

CHAPTER 6: Housing (text only)

Introduction

Ocean City has long been considered one of the Mid-Atlantic area's premier beach and resort communities. ~~In recent~~As a result, many people choose to live, visit, vacation and own residential property in the community with years the Town ~~has experienc~~ing an extraordinary amount of new development, in both number of housing units and value over the years. For 7,100 permanent residents, 30,000 residential property owners as well as guests staying at over 7,500 hotel rooms, the quality of housing is an important part of the Ocean City experience. To sustain this value over the long term and to plan for future needs, the Comprehensive Plan refers to information from the U.S. Census to identify housing trends.

~~As this statistical information is updated, it is clear that there has been a relatively stable housing mix and adequate housing supply capacity for the last 10 years in Ocean City. The national economic recession beginning in 2008 has generally had the effect of reducing rapid escalation of property values and increasing housing affordability. While larger trends in housing supply and demand continues to be influenced by areas outside of the City limits in West OC and Sussex County, DE, Ocean City is adapting existing housing to meet demand for larger family groups, seasonal and employee rentals. This 'change of use' in residential housing can create new impacts on established neighborhoods and often requires building renovation to meet current codes and standards. - These are all characteristics of a mature community with a significant seasonal housing market.~~

Goal:

To protect and preserve the traditional character of Ocean City's housing stock while ensuring that a sufficient variety of housing densities, types, sizes and costs is ~~provided available~~ to meet the existing and future needs of all residents, and continues to meet the needs of the visitor population.

Objectives: In order to achieve the housing goal, the following objectives are adopted:

- 6.1 _____ Protect and enhance the quality of residential neighborhoods.
- 6.2 _____ ~~Provide~~ Encourage a balanced housing stock with housing opportunities for _____ all _____ residents.
- 6.3 _____ Increase housing inventory to provide affordable, adequate housing for _____ young, working families and the seasonal employee population.

6.4 Require site plan and planning review for all major developments to ensure a functional design, quality living environment, and compatibility with overall Town character.

6.5 Adapt to changing market demands for rental housing by minimizing the impacts of short term rentals on established neighborhoods, and encouraging adequate seasonal housing for the workforce.

~~In fiscal 2004, 1,245 permits were issued for new construction and alterations, with a total value of over \$133 million, 27 percent higher than in 2003. Permits for new construction alone in 2004 had a value of over \$125 million and included development on Sunset Island, a significant project consisting of 522 units valued at over \$400 million. In fiscal 2003, the total value of permits issued for new construction and alterations was \$105 million, 53% higher than in 2002.~~

~~The 2005 Worcester County Comprehensive Plan notes that lack of available land is constraining new development in Ocean City, and the number of older properties being redeveloped as residential properties is subsequently on the rise. This is evident in the number of out-dated buildings that are being replaced by modern, upscale residential units. The National Association of Realtors (NAR) also notes that residential real estate is now more valuable in Ocean City than commercial real estate, with some commercial properties being torn down and replaced by condominiums. Several large redevelopment projects were approved by the Town's Planning Commission in fiscal 2004-2005, including a hotel condominium at 45th Street with 106 hotel rooms and 203 two- and three-bedroom units, and the Gateway at 49th Street with 160 three-bedroom and 31 four-bedroom units. Luxury condominium projects totaling 552 units have been approved for construction in fiscal 2004-2005.~~

~~The recent boom in construction is being fueled by investors from nearby metropolitan areas, such as Baltimore, New York City, Philadelphia, and Washington, D.C., who build and occupy vacation homes during the off-season and rent them out during the summer. Ocean City is within a two- to three-hour drive from one-third of the country's population; the permanent population of Worcester County is around 43,000, less than 10,000 of which live in Ocean City. But during the summer season, the county's population peaks at between 300,000 and 350,000. Even the off-season is popular, with the population swelling to around 150,000 on weekends.~~

~~In 2003, Worcester County (which includes Ocean City, Berlin, and Ocean Pines) had the largest number of individual properties sold in the state. The County also saw a 17 percent increase in property values between 2001 and 2003, and a 25 percent increase in home prices between 2003 and 2004.~~

~~Yet even with those substantial increases, the NAR notes that Ocean City property values still are not as high as many other east coast resort communities. Vacation home prices are still low relative to where they are expected to be once the Baby Boom generation begins to retire in force. The number of boomers purchasing vacation homes in the coming years is expected to~~

~~climb dramatically, fueled by an increase in home equity, favorable tax laws, record-low mortgage rates, and changing lifestyles. Recent NAR statistics show that the vacation home market is a young, dynamic and growing market. That information, coupled with the projected rise in the year-round residential population discussed in Chapter One, supports the assertion that the housing market in Ocean City will continue to grow in the coming years.~~

Housing Supply

Ocean City's housing inventory is comprised predominantly of multi-unit structures, the majority of which are residential condominiums. Single-family detached housing ~~(not including mobile homes or trailers)~~ is ~~uncommon-an important resource for year-round residents~~ in the Town and yet comprises only 10.9% of the total housing stock, compared to the County average of 40.39% (Table 6-1). The mobile home/trailer ~~population-housing type~~ is also significant, comprising 5.57% of the total number of units.

Table 6-1

The overwhelming majority of multi-family units are in ~~larger buildings or building~~ those complexes with three to nineteen units per structure. A review of building permit data from 1985 to 2015 reveals further that permits for structures with 5 or more units make up the largest percent of the Town's recently constructed housing type (Table 6-2).

Table 6-2

A significant spike in building permits for multi-family residential construction occurred from 1983 to 1987. In 1982, the total number of building permits issued for construction of multi-family housing units was 102. The following year the number was 2,013. In 1984 the number dropped slightly, to 1,972. In 1985 the number of building permits for multi-family units dropped by almost half to 1,022, and again by the same margin in 1986. By 1988 the annual number of permits being issued for multi-family housing units was down to 203. A significant downward trend in permits for multi-family housing units began a few years later, in 1990, when the total number of permits for housing units was only 88, 48 of which were for multi-family units. This downward trend continued to almost the end of the decade.

An upward trend in housing unit building permits began in 1999, when the total number of residential building permits nearly doubled from the previous year. Subsequent annual totals for residential building permits indicate a steady increase in residential construction within the Town through 2006. From 2000 to 2002 multi-family unit permits outnumbered single family permits increasingly each year, however in 2003 the percentage of single family unit permits doubled over the previous year. By 2006 housing permits had peaked at 571 and then dropped off significantly through the national recession to a low of 17 in 2011. Recently an equilibrium level has been reached of approximately 50 new housing units per year.

Hotel/Motel units are also considered as a residential unit component that meets the transient housing demand for seasonal visitors. Previously the number of new hotel units was not calculated in the housing supply, however with this Plan update the addition of over 1,000 new rooms has been noted. The increased use of individual housing units as transient housing to meet the needs of our resort community has also challenged the traditional view of housing.

Historical data for housing units, segregated by decade built, appears in Table 6-3, below. Re-investment and re-development have improved the available housing in areas such as 67th Street with the development of Sunset Island, and conversion of a trailer park to Broad Marsh townhomes. The steady replacement of mobile homes in several of the mobile home parks with permanent structures provides safe, code compliant housing options for future generations. As each cohort of housing passes into the next decade, regular maintenance, renovation and inspection demands increase.

Table 6-3

Housing Units and Householders

In 2000~~4~~, one-third of the Town's year-round occupied housing units were renter-occupied, compared to the county average of one in every four. (Table 6-4). By 2010, renter-occupied housing units in both the Town and the County were approximately one in every five units ~~;(Table 6-4).~~ The average length of residence in the Town (11 years) is somewhat less than that of the County (13 years) according to US Census data.

Table 6-4

Table 6-5 illustrates the status of vacant housing units in the Town. As expected, the majority of vacancies are the result of units being used as second or vacation homes. This information, which is collected every 10 years in the month of April, does not adequately represent the dynamic and flexible way that housing in the resort community meet the needs of full time residents, second home owners, investors and workforce housing providers at different times of the year.

Table 6-5

~~As noted in the Introduction to this Chapter~~ After many years of annual increases in housing values, the effects of the National Recession beginning in 2008 have impacted housing values have reportedly been appreciating steadily in recent years both Ocean City and Worcester County. In 2000 the period from 2010 to 2015~~4~~, the median value of owner-occupied housing in Ocean City was estimated at \$150,750.00 was reduced from \$374,600 to \$283,600, twenty percent higher than and the median value of owner-occupied housing in Worcester County was reduced from \$289,100 to \$242,000. (Table 6-6). The U.S. Census in 2010 recorded very little housing priced above the \$5400,000.00 range in Ocean City, ~~however it is anticipated that the~~

amount of higher priced housing will increase as the value of residential properties increases due to the limited land available for new residential development.

Table 6-6 This will be true particularly for beach front properties.

Given recent dramatic increases ~~fluctuation~~ in the Town's assessable base, it is clear that the value of residential units today is appreciably higher than in the year 2000, although no recent data since the 2000 Census is available to confirm this. have still been able to hold substantial value based on their desirable location, and avoid sharp losses due the 3 year rotating re-assessment schedule in Worcester County.

Table 6-7 illustrates the value of owner occupied housing by number of units per structure.

One and two-person households make up 852 percent of the households in Ocean City, a significantly higher proportion than Worcester County (7064 percent). Ocean City has a smaller average household size than the Worcester County, as well. Both of these facts, combined with aging population statistics in Chapter 1, are indicative of the increasing number of retired persons moving to Ocean City as permanent residents.

Table 6-9 is ~~an analysis~~ a comparison of Ocean City's housing units by the number of bedrooms in each. ~~including-~~ d ~~Data for Worcester County is included for comparison purposes.~~ In Ocean City, two-bedroom housing units outnumber all other units by a wide margin, ~~under~~ seering ~~reflecting~~ the demand for ~~smaller units as a result of the increasing number of retirees and demand for one-family~~ seasonal use units in the Ocean City housing market at the time. In comparison, the largest number of ~~two bedroom~~ housing units in Worcester County ~~is close to the number of~~ are three-bedroom units in the County, where the percentage of ~~families with children under the age of 18~~ full time residents is far greater than Ocean City. Building permit activity over the last 10 years suggests that the Ocean City housing market will continue to adapt by increasing the size and number of bedrooms per unit to meet demand, and that

Table 6-9

Given recent fluctuation in the Town's real estate assessment base, it is clear that residential housing units have still been able to hold substantial value based on their desirable location, and avoid sharp losses due the 3 year rotating re-assessment schedule in Worcester County. It should be noted that many housing unit renovations in Ocean City often add additional bedrooms where possible in order to increase marketability for rental purposes. Recent trends in seasonal rental housing are expanding the demand for large single family homes that can support multiple family members and reduce rental cost per person.

Housing for Seasonal Employees

In 1997 and again in 2009, the Ocean City Comprehensive Plan noted that the major housing problem facing the Town was “the availability of affordable, decent, temporary housing for

seasonal employees.” Seasonal workers are a key ingredient of Ocean City’s economy, as over 12,000 workers come to town to fill summer jobs. The resort industry must rely on nonresident seasonal employees to ~~man-staff~~ the resort’s attractions and restaurants. This demand often includes many seasonal and part time City employees.

With Ocean City’s accelerating rehabilitation of older properties and enforcement of maximum occupancy standards, the supply of lower cost housing options is dwindling. This has created a shortage of affordable housing for the summer labor force. Summer labor shortages have occurred in the past, and one of the contributing factors for these shortages is the lack of affordable housing.

Possible solutions to this ongoing problem have been studied for several years but with limited success. Government assisted housing is not an appropriate solution as the recipients of such subsidies are not ~~in the true sense~~ considered low or moderate income residents and would only occupy the housing for several months of the year. A second alternative considered was the establishment of a private non-profit Housing Authority to develop and operate affordable housing. This approach also had potential problems. A site which provides a buffer from surrounding areas would be needed, and such sites are limited in Ocean City. Finally, such an endeavor was deemed unfair competition for existing property owners who rent seasonally. ~~Another option considered was to let the private market handle the problem by increasing wages to offset housing costs and thus enable Ocean City employers to compete with jobs in the workers’ hometowns.~~

Some employers have developed or secured housing for their employees. Other potential methods to expand seasonal employee housing include mixed use commercial and seasonal housing, specific employee housing projects, and shared use of university dormitories. ~~H~~ Consideration should be given to housing seasonal employees in West Ocean City where land and housing costs are cheaper has increased in recent years. This creates additional demand on ; however, this would require transport transportation systems to connectg workersthem to job destinations on the island. The West Ocean City Park & Ride will continue to ~~might~~ facilitate this approach.

International student organizations coordinate live/work visa programs in Ocean City for at least 4,000 seasonal employees. Sponsor agencies have typically been responsible for leasing properties and providing safe and affordable housing units. Overcrowding of available workforce housing requires constant inspection and enforcement of Building Code occupancy limits.

Young and low income families moving to Ocean City must also compete for a limited amount of affordable housing. Statistics continue to indicate that an increasing number of retirees (and future retirees) are seeking to relocate in the Town and are purchasing properties as second or vacation homes. These homeowners typically are able to finance more expensive homes, therefore, developers have generally found it profitable to build for this market. Low and moderate income families and seasonal employees are not able to afford this type of housing and, as a result, do not have as many housing options.

In order to insure that housing needs are met for all segments of the Ocean City population, a coordinated effort must be made by the Town and the local business community to promote the availability of a variety of housing options in the appropriate locations. ~~Unless steps are taken to correct gaps and shortages in the existing housing market, many of the Town's young families, low and moderate income families, and seasonal employees will be forced to either remain in housing which is unsuitable for their needs or leave the Town to find suitable housing elsewhere.~~

Transient Housing

~~Review of Hotel / Motel units as a transient housing type in this chapter has been added as a result of to highlight the rapid construction of new units within the last 5 years, and the important role they play in providing seasonal short term housing and event venues. the Increased demand for short term vacation housing and employee lodging in traditional single family housing units has also been included as a current housing trend. -~~

~~Internet based lodging/booking systems have encouraged property owners of all housing types to participate in the short term rental housing market. Demand for seasonal workforce housing has continued to increase with older housing units typically meeting the demand for dormitory style living. Inspection and enforcementManagement for maximum occupancy, safe housing, rental license and tax compliance has increased and forced new and creative solutions each year.~~

~~With the addition of new national franchise hotels to the existing market, it is anticipated that cConversion or redevelopment of older hotel/motels will follow as the next development trend. Conversion of use from one housing type to another, with new standards for living space, safety, parking, etc. will require updates to the City Code and close coordination with the building industry.~~

Recommendations

- ~~Consider and adopt strategies for protecting neighborhood character in defined areas to encourage year round residential use, particularly in single family home areas.~~
- ~~Study housing market trends and the unique impacts of different rental arrangements such as yearly, seasonal, monthly, weekly, weekend, daily/sharing, and others. Propose strategies to mitigate impacts of short term commercial rental activity in single family neighborhoods or districts which do not permit commercial activity.~~
- Encourage the private sector to address the seasonal employee housing problem through wage adjustments, employer-provided housing, or a private nonprofit housing corporation.

- Explore additional incentives and or requirements related to the development approval processes that could be established to increase the supply and availability of affordable housing to meet current and future needs of low and moderate income families.
- Collect data and p~~Perform a detailed~~ analysis of seasonal housing demand by type.
- Continue to encourage a mix of housing types and accommodations able to meet the needs of the whole spectrum of residents and visitors to Ocean City while striving to improve the overall quality of the housing stock.
- Expand the municipal partnership with Ocean City Development Corporation to provide additional housing for seasonal and part time City employees working in the downtown area.
- Consider incentives to encourage utilization of upper floors of business uses to provide seasonal employee housing. Review standards for dormitory style housing to encourage new construction while meeting all applicable building codes.
- Examine opportunities to construct a seasonal housing community in West Ocean City. Such a facility could utilize the West Ocean City Park & Ride, and funding for such development could be supported by the business community.
- Monitor the age and building permit history of large multifamily condominium structures, particularly along the ocean front and bayside to identify recurring repairs or renovations that would indicate the need for additional inspections and enforcement of building maintenance code requirements.
- Implement CRS flood risk management outreach strategies for Repetitive Loss and Severe Repetitive Loss properties. Consider implications of building first floor elevation on accessibility and setbacks to accommodate steps/ramps
- Consider residential floor area ratio (FAR) standards and additional bulk regulations to address the observed increase in unit/home sizes as a result of redevelopment/renovations with associated increases in occupancy, parking, public service demands, and impacts to surrounding neighborhood character.
- Study recent redevelopment and infill projects to evaluate challenges and best practices for possible incorporation into code standards.