



The Town of Hilton Head Island

Regular Town Council Meeting

November 7, 2017

4:00 P.M. EXECUTIVE SESSION

5:00 P.M. REGULAR MEETING

BENJAMIN M. RACUSIN COUNCIL CHAMBERS AGENDA

**As a courtesy to others please turn off/silence ALL mobile devices during the
Town Council Meeting, Thank You.**

1. Call to Order

2. FOIA Compliance - Public notification of this meeting has been published, posted and distributed in compliance with the Freedom of Information Act and the Town of Hilton Head Island requirements.

3. Executive Session

a. Land Acquisition

Discussion of negotiations incident to the proposed sale, lease or purchase of property:

i. In the Stoney area

4. Pledge to the Flag – 5:00 p.m.

5. Invocation

6. Proclamations & Commendations

a. Recognition of the Participants and Presentation of Student Government Day Certificates

b. Pancreatic Cancer Awareness Month Proclamation

c. Arbor Day Proclamation

7. Approval of Minutes

a. Town Council Meeting, October 17, 2017

8. Report of Town Manager

a. Hilton Head Island: Our Future – Emily Sparks

b. Update from Gullah-Geechee Land and Cultural Preservation Task Force – Lavon Stevens and Alex Brown

c. Possible Cancellation of the November 21, 2017 Town Council Meeting

d. Items of Interest

- i. Town News
- ii. Noteworthy Events

9. Reports from Members of Council

- a. General Reports from Council
- b. Report of the Intergovernmental & Public Safety Committee – Bill Harkins, Chairman
- c. Report of the Community Services Committee – Kim Likins, Chairman
- d. Report of the Public Planning Committee – David Ames, Chairman
- e. Report of the Public Facilities Committee – Marc Grant, Chairman
- f. Report of the Finance & Administrative Committee – John McCann, Chairman

10. Appearance by Citizens

11. Unfinished Business

a. Second Reading of Proposed Ordinance 2017-19 (LMO Amendments)

Second Reading of Proposed Ordinance to amend Title 16 of the Municipal Code of the Town of Hilton Head Island, South Carolina, The Land Management Ordinance (LMO), Chapters 2, 3, 4, 5 and 10 to Revise various Sections. These Amendments, commonly referred to as *2017 LMO Amendments – Second Set* as noticed in the Island Packet on August 20, 2017, include changes that provide for general amendments to a variety of Sections in the LMO, and providing for severability and an effective date.

12. New Business

a. First Reading of Proposed Ordinance 2017-22 (Stormwater Bond)

First Reading of Proposed Ordinance 2017-22 the Third Supplemental Ordinance providing for the issuance and sale of not exceeding \$14,000,000 in aggregate principal amount of the Town of Hilton Head Island, South Carolina, Stormwater System Revenue Bonds, in one or more Series, for the purpose of financing certain capital improvements and refinancing all or a portion of the \$13,810,000 original principal amount Town of Hilton Head Island, South Carolina, Stormwater System Refunding Revenue Bond, Series 2010; delegating the authority to the Town Manager to determine certain matters with respect to new bonds; prescribing the form and details of such bonds; amending certain provisions to the General Bond Ordinance; other matters relating thereto; and providing for severability and an effective date.

13. Possible actions by Town Council concerning matters discussed in Executive Session

14. Adjournment

Proclamation

BY
THE TOWN OF HILTON HEAD ISLAND

WHEREAS, in 2017, an estimated 53,670 people in the United States will be diagnosed with pancreatic cancer, one of the deadliest cancers, and 43,090 will die from the disease, with approximately 710 deaths South Carolina, surpassing breast cancer to become the third leading cause of cancer death in the United States and is projected to become the second by 2020; and

WHEREAS, pancreatic cancer is one of the few cancers for which survival has not improved substantially over nearly forty years; and

WHEREAS, because the symptoms of pancreatic cancer present themselves generally in the later stages, pancreatic cancer has the highest mortality rate of all major cancers; 91 percent of pancreatic cancer patients will die within five years of receiving a diagnosis, while 74 percent of patients will die within the first year of receiving a diagnosis; and

WHEREAS, pancreatic cancer is the seventh most common cause of cancer-related death in men and women across the world; and

WHEREAS, the good health and well-being of the residents of Hilton Head Island are enhanced as a direct result of increased awareness about pancreatic cancer and research leading to early detection, causes and effective treatment; and

NOW THEREFORE, I, David Bennett, Mayor of the Town of Hilton Head Island, do hereby proclaim the month of November, 2017 as:

PANCREATIC CANCER AWARENESS MONTH

in the Town of Hilton Head Island, South Carolina and encourage all citizens to recognize the benefits of early detection, causes, and effective treatments.

IN TESTIMONY WHEREOF, I have hereunto set my hand and caused this seal of the Town of Hilton Head Island to be affixed this 7th day of November, in the Year of our Lord, Two Thousand and Seventeen.

David Bennett, Mayor

Attest:

Krista M. Wiedmeyer, Town Clerk

Proclamation

BY
THE TOWN OF HILTON HEAD ISLAND

WHEREAS, in 1872, J. Sterling Morton proposed to the Nebraska Board of Agriculture that a special day be set aside for the planting of trees; and

WHEREAS, this holiday, called Arbor Day, was first observed with the planting of more than a million trees in Nebraska; and

WHEREAS, 2017 is the 145th anniversary of the holiday and Arbor Day is now observed throughout the nation and the world; and

WHEREAS, trees can reduce the erosion of our precious topsoil by wind and water, cut heating and cooling costs, moderate the temperature, clean the air, produce life-giving oxygen and provide habitat for wildlife; and

WHEREAS, trees are a renewable resource, giving us paper, wood for our homes, fuel for our fires and beautify our community; and

WHEREAS, trees, wherever they are planted, are a source of joy and spiritual renewal; and

*NOW THEREFORE, I, David Bennett, Mayor of the Town of Hilton Head Island, do hereby proclaim that Friday, **December 1st** shall be known on Hilton Head Island as:*

ARBOR DAY

and urge all citizens to celebrate Arbor Day and support efforts to protect our trees and woodlands. Further, I encourage all citizens to plant trees to gladden the heart and promote the well-being of this and future generations.

IN TESTIMONY WHEREOF, I have hereunto set my hand and caused this seal of the Town of Hilton Head Island to be affixed this 7th day of November, in the Year of our Lord, Two Thousand and Seventeen.

David Bennett, Mayor

Attest:

Krista M. Wiedmeyer, Town Clerk

**THE TOWN OF HILTON HEAD ISLAND
REGULAR TOWN COUNCIL MEETING**

Date: Tuesday, October 17, 2017

Time: 4:00 P.M.

Present from Town Council: David Bennett, *Mayor*; David Ames, Marc Grant, Tom Lennox, John McCann, *Council Members*

Absent from Town Council: Kim Likins, *Mayor Pro Tem*; Bill Harkins, *Council Member*

Present from Town Staff: Steve Riley, *Town Manager*, Greg DeLoach, *Assistant Town Manager*; Charles Cousins, *Director of Community Development*; Brian Hulbert, *Staff Attorney*; Brad Tadlock, *Fire Chief*; Nancy Gasen, *Director of Human Resources*; Scott Liggett, *Director of Public Projects & Facilities/Chief Engineer*; Jenn McEwen, *Arts & Culture Network Director*; Ed Boring, *Deputy Fire Chief*; Shawn Colin, *Deputy Director of Community Development*; Jennifer Ray, *Planning and Special Projects Manager*; Teri Lewis, *LMO Official*; Phyllis Deiter, *Senior Admin Assistant*; Melissa Cope, *System Analyst*; Krista Wiedmeyer, *Executive Assistant/Town Clerk*

Present from Media: Alex Kincaid, *Island Packet*

1. Call to Order

Mayor Bennett called the meeting to order at 4:00 p.m.

2. FOIA Compliance - Public notification of this meeting has been published, posted and distributed in compliance with the Freedom of Information Act and the Town of Hilton Head Island requirements.

3. Executive Session

Mr. Riley stated he needed an Executive Session for: (a) Contractual Matters; Discussion of negotiations incident to proposed contractual arrangements related to beach renourishment, and (b) Legal Matters; Receipt of legal advice pertaining to a potential claim or litigation associated with Peter Buonaiuto vs. Town Council, Town Manager, and Town Staff Attorney.

At 4:01 p.m. Mr. Ames moved to go into Executive Session for matters mentioned by the Town Manager. Mr. Grant seconded, the motion was approved by a vote of 5-0. Mrs. Likins and Mr. Harkins were absent from the meeting.

Council returned to the dais at 5:00 p.m.

4. Pledge to the Flag

5. Invocation

6. Proclamations & Commendations

a. Mayor's Honored Islanders

Mayor Bennett presented the Mayor's Honored Islander awards to Michael Cooke, Pamela Cooper, and Rudy Milton, and made brief remarks about each of the honorees. Mr. Cooke and Ms. Milton each made brief statements.

b. Red Ribbon Week Proclamation

Mayor Bennett presented the Red Ribbon Week proclamation to Ms. Rachel Smith and members of the Parris Island Young Marines.

7. Approval of Minutes

a. Town Council Meeting, October 3, 2017

Mr. Ames moved to amend the October 3, 2017 Town Council meeting minutes concerning the summary of the statements he made under agenda item 12(c) Consideration of a Recommendation from the Community Service Committee regarding the Theatrical Lighting for the Arts Center of Coastal Carolina, requesting the following statement replace the original summary: "Mr. Ames said he supported Mrs. Likins suggestion to have the Town pay for an audit. He further stated he was not satisfied the conditions represent taxpayers' interests as much as the Art Center's and that Council is

fooling the citizens to say this a one-time expense. This \$575,000 obligates the Town to fund future significant expenses like the HVAC. Mr. Ames asked how the \$575,000 measures up against other established Town priorities or other arts organizations. He said it's his inescapable conclusion this is an example of preferential treatment." Mr. McCann seconded. Town Council meeting minutes as amended for October 3, 2017 were approved by a vote of 5-0.

8. Report of Town Manager

a. USCB Quarterly Update.

Mr. Riley reviewed the updated provided to the Town by USCB, stating that construction continues, hoping in the next week that vertical construction will begin as the concrete work finishes up, and projected to occupy in mid to late September of 2018. Mr. Riley further stated that the project remains on track with regard to budget. Mayor Bennett asked if the project was still on time from a construction standpoint. Mr. Riley stated that occupying in late September is about a month later than what they would like to be, but that there are plans in place to meet that schedule.

b. Items of Interest

i. Town News

Mr. Riley reported on Town news including the announcement of the public hearing at the October 18, 2017 Planning Commission, the special meeting for Parks and Rec on October 31, 2017, and the save the dates for the Hilton Head Island: Our Future workshops.

ii. Noteworthy Events

Mr. Riley reported on upcoming noteworthy events taking place in the coming weeks.

9. Reports from Members of Council

a. General Reports from Council

Mr. Grant reported that there is a Ward One meeting Wednesday, October 25, 2017 from 6:15 to 7:30 at the Hilton Head PSD #1 building, located on Mathews Drive. He stated that this is a great opportunity to learn about Town goals and to share concerns.

Mr. McCann reported that he had received requests from several citizens that the sound system within Council Chambers be evaluated. When there are large crowds, it is difficult to hear in the back of the room. Mr. McCann requested that the Town Manager review the system that is currently in place and check if maybe upgrades are in order at this time. Mr. Riley stated that the County channel and the Town's sound system crews evaluated the existing system. He further stated that Council should find that the system is working better than it did at the last meeting. Mr. Riley said that the Town will continue to evaluate if those adjustments were sufficient.

Mayor Bennett reported that he and Mr. Riley both attended the Lowcountry Area Transportation Study ("LATS") meeting about a week prior to this meeting where South Carolina Secretary of Transportation Christy Hall made a presentation about the state of the roads, with a plan to address substantial deferred maintenance. Mayor Bennett stated that Senator Tom Davis was also in attendance at the LATS meeting. Senator Davis queried Secretary Hall about the politics that have resulted in the lack of funding coming to Beaufort County. Mayor Bennett also queried Secretary Hall about the plan to replace only one of the four spans that make up the bridges, but instead look at the corridor from Moss Creek to the Cross Island Parkway. Mayor Bennett reported that he felt the comments were well received and had a follow up conversation with Robby Robbins, the Beaufort County DOT Commissioner who thought similarly and will continue to follow up with Secretary Hall as necessary.

b. Report of the Intergovernmental & Public Safety Committee – Bill Harkins, Chairman

Nothing to report - Absent

c. Report of the Community Services Committee – Kim Likins, Chairman

Nothing to report - Absent

d. Report of the Public Planning Committee – David Ames, Chairman

Mr. Ames reported that later on in the agenda, Council will be talking about housing for the whole community and the LMO Amendments. He stated that the next meeting of the Public Planning Committee is on October 26, 2017. He further stated that Palmetto Breeze has been invited to the next

meeting to update the Committee on their plans for a shuttle system on the Island next summer. Mr. Ames said that he would also like to emphasize the importance of the Vision workshops that have already been alluded to earlier in the meeting. He stated that it is truly an opportunity as citizens to make the Island a better place to live and work. He went on to say that he believes we can all recognize the Island's future relies on a strong and vital permanent population and a healthy economy. Mr. Ames asked, how do we make that happen? Where should public dollars be spent? He stated that he urged all citizens and those are not here to help create that civic energy and excitement that comes with a bright future and a can do spirit. Mr. Ames closed, stating, please make time to attend the workshops and participate.

e. Report of the Public Facilities Committee – Marc Grant, Chairman

Mr. Grant stated that there was no report, however on October 23, 2017 there will be a Public Facilities meeting to discuss a comprehensive plan for handling the dirt roads on the Island. Mr. Grant asked all available citizens to please come out and provide input.

f. Report of the Finance & Administrative Committee – John McCann, Chairman

Mr. McCann reported that the Committee met earlier in the day to discuss the upcoming evaluation of the outside Town Council attorney, which will be completed by the end of the year. He stated that the Finance Director provided a report regarding the financial condition of the Town and the accumulation of the money from FEMA.

10. Appearance by Citizens

Dorothy Skanlin. Addressed Council about the efforts to rezone Beach City Road. She stated that she wanted to speak about preserving Beach City Road as a residential and historical roadway.

Skip Hoagland. Addressed Council about his matters with the Town, HHI-Bluffton Chamber of Commerce, and DMO.

11. Unfinished Business

None

12. New Business

a. Consideration of Recommendation – Town Council Key Priority: Workforce Availability

Consideration of a Recommendation that Town Council review and consider approving the next steps as recommended by the Public Planning Committee at its meeting on September 28, 2017 to address the housing portion of Town Council's Key Priority: Workforce Availability.

Mr. Ames moved to approve the Recommendation from the Public Planning Committee. Mr. Lennox seconded.

Mr. Ames stated that the Public Planning Committee, which include Mr. Harkins, Mrs. Likins, and himself, have been meeting for the last three months regarding housing for the whole community. He thanked Town staff for their contributions. He thanked local organizations, employers, builders, and nonprofit organizations for providing invaluable information to the Committee. Mr. Ames said that he was encouraged by the Chamber's, the Realtor's Association, and the Restaurant and Lodging Association's interest in the commitment to move forward with this agenda. He said that we are all in this together. Mr. Ames pointed out that this is not a new initiative; this has been tried in the past. He said that in November 1995 the Town Council created an Affordable Housing Taskforce; then in November 1996, there were some recommendations that are virtually the same recommendations being made at this meeting. Mr. Ames posed the following question: what are we going to do differently today; what are the different circumstances of today? He went on to say that he felt there is a universal recognition that there is a workforce availability crisis. Mr. Ames stated that it is because of the off Island growth, the road system, the Jasper Port that is being proposed, the Island is in a situation where it is at the end of the line. Mr. Ames said that he believed that the public and private sectors have to come together to address this, and that this cannot afford to fail. He said that if it does fail, then we fail as a community. Mr. Ames said that the goal should be a strong and a vital permanent, population, and prosperous economy with housing for people that choose to work here. He said the housing goal is to give the citizens a way to live where they work, as well as let them know that the community cares about and respect them. He further stated the importance of having dependent, qualified, and positive employees that current residents rely on as well as visiting guests, which is important for business

survival as well as the Island's economy. Mr. Ames stated that housing has become an indispensable element of the community's infrastructure. He went on to say that it is not just housing, but transportation, education, training, recreation, and wages. He said that it has to be a balanced, well-planned infrastructure. Mr. Ames said there has to be partnerships in the region, with the private sector, and with organizations like the Lowcountry Housing Coalition, or Beaufort Housing Authority. He said that the recommendations represent a Town commitment of focus and resources to address the critical need for housing for the whole community. He clarified that this is housing for the whole community, for people who choose to work here and live here. He continued by saying, housing helps to make this a strong and vital community. Mr. Ames then read over each of the nine individual recommendations that made up the recommendation as a whole brought forth by the Public Planning Committee.

Mr. McCann stated that because of the importance of this subject, he said that he would like to see this be the number one topic at the Council's Workshop this year in November. Mr. McCann stated that he felt an invitation should be sent to the Chamber, the Realtor's Association, the Restaurant Association, and some developers to have a discussion with all the key players in one room. He said that he felt this is too important to overlook this opportunity of doing something like this.

Mr. Lennox asked if the responsibilities related to the "to be created" position currently exist with any of the existing Town staff right now. Mr. Riley said not as a dedicated position.

Citizens from the audience addressed Town Council about this item. Some stated that they support this type of initiative but there should be a group of experts within their field to execute such items as mentioned in the recommendation. Others said that the Town should not be involved with any kind of housing development as it is not something typically handled within the public sector. Then there were also some that stated they hope citizens with less than perfect history or credit will be considered for housing in the future.

Mayor Bennett indicated that he supported the idea of having a dedicated staff position. He said that in his mind this staff person would be responsible for developing the best practices for this initiative. Mayor Bennett said with regard to the third recommendation, research of the Code would need to be done to determine if there was something that deters the development of affordable housing and there needs to be a way to stimulate affordable housing. He said he felt that the appropriate deed restrictions are put into place to ensure both the quality and duration of the product being developed. Mayor Bennett said that he liked the approach of the 25 unit affordable housing development; he further pointed out that this is only a test case. He went on to say that he agrees that the public sector historically has not been a good developer of housing. But where the programs have been successful, is when there is the right involvement of the partnership. Mayor Bennett said that he agrees that this topic should be a priority item at the Town Council Workshop. He doesn't want to hold off on anything at this moment, but does agree that this should be discussed at the Workshop. He asked Mr. Riley, if it would be possible for Town staff to possibly identify the necessary components for the three items listed under the Strategic Planning Recommendations, and possibly write a white paper that can be reviewed in advance of the Workshop and then have to discuss at the Workshop. Mr. Riley said that he would take a look at the possibility of that happening. He would need to speak with staff to see what their other demands are at this time. Mr. Riley further stated that as Mr. Ames said, staff is looking into the things the Lowcountry Housing Coalition is preparing and how they will be helpful to the Town. He does not want to ask staff to duplicate work that another group is also working on. Mayor Bennett said that he understands the work they are doing is to identify gaps, which is months and months away. Shawn Colin addressed Council stating that during a recent meeting hosted by the Lowcountry Housing Coalition, they also had their consultant responsible for performing the housing needs assessment. He explained that this is a comprehensive needs assessment inventorying all types of housing, rentals, and ten year ownership, senior assisted living, all income level housing, identifies gaps, labor force and projections going forward, and projects what communities can support in the future. Mr. Colin said there is a study for the County and one for each municipality within the County. This will be good information to look at specific options for Hilton Head Island and also look at the study regionally. Mr. Colin indicated that a draft report would be out in February and was optimistic that a final report would be out in the spring.

Mr. Ames stated that at last year's Workshop it was established that workforce availability was a top priority with transportation and housing to follow. He said that Town Council has already stated this is important to us. He said that the Town and community partners will work together in creating a plan for the 25 unit housing development. Mr. Ames said that this initiative is too important to delay because they are waiting to receive the information from a report.

Mr. Lennox stated that he felt local government is to create or cause to be created a political social economic environment that stimulates investment. The private market is much better at building houses than the public market. He said he felt that the Town needs to be cautious about stepping into an area where they will be less efficient. He said that would be the actual construction of the housing units or any building at all.

Mr. McCann stated that he felt an employee needs to be hired to work on behalf of the Town not hire someone first before finding out what the next steps are. Mr. McCann stated that he believes this is a private sector matter in need of some of the Town's help. It is not the time to hire a full time employee until we know exactly what it is that needs to be done first.

Mr. Lennox stated that he is comfortable proceeding with the recommendation as long as there is an expectation of what the identified responsibilities would be for the dedicated employee. Both Mr. Lennox and Mr. McCann asked Mayor Bennett if these responsibilities would be brought before Council. Mayor Bennett confirmed with Mr. Ames that an affirmative vote for the recommendation would enact this requirement. Mayor Bennett further stated that he felt that this employee would help identify the best practices for this initiative, along with the help of existing Town staff.

Mayor Bennett asked if there was any further discussion before calling the vote, the motion was approved by a vote of 5-0.

b. First Reading of Proposed Ordinance 2017-19 (LMO Amendments)

First Reading of Proposed Ordinance to amend Title 16 of the Municipal Code of the Town of Hilton Head Island, South Carolina, The Land Management Ordinance (LMO), Chapters 2, 3, 4, 5 and 10 to Revise various Sections. These Amendments, commonly referred to as 2017 LMO Amendments – Second Set as noticed in the Island Packet on August 20, 2017, including changes that provide for general amendments to a variety of Sections in the LMO, and providing for severability and an effective date.

Mr. Ames moved to approve the First Reading of Proposed Ordinance 2017-19. Mr. McCann seconded.

Mr. Ames moved to amend the first motion for the First Reading of Proposed Ordinance 2017-19, removing the amendment that addresses the commercial parking. Mr. McCann seconded Mr. Ames amended motion.

Mr. Grant moved to amend Mr. Ames' amendment to his original motion for the First Reading of Proposed Ordinance 2017-19, keeping the LMO Amendments as originally proposed. Mr. Lennox seconded Mr. Grant's motion to amend Mr. Ames' amendment to the original motion.

Mr. Ames stated that the Public Planning Committee reviewed and unanimously approved all of the amendments with the exception of the one that had to do with commercial parking lots. He said that they did not see the rationale for making that decision today. He further stated that rezoning calls for a land use plan, and a land use plan calls for a comprehensive plan and he felt that there wasn't a demonstrated need for commercial parking lots in any of the provided documents.

Mr. Grant stated that the Town has specific zones throughout the Island that is consistent throughout. Let the property owner develop their property consistently to the way the property is zoned. He went on to say if the property is zoned commercial, then allow the owner to develop the property according to the requirements of the commercial zoning ordinance. Mr. Grant said this needs to be consistent across the entire Island and not one way on one side, another way on the other side. He said at the same time, who is to say how the Island will look five to ten years from now. There is discussion of potential transit system or transportation system to get people moving more effectively throughout the Island. Mr. Grant stated that there could also be a plan of how there might be a need for commercial parking in the area. We don't want to come back at a later date and amend the LMO again because Town Council is not consistent in what is done. Mr. Grant said that his suggestion is to keep the proposed ordinance as is, and make sure that as the Town moves forward with plans to allow that Town Council to address the matter at that time.

A couple of citizens from the audience addressed the members of Council regarding this matter. There were comments of praise made regarding many of the changes in the LMO amendments. Other comments made were in favor of furthering the discussion regarding the commercial parking lots and removing the item from the amendments at this time until Town Council could unanimously agree as to what should happen. There was also opposing views concerning the commercial parking lots, requesting that the amendments remain as proposed and that Council vote on them as written.

Speaking with Mr. Riley to seek clarification, Mayor Bennett said other than the identified districts and staff's explanation, he asked if commercial parking lots are permitted in other districts on the Island. Mr. Riley deferred to Teri Lewis. Ms. Lewis address Mayor Bennett's question, stating that commercial parking lots are permitted in five other zoning districts on the Island. She stated that the Public Planning Committee looked at where the majority of people were and where the most density was and opted to allow commercial parking in those areas and that was the recommendation that went to Town Council. At that time, all ten districts went to Town Council, and for those reasons that Mr. Ames mentioned earlier, that is why the five noted on today's amendments were removed then. Mayor Bennett affirmed with Ms. Lewis that is what permits the Town's commercial lot in the Coligny area.

Mr. Ames stated that zoning is supposed to be the product of good planning. Zoning isn't supposed to lead the comprehensive plan or the direction of development. He stated the Town should not be putting commercial lots anywhere on the Island without first properly planning why it should be done. Mr. Ames said that he felt that this points out the need to have planning that the public understands and wants to happen. He added that the reason the Public Planning Committee designated those areas around Sea Pines Circle and Pope Ave, is because those are the areas that are most densely developed both for housing, commercial, and resort. He said that if there is going to be a need on Hilton Head Island for commercial parking today, that is the area where it is going to be. Mr. Ames said that he feels it is premature for Council to change the zoning ordinance to add uses that don't have a demonstrate necessity until there is a plan in place for their purpose.

Mayor Bennett asked if there were any remaining comments before calling the vote.

The motion made by Mr. Grant amending Mr. Ames' motion to amend his first motion, was approved by a vote of 3-2, Mayor Bennett and Mr. Ames opposed.

The original motion as amended was approved by a vote of 3-2, Mayor Bennett and Mr. Ames opposed.

Mr. Ames added that two members of the Public Planning Committee were not in attendance at this meeting to be able to participate in this vote. He went on to state that in light of this, he should have made a motion to postpone this vote. Mayor Bennett acknowledged Mr. Ames statement, but did say that unfortunately, it is too late to retract the vote at this time.

13. Possible actions by Town Council concerning matters discussed in Executive Session.

None

14. Adjournment

Mayor Bennett adjourned the meeting at 6:25 p.m.

Krista M. Wiedmeyer,
Executive Assistant/Town Clerk

Approved: 11/07/2017

David Bennett, Mayor



Hilton Head Island – Our Future will create an inclusive vision and roadmap to the future.

Our mission is to protect and enhance our quality of life, respect and reflect our important history, and proactively explore and shape the future fabric of the community.

Town Council Monthly Update

November 2017

Prepared by Town Staff and Future iQ (FiQ)

Last month

- FiQ and staff held a series of fourteen Engagement Workshops with approximately 460 participants from October 19-24, 2017 at the following locations: University of South Carolina Beaufort; First Baptist Church of Hilton Head; Hilton Head High School (including students from Hilton Head Prep); Town Hall; FISH Seafood & Raw Bar; Providence Presbyterian Church; Central Oak Grove Baptist Church (x2); Hilton Head Area Association of Realtors; First Presbyterian Church; Sea Pines, Community Center; Palmetto Electric, Community Room; Shelter Cove Pavilion; and Fishcamp on Broad Creek.
- Approximately 3,000 local stakeholders have participated in visioning through online surveys and in-person engagements.
- Outreach in advance of the workshops was conducted through a postcard direct mailing, local news and radio media, poster distributions, email notices, multiple ads in the Island Packet, in-person presentations and an active social media campaign.
- Staff provided a project update on WHHI on October 9, 2017:
<https://www.youtube.com/watch?v=8rIEpvrR91Q>
- Staff recorded a podcast with Hilton Head Islandcast:
- <http://hiltonheadislandcast.com/minisode-10-hilton-head-islands-bright-future/>
- Staff was interviewed by Claire Beverly - Alpha Media for distribution to local radio stations.
- Staff addressed the following groups in support of the upcoming workshops: Sea Pines Community Coffee; Greater Island Council; Chamber of Commerce, Government Affairs Committee.
- Staff worked with the VPMT to create videos and snapshots about the importance of engaging in the vision process.
- Staff began recognizing Community Champions for their support of the visioning process.

This month

- FiQ will launch the online Data Visualization platform.
- Staff and FiQ will launch Virtual Engagement Workshops.
- Staff is currently planning for the reconvening of the Think Tank in December.
- FiQ will deliver the 'Our Future' Engagement Report.

Administrative update

- The projected timeline has been pushed back by two months due to Hurricane Irma.
- The project budget is on track as budgeted.



ITEMS OF INTEREST

November 7, 2017

TOWN NEWS

Fire Rescue Senior Fire Inspector Jeff Anderson was recently elected to the seat of 2nd Vice President of the South Carolina Chapter of the International Association of Arson Investigators (“SCIAAI”). Inspector Anderson joined the Hilton Head Island Fire Rescue in September of 2014, has been a member of the SCIAAI for five years, and has been a Certified Fire Investigator for six years.

TOWN OF HILTON HEAD ISLAND MEETINGS

- Community Services Committee – November 13, 2017, 9:00 a.m.
- Gullah-Geechee Land & Cultural Preservation Taskforce – November 13, 2017, 1:00 p.m.
- Design Review Board – November 14, 2017, 1:15 p.m.
- Planning Commission – November 15, 2017, 3:00 p.m.
- Pre-Application Meeting – November, 20, 2017, 10:30 a.m.
- Venue Committee – November, 20, 2017, 1:30 p.m.
- Finance & Administrative – November 21, 2017, 2:00 p.m.
- Public Facilities Committee – November 27, 2017, 10:00 a.m.
- Board of Zoning Appeals – November 27, 2017, 2:30 p.m.
- Intergovernmental & Public Safety Committee – December 4, 2017, 10:00 a.m.
- Town Council Executive Session – December 5, 2017, 4:00 p.m.
- Town Council Regular Meeting – December 5, 2017, 5:00 p.m.

Additional meetings may be scheduled and all meetings are subject to change and/or cancellation. Please visit the Town of Hilton Head Island website at www.hiltonheadislandsc.gov for Committee meeting dates and agendas.

HILTON HEAD ISLAND EVENTS

Friday, November 10, 2017 4:00 – 8:00 p.m.	Hilton Head Island Oyster Festival Island Recreation Association	Shelter Cove Community Park
Saturday, November 11, 2017 11:00 – 5:00 p.m.	Hilton Head Island Oyster Festival Island Recreation Association	Shelter Cove Community Park
Saturday, November 11, 2017 8:00 - 11:00 a.m.	Hilton Head Island Bridge Run	Cross Island Parkway Bristol Sports Arena
Saturday, November 11, 2017 9:00 – 1:00 p.m.	Veterans Day Ceremony 2017	Shelter Cove Veterans Memorial Park
Saturday, November 18, 2017 9:30 – 4:00 p.m.	Italian Heritage Festival Meatball Madness 5k	Shelter Cove Community Park
Sunday, November 19, 2017 7:00 – 12:30 p.m.	Pedal 4 Kids 2017 Boys & Girls Club	Various North Island Pathways & Charles Fraser Bridge



TOWN OF HILTON HEAD ISLAND

Community Development Department

TO: Stephen G. Riley, ICMA~CM, *Town Manager*
VIA: Charles Cousins, AICP, *Director of Community Development*
VIA: Shawn Colin, AICP, *Deputy Director of Community Development*
FROM: Teri Lewis, AICP, *LMO Official*
DATE: October 18, 2017
SUBJECT: 2017 LMO Amendments – Second Set

Town Council reviewed the proposed 2017 LMO Amendments – Second Set at their meeting on October 17, 2017. At that meeting, Town Council voted 3-2 to approve the proposed amendments.

AN ORDINANCE OF THE TOWN OF HILTON HEAD ISLAND

ORDINANCE NO. 2017-#

PROPOSED ORDINANCE NO. 2017-19

AN ORDINANCE TO AMEND TITLE 16 OF THE MUNICIPAL CODE OF THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA, THE LAND MANAGEMENT ORDINANCE (LMO) , CHAPTERS 2, 3, 4, 5 AND 10 TO REVISE VARIOUS SECTIONS. THESE AMENDMENTS, COMMONLY REFERRED TO AS *2017 LMO AMENDMENTS – SECOND SET* AS NOTICED IN THE ISLAND PACKET ON AUGUST 20, 2017, INCLUDE CHANGES THAT PROVIDE FOR GENERAL AMENDMENTS TO A VARIETY OF SECTIONS IN THE LMO, AND PROVIDING FOR SEVERABILITY AND AN EFFECTIVE DATE.

WHEREAS, on October 7, 2014, the Town Council did adopt a new Land Management Ordinance (LMO); and

WHEREAS, from time to time it is necessary to amend the LMO; and

WHEREAS, the LMO Committee met on July 26, 2017 to develop a list of proposed LMO Amendments; and

WHEREAS, the LMO Committee held a public meeting on August 16, 2017 at which time a presentation was made by staff and an opportunity was given for the public to comment on the proposed amendments; and

WHEREAS, the LMO Committee recommended that the proposed amendments be forwarded to the Planning Commission with a recommendation of approval with the changes as discussed by staff, the public and the Committee; and

WHEREAS, the Planning Commission held a public hearing on September 20, 2017 at which time a presentation was made by staff and an opportunity was given for the public to comment on the proposed LMO amendments; and

WHEREAS, the Planning Commission, after consideration of the staff presentation and public comments, voted 7-0 to recommend that Town Council approve the proposed amendments; and

WHEREAS, the Public Planning Committee held a public meeting on October 2, 2017 at which time a presentation was made by staff and an opportunity was given for the public to comment on the proposed LMO amendments; and

WHEREAS, the Public Planning Committee, after consideration of the staff presentation and public comments, voted 2-0 to recommend approval of the proposed LMO amendments as drafted with the exception of the amendments pertaining to commercial parking lots; and

WHEREAS, after due consideration of said LMO amendments and the recommendation of the Planning Commission, the Town Council, upon further review, finds it is in the public interest to approve the proposed amendments.

NOW, THEREFORE, BE IT ORDERED AND ORDAINED BY THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA, AND IT IS ORDAINED BY THE AUTHORITY OF THE SAID COUNCIL:

Section 1. Amendment. That the *2017 LMO Amendments – Second Set* are adopted as indicated on the attached pages (Exhibit A). Newly added language is illustrated with double underline and deleted language is illustrated with ~~striketrough~~.

Section 2. Severability. If any section, phrase, sentence or portion of this Ordinance is for any reason held invalid or unconstitutional by any court of competent jurisdiction, such portion shall be deemed a separate, distinct and independent provision, and such holding shall not affect the validity of the remaining portions thereof.

Section 3. Effective Date. This Ordinance shall be effective upon its adoption by the Town Council of the Town of Hilton Head Island, South Carolina.

PASSED, APPROVED, AND ADOPTED BY THE COUNCIL FOR THE TOWN OF HILTON HEAD ISLAND ON THIS _____ DAY OF _____, 2017.

THE TOWN OF HILTON HEAD
ISLAND, SOUTH CAROLINA

David Bennett, Mayor

ATTEST:

Krista Wiedmeyer, Town Clerk

Public Hearing: September 20, 2017
First Reading:
Second Reading:

APPROVED AS TO FORM:

Gregory M. Alford, Town Attorney

Introduced by Council Member: _____

EXHIBIT A

DRAFT 2017 LMO AMENDMENTS – Second Set

Town Council 10/17/17

GROUPED AMENDMENTS

CHAPTER 16-3: ZONING DISTRICTS

D. Light Commercial (LC)

Staff Explanation: These changes will allow commercial parking lots in the LC (Light Commercial), MF (Marshfront), MV (Mitchelville), (NC) Neighborhood Commercial and S (Stoney) zoning districts subject to the existing conditions for commercial parking lots.

2. Allowable Principal Uses			
		USE-SPECIFIC CONDITIONS	MINIMUM NUMBER OF OFF-STREET PARKING SPACES
Vehicle Sales and Services			
<i>Auto Rentals</i>	P		See Sec. 16-5-107.D.2
<i>Auto Repairs</i>	PC	Sec. 16-4- 102.B.8.b	2 per service bay + 1 per 200 GFA of office and waiting area
<i>Auto Sales</i>	P		See Sec. 16-5-107.D.2
<i>Car Washes</i>	P		10 per wash unit for automatic wash + 5 per bay for manual wash
<i>Commercial Parking Lot</i>	PC	<u>Sec. 16-4- 102.B.8.d</u>	<u>See Sec. 16-5-107.D.2</u>
<i>Gas Sales</i>	PC	Sec. 16-4- 102.B.8.d	
<i>Taxicab Services</i>	P		1 per 200 GFA of office or waiting area
<i>Watercraft Sales, Rentals, or Services</i>	PC	Sec. 16-4- 102.B.8.e	1 per 200 GFA

G. Marshfront (MF)

2. Allowable Principal Uses			
		USE-SPECIFIC CONDITIONS	MINIMUM NUMBER OF OFF-STREET PARKING SPACES
Vehicle Sales and Services			
<i>Auto Rentals</i>	P		See Sec. 16-5-107.D.2
<i>Car Washes</i>	P		10 per wash unit for automatic wash + 5 per bay for manual wash
<u><i>Commercial Parking Lot</i></u>	<u>PC</u>	<u>Sec. 16-4- 102.B.8.d</u>	<u>See Sec. 16-5-107.D.2</u>
<i>Gas Sales</i>	PC	Sec. 16-4- 102.B.8.d	

I. Mitchelville (MV)

2. Allowable Principal Uses			
		USE-SPECIFIC CONDITIONS	MINIMUM NUMBER OF OFF- STREET PARKING SPACES
Vehicle Sales and Services			
<i>Auto Rentals</i>	PC	Sec. 16-4- 102.B.8.a	See Sec. 16-5-107.D.2
<u><i>Commercial Parking Lot</i></u>	<u>PC</u>	<u>Sec. 16-4- 102.B.8.d</u>	<u>See Sec. 16-5-107.D.2</u>
<i>Watercraft Sales, Rentals, or Services</i>	PC	Sec. 16-4- 102.B.8.e	1 per 200 GFA

J. Neighborhood Commercial (NC)

2. Allowable Principal Uses			
		USE-SPECIFIC CONDITIONS	MINIMUM NUMBER OF OFF-STREET PARKING SPACES
Vehicle Sales and Services			
<u>Commercial Parking Lot</u>	PC	<u>Sec. 16-4-102.B.8.d</u>	<u>See Sec. 16-5-107.D.2</u>
<i>Gas Sales</i>	PC	Sec. 16-4-102.B.8.d	

N. Stoney (S)

2. Allowable Principal Uses			
		USE-SPECIFIC CONDITIONS	MINIMUM NUMBER OF OFF-STREET PARKING SPACES
Vehicle Sales and Services			
<i>Car Washes</i>	PC	Sec. 16-4-102.B.8.c	10 per wash unit for automatic wash + 5 per bay for manual wash
<u>Commercial Parking Lot</u>	PC	<u>Sec. 16-4-102.B.8.d</u>	<u>See Sec. 16-5-107.D.2</u>
<i>Gas Sales</i>	PC	Sec. 16-4-102.B.8.d	
<i>Taxicab Services</i>	P		1 per 200 GFA of office or waiting area
<i>Watercraft Sales, Rentals, or Services</i>	P		1 per 200 GFA

CHAPTER 16-4: USE STANDARDS

Sec.16-4-102. – Principal Uses

A. Principal Use Table

Staff Explanation: This change adds Commercial Parking as a use permitted with conditions in the LC, MF, MV, NC and S zoning districts.

6. Principal Use Table

TABLE 16-4-102.A.6: PRINCIPAL USE TABLE																							
P = Permitted by Right											PC = Permitted Subject to Use-Specific Conditions												
SE = Allowed as a Special Exception											Blank Cell = Prohibited												
USE CLASSIFI CATION/ USE TYPE	SPECI AL DISTR ICTS		RESIDENTIAL DISTRICTS						MIXED-USE AND BUSINESS DISTRICTS														USE-SPECIF IC CONDI TIONS
	CO N	P R	RS F- 3	RS F- 5	RS F- 6	R M -4	R M -8	R M - 12	C R	S P C	C C	M S	W M U	S	M F	M V	N C	L C	R D	M E D	I L		
VEHICLE SALES AND SERVICES																							
Commercial Parking Lot									P C	P C	P C		PC	P C	P C	P C	P C	P C	P C			Sec. 16-4-102.B.8.d	

CHAPTER 16-5: DEVELOPMENT AND DESIGN STANDARDS

Sec.16-5-102. - Setback Standards

Staff Explanation: Currently setbacks and buffers are required from all access easements. This creates issues when an access easement is located between commercial properties. These changes will eliminate the setback and buffer requirements for access easements located on non-single-family properties.

C. Adjacent Street Setback Requirements

Unless expressly exempted or modified in this subsection or for the CR, S, and IL Districts in Chapter 16-3: Zoning Districts, all portions of a **structure** shall be located to the interior of the vertical and angled planes established by the applicable minimum setback distance from an adjacent street and maximum setback angle shown in Table 16-5-102.C, Adjacent Street Setback Requirements, based on the proposed **use** and the classification of the **adjacent street**. (See Figure 16-5-102.C, Street Setback Angle.)

TABLE 16-5-102.C: ADJACENT STREET SETBACK REQUIREMENTS				
PROPOSED USE		MINIMUM SETBACK DISTANCE ¹ / MAXIMUM SETBACK ANGLE ²		
		ADJACENT STREET (BY CLASSIFICATION)		
		MAJOR ARTERIAL	MINOR ARTERIAL	ALL OTHER STREETS
<i>Single-Family</i>	Structure > 24 in high	50 ft ^{3,4} /75°	40 ft ^{3,4} / 70°	20 ft ^{3,4} /60°
	Structure ≤ 24 in high	50 ft ^{3,4} /n/a	30 ft ^{3,4} /n/a	10 ft ^{3,4} /n/a
All Other <i>Uses</i>		50 ft ^{3,4} /75°	40 ft ^{3,4} /70°	20 ft ^{3,4} /60°
NOTES: in = inches ft = feet ° = degrees				
1. Measured from the adjacent street right-of-way or easement line to the closest portion of a structure . <u>A street setback from an easement line is not required for non-single-family properties.</u>				

Sec.16-5-103. - Buffer Standards

E. Adjacent Use Buffer Requirements

1. Unless expressly exempted or modified in this subsection, ***development*** shall provide a buffer along common property lines with adjoining properties that is of the type designated in Table 16-5-103.E, Adjacent Use Buffer Requirements, for the proposed ***use*** and the classification of the ***use*** of the ***adjacent*** property (or zoning of a vacant ***adjacent*** property). Descriptions and width and screening requirements for the various buffer types are set out in Sec. 16-5-103.F, Buffer Types.

TABLE 16-5-103.E: ADJACENT USE BUFFER REQUIREMENTS ¹				
PROPOSED USE ²	REQUIRED BUFFER TYPE ²			
	USE OF ADJACENT DEVELOPED PROPERTY ³			
	SINGLE-FAMILY DWELLING	ALL OTHER RESIDENTIAL USES; COMMERCIAL RECREATION	PUBLIC, CIVIC, INSTITUTIONAL, AND EDUCATION; RESORT ACCOMMODATIONS; OFFICES; COMMERCIAL SERVICES; VEHICLE SALES AND SERVICES; BOAT RAMPS, DOCKING FACILITIES, AND MARINAS	INDUSTRIAL USES
	ZONING OF ADJACENT VACANT PROPERTY			
	CON, PR, RSF-3, RSF- 5, RSF-6, RM-4	RM-8, RM-12	CR, CC, WMU, S, SPC, RD, MS, MV, MF, LC, NC, MED	IL
<i>Single-Family</i>	A ⁴	A ⁴	C ⁴	D ⁴
<ul style="list-style-type: none"> • All Other Residential <i>Uses</i> • Commercial Recreation 	A	n/a	B	D

<ul style="list-style-type: none"> • Public, Civic, Institutional, and Education • Resort Accommodations • Offices • Commercial Services • Vehicle Sales and Services • <i>Boat Ramps</i>, <i>Docking Facilities</i>, or <i>Marinas</i> 	C	B	n/a	A
Industrial <i>Uses</i>	D ⁴	D	A	n/a
<p>NOTES: n/a = not applicable</p> <p>1. Descriptions and width and screening requirements for the various buffer types are set out in Sec. 16-5-103.F, Buffer Types.</p> <p>2. When a shared <i>access easement</i> is located along a common property line, any required buffer shall be provided to the interior of the <i>access easement</i>. <u>An adjacent use buffer from an easement line is not required for non-single-family properties.</u></p>				

Staff Explanation: Town Council asked staff to ensure that the ability to waive the setback and buffer between single-family properties was eliminated and that criteria were established to use related to the waiver.

Sec.16-5-102. - Setback Standards

D. Adjacent Use Setback Requirements

4. The ***Official*** may waive the requirement for an adjacent use setback for non-single-family properties on determining that the proposed ***development*** and the ***adjacent development*** function as a single ***development***. The criteria to determine if the properties will function as a single development may include the recording of a cross-access easement agreement between the two properties.

Sec. 16-5-103. - Buffer Standards

E. Adjacent Use Buffer Requirements

2. The *Official* may waive the requirement for an adjacent use buffer for non-single-family properties on determining that the proposed *development* and the *adjacent development* function as a single *development*. The criteria to determine if the properties will function as a single development may include the recording of a cross-access easement agreement between the two properties.

Staff Explanation: This change sets out what triggers the requirement that the buffers, EV charging stations and bike parking be brought into compliance when changes are being made to a building on the site.

Section 16-5-103 – Buffer Standards

F. Buffer Types

Table 16-5-103.F, Buffer Types, describes the five different buffer types in terms of their function, opacity, width, and planting requirements. Either of the options under a specific buffer type may be used at the option of the *developer / applicant*. If the square footage of an existing building on a site is being increased by more than 50% then the buffers must be brought into compliance with the standards in this table.

Section 16-5-107 – Parking and Loading Standards

D.10. Use of Parking Spaces as Electric Vehicle (EV) Charging Station

All *multifamily* and nonresidential *development* shall provide one *electric vehicle (EV) charging station* per *site*. If the development requires over 100 parking spaces, the electric vehicle (EV) charging station shall have a sign that states that only electric vehicles being charged can park in that particular parking space. If the square footage of an existing building on a site is being increased by more than 50% then the applicant will be required to provide an EV charging station on site.

H.7. Bicycle Parking

d. If the square footage of an existing building on a site is being increased by more than 50% then the applicant will be required to meet the bicycle parking standards.

Staff Explanation: This change establishes minimum and maximum widths for service driveways.

Sec. 16-5-105 – Mobility, Street, and Pathway Standards

A.5.e.ii. Driveway Width

01. All ***driveways*** shall comply with the following minimum and maximum width requirements:
 - (A) One-way one-lane ***driveways*** shall be at least 14 feet wide and no more than 20 feet wide, as measured between the edges of paving.
 - (B) Two-way, two-lane ***driveways*** shall be at least 20 feet wide and no more than 30 feet wide, as measured between the edges of paving.
 - (C) ***Service driveways*** shall be a minimum of 10 feet wide and no more than 14 feet wide, as measured between the edges of paving.
02. The ***Official*** may require a wider ***driveway*** on determining that it is needed to facilitate special vehicle or traffic demand requirements.

CHAPTER 16-10: DEFINITIONS, INTERPRETATION AND MEASUREMENT

Sec.16-10-105. General Definitions

Staff Explanation: This change establishes a definition for a service driveway.

Driveway, Service: a private driveway providing access for vehicles to a dumpster or something similar

STAND ALONE AMENDMENTS

CHAPTER 16-2: ADMINISTRATION

Sec. 16-2-103.I – Corridor Review (Minor and Major)

Staff Explanation: This change will make it clear that the final notice of action (not an interim notice of action) is what is required to be submitted to the DRB before the DRB can take final action on a project.

iii. Decision-Making Body Review and Decision

01. A private architectural review board whose jurisdiction includes the subject site shall submit written final notice of any action it takes on the proposed project. The applicant shall submit this final notice to the *Official* at least seven days before the meeting at which the *Design Review Board* conducts its final review of the Corridor Review *application*. The Board shall consider, but is not bound by, the action of such private architectural review board.

CHAPTER 16-3: ZONING DISTRICTS

Sec. 16-3-105 – Mixed Use and Business Districts

I. Mitchelville (MV) District

Staff Explanation: During a recent variance request before the Board of Zoning Appeals (BZA), it became clear that the maximum impervious coverage for the MV (Mitchelville) zoning district was much less than required for other mixed use districts. The majority of the area that is currently zoned MV had a maximum impervious coverage requirement of 50% prior to the LMO rewrite so staff suggests that the maximum impervious coverage requirement for this district be increased to 50%. The BZA has submitted a letter requesting that the maximum impervious coverage in the MV zoning district be re-studied.

3. Development Form Standards

LOT COVERAGE	
Max. <i>Impervious Cover</i>	35% <u>50%</u>

Sec. 16-3-106 – Overlay Zoning Districts

H. Forest Beach Neighborhood Character Overlay (FB-NC-O) District

Staff Explanation: During the LMO Rewrite process the driveway width in the Forest Beach Overlay District was changed from 24' to 18'. There is no obvious reason for this change and has created many nonconformities. This change will take it back to 24'.

4.b.ii. Buffers shall comply with the standards of Sec. 16-5-103, Buffer Standards, except that *driveways* for *street access* as permitted in Sec. 16-5-103.J, Development Within Required Buffers, shall be limited to a total of ~~48~~ 24 feet wide within the buffer.

CHAPTER 16-5: DEVELOPMENT AND DESIGN STANDARDS

Staff Explanation: This change will allow bollards in the setback and changes the language related to how far a deck or patio can encroach into a setback.

16-5-102 – Setback Standards

E. Allowable Setback Encroachments

Table 16-5-102.E, Allowable Setback Encroachments, identifies features that are allowed to encroach beyond the vertical and angled planes defined by minimum adjacent street and use setback requirements.

TABLE 16-5-102.E: ALLOWABLE SETBACK ENCROACHMENTS	
FEATURE	EXTENT AND LIMITATIONS
Fences or walls	<ul style="list-style-type: none">• Allowed in adjacent use setbacks if located along common property lines and no more than 7 feet high• Allowed in adjacent street setbacks if less than 4 feet high
Open balconies, fire escapes, or exterior stairways	May extend up to 5 feet into any setback
Chimneys or fireplaces	May extend up to 3 feet into any setback if no more than 5 feet higher than the highest point of <i>building</i> to which it is attached
Roof eaves and overhangs	May extend up to 3 feet into any setback
Awnings	May extend up to 5 feet into any setback

Bay windows	May extend up to 3 feet into any setback if no more than 9 feet wide
Sills or entablatures	May extend up to 1 foot into any setback
Uncovered porches, stoops, decks, patios; <u>or</u> terraces; or walkways	May extend or be located in any setback if set back from lot lines by a distance no more than the feature's height <u>May extend up to 5 feet into any setback</u>
Lighting fixtures	May be located in any setback if no more than 20 feet high
Roof dormers	May extend up to 5 feet beyond the setback angle plane (horizontally or vertically)
Spires, cupolas, domes, skylights, and similar rooftop architectural features	May extend up above the setback angle plane if they occupy no more than 25% of the roof area of the structure to which they are attached and extend no more than 25% more than the height limit defined by the setback angle plane at the point(s) of penetration
Solar collection devices	See Sec. 16-4-103.E.8
<i>Television or radio antennas</i>	May extend up to 10 feet above the setback angle plane if they are attached to a side or rear elevation of a structure
Small wind energy conversion systems	See Sec. 16-4-103.E.7
Amateur radio antenna	See Sec. 16-4-103.E.1
Bike racks, <u>bollards</u> and other site furnishings (<u>such as tables and chairs</u>)	Allowed in adjacent use and adjacent street setbacks
Other architectural features not listed above (parts of a structure that provide visual interest to the structure and are nonhabitable and decorative in nature)	May be allowed to penetrate the plane of the setback angle if the Official makes the following determinations: <ul style="list-style-type: none"> • The required setback angle cannot be met for the architectural elements using alternate site layouts without major modifications to an otherwise acceptable application ; • The excepted architectural elements will not be major or dominant features of the structure ; • The excepted architectural elements will not penetrate the vertical plane of the minimum required setback distance; • The exception is the minimum reasonably required to achieve

	<p>the architectural goal; and</p> <ul style="list-style-type: none"> • If applicable, the placement of the structure provides protection of prominent natural features on the site, such as trees , wetlands, or historic sites .
Flagpoles/Flags	Unless they constitute a "sign" and thus subject to Sec. 16-5-114.E, Flagpoles no more than 20 feet high and flags no greater than 20 square feet in area may be located in setbacks
Signs	See Sec. 16-5-114.E

Section 16-5-107. Parking and Loading Standards

Staff Explanation: This change establishes that parking requirements for golf courses and miniature golf courses should be based on the number of holes rather than the number of tees.

D. Parking Space Requirements

1. Minimum Number of Parking Spaces

Except as otherwise expressly provided elsewhere in this **Ordinance** , **development** shall provide the minimum number of off-street parking spaces in accordance with Table 16-5-107.D.1, Minimum Number of Parking Spaces, based on the **principal use(s)** involved and the extent of **development** . Required off-street loading spaces, spaces in **buildings** used for **auto repairs** or **car washes** , and stacking spaces in **driveways** serving **drive-through** and related **uses** shall not be counted as meeting parking space requirements.

TABLE 16-5-107.D.1: MINIMUM NUMBER OF PARKING SPACES		
USE CATEGORY/USE TYPE	MINIMUM NUMBER OF PARKING SPACES ^{1,2,3,4}	
	CR DISTRICT	ALL OTHER DISTRICTS
COMMERCIAL RECREATION		

<i>Indoor Commercial Recreation Uses</i>		1 per 7 <i>persons</i> + 1 per 300 GFA of office or similarly used area	1 per 3 <i>persons</i> + 1 per 200 GFA of office or similarly used area
<i>Outdoor Commercial Recreation Uses</i> Other than <i>Water Parks</i>	Golf Courses, Miniature Golf Courses, or Driving Ranges	1 per 2.5 tees <u>holes</u>	1 per tee <u>hole</u>
	Stadiums	1 per 5 spectator seats	1 per 4 spectator seats
	Other	1 per 4 <i>persons</i> max. occupancy + 1 per 300 GFA of office or similarly used area	1 per 3 <i>persons</i> max. occupancy + 1 per 200 GFA of office or similarly used area
<i>Water Parks</i>		See Sec. 16-5-107.D.2	See Sec. 16-5-107.D.2

Staff Explanation: This change will keep vehicles in parking spaces from intruding into sidewalks.

F. Design of Parking Areas

3. Curbs and Wheel Stops

- a. Permanently anchored wheel stops shall be provided at the end of all parking spaces that abut a sidewalk or walkway or are not bounded by curbing.
- b. The vehicle side of the wheel stop shall be no ~~less~~ ~~more~~ than 18 inches from the end of the parking space.

Sec.16-5-114. Sign Standards

H. Standards for Specific Types of Signs

Staff Explanation: This change establishes when post mounted banners will be allowed and establishes a maximum size limitation.

9. Temporary Special Event Signs

- a. Off-Premises Signs Directing Traffic

- i. **Signs** directing traffic to the site of an event may be used for events at which more than 5,000 attendees are expected.
- ii. **Signs** shall meet South Carolina DOT standards.

b. Off-Premises Signs Identifying Race Routes

Signs intended to direct pedestrians, runners, and bicyclists on race routes are subject to the following standards:

- i. Such **signs** shall be no larger than two square feet each.
- ii. Such **signs** may be displayed one day prior to the event, during the duration of the event, and one day after the event.

c. Off-Premises Post Mounted Banners

- i. Post mounted banners may only be used for events which are multi-day and at which more than 18,000 attendees are expected during the course of the event.
- ii. The banners shall be no larger than 16" in width and 45" in height.
- iii. The banners must be approved and installed as part of the Town permitting process.

e. d. On-Premises Signs Identifying an Event

Signs located at the entrances of **special events** that are meant to identify a special event are subject to the following standards:

- i. No more than two **signs** shall be displayed per event, with no more than four **sign faces**. Any single **sign face** shall not exceed 16 square feet.
- ii. **Signs** shall be constructed of ½-inch MDO, or a material of equal durability, mounted on four-by-four wood posts.
- iii. The amount of information on **signs** shall be no more than is necessary to provide reasonable identification of the event or other information to be conveyed.
- iv. **Signs** shall be displayed no sooner than one day prior to the event, during the duration of the event, and one day after the event.
- v. **Signs** shall not be illuminated by artificial light.

~~d.~~ e. On-Premises Signs

Signs displayed within a special event are subject to the following standards:

- i. **Signs** shall be displayed no sooner than one day prior to the event, during the duration of the event, and one day after the event.
- ii. Banners and pennants are permitted within the area where the special event takes place.

ADMINISTRATIVE AMENDMENTS

CHAPTER 16-3: ZONING DISTRICTS

Sec.16-3-103. – Mixed-Use and Business Districts

B. Coligny Resort (CR) District

Staff Explanation: This change lets people know that there are no street buffers in the CR zoning district. This language is currently only found in the buffer section in Chapter 5.

3. Development Form Standards

MODIFIED ADJACENT STREET AND USE SETBACK STANDARDS

Adjacent Street Setbacks	No Changes
Adjacent Use Setbacks	No Changes

MODIFIED ADJACENT STREET BUFFER STANDARDS

There are no adjacent street buffers in the CR zoning district.

Sec.16-3-106. – Overlay Zoning Districts

G. Planned Development Overlay (PD-2) District

Staff Explanation: Town Council adopted an amended master plan for the former Marsh Tacky Village PD-2 earlier in 2017. This change will reflect the updated information related to this PD-2 master plan.

5. PD-2 Listed Plans

- The following PUDs are included in PD-2 Overlay Districts and their Town-approved Master Plans including associated text and any subsequent amendments are hereby incorporated by reference as a part of the *Official Zoning Map* and LMO text.

TABLE 16-3-106.G.4: PD-2 LISTED MASTER PLAN			
FILE NAME		NUMBER PARCEL	TAX MAP #
Palmetto Headlands and H.H. Hospital	CUR-3-88	27/103/103A/337	4,8
Centre Court on Mathews Drive	CUR-1-89	88B	8
Presbyterian Conference Center	CUR-2-89	2	18
Marriott-South Forest Beach	CUR-1-90	67/69/71/73/252	15-A,18
Park Plaza Self Storage	CUR-2-90	336	15
Tidepointe Retirement	CUR-1-92	342/342A	14
Exec/Air Hilton Head	CUR-1-94	271A	5
Spanish Grove	CUR-1-95	34A/34B	10
First Baptist Church	CUR-1-96	138A/138C	18
Bermuda Point	CUR-1-97	1B	7
Waterside (Town Center)	N/A-JPC	202/202D	18
Palmetto Bay Marina	N/A-JPC	47/66A/273/273A/273C/314E	10
Marsh Tacky Village Tabby Village	ZMA080007 ZA-000954- <u>2017</u>	2B, 2D, 2E, 2F, 2H, 2I, 14, 14D, 14I, 16, 16A, 16B, 19C, 19D, 19E, 49, 58, 58A, and 223 <u>223, 49, 14D, 16, 14I, 14, 58, 58A</u>	3

CHAPTER 16-4: USE STANDARDS

Sec. 16-4-102 – Principal Uses

B. Use-Specific Conditions for Principal Uses

Staff Explanation: The word ‘have’ is missing from this condition. This change fixes the error.

7.c.iii. In the S District, a *bicycle shop* shall not have direct vehicular *access* to a major arterial.

2017 LMO AMENDMENTS – SECOND SET

RATIONALE FOR AMENDMENTS

These changes will allow commercial parking lots in the LC, MF, MV, NC and S zoning districts subject to the existing conditions for commercial parking lots.

Proposed Changes

These changes will allow commercial parking lots to be located within the Light Commercial, Marshfront, Mitchelville, Neighborhood Commercial and Stoney zoning districts as a PC (permitted with conditions) use. Commercial parking lots in these districts would be subject to the existing conditions for this use.

Reason for Change

The Town was approached by someone who wished to have commercial parking lot as an available use in the LC zoning district. During the LMO Committee meeting about this amendment, an audience member requested that this use be added to all of the predominantly Native Islander zoning districts as well.

Considerations

Staff explained that the use had been proposed in these districts during an earlier set of amendments and that the Public Planning Committee and ultimately Town Council voted to remove them from consideration. Reasons given during the March 2, 2017 PPC meeting against allowing this use in all zoning districts were as follows:

- the use only fits in certain districts, those districts with higher density or more of a possibility of having a higher concentration of people
- the use should be in areas where the Town proposes to have a shuttle
- in areas without the higher density this use just becomes additional impervious surface

Pros/Cons

Pro

- Will provide more flexibility for additional uses

Con

- Will increase impervious surfaces in the allowable zoning districts

Recommendation

The LMO Committee voted 4-0 to recommend the proposed changes.

These changes will eliminate the setback and buffer requirements for access easements located on non-single-family properties.

Proposed Change

This change will eliminate the setback and buffer requirements for access easements located on non-single-family properties.

Reason for Change

Currently setbacks and buffers are required for access easements on all properties. This creates issues when an access easement is located on non-single-family properties. These changes will eliminate the conflicts.

Considerations

These changes were originally recommended only for commercial properties. The Committee suggested that multi-family properties be included in these changes.

Pros/Cons

Pro

- will eliminate the conflict created when setback and buffers are required from an access easement is located within a property

Con

- none

Recommendation

The LMO Committee voted 4-0 to recommend the proposed changes.

Eliminates the ability to waive the setback and buffer requirements between single-family properties and establishes criteria to use related to the waiver.

Proposed Change

These changes will eliminate the ability for the buffers and setbacks to be waived between any single-family properties. These changes will also establish criteria for staff to use when considering waiving buffers and setbacks between non-single-family properties.

Reason for Change

The LMO Official made the determination that the buffer and setback requirements between two single-family homes in the Forest Beach area could be waived. Nearby residents were very unhappy with this determination and in addition to appealing the determination, petitioned Town Council to change to LMO to eliminate this waiver provision for single-family homes. As an additional note, the BZA overturned the determination of the LMO Official on August 28, 2017.

Considerations

The Committee recognized that these changes reflect what Town Council and some residents of the Forest Beach area have requested.

Pros/Cons

Pro

- per comments from some Town Council and Forest Beach residents these changes will protect the single-family character of the Forest Beach area

Con

- none

Recommendation

The LMO Committee voted 4-0 to recommend the proposed changes.

Sets out what triggers the requirements that buffers, bike parking and EV charging stations come into compliance during a redevelopment or addition project

Proposed Change

These changes will specify that if an existing building on a site is being increased by more than 50% then the buffers, bike parking and EV charging requirement must be met.

Reason for Change

Since the LMO was adopted staff, per legal guidance, has used this philosophy; however, there is currently nothing in the LMO to codify this interpretation.

Considerations

None

Pros/Cons

Pro

- these changes will make it easier for the public to understand when these requirements (which were added in October 2014) apply.

Con

- increased cost to applicant to meet the noted requirements

Recommendation

The LMO Committee voted 4-0 to recommend the proposed changes.

Adds minimum and maximum widths and a definition for service driveways

Proposed Change

These changes will add minimum and maximum widths for a service driveway. These changes will also add a definition for service driveway.

Reason for Change

On several recent projects, applicants have wanted to provide a driveway to a dumpster. This driveway does not need to be any wider than 10 feet to be functional but under the existing LMO, this is not allowed.

Considerations

The Committee added the phrase, 'or something similar' to the definition and agreed that 'roadway' should be changed to 'driveway'.

Pros/Cons

Pro

- will make it easier for applicants to develop their property when such a driveway is involved, reduces impervious surface

Con

- none

Recommendation

The LMO Committee voted 4-0 to recommend the proposed changes.

Change requiring a final notice of action from ARBs before final DRB review

Proposed Change

This change will make it clear that the final notice of action (not an interim notice of action) is what is required to be submitted to the DRB before the DRB can take final action on a project.

Reason for Change

Without this change, it is unclear whether the notice of action from the ARB needs to be the final action an ARB takes.

Considerations

Through the request of an audience member, the Committee asked staff to clarify that the applicant, not the ARB, is responsible for furnishing the final notice of action to the DRB.

Pros/Cons

Pro

- will make it easier for applicants to understand which notice of action is required before final DRB action

Con

- none

Recommendation

The LMO Committee voted 4-0 to recommend the proposed changes.

Increases the maximum impervious coverage in the MV zoning district

Proposed Change

This change will increase the maximum impervious coverage in the Mitchelville zoning district from 35% to 50%.

Reason for Change

During a recent variance request before the Board of Zoning Appeals (BZA), it became clear that the maximum impervious coverage for the MV (Mitchelville) zoning district was much less than required for other mixed use districts. The majority of the area that is currently zoned MV had a maximum impervious coverage requirement of 50% prior to the LMO rewrite so staff suggests that the maximum impervious coverage requirement for this district be increased to 50%. The BZA has submitted a letter requesting that the maximum impervious coverage in the MV zoning district be re-studied.

Considerations

As part of the review process for this amendment, the Committee reviewed the maximum impervious coverage requirements for each zoning district and also questioned whether there was a technical effort to determining maximum impervious coverage requirements for zoning districts.

Pros/Cons

Pro

- will bring the maximum impervious coverage for the MV zoning district more into alliance with other mixed-use zoning districts

Con

- increases amount of impervious surface coverage in the MV zoning district

Recommendation

The LMO Committee voted 4-0 to recommend the proposed changes.

Changes the maximum width of driveways in Forest Beach to 24'

Proposed Change

This change will increase the maximum width of driveways in the Forest Beach Neighborhood Character Overlay district from 18' to 24'.

Reason for Change

Prior to the LMO Rewrite in October 2014, the maximum width for driveways in this area was 24'. Staff can find no research or notes to indicate why this change was made. The effect has been that many driveways are now non-conforming.

Considerations

The Committee considered that there appeared to be no reason for the change from 24' to 18'.

Pros/Cons

Pro

- will eliminate nonconformities

Con

- none

Recommendation

The LMO Committee voted 4-0 to recommend the proposed changes.

Changes what is allowed in a setback

Proposed Change

These changes will allow bollards and walkways in the setback, will add 'such as tables and chairs' as an example of site furnishings and will change the language related to how far a deck or patio can encroach into a setback.

Reason for Change

Staff was requested to consider whether bollards should be allowed in a setback since bike racks and site furnishings are allowed in a setback. Staff identified that the language related to how far a deck or patio could encroach into a setback was confusing.

Considerations

During the Committee review, staff was asked to change the code to always allow walkways in a setback. Additionally, the Committee asked that during a future set of amendments, staff consider allowing uncovered porches, stoops, decks, patios and terraces to be located within a setback.

Pros/Cons

Pro

- make the LMO easier to understand and more flexible

Con

- could reduce amount of pervious coverage/green space

Recommendation

The LMO Committee voted 4-0 to recommend the proposed changes.

Changes how parking for golf courses and mini golf courses are determined

Proposed Change

This change establishes that parking requirements for golf courses and miniature golf course should be based on the number of holes rather than the number of tees.

Reason for Change

It was brought to staff's attention that by requiring parking spaces by tee rather than hole, more parking than necessary was being required.

Considerations

none

Pros/Cons

Pro

- will keep golf courses and miniature golf courses from building unnecessary parking spaces, reduces amount of impervious surface

Con

- none

Recommendation

The LMO Committee voted 4-0 to recommend the proposed changes.

Keeps parked cars from encroaching into adjacent walkways

Proposed Change

This change will clarify the distance that wheel stops need to be placed from the end of a parking space.

Reason for Change

The Town's Traffic and Transportation Engineer pointed out that this change was necessary to keep vehicles in parking spaces from intruding into sidewalks.

Considerations

The Committee through input from an audience member asked that 'approximately' be replaced with 'no less than'.

Pros/Cons

Pro

- will keep vehicles from intruding into walkways

Con

- none

Recommendation

The LMO Committee voted 4-0 to recommend the proposed changes.

Establishes when post-mounted banners will be allowed

Proposed Change

This change establishes when post mounted banners will be allowed and establishes a maximum size limitation.

Reason for Change

Representatives of the Heritage approached the Town about changing to LMO to allow rectangular banner signs along some of the Town's major roadways to accommodate larger special events.

Considerations

The Committee asked staff to clarify that the minimum number of attendees was the number expected over the duration of the event. The Committee further asked staff to add language such as 'subject to meeting the permitting requirements of the Town' to this amendment.

Pros/Cons

Pro

- will allow large special events to call attention to their events through the use of community-type signage

Con

- will add installation and administrative costs to the Town

Recommendation

The LMO Committee voted 4-0 to recommend the proposed changes.

Administrative changes

- Chapter 3 - Adds cross reference to make it clear there are not street buffers in the CR zoning district
- Chapter 3 - Adds the updated rezoning information related to the Tabby Village PD-2
- Chapter 4 - Adds a missing word

Recommendations

The LMO Committee voted 4-0 to recommend approval of the above three amendments.

TOWN OF HILTON HEAD ISLAND

One Town Center Court, Hilton Head Island, S.C. 29928

(843) 341-4600 Fax (843) 842-7728

www.hiltonheadislandsc.gov

David Bennett
Mayor

July 25, 2017

Kim W. Likins
Mayor Pro Tem

Council Members

David Ames
Marc A. Grant
William D. Harkins
Thomas W. Lennox
John J. McCann

Stephen G. Riley
Town Manager

Hilton Head Island Town Council
Hilton Head Island Planning Commission
One Town Center Court
Hilton Head Island, SC 29928

Re: Impervious Surface Coverage Ratio Mitchelville Mixed Use District

Dear Town Council and Planning Commission Members:

At its June 26, 2017 meeting, the Board of Zoning Appeals heard Case VAR-1254-2017, a variance application by K. Hovnanian Homes in connection of its proposed purchase of 7.61 acres at 66 Mitchelville Road on which it planned to construct 46 single family detached and zero lot line residential homes. The subject property is in the Mitchelville Mixed Use District (MV District) and the application sought a variance from the Town's Land Management Ordinance (LMO) Section 16-3-105.1.3, Development Form Standards, in order to increase the impervious coverage from 35% to 60%.

During the BZA hearing, testimony was presented by the Town Staff and the Applicant's counsel that:

- The homes planned to be constructed would range between 2,000 and 3,000 conditioned square feet with anticipated sales prices between \$350,000 and \$450,000 in order to compete with comparable "off Island" single family residential communities.
- Prior to the 2014 adoption of the LMO, the subject property was zoned Waterfront Mixed Use District (WMU) which allowed residential density of up to 12 units per acre with a maximum impervious coverage of 50%.
- Under the 2014 LMO, zoning for the property was changed to come under the new MV District which also allows residential density of up to 12 units per acre but limits maximum impervious coverage to 35%. Residential density for the WMU District under the 2014 LMO was increased from 12 to 16 units per acre with the maximum impervious coverage of 50%.
- The 2014 LMO contains 14 Mixed Use and Business Districts. Maximum impervious coverage is "N/A" in the Coligny Resort District (CR) and dependent upon the applicable PUD Master Plan and associated text in the Planned Development Mixed-Use District (PD). Of the twelve remaining Districts, seven permit maximum impervious coverage of 60%, three 50%, one 45% and only the MV District is limited to 35%.

- Prior to the June 26 meeting, BZA members asked Town Staff to research the rationale that lead the LMO Rewrite Committee and Town Council to create a new MV District with more restrictive impervious coverage out of a portion of the former WMU District, however the LMO Official was unable to locate any record of why lower impervious coverage was assigned to the MV District.

In order to grant a variance, the Board of Zoning Appeals must conclude that the LMO imposes an unnecessary hardship on the subject property and the property meets four specific criteria set out in the LMO:

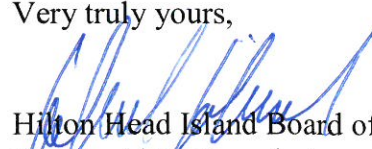
- there are extraordinary and exceptional conditions pertaining to the particular property,
- these conditions do not generally apply to other properties in the vicinity
- application of the Ordinance will effectively prohibit or unreasonably restrict the utilization of the property, and
- authorization of the variance will not be of substantial detriment to adjacent property or the public good and the character for the zoning district will not be harmed.

Since all property within the MV District is subject to the same impervious coverage ratio, there was nothing exceptional about the subject property and the BZA had no choice but to deny the request for variance.

The consensus among BZA members, however, was that in the absence of an explanation of why the MV District has a lower impervious coverage ratio than any other Mixed Use and Business District, there appears to be inconsistent treatment of this District. Instead, the maximum impervious cover for the MV district appears to be consistent with the six Residential Zoning Districts mentioned in LMO Section 16-9-104. In that section, all six Residential Zoning Districts limit impervious cover to 35%.

The Board of Zoning Appeals respectfully recommends that the Town review the impervious coverage ratio of the MV District and determine whether any adjustment to the LMO is warranted.

Very truly yours,



Hilton Head Island Board of Zoning Appeals
By: David L. Fingerhut
Chairman

Cc: Stephen G. Riley, ICMA-CM, Town Manager

TO: Town Council

FROM: Stephen G. Riley, Town Manager

VIA: John Troyer, Finance Director

DATE: October 26, 2017

RE: **First Reading of Proposed Ordinance No. 2017-22 Stormwater Revenue Bonds -- not to exceed \$14,000,000**

Recommendation:

Town Council approves first reading of Proposed Ordinance No. 2017-22 which establishes authority for issuing not to exceed \$14,000,000 in Stormwater special revenue bonds, series 2017, which will be repaid specifically from Stormwater revenues.

Summary:

Staff recommends that Council adopt this ordinance. This ordinance proposes to issue funding for the Town's Stormwater capital projects work. This was anticipated during the budget process – to fund capital projects planned during the budget process with a bond issue. In addition, the Town seeks authority to refinance \$9,035,000 bonds (the balance of the Series 2010 bonds) in order to achieve a planned \$201,978 present value savings. The savings would benefit the Stormwater Fund to enable additional future projects.

Additional information on the bonds being refunded can be found in the attached ordinance.

Background:

1. The Stormwater utility is Town's only enterprise fund.
2. The Town has planned Stormwater projects which would be funded by these bonds.
3. These bonds would be repaid entirely with Stormwater revenues.
4. The Town has an opportunity, while in the market, to reduce the cost of the outstanding 2010 Stormwater bonds by refunding the balance in the current favorable market.
5. The bonds will fund the Lawton Woods street drainage improvements, Pump Stations for Jarvis Creek, Shipyard, Wexford, and Sea Pines and Old Fort Drive outfall improvements and other improvements.
6. The bonds are planned to be sold December 19, 2017.
7. The refunding bonds will have a maturity schedule of eight years to match the current outstanding series.
8. The capital projects bonds will have a ten year amortization – comfortably below the expected economic life of the projects.

THIRD SUPPLEMENTAL ORDINANCE

PROVIDING FOR THE ISSUANCE AND SALE OF NOT EXCEEDING \$14,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA, STORMWATER SYSTEM REVENUE BONDS, IN ONE OR MORE SERIES, FOR THE PURPOSE OF FINANCING CERTAIN CAPITAL IMPROVEMENTS AND REFINANCING ALL OR A PORTION OF THE \$13,810,000 ORIGINAL PRINCIPAL AMOUNT TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA, STORMWATER SYSTEM REFUNDING REVENUE BOND, SERIES 2010; DELEGATING THE AUTHORITY TO THE TOWN MANAGER TO DETERMINE CERTAIN MATTERS WITH RESPECT TO THE NEW BONDS; PRESCRIBING THE FORM AND DETAILS OF SUCH BONDS; AMENDING CERTAIN PROVISIONS TO THE GENERAL BOND ORDINANCE; OTHER MATTERS RELATING THERETO; AND PROVIDING FOR SEVERABILITY AND AN EFFECTIVE DATE.

WHEREAS, the Town Council (the "Council") of the Town of Hilton Head Island, South Carolina (the "Town"), enacted Ordinance No. 2002-44 (the "General Bond Ordinance") on December 3, 2002, to authorize generally the issuance of Stormwater System Revenue Bonds (as defined in the General Bond Ordinance); and

WHEREAS, pursuant to the General Bond Ordinance, the Bonds are payable from and secured by a pledge of Revenues (as defined in the General Bond Ordinance); and

WHEREAS, the Town is presently undertaking, and contemplating the future undertaking, of the Projects (as defined herein); and

WHEREAS, the Town has heretofore issued its \$13,810,000 original principal amount Town of Hilton Head Island, South Carolina, Stormwater System Refunding Revenue Bond, Series 2010, dated December 1, 2010, which are presently outstanding in the principal amount of \$9,035,000 (the "Bond of 2010"); and

WHEREAS, the Town desires to issue not exceeding \$14,000,000 principal amount of its Stormwater System Revenue Bonds, in one or more series (the "Bonds") for any one or more of the following purposes: (1) to finance, among other things, the Costs of Acquisition and Construction (as defined in the General Bond Ordinance) of the Projects and (2) to refinance all or a portion of the Bond of 2010; and

WHEREAS, the Town desires to modify certain provisions or covenants contained in the General Bond Ordinance which would be in the interest of the Town; and

WHEREAS, the Council has been advised that in order to finance the Projects and refinance all or a portion of the Bond of 2010, and make such modifications to the General Bond Ordinance, the Council must enact an appropriate ordinance supplemental to the General Bond Ordinance authorizing the issuance of the New Bonds.

NOW, THEREFORE, BE IT ORDAINED BY THE TOWN COUNCIL OF THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA, AS FOLLOWS:

ARTICLE I

FINDINGS AND DETERMINATIONS

Section 1.01. Certain Findings and Determinations.

The Council hereby finds and determines:

(a) This Ordinance (the “Third Supplemental Ordinance”) constitutes and is a “Supplemental Ordinance” within the meaning of such quoted term as defined and used in Ordinance No. 2002-44 enacted by the Council on December 3, 2002, as amended (as so amended, the “General Bond Ordinance”), and is enacted under and pursuant to the General Bond Ordinance.

(b) The New Bonds (as defined herein) constitute and are “Bonds” within the meaning of the quoted word as defined and used in the General Bond Ordinance.

(c) The Revenues pledged under the General Bond Ordinance are not encumbered by any lien and charge thereon or pledge thereof, other than (i) the lien and charge thereon and pledge thereof created by the General Bond Ordinance and the Second Supplemental Ordinances (as defined herein) for payment and security of the Bond of 2010 and (ii) the lien and charge thereon and pledge thereof created by the General Bond Ordinance and this Third Supplemental Ordinance for payment and security of the New Bonds.

(d) There does not exist an Event of Default (as defined in the General Bond Ordinance), nor does there exist any condition which, after the passage of time or the giving of notice, or both, would constitute such Event of Default.

(e) The estimated Cost of Acquisition and Construction (as defined in the General Bond Ordinance) of the Projects is \$4,000,000, and the estimated cost of refinancing the Bond of 2010 is approximately \$9,200,000.

(f) Section 4.02(B) of the General Bond Ordinance provides that Bonds may be issued at any time for the purpose of refunding (including by purchase) other Bonds, including amounts to pay principal, redemption premium and interest to the date of redemption (or purchase) of the refunded Bonds; provided that (i) the aggregate Debt Service on all Bonds to be Outstanding after the issuance of the proposed Series of refunding Bonds shall not be greater than would have been the aggregate Debt Service of all Bonds not then refunded and the Bonds to be refunded; or (ii) the requirements of parts 4.02(A)1-6 and 4.02(A)(7)(a) of the General Bond Ordinance are met with respect to the refunding Bonds. Bonds issued upon compliance with Section 4.01 and Section 4.02 of the General Bond Ordinance shall be issued on a parity as to the Net Revenues of the System in all respects *inter sese*.

(g) Section 16.01 of the General Bond Ordinance provides that the obligations of the Town under the Ordinance and the liens, pledges, charges, trusts, covenants and agreements of the Town made or provided for therein shall be fully discharged and satisfied as to any Bond, and such Bond shall no longer be deemed to be Outstanding under the General Bond Ordinance when payment of the principal of, premium, if any, and interest on such Bond shall have been provided for by irrevocably depositing with the Paying Agent in trust and irrevocably set aside exclusively for such payment, (A) moneys sufficient to make such payment, or (B) Defeasance Obligations maturing as to principal and interest in such amounts and at such times as will ensure

the availability of sufficient moneys to make such payment, and all necessary and proper fees, compensation and expenses of the Trustee.

(h) The Town proposes to issue the New Bonds, in one or more Series (as defined in the General Bond Ordinance), for one or more of the principal purposes: (i) financing the Cost of Acquisition and Construction of the Projects, (ii) refinancing all or a portion of the Bond of 2010, (iii) financing the 2017 Reserve Fund Requirement (if any) through a deposit into the 2017 Debt Service Reserve Fund (if any) of cash, a Letter of Credit, a Surety Bond or a combination thereof, and (iv) paying the costs of issuing the New Bonds.

(h) The period of usefulness of the System is in excess of forty (40) years from the date hereof.

(i) It is in the best interest of the Town to authorize the issuance of the New Bonds for the purposes set forth in this Third Supplemental Ordinance.

ARTICLE II

DEFINITIONS

Section 2.01. Definitions. The terms in this Section 2.01 and all words and terms defined in the General Bond Ordinance as from time to time amended or supplemented by a Supplemental Ordinance (as so amended and supplemented, the “Ordinance”) (except as herein otherwise expressly provided or unless the context otherwise requires), shall for all purposes of this Third Supplemental Ordinance have the respective meanings given to them in the General Bond Ordinance and in Section 2.01 hereof.

“2017 Construction Fund” shall mean one or more Funds established pursuant to Section 4.03 hereof into which a portion of the proceeds of a Series of the New Bonds will be deposited and from which such proceeds will be disbursed to pay the Costs of Acquisition and Construction of the Projects (including the Costs of Issuance).

“2017 Debt Service Fund” shall mean one or more Funds established pursuant to Section 4.01 hereof to provide for the payment of the principal of and interest on the Series of the New Bonds related thereto.

“2017 Debt Service Reserve Fund” shall mean one or more Funds, if any, established pursuant to Section 4.02 hereof (a) to insure the timely payment of the principal and interest on the New Bonds related thereto; and (b) to provide for the redemption of the Series of the New Bonds related thereto.

“2017 Reserve Fund Requirement” shall mean the amount, if any, established pursuant to Section 4.02 hereof.

“Beneficial Owner” shall mean any purchaser who acquires beneficial ownership interest in an Initial Bond (to be defined) held by the Depository. In determining any Beneficial Owner the Town, the Trustee and the Paying Agent may rely exclusively upon written representations made and information given to the Town, the Registrar and the Paying Agent, as the case may be, by the Depository or its Participants with respect to any Series 2017 Bond held by the Depository or its Participants in which a beneficial ownership interest is claimed.

“Book-Entry Form” or “Book-Entry System” shall mean with respect to the Initial Bonds, a form or system, as applicable, under which (a) the ownership of beneficial interests in the Initial Bonds may be transferred only through a book-entry and (b) physical bond certificates in fully registered form are

registered only in the name of a Depository or its nominee as Holder, with the physical bond certificates “immobilized” in the custody of the Depository. The book-entry maintained by the Depository is the record that identifies the owners of participatory interest in the Initial Bonds, when subject to the Book-Entry System.

“Bond Insurer” shall mean the issuer of the Insurance Policy (if any) for one or more Series of the New Bonds, or a Surety Bond (if any) to satisfy the 2017 Reserve Requirement.

“Bond of 2010” shall mean the \$13,810,000 original principal amount Town of Hilton Head Island, South Carolina, Stormwater System Refunding Revenue Bond, Series 2010 dated December 1, 2010.

“Bonds to be Refunded” shall mean all or a portion of the Bond of 2010 (if any), as determined by the Town Manager, to be refunded with the New Bonds.

“Business Day” shall mean any day other than a Saturday, a Sunday or a day on which banking institutions in the State are required or authorized by law (including executive orders) to close.

“Code” shall mean the Internal Revenue Code of 1986, as amended, and any applicable Treasury regulations.

“Continuing Disclosure Certificate” shall mean the meaning given that term in Section 5.02 hereof.

“Depository” shall mean any securities depository that is a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, operating and maintaining, with its Participants or otherwise, a Book-Entry System to record ownership of beneficial interests in the Initial Bonds, and to effect transfers of the Initial Bonds, in Book-Entry Form, and includes and means initially The Depository Trust Company (a limited purpose trust company), New York, New York.

“Escrow Agent” shall mean the Paying Agent for the Bonds to be Refunded.

“Escrow Agreement” shall mean, collectively, one or more Escrow Deposit Agreements dated the date of its respective execution between the Town and the Escrow Agent.

“Escrow Fund” shall mean, collectively, the funds of that name created pursuant to the Escrow Agreement.

“First Amending Ordinance” shall mean Ordinance No. 2003-04 enacted by the Council on February 18, 2003.

“Initial Bonds” shall mean such Bonds (if any) which are registered and held subject to the Book-Entry System of the Depository.

“Interest Payment Date” shall mean March 1 and September 1 of each year commencing March 1, 2018, or such other dates as may be determined by the Town Manager.

“Insurer Default” shall mean there shall exist a default in the payment by the Bond Insurer of principal of or any interest on any New Bond when required to be made by the applicable Policy or Surety Bond.

“Letter of Credit” shall mean, subject to Section 4.02 hereof, a letter of credit (if any) issued by a bank or other financial institution satisfactory to the Town, to satisfy all or a portion of the 2017 Reserve Fund Requirement, if any.

“New Bonds” shall mean the Town of Hilton Head Island, South Carolina, Stormwater System Revenue Bonds, in one or more series, in the aggregate principal amount of not exceeding \$14,000,000 authorized to be issued hereunder.

“Paying Agent” shall mean the bank, financial institution or, subject to the amendments to the General Bond Ordinance authorized by Section 5.03(h) hereof, such other entity (including the Town) designated by the Town Manager to serve as Paying Agent for the New Bonds.

“Principal Payment Date” shall have the meaning given to such term in Section 3(a).

“Projects” shall mean, collectively, any and all replacements, enlargements, improvements, extensions, additions and betterments to the System; engineering legal and other professional services, monitoring permitting and other regulatory requirements, and inventory modeling and master planning related to capital improvement activities and functions; and all appurtenances, facilities, lands, rights in land, water rights, franchises and structures in connection therewith or incidental thereto and including the acquisition of any system which shall be combined with or consolidated into the System, including any one or more of the projects described in Schedule I hereto, and such other improvements as the Town may deem necessary or incidental to the System.

“Purchase Contract” shall mean the Bond Purchase Agreement (if any) to be dated the date of execution and delivery thereof between the Town and the Underwriter, as it may relate to one or more Series of New Bonds.

“Purchaser” shall mean the purchaser of one or more Series of the New Bonds, if sold through a private placement or sale. The Purchaser shall not mean the Underwriter.

“Registrar” shall mean the bank, financial institution or, subject to the amendments to the General Bond Ordinance authorized by Section 5.03(h) hereof, such other entity (including the Town) designated by the Town Manager to serve as Registrar for the New Bonds.

“Second Supplemental Ordinance” shall mean Ordinance No. 2010-23 enacted by the Council on November 17, 2010, authorizing the Bond of 2010.

“Stormwater Act” shall mean the Stormwater Management and Sediment Reduction Act, codified as Section 48-14-10 et. seq., Code of Laws of South Carolina, 1976, as amended.

“Surety Bond” shall mean, subject to Section 4.02, the Surety Bond or surety bond, if any, issued by the Bond Insurer in connection with the New Bonds and payable to the Paying Agent.

“Third Supplemental Ordinance” shall mean this Ordinance enacted by the Council on this date, authorizing the New Bonds.

“Trustee” shall mean the bank, financial institution, if any, or, subject to the amendments to the General Bond Ordinance authorized by Section 5.03(h) hereof, such other entity designated by the Town Manager to serve as Trustee under the General Bond Ordinance.

“Underwriter” shall mean such bank or financial institution selected by the Town Manager.

“Value” or “Values” means, if a Surety Bonds is in effect for a Series of New Bonds, with respect to any Permitted Investments for the 2017 Debt Service Fund and 2017 Debt Service Reserve Fund established for such Series of New Bonds, the amount calculated under the Ordinance determined as of any date of calculation as follows:

- (a) the bid price published by a nationally recognized pricing service as selected by the Town in its sole discretion;
- (b) as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest; and
- (c) as to any investment not specified above: the value thereof established by prior agreement between the Town and the Bond Insurer.

ARTICLE III

THE NEW BONDS

Section 3.01. Authorization of Bonds.

(a) There is hereby authorized to be issued one or more Series of Bonds (as defined in the General Bond Ordinance) designated “Town of Hilton Head Island, South Carolina Stormwater System Revenue Bonds, Series 2017” (the “New Bonds”), in the aggregate principal amount of not to exceed \$14,000,000. The proceeds of the New Bonds will be used for the purposes of providing funds to (i) finance the Cost of Acquisition and Construction of the Projects, (ii) refinance the Bonds to be Refunded, (iii) finance the 2017 Reserve Fund Requirement (if any) through a deposit into the 2017 Debt Service Reserve Fund (if any) of cash, the Letter of Credit (if any), the Surety Bond (if any) or a combination thereof, and (iv) pay the costs of issuing the New Bonds, including the payment of the premiums for the Insurance Policy or Surety Bond (if any); provided, however, that if any Series of New Bonds is issued after 2017, any references herein to such Series of New Bonds, the 2017 Debt Service Fund, the 2017 Debt Service Reserve Fund (if any), the 2017 Reserve Fund Requirement (if any) or otherwise, which is identified by the relevant year of issue, such references may be modified to reflect the actual year in which such Series of New Bonds is issued and the New Bonds shall bear such further numbers, letters or additional words as determined by the Town Manager in order to identify individual series thereof, to identify the purposes for which such Bonds are being issued and to identify the taxable or tax-exempt status thereof.

The New Bonds shall mature on such date in each of the years and in the principal amounts, and bear interest at the rates per annum, as determined by the Town Manager pursuant to Section 3.05 hereof.

(b) Such of the New Bonds as the Town Manager shall determine pursuant to Section 3.05 hereof shall be subject to mandatory redemption at a redemption price equal to the principal amount of the New Bonds to be redeemed, together with interest accrued from the date of redemption, in the years and in the amounts determined by the Town Manager pursuant to Section 3.05 hereof.

The Trustee or Registrar, if any, without further authorization or direction from the Town, shall give notice of all mandatory redemptions within the time periods and in the manner specified in Article IV of the General Bond Ordinance.

At its option, to be exercised on or before the sixtieth (60th) day prior to any mandatory redemption date, the Town may (i) deliver to the Trustee or Registrar, if any, for cancellation Bonds which are subject to mandatory redemption in any aggregate principal amount desired or (ii) receive a credit in respect of its mandatory redemption obligation for any such Bonds which, prior to such date, have been purchased or redeemed (otherwise than through the operation of the mandatory redemption requirement) by the Town and cancelled by the Trustee or Registrar, if any, and not theretofore applied as a credit against any mandatory redemption obligation. Each Bond so delivered or previously purchased or redeemed shall be credited by the Trustee or Registrar, if any, at one hundred percent (100%) of the principal amount thereof, to the obligation of the Town on those respective mandatory redemption obligations in such order as the Town may direct, and the principal amount of the New Bonds to be redeemed by operation of the mandatory redemption requirement shall be accordingly reduced.

(c) The New Bonds shall originally be dated the date of delivery thereof, and shall be issued as fully registered Bonds in the denominations of \$5,000 and integral multiples of \$5,000, or such other date or denomination (as applicable) as the Town Manager shall determine pursuant to Section 3.05 hereof.

(d) Principal of and redemption premium, if any, on the New Bonds shall be payable at the designated corporate trust office of the Trustee or Paying Agent, if any. Interest on the New Bonds shall be payable semiannually each Interest Payment Date commencing in 2018, in each case to the Holders as of the immediately preceding Record Date, such interest to be paid by check or draft mailed to each Holder at the address as it appears on the Books of Registry maintained at the designated corporate trust office of the Trustee or Registrar, if any, or, in the case of a Holder of \$1,000,000 or more in principal amount of Bonds, by wire transfer to an account within the continental United States upon the timely receipt of a written request of such Holder.

(e) A copy of the approving opinion to be rendered on the New Bonds shall be printed on the back of such Bonds, preceding the same a certificate shall appear, which shall be signed on behalf of the Town by a facsimile signature of the Town Clerk. Such certificate shall be in the form substantially as follows:

IT IS HEREBY CERTIFIED that the following is a true and correct copy of the approving opinion of McNair Law Firm, P.A., Columbia, South Carolina, the original of which was manually executed, dated and issued as of the date of the delivery of and payment for the New Bonds, and a copy of which is on file with the Town.

THE TOWN OF HILTON HEAD, SOUTH CAROLINA

By: _____
Town Clerk

Section 3.02. Optional Redemption of Bonds. Such of the New Bonds as may be determined by the Town Manager pursuant to Section 3.05 hereof shall be subject to redemption prior to maturity, at the option of the Town, in whole or in part at any time in such order of their maturities as the Town shall determine and by lot within a maturity, at the respective redemption prices with respect to each Series 2017 Bond, expressed as a percentage of principal amount of the New Bonds to be redeemed, as shall be determined by the Town Manager pursuant to Section 3.05 hereof, together, in each such case, with the interest accrued on such principal amount to the date fixed for redemption.

Section 3.03. Designation of Trustee, Registrar, Paying Agent and Custodian. The Town Manager is hereby authorized and empowered to select the Registrar and the Paying Agent, if any, for the New Bonds

and the Custodian for the 2017 Construction Fund, and to take all actions necessary or desirable to designate the Trustee, if any, under the General Bond Ordinance and/or the Payment Agent for the Bonds to be Refunded. The Trustee, Registrar and Paying Agent (if any), and the Custodian shall signify their acceptances of their respective duties upon delivery of the New Bonds.

Section 3.04. Book-Entry System; Recording and Transfer of Ownership of the New Bonds.

The Initial Bonds will be eligible securities for the purposes of the Book-Entry System of transfer maintained by the Depository, and transfers of beneficial ownership of the Initial Bonds shall be made only through the Depository and its participants in accordance with rules specified by the Depository. Such beneficial ownership must be of \$5,000 principal amount of Initial Bonds of the same Series and maturity or any integral multiple of \$5,000.

The Initial Bonds will be issued in fully-registered form, as a single bond representing the entire principal amount of each Series of the New Bonds or one New Bond for each of the maturities of each Series of the New Bonds, in the name of Cede & Co., as the nominee of the Depository. When any principal of, premium, if any, or interest on the Initial Bonds becomes due, the Town shall transmit or cause the Paying Agent to transmit to the Depository an amount equal to such installment of principal, premium, if any, and interest. Such payments will be made to Cede & Co. or other nominee of the Depository as long as it is owner of record on the applicable Record Date. Cede & Co. or other nominee of the Depository shall be considered to be the owner of the Initial Bonds so registered for all purposes of this Third Supplemental Ordinance, including, without limitation, payments as aforesaid and receipt of notices. The Depository shall remit such payments to the Beneficial Owners of the New Bonds or their nominees in accordance with its rules and regulations.

Notices of redemption of the Initial Bonds or any portion thereof shall be sent to the Depository in accordance with the provisions of the General Bond Ordinance.

The Depository is expected to maintain records of the positions of Participants in the Initial Bonds, and the Participants and persons acting through Participants are expected to maintain records of the Beneficial Owners in the Initial Bonds. The Town, the Trustee, the Registrar and the Paying Agent (if any) make no assurances that the Depository and its Participants will act in accordance with such rules or expectations on a timely basis, and the Town, the Trustee, the Registrar and the Paying Agent (if any) shall have no responsibility for any such maintenance of records or transfer of payments by the Depository to its Participants, or by the Participants or persons acting through Participants to the Beneficial Owners.

The Town, the Trustee, the Paying Agent and the Registrar (if any) may treat the Depository (or its nominee) as the sole and exclusive owner of the New Bonds registered in its name for the purpose of payment of the principal of, interest or premium, if any, on the New Bonds, giving any notice permitted or required to be given to Bondholders under the General Bond Ordinance or this Third Supplemental Ordinance, registering the transfer of the New Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever, and shall not be affected by any notice to the contrary. The Town, the Trustee, the Paying Agent and the Registrar (if any) shall not have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the New Bonds under or through the Depository or any Participant, or any other person which is not shown on the Books of Registry of the Town maintained by the Trustee or Registrar (if any) as being a Bondholder, with respect to: the accuracy of any records maintained by the Depository or any Participant or the maintenance of any records; the payment by the Depository or any Participant of any amount in respect of the principal of, interest or premium, if any, on the New Bonds; the sending of any transaction statements; the delivery or timeliness of delivery by the Depository or any Participant of any notice which is permitted or required to be given to Bondholders thereunder; the selection of

Bondholders to receive payments upon any partial redemption of the New Bonds; or any consent given or other actions taken by the Depository as a Bondholder.

If (a) the Depository determines not to continue to act as securities depository for the New Bonds, and gives reasonable notice to the Registrar or the Town, or (b) the Town has advised the Depository of the Town's determination that the Depository is incapable of discharging its duties, then the Town shall attempt to retain another qualified securities depository to replace the Depository. Upon receipt by the Town or the Registrar of the Initial Bonds together with an assignment duly executed by the Depository, the Town shall execute and deliver to the successor depository, the New Bonds of the same principal amount, interest rate and maturity. If the Town is unable to retain a qualified successor to the Depository, or the Town has determined that it is in its best interest not to continue the Book-Entry System of transfer or that interests of the Beneficial Owners of the New Bonds might be adversely affected if the Book-Entry System of transfer is continued (the Town undertakes no obligation to make any investigation to determine the occurrence of any events that would permit it to make any such determination), and has made provision to so notify Beneficial Owners of the New Bonds by mailing an appropriate notice to the Depository, upon receipt by the Town of the Initial Bonds together with an assignment duly executed by the Depository, the Town shall execute, authenticate and deliver to the Depository Participants the New Bonds in fully-registered form, in authorized denomination; provided, however, that the discontinuation of the Book-Entry System of registration and transfer with respect to the New Bonds or the replacement of the Depository or any successor depository shall be subject to the applicable rules and procedures of the Depository or such successor depository on file or otherwise approved by the Securities and Exchange Commission.

Section 3.05. Sale and Issuance of Bonds; Official Statement.

(a) The Town Manager of the Town is hereby authorized and empowered to determine the aggregate principal amount of the New Bonds, if less than authorized by this Third Supplemental Ordinance, and each Series of New Bonds, the principal amount of each maturity of each Series of New Bonds, the interest rates for each Series of New Bonds, the original issue dates, initial Interest Payment Dates and Principal Payment Dates for each Series of New Bonds, which Bonds (if any) are Initial Bonds and issued on a taxable or tax-exempt basis, the New Bonds to be subject to mandatory and optional redemption, the redemption prices of the New Bonds subject to optional redemption, any Underwriter's, Purchaser's or original issue discount at which the New Bonds will be sold, whether an Insurance Policy will be purchased with respect to each Series of New Bonds; whether the 2017 Debt Service Reserve Fund will be established and funded and, if so, the manner in which the 2017 Reserve Fund Requirement will be satisfied; the Trustee, Registrar and Paying Agent (if any) for the New Bonds; the Custodian for the Construction Fund; and such other terms and conditions related to the New Bonds.

(b) Each Series of the New Bonds shall either be sold publicly, following a private sale to the Underwriter, or directly to the Purchaser in a private offering. In connection with a public offering, the Town hereby finds and determines that the Purchase Contract to be dated the date of its execution, submitted by the Underwriter for the purchase of all or a portion (if any) of the New Bonds is fair and reasonable and in the best interest of the Town; that, if executed, the New Bonds contemplated by the Purchase Contract shall be sold to the Underwriter upon the terms and conditions set forth in the Purchase Contract and upon the basis of the representations therein set forth, and that all conditions precedent to or concurrent with the acceptance of the Purchase Contract by the Town have been met. The Town Manager is hereby authorized and directed to approve the form of Purchase Contract, together with such amendments and modifications to the form thereof as the Town Manager shall negotiate and approve, and to execute the Purchase Contract, as so modified and amended, and deliver the same to the Underwriter, the Town Manager's execution and delivery of the Purchase Contract constituting conclusive evidence of approval of the matters therein contained. Notwithstanding the foregoing, the Town Manager is hereby authorized to take all actions, including the preparation and dissemination of requests for proposals and the publication and/or distribution

of information relating to the Town and the System, to solicit interest and receive offers from financial institutions to purchase one or more Series of the New Bonds in a private offering, and to accept such offer which is in the best interest of the Town and execute such documents as may be necessary in connection therewith.

(c) The Town Manager is hereby authorized and directed to prepare a Preliminary Official Statement, relating to a public offering of the New Bonds (the "Preliminary Official Statement"), and to take such actions necessary to "deem final" the Preliminary Official Statement for purposes of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

(d) The Town hereby authorizes the Final Official Statement of the Town to be dated on or about the date of the execution and delivery of the Purchase Contract, relating to the New Bonds substantially in the form of the Preliminary Official Statement, with such modifications as the Town Manager approves; the Town Manager of the Town is hereby authorized and directed to execute copies of the Final Official Statement and deliver the same to the Underwriter, which execution and delivery shall be conclusive evidence of the approval of any such modifications; and the Town hereby authorizes the use of the Preliminary Official Statement and Final Official Statement and the information contained therein in connection with the public offering and sale of the New Bonds by the Underwriter.

(e) A copy of this Third Supplemental Ordinance shall be filed with the minutes of this meeting.

(f) The Town hereby authorizes and directs all of the officers and employees of the Town to carry out or cause to be carried out all obligations of the Town under the aforesaid Purchase Contract and to perform such other actions as they shall consider necessary or advisable in connection with the issuance, sale and delivery of the New Bonds.

(g) The Town hereby authorizes the use of the General Bond Ordinance and this Third Supplemental Ordinance, which together are the "Ordinance" and the information contained therein in connection with the public offering and sale of the New Bonds by the Underwriter.

(h) The Council hereby authorizes the Town Manager to negotiate the terms of, and execute, in the name and on behalf of the Town, and deliver investment agreements, forward delivery agreements, repurchase agreements and other agreements in connection with the New Bonds, to prepare and solicit bids for providers of such agreements and to execute, in the name and on behalf of the Town, written confirmations of any such agreements and other documents as may be necessary in connection therewith.

(i) The Council hereby ratifies, confirms and approves the actions of the Town Manager heretofore undertaken with regard to applications for Insurance Policies, Surety Bonds, Letters of Credit, and other credit enhancements and liquidity arrangements relating to the New Bonds from municipal bond insurance companies or financial institutions and to enter into, execute and deliver on behalf of the Town, such loan, insurance, reimbursement or guaranty agreements as shall be necessary and advisable, with advice of counsel, in connection with the transactions and other matters referred to herein; provided, however, that the representations and covenants contained in such agreements may be incorporated in this Third Supplemental Ordinance as if fully set forth herein.

Section 3.06. Form of Bonds. The New Bonds shall be in substantially the form set forth in Exhibit A hereto, with such necessary or appropriate variations, omissions and insertions as are incidental to the series, numbers, denominations, maturities, dates, interest rate or rates, redemption provisions, the purpose of issuance and other details thereof or as are otherwise permitted or required by law or by the Ordinance, including this Third Supplemental Ordinance. The New Bonds shall be executed in the name and on behalf of the Town by the manual or facsimile signatures of the Mayor and Town Clerk.

ARTICLE IV

ESTABLISHMENT OF FUNDS; DISPOSITION OF BOND PROCEEDS

Section 4.01. Establishment of 2017 Debt Service Fund. In accordance with Section 7.04 of the General Bond Ordinance, the 2017 Debt Service Fund is hereby directed to be established and held by the Trustee or, subject to the amendments to the General Bond Ordinance authorized by Section 5.03(h) hereof, the Paying Agent, if any, on the date of the original delivery of the New Bonds for the benefit of the Holders of the New Bonds; provided, however, that upon the issuance of more than one Series of New Bonds, separate funds or accounts may be established for the payment of debt service on such Series of New Bonds, with such additional numbers or letters to identify its relevance, but each such separate fund or account will be considered the “2017 Debt Service Fund” with respect to the related Series of New Bonds. Payments into the 2017 Debt Service Fund shall be made pursuant to the provisions of Section 7.02 of the General Bond Ordinance.

Section 4.02. Establishment of the 2017 Reserve Fund Requirement and 2017 Debt Service Reserve Fund. In accordance with Section 7.05 of the Ordinance, the Town Manager may determine whether it is necessary or desirable to establish the 2017 Debt Service Reserve Fund for the benefit of the Holders of one or more Series of New Bonds (if any) and the amount and timing of funding of the 2017 Reserve Fund Requirement, and, if so, such 2017 Debt Service Reserve Fund shall be established on the date of the original delivery of such Series of New Bonds and held by the Trustee or, subject to the amendments to the General Bond Ordinance authorized by Section 5.03(h) hereof, the Paying Agent, if any, with regard to the New Bonds, all as provided in the Ordinance; provided, however, that (1) upon the issuance of more than one Series of New Bonds, separate funds or accounts may be established (if at all) for each Series of New Bonds, with such additional numbers or letters to identify its relevance, but each such separate fund or account will be considered the “2017 Debt Service Reserve Fund” with respect to the related Series of New Bonds; and (2) in the event of any full or partial defeasance of a Series of New Bonds under Article XVI of the Ordinance, then the 2017 Reserve Fund Requirement established for such Series of New Bonds shall be recalculated based on the then Outstanding principal amount of such Series of New Bonds. If the 2017 Debt Service Reserve Fund is established, the 2017 Reserve Fund Requirement initially will be satisfied by the Town by the deposit of cash into the 2017 Debt Service Reserve Fund (which may, as designated by the Town Manager, be funded from the proceeds of the New Bonds on the date of delivery thereof or from Gross Revenues thereafter), by securing the Letter of Credit, with the purchase of the Surety Bond, or any combination of the foregoing, in each case for the benefit of the Holders of the Series of the New Bonds for which the 2017 Debt Service Reserve Fund (or separate funds or accounts, as applicable) is established.

Section 4.03. Establishment of 2017 Construction Fund. There is hereby created and established the 2017 Construction Fund which fund shall be held by the Town or by one or more banks or other financial institutions designated by the Town (the “Custodian”). If held by a Custodian, the Town Manager is authorized and directed to negotiate, execute and deliver such construction fund agreements or other agreements with such Custodian as may be necessary or desirable in connection therewith. The moneys on deposit in the 2017 Construction Fund shall be used and applied to the payment of the Cost of the

Acquisition and Construction of the Projects and to pay all Costs of Issuance incidental to the issuance and sale of the New Bonds, which may be issued for the purposes of funding costs of the Projects, refunding the Bonds to be Refunded or some combination of the foregoing.

Moneys held for the credit of the 2017 Construction Fund shall be invested to the fullest extent practicable and reasonable, in Authorized Investments, maturing at such times and in such amounts as shall be required to provide moneys to make the payments required to be made from such Fund.

Withdrawals from the 2017 Construction Fund shall be made in the manner withdrawals from other funds of the Town are made.

If after the payment in full of all costs of the Projects or after adequate provision has been made for such payment any moneys remain in the 2017 Construction Fund, such excess shall be paid in to the 2017 Debt Service Fund and shall be used only for the payment of the principal of and interest on the New Bonds or, in the alternative, to acquire Outstanding Bonds at a price (exclusive of accrued interest) not to exceed the face amount thereof.

Section 4.04. Disposition of Proceeds of New Bonds and Certain Other Moneys.

The proceeds derived from the sale of the New Bonds, net of the original issue discount or premium, the Underwriter's or Purchaser's discount, the premiums on the Insurance Policy and Surety Bond (if any), and accrued interest on the New Bonds (if any), shall be deposited with the Trustee, Paying Agent, Escrow Agent, Custodian or the Town, respectively, and used for one or more of the following purposes:

(a) An amount equal to the interest accrued upon the New Bonds from the date thereof to the date of delivery thereof and payment therefor shall be deposited in the Interest Account in the 2017 Debt Service Fund to be applied to the payment of the first installment of interest on the New Bonds.

(b) A portion of the proceeds of the New Bonds shall be deposited with the Town into the 2017 Construction Fund established in Section 4.03 hereof to be used and applied to the payment Cost of Acquisition and Construction and Cost of Issuance as provided in that Section.

(c) A portion of the proceeds of the New Bonds shall be paid over to the Paying Agent for the Bonds to be Refunded or the Escrow Agent (as applicable), an amount which the Town Manager determines to be required, together with amounts (if any) transferred from the Debt Service Fund related to the Bonds to be Refunded and other available moneys of the Town, to provide for the payment of principal of, redemption premium, if any, and interest on the Bonds to be Refunded upon the redemption thereof.

(d) If the Town Manager determines that a 2017 Debt Service Reserve Fund shall be established for a Series of the New Bonds and the 2017 Reserve Fund Requirement shall be funded with a portion of the proceeds of a Series of the New Bonds, there shall be deposited with the Trustee or, subject to the amendments to the General Bond Ordinance authorized by Section 5.03(h) hereof, the Paying Agent (if any) for deposit into such 2017 Debt Service Reserve Fund an amount equal to the 2017 Reserve Fund Requirement.

The respective amounts specified in this Section 4.04 shall be determined by the Town upon delivery of the Series of New Bonds applicable thereto.

Section 4.05. Authorization to Effect Refunding; Redemption of the Bonds to be Refunded. The Town Manager is hereby authorized and directed for and on behalf of the Town to take such actions, including but not limited to the execution by the Town Manager of the Escrow Agreement or other agreements, the giving of any such directions to the paying agent and/or registrar of the Bonds to be Refunded calling all or a portion

of the Bonds to be Refunded for redemption on one or more dates or other directions as shall be necessary to carry out the provisions of this Third Supplemental Ordinance. If executed, the Escrow Agreement shall be dated the date of delivery of the related Series of the New Bonds to the initial purchaser thereof, and substantially in the form approved by the Town Manager upon the advice of counsel to the Town. The execution thereof shall be evidence of the approval of any such form of agreement.

Upon delivery of the New Bonds, a portion of the principal proceeds thereof, together with amounts (if any) deposited in the Debt Service Fund with respect to the Bonds to be Refunded and other funds of the Town, shall be used to refinance the Bonds to be Refunded or, if applicable, be deposited with the Escrow Agent and held by it under the Escrow Agreement and in the Escrow Fund. Subject to the terms of the Escrow Agreement, it shall be the duty of the Escrow Agent to keep such proceeds invested and reinvested to the extent that it shall be practical in Defeasance Obligations and to apply the principal and interest of the trust so established in the manner prescribed in such Escrow Agreement and the General Bond Ordinance.

The Town Manager is hereby authorized to take such actions as may be necessary or desirable, upon the advice of counsel to the Town, to secure the Defeasance Obligations to be purchased under the Escrow Agreement, including but not limited to the preparation and dissemination of bid specifications and subscription documents and the execution of directions to purchase such Defeasance Obligations.

ARTICLE V COVENANTS AND AMENDMENTS

Section 5.01. Federal Tax Covenant. The Town hereby covenants and agrees with the Holders of any Series of New Bonds issued as tax-exempt obligations (the “Tax-Exempt Bonds”) that it will not take any action which will, or fail to take any action which failure will, cause interest on the Tax-Exempt Bonds to become includable in the gross income of the Holders for federal income tax purposes pursuant to the provisions of the Code and regulations promulgated thereunder in effect on the date of original issuance of the Tax-Exempt Bonds. The Town further covenants and agrees with the Holders of the New Bonds that no use of the proceeds of the New Bonds shall be made which, if such use had been reasonably expected on the date of issue of the New Bonds would have caused the New Bonds to be “arbitrage bonds,” as defined in the Code; and to that end the Town hereby shall:

- (a) comply with the applicable provisions of Section 103 and Sections 141 through 150 of the Code and any regulations promulgated thereunder so long as any of the New Bonds are Outstanding;
- (b) establish such funds, make such calculations and pay such amounts, if necessary, in the manner and at the times required in order to comply with the requirements of the Code relating to required rebate of certain amounts to the United States; and
- (c) make such reports of such information at the times and places required by the Code.

The Town Manager is hereby further authorized, in accordance with the provisions of the Code, to make such election or designation (as applicable) necessary to be made by or on behalf of the Town that all or a portion of the New Bonds are “qualified tax-exempt obligations” as defined in the Code.

Section 5.02. Continuing Disclosure. Pursuant to Section 11-1-85 of the Code of Laws of South Carolina 1976, as amended (“Section 11-1-85”), the Town covenants that it will file with a central repository for availability in the secondary bond market when requested:

- (a) An annual independent audit, within thirty days of the Town’s receipt of the audit; and

(b) Event specific information within thirty (30) days of an event adversely affecting more than five (5%) percent of Gross Revenues or the Town's tax base.

The only remedy for failure by the Town to comply with the covenant of this paragraph shall be an action for specific performance of this covenant. The Town specifically reserves the right to amend or delete this covenant to reflect any change in Section 11-1-85, without the consent of any Bondholder.

In addition, the Town Manager is hereby authorized and directed to approve the form of, and executed and deliver, a Continuing Disclosure or Reporting Certificate of the Town, related to one or more Series of the New Bonds as required by applicable law, and the Town hereby covenants and agrees that it will comply with and carry out all of the provisions of such Continuing Disclosure or Reporting Certificate. Notwithstanding any other provisions of this Third Supplemental Ordinance, failure of the Town to comply with the Continuing Disclosure or Reporting Certificate shall not be considered an Event of Default, and no liability for damages shall attach therefor. The sole remedy for such failure to comply shall be that any Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Town to comply with their obligations under this paragraph.

Section 5.03. Modification of General Bond Ordinance. The following provisions of the General Bond Ordinance are hereby amended, which amendments to the General Bond Ordinance hereinafter set forth below shall not become effective until the earlier of: (1) all the Outstanding Bonds (other than the New Bonds authorized herein) shall cease to be Outstanding; or (2) the Holders of 51% in principal amount of the Bonds (as defined in the General Bond Ordinance) then Outstanding assent to and authorize any modification or amendment to the General Bond Ordinance as amended in accordance with Article XII of the General Bond Ordinance. Any Bonds (as defined in the General Bond Ordinance), including the New Bonds, issued after the date of enactment of this Third Supplemental Ordinance shall contain a reference to the amendments herein made.

(a) The definition of "Additional Bonds" shall be amended by deleting the definition in its entirety and replacing it with the following text:

"Additional Bonds" shall mean any obligations issued after the first Series of Bonds issued and Outstanding under this General Bond Ordinance, which shall be payable from Gross Revenues and security on a parity with Bonds issued under this General Bond Ordinance.

(b) The definition of "Expenses of Operating and Maintaining the System" shall be amended by deleting the last sentence thereof and replacing it with the following text in its entirety:

Notwithstanding the foregoing, Expenses of Operating and Maintaining the System shall not include (i) the payment of interest on Bonds, (ii) any allowance for depreciation or renewals or replacements of capital assets of the System, (iii) any amounts deemed to be payments in lieu of taxes or other equity transfers, (iv) any pension-related and other post-employment benefit-related expenses (other than such amounts actually paid) of the System, (v) any payment or amortization of financing expenses, underwriting discounts, call premiums, losses on the extinguishment of debt due to refinancing of the same, and other related and non-recurring expenses resulting from the issuance or refinancing of long term indebtedness, or (vi) any losses on the sale or other disposition of investments or fixed or capital assets.

(c) Section 5.01(C) shall be amended by replacing the text “and the amount to be deposited during such Fiscal Year” in the first sentence thereof with the following text: “and the amount to be deposited, if any, during such Fiscal Year”.

(d) Section 9.02 shall be amended by deleting such paragraph in its entirety and replacing it with the following text:

The Town further covenants and agrees to make available to the Trustee, if any, or any Bondholder upon request, but not sooner than February 1 after the close of each Fiscal Year, audited financial statements of the Town, made in accordance with recognized accounting practices, which shall include information pertaining to the System; provided, however, that the Town shall be deemed to be in compliance with the requirements hereof to the extent that its audited financial statements are available on the Municipal Securities Rulemaking Board’s EMMA system or similar publically available information repository.

(e) Section 9.04 shall be amended by deleting such section in its entirety.

(f) Section 10.01(A) shall be amended by replacing the text “in such amount as private corporations” with the following text: “in such amount as private corporations or public entities”.

(g) Section 12.02 of the General Bond Ordinance is hereby amended by adding the following text at the end thereof:

The Town expressly authorizes the underwriter or purchaser of any Series of Bonds, or provider of bond insurance for any Series of Bonds, to assent to and consent to such amendments to this General Bond Ordinance as contemplated by this paragraph in the same manner as the Holders of the Bonds.

(h) It is the Town's intention to simplify the formality and process of, and mitigate the cost relating to, the authentication, registration, transfer and exchange, payment and redemption of Bonds, while protecting the security of the Holders of the Bonds. As such, the General Bond Ordinance, including references thereto contained in the Second Supplemental Ordinance and this Third Supplemental Ordinance, is hereby amended as follows:

(1) The definitions of "Paying Agent" and "Registrar" are each hereby amended to replace "any other corporation or association" therein with the following text: "any other corporation or association (including the Town)", and any provisions of the General Bond Ordinance, the Second Supplemental Ordinance or this Third Supplemental Ordinance relating to the registration, transfer and exchange, payment or redemption of Bonds (including generally Article IV of the General Bond Ordinance) shall continue to have effect with respect thereto.

(2) The definition of "Trustee" is hereby amended to replace "the financial institution serving as Trustee" therein with the following text: "the financial institution or other entity (including the Town) serving as Trustee, if any,".

(3) The provisions of the General Bond Ordinance, including referenced sections thereof contained in the Second Supplemental Ordinance and this Third Supplemental Ordinance, related to or requiring the authentication of Bonds (including Sections 4.05 and 4.07 of the General Bond Ordinance) shall have no force and effect if no Trustee has been designated or the Town elects not to continue to designate a Trustee; in such event, any provisions of the General Bond Ordinance referring to a Bond's date of authentication shall instead mean the date of issuance of such Bond.

(4) The provisions of the General Bond Ordinance, including Section 7.04(B) and 7.05(B) thereof, and referenced sections thereof contained in the Second Supplemental Ordinance and this Third Supplemental Ordinance, that require the Debt Service Funds or Debt Service Reserve Funds, if any, to be kept in "the complete custody and control of the Trustee", shall be amended to permit such funds, if any, to be kept in "the complete custody and control of the Trustee, Paying Agent, if any, or the Town".

(5) The provisions of the General Bond Ordinance, including referenced sections thereof contained in the Second Supplemental Ordinance and this Third Supplemental Ordinance, requiring the delivery of items, documents or opinions to the Trustee, shall be amended to require such items, documents or opinions to be delivered directly to the Bondholders, upon request, in the event no Trustee has been designated or the Town elects not to continue to designate a Trustee.

(5) The provisions of the General Bond Ordinance, including referenced sections thereof contained in the Second Supplemental Ordinance and this Third Supplemental Ordinance, requiring the administration of functions by the Trustee, including the procedures to procure Bondholder approvals in Article XII and Events of Default and remedies thereafter described in Articles XIII and XIV, shall be amended such that, in the event no Trustee has been designated or the Town elects not to continue to designate a Trustee, Bondholders shall be authorized or permitted to take direct action

with respect to the Town and not require the Trustee to act on its behalf; further, in the event no Trustee has been designated or the Town elects not to continue to designate a Trustee, the Town shall not have any special or fiduciary duty or liability to the Bondholders as its agent or representative thereof and Article XV of the General Bond Ordinance (as to the duties, responsibilities or liabilities of a Trustee) shall have no force and effect.

(6) The requirements of 30 days' prior notice of the appointment of a substitute Paying Agent or Registrar contained in Sections 15.15 and 15.16 shall not apply with respect to the appointment of the Town with respect to the Bonds to be Refunded to the extent the Bonds to be Refunded are defeased simultaneously with the issuance of the New Bonds.

(7) The provisions of the General Bond Ordinance, including referenced sections thereof contained in the Second Supplemental Ordinance and this Third Supplemental Ordinance, relating to the defeasance of Bonds in Article XVI of the General Bond Ordinance, shall be amended such that any reference therein to "Trustee" shall be replaced with "Trustee or Paying Agent, if any".

ARTICLE VI MISCELLANEOUS

Section 6.01. Further Actions. The Mayor, Clerk, Town Manager, Director of Finance and Town Attorney are hereby authorized and directed to take any and all such further actions as shall be deemed necessary or desirable in order to effectuate issuance of the New Bonds pursuant to the Purchase Contract, to secure a Letter of Credit or purchase the Insurance Policy or Surety Bond (including the execution and delivery of the commitments relating thereto) and to carry out the intentions of this Third Supplemental Ordinance.

Section 6.02. Headings. The headings and titles of the several sections hereof shall be solely for convenience of reference and shall not affect the meaning, construction, interpretation or effect of this Third Supplemental Ordinance.

Section 6.03. Notices. All notices, certificates or other communications hereunder or under the General Bond Ordinance shall be sufficiently given and shall be deemed given when mailed by registered mail, postage prepaid, or given when dispatched by telegram addressed as follows:

If to the Town:

Town of Hilton Head Island, South Carolina
One Town Center Court
Hilton Head Island, South Carolina 29928-2701
Attention: Town Manager

The Town and the Trustee may, by notice given to the other parties, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 6.04. Severability. If any section, phrase, sentence, or portion of this Third Supplemental Ordinance is for any reason held invalid or unconstitutional by any court of competent jurisdiction, such portion shall be deemed a separate, distinct, and independent provision, and such holding shall not affect the validity of the remaining portions thereof.

Section 6.05. Codification. This Third Supplemental Ordinance shall be forthwith codified in the Code of Town Ordinances in the manner required by law.

Section 6.06. Effective Date. This Third Supplemental Ordinance shall be effective upon its enactment by the Council of the Town of Hilton Head Island, South Carolina.

Section 6.07. Repeal of Inconsistent Ordinances. All ordinances of the Town, and any part of any ordinance, inconsistent with this Third Supplemental Ordinance are hereby repealed to the extent of such inconsistency.

PASSED, APPROVED, AND ADOPTED BY THE TOWN COUNCIL FOR THE TOWN OF HILTON
HEAD ISLAND, SOUTH CAROLINA ON THIS ____DAY OF _____, 2017.

David Bennett, Mayor

ATTEST:

Krista M. Wiedmeyer
Town Clerk

APPROVED AS TO FORM:

Gregory M. Alford, Town Attorney

First Reading:
Second Reading:

Introduced by Council Member:

Schedule I

List of the Projects

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA,
STORMWATER SYSTEM REVENUE BONDS, SERIES _____

No. R-____

Interest Rate

Maturity Date

Issue Date

CUSIP

Registered Holder:

Principal Amount:

THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA (the "Town") a public body corporate and politic and a political subdivision of the State of South Carolina (the "State"), created and existing by virtue of the laws of the State, acknowledges itself indebted and for value received hereby promises to pay, solely as hereinafter provided, to the Registered Owner named above or registered assigns, the Principal Amount set forth above on the Maturity Date stated above, unless this Bond be subject to redemption and shall have been redeemed prior thereto as hereinafter provided, upon presentation and surrender hereof at the corporate trust office of _____ in _____, and to pay interest on such Principal Amount at the annual Interest Rate stated above (calculated on the basis of a 360-day year of twelve (12) 30-day months), until the obligation of the Town with respect to the payment of such Principal Amount shall be discharged. Interest on this Bond shall be payable in semiannual installments on _____ 1 and _____ 1 of each year beginning _____, 2018, such installments to be of interest only through _____, and thereafter to consist of installments of interest only on each _____ 1 and principal and interest on each _____ 1. All payments shall be paid to the person in whose name this Bond is registered at the close of business on the fifteenth day of the calendar month preceding each Bond Payment Date (the "Record Date"). The payments shall be payable by check or draft mailed at the times provided herein from the Town (or the Paying Agent or its behalf) to the person in whose name this Bond is registered at the address shown on the registration books. The payments are payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

[If Bond is sold bank-qualified, insert Bank Qualification Rider, if any]

THIS BOND HAS BEEN ISSUED UNDER THE PROVISIONS OF TITLE 6, CHAPTER 21, CODE OF LAWS OF SOUTH CAROLINA, 1976, AS AMENDED AND SECTION 48-14-10 ET. SEQ., CODE OF LAWS OF SOUTH CAROLINA, 1976, AS AMENDED; THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE TOWN WITHIN THE MEANING OF ANY PROVISION, LIMITATION OR RESTRICTION OF THE CONSTITUTION OR THE LAWS OF THE STATE OF SOUTH CAROLINA, OTHER THAN THOSE PROVISIONS AUTHORIZING INDEBTEDNESS PAYABLE SOLELY FROM A REVENUE-PRODUCING PROJECT NOT INVOLVING REVENUES FROM ANY TAX OR LICENSE. THE TOWN IS NOT OBLIGATED TO PAY ANY OF THE BONDS OR THE INTEREST THEREON EXCEPT FROM GROSS REVENUES OF THE SYSTEM. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE TOWN, THE STATE OF SOUTH CAROLINA, OR ANY POLITICAL SUBDIVISION THEREOF.

This Bond shall not be valid or obligatory for any purpose until the Certificate of Authentication hereon shall have been duly executed by the Trustee.

This Bond is one of an issue of bonds of the Town in the aggregate principal amount of _____ Million Dollars (\$_____) of like tenor, except as to number, rate of interest, date of maturity and redemption provides, issued pursuant to and in accordance with the Constitution and statutes of the State of South Carolina (the "State"), including particularly Chapter 21, Title 6, inclusive, Code of Laws of South Carolina, 1976, as amended, Section 48-14-10 et. seq., Code of Laws of South Carolina, 1976, as amended, Ordinance No. 2002-44 duly enacted by the Town Council of the Town (the "Council") on December 3, 2002, as amended (as so amended, the "General Bond Ordinance"), and Ordinance No. _____ duly enacted by the Council on _____, 2017 (the "Third Supplemental Ordinance") (the General Bond Ordinance and the Third Supplemental Ordinance are herein collectively referred to as the "Ordinances") for the purpose of providing moneys, which together with other moneys made available by the Town shall be sufficient to (i) make certain repairs, renovations and improvements to the stormwater drainage system of the Town, (ii) refinance the Bonds to be Refunded, (iii) [satisfy the 2017 Reserve Fund Requirement [through the purchase of a [Letter of Credit][Surety Bond], and (iv)] pay all costs of issuing the Bonds[, including the premium[s] for the Insurance Policy or Surety Bond].

Certain capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Ordinances. Certified copies of the Ordinances are on file in the office of the Trustee and in the office of the Clerk of Court for Beaufort County, South Carolina.

The Ordinances contain provisions defining terms, including the properties comprising the System; set forth the revenues pledged for the payment of the principal of and interest on this Bond and the Bonds of other series herewith which may hereafter be issued on a parity herewith under the Ordinances; set forth the nature, extent and manner of enforcement of the security of this Bond and of such pledge, and the rights and remedies of the Holder hereof with respect thereto; set forth the terms and conditions upon which and the extent to which the Ordinances may be altered, modified and amended; set forth the terms and conditions upon which this Bond is issued upon which other bonds may be hereinafter issued payable as to principal, premium, if any, and interest on a parity with this Bond and equally and ratably secured herewith; sets forth the rights, duties and obligations of the Town thereunder; and set forth the terms and conditions upon which the pledge made in the Ordinances for the security of this Bond and upon which the covenants, agreements and other obligations of the Town made therein may be discharged at or prior to the maturity or redemption of this Bond with provisions for the payment thereof in the manner set forth in the Ordinances. Reference is hereby made to the Bond Ordinance to all of the provisions of which any holder of this Bond by the acceptance hereof thereby assents. The provisions of the General Bond Ordinance pertaining to (1) the definitions of the "Additional Bonds," "Expenses of Operating and Maintaining the System," (2) the ability of underwriters, purchasers or bond insurers to assent to amendments to the General Bond Ordinance, and (3) certain other provisions of the General Bond Ordinance, have been amended by Supplemental Ordinances to the General Bond Ordinance. The provisions of the Act and the Ordinances shall be a contract with the holder of this Bond.

This Bond and the Series of Bonds of which it is one and the interest thereon are special obligations of the Town and are secured by and payable solely from, and secured equally and ratably by a pledge of and lien upon, the Revenues (as defined in the General Bond Ordinance) derived by the Town from the System.

The General Bond Ordinance authorizes the issuance of additional bonds on a parity with the Bonds of this issue which, when issued in accordance with the provisions of the General Bond Ordinance, will rank equally and be on a parity herewith.

This Bond and the interest hereon are exempt from all State, county, municipal, school district, and all other taxes or assessments imposed within the State, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise, except inheritance, estate, transfer and certain franchise taxes.

This Bond is transferable, as provided in the Ordinances, only upon the registration books of the Town kept for that purpose and maintained by the Trustee, by the Holder hereof in person or by his duly authorized attorney, upon (a) surrender of this Bond and an assignment with a written instrument of transfer satisfactory to the Registrar, duly executed by the Holder hereof or his duly authorized attorney and (b) payment of the charges, if any, prescribed in the Ordinances. Thereupon a new Bond of the same aggregate principal amount, maturity and interest rate shall be issued to the transferee in exchange therefor as provided in the Ordinances. The Town, the Trustee and the Registrar may deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of or on account of the principal or redemption price hereof and interest due hereon and for all other purposes.

For every exchange or transfer of this Bond, the Town or the Trustee or Registrar, as the case may be, may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer.

[Redemption Provisions]

If less than all the Bonds of any maturity are called for redemption, the Bonds of such maturity to be redeemed shall be selected at random by the Trustee or Registrar, if any. In the event any of the Bonds or portions thereof are called for redemption, the Trustee or Registrar, if any, shall give notice, in the name of the Town, of redemption of Bonds by first-class mail, postage prepaid, to the Holder thereof as shown on the Books of Registry of the Town and to such Securities Depositories as the Town may designate not less than thirty (30) days and not more than sixty (60) days prior to the date fixed for the redemption thereof. If this Bond be redeemable and shall have been duly called for redemption and notice of the redemption hereof mailed as aforesaid, and if on or before the date fixed for such redemption, payment thereof shall be duly made or provided for, interest hereon shall cease or accrue from and after the redemption date hereof.

It is hereby certified and recited that all conditions, acts and things required by the Constitution and statutes of the State to exist, be performed or happen precedent to or in the issuance of this Bond, exist, have been performed and have happened, that the amount of this Bond, together with all other indebtedness of the Town, does not exceed any limit prescribed by such Constitution or statutes.

This Bond shall not be valid or obligatory for any purpose until the Certificate of Authentication hereon shall have been duly executed by the Trustee.

IN WITNESS WHEREOF, THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA has caused this Bond to be signed by the manual or facsimile signature of its Mayor, its corporate seal to be reproduced hereon and the same to be attested by the manual or facsimile signature of its Town Clerk.

THE TOWN OF HILTON HEAD ISLAND,
SOUTH CAROLINA

By: _____
Mayor

(SEAL)

ATTEST:

By: _____
Town Clerk

FORM OF CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds of the issue described in the within mentioned Ordinance.

_____, as Trustee

By: _____
Authorized Agent

Date: _____

FORM OF ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

(please print or type name and address of Transferee and Social Security or other identifying number of Transferee)

the within Bond and all rights and title thereunder, and hereby irrevocably constitutes and appoints attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Date: _____

STAMP Language

Signature Guaranteed: _____

NOTICE: Signature(s) must be guaranteed
By an institution which is a participant in the
Securities Transfer Agent Medallion Program
(STAMP) or similar program.

NOTICE: The signature to this assignment
must correspond with name as it appears
upon the face of the within bond in every
particular, without alteration or enlargement
or any change whatever.