

# CHAPTER 2: Economic Development

## (Text only)

### Introduction

Ocean City is nationally recognized as a destination resort that is a clean, safe, diversified and successful community for its residents, vacation homeowners and visitors. Its tourism industry, which is the basis of its economy, can be broken down into ~~three-four~~ categories: 1) accommodations (hotels, motels, and condominium rentals), 2) restaurants and nightclubs, and 3) retail shops and malls, and 4) amusements. ~~Two businesses founded in Ocean City, Phillips Seafood Restaurants and Seacrets nightclub, are nationally recognized and among the top privately held restaurants and nightclubs in the country.~~ It is estimated that over eight million people visit the resort each year. Although the peak months are June, July and August, tourism is also strong in April, May, September, and October. During these off season, or “shoulder” months, the weekend population of the Town can average over 150,000 people.

Ocean City’s Tourism Master Plan provides organization and direction to the combined marketing efforts of many public and private partners in economic development. By reference it is incorporated as a part of this Comprehensive Plan.

### Goal:

To maintain a healthy and growing economy that supports the quality of life of residents and tourists, and encourages reinvestment. ~~E~~The economic development efforts should focus on retaining and attracting jobs that are more varied and better paid; maintaining and increasing year round employment; expanding the commercial base through business retention, expansion and attraction; and growing the economy to provide goods and services that match the needs of residents and tourists.

**Objectives:** In order to achieve the economic development goal, the following objectives are adopted:

2.1 Continue to advertise and promote a family friendly beach and boardwalk experience, enhanced by area attractions and special events.

2.2 Support bayside marine and natural area recreational use for expanded tourist activities.

- 2.3 Promote orderly real estate development that enhances the Town and generates taxes to support required services.
- 2.4 Promote redevelopment of properties and locations that are underdeveloped or obsolete.
- 2.5 Promote mixed-use projects that integrate commercial and residential development.
- 2.6 Encourage the County to ~~develop an industrial park~~ direct new industries and commercial development into the northern part of the County in order to provide additional year round work opportunities for Ocean City residents.
- 2.7 Promote opportunities for job development in technical and other skilled employment sectors within the Town.
- 2.8 Support ~~expanded~~ technical education at the Community College to meet tourism industry and other requirements.
- 2.9 Support small local businesses that offer unique goods and services and provide jobs and ~~profits~~ revenue for the resident population.
- 2.10 Promote the Green Business Registry, and Healthy Eating Active Living (HEAL) community and business goals.
- 2.11 Encourage the Chamber of Commerce to eEnhance the local retail environment with specialty stores that provide entertainment and capture a larger share of potential tourist spending.
- 2.12 Coordinate with Worcester County to eExpand year-round social services to meet demand from the growing population.
- 2.13 Expand year-round cultural activities in the Town and the County.
- 2.14 ~~Provide enhanced support~~ Support non-profit sponsors offer seasonal workers ~~with~~ by promoting additional workforce housing, public transportation support services, ~~including~~ training and legal assistance.
- 2.15 Support County economic development efforts to expand commercial air service from the Ocean City Municipal Airport.
- 2.16 Request Worcester County to expand the existing State Priority Funding Area boundary to include the OC Municipal Airport and adjacent commercial development properties.

- 2.17 Expand the Convention Center to maintain it is as one of the top meeting centers in the Mid-Atlantic region, generating a significant level of visitation and spending.
- 2.18 ~~Attract~~ Encourage and promote good quality restaurants with a broad range of cuisines ~~to face increasing competition in eating and drinking establishments.~~
- 2.19 Expand the range of tourist attractions to include entertainment venues, ~~better~~ quality restaurants, ~~etc.~~ and boardwalk activities.
- 2.20 Conduct an in-depth analysis of the tourism market in order to identify trends and specific gaps in the range of attractions presently available.
- 2.21 ~~Increase~~ Maintain expenditures on tourism marketing to meet growing competition from other locations in the Mid-Atlantic region.
- 2.22 Continue to expand visitation in shoulder seasons with golf packages, weekend themes and special events.
- 2.23 Create a seamless approach to promote the Town and the region with a clear message that binds the distinct elements---the Beach and Boardwalk district, Downtown/Midtown/Uptown commercial districts, Convention Center, tourism and business development entities---with a single brand and message.
- 2.24 Maintain the public commitment to downtown redevelopment, including the boardside boardwalk extension, retail attraction and parking improvements.
- 2.25 Consider a mixed-use development project (including parking, retail and possibly housing) in the vicinity of the Worcester Street parking site including a 'Model Block' to encourage redevelopment.
- 2.26 Maintain the amusement parks, as they are essential to the success of the resort.
- 2.27 Take advantage of the benefits offered by participation in the Lower Eastern Shore Heritage Management Plan and being part of location along the Blue Crab Scenic Byway.

## Fiscal and Economic Trends

The Town's fiscal position appears to be remain healthy based on reported revenues and expenditures. -Impacts from the National Economic Recession beginning in 2008 have generally been offset by a strategy of increased marketing and public investment in expanded

recreational opportunities in Ocean City. Overall growth in tax revenues from 2005-1993 to 2015-04 was \$6.1 million in constant dollars, representing a real (i.e., inflation-adjusted) increase of \$2,198,284 average per year over the 10 year period. Table 2-1 summarizes General Fund revenues and expenditures in 1994-2000, 2003-2005 and 2005-2015.

### Table 2-1

On the revenue side, taxes other than property taxes, licenses, permits and service charges make up a larger share of the recent budget, while property taxes are dramatically less. In its expenditures the Town is now allocating far more of its budget to public safety (40%) while tourism and community relations are a much smaller piece of the budget. Revenue sources continue to be balanced with expenditures providing stability to the local economy, provision of services to meet seasonal high demand, and predictability for real estate investment.

The reduced share of revenues that property tax revenues make up is somewhat surprising in light of recent trends in development, especially in relation to real estate development in the last two years.

The importance of residential property in the overall distribution of land use is apparent; residential properties make up almost 80 percent of the total value of taxable real estate. Figure 2-1 shows the relative values of residential and commercial real estate assessments in 2004-2015.

### Figure 2-1 (pie chart)

The dData for the two years last ten years (Table-Figure 2-12) show the tremendous growth over the two-year period in real estate development and property value leading up to 2008 and the slow correction that has occurred following the economic recession. Condominium and multi-family housing are not only the largest category of value (63.61% of the total) but also the fastest growing (average 10% per year 35%) over the last period.

### Figure 2-1 (bar graph)

The recent growth trend in new hotel construction has increased the real estate tax base and provided additional impact fee revenue and room tax revenue to offset any decreases in property assessments.

New development is driving and reconstruction typically drives an the increased level of real estate assessments. Figure 2-2 shows the trend in terms of value of building permits issued in the period 1994-2006-2003-2015. Previously T there was a growth spike in 1996 and then steady growth from 1999-2002 with and a very big increase in 2003 continuing through 2005. The national recession beginning in 2008 had a negative effect on the tax base however the pattern of 3 year assessments tempers rapid change in value and tax revenue. The other trend visible in Figure 2-2 is the steady number of permits for smaller renovation and single family

~~home construction projects. The construction resulting from these permits drove the increased assessments described earlier.~~

The ~~ten-year~~long term trend in assessed value of taxable property also tells a positive story (Table 2-3 and Figure 2-3), based on ~~a tremendous increase between 2001 and 2002~~the apparent stabilization in property values and indication of a 0.7% increase in the last year. Assessments were ~~\$8.69 billion for fiscal year 2015, similar to the value in 2007 before the peak and correction period.~~

Table 2-3

Figure 2-3

~~The new construction category accounted for the largest share of growth over this period (Table 2-4). Alterations have declined from roughly a third to a fifth of the value of permits issued.~~

## Employment

Service, retail sales, and ~~marketing~~tourism based businesses are traditionally the major employers, creating more than ~~half~~85% of the Town's year round jobs (Table 2-5). ~~Almost a third of the 3500~~Approximately 3,232 Town jobs are ~~sales and office positions, estimated by the American Community Survey, which does not include over 10,000 seasonal jobs each year.~~

The three main activities that generate employment are:

- Hotels, motels and condominiums
- Restaurants and nightclubs
- Retail Shops and Malls

The ~~ten~~six major employers in Ocean City (2015) are all in tourism and property management/development industries:

- Harrison Group 1,050 ~~(golf resort)~~
- ~~Purnell Properties (hotel management)~~
- O.C. Seacrets, Inc. 502 ~~(night club)~~
- Bayshore Development 480
- KTG, llc 342
- Clarion Resort Fontaine Bleau 342
- Fagers Island, Ltd 285
- Candy Kitchen 232
- 91<sup>st</sup> Street Joint Venture 222
- Phillips 210
- Trimpers Rides 200 ~~(amusement park)~~

● ~~Dough Roller Restaurants~~

● ~~Bayshore Development~~

● ~~Clarion/Gateway Hotels~~

- Source: Maryland DLLR Career and Workforce Information 2015

The real estate business remains a major economic force. There are approximately 85 realty companies and 770 active licensed realtors/brokers in and around Ocean City.

The US Census, Center for Economic Studies, provides location specific data for Ocean City employment and workforce statistics that will serve as a comparative tool in the future for evaluation of economic development efforts. Information included in the web based tool generally describes the community's reliance on a workforce with 81.7% of workers who live outside of Ocean City, and over 65% of jobs in the Accommodations/Food Service/Retail/Entertainment sectors.

Figure 2-x

## Tourism

~~Tourism drives employment in Ocean Town, and strongly influences household incomes.~~—A destination resort, Ocean City is nationally recognized as a clean, safe, and successful community for its residents, vacation homeowners and visitors. More than eight million people visit Ocean City every year. Tourism drives employment in Ocean Town, and strongly influences household incomes.

Issues associated with tourism are complex. Visitation has been stable at approximately 8 million per year for the past ten years. Roughly half this figure comes in peak season, June through August, and the other half comes in offseason (April-May, September-October). The objective is to maintain present levels and not lose visitors to competitive locations. A steady transition to more year round activities and events, along with a change in vacation patterns to more frequent weekend visits, can be observed in recent years.

### Special Events

The Town government, in conjunction with local businesses and non-profit organizations, has sought to increase off-season visitation with the development of festivals and entertainment and sporting events. The largest events, Sunfest, Winter Festival of Lights, Springfest, Air Show and auto rallies, attract thousands of visitors during the “shoulder” months of the peak tourist season. Ocean City has also maintained a strong identity as a group meeting and conference destination and as a premier golf destination (there are 157 courses in the area); these two markets contribute significantly to visitor attendance in the spring, fall, and winter months.

In addition to the expansion of special event programming, the local economy is growing to include added value tourism activities that expand a beach visit to include: organized sports, nature based exploration, heritage/cultural sites, brewery tours, art instruction, and performing arts. Many activities sponsored by the Town of Ocean City are free to the public and enhance the visitor vacation experience, as well as enrich the lifestyle of year round residents.

Ocean City has joined with others in the region to incorporate Sport Tournaments into the Town's Tourism Strategic Plan. Attracting competitive sport teams to the Eastern Shore will expand the economic impact of this special event type with direct benefits to hotel room occupancy.

## Heritage Tourism

In April, 2002, the Maryland Heritage Authority officially granted certification status to the Lower Eastern shore Heritage Area, including heritage sites and places in Ocean City, as well as Worcester, Wicomico, and Somerset Counties. This status recognizes the unique heritage and heritage tourism destinations within these areas and offers an opportunity for coordinated and enhanced tourism activity. The *Lower Eastern Shore Heritage Area Management Plan* is hereby incorporated, by reference, in *The Comprehensive Plan for Ocean City*.

The Ocean City Lifesaving Museum located at the south end of the Boardwalk is a natural center for information about local history and provides several walking tour brochures in the Downtown area. An expansion is planned to improve accessibility, provide additional display and activity areas, and continue to tell the Ocean City story as history is made with each vacation.

## The Convention Center

The Roland E. Powell Convention Center is one of the top attractions in Ocean City, generating a significant level of visitation and spending. It is a major employer and an obvious reference point for economic development in the Town. It is Maryland's major convention facility on the Eastern Shore.

The original convention center was built in 1970 with 40,000 square feet of exhibit space on two levels along with 7 meeting rooms and site improvements including 1,100 parking spaces. In 1997, 2012 and 2014 the center was expanded and a final phase expansion is planned in the CIP. The OCCC currently offers approximately 60,000 square feet of exhibit space, 19,126 square feet of ballroom space, 23,295 square feet of meeting space, a 1,200 seat Performing Arts Center and 1,320 parking spaces.

- The facility has a footprint of ~~189,000~~214,000 square feet and includes approximately 70,000 square feet of meeting space. The largest space is 15,000 square feet and there are 15 smaller meeting rooms.
- It hosted a total of ~~108-110~~ events, including ~~4033~~ conventions, in ~~2008~~2002.
- These events generated ~~292,027~~435,000 visitors to the center, ~~a 19% increase over 2001~~.
- The facility has created about 1,900 full-time jobs, and also generates \$5 million in sales and local taxes.
- Construction of a new 1,200 seat Performing Arts Center has greatly enhanced the range of events and activities

The City and State of Maryland are equal partners with respect to debt service and operating expenses. Under the present arrangement the City pays its share of these costs with a 1 percent tax surcharge on the food and beverage tax. The cost sharing agreement ~~is set to expire in 2015 when the debt is fully retired~~has been extended to allow for phased expansions of the facility. At that time the Town will take over full responsibility for tThe operational deficit (negative cash flow last year was \$1.~~48~~ million) is common among convention centers that create benefits by attracting out of town attendees who generate spending on lodging, restaurants, retail, transportation and entertainment. There had been growth in this activity after the expansion of the Convention Center several years ago but the activity in recent years has been flat. According to the facility manager there are ~~three~~ limiting factors on convention business in Ocean City which will be addressed by the planned expansion of a 30,000 square foot/third exhibit hall:

- Size of the facility limits its appeal and some groups that have used it for years are getting larger and may have to meet elsewhere.
- Competition from other major meeting places in the region, notably Virginia Beach and Hampton, is getting more intense. Competitive facilities in both locations are expanding. Moreover, Montgomery County is constructing a small convention center that will siphon off some business that now goes to the beach.

### Municipal Airport

Ocean City Municipal Airport is a publicly owned, public use general aviation airport owned by the Town of Ocean City. The airport serves the business, recreational, and flight training needs of the community through the services and employment opportunities provided by numerous successful on-airport businesses. The airport contributes to both the State and Local economy by generating business revenues from all types of aviation-related activities – aircraft operations and fuel sales; cargo and package freight service; goods and services provided to pilots and



passengers; and, the rents, leases, and services of on-airport businesses. In turn, these airport-related businesses hire people and, through the salaries paid to those employees, additional spending is generated in the economy. In addition, these on-airport firms also purchase goods and services from local and regional vendors. Ultimately, all of these jobholders pay taxes to State and local governments.

The Maryland Aviation Authority prepares an annual report which shows how business activity at an airport creates economic impacts throughout the economy. Based on the 2015 study, the Ocean City Municipal Airport had the following positive impact on the economy:

<u>BUSINESS REVENUE:</u>	<u>\$22,895,000</u>
<u>JOBS:</u>	<u>393</u>
<u>PERSONAL INCOME:</u>	<u>\$14,146,000</u>
<u>TAXES:</u>	<u>\$1,500,000</u>
<u>LOCAL PURCHASES:</u>	<u>\$8,316,000</u>

- Air service has recently expanded with a new charter service. is limited: just one carrier, USAirways continues to, serves the Salisbury/Ocean City/Wicomico Regional Airport, which is located just 30 miles to the west on Route 50.

## Accommodations

The hotel/motel and condominium rental industry is a very large part of the Town's economic picture. Overnight accommodations generate roughly \$13.89 million per year for the general fund from a 9 percent tax (4 percent County, 5 percent State). Room ~~use occupancy and room rates~~ has been ~~flat steadily increasing~~ in the past ~~104-5~~ years, ~~according to the Executive Director of the Hotel/Motel Association using the room tax increase as evidence. However, the trend in room tax collections over the past ten years (Figure 2-4) shows dramatic growth from 2001 to 2005.~~

Tourism Metrics are now available on a monthly basis at 'ococean.com' by clicking on the Media tab. This resource has collected and published information about lodging and other statistics since May 2013 which assist in planning for our seasonal visitors. Figure 2-x illustrates how occupancy rates and room tax receipts has help to evaluate trends for the future.

### Figure 2-x

Industry issues ~~continue to, according to the Director,~~ include the following:

- ~~The City spends \$1.2 million on tourism advertising, an inadequate amount in relation to competitive locations.~~

—The Association has been intensifying its efforts to work with the golf industry, a sector that has declined in recent years.

- ~~The Association is strongly opposed to gambling on the belief that it will not engender additional spending and may cause problems as have occurred at other ocean resorts. West Ocean City Casino at Ocean Downs has been successful. Recent statewide legislation to control gaming had unintended effect on boardwalk amusements and had to be resolved by State Code amendment.~~
- ~~The loss of over 1,000 restaurant seats in the past 2 years is significant, the result of pressures for development of residential condos.~~
- ~~Trend in Hotel development – expansion of tourism marketing through national flagships~~

## Retail, Restaurants, Nightclubs and Amusements

Ocean City's economy depends heavily on retail sales and the activity generated by restaurants, nightclubs and amusements. These industries are both a source of jobs and income based on the Sales and Use taxes as well as food and beverage and amusement taxes they generate. Food and Beverage Tax Revenues to Ocean City have remained strong through the period 2000 through 2015, and have increased by 14 percent over the last 4 years. Typically over 50% of the revenues derived from food and beverage taxes are generated during the summer months.~~In spite of the loss of restaurant seating reported by the Hotel/Motel Association over the past two years Food and Beverage Tax Revenues to Ocean City have remained strong through the period 1998 through 2004, and have increased by over 26 percent through the period (see Table 2-6). Not surprisingly some 58% of the revenues derived from food and beverage taxes are generated during the summer months.~~

The Town of Ocean City also accounts for a sizable portion of the Sales and Use taxes generated in Worcester County from sales of Apparel, Furniture and Appliances, Building and Industrial supplies and General Merchandise.

Recent trends toward locally crafted beer has resulted in 3 breweries and 1 distillery operating in Ocean City. A new network of these businesses is supported by Shore Craft Brewery tours and festivals. Bayside restaurants have also expanded on the tradition of indoor and outdoor seating with family friendly entertainment and playgrounds.

Ocean City at Night – Live entertainment and music is provided at a large number of business establishments in Ocean City. This partnership creates an exceptional opportunity for seasonal employment of musicians, and in many cases provides free entertainment to resort visitors.

## The Golf Industry

Ocean City ~~has in recent years become a mecca for golfers~~continues to compete effectively in the resort golf market. The temperate climate and championship golfing opportunities at more than a dozen highly rated courses all within close proximity to each other, coupled with a myriad of lodging choices, restaurants, golf schools, outfitters and other services have combined to make the community a year-round golf destination.

Studies performed in 1998 indicated that the total economic impact of golf in Ocean City was \$112.4 million, and estimates indicate it has been steadily growing since that time. Of that amount, \$66.7 million was spent directly on golf, both at golf courses and off-course on accommodations, food, beverages, and other items. Re-spending of golfer dollars in the local economy produced an additional \$22.4 million in indirect and 23.3 million in induced impact. Off-course spending by golfers contributed \$61.8 million of economic impact to the local economy. The overall economic multiplier was 1.69: that is to say that 69 cents of every dollar in direct spending was re-spent in the local economy.

In addition, a total of 15 operating golf courses in the area were estimated to generate approximately 2,321 full-time jobs in 1998 (source: *Economic Impact of Golf in Ocean City Maryland*, Study Conducted for the Town of Ocean City and Ocean City Golf Getaway, Inc., May, 2000). New golf course construction since that time has generated yet additional jobs.

Several golf courses in the Ocean City area can be characterized as golf communities with residential development integrated into overall design of the course. Ocean City area golf communities comprise a total of over \$54.2 million in residential real estate generating over 1.1 million in real property taxes annually. Other benefits include aesthetic benefits in the form of expansive views, creation of open space, and wildlife habitat. Eagle's Landing, the Town's municipal course, was the first certified Audubon Cooperative Sanctuary in the State of Maryland. Table 2-7 provides a summary of the economic impact of golf in Ocean City.

Golf tournaments have a significant benefit to the community as a charitable fundraising event. Recent trends were presented in the Maryland Coast Dispatch article (March 31, 2016) which noted a competitive force in third party online sales which may have an impact to the golf course industry in the future.

## The Sport Fishing Industry

Ocean City's sport fishing industry was borne in the wake of a violent storm that cut an inlet through the island in August, 1933. The inlet linked the ocean with the bay, and the newly created access meant that fishermen no longer had to launch boats through the surf or limit themselves to bay fishing. In 1934, the first white marlin was caught off the coast and Ocean City claimed the title of "White Marlin Capital of the World." Today the White Marlin Open, considered the East Coast's premier fishing tournament, is the centerpiece of the town's sport fishing industry. The Open draws about 400 boats to compete for the largest prize money payouts in tournament sport fishing in the world. Winning boats collected record setting awards ~~with~~over \$1 million each

in 2003 and 2004 \$1.18 million awarded in 2015 for the biggest white marlin. In 2004, the revenue generated for Ocean City during this annual, week-long event was estimated to be \$20 million. Last summer, the anglers competed for \$4 million in prize money, however of the 695 billfish caught during the 2015 event, 687 (99.8%) were released following established conservation practices.

A variety of businesses in Ocean City are heavily dependent on recreational bay and ocean fishing year-round, including boat builders, party and charter boat businesses, bait and tackle retailers, and several marinas.

The Ocean City Inlet and its long term maintenance with the assistance of the US Army Corps of Engineers, the National Park Service, and Worcester County is one of the critical infrastructure elements of the local and regional economy.

### Nature based tourism

Opportunities to bring first time visitors to a resort destination are possible through the promotion of nature based tourism that engages people with education, experiences and programmed activities to explore the natural world around the traditional beach and boardwalk attractions. Partnerships with the National Park Service, Maryland Coastal Bays Program, Maryland State Parks and Worcester County help to expand and sustain tourism activities in a way that can benefit natural resource management and local economy.

## Downtown Development

In recent years the City has made the downtown the focus of economic development efforts. The ~~City organized~~ Ocean City Development Corporation was organized as a non-profit charitable organization with the power to sell tax credits and accept tax-deductible contributions. This organization has responsibility for implementing the recommendations of the 1999 Downtown Action Plan. Discussion of this plan, its various components, and status of implementation of projects defined therein is provided in Chapter 8 of this Plan.

Ocean City has a relatively fixed base of existing land uses and developed properties. Economic development in this context has remained focused on strategies which encourage continued investment in property renovation and redevelopment. Mixed use redevelopment of large single ownership parcels will continue to build the tax base and offset any conversion to public ownership for needed infrastructure improvements.

## Other Business Issues and Views

The Director of the Chamber of Commerce expresses the views of the business community in seeking economic development and growth. The key issues for the Chamber include the following:

- There is a need for a more skilled work force. As one sees the tremendous retail growth in west Ocean City, the work force will be the key to healthy economic development. ~~There is a push for D~~development of a vocational school in Worcester County ~~that would offer~~s vocational internships and apprenticeships for the local service based economy needed to support Tourism.
- There is a significant disparity between wages and housing costs, as has happened in so many places around the U.S. and particularly in resort areas. With many families relocating to the area to enjoy the higher quality of life and the regional year-round population grows, housing costs have increased. For most people living in the resort area is out of the question. Teachers, for example, find close-in housing unaffordable.
- The resort is becoming a year-round community. It is a year-round place where residents need all the support and services that they have traditionally had available in larger cities.
- The retail sector has been growing tremendously and its orientation is increasingly to the year-round population. The community needs a wider range of business and professional services. Chain retailers have begun to recognize the buying power of the population: WalMart and Home Depot have ~~already~~ opened new big box stores along the Route 50 gateway corridor to serve Berlin, Ocean Pines and Ocean City.

## Future ~~Business Park~~ Economic Development/Regional Trends

~~Worcester~~The County partners with the Town and the Ocean City Development Corporation in economic development matters. ~~The County's economic development office sees the need to locate an industrial park in the northern part of the County, closer to Ocean City than the Pocomoke Park, but the challenge is to acquire property at a reasonable price. The County is now reviewing the distribution of water and sewer infrastructure, and Ocean City has the highest priority in this review. The County has continued to expand the commercial business corridor along Route 50/Ocean Gateway. Racetrack Road/Route 589 and Route 611/Stephen Decatur Highway provide additional development corridors serving Ocean Pines and the Assateague Island National Seashore respectively. Capital improvements to water and sewer services generally regulate the pace and location of growth in this area. Chapter 4- Transportation identifies the potential impact of development along the Route 50 corridor and the need for expansion of Route 90 capacity.~~

Recent private investment in campground properties, and new hotel construction in West Ocean City indicate a possible transition away from complimentary retail land use development to competitive uses which provide tax benefit to Worcester County while

demanding services from the Town of Ocean City as day trip visitors travel to enjoy the beach and boardwalk destination. Recognizing the need for cooperative planning and actions, the Town and County have entered into extended discussions regarding tax differential studies and grants to equitably balance tax revenues and budget expenditures.

Broadband connectivity is increasingly important as seasonal visitors create peak demand and social media provides new tools to drive the local economy. Ocean City's 2013 and 2015 awards as one of America's eCities by Google recognizes the strongest online business community in each state.

Offshore Wind Energy is proposed with a new 120 MW wind farm to be located 17 nautical miles off the coast of Maryland and interconnecting with the existing Delmarva Power transmission system in Ocean City. If approved by the Maryland PSC in 2017, the wind farm will be in service by 2022.

Offshore Oil/Natural Gas exploration off the coast of Maryland was opposed by resolution of the Mayor and City Council due to its potential severe impacts on coastal fisheries and the recreational beaches which sustain the local economy. Delays in licensing at the federal level appear to have extended this concern beyond the scope of this update.

Scenic Railroad excursion trips from Berlin to Snow Hill are working through a feasibility stage with the assistance of the Worcester County Economic Development Director. This destination tourist attraction is one example of a regional approach to marketing unique and complementary recreational activities for area visitors.

A Sports Tournaments Plan is supported by an agreement between Wicomico and Worcester Counties, and Ocean City to establish the Mid-Atlantic Amateur Sports Alliance (MAASA). In July 2015 the USSSA Girls Softball Eastern World Series was hosted over a three week period with almost 400 teams participating. Estimated economic impact to the region was \$20 million, with a hotel room night demand of 12,000.

## ConclusionsRecommendations

Ocean City ~~seems to be~~ is in good fiscal condition, as a result, in part, from steady appreciation in real estate values and positive tourism activity. Trends in the past decade that affect this situation include the following:

- Tourist visitation has remained steady as the result of a concentrated marketing effort and the actions of all partners in the local economy. Weather conditions remain the main factor in determining any significant variation in economic activity.

- ~~New real estate development~~Property renovations and redevelopment generally have ~~brought an increased~~maintained the level of real estate assessments value as a result of ~~significant growth in 1996, steady growth from 1999-2002 and a very big increase beginning in 2003.~~even through the National Economic Recession period beginning in 2008.
- ~~The trend in room tax collections over the past ten years shows modest increases and then dramatic growth~~dramatic growth beginning in 2004new and redeveloped hotel room construction has responded to market demand for long weekend vacations with over 1,000 rooms recently developed or in the development process.
- The Convention Center, including the new 1,200 seat performing arts center, is now one of the top attractions in Ocean City, generating a significant level of visitation and spending.

While conditions are positive, there are important issues and challenges:

- Ocean City and Worcester County are increasingly attractive as year-round places to live. This trend is enhancing the retail environment and increasing the need for year round social services.
- Ocean City is increasingly an international place, especially in its seasonal worker population, and there is a growing need for a solution to the problem of housing seasonal workers. The County has identified a site in the County but the workers lack ready transportation and prefer housing in the Town. There are other problems associated with the retention and development of the increasingly foreign work force, including training and legal assistance.
- The Town has ~~lost some businesses to residential redevelopment~~adapted to business and real estate cycles which may affect different sectors of the economy. Development activity has shifted from new condominiums to new hotel rooms in recent years. Lower land values and taxes in West Ocean City are attracting some retailing activity away from the Town.; ~~where residential development is more attractive to developers since it commands higher returns on land. Retailing in general is strongly attracted to less expensive locations outside the resort area that are closer to the growing, year-round population. However, these trends are largely market driven and demand for services influences the supply. Regular turn over in small business ventures on the Boardwalk provides opportunity for innovation to meet market demand, including healthy food options.~~
- There is a need to give visitors more reasons to spend money at attractions, such as entertainment venues and better quality restaurants. ~~However, while additional entertainment may be a key factor in increasing visitation, market area demographics will not support this on a year-round basis. Moreover, entertainment in itself is a high-risk business that offers little in economic benefit to the local economy.~~

- The growth of the retirement population, aged 55-65, is a national trend that creates new challenges in the health care field and the need for projects and programs related to independent and assisted living. As new facilities are developed in the centralized areas between Berlin, Ocean Pines, and Ocean City, all residents benefit from increased social and medical services.
- The Ocean City Development Corporation (OCDC), established to lead the downtown redevelopment process, ~~seems to have~~ has good support from the Town and the business community and it has made significant progress on its initial agenda. ~~Now there is a need to~~ Updates to the work plan with additional priorities and projects for the Model Block will likely be the focus of the next planning period.
- The competitive environment related to resort area conference and convention activity is growing always changing and the Town should continue to reevaluate its spending on marketing and business development. ~~Reduced-~~ Maintaining current levels of spending on tourism marketing may ~~not~~ be ~~the answer~~ necessary in the face of increasing competition from other locations in the Mid-Atlantic region.
- Worcester County partners with the Town in its formal economic development efforts, ~~and the relationship seems to be positive. The eventual development of an industrial park in the northern part of the County, closer to Ocean City than the Pocomoke Park, will provide additional work opportunities for Ocean City residents.~~
- The Town and County must preserve, protect and restore the island's and bay's natural assets and water quality to sustain their attractiveness to tourism in a continued partnership with the Maryland Coastal Bays Program.
- Tourism trends are subject to volatility and Ocean City faces economic challenges as it becomes more of a year-round community with an older population and an international work force.
- Storm readiness and public safety are priorities to a strong and resilient local economy.



| • economy.