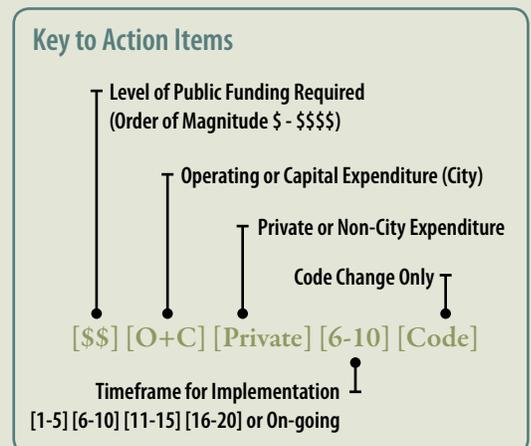




CHAPTER TEN: ECONOMIC PROSPERITY





10 ECONOMIC PROSPERITY

The character and composition of a city is strongly based on the economy of the area. The opportunity for employment and the type of occupations determine the standard of living and quality of life of its citizens. Beaufort is currently best known for its southern charm, rich history, arts scene and picturesque quality of life — as identified by its downtown and waterfront park.

And while there has been significant development in northern Beaufort County over the last decade, the City population has grown very little. This lack of population growth generally has had little effect on the revenues for the City as the changes in state taxation policy over the past decade have dramatically shifted the tax burden away from homes to commercial development and tourism. As a result the predominately modest homes that comprise most of the City have had to pay a decreasing tax burden while consuming larger amounts of government resources.

The financial success of Beaufort is therefore reliant upon strategically refocusing revenue generation and delivering government services that are efficient and responsive to this new revenue paradigm. Together, this supports a strategy for continued economic development in commercial sectors (as outlined in the 2004 Plan) and quality of life through efficient infill and mixed-use development within the City boundaries.

The approach taken in this plan is unlike many plans that simply assess the economic climate of the City of Beaufort by examining past labor and economic trends in the community and then projecting these trends into the future. This paints an incomplete picture and assumes that the failures or successes of the past will continue into the future. By contrast, the lack of growth and the changing revenue structure over the past decade must call into question the need for radical transformation. As a result, this plan makes recommendations about how to change the past trends to achieve a new level of prosperity.

Key Recommendations

- EP 1.0 Aggressively Promote Economic Development in all Sectors
- EP 2.0 Prioritize Infill and Redevelopment
- EP 3.0 Provide Efficient City Services

Key Principles

5 | Economic Development

A strong, vibrant, and healthy economy will be achieved through a successful economic development program in order to ensure the long term success and viability of the City of Beaufort. We must support the continuation and expansion of our primary economic engines - tourism, the military, health care, and education - while also seeking to expand opportunities for the arts and the recruitment of creative/knowledge-based industries.



Continue recruiting employment to the City



Promote the unique quality of life of the City



Make commercial real estate available throughout City

ECONOMIC DEVELOPMENT IN SOUTH CAROLINA: AN OVERVIEW OF RECENT TRENDS AND FUTURE PROSPECTS

“Local economic development policy responses to the new competitive environment can be divided into low road versus high road approaches. The low road strategy attempts to enhance the community’s competitive advantage in recruiting traditional manufacturing firms by focusing on local production costs. The cost of doing business in a community may be reduced through tax cuts, holidays, or abatements; subsidized labor training programs; or labor, land use, and environmental regulations favorable to prospective firms. This type of industrialization strategy has been used successfully by many South Carolina communities in the past to increase their base of manufacturing firms. However, these policies are less likely to provide significant long-term economic development in the new competitive environment.

First, the low road approach focuses on traditional manufacturing—a sector of declining importance in terms of providing jobs. Moreover, competition for manufacturing facilities now comes from cities in Mexico and Korea as well as those in Ohio and New Jersey. Matching the costs of foreign locations will be more problematic than undercutting those of Northern cities. Second, the growth sectors of the future (services, trade, small businesses, high tech manufacturing) favor locations with skilled labor, appropriate infrastructure, and high quality of life. Locations offering primarily low wages, rents, and taxes are not necessarily attractive to these sectors. Third, the low road approach may not be sustainable over the long run. Low taxes may result in a decline in the quality of public services and infrastructure over time, and lax environmental and land use regulations may reduce the local quality of life. If so, industrial development efforts in the future will be impaired.

High road development strategies, on the other hand, focus on providing a local environment conducive for nurturing business start-ups and attracting firms in the high growth 16 sectors of the future. The high road approach emphasizes policies and programs to provide a long term profit maximizing location for new, expanding, and relocating businesses instead of a short term cost minimizing location for manufacturing recruits. The profit maximizing location is characterized by the high quality of life necessary to attract professionals and entrepreneurs; the educated and skilled labor force desired by high tech and flexible production activities; the public services and infrastructure required for the rapid transfer of goods and information, and the public leadership and institutions that enable communities to evolve successfully as political and economic systems change.

In summary, sustainable community economic development in the new competitive environment requires a balanced, holistic approach. The foundations of this strategy are policies and programs that address five critical areas: education and labor skills, local quality of life, the financing and provision of public goods and services, comprehensive land use planning, and leadership development and institutional support. Communities that successfully address these critical areas will significantly enhance their prospects for growth and development in the new economy.”

David Barkley. “Economic Development in South Carolina: An Overview of Recent Trends and Future Prospects.” REDRL Research Report 08-2001-01, Clemson University, 2001. (http://cherokee.agecom.clemson.edu/redrl_rpt1.pdf)

EP 1.0 | AGGRESSIVELY PROMOTE ECONOMIC DEVELOPMENT

The economic base of a community is reflected in its per capita and household income, educational attainment, labor force and employment segmentation. The City's economic base is determined by its job growth, which creates demand for real estate, thus providing both residential and commercial tax base resulting from such growth.

The job market in South Carolina has been declining since January 2008. The greatest decline by far is in Construction, which has fallen 13.1%. Beaufort County's economic base is currently dependent upon (in order of ranking): Real Estate (rental & leasing); Tourism - Arts, Entertainment & Recreation; and Accommodation & Food Services - all of which are highly volatile in today's fragile economy. While the City is clearly dependent upon these employment sectors, its economic base is more complex and in some ways more stable than that of the greater county. The top seven primary employment sectors for the City's residents include the military, health care, retail trade, education, construction, public administration, and accommodations/food service.

The economic base is differentiated from the tax base as it does not necessarily relate directly to the revenue streams of the City. Much of the City's current revenue is in fact heavily dependent on general business activities, retailing and tourism - all of which have been impacted by the current recession. Therefore, Beaufort must continue to implement programs which will move toward diversifying both its workforce and its economic base if it is to remain viable and grow to be sustainable.

EP 1.1 Support the Expansion of the Current Economic Base - Higher Education, Medical Services, and the Military. USC-Beaufort, MCAS-Beaufort, Technical College of the Lowcountry, and Beaufort Memorial Hospital along with Parris Island and the US Naval Hospital serve as the major employers in the area - all but one of which are government-funded services. The employed population in the City of Beaufort includes 64.60% white collar jobs (highest in the County), 16.50%



Beaufort Memorial Hospital is the area's largest non-governmental employer.

THE ECONOMIC IMPACT OF THE MILITARY IN BEAUFORT

Much of Beaufort's economy is dependent upon its area military installations. The Marine Corps Air Station-Beaufort (MCAS-Beaufort), Parris Island, and the US Naval Hospital. These bases not only drive local employment through direct jobs as well as contractor work but also tourism with frequent military graduations and other family visitations. Data from the MCAS-Beaufort suggests that the MCAS facilities have a direct economic impact of \$509.2 million. Results from the Base Realignment And Closure Act (BRAC) indicate no significant increase in base population in the coming years, but rather reallocation of personnel to accommodate new equipment and technologies.



The Base population includes 4,210 Military personnel, 1,118 civilians and 5,327 Military family members — totalling 10,655 persons. It is estimated that approximately 60% of the employed personnel and their families live off base. This translates into a population of approximately 8,525, or some 3,674 households, many of which are reported to live outside the City of Beaufort. This is reportedly due to the issue of affordability of housing and housing choices in Beaufort. While the number of families living outside of Beaufort is not clear, it is likely that there is limited connection between those base employees and enlisted personnel living elsewhere and the City of Beaufort. Therefore, the primary impact to Beaufort currently includes the base daytime employment population to support retail uses, restaurants and services in and around the base along Boundary Street.



USC Beaufort Campus



Technical College of the Lowcountry

“We can build an economy that does not destroy its natural support systems, a global community where the basic needs of all the Earth’s people are satisfied, and a world that will allow us to think of ourselves as civilized. This is entirely doable.”
 ~ Lester Brown, Earth Policy Institute

service jobs and 18.80% blue collar jobs. Recruitment of business that support and cluster existing sectors including military, healthcare and education, and provide competitive labor, capital, materials and locations will ensure continued job growth in a variety of sectors. The largest economic gains in the region will come from the continued successful expansion of these individual institutions. Therefore, the City and its related economic development partners must continue to seek ways to ensure the long-term viability of each entity. [Private]

EP 1.2 Take leadership role in institutional development. The City should take a leadership role in institutional development—preserving and strengthening the major institutions in the area—hospital, military, government, education, and business. [\$] [O] [Ongoing]

EP 1.3 Focus on Small Business Recruitment and Retention. Long acknowledged by local economic development officials, the opportunity to recruit a large employers or manufacturer to the region is a strategic challenge. With the exception of the major institutions noted in the previous recommendation, it is the lowcountry lifestyle that attracts the remainder of the community’s economic base—retirees, artists and location-independent entrepreneurs who seek the quality of life offered by the region.

According to ZoomProspector (zoomprospector.com), an online business location tool, in 2008 the Beaufort area had more than 965 small businesses (business with less than 20 employees). When factoring in the same area’s estimated population of 11,778 people and 6,390 person job force, the Beaufort area is clearly a hotbed of entrepreneurial activity. In fact, by most widely accepted measures, Beaufort scores well in small business opportunities. ZoomProspector evaluates locations based on a formula weighing the following 11 factors: workers with at least a bachelor’s degree; white-collar workers; “young and educated” population; workers in “creative” professions; international talent; universities; patents; venture-capital funding; small businesses per capita; sole proprietors per capita; and startups per capita. The key issues facing small business startups in Beaufort will be focused on the availability and pricing of office, flex, and incubator space, and other supportive services. [Private]

EP 1.4 Create a Business License Program that is Tied to Economic Development Goals. Given the restrictions in levying property taxes imposed by the General Assembly, the best way for the City to encourage economic development is through their business license program. As a tax on the gross receipts of any company operating within the city limits, the business license program has perhaps the widest latitude of nearly any revenue program of the City, with few restrictions on the overall taxation policy. In Fiscal Year 2009, the Business License program represented nearly 30% of the total revenue of the City, more than any other single category. As a result, the reliance on this program for revenue growth will be increasingly important. Likewise, the ability of a City to use this program to incentivize certain goals may likely be the most flexible tool. [\$] [O] [1-5]

EP 1.5 Support Expansion of Higher Education. The working population of those 25 years and older by educational attainment provides insight into skills of the local labor force. The 2008 estimates for the City of Beaufort show improvement over 2000 census data with 39% of the population holding a college degree. Beaufort ranked second highest compared to other Beaufort County jurisdictions with 12.50% of the population holding graduate or professional degrees. Hilton Head Island

ranked the highest with 32.80% holding a bachelor's degree and 15.70% holding graduate or professional degrees. This far exceeds both state and national indices but is likely driven by in-migration to the area. Workforce readiness and technical skills will be essential. [Private]

Technical College of the Lowcountry (TCL): Technical College of the Lowcountry (TCL), one of sixteen comprehensive two-year technical colleges in South Carolina, is a locally governed, publicly supported college with its main campus in Beaufort. With over 75 programs serving more than 2000 students in some of the Lowcountry's and the nation's fastest growing career fields including nursing, web design, network engineering, paralegal, civil engineering and college transfer programs, the College offers programs for high school seniors, recent high school graduates as well as for individuals seeking to re-enter the workforce at 3 campuses and 2 on-base facilities. *With the initiatives of the federal government regarding climate change, a sustainability program should be considered as an essential degree that will both prepare students for this emerging field as well as assist employers in responding to our changing world. This program should combine energy efficiency measures of buildings with site design techniques such as stormwater management and solar/wind energy.*

USC-Beaufort (USCB): The University of South Carolina Beaufort, a small (1,000 to 3,000 students/fall headcount enrollment) senior campus of the state's largest public university, brings the University of South Carolina's statewide mission of teaching, research, scholarship, and public service to the rapidly growing Lowcountry of South Carolina. USCB offers baccalaureate degrees that respond to regional needs, draw upon regional strengths, and prepare graduates to participate successfully in communities here and around the globe. The campus also supports the USC Extended Graduate Campus, which provides local access to graduate courses and programs. USCB offers programs in mathematics and the natural sciences, humanities, and professional and social sciences. *Given the fact that Beaufort is a known destination for the arts with a very strong local arts presence, USCB should continue to investigate programs and fields of study that foster this burgeoning field. In addition, the City should consider a partnership with USCB to create an environmental laboratory at the Southside Park and/or arts programming at the Arsenal building.*

EP 1.6 Continue to Seek Ways to Expand Tourism. The City has enjoyed a strong tourism industry that is supported by military visitors, local arts, history and culture. Tourism also includes the natural beauty of its intercoastal waterways and the centerpiece of a string of barrier islands. Efforts by the Chamber of Commerce include studies to expand conferences, meetings and facilities. Nationally, trends in travel and tourism have shown a decline, including a significant drop in roadway travel in August, 2008 due to high gasoline prices, according to the Federal Highway Administration. This trend bears watching carefully, particularly in the short term, largely due to the changing global economy and shifts in gas and energy use.

The City is dependent on tourism to fill its hotel rooms, eat at the restaurants on Boundary Street, and shop at the art galleries along Bay Street. From the waterfront to the historic neighborhoods to the museums, the cultural offering play an important role in tourism and must continue to be supported and expanded. [Private]



Local high school band performs in Memorial Day Parade

EP 2.0 | PRIORITIZE INFILL AND REDEVELOPMENT

The current expense of extending city services well beyond the current municipal boundary and the restrictive nature of the current annexation laws make the need for infill and redevelopment a high priority for Beaufort. In addition to being more economically efficient to serve existing areas of the community, but it is also much more environmentally friendly to re-use previously undeveloped or under-developed land rather than consuming virgin land.

- EP 2.1 Refocus on the Downtown.** The downtown needs to remain a “Central Place” in the community as a tourist location and as a living community center. Continued investment in the location of jobs and housing will bolster the investment in Waterfront Park and other retail areas along its waterfront. Therefore, a strategic focus on promoting housing and employment in the downtown will maintain it as a special place for which it has become known and by which Beaufort gets much of its identity. As has been suggested in Section 11.2, the City needs to complete a formal downtown plan that addresses parking, infill, tourist management (orientation, parking, and walking/carriage tours) and business recruitment/retention. [\$\$] [O] [1-5]
- EP 2.2 Continue Implementation of the Boundary Street Master Plan.** The Boundary Street Master Plan was adopted in 2006. The plan is a comprehensive strategy for growth and redevelopment of the Boundary Street corridor, which seeks to enhance the entrance to the city. The form-based code has been adopted and is currently being implemented by the City. The next phase of work is the completion of construction drawings and construction of the improvements to Boundary Street. This \$22 million project is considered the highest priority for northern Beaufort County and its funding is available through a dedicated one percent (1%) sales and use tax approved in 2006. [\$\$\$\$] [C] [1-5]
- EP 2.3 Complete Neighborhood and District Redevelopment Plans.** There are a number of key areas that are ripe for redevelopment as noted in Chapter 11: Catalyst Sites and Focus Areas. Those areas include: Lafayette Street, Northwest Quadrant/Bladen Street, Lady’s Island Gateway, Burton, the Robert Smalls Village Center, and the Southside Neighborhood. As funding allows, the City should complete master plans that will guide future public investment and private development/redevelopment activity in those areas. [\$\$] [O] [1-5, 6-10]
- EP 2.4 Consider the Use of Municipal Improvement Districts (MID).** Under the Municipal Improvement Act of 1999, municipalities can set up special improvement districts and assess property owners in the districts for improvements (capital projects) and services (operational expenses) in specific areas. Residential properties are exempt from this program unless the property owner grants permission to be included. Like common area charges in condominiums or shopping centers, this revenue stream offers the opportunity to provide focused and unique services in a defined area without burdening the rest of tax base. This type of localized financing might be appropriate for the Highway 170-Boundary Street corridor, the Bladen Street corridor, and the downtown area. [Revenue]

CONCEPTUAL INFILL AND REDEVELOPMENT PLANS ▼

Clockwise from top left: Downtown, Lafayette Street, Northwest Quadrant, and Southside Park



EP 2.5 Target Sites for Redevelopment. The role of the Redevelopment Commission is to facilitate the redevelopment of site or buildings throughout the City. The Commission should identify specific sites to be targeted for redevelopment within the City such as the Von Harten Building, the Pickle Factory and the Old Jail and develop marketing plans to facilitate these efforts. [\$\$] [O] [1-5, 6-10]

EP 2.6 Replace the Current Redevelopment Incentive Program with a New Program. Since the last Comprehensive Plan update in 2004, the City has re-activated the Redevelopment Commission. The Commission is charged with researching and recommending redevelopment projects within the City of Beaufort, coordinating, reviewing, and recommending redevelopment plans for projects to City Council, facilitating negotiations necessary for the execution of redevelopment plans, and overseeing project implementation. They are presently helping to guide the implementation of the Boundary Street Master Plan as well as advising the City on the new Southside Park. As part of their role they should thoroughly investigate innovative options to incentivize redevelopment beyond

what is already available.

The current policy - the Beaufort Redevelopment Incentive Program - was established in 1998 as an incentive for downtown development, redevelopment of older commercial corridors, and to encourage new forms of residential development. Development incentives in the form of a rebate of City taxes (generally three years worth) are available for the following activities:

- Purchase and occupancy of a commercial building anywhere in the City which has been vacant for over a year. (These projects are eligible for a rebate of five years worth of City taxes.)
- New construction or substantial renovations to existing structures in the downtown area.
- Development of residential units above first floor commercial uses in the downtown area. (The reimbursement payment for these projects is doubled.)
- New construction or rehabilitation of structures for the purpose of providing housing to students enrolled full or part-time at the University of South Carolina Beaufort or the Technical College of the Lowcountry.
- Development of an accessory dwelling unit (i.e., “guest cottage” or “mother-in-law apartment”).
- New construction on vacant lots in the U.S. Highway 21/Boundary Street Corridor.
- Substantial renovations or improvement of property in the U.S. Highway 21/Boundary Street Corridor.
- Rehabilitation of vacant, abandoned structures located in the Historic District.

This current policy has been largely ineffective because it is not appropriately tied to the actual major sources of revenue for the City nor are these current incentives significant enough to offset the cost of infill and redevelopment activities which are often significantly more expensive than their greenfield counterparts. There are a number of programs worth considering as a means to incentivize preferred development patterns. These include:

- Business Licence exemptions/rebates
- Permit Streamlining
- Completion of Specific Plans that “Pre-zone” Development
- Tax Increment Financing Districts (TIFs)
- Municipal Improvement Districts (MIDs)
- Property Tax Rebate for Retail Facilities Revitalization (In accordance with the Textile Communities Revitalization Act of 2005)
- Coordination of State and Federal CDBG Funds for Redevelopment
- Property Purchase by the City
- Other Innovative Public-Private Partnerships

[Code]

REDEVELOPMENT
INCENTIVE PROGRAM

THE BEAUFORT REDEVELOPMENT INCENTIVE PROGRAM
City of Beaufort, South Carolina

The Beaufort Redevelopment Incentive Program, formerly the Beaufort 2003 Program, was established in 1998 as an incentive for downtown development, redevelopment of older commercial corridors, and to encourage new forms of residential development. Development incentives in the form of a rebate of City taxes (generally three years worth) are available for the following activities:

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For more information, call the City of Beaufort Department of Planning and Development Services at (843) 525-7011.