Economics
Traditionally, the Economics Element focused on data and analysis related to unemployment, employment by industry, and labor force characteristics of a community. For the 2015 Comprehensive Plan, these items will be discussed less extensively. This is because the economy of Folly Beach, when viewed in terms of major industry, number of employees, and labor force is relatively static. The City has very little physical space or market opportunities to attract major new employers or industry. Rather than repeat the conclusions of prior plans, the 2015 Comprehensive Plan will focus on the primary municipal revenue sources and the economic impact of Folly Beach beyond its borders.

Employment
According to the 2006-2010 American Community Survey 5-Year Estimates by the US Census Bureau, approximately 1,650 (67.8%) of the residents of Folly Beach aged 16 years or older are considered to be in the labor force. The unemployment rate is calculated at 2.8% which is significantly lower than both the state and national averages.

The majority of workers on Folly Beach commute to work alone in their personal car. Only 2.5% of workers reported carpooling and 6.1% reported walking to work. Of note is a 0% response rate for commute by public transit. This reflects the unavailability of convenient, regular transit from Folly Beach to regional employment centers.

Table XXX: Commute Time illustrates an important fact about employment in the City of Folly Beach. Most of the people who live on the island do not work here. Even given a generous 15 minutes to commute from one end of the island to the other by car, or walk approximately 1 mile to work, only 29% of the estimated 1,585 workers on Folly Beach would be commuting within the City. The most common commute times fall between 20 and 45 minutes and include 55% of the work force. Accounting for traffic, this would include an area consisting roughly of most of the core of the Tri County Area including inner Mount Pleasant, North Charleston, Downtown, West Ashley. The number of long distance commuters with trips longer than 45 minutes is approximately 12.5% percent.

<table>
<thead>
<tr>
<th>TABLE XXX Commute Time</th>
<th>Did not work at home:</th>
<th>Less than 5 minutes</th>
</tr>
</thead>
<tbody>
<tr>
<td>All workers</td>
<td>Estimate</td>
<td>Estimate</td>
</tr>
<tr>
<td>1,585</td>
<td>1,445</td>
<td>210</td>
</tr>
<tr>
<td>5 to 14 minutes</td>
<td>15 to 19 minutes</td>
<td>20 to 29 minutes</td>
</tr>
<tr>
<td></td>
<td>Estimate</td>
<td>Estimate</td>
</tr>
<tr>
<td>105</td>
<td>150</td>
<td>465</td>
</tr>
<tr>
<td>30 to 44 minutes</td>
<td>45 to 59 minutes</td>
<td>90 minutes or more</td>
</tr>
</tbody>
</table>
The labor force on Folly Beach trends towards professional level occupations with 44% of the workers listed as working in management level positions. Just over 10% are employed in the service industry and 23% work in sales or office positions. Natural resources, construction, and transportation trades complete the employment picture with 22% of the workers.

**Income**
The median household income of $57,734 on Folly Beach outpaces the county, state, and federal averages ($50,133, $44,163, and $52,250 respectively).

**Municipal Revenues**

**Property Taxes**
In Folly Beach, owner-occupied home are assessed for tax at 4% and second homes or investment properties are taxed 6% on rental and second homes of their fair market value. The millage rate that Folly Beach sets for property tax is based on these values. In 2014, the millage rates for the City of Folly Beach and Charleston County were 32.4 and 181.6, respectively, for a combined rate 214.0. The 32.4 millage rate paid by Folly Beach residents is higher than other nearby islands. Residents on the Isle of Palms and Sullivan’s Island pay 22.9 and 29.30 mils respectively. However, this comparison doesn’t take into account the fact that mil rates are based on total tax value. The combined taxable valuable for those communities is higher than Folly Beach. As a result, the property tax collections are actually higher despite a lower mil rate. Property tax payments on Folly Beach are also offset by a credit that is generated by the local option sales tax. The sales tax credit on Folly Beach is higher than both Sullivan’s Island and the Isle of Palms.

Since 2012, property taxes have held steady at approximately 35-38% of total revenues for the City. In 2015 property taxes paid by full time residents on owner occupied homes account are projected to account approximately 40% of this total or 15% of total revenues.

Although property taxes remain a major revenue source, property taxes as a source of revenue growth for municipalities have generally diminished since 2007 due to the South Carolina General Assembly ratifying a property tax assessment cap approach. Since that time, property tax collections as a percentage of total local government revenue have declined while the local government expenditures have generally been increasing. Although the law allows the City to raise property taxes by a certain amount each year (calculated based on population growth and the Consumer Price Index), the City has generally refused to raise the mil rate. This means that the City of Folly Beach continues to face the challenge of sustaining tax revenue flows while coping with increasing government expenditures needed to adequately serve both their residents and seasonal visitor populations.
Sales and Other Taxes
South Carolina allows municipalities to levy several types of taxes on certain services and goods. These taxes follow the same approach as sales taxes and are levied as a percentage of the sales amount. The following is a brief description of the tax rates of Folly Beach and the service or goods subject to the tax.

State Accommodation Tax (SC A-tax): The charge for providing accommodations subject to the statewide sales tax rate of 5% plus a 2% State Accommodations tax. This 2% tax is returned to the counties/municipalities in which they are collected with each county getting a minimum distribution as defined by law. However, uses of these tax revenues are legally restricted to advertising, promotion, and tourism related expenditures, which can include funding of beach renourishment and access projects. The City of Folly Beach has a history of disbursing State A-tax money to local organizations for tourism related expenditures. However, over the last few, the City itself has applied for an increasing amount of the State A-tax funds to pay for municipal expenses that are tourism related. In 2014, applications by the City for various services totaled almost half of all applications for State A-tax distributions. A

Local Accommodation Tax (Local A-tax): This tax is imposed on the short term rental of any accommodation within the City and is also legally restricted to advertising, promotion, and tourism related expenditures. After a referendum in December, 2014, as required by South Carolina statues, the City’s Local A-tax was increased from 1% to 2%. Money collected from the 1% A-tax is given to the Tourism, Visitors, and Promotion Committee. The TVPC is a registered nonprofit that acts as the designated marketing agency for the City. The additional money collected by the new A-tax must be earmarked for beach preservation.

Hospitality Tax: It is a 2% excise tax that the city levies on prepared meals and beverages sold in establishments within the city. Currently the hospitality tax is used to fund a $40 thousand dollar annual contribution to the City’s capital reserve account and a $150 thousand dollar annual contribution to the Public Safety Department. Any money collected beyond these allocations is rolled over into the Beach Preservation Account.

Local Option Sales Tax (LOST): This general 1% sales tax that is levied on all retail sales that are taxable per the South Carolina sales taxes. Unlike other taxes, the Local Option Sales Tax does not result in significant revenue for the City. Instead, it is credited back to the residents as a break on property taxes. State law requires that at least 71% of it is used this purpose.

Sales and Excise taxes (most importantly A-tax) are a major revenue source for both the General Operating Fund of the City and the Beach Preservation Fund which pays for beach renourishment. The share of total revenue generated by these taxes has steadily increased over the 5 years. In 2009 they accounted for 21.5% of the total revenue for the City. This increased to 35.3% in 2014 which means that sales and excise taxes now account for an almost equal share of total revenue as property taxes. This reflects both the increase in total visitors and the increase in the underlying prices that determine the taxes. Although the City has benefited greatly from steadily climbing tax receipts, the increases cannot be guaranteed in the future. The collection of these taxes is highly dependent on factors such as weather and the economy. Unlike property taxes, which are generally steady and can be adjusted through mil rates, these taxes cannot be adjusted to compensate for off years. The City already relies to a high degree on this
money to fund ongoing, tourism related expenses. Without high collection rates, these services would need to be cut or funded from other sources.

**Short Term Rentals**

Short term rental accommodations are the highest taxed service in Folly Beach. The following breakdown shows the total taxes paid on accommodations in the City.

- 5.0% State Sales Tax
- 1.0% Local Option Sales Tax
- 1.0% Charleston County School Board Sales Tax
- 0.5% Charleston County Transportation Tax
- 2.0% State Accommodations Tax
- 2.0% Charleston County Accommodations Tax
- 2.0% City of Folly Beach Accommodation Tax (As of January 1, 2015)
- **Total: 13.5%**

Justification for these taxes is based on the theory that they are paid by tourists and other visitors and not by permanent residents. The high number of visitors is what causes the need for increased services. This allows the City to partially recoup the expenses they cause. Moreover, these tax revenues can also be used to enhance tourism related economic development including amenities such as beach renourishment that both attract and benefit visitors.

**Economic Impact of Folly Beach**

The beachfront is the primary economic asset of Folly Beach. The costs to maintain the beach in the face of increased erosion is daunting. The City realizes that it will need to secure money from other agencies as part of the total cost sharing. In order to quantify the economic benefit that Folly provides to these other areas, the City commissioned *The Folly Beach Economic Impact Study*. Highlights of the study, prepared by the College of Charleston School of Business, are included below.

- The City of Folly Beach’s economy has had an **average annual growth rate of about 11% since the end of Great Recession in 2009**, a robust rate much higher than that of similar Charleston area beach communities as well as that of Charleston County.

- Based upon an analysis and subsequent extrapolation of data from a periodic Charleston area visitor survey conducted by the Office of Tourism Analysis (OTA) at the College of Charleston, the number of annual Charleston area visitor trips that included visiting Folly Beach was **estimated to be nearly 1 million and this total represented about 21% of all Charleston area visitor trips** during 2014. The overall average traveling party sizes, 2.5 adults, remained consistent with recent OTA survey results. Moreover, **beach activities remained among the important reasons to visit** as well as one of the most enjoyable aspects of a Charleston area visit.

- Including multiplier effects, estimated spending by Charleston visitors attributable to the Folly Island beach area generated **approximately $117 million in business revenues** that
supported about **1,200 jobs and provided nearly $40 million in income** including employee benefits for South Carolina residents in 2014.

- It was also estimated that Charleston area visitor spending attributable to the City including its beach areas generated approximately **$22 million in annual tax revenues for the federal, state, and local governments during 2014**. Also, these tax revenues not only include the usual tourist type taxes (e.g. accommodation taxes, etc.) but include various property taxes and other indirect taxes paid by tourism oriented businesses.

- Just as important as economic impacts, beaches also generate other benefits with values that can be monetized. For example, the economic value of one recreational beach day was conservatively estimated at about $6.15 per person, and the extrapolation of this values leads to an estimated annual total economic recreational value of the City’s beach area **being $4.5 million in 2014**, which includes both non-resident and resident recreational beach users.

- We projected that Charleston area households would collectively place an **annual $4.2 million value on protecting the marine turtle species** that depend upon Folly Island’s front beach area as nesting habitat.

- Additional economic values related to Folly Island beach renourishment projects included providing storm damage reduction/protection of beach front properties and structures that had an approximate total market value of **$465.2 million (2013 dollars)**. This total value **includes important government infrastructure assets** vital to public beach access, such as Charleston County’s popular Folly Beach County Park and the Folly Beach Fishing Pier, and beach front parking lots and walkovers that the City has been proactively maintaining.

- The **periodic renourishment of the Folly Island front beach area has helped maintain, if not improve, appreciation rates of the City’s front beach private property value**. This effort thus benefits property owners and enhances the City’s tax base and dedicated tourism funds needed to proactively manage Folly Island’s unique beach areas.

In summary, this study’s findings clearly indicate that substantial amounts of the economic impacts and related tax revenues are generated by Folly Beach. These economic impacts can obviously flow far beyond the City’s jurisdiction and therefore benefit Charleston area and South Carolina residents, not just Folly Beach residents.

**Goals**

**Implementation**