



Government Affairs Newsletter

December 6th

Local • Accurate • Trusted

LOWER EASTERN SHORE ACTIVITY

Hi All,

Sorry for the delay here. I've been reading the Ocean City code (for R-1) and two documents from the Maryland General Assembly that I want to discuss during tomorrow's Advocacy meeting.

See y'all soon!

Hunter Isaac

Email: Advocacy@coastalrealtors.org

Phone: (410) 999-4302



ADVOCACY

advocacy@coastalrealtors.org



LOCAL
ACCURATE
TRUSTED



WINDMILLS

U.S. Wind received their final approval from BOEM this week. A couple of weeks ago, Maryland green-lit the construction of the West Ocean City pier project for U.S. Wind. We are in the final phases of approval for this project, but as of now, no steel is in the water.



R-1

Just to reiterate what I sent last week, short-term rentals in R-1 are under threat of extinction.

The Commission, nearly unanimously, gave the Planning and Community Development the task of revising the ordinance to prevent the issuance of new short-term rental licenses in R-1, create a sunset for existing short-term rental licenses over a period of five years, and focus on R-1 rather than MH.

I've combed through the OCMD Code and just to familiarize myself with the language we're facing.

- Rentals are considered "businesses" per section 14 (article 5) of the city code.
- "Licensed Occupation" (14-31 under "Businesses") defines establishment or place of business means a building or part thereof or each motor- or horse-drawn vehicle or each stand at or from which any merchandise or commodity is dispensed or facilities or services are provided to members of the general public or members of an association, club or other business or the like.
 - Rental housing (leasing & lodging) are services to a consumer and thus fall into the classification of "business".

Sec. 110-272 "Permitted uses" states that R-1 lands / buildings can only be used for "detached single-family dwellings" and "essential services".

- This creates an interesting "grey area" as rental units in R-1 are single-family dwellings, but the act of renting them is considered a "business".
- The act of renting a single-family dwelling in R-1 is not expressly unpermitted.



R-1 ADDITIONAL CONCERNS

Occupancy

The “two plus two” rule is, in my opinion, a restrictive provision which not only limits the experiences of vacationers, but also the revenues the town would receive.

- Chris Mitchell proposed what I think is a fantastic idea: license holders apply for an occupancy as a part of the rental inspection process. Rooms within a certain square footage would be automatically capped at two persons, but rooms with larger areas can begin at two persons and ask for more based on a square footage figure.
- A hotel with a couch and two queen beds can legally accommodate more people than a thousand square foot bedroom under this provision.

Appeals

- Under this ordinance, all rentals in the town are subject to the suspension and revocation of a rental license if three calls with a civil service response are documented.
- The local agent or property owner must be notified for this call to count toward suspension or revocation.
- The standard is not a citation or fine for example: calls can be made to a property owner about a noise violation. That owner could have a noise meter in their unit which shows the police (or other agency) that the renters were not in violation of a noise ordinance. However, because the police were called and the property owner was called, the property owner would now have one “strike”.
- There is no appeals process in an instance of a call being made or a suspension or revocation of a license.



R-1 ADDITIONAL CONCERNS

Local Agent

We had asked that “local agent” be further defined as someone in the real estate or rental industry.

- Since the stated intent of this ordinance is to protect the quality of life of full-time residents, a local professional would be best equipped to manage violations or emergencies. This is an enforcement strategy which ideally reduces the resources used by the town in renter issue disputes.
- However, the commission asked for this language to be clearer in that the “local agent” does not have to be an industry professional.



Wicomico County

COUNTY UPDATE

HORIZON Tax:

The Ross in Salisbury will receive the HORIZON abatement with a vote of 4 to 3. Now, the County Executive will vote to allow or deny The Ross this abatement.

This would save The Ross between 2 and 2.5 million dollars over ten years.

A bill was presented to sunset the HORIZON program and passed unanimously. However, this was done under the condition that a new program would be created that shares HORIZON's purpose. It is also going to be larger in scope as HORIZON only applies to the Salisbury CBD.



COUNTY UPDATE

Comprehensive Plan:

The October, 2024 draft of the Salisbury comp. I will be sending a condensed version of this to you all. Expect a public version to be available in mid-December. Plan can be found [here](#).

Here's a link to a survey the City put out which allows for public input.

This is just a draft, but I've been looking through it and wanted to highlight a few items for you all. The "Housing" section begins on page 46.

Page 54: Housing Goals. These are the goals the consultants suggest guide policy for Salisbury.

Page 55: Housing Strategies.

- Remove the 4-2 Ordinance.
- Access for ADUs.
- Homeownership incentives.
- Implement rent control.

Page 56: Housing Strategies.

- Develop a comprehensive housing policy.
- Prepare for population growth.

Page 57: Housing Strategies.

- Encourage Housing renovations (incentives).
- Integrate small-scale businesses (more mixed use).

Still has not been presented to the City, but I suggest we go through each piece in preparation for its eventual presentation.



Somerset County

SOMERSET COUNTY UPDATE

I'm not seeing news in Somerset.



SESSION

The Session is approaching quickly!

The name of the game this year is the budget, which is facing a deficit this year that will only get worse over the next five if we continue at the current spending rate.

From a taxation standpoint, we're staring at several different increases and new taxes. One of which is the service tax that has kept me up at night since last April and the other is "combined reporting", which changes how one is taxed if they do business outside the state of Maryland. I'll go into these in detail during the Advocacy meeting along with MR's Session goals for ADU's, tax credits, Condo fees, APFO, and more!

Below are some charts I pulled from the General Assembly that show what the state is up against over the next several years:

Maryland Economic Performance
Year-over-year Percent Change

Month-Year	Employment		Unemployment Rate	Initial UI Claims	Vehicle Sales	Existing Home Sales	Median Home Price
	Total	Private					
Jan-24	-0.1%	-0.6%	2.3%	6.6%	-9.0%	-3.8%	6.9%
Feb-24	0.2%	-0.3%	2.4%	12.1%	6.3%	-4.8%	6.2%
Mar-24	0.1%	-0.4%	2.5%	16.2%	-0.5%	-13.9%	6.6%
Apr-24	0.1%	-0.5%	2.6%	12.5%	4.4%	2.4%	5.1%
May-24	0.1%	-0.4%	2.7%	9.0%	-0.2%	-3.4%	4.6%
Jun-24	0.2%	-0.4%	2.8%	3.8%	-3.0%	-12.3%	5.0%
Jul-24	0.2%	-0.3%	2.8%	10.4%	0.2%	4.2%	5.3%
Aug-24	0.3%	0.0%	2.9%	-4.8%	-5.9%	-5.9%	2.4%
Sep-24	0.7%	0.6%	2.9%	5.3%	-6.3%	-6.3%	4.1%
Year to Date	0.2%	-0.3%	2.7%	7.6%	-0.3%	-5.1%	5.1%

UI: unemployment insurance

Note: The unemployment rate is based on seasonally adjusted data. Monthly unemployment insurance claims are from the U.S. Bureau of Labor Statistics with seasonal adjustment by Moody's Analytics. Vehicle sales from the Maryland Motor Vehicle Administration include both new and used vehicles. Existing home sales and the median home price are from the Maryland Association of Realtors.

General Fund: End-of-year Balances
Fiscal 2024-2026
(\$ in Millions)

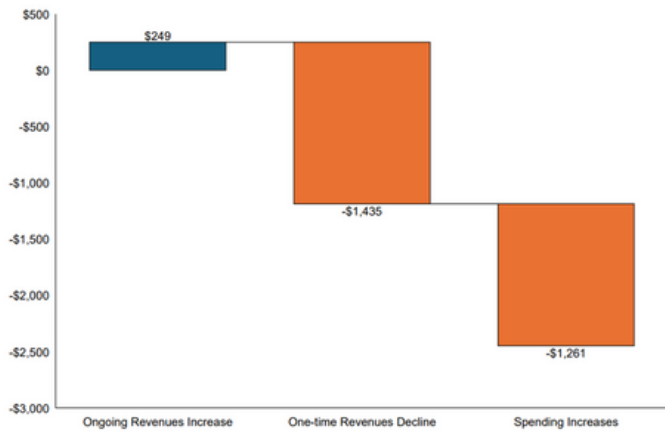
	2024 Actual	2025 Working	2026 Baseline
Total Funds Available	\$28,307	\$26,629	\$25,443
Total Spending	27,247	26,928	28,189
Cash Balance	\$1,060	-\$299	-\$2,746
Structural Balance (Ongoing Revenues Less Ongoing Spending)	\$220	-\$1,007	-\$2,291
Ratio (Ongoing Revenues/Ongoing Operating Costs)	100.9%	96.1%	91.7%
Reserve Fund Activity			
Appropriations to Rainy Day Fund	\$1,061	\$0	\$419
Transfers to General Fund	479	355	77
Estimated Rainy Day Fund Balance – June 30	\$2,411	\$2,134	\$2,528
Rainy Day Fund Balance in Excess of 5%	\$1,168	\$885	\$1,264



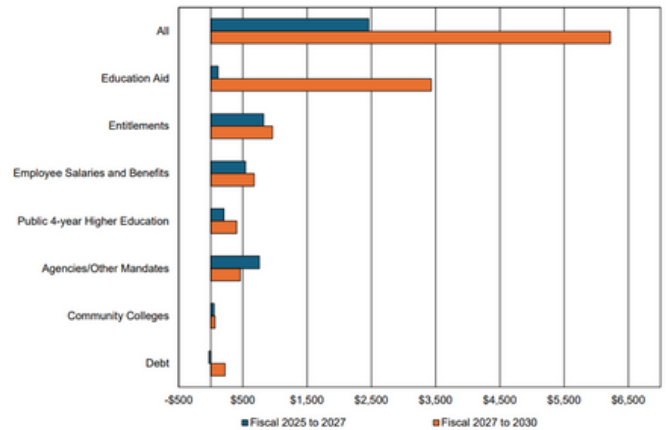
Other News

SESSION

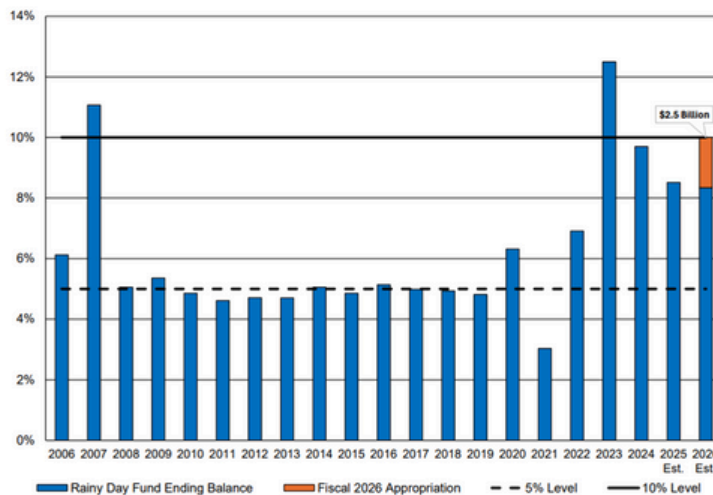
Why Does General Fund Outlook Deteriorate from Fiscal 2025 to 2026?
(\$ in Millions)



Drivers of Ongoing Spending Growth Fiscal 2025 to 2027 Compared to Fiscal 2027 to 2030
(\$ in Millions)



Appendix 7
Rainy Day Fund Balance as a Percentage of General Fund Revenues
Fiscal 2006-2026 Est.



Note: Fiscal 2026 assumes \$77.3 million will be transferred to the General Fund to keep the Rainy Day Fund balance within 10% of General Fund revenues.