

# 03



## economic developmentnext

**Goal:** Support the continued vitality of Kiawah's economic ecosystem by fostering sustainable tourism that honors our commitment to environmental resiliency and living with nature, while enhancing the visitor experience at our resort amenities and Freshfields Village

### **Economic Development**

Considers labor force and labor force characteristics, employment by place of work and residence, and analysis of the economic base.

### **Big Ideas**

Sustainable Tourism Development  
Environmental Conservation and Economic Growth Balance

### **Objectives**

ED1 - Safeguard Kiawah's economic viability across changing conditions

ED2 - Support the Island's tourism, commercial business, and other employer needs.

ED3 - Balance economic development with Living with Nature principles.

### **Overview**

Kiawah Island's economy is primarily driven by tourism and service industries. These sectors generate significant revenue and employment opportunities, though job trends fluctuate seasonally.

The island's appeal as a vacation destination attracts visitors who support local businesses and generate regional revenue. Many visitors become full—or part-time residents, further growing the local economy.

This chapter examines Kiawah's economic vitality, analyzing trends in tourism taxes and employment growth. It highlights the island's commitment to sustainability and environmental stewardship, ensuring economic development aligns with natural resource preservation. This approach maintains Kiawah's character while enhancing the quality of life for residents and visitors and secures its long-term appeal as a premier residential and vacation destination.

### Job Density and Employer Overview

According to 2023 ESRI estimates, Kiawah sustains approximately 6,500 jobs across all employers and sectors. The workforce centers on hospitality, with Accommodations and Food Services comprising nearly half of all positions, followed by Retail Trade at 25%. As the island’s largest employer, the Kiawah Island Golf Resort employs 1,700 people and ranks the eighth-largest private employer in the Charleston region. The Kiawah Island Club represents another major employment center.

### Town Revenue Structure and Expenditure

The Town’s revenue comprises restricted and unrestricted funds, each playing a crucial role in the Town’s financial landscape. The total budgeted revenue for FY24 was \$15.5 million, with restricted funds making up 43% and unrestricted funds accounting for 57%.

#### Restricted Funds (43% of total revenue, \$6.7M)

These funds must be used for specific tourism-related purposes:

1. State Accommodation Tax (SATAX) (43% of restricted funds, \$2.9M): Tourists on Kiawah Island pay a 2% state accommodation tax. Most of this revenue must be used for tourism-related expenses, except for \$25,000 plus 5% of the remaining total, which goes to the Town’s unrestricted general fund. The SATAX Committee recommends how to allocate these funds, subject to Town Council approval.
2. Local Accommodation Tax (25% of restricted funds, \$1.7M): The Town imposes a 1% local accommodation tax, which Charleston County collects monthly. These funds are restricted to tourism-related expenses, including cultural events and maintaining public beach access roads.

3. County Accommodation Tax (10% of restricted funds, \$700K): Charleston County collects a 2% accommodation tax, returning about 25% to Kiawah Island. This revenue must fund tourism-related capital projects or services.
4. Hospitality Tax (15% of restricted funds, \$1M): A 1% hospitality tax is applied to prepared food and beverages, collected monthly from restaurants and similar establishments. The revenue must fund tourism-related expenses.
5. Other restricted funds (7% of restricted funds, \$450K).

#### Usage of Restricted Funds

In FY24, these funds supported tourism-related activities and expenditures, including beach patrol, public safety initiatives, wildlife programs, community resources, emergency services training, marketing and regional tourism promotion.

#### Unrestricted Funds: General Fund Revenues (57% of total revenue, \$8.8M)

These funds provide greater flexibility in their use:

1. Business License Fees (43% of unrestricted funds, \$3.8M)
2. Building Permits (15% of unrestricted funds, \$1.3M)
3. Solid Waste Fees (12% of unrestricted funds, \$1.1M)
4. Franchise Fees (11% of unrestricted funds, \$1M)
5. Local Option Tax (10% of unrestricted funds, \$900K)
6. Other unrestricted funds (9% of unrestricted

funds, \$800K): Including court fines, investment income, and miscellaneous sources.

*Source: Town of Kiawah Island, Budget-At-A-Glance FY25 Budget*

### Financial Position and Performance

Based on the Town’s FY24 Annual Comprehensive Financial Report, the Town maintains a strong financial position:

#### Financial Highlights

- Total Assets: \$57.7 million as of June 30, 2024
- Total Liabilities: \$5.4 million
- Net Position: \$53.2 million, with \$29.9 million unrestricted

#### Revenue Performance

- Total revenues reached \$18.5 million in FY24, the highest level in Town history
- Tourism-driven revenues remain strong:
  - Accommodations taxes generated \$5.2 million
  - Business licenses produced \$4.6 million
  - Building permits contributed \$2.6 million

#### Fund Balance

The Town’s combined fund balance increased to \$40.9 million. This includes:

- \$7.6 million restricted for tourism-related expenditures
- \$9.4 million committed to capital improvements and emergency recovery funding

This stable financial foundation allows the Town to continue investing in infrastructure, environmental sustainability, and tourism-

related amenities while maintaining the high quality of life that attracts visitors and property owners to Kiawah Island.

### No Municipal Property Tax

The Town currently does not impose a municipal property tax. All property taxes paid by residents go directly to Charleston County. If the Town were to need additional revenue, there is a mechanism in place that would require Kiawah residents’ support.

### Kiawah’s Property Tax Impact

The property taxes paid by Kiawah property owners have a substantial impact on the regional economy:

- Kiawah property tax revenue generates over \$96 million in property tax revenues for Charleston County:
  - Sixty-Five (65%) percent funds the Charleston County School District Budget.
  - Twenty (20%) percent funds the Charleston County Administration budget.
  - Twelve (12%) percent funds the St. Johns Fire District budget
  - Three (3%) percent funds the Charleston County Parks and Recreation, and Trident Technical College

This situation underscores the importance of the Town’s revenue sources and its role in the broader regional economy.

*Source: Charleston County Treasurers office, Information based on FY23 Collection Information.*

### Key Financial Trends and Considerations:

1. Tourism Recovery: Tourism-related taxes showed moderate growth from 2014 to 2019, experienced a decline during the 2020

pandemic, and rebounded strongly in 2021-2023. For instance, State accommodation tax revenue increased from a pandemic low of \$1.3 million in 2020 to \$3 million by 2023, indicating a shift towards a more consistent year-round tourism economy.

2. **Business License Fees:** Business license fees have shown steady growth since 2014, rising from \$1.9 million to \$3.9 million in 2022, with only a slight 1.5% decline in 2023.
3. **Development Fees:** As the island approaches full development, revenue from new construction permits may decline. However, this could be offset by an increase in renovation permits for older structures.

The mix of restricted and unrestricted funds allows Kiawah to support both tourism-related initiatives and essential Town services. As the Island’s development landscape evolves, the Town will need to strategically plan for potential shifts in these revenue streams to ensure long-term fiscal stability.

*Source: Town of Kiawah Island Comprehensive Annual Financial Reports, 2015-2023.*

### Economic Impact of Tourism on Kiawah’s Economy

Tourism plays a pivotal role in Kiawah Island’s economic development, extending far beyond just tax revenues. Its impact is multifaceted and significant:

1. **Job Creation:** The tourism industry is a major employer on Kiawah Island. Employment trends often fluctuate based on seasonal demand.
2. **Business Stimulation:** Tourism supports

a vibrant retail sector, which represents about a quarter of all jobs on Kiawah. This includes shops, restaurants, and various service providers that cater to both visitors and residents.

3. **Property Values:** Kiawah’s desirability as a vacation destination helps maintain and potentially increase property values, benefiting homeowners and the local real estate market.
4. **Infrastructure Development:** Tourism revenues help fund infrastructure improvements that benefit visitors and residents, such as beach maintenance, road improvements, and public facilities.
5. **Regional Impact:** Kiawah’s tourism industry extends beyond the island, contributing significantly to the broader regional economy. Kiawah generates over \$96 million in property tax revenues for Charleston County, funding county-wide services. The economic impact of tourism in the Charleston area, including Kiawah, has grown from \$7.4 billion in 2018 to \$13.1 billion by 2023. This growth has fueled job creation, infrastructure development, and improved amenities throughout the Charleston region.
6. **Year-Round Economy Shift:** Recent trends suggest a move towards a more consistent, year-round tourism economy rather than a peak season-focused one. This could lead to more stable employment and business opportunities throughout the year.

Understanding these economic patterns helps the Town support and preserve Kiawah’s tourism-based economy while maintaining its unique character. By balancing tourism and resident needs, the Town can better ensure long-term sustainability.

### Tourism on Kiawah Island

Over the past two decades, tourism has played a role in Kiawah Island’s economy. Over the past 25 years, the island has transformed its tourism landscape, evolving from a primarily domestic, seasonal destination to a year-round, internationally recognized luxury resort area.

In the 2000s, Kiawah began to gain more national recognition, with its pristine beaches and world-class golf courses attracting a growing number of visitors.

The hosting of major golf tournaments, including the 2012 and 2021 PGA Championships at the Ocean Course, and the upcoming 2031 PGA Championship, has elevated Kiawah’s reputation as a premier golf destination on the global stage. These events brought immediate economic benefits and enhanced the island’s long-term appeal to high-end travelers.

The opening of The Sanctuary, a five-star oceanfront hotel, in 2004 marked a pivotal moment in Kiawah’s tourism development. This luxury property elevated the island’s accommodation offerings and helped attract a more affluent clientele. Consequently, the average visitor spend per trip has steadily increased, reaching \$1,062 by 2022, up from \$878 in 2019.

This resilience is particularly evident in the vacation rental market, which has become an important component of Kiawah’s accommodations.

From 2018 to 2023, vacation rentals on Kiawah Island demonstrated fluctuating occupancy rates and overall growth in average daily rates (ADR). The data shows the following trends:

- 2018: 52.8% occupancy rate with an ADR of \$395
- 2019: 53.9% occupancy rate with an ADR of \$366

- 2020: 66.9% occupancy rate with an ADR of \$377
- 2021: 77.7% occupancy rate with an ADR of \$447
- 2022: 66.1% occupancy rate with an ADR of \$485
- 2023: 60.6% occupancy rate with an ADR of \$461

Despite an initial decline in ADR from 2018 to 2019, the market rebounded quickly following the pandemic. Occupancy rates surged from 53.9% in 2019 to a peak of 77.7% in 2021, while ADR increased steadily from \$366 in 2019 to a high of \$485 in 2022. Although 2023 shows a slight moderation in both occupancy (60.6%) and ADR (\$461), these figures remain significantly above pre-pandemic levels, demonstrating the continued strength and appeal of Kiawah’s vacation rental market.

Charleston International Airport’s growth and development enhance Kiawah Island’s accessibility for domestic and international visitors. The airport’s expanding services and routes have improved connectivity to Kiawah, contributing to a diverse tourist base. Ongoing improvements in airport facilities, flight options, and passenger experiences benefit Kiawah’s tourism industry by easing travel to the island and potentially extending its marketing reach to new markets.

However, this growth has not been without challenges. Kiawah has had to balance tourism development with environmental conservation, maintaining the natural beauty that attracts visitors in the first place. The island has implemented various environmental programs and regulations to protect its ecosystems while accommodating tourism growth.

Beyond environmental concerns, tourism has significantly impacted daily life on Kiawah Island. Traffic congestion has become a critical issue, particularly during peak seasons. The

limited road infrastructure connecting the island to the mainland creates bottlenecks, with travel times from Charleston doubling or tripling during high-volume periods. This infrastructure struggles to handle peak traffic volumes, leading to increased maintenance needs and affecting both visitors and residents.

The seasonal nature of tourism has created workforce challenges, with many service industry workers unable to afford housing on or near the island. This has resulted in longer commutes for essential staff and occasional shortages during peak periods.

Looking ahead, Kiawah Island is focusing on sustainable tourism practices, aiming to maximize economic benefits while minimizing environmental, infrastructure, and social impacts. Infrastructure planning now incorporates tourism growth projections, with particular attention to traffic management solutions, including potential shuttle services during major events and expanded public transportation options.

In conclusion, tourism has been a transformative force for Kiawah Island over the past two decades. It has driven economic growth, enhanced the island’s global reputation, and contributed to infrastructure and service improvements. The strong performance of the vacation rental market, particularly its resilience during and after the pandemic, underscores Kiawah’s appeal as a high-end destination. As Kiawah continues to evolve, the challenge will be to maintain its exclusive appeal while adapting to changing travel trends and addressing the needs of both visitors and residents.

Source: Charleston Visitors Bureau, Municipal Quarterly Reports, (1999 - Spring 2024)



## economic development objectives and strategies

### GOAL:

*To ensure the long-term vitality of Kiawah’s tourism economy while preserving community values.*

#### Objective ED1

Safeguard Kiawah’s economic viability across changing conditions.

##### Strategy ED1.1

Assess and report on key economic metrics to anticipate and respond to changing conditions.

- Revenue-to-cost ratio of tourism activities (comparing tourism-related income like accommodation taxes and business licenses against municipal service costs like public safety, waste management, and infrastructure maintenance)
- Short-term rental intensity by neighborhood (percentage of total housing units being used as STRs, tracked quarterly to identify trends and potential concentration issues)

##### Strategy ED1.2

Evaluate and optimize revenue streams within current operational structures.

#### Objective ED2

Support the Island’s tourism, commercial business, and other employer needs.

##### Strategy ED2.1

- Coordinate with the proposed Kiawah Island Alliance (KIA) and other relevant groups on economic strategy issues.
- Collect and share population, demographic, and commercial development updates from KIA members and other major stakeholders.
- Foster collaboration on cross-jurisdictional issues and enhance transparency in decision-making.

#### Objective ED3

Balance economic development with Live with Nature principles.

##### Strategy ED3.1

Develop a sustainable tourism plan.

- Create a long-term plan that outlines how to optimize economic benefits from tourism while minimizing disruption to residents and the environment.