



## **The Town of Hilton Head Island Special Town Council Meeting**

Thursday, February 2, 2012  
Council Chambers  
5:00 PM

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1. **Call to Order**
2. **Pledge to the Flag**
3. **Invocation**
4. **FOIA Compliance** – Public notification of this meeting has been published, posted, and mailed in compliance with the Freedom of Information Act and the Town of Hilton Head Island requirements.
5. **New Business**
  - a. **Consideration of recommendations of the Accommodations Tax Advisory (ATAX) Committee**

Consideration of recommendations of the Accommodations Tax Advisory (ATAX) Committee for the purpose of allocating the proceeds of the Accommodations Tax Funds.
  - b. **Consideration of a recommendation regarding the Mitchelville Preservation Project Grant**

Consideration of a recommendation to extend the 2011 Mitchelville Preservation Project Grant for one year.
6. **Adjournment**



## **MEMORANDUM**

**TO:** Town Council

**FROM:** Stephen G. Riley, CM, Town Manager

**VIA:** Susan M. Simmons, CPA, Director of Finance

**DATE:** January 26, 2012

**RE:** CY2012 State Accommodations Tax Grant Recommendations

Calendar year 2012 grants will be awarded from the calendar year 2011 revenues. For calendar year 2011, the Town received \$3,480,973 in State Accommodations Tax Revenue. This was a slight decrease of \$28,480 or .81% from 2010 revenues of \$3,509,453.

The grants lapsed in fiscal year 2011 were \$1,399 and investment income for calendar year 2011 was \$829 bringing the total available funds to \$3,483,201 or 1.15% less than the prior year. After deducting the formula funding that both the Town and Chamber receive, funds available for grant allocation to the forward-funded grants and new grants total \$2,261,722.

### **Update on Forward-Funded Grants for 2012**

Last year, Council approved forward grants for 2012 at an estimated amount of \$1,458,963 which would be finalized upward or downward by the same increase or decrease in 2011 revenues. The 1.15% decrease equates to \$16,744 for an adjusted total of \$1,442,219 in forward-funded grants for 2012.

### **New Grants for Calendar Year 2012**

New grants requested for calendar year 2012 totaled \$1,427,978. Funds available for new grants are \$819,503 which is 57% of the requested grants. ATAC's recommendations for new grants per the attached worksheet and chairman's letter total \$796,650.

As in prior years, Finance made conservative projections for 4<sup>th</sup> quarter revenues. Based on the projections for calendar year 2011 funds available for 2012, the Accommodations Tax Advisory Committee (ATAC) made its recommendations choosing to leave an estimated balance of \$827 for Town Council to award. The 4<sup>th</sup> quarter revenues exceeded the conservative estimates; there is now an available balance of \$22,853 beyond ATAC's recommendations.

**ATAC recommends that Council approve the 2012 new grants at its February 2, 2012 meeting.**

### **Forward-Funding Grants for Calendar Year 2013**

Town Council determined last year that the forward-funding grants process would cease with the calendar year 2013 grants. Therefore, this is the last time Council will be awarding forward-funded grants. The Town, Arts Center, and Native Island Business & Community submitted forward-funded applications. ATAC recommends the same final amounts as the prior year to be adjusted upward or downward the same as 2012 revenues.

**ATAC recommends that Council at its February 2, 2012 meeting approve the 2013 forward-funded grants, to be adjusted upward or downward the same as 2012 revenues.**

**STATE ACCOMMODATIONS TAX REVENUE ANALYSIS**  
 Calendar 2011 Revenues Available for Calendar Year 2012 Grants  
 with comparative information for the prior year

	<u>Calendar Year 2011 Revenues Available for CY2012 Grants</u>	<u>Calendar Year 2010 Revenues Available for CY2011 Grants</u>	\$ Difference	% Difference
<b>SOURCES:</b>				
Jan - Mar ATAX Revenue	171,509	186,174	(14,665)	-7.88%
Apr - June ATAX Revenue	1,116,037	1,078,401	37,637	3.49%
July - Sept ATAX Revenue	1,727,579	1,793,945	(66,366)	-3.70%
Oct - Dec Estimated ATAX Revenue	<u>465,848</u>	<u>450,934</u>	<u>14,914</u>	3.31%
<b>Estimated ATAX Revenues for CY11</b>	<b>3,480,973</b>	<b>3,509,453</b>	<b>(28,480)</b>	<b>-0.81%</b>
Other Amounts to be granted:				
Interest	829	1,762		
Lapsed Grants	<u>1,399</u>	<u>12,426</u>		
<b>Total CY Sources</b>	<b>3,483,201</b>	<b>3,523,641</b>	<b>(40,440)</b>	<b>-1.1477%</b>
<b>USES:</b>				
First \$25,000 to the Town's General Fund	(25,000)	(25,000)		
30% to Chamber (Town's Designated Advertising & Promotion Agency)	(1,025,554)	(1,045,336)		
5% to the Town's General Fund	<u>(170,926)</u>	<u>(174,932)</u>		
<b>Available for Grants</b>	<b>2,261,722</b>	<b>2,278,373</b>		
Forward-Funded Grants Awarded last year	(1,458,963)	(1,457,823)		
Estimated Adjustment due to decreased revenues	<u>16,744</u>	N/A		
	(1,442,219)	(1,457,823)		
<b>Amount Available to Award New grants</b>	<b><u>819,503</u></b>	<b><u>820,550</u></b>		
<b>Requested "New" Grants</b>	<b>1,427,978</b>			
<b>Percentage of "New" Grant Requests that can be funded</b>	<b>57%</b>			

1 - At its March 15, 2011 meeting, Council approved the recommendations of ATAC which included that forward-funded grants would increase or decrease according to the same increase or decrease in 2011 revenues. Total sources decreased 1.15%. Therefore, the forward-funded grants have been adjusted downward by the same 1.15%. The revised forward funding amount is \$1,442,219 leaving \$819,503 available for new grants.

THE TOWN OF HILTON HEAD ISLAND  
ACCOMMODATIONS TAX ADVISORY COMMITTEE

To the Mayor, Council Members and Town Manager of the Town of Hilton  
Head Island

January 23, 2012

Committee Recommendations for Award of 2012 and 2013 ATAX Grants

This memorandum is in three parts. First it will deal with the ATAC recommendations regarding grant requests from this year's funds; next, it deals with the three requests for forward approval of grants from next year's funds; and finally, it will deal with a subject which has concerned the committee for some years: the gathering and analysis of data regarding the Island's ability to and success in attracting tourists to the Island and in serving them once they are here.

A spreadsheet of the committee's grants recommendations accompanies this memorandum.

**ART LEAGUE OF HILTON HEAD:**

The League has had a significant presence on the Island as an arts organization for over 30 years. It recently moved its display gallery to the Walter Greer Art Gallery in the Arts Center and with the move, has demonstrated a vitality which promises to bring the League to new heights in the Island's arts community.

The League sponsors the Gallery, the Fine Art Crafts Guild, Pop-up Galleries, the Art Academy (serving over 600 students), the National Juried show, the Fabulous Fakes Show and a variety of special workshops, all devoted to serving the artistic needs of its over 700 members and of the visiting public.

Even though it is not required to show its attraction of and impact on tourism, it nonetheless has a substantial record in that regard:

<u>Activity</u>	<u>2011 Tourist Traffic</u>	<u>2011 Production Costs</u>
Gallery	53%	\$122,000
Art Academy	35%	90,000
National Juried Show	30%	32,700
Art & Flowers Show	15%	15,500
General and Administration		<u>83,000</u>
Total		\$343,200

The League has a well-developed advertising and promotion program. It recently employed an Executive Director whose early efforts will be devoted to fund raising in addition to administrative functions. Its production costs for 2011 are projected to run \$343,200 and are budgeted to amount to \$326,300 for 2012.

The committee recommends a grant of \$50,000. \$20,000 for advertising and promotion and \$30,000 for general expenses associated with the Leagues various productions.

#### BEAUFORT COUNTY BLACK CHAMBER OF COMMERCE:

As stated in its application, this organization exists “to educate and enhance the entrepreneurial skills of African-American and small businesses to improve the conditions in our community through economic empowerment and development and education.”

The organization annually publishes a visitors-guide brochure in which it is stated that it “is not a traditional chamber of commerce. Our mission is to work with businesses identified by the federal government in the protected class (disadvantage business enterprise) that need technical assistance and information related to procurement opportunities, employment, certifications, access to capital, business development, networking opportunities, referrals, etc.” The brochure carries information about African-American and other businesses and activities throughout the county. 50,000 are distributed annually.

This application seeks a grant of \$22,000 to increase the print-run distribution to 100,000.

The committee is of the view that advertising of the businesses and events in the county and particularly on Hilton Head Island is adequately handled by the Hilton Head Island-Bluffton Chamber of Commerce and the Island’s various business entities, and that this additional expense is not justified at this time.

The committee recommends that no grant be made to this organization.

#### HARBOUR TOWN FIREWORKS:

This Fourth of July event--properly considered a cultural one--has been supported by Town ATAX for many years. It is also a tourist attraction and service to tourism. The expense of presentation (\$21,000) is substantially in excess of the grant requested. This south-island event along with the simultaneous middle- and north-island events attracts a large tourist attendance.

The committee recommends a grant of \$8,000.

#### AUDUBON SOCIETY:

A grant of \$12,825 is sought by this organization to pay for the creation and erection at four locations of signs identifying and discussing birds in the Hilton Head Island area. Last year, Council granted \$3,200 for flyers/rack cards, which received broad distribution.

The committee believes that the expense for signs should not be supported but, the Society should continue its distribution of flyers and rack cards advertising the attraction of birds in the Hilton Head Island habitat.

The committee recommends a grant of \$5,000 for advertising and promotion of birding in the Hilton Head area.

#### HILTON HEAD CHORAL SOCIETY:

This applicant made good strides this past year in increasing its offerings and in improving attendance. This coming year it intends to continue its regular offerings, plus an appearance by the world-renowned Vienna Boys Choir. Its events attract from 20% to 42% out-of-area tourist response. Its 2012 budget calls for a production expense of \$212,888. The applicant seeks an additional grant of \$5,000 over the \$17,000 it received last year to increase advertising and promotion and a grant of \$20,000 for production costs.

The committee recommends a grant of \$5,000 for increased advertising and promotion of tourism and a grant of \$17,000 to defray production costs, for a total of \$22,000.

#### HILTON HEAD CONCOURS d 'ELEGANCE:

This event, started by the Hilton Head Symphony Orchestra in 2002, has grown in stature into one of the outstanding events of its kind in the United States. Event offerings, attendance and tourist attraction (48% out of area in 2010), all have grown over the years since its inception. Its 2012 expense budget is \$650,850. The 2011 attendance exceeded 13,000.

A grant is sought for advertising and promotion, with emphasis in the coming year of increasing out-of-area visitor attendance. Its past advertising and promotion expense has been well-spent and has demonstrated a significant "return-on-investment".

The committee recommends a grant of \$98,000 for advertising and promotion of tourism.

#### HILTON HEAD DANCE THEATER:

The events sponsored by this organization clearly qualify for ATAX support. It involves over 300 young people in an art activity with a popular appeal to locals and visitors alike. For its 26<sup>th</sup> season, it plans six productions for which a 27% attendance component is expected from tourists, in keeping with past data based on ticket-sales information.

With production expenses of \$146,000, of which over \$10,000 is in direct advertising expense, it is the recommendation of the committee that the Dance Theater be made a grant of \$12,000.

#### HILTON HEAD HOSPITALITY ASSOCIATION:

For 27 years the Wine and Food Fest has been a significant shoulder- season event conducted by this applicant. Recently it has gone through some reorganization, with a new committee's efforts devoted entirely to this event. Being neither an arts nor cultural organization, it qualifies for advertising and promotion support only. Approximately 3,700 people attended both the principal event and the associated functions.

Its proposed budget for the March 2012 event shows an expense of \$60,400 for advertising and marketing. Until the new committee shows that it can manage this event successfully, the committee is not inclined to recommend full funding for the advertising and marketing expenses, but would recommend partial funding.

The committee recommends a grant of \$34,000 to be used exclusively for advertising and promoting the festival.

## AIRPORT

Beaufort County has filed an application for \$115,237 to help defray an FY2011 expense of \$678,804 for three deputies and seven firemen providing services at the airport. There is no confirmation that these personnel are required to serve because of tourists or do anything beyond their normal duties because of tourists passing through the facilities.

The financial data indicate that, when the accounting convention of depreciation is removed from the expense statement, the FY2011 operations show a profit of \$115,650. For the prior two years, the operation also showed a profit if depreciation is deleted from the financial statements. Depreciation is not an appropriately claimed expense for cash-flow purposes unless the operation must, at its expense, replace depreciable business property; and claiming depreciation on assets paid for almost entirely by others demonstrates why this is considered an “accounting convention.” It was discovered at the hearing that the airport gets 95% from the FAA and 2 ½% from the State, of the cost of replacing depreciable property. Therefore, depreciation is not an expense to be considered in determining profitability.

It was also discovered at the hearing that the Tax Expenditure Review Committee ruled on November 22, 2010, that the county is not qualified for an ATAX grant from the Town for police and fire protection services because of the State law provision that ATAX funds “must not be used as an additional source of revenue to provide services normally provided by the county or municipality.”

While whether or not the relevant services are provided because of tourists or regardless of tourists may be an open question, there is no question that the airport operation has shown a profit for at least the past three years. The airport is vital to the Island, as much for the image it casts as for the service it renders. The management is to be commended for operating the facility at a profit, which is the reason for the committee’s recommendation.

Accordingly, the committee recommends that no grant be made to the County in response to this application.

## ST. PATRICK’S DAY PARADE:

This annual event continues to attract popular public support, with an estimated 20,000 attending the 2011 parade. Past survey data show that approximately 63% of the attendees were from out of the area. The projected production expense is \$29,250.

The committee recommends a grant of \$8,000 for bands’ honoraria and associated food and beverages for band members participating.

## HILTON HEAD ISLAND-BLUFFTON CHAMBER OF COMMERCE:

This year, the Chamber of Commerce has applied for a supplemental grant of \$358,000 in addition to the 30% (\$1,025,554) it is projected to receive this year under the state ATAX law. The request is in three parts:

- |                                    |           |
|------------------------------------|-----------|
| 1. Golf courses marketing          | \$150,000 |
| 2. Culinary Travel marketing       | 145,000   |
| 3. Heritage/Mitchelville marketing | 63,500    |

Golf: The challenge these days is just to hold on to the golf business the Island courses have enjoyed in past years. Over the past ten years, golf play on the Island is off over 20%. Apparently this is true throughout the country, meaning that hopes of increasing golf play are slim and the only alternative is to try to hold on to what each has. The Chamber's request for \$150,000 is to be devoted to developing and launching a campaign "to refocus and reenergize the Island golf experience, particularly in the shoulder seasons, as well as tie in more fully to the opportunities presented with the RBC Heritage sponsorship." The committee believes that this program should have Council's full support.

Culinary Travel: A grant is sought to build on the Chamber's *SC Fresh on the Menu* promotional campaign, looking to "raising awareness of a visitation for our local culinary scene." Advertising Island restaurants is a legitimate interest but not, in the committee's opinion, one justifying a \$145,000 grant. The committee believes that a grant of \$60,000 would be appropriate.

Cultural Heritage: This request is in two parts: (1) focus on the 150<sup>th</sup> anniversary of the beginning of the Civil War and (2) promote the Mitchelville Freedom Story. The 150<sup>th</sup> Anniversary is past, along with the opportunity to advertise and promote it and the Mitchelville project is still so preliminary that advertising and promoting it would seem questionable. Further to Mitchelville, elsewhere in this memorandum, the committee recommends no funding for Mitchelville because of its nascent stage.

The committee recommends that this applicant be given a grant of \$150,000 for Island golf advertising and promotion; a grant of \$60,000 for advertising and promoting awareness of the Island's culinary offerings; a grant of \$25,000 to advertise and promote the Island's cultural heritage; and a grant of \$5,000 to be spread between the latter two grants as the Chamber sees fit. The total of all four grants is \$240,000.

#### HILTON HEAD SYMPHONY ORCHESTRA:

The Orchestra is seeking a supplemental grant. It is in three parts:  
(1) \$20,000 to fund a performance of a 32-instrument orchestra during the shoulder seasons, in Shelter Cove Community Park, open to the public without charge; (2) \$18,000 to extend advertising and promotion to cable television; and (3) a two-page spread featuring the Symphony Orchestra in US Airway's December In-flight magazine.

(1) The free concert in the Park would be intended to encourage attendance at the Picnic and Pops events introduced three years ago but, which have not been well attended this year, partly because of weather and one cancellation due to a performer's illness. The attendance has averaged 300, running from over 200 to 650. Of the estimated 300 average, 30% are out of area tourists. Ticket prices of \$20, with children free, have apparently discouraged attendance. So, in addition to reducing the ticket price to \$10 for the other appearances, the Orchestra wants to put on a free concert to build audience acceptance and beneficial word-of-mouth. The Orchestra will produce three performances on the Island in May and September, and this would be one of those productions. At the hearing, the president of the Orchestra stated that if she does not get a business sponsor for the Picnic and Pops series, she would not go forward with the program. At first requesting support for a Fourth-of-July performance, she has abandoned that because of the uncertainty of the weather (heat and rain), and has now opted for May and September.

(2) Adding 30-second spots on cable television would be supported by the second request. Spots are and will be on Time Warner and Hargray for the next year (261 spots per month) to be

updated monthly. The spots are of high quality and should serve the Orchestra well. The negotiated price is exceptionally beneficial to the Orchestra. The spots would also go on the Orchestra's website, and uploaded to YouTube and Facebook.

(3) A two-page In-flight ad takes the Orchestra literally around the world in US Airway's flights. The cost is modest compared to the expected benefit, and should be supported.

The committee recommends that a grant be awarded to the Symphony Orchestra: \$10,000 for a free summer concert in Shelter Cove Community Park, provided that the Orchestra obtain a matching \$10,000 from a business sponsor for this \$20,000 budgeted event and obtain business sponsors for the other two performances; \$18,000 for 12 months of 361 spots on Time Warner and Hargray cable television; and \$3,700 for a two-page ad in the US Airway's December In-flight magazine. The total of the three grants is \$30,000.

#### MAIN STREET YOUTH THEATER:

Under excellent management and direction, this arts organization sponsors a variety of theatrical events through the year, with a 2012 operating expense budget of \$216,000. The 2011 season included five shows with multiple runs, plus weekly summer camps which attracted 19% participation from out of area children. The regular season's programs attracted from 1400 to 1600 patrons per offering, with out of area tourists numbering from 20% to 25%.

The committee recommends a grant of \$42,000. \$10,000 to be devoted to marketing of events to better target the tourist audience, including print and social media and \$32,000 for general production expense.

#### MITCHELVILLE PRESERVATION PROJECT:

The application in this case seeks \$100,000 to be devoted to further planning and consultancy services in pursuit of the Mitchelville Preservation Project. While further ATAX support may at some time in the future be justified, on September 28, 2011, Brian Hulbert, the Town's attorney, reported to the committee that he was advised by the Tax Expenditure Review Committee in a similar situation that ATAX funds may not be spent on impact or feasibility studies. Mr. Hulbert advised the committee that this grant request was accordingly not qualified for funding of planning and consultancy services. As a consequence, the committee made no finding on whether or not this organization should receive further funding support for the items listed in its budget.

Because of the legal constraint, the committee recommends that this organization not receive further funding at this time.

#### SOUTH CAROLINA LOWCOUNTRY & RESORT ISLANDS TOURISM:

This organization is already substantially funded by a two-percent take at the state level from the top of ATAX collections before remitting the balance back to the counties and towns. According to its director, it receives over \$65,000 from that source. It provides information to travelers on I-95 and through its website and social media. This is a service to the area generally but, is of questionable quantifiable value to Hilton Head Island beyond what the Island already provides through the State.

The committee recommends that no funds be granted to this organization.

#### SHELTER COVE HARBOUR FIREWORKS:

For this middle-Island event, the committee recommends a grant of \$8,000 to this applicant. This is a cultural event celebrating our Independence and has substantial tourist attendance.

#### SKULL CREEK FIREWORKS:

This north-Island event is much like the other two Fourth-of-July fireworks displays. It is a substantial attraction to tourists and celebrates a cultural event. The committee recommends a grant of \$6,650 (the amount for which application was made) to this applicant.

#### SOUTH CAROLINA REPERTORY COMPANY:

This 75-seat theater offers to sold-out houses a variety of drama, music, comedy and period offerings which appeal to an audience of 65% locals and 35% visitors. Expenses of productions ran \$184,710 last year. It spent \$45,987 on PR and advertising. Its 2012 budget is \$220,075, with \$46,000 for advertising. It seeks a grant of \$35,000.

Unquestionably this organization produces good theater, in an intimate setting conducive to an emotionally different theater experience. For the past 20 years, it has served Island residents and visitors with exceptional entertainment.

A majority of the committee recommends a grant of \$10,000. This reduced figure is because the majority believed that the applicant did not have that significant an Island presence in serving the arts community and tourists.

#### COASTAL DISCOVERY MUSEUM:

This operation continues to render a significant service to the Island residents and particularly to our visitors. Out-of-area visitor attendance runs from 83% to 93% at its multitude of programs. Since moving to Honey Horn, it has expanded its offerings and done a commendable job of improving the property and its structures. The use of the property by other organizations, under the watchful eye of the Museum, makes the property all the more valuable to the Town and its visitors.

Over the years, it has received substantial Town general fund support as well as significant ATAX grants. With a 2012 expense budget of \$993,700, it seeks a grant of \$180,000. Last year it received an ATAX grant of \$165,000.

The committee recommends a grant of \$168,000 to this applicant for general operating expenses.

#### THE HERITAGE LIBRARY:

The Library unquestionably renders a beneficial service to those on the Island and interested visitors who seek genealogical information. It also participates in projects on the Island which have historical significance. Nonetheless, the committee continues to be troubled by the lack of significant attraction to tourists. Last year, it attracted 158 out of area tourists. The 2012 budget calls for expenses of \$111,550. \$50,100 of it for rent of present facilities and \$18,550 for

occupancy charges for a prior rental space. The Library asks for a grant of \$35,000.

The Library serves a cultural function of providing historical “family” information to interest persons and therefore qualifies for ATAX treatment. However, in weighing relative value to tourism, the committee believes that this applicant falls somewhat short of qualifying for a substantial grant.

The committee recommends a grant of \$10,000.

#### THE SANDBOX:

While some members of the committee question whether or not this organization qualifies as a cultural organization, The Sandbox has since its inception received ATAX support on the basis that it does qualify and therefore, the committee will recommend that it be granted ATAX funds.

One thing is certain, it attracts attention. Last year it attracted 23,345 visitors, 80% of whom were members of tourist families. This year it is projected to serve over 27,000 visitors, 78% of them tourist-related. Since opening in December of 2005, it has attracted over 165,000 visitors. Its 2012 budget calls for expenditures of \$273,000. \$28,800 of which is for advertising and promotion. It seeks an ATAX grant of \$70,300.

With our beaches remaining a principal attraction for families to come to the Island, The Sandbox provides an attractive and enjoyable experience for families with smaller children, particularly during rainy weather. It is well-managed and maintains its facilities as well as can be expected, given its space limitations.

The committee recommends a grant of \$45,000 for general operating purposes.

#### APPROVAL OF GRANTS IN ADVANCE OF RECEIPT OF FUNDS:

Last year, Council voted to cease, after this year, the practice of approving grants for certain applicants a year ahead of knowing what level of revenues would be received by the Town. The practice was appropriate when the Town was enjoying an increase annually of the amount of ATAX received. When the revenue stream started and continued to decline several years ago, it became unfair to the other grant recipients. Therefore this year is the last year of approving grants in advance of known funding.

Three organizations have applied this year for this type of funding:

	To Be Received from <u>2011 Revenues</u>
Arts Center	\$ 342,952
Gullah Celebration	\$ 74,457
Town	\$ 868,669

While, in all three instances, the applicants have filed requests for grants substantially in excess of what each will receive from 2011 funds, it was Council’s position last year, as recommended by the committee, that the only adjustment in the funding levels would be that each would receive what they had the prior year, to be adjusted, when the actual funding level is known, by the extent to which it exceeds or falls short of the approved level. This year, that method was applied and the grants were adjusted downward by 2.21%, being the projected shortfall this year from last year.

In summary, the committee recommends that Council approve for the applicants listed above the same amount which each will receive from 2011 ATAX funds, to be adjusted next year before the grants are made by the amount that 2012 ATAX revenues exceed or falls short of 2011 revenues.

#### ARTS CENTER:

Without a doubt, the Arts Center occupies a significant place in the arts scene on the Island. Its multitude of offerings provides entertainment and education to a large local following, plus a meaningfully large number of out of area visitors.

It has an operating expense budget for FY2011-2012 of \$3,567,057 and a qualified tourist attraction rate in 2010-2011 of over 35%. On this basis, the Arts Center is entitled, under the law, to more than it is requesting or which the committee believes it can recommend on the basis of available revenues and fair treatment to other arts and cultural organizations on the Island.

With the reality of continuing annual diminution of ATAX revenue, it would not be prudent for the committee to recommend an increase in the Arts Center's last approved grant, even though it continues to render outstanding service to the community and our visitors.

The committee recommends a grant for general operating purposes to the Arts Center of \$342,952 from 2012 ATAX revenues, to be adjusted as outlined above.

#### GULLAH CELEBRATION:

The Native Island Business and Community Affairs Association (NIBCAA) have conducted this cultural event for the past 16 years. In that time it has grown to a prominent place of importance in showcasing the Gullah people's cultural contribution and resulting importance to our Island. It should continue to receive Town ATAX support.

Its expense budget is \$207,085 for the 2013 series. \$63,500 of which is for hard-cost advertising. Survey information shows that over 80% of attendees are from out of the area.

The committee recommends a grant for general operating purposes to NIBCAA of \$74,457, to be adjusted as aforesaid.

#### TOWN OF HILTON HEAD ISLAND:

Under state law, the Town is entitled to ATAX funds to promote tourism and provide facilities and services which attract and provide for tourists. As noted above, the first of the year the Town will receive \$868,669 from 2011 ATAX revenues.

As in past years, this year's request seeking forward approval is based on departmental costs in public safety, code enforcement, and facilities management. These are all appropriate objects for funding, provided the amounts sought are based upon an appropriate increment assigned to tourist services.

The formula used by the Town to determine the tourist increment is based on visitor-attendance data provided by the Chamber of Commerce.

While the Town staff's calculation of the amount being sought is appropriate in aggregate, the same situation exists as with the other two applicants seeking advance approval of their requests.

The committee recommends a grant to the Town of \$868,699, to be adjusted as noted.

Each year the town staff prepares a calculation of tourism impact to support its requests for

funds. I have inserted the following from the Towns 2011 application.

The Town of Hilton Head Island bases the effectiveness of ATAX funding on the impact of tourists in relation to the Island's total population. This impact is determined by computing the equivalent population that tourists comprise. Visitors were determined to comprise 48% of the total population (both visitor and resident). This percentage was based on the 2010 Census population and the 2010 total visitor statistics from the Chamber of Commerce.

The following demonstrates the determination:

Description

Full Time Population	37,009
Length of Stay	364.25 days
Total Time on Island	13,513,310 days
Total Tourists per Year	2,228,329
Length of Stay	5.6 days
Total Time on Island	12,478,642 days
Total Residential & Tourist Days	25,991,952
% of Time – Residential	52%
% of Time – Tourist	48%

The Calculation of visitors was derived from information provided by the Chamber of Commerce and can be further broken down as represented below.

	2010	TOTAL	% of TOTAL	Cumulative
<b>Hotel</b>		385,467	17.30%	17.30%
<b>Home &amp; Villa</b>		619,510	27.80%	45.10%
<b>Timeshare</b>		474,372	21.29%	66.39%
<b>Second Home Owner/Guest*</b>		660,216	29.63%	96.02%
<b>Day Visitors</b>		88,761	3.98%	100.00%
<b>TOTAL</b>		2,228,329	100.00%	

The Chamber of Commerce began breaking Tourist per year out by type of visitor in 2009. The question remaining and addressed by the Accommodations Tax Committee is whether the appropriate calculation should be determined by all visitors or by another method. In December of 2010 the Committee voted (in a split but majority vote) that the appropriate calculation should use those visitors that generated Accommodations Tax, specifically Hotel and Home & Villa visitors. The other categories did not generate Accommodations Tax Revenues but presumably did provide and pay other taxes to the Town and they should not be utilized in the Towns “impact of tourist” calculation for Accommodations Tax funding. Additionally in discussions

with Susan Thomas at the Chamber and Dr. John Salazar of USCB the accuracy and applicability of the numbers diminishes as you move down the list from Hotel to Day Visitors. For example, the “5.6 days” for “length of stay” was calculated in 2006. The chamber began adding day visits in 2009 and obviously by definition a day visitor would not stay 5.6 days. Additionally the 2006 length of stay is quite possibly inaccurate number considering that since 2006 the travel industry has recognized a trend in shorter stays.

With this in mind, as well as other considerations with the data, the majority of committee members in December of 2010 determined that the best measurement for calculating the “impact of tourism” for Accommodations Tax purposes, the most accurate and the only visitor that directly contributes to Accommodations Tax Revenues include only the Hotel and Home & Villa visitor. Accordingly the appropriate determination would be the following.

Description

Full Time Population	37,009
Length of Stay	364.25 days
Total Time on Island	13,513,310 days
Total Tourists per Year	1,004,977
Length of Stay	5.6 days
Total Time on Island	5,627,871 days
Total Residential & Tourist Days	19,141,181
% of Time – Residential	71%
% of Time – Tourist	29%

We recognize that there are additional inherent issues with this calculation as well, such as the number of day’s permanent residents who may also have second homes or travel extensively, spend away from the island. The committee will continue to review the calculations and seek from the chamber and possibly other sources a better measurement for this calculation for the purpose of our recommendation.

The following represents the current towns request for funding and what we believe is the appropriate request availability as we now consider it.

	FY 2012 BGT	Request @ 48% Or Less	Visitor Impact@29%
Police Services	\$3,138,430	\$627,686	\$910,145
Code Enforcement	\$250,068	\$120,033	\$72,519
Facilities Mgt.	\$741,993	\$356,157	\$215,178
Total	\$4,130,491	\$1,103,876	\$1,197,842

Traditionally the Towns request has probably always been appropriate in aggregate even by our new measurement. However the percent of requested funds in aggregate to the appropriate funds available is much higher than previously estimated. In aggregate the Committee believes the Towns request is appropriate although in the Committees opinion the allocation of Accommodations tax revenues by department is not.

Finally, as mentioned in our opening paragraph the committee spends a great deal of time trying to understand the impact all recipients of Accommodations Tax funding have on tourism. Currently we ask each applicant to provide us with information on their impact and each applicant prepares its own estimate of this impact. The challenge with our current method is that each applicant utilizes a different method and hence provides the committee with its own determination through its own method.

Recently however a few applicants have utilized an outside entity to help them evaluate the impact. One of the most impressive is the Hilton Head Concours d 'Elegance, after review of their application and many informative discussions with Dr. John Salazar of USC Beaufort who collects and performs much of the research for the statistical information collected by the Concours d 'Elegance and a few other applicants. The Committee recommends a proposal from Dr. Salazar to apply the consistent research methods now being utilized with some specific and consistent objectives to provide the Committee with a consistent tourism impact of each applicant. The initial cost of this proposal is approximately \$28,000 and the details of the proposal are attached.

The Committee believes that especially in the current tourism and overall economic environment it is imperative to better understand the economic benefits and the relative importance to Accommodation Tax Funding each applicant provides. The data and comparative analysis provided by a consistent method of collection across the recipients will certainly provide the committee and Town with a much improved recommendation process.

Respectfully submitted by the Accommodations Tax Advisory Committee

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Bret Martin  
Chairman

# The Lowcountry and Resort Islands Tourism Institute @ University of South Carolina Beaufort



*The HHI Tourism Research Initiative*

# What's Been Done

- Hilton Head Island Green Survey (sponsored by the HHI Visitor and Convention Bureau)
- Public transit survey for northern and southern Beaufort County (sponsored by the Lowcountry Council of Governments)
- Economic impact of second homes on Hilton Head Island (sponsored by the HHI Visitor and Convention Bureau)
- Economic impact analysis of the Heritage golf tournament (sponsored by the Heritage Classic Foundation)
- Hilton Head Island residential quality of life survey (sponsored by the Town of Hilton Head Island)



# Festival and Special Event Research

- Concours d'Elegance
- Hilton Head Island Wingfest
- Hilton Head Island Wine Festival
- Heritage Golf Tournament
- Beaufort Shrimp Festival
- Hilton Head Island Italian Festival
- Beaufort MCAS Air Show

[www.Iriti.org](http://www.Iriti.org)

Lowcountry and Resort Islands Tourism Institute Research

Lowcountry and Resort Islands Tourism Institute understands the unique needs of the region's tourism industry. We are proud of the work we do and would like to share some of our results with you. Feel free to download some of our reports below. Should you need access to more research reports please contact John Salazar at [jsalazar@usc.edu](mailto:jsalazar@usc.edu).

[2011 Hilton Head Island Wingfest Survey Results](#)  
[2011 Beaufort Marine Corp Air Station Air Show Survey Results](#)  
[2011 Hilton Head Island Seafood Festival Survey Results](#)  
[2011 Red Fields to Green Fields Case Study](#)  
[2011 Sweet Tea Getaway Ad Survey Results](#)  
[2010 Heritage Golf Tournament Economic Impact Report](#)  
[2010 Concours d'Elegance & Motoring Festival Research Results](#)  
[2010 Beaufort Shrimp Festival Research Results](#)  
[2010 Northern Beaufort County Fixed Bus Route Research Results](#)  
[2010 Hilton Head Island Mayor's Task Force Report](#)  
[2009 Hilton Head Island Green Survey Results](#)  
[2009 Concours d'Elegance & Motoring Festival Research Results](#)  
[2009 Hilton Head Island Oyster Festival Research Results](#)  
[2009 Hilton Head Island Tourism Gross Sales Analysis](#)  
[2009 Jasper County Port Labor Analyses](#)  
[2009 Hilton Head Island Quality of Life Residential Survey](#)  
[2009 Assessing Beaufort's Tourism Markets Via Data Integration Methods](#)  
[2008 Southern Beaufort County US 278 Fixed Bus Route Research Results](#)  
[2007 Hilton Head Island Wine Festival Research Results](#)  
[2006 Hilton Head Island Welcome Center Survey Results 1](#)  
[2006 Hilton Head Island Welcome Center Survey Results 2](#)  
[2005 Hilton Head Island Food Festival Zip Code Analysis](#)



# Annual ATAX Analysis

- Develop an event attendee profile
- Compare profiles across events
- Compare profiles to the average Hilton Head Island visitor
- Identify economic contribution to the community



# Comparing Events: Equal Ratios

Category: Both Events Equal	Destination Events (\$\$)	Ancillary Events (\$)
Estimate of Event Visitors	12000	3000
Estimate of Tourists at the Event (55%)	6600	1650
% Visiting Specifically for the Event (80%)	5280	1320
% of Repeat Island Visitors (80%)	4224	1056
<i>Lodging Spend Impact (3nights x\$149)</i>	\$ 2,360,160.00	\$ 590,040.00
<i>Dining Spend Impact (3x\$75)</i>	\$ 1,188,000.00	\$ 297,000.00
<i>Retail Spend Impact (3x\$25)</i>	\$ 396,000.00	\$ 99,000.00
<i>Recreation Spend Impact (3x\$50)</i>	\$ 792,000.00	\$ 198,000.00
<b>Total direct impact estimate</b>	<b>\$ 4,736,160.00</b>	<b>\$ 1,184,040.00</b>
<b>Total ATAX collected (11%: state sales+state accommodations+transportation+beach+local option)</b>	<b>\$ 259,617.60</b>	<b>\$ 64,904.40</b>
<i>Local ATAX amount collected (1% local option)</i>	\$ 23,601.60	\$ 5,900.40
<i>Hospitality tax (2% local)</i>	\$ 23,760.00	\$ 5,940.00
<b>Total local ATAX and hospitality tax estimate</b>	<b>\$ 47,361.60</b>	<b>\$ 11,840.40</b>
<b>Total ATAX and hospitality tax estimate (11% + 2%)</b>	<b>\$ 283,377.60</b>	<b>\$ 70,844.40</b>
<i>ATAX Funding Received</i>	\$ 50,000.00	\$ 10,000.00
<i>ROI for Total ATAX collected (Total ATAX/\$50000)</i>	\$ 4.19	\$ 5.49
<i>ROI for Total ATAX and hospitality tax estimate (11% + 2%) (Sum of Total ATAX+Hospitality Tax/\$50000)</i>	\$ 4.67	\$ 6.08

# Comparing Events: Unequal Ratios

Category: Both Events Not Equal	Destination Events (\$\$)	Ancillary Events (\$)
Estimate of Event Visitors	12000	3000
Estimate of Tourists at the Event (\$\$ = 55% vs \$ = 12%)	6600	360
% Visiting Specifically for the Event (\$\$ = 80% vs \$ = 20%)	5280	72
% of Repeat Island Visitors (\$\$ = 80% vs \$ = 30%)	4224	22
<i>Lodging Spend Impact (\$\$ = 3nights x\$149 vs \$ = 2 nights at \$100)</i>	\$ 2,360,160.00	\$ 14,400.00
<i>Dining Spend Impact (\$\$ = 3x\$75 vs \$ = 2x\$75)</i>	\$ 1,188,000.00	\$ 10,800.00
<i>Retail Spend Impact (\$\$ = 3x\$25 vs \$ = 2x\$25)</i>	\$ 396,000.00	\$ 3,600.00
<i>Recreation Spend Impact (\$\$ = 3x\$50 vs \$ = 2x\$50)</i>	\$ 792,000.00	\$ 7,200.00
<b>Total direct impact estimate (All direct spending estimate)</b>	<b>\$ 4,736,160.00</b>	<b>\$ 36,000.00</b>
<b>Total ATAX collected (11%: state sales+state accommodations+transportation+beach+local option)</b>	<b>\$ 259,617.60</b>	<b>\$ 1,584.00</b>
<i>Local ATAX amount collected (1% local option)</i>	\$ 23,601.60	\$ 144.00
<i>Hospitality tax (2% local)</i>	\$ 23,760.00	\$ 216.00
<b>Total local ATAX and hospitality tax estimate</b>	<b>\$ 47,361.60</b>	<b>\$ 360.00</b>
<b>Total ATAX and hospitality tax estimate (11% + 2%)</b>	<b>\$ 283,377.60</b>	<b>\$ 1,800.00</b>
<b>ATAX Funding Received</b>	<b>\$ 50,000.00</b>	<b>\$ 10,000.00</b>
<i>ROI for Total ATAX collected (Total ATAX/ATAX Funding Rec)</i>	\$ 4.19	\$ (0.84)
<i>ROI for Total ATAX and hospitality tax estimate (11% + 2%) (Sum of Total ATAX+Hospitality Tax/ATAX Funding Rec)</i>	\$ 4.67	\$ (0.82)

# Pricing Structure: Special Event/Festival

## Computer Station Polling Method

- Standard items will be asked with additional market research items added at the direction of the event organizer
- Per day cost for computer polling method
  - 1 day = \$750
  - 2 day = \$1,500
  - 3 day = \$2,250
- Requires that the event organizer provide an incentive for the survey takers
- Requires that the organizer have an estimated gate count of attendees
- Requires electrical access
- Requires labor
- Report will be generated by USCB and provided to the organization



# Pricing Structure: Year-Round Onsite Polling Station

- Standard items will be asked with additional market research items added at the direction of the event organizer
- Per year cost = \$1,200
- Requires the organization to purchase an iPad tablet (or tablets) to be used as a virtual Hilton Head Island Guest Book
- Requires the organization to have Wi-Fi access for the tablets
- Requires that the event organizer provide an incentive for the survey takers
- Requires that the organizer have an estimated gate count of attendees
- Data will be collected via USCB's internet survey portal
- Report will be generated by USCB and provided to the organization



# Pricing Structure: Year-Round Onsite Index Card Survey

- Standard items will be asked with no (or limited) additional market research items added
- Per year cost = \$1,200
- May require that the event organizer provide an incentive for the survey takers
- Requires that the organizer have an estimated gate count of attendees
- Cards will be collected monthly and data must manually entered by USCB
- Report will be generated by USCB and provided to the organization

## University of South Carolina Beaufort Hilton Head Island Visitor Survey

What is the zip code of your primary residence? \_\_\_\_\_

How many days do you intend on staying on Hilton Head Island? \_\_\_\_\_

Counting this trip, HOW MANY trips have you taken to Hilton Head Island? \_\_\_\_\_

What was your method of transportation to Hilton Head Island?

Plane  Car  Both Plane/Car

Which of the following accommodations will you be using on this trip? Check one box below.

Villa/condo rental  Home rental  Friends/relatives

Villa/condo timeshare  Full service hotel  RV Park

Home/villa/condo owned  Limited service hotel/motel  Other

What was the primary reason for this visit to Hilton Head Island? Check only one box below.

Visit friends/relatives  Convention or conference  Outdoor recreation

Festival/special event  Other business  Just passing through

Pleasure vacation  Activity close to home  Other

How many months in advance did you book this trip? \_\_\_\_\_

# Your Report, ATAX Analysis, and HHI Tourism Under the Bubble

- The organization receives event specific data that can be used for marketing and advertising purposes.
- The ATAX committee receives information that aids in evaluating events.
- Town of HHI to pay \$28K per year for 2012 and 2013 annual analyses – cost may increase in 2014 and/or thereafter.
- The event specific data is part of a larger tourism research effort - USCB analyzes the tourism events under the “Bubble.”





**For more information contact :**  
John Salazar @ 843-208-8217

**2012 Accommodations Tax Advisory Committee Recommendations**

	<u>Town Council Grant Awards</u>			<u>Adjusted/ Final Forward- Approved for 2012</u>	<u>2012 Request</u>	<u>ATAC Recom- mendation</u>	<u>Town Council Award</u>	<u>2012 Request for 2013</u>	<u>ATAC Recom- mendation</u>	<u>Town Council Award</u>
	<u>2009</u>	<u>2010</u>	<u>2011</u>							
Art League of Hilton Head	43,700	54,000	45,000	N/A	79,300	50,000		N/A	N/A	N/A
Arts Center of Coastal Carolina	414,542	352,360	350,703	346,678	N/A	N/A	N/A	387,000	346,678	
Arts Center of Coastal Carolina - Capital Improvement	N/A	N/A	75,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Beaufort County Black Chamber of Commerce	N/A	N/A	N/A	N/A	22,000	0		N/A	N/A	N/A
Harbour Town Merchants Assoc.-(July 4th fireworks)	7,625	8,000	8,000	N/A	12,500	8,000		N/A	N/A	N/A
Hilton Head Audubon Society	N/A	N/A	3,200	N/A	12,825	5,000		N/A	N/A	N/A
Hilton Head Choral Society	15,810	17,000	17,000	N/A	25,000	22,000		N/A	N/A	N/A
Hilton Head Concours d'Elegance (advertising only)	78,920	78,000	88,000	N/A	110,000	98,000		N/A	N/A	N/A
Hilton Head Dance Theater	10,230	9,000	9,000	N/A	25,966	12,000		N/A	N/A	N/A
HH Area Hospitality Association (culinary advertising)	N/A	N/A	N/A	N/A	70,400	34,000		N/A	N/A	N/A
Hilton Head Island Airport	N/A	N/A	withdrawn	N/A	115,237	0		N/A	N/A	N/A
HHI St. Patrick's Day Parade (band & refreshments only)	8,500	8,000	8,000	N/A	17,500	8,000		N/A	N/A	N/A
Hilton Head Island St. Patrick's Day Parade (LEO OT)	N/A	5,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Hilton Head Island-Bluffton Chamber of Commerce VCB	297,600	300,000	208,850	N/A	358,000	240,000		N/A	N/A	N/A
Hilton Head Island-Bluffton Chamber of Commerce (forward-funded)	80,000	68,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Hilton Head Symphony Orchestra	170,000	144,500	143,820	142,169	N/A	N/A	N/A	N/A	N/A	N/A
Hilton Head Symphony Orchestra - Special Request	N/A	N/A	15,000	N/A	41,700	30,000		N/A	N/A	N/A
Main Street Youth Theater (incl 2010 \$22,714 supplemental grant)	51,150	47,714	40,000	N/A	60,000	42,000		N/A	N/A	N/A
Comm. Found. of Lowcountry- Mitchelville Preservation Project	N/A	N/A	50,000	N/A	100,000	0		N/A	N/A	N/A
Native Island Business & Community	90,000	76,500	75,000	75,266	N/A	N/A	N/A	150,000	75,266	
SC Lowcountry & Resort Islands Tourism	5,000	4,000	N/A	N/A	35,000	0		N/A	N/A	N/A
Shelter Cove Harbour Company-(July 4th fireworks)	7,625	8,000	8,000	N/A	18,600	8,000		N/A	N/A	N/A
Skull Creek July 4th Celebration	7,625	8,000	8,000	N/A	6,650	6,650		N/A	N/A	N/A
South Carolina Repertory Company	17,205	15,000	15,000	N/A	35,000	10,000		N/A	N/A	N/A
The Coastal Discovery Museum	162,750	165,000	165,000	N/A	180,000	168,000		N/A	N/A	N/A
The Coastal Discovery Museum - Capital	100,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
The Heritage Library	23,250	15,000	15,000	N/A	32,000	10,000		N/A	N/A	N/A
The Sandbox	32,550	30,000	42,500	N/A	70,300	45,000		N/A	N/A	N/A
Town of Hilton Head Island	1,050,000	892,500	888,300	878,106	N/A	N/A	N/A	1,103,876	878,106	
<b>Totals</b>	<b>2,674,082</b>	<b>2,305,574</b>	<b>2,278,373</b>	<b>1,442,219</b>	<b>1,427,978</b>	<b>796,650</b>	<b>0</b>	<b>1,640,876</b>	<b>1,300,050</b>	<b>0</b>
<b>Remaining Balance Available</b>						<b>\$ 22,853</b>	<b>\$ 819,503</b>		<b>A</b>	
Grant Funds Available for 2012	2,261,722									
Already approved for 2012 (forward-approved grants)**	(1,442,219)									
Funds available for 2012 New Grants	819,503									

ATAC recommends various restrictions and budgeted categories for these grant recommendations as outlined in its recommendation letter.

**A - To be adjusted upward or downward the same as revenues**



## **MEMORANDUM**

**TO:** Town Council

**FROM:** Stephen G. Riley, CM, Town Manager

**VIA:** Susan Simmons, Director of Finance

**DATE:** January 26, 2012

**RE:** Mitchelville Preservation Project 2011 Grant Extension

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**Recommendation:** Staff recommends Council extend the 2011 Mitchelville Preservation Project grant for one year through December 31, 2012.

**Summary:** Council awarded a \$50,000 grant for calendar year 2011 to the Mitchelville Preservation Project (Project) via the Community Foundation (Foundation) of the Lowcountry. The application as submitted for the calendar year 2011 grant does qualify for this grant; however the Project has not generated expenditures through December 31, 2011 to seek qualified reimbursements of \$50,000 from the Town.

The Town's staff attorney determined that the 2012 grant application as submitted does not qualify for funding. The Accommodation Tax Advisory Committee did not recommend funding for the 2012 grant. The Project and Foundation met with the Town Manager to determine how this important historical and cultural site project could best continue. The result of these meetings is a request from the Project to extend the \$50,000 grant from 2011 through 2012.

**Background:** The crux of the issue relates to the fact that State Accommodations Tax law allows grants for construction but not master plan and feasibility studies. The 2012 grant application does not qualify; however the language in the 2011 grant application was broader and the Project expects that it will have \$50,000 of qualifying expenditures if the Town extends the grant through December 31, 2012 as allowed by State law. Council needs to act on this grant extension to make it official. For the Project to come to fruition, much work and fund raising will be required in the future, including requests for Town funding. However, approval of this recommendation will allow the Project to continue in the short term.