

## **SHORT-TERM RENTAL AD-HOC COMMITTEE MEETING MINUTES**

The Short-Term Rental Ad-Hoc Committee met on Tuesday, August 6, at 10:00 in the POA Administration building to discuss how properties are marketed and sold within Palmetto Dunes—and the impact the ability to rent may have upon the process.

### **Attendees:**

Gayle Cleaveland  
Ian Cohen  
Pattie Courtney  
Jim Griner  
Joe Homa

Doug Luba  
Lee Smith  
Bill Watkins  
Andrew Schumacher

The committee was joined by Phil Porter of Charter One, Daniel Moskowitz of Dunes Real Estate, John McMahon of ReMax, and Phil Schembra of Schembra Real Estate.

The meeting began with introductions followed by a discussion about what differentiates Palmetto Dunes.

### **Key Palmetto Dunes Differentiators:**

- Oceanfront and immediate access to the Atlantic for all properties
- Unique land planning—the “best of the best” incorporated into the community design
  - 11-mile lagoon
  - Separation of commercial and residential spaces
- Pristine landscaping and cleanliness of the plantation
- Variety of on-site amenities
- General ease of ownership
- Among the youngest ocean-front plantations on Hilton Head Island
- Convenient mid-island location adjacent to Shelter Cove and popular Towne Centre
- Dunes Buggy

The realtors noted that while Palmetto Dunes was originally envisioned as a resort but not necessarily a short-term rental community, recent infrastructure changes (such as bike paths, etc.) have enabled the community to evolve and support a growing number of short-term rental properties.

### **Four Distinct Groups within Palmetto Dunes:**

1. Vacationers—nearly all who purchase first visited or vacationed in Palmetto Dunes
2. Rental Buyers—those who want or need the income to offset expenses
3. Second Home Buyers—those who spend part of the year here and do not rent
4. Residential Buyers—those who choose to make Palmetto Dunes their primary residence

Generally, there is a natural progression from vacationer to other categories. It was noted that interest rates and insurance are generally higher for an owner who does not occupy the home at any time during the year. During the sales process, the ability to rent on a short-term basis is a key aspect of the sales discussion.

All realtors believe there is a price premium associated with purchasing in Palmetto Dunes given the ability to rent. Phil Porter shared some statistics indicating over the past four years, average home prices are approximately 30% higher in Palmetto Dunes compared to Port Royal. This price premium benefits all homeowners—even those who do not rent.

Interestingly, all realtors believe the price of property in Palmetto Dunes and Hilton Head Island, in general, are relative “bargains” compared to other oceanfront towns. By example, prices for comparable homes in Palmetto Dunes and Hilton Head Island are much lower than those in Charleston and the surrounding towns. John McMahon highlighted the success of Palmetto Bluff landing the “big bucks” and also permits short-term rentals in designated “Rental Areas.” Similarly, the realtors believe short-term rental rates are currently too low, attracting local rather than more affluent guests. To further increase rental rates, some properties require enhancements to refresh exteriors and update interior finishes and furnishings.

The group unanimously agreed eliminating the ability to rent in any capacity will result in an immediate and severe price decline. And given the volume of rental properties in Palmetto Dunes, we should expect more dramatic price declines (compared to, say, Port Royal) when the economy or rental market softens.

#### **Benefits of Short-Term Rentals**

- Ability for owners to offset some expenses
- Increased property prices for all owners
- Rental pass revenue offsetting some community expenses (\$800K in 2019 and \$1.5MM in 2020 given the upcoming pass fee increase)
- Creation of vacationer → buyer pipeline

For owners who do not wish to co-reside with rental properties, the realtors direct their clients to other plantations, including Leamington, Port Royal, Palmetto Hall and Indigo Run. With many options, current owners who no longer wish to be impacted by renters should consider moving.

#### **Changing Demographics:**

Phil Schembra believes Palmetto Dunes is on the cusp of benefiting from a shifting demographics with an influx of more affluent buyers from the northeast given recent tax increases and our growing list of awards. To these buyers, Palmetto Dunes appears to be a relative bargain and they are less likely to rent their property to cover expenses. The group also agreed the enhanced airport and added flights will likely expand the pool of potential buyers which could have a positive impact upon property values.

### **Suggested Palmetto Dunes Enhancements:**

- Enhanced communications:
  - Share our rules with visitors
  - Clearly enumerate the benefits of rentals to non-rental owners
- Greater enforcement of existing rules with a “soft touch”
- Limit community access to owners and guests
- Beachfront clubhouse

The group also discussed the impact of potential policies upon owners and the sales process. There was little resistance to the five presented policies, with the suggestion of a four-day minimum rental duration and perhaps limiting home size by total heated square footage.

The meeting concluded at 11:25AM with the comment that the community benefits from having a combination of rental properties, second homes and primary homes—and that rental-related concerns seem to reappear every 10 years.

### **Next Meetings**

The committee’s next two meetings will be arranged via email to:

1. Review the STR survey results and the list of recommendations that the committee has produced to date (to be circulated)
2. Decide, as a group, which policies to recommend to the board