwindling funds is an increase in both Class 7 Business Licenses (Rentals) and MASC funds. Funds from Class 7 Business Licenses have increased 266% from 2010 to 2018. While MASC funds have increased only 21% over the same timeframe, it is significant because these funds represent almost 14% of the entire General Fund balance (Figure 4.6). Over time, the percentage of total revenue that is represented by business license revenue has increased, further highlighting the importance of this revenue stream to the Town (Figure 4.7). There is current legislation pending in the South Carolina State Legislation that would have an impact on the Town’s business license revenue. This General Bill, titled SC Business License Tax Standardization Act, currently resides in the House Committee on Labor, Commerce and Industry. The Bill distinguishes between license fees and taxes municipalities may levy and collect for risks located within and outside the municipality.

Interest income from the South Carolina Local Government Investment Pool has increased over time, as the Town’s deposits into the pool have increased. Likewise, revenue from the Town’s allocation of County LOST revenue has increased over time as gross sales receipts County-wide have increased. It is worth noting that the Town has never introduced a local property tax to generate additional revenue. Additionally, the FY2019 Budget made no change in business license or permitting fees to generate additional revenue.

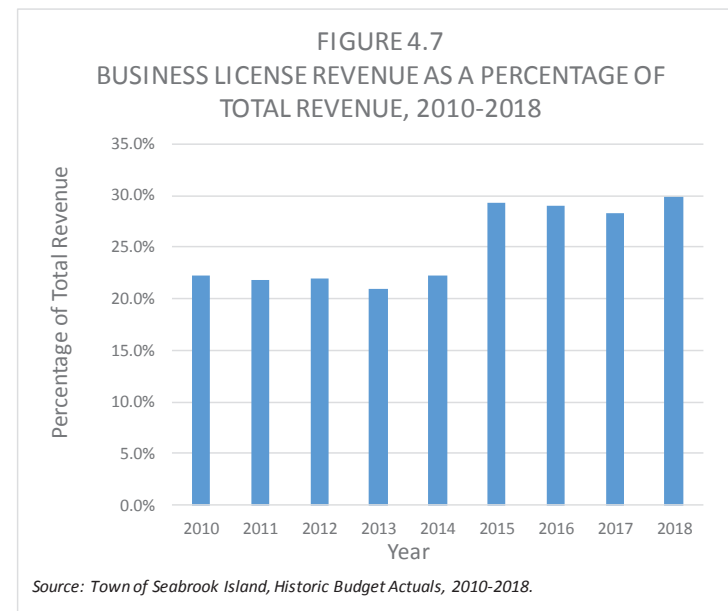
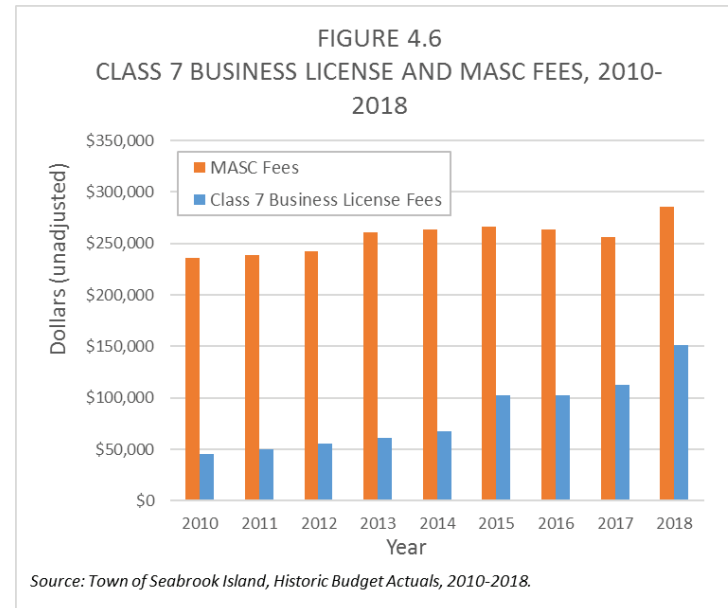
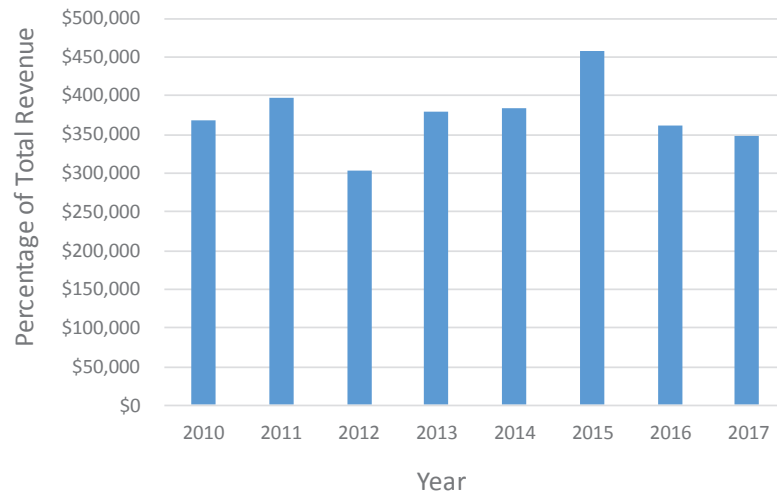




FIGURE 4.8
GENERAL FUND REVENUES
IN EXCESS OF EXPENDITURES, 2010-2017



Source: Town of Seabrook Island, Historic Budget Actuals, 2010-2018.

General Fund Expenditures. The Town has historically brought in more money than it has spent annually. In recent years, budget records of the General Fund show that the Town's revenues have consistently exceeded expenditures since 2010 (Figure 4.8). The resulting excess revenues have increased reserve fund balances, as well as allowed the Town to establish an emergency fund and deposit money in excess of current needs into the South Carolina Local Government Investment Pool.

All expenditures not associated with Restricted Funds, as described later in this section, are reflected as General Fund expenditures. Expenditures from the General Fund are categorized in three major groupings: Capital Expenditures, Operating Expenditures, and Personnel Expenditures. A Capital Expenditure is money spent by

the Town on acquiring or maintaining fixed assets, such as land, buildings, and equipment. Operating Expenditures are the ongoing costs necessary to run Town Government, for example contracted services, maintenance costs and insurance costs. Personnel Expenditures are the costs associate with supporting Town Staff, and include salaries, medical insurance, and contributions to the state retirement system.

General Fund capital expenditures in the adopted FY 2019 Budget include funding for Seabrook Island Road drainage improvements and miscellaneous capital improvements, as well as funding for the design and construction of a new garage at town hall. This funding is from reserve fund transfers rather than anticipated 2019 revenues. Additional capital expenditures include the replacement of two Town vehicles, and installation of new signage. Operating Fund expenditures include an increase in contracted landscaping services, rewrite of the Development Standards ordinance (DSO), completion of the Seabrook Island Road Gateway Concept Plan and an update to the Town's Beach Management Plan. Personnel expenditures in the adopted FY 2019 Budget include cost of living increases for Town employees, and increased contributions to employee medical premiums.

Expenditures that will be made during 2019 from unrestricted revenue will consist primarily of the following:

- Special Projects Roadway (26%);
- Payroll and Benefits (19%);
- Capital Expenditures (16%);
- Contracted Services (14%);
- Roadway Maintenance (6%);
- Professional Services (5%); and
- General Maintenance (3%).

FY 2019 Town Budget – Restricted Funds

These special revenue funds are used to account for the proceeds of specific revenue resources that are legally restricted to expenditures for specified purposes. The fund includes state



accommodations tax (State ATAX) restricted for promotion and tourism of the Primary Government, county accommodations tax (County ATAX) and state alcohol tax restricted for support of tourism and tourist services or capital projects, and municipal court fines, assessments and surcharges restricted for victims' advocate services and other court expenditures. The unrestricted portion of accommodations tax received from the state is included in the general fund. Some of the restricted fund expenditures identified in the adopted FY 2019 Budget include funding for Beach Patrol services, Fourth of July celebration, the 2019 Billfish Tournament, Alan Fleming tennis tournament, the Charleston Symphony concert, and capital upgrades to beach signage.

Summary

Most of the economic impact for Seabrook Island is derived from tourism, residents, real estate sales, taxes and fee collections, and construction related activities. The County provides some direct and indirect services to the Town including planning and land use support services, emergency management and flood hazard management. The Town provides for public safety, health and welfare for the community, and contracts for additional services. Island-wide police coverage with the Charleston County Sheriff's department. The Town maintains, and contracts for the landscaping of, Seabrook Island Road. Emergency services are provided by the Charleston County EMS and the St. Johns Fire District.

SIPOA also provides services on the Island including premise security, biking paths and bridge maintenance and the maintaining of all signage as well as landscaping and maintenance of all the private roads and many common areas behind the entry gate. The SIPOA contracts with a private firm for garbage, recycling and yard debris collection on the Island.

4.3: ECONOMIC DEVELOPMENT ELEMENT GOAL

Element Goal

Through the coordination and cooperation of all governing entities, implement strategies that promote the economic vitality of Seabrook Island while maintaining its residential character and preserving its natural beauty.

Economic Development Element Needs:

- Support existing business within the Town of Seabrook Island;
- Support the diversification of businesses that provide revenue to the Town;
- Assist in the development of new businesses that support the economy and enhance the lifestyle of residents of the Town of Seabrook Island;
- In coordination with SIPOA, SIC, and the real estate community, develop promotions to expand tourism into the low season, including the enhancement of marketing and public relations in areas where potential visitors/tourists reside;
- Expand beautification efforts that support and promote the commercial areas and Seabrook Island Road outside the gates;
- Address the deficit in employees that support the Town's service-based economy;
- Improve the tracking of revenue generated by tourism; and
- Continue to advocate for local control over business licenses.



4.4: ECONOMIC DEVELOPMENT ELEMENT STRATEGIES AND TIMEFRAMES

The Town should undertake the following strategic actions in support of the Vision and Goals of this Plan. These implementation strategies will be reviewed a minimum of every five years and updated every ten years from the date of adoption of this Plan.

1. Improved public access to promotional materials and tourism information for prospective visitors and homebuyers.
2. Develop strategies to create new revenue streams when and if needed.
3. Use the Town's utility system as a means to promote economic development.
4. Monitor the South Carolina legislature and potential impacts of legislation on Town revenue.
5. Pursue a more business-friendly environment by streamlining the licensing and permitting process.