



## Wheels up

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# Tensions run high during short-term rental debate

By Patrick Hoff  
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The city of Charleston has spent almost two years studying and discussing how to regulate the short-term rental industry — which is currently illegal but still rampant — but many say the resolution is still a ways off.

“I would say it’s premature to think

this is wrapping up,” said Chris Cody, manager of advocacy and staff attorney at Historic Charleston Foundation and a member of the city’s Short-Term Rental Task Force.

The city’s 18-member task force concluded in late September, delivering its recommendations and a draft ordinance to the Planning Commission. Since then, the commission has publicly discussed short-term rentals on five occasions, three of which were meetings or

workshops solely devoted to the topic.

The most recent meeting, a regularly scheduled Planning Commission meeting in December, saw the issue deferred again because some commissioners were absent and chair Gordon Geer said he wanted the commission to have more time to digest the complex subject.

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# INNOVATING DEVELOPMENT

Developers want to transform a downtown site in the Westside from gravel parking lots into mixed-use projects. They envision WestEdge becoming a cluster of medical companies, commercial spaces and apartments. Page 12

Photo/Kim McManus

# Acquisitions alter picture of S.C. power

By Melinda Waldrop  
and Travis Boland

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The future of two major players in the V.C. Summer nuclear plant saga has become clearer as a pair of significant acquisitions stands poised to alter the state’s power industry.

Virginia-based Dominion Energy is set to acquire Cayce-based SCANA Corp. in a \$14.6 billion deal that could include refunds for residential customers of SCANA subsidiary S.C. Electric & Gas Co. Inc. Those ratepayers have shelled out \$1.8 billion in higher rates as SCE&G and project co-owner Santee Cooper poured a combined \$9 billion into twin nuclear reactors at the V.C. Summer power plant before abandoning the project soon after contractor Westinghouse filed for bankruptcy in April.

Speculation has swirled about the future of all players in the project, with SCANA facing subpoenas and lawsuits and Santee Cooper being shopped by Gov. Henry McMaster, who is fed up with what he has called mismanage-

See **POWER**, Page 10 ►

## Opioid crisis

Gov. Henry McMaster and state legislators take on the issue of prescription medication addiction.

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**SHORT-TERM RENTAL, from Page 1 ►**

A short-term rental is defined as a rental property available for fewer than 30 days at a time. About 550 active short-term rentals in Charleston are currently listed on Airbnb, according to the analytics website AirDNA. Those in the Cannonborough-Elliottborough neighborhood are legal because of an ordinance passed in 2012, but most short-term rentals in the city are not.

The Planning Commission has made some changes to the task force's proposed regulations: eliminating the requirement that, for the majority of the city, structures be at least 50 years old to be used for short-term rentals; changing the occupancy requirements for the rentals; and allowing property owners to hire a manager for their short-term rental for up to 72 days a year. According to Planning Commission member Chris Fraser, this would allow short-term rental owners to leave for a period of time and still rent their property.

Most of the other regulations proposed by the task force, including a requirement that the property owner be on-site overnight, have been left intact. A managed short-term rental would not require the manager to be on the property overnight, but would require that the manager be available to public safety or city officials within one hour.

Geer and Jacob Lindsey, the city's planning director, both said the short-term rental discussions have followed a normal route of regulatory development, from task force to commission to — eventually — City Council.

"What's unusual about this one is that you never necessarily find a perfect solution for anything, and there's some sort of compromise or somebody's not happy with the end result, but this one seems to have so many nuances to it that there is no necessarily perfect solution or fit for this," Geer said. "There's going to be people who think that it's too restrictive or not enough based on the comments we get on these meetings."

Geer declined to discuss specifics of the proposed regulations because he said he's still working through his thoughts and didn't want to seem like he's made up his mind.

Fraser, who is also Charleston managing director at commercial real estate agency Avison Young, said the commission is dedicated to understanding the nuances.

"This is a big deal, and so the commissioners I think rightly want to make sure they understand as many sides of the topic as they can and take time to get it right," he said. "An extra month or two, globally, doesn't matter."

Critics, however, say they are worried that the Planning Commission is not getting an objective view from the task force's recommendations because none of them have experience running a short-

term rental, and, although the commission has made some changes to the draft ordinance, that the majority of it is based on task force proposals.

"As far as the process — in terms of the short-term rental task force to the Planning Commission to the City Council in Charleston, South Carolina — is a joke," said Denise Holtz, founder and president of the S.C. Vacation Rental Managers Association.

Holtz pointed to a statement that members of the task force had to sign that swore they didn't run a short-term rental. She said the pledge meant that the task force had a very one-sided viewpoint.

"You have people that are making rules and laws about an industry that has a huge economic impact on the city," Holtz said. "They have no idea what they're talking about, and I don't mean that with any disrespect to any of those people. What I mean is that they don't own, they don't operate, they've never managed, they don't understand what this industry is."

Lindsey said, however, that although he wasn't involved in choosing members of the task force — they were appointed by the mayor and members of City Council — it's generally the city's practice to avoid perceived conflicts of interest.

"However, the task force itself, we

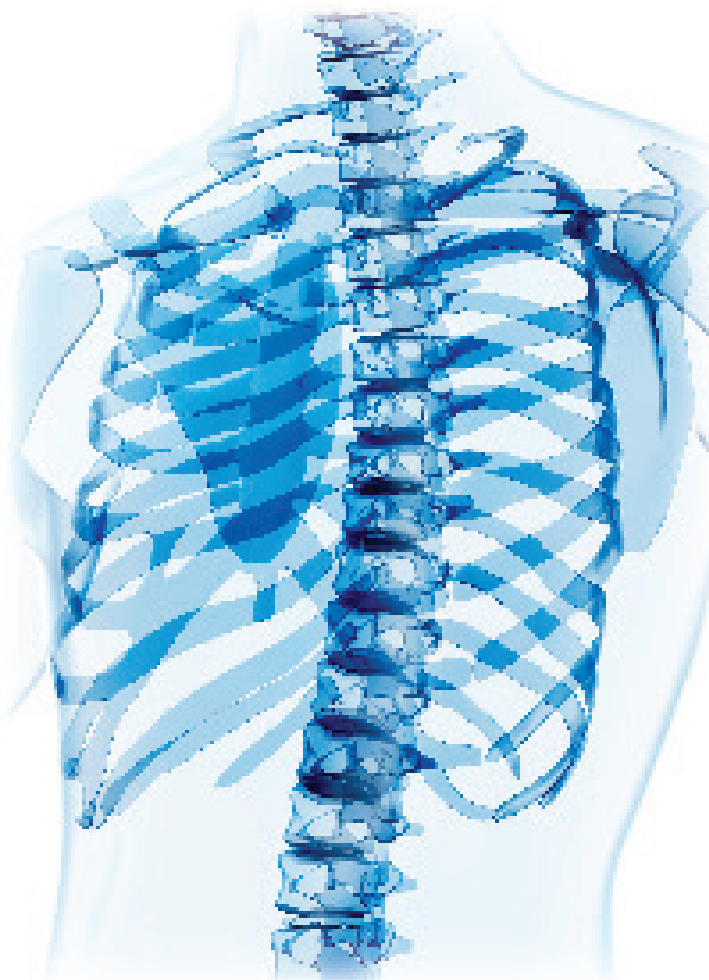
wanted folks who are looking at the issue from all angles, both as advocates of short-term renting and as opponents, and I think that we had a very diverse discussion among the task force, so I think it was successful in that regard," he said.

**'No magic bullet'**

Daniel Guttentag, director of the Office of Tourism Analysis at the College of Charleston, said Charleston isn't unique in the fact that it's taken a long time, and a lot of discussions, to get the proposed regulations written, but he warned that

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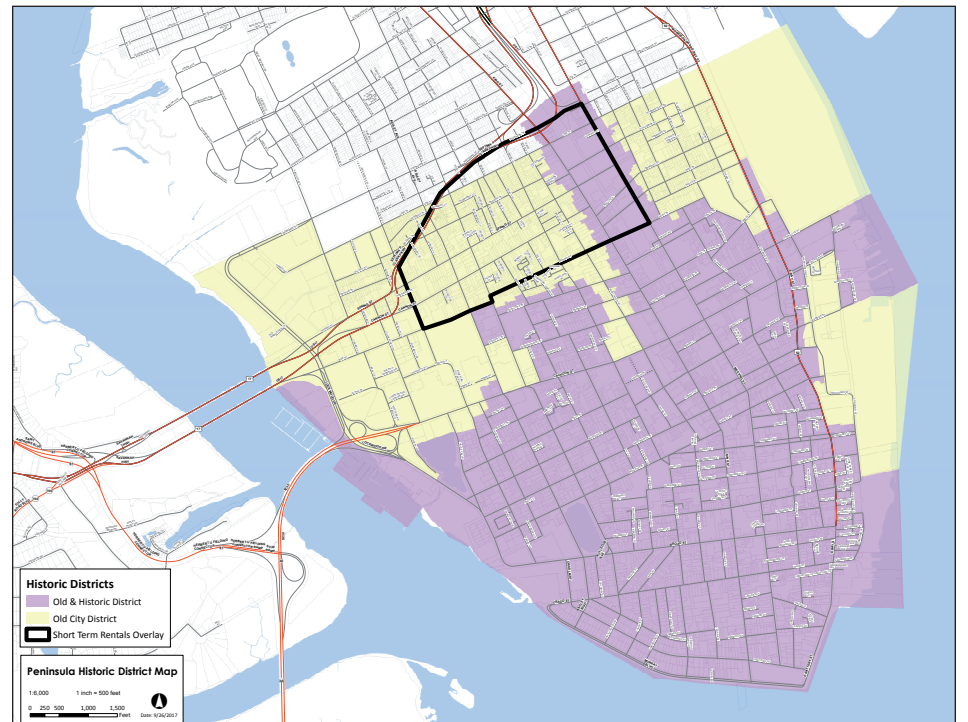


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Proposed regulations have separate classes for the Old and Historic District, the Old City District, and the rest of the city. No changes are proposed to the current short-term rental overlay. (Map/City of Charleston)

### SHORT-TERM RENTAL, from Page 7 ►

there's nothing about the issue that's simple.

"It is complicated, there is no magic bullet," Guttentag said. "I don't really know of any city that sort of has ... the perfect policy or legislative strategy to deal with short-term rentals. I think basically everywhere is working through it."

The city, along with Charleston County, which is also crafting short-term rental regulations, hired a consultant to study other cities that have passed short-term rental regulations, for comparison. One problem, Guttentag said, is that every city is unique, and Charleston is in particular, because of history and geography.

"Any city, as it wrestles with these short-term rental regulations, has to take stock of what it is and what it wants for itself, and every place is unique in that sense," Guttentag said.

What makes sense for downtown Charleston isn't necessarily what will make sense for West Ashley or James Island, he added, which is why the task force created three tiers of regulations.

Creating regulations that appease everyone, however, is almost impossible, Guttentag said.

One major challenge is that "you're dealing with ... very, very sensitive issues where there are very strong opinions on both sides of the debate and very valid arguments on both sides of the debate," Guttentag said. "On the one hand, you're talking about people who feel that their neighborhoods and the fabric of their community is changing in a way that they don't like. ... And then on the other side of the ledger, you have people (and) you're talking about what they can or cannot do with the properties that they own."

Sarah Goodwin, owner and property manager-in-charge of the vacation rental management company iTrip Vacations Charleston Beaches, which assists home-

owners in renting out their homes, said she agreed with Holtz that the task force had a one-sided viewpoint. Goodwin also said that the city needs to be careful with their regulations since property rights are at stake.

"When you're playing with the property rights of the homeowners who want to do short-term rentals, the city really ... faces potential liability, depending on how these ordinances play out," Goodwin said. Austin, Texas, and San Francisco have both faced lawsuits over short-term rental regulations on the basis of property owners' rights.

Goodwin said she doesn't envy the Planning Commission, adding that it's in the city's interest to get the regulations right.

"The city could make an incredible amount of money through accommodation tax revenue if it sets up a way, a structure that works for the city and charges the same accommodation taxes that it does in Cannonborough and Elliotborough," she said. "It's a huge revenue maker for the city."

### Frustration from the task force

Task force member Cody said the amendments the Planning Commission has made to the proposed ordinance are alarming to him. He's concerned, he said, that the Planning Commission isn't properly grasping the issue and that the changes it's making, such as eliminating the home age requirement, could create a powerful economic vacuum that would cause more people to become short-term rental hosts or to build structures specifically for short-term rentals. The average daily rate for an Airbnb in Charleston is about \$250, according to AirDNA, with a median annual income of \$49,200.

"When you start looking at just how much money that is, it completely changes the economics of homeownership on the peninsula," he said. "And these neighbor-



hoods ... are already on fire because of gentrification and a lack of affordable housing, and what the Planning Commission has recommended would pour gasoline on that — would pour jet fuel on that fire.”

Cody said the task force tried to legalize short-term rentals safely, but he said he fears the Planning Commission took it to a “disruptive level,” especially because of the many forces at play, including potential new construction, rising home prices, quality of life in neighborhoods and property rights.

“This is one of the biggest decisions that will be made in Charleston in a generation,” he said. “And you have a Planning Commission after three meetings completely redoing the work of a task force that met and was guided by city staff for over a year, and now it’s going to go to City Council, which is an entirely other set of challenges and reviews, and we need to have more transparency, we need to have a more factual conversation.”

Kristopher King, executive director of the Preservation Society of Charleston and a member of the task force, said he knows the proposals have flaws but that “A lot of the recommendations were really a compromise based on what the overall opinion of the committee was, but balancing that with what the city thought was enforceable ... because the worst-case scenario is to come out with an ordinance that the city can’t enforce.”

King also said it’s frustrating to him

## The proposed regulations

The current proposed regulations are nearly identical to what the Short-Term Rental Task Force recommended in September, including a three-tiered class system depending on where in the city the property is located. Class 1 encompasses the area zoned as the Old and Historic District; Class 2 covers the area zoned as the Old City District; and Class 3 is the rest of the city.

### Other proposals include:

- Properties must be owner-occupied primary residences, as determined by the 4% owner-occupied property tax status.
- All hosts must apply for a short-term rental permit and a separate business license. Hosts must list their permit number on all advertisements of their rental unit and display their business license within the property.
- Hosts must be on the property overnight when guests are present. The Planning Commission has proposed also allowing “managed short-term rentals,” which would let property owners hire an off-site manager for their short-term rental for up to 72 days per year while the owner is away.
- No more than two people are permitted per bedroom in each short-term rental. This is a

change from the task force’s recommendation of only four adults per short-term rental.

- Short-term rentals must provide one off-street parking spot for guests per bedroom, with all parking on the property where the short-term rental is proposed. For Class 1 and Class 2 rentals, the second bedroom rented is exempt from this requirement. For Class 3 rentals, the first bedroom rented is exempt from the requirement.
- Class 1 properties must be listed on the National Register of Historic Places to be used as short-term rentals. The Planning Commission removed a requirement for Class 2 and Class 3 short-term rentals that a structure be 50 years or older.
- Hosts must carry \$1 million in liability insurance.

The Cannonborough-Elliottborough neighborhood, which falls under short-term rental regulations that were passed in 2012, is currently excluded from the proposed new regulations. Existing bed-and-breakfast facilities are also exempt from the proposed regulations.

No changes in city ordinances have been made. The Planning Commission plans to meet again about the regulations in the coming weeks, and after Planning Commission votes on it, City Council will consider it for approval.

that the Planning Commission is having the exact conversations and arguments the task force had a year ago; initially, he said, some members of the task force felt like their work wasn’t being considered.

“As I said, though, I think the Planning Commission, each conversation it gets better,” King said. “I feel like they under-

stand it, what we were trying (to do), a little better each time. I just would have wish we could have had more conversations” between the task force and Planning Commission.

He said he hopes City Council has faith in the task force’s recommendations when the proposed ordinance reaches it.

King said the most critical issue for him is enforcement of any ordinance that is passed, something Planning Commission member Fraser also is concerned about.

“I just think in general ... enforcement’s going to be the challenge,” Fraser said. “Are you really going to knock on people’s houses and say, ‘Who’s staying here? Are they paying you?’”

Lindsey said he is confident that enforcement will be feasible with three new staff members and a software tool already in use by other cities that combs short-term rental websites for data.

“We wouldn’t bring it forward if we didn’t feel it was enforceable,” Lindsey said at the first Planning Commission meeting on the subject.

Lindsey said the planning department fully supports all of the recommendations written by the task force and expressed reservations about some of the Planning Commission’s changes, such as allowing managed short-term rentals.

“It’s a complex topic, and it’s something that is a challenge for cities all around the country, and we are no different,” he said. “But I do think that we’ve spent a lot of time on the issue and that we have a good set of recommendations going forward. So I’m hoping that we can put this in front of our city council soon.”

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