

A Greater Salisbury Committee White Paper Addressing Housing Needs



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Introduction

This white paper represents the conclusions of the Greater Salisbury Committee Housing Task Force which has spent much of 2024 looking at the housing challenges in the Salisbury/Wicomico residential real estate market. The lack of new neighborhood communities, the old/non-current housing inventory, the overabundance of rental housing, high rental rates, and a shortage of affordable housing have created a perfect storm. Our bottom-line conclusion: the demand for new, residential housing exceeds the supply. Without addressing the supply side, our real estate market will continue to lag behind our neighboring markets, resulting in potential long-term effects that could devastate our local economy and have permanent negative effects. We need to build new, modern neighborhoods, with the kinds of amenities that can make home ownership in our market as desirable as it is in the markets that surround us.

Objective

To address this, we must, in the most literal sense, get back in the housing game. We need to acknowledge that, while many housing markets in surrounding counties are thriving, we've been left behind. If we want to continue to thrive as a community, we must build new neighborhoods in designated growth areas to replace the aging housing stock and meet the demands of today's homebuyers. If we do not re-enter the housing market, people will likely continue doing what they've been doing: buying a new house outside of the Salisbury/Wicomico market. This trend must be reversed.

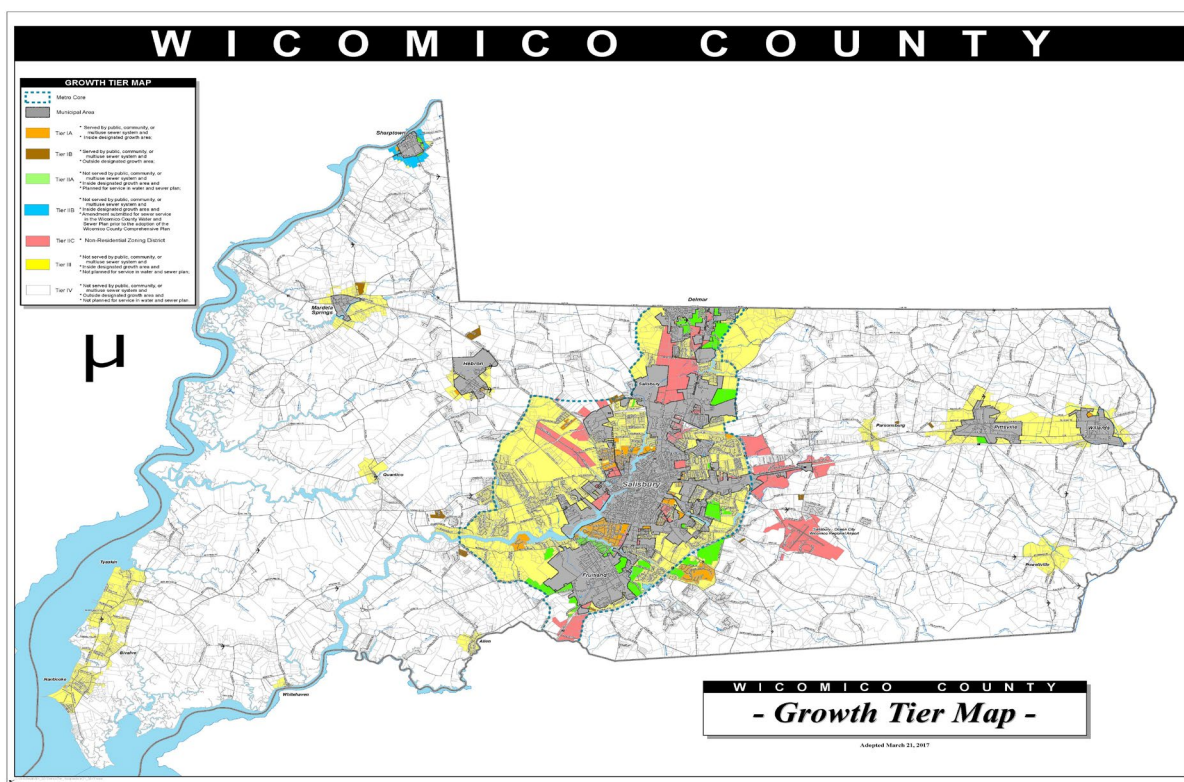


Figure 1. Wicomico County Growth Tier Map <https://www.wicomicocounty.org/507/GISMap-Room>

Current State of Housing

How important is the national housing problem? Andy Bauer, vice president and regional executive for the Baltimore branch of the Federal Reserve Bank of Richmond, has been to Salisbury twice in the last few months. First, as a guest of the GSC General Membership Meeting in April, and then as a guest of the Housing Task Force, in May. On both occasions, Bauer pointed out that The Fed has identified housing (specifically, the lack thereof) as the number one issue that's threatening the overall health of the US economy.

The current conditions in the Salisbury/Wicomico County area are ideal for new planned, modern residential neighborhood developments. We have a rising unmet, and pent-up demand in place, creating opportunities for new development to meet our housing needs. We believe that creating necessary incentives to investors/developers so they will build appropriate new housing in the Salisbury Wicomico County region is critical. The reality is that local, regional and national home builders are building in communities that incentivize them. Given the severe national and state housing shortage (estimated to be 96,000 units in Maryland alone, according to Governor Wes Moore and DHCD Secretary Jake Day), builders can pick and choose where they want to do business. We need to do more to have them choose our market. It's as simple as that.

Our goal is to have a sufficient number of homes built to meet demand within our community. While we recognize the potential benefits of market-driven housing efforts, we are mindful not to overdevelop to match the pace of adjacent towns. Furthermore, we are aware of the risks involved with rapid expansion, which may present issues that we are not yet equipped to handle. As a result, our strategy stresses balanced and sustainable development in areas that have been designated for appropriate growth, with thoughtful planning as part of the process. Overdevelopment is not the goal.

Background

The bulk of residential housing development in the Salisbury/Wicomico County area occurred from the 1980s through the early 2000s, with local builders and developers predominantly installing well and septic systems in the neighborhoods they built. However, new statewide septic regulations make constructing those kinds of neighborhoods nearly impossible.

Following the housing crash of 2008-2010, the Salisbury/Wicomico County area has yet to recover when it comes to building new homes. Despite averaging approximately 500+ new housing starts per year during the peak decades (with some years reaching as high as 800 new housing starts), since 2007 the Salisbury/Wicomico County area has seen approximately 150 new homes built per year. This decline is significant, especially when you consider that the overall population in Wicomico County has gone from 64,500 in the 1980s to 105,000 today. In contrast, Sussex is building an approximate average of 3,400 houses per year and Kent County is building an approximate average of 1,000 houses per year. While we do not want to grow as quickly as Sussex and Kent County, it's time to recognize we need to find a way to get new housing built. (*see figure 2, figure 3, and figure 4*)

The challenges posed by the Great Recession of 2008, the adoption of Chesapeake Bay Critical Area legislation, and substantial changes in state septic system rules, including the introduction of tier mapping, have all resulted in delays for new planned residential development initiatives. These laws have significantly impacted the housing market, created additional barriers, and prevented developers from investing in the region. As a result, there is an urgent need for collaboration by our county and municipal governments, as well as planning and zoning authorities, to expedite processes. Additionally, we must understand that the bulk of this new housing must be constructed in or near municipalities that have municipal water and sewer systems.

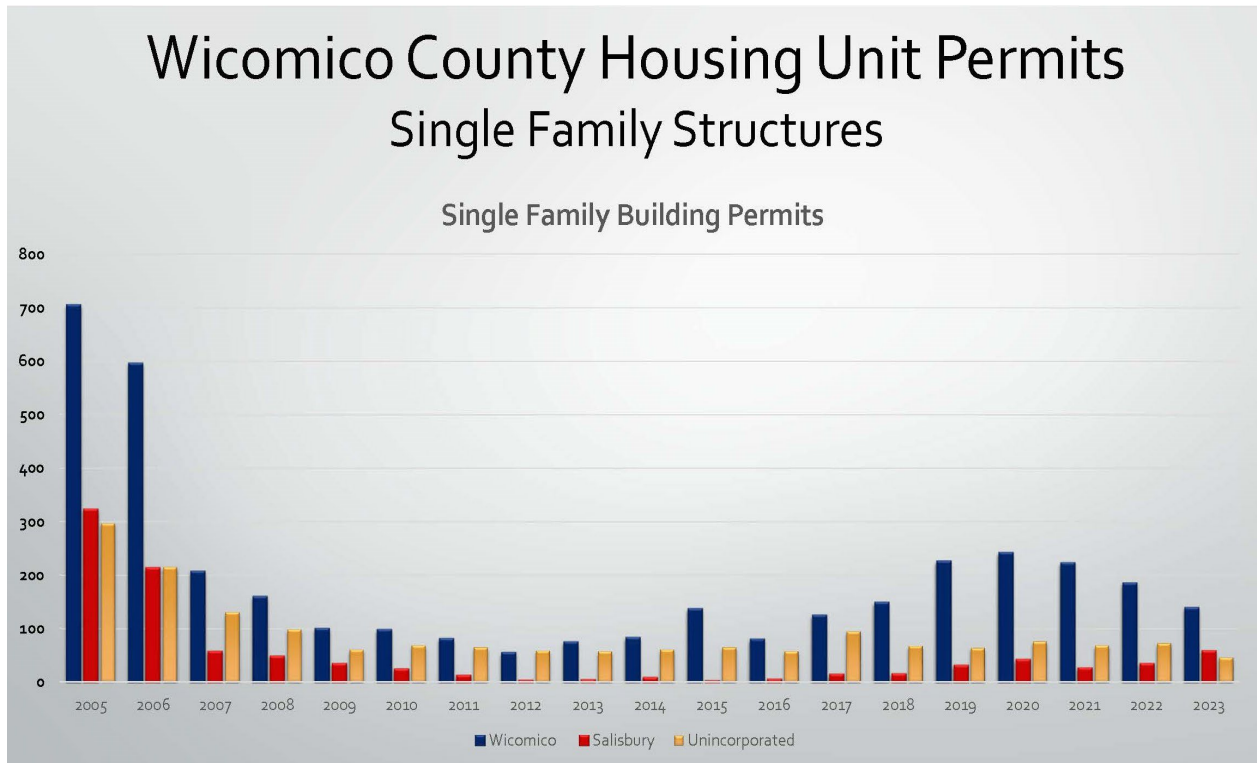


Figure 2. Wicomico County Single Family Building Permits

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Building Permits Single Family Structures Lower Shore of MD	Year	Wicomico	Worcester	Somerset
	2005	828	712	199
	2006	701	587	135
	2007	269	379	105
	2008	208	183	44
	2009	145	106	39
	2010	142	93	48
	2011	107	81	60
	2012	87	95	15
	2013	112	124	26
	2014	112	133	48
	2015	93	222	35
	2016	80	164	37
	2017	125	164	17
	2018	171	189	31
	2019	226	232	25
	2020	242	249	20
	2021	223	303	40
	2022	185	290	32
	2023	139	349	35

Figure 3. Lower Shore of MD Single-Family Building Permits

Building Permits Single Family Structures Lower Shore of DE	Year	Sussex	Kent
	2005	3,200	2,182
	2006	2,121	1,703
	2007	1,903	1,478
	2008	1,215	988
	2009	1,318	806
	2010	1,334	814
	2011	1,311	703
	2012	1,481	840
	2013	1,942	827
	2014	1,943	912
	2015	2,166	827
	2016	2,399	1,124
	2017	2,727	1,154
	2018	2,357	1,137
	2019	2,788	1,122
	2020	3,971	1,666
	2021	4,395	1,682
	2022	3,764	1,008
	2023	3,335	811

Figure 4. Lower shore of DE Single-Family Building Permits

Current Housing Challenges

The existing housing inventory fails to meet today's needs of potential buyers and renters. Economically, these shortages hinder local businesses' ability to attract and retain talent, reducing the pool of skilled workers, and stunting economic growth. Overall, addressing the housing dilemma is essential for promoting a healthy community and a robust economy.

The shortage of available housing options is driving up prices across the board. Monthly rental rates are exceedingly high for a market our size. Also, housing costs for buyers are high: the average sale price of a house is currently 287,000. In 2022, approximately 1300 homes were sold in the Salisbury/Wicomico County market, and in 2023, that number dropped by 300. For our current population of 105K, there should be more than 500 single family dwellings built per year. Additionally, given our population, there should be a continuous "for sale" inventory of around 400-600 homes. Currently, the "for sale" inventory is consistently hovering around 200 homes.

Both the quantity and quality of residential housing are lacking, with a significant portion of homes not owned by their occupants. For example, the current rental-to-homeownership ratio in the City of Salisbury is unsustainable, with homeownership at 30% and rentals at 70%, the opposite of the national average. This inadequate housing supply and aging stock are prompting residents to move elsewhere.

When faced with limited housing options in the Salisbury/Wicomico County market, people are choosing to relocate to surrounding areas where there's plenty of housing – areas like Sussex County to our north, and Worcester County to our east. When people move there, they spend time there. The loss of these homeowners to surrounding counties damages the economic competitiveness and growth potential in the Salisbury/Wicomico area.

Incentivizing Regional and National Home Builders and short-term / long-term goals

Construction costs are significantly high, and a new innovative approach is needed to incentivize investment. The rising cost of construction is outpacing affordability, and compounded with shrinkflation, consumers are receiving less product for their investment. Barriers to residential and affordable housing include land use restrictions, substantial impact fees, limited financing options, and regulatory constraints. The absence of advanced land use policies exacerbates the overall situation.

Unlike other towns and counties, our regulatory authorities in charge of development, while dedicated, sometimes tend to be risk adverse, potentially hindering the introduction of innovative and visionary approaches. To create advanced planned housing communities that will meet the demands of today's buyers it is imperative that we transform planning into an active process. For example, neighboring towns and counties planning and zoning commissions promote a positive outlook on development and drive change through action. We need planning and zoning officials to introduce innovative and proactive ideas and legislation.

The infrastructure in the Salisbury/Wicomico County area is substandard, and the high costs of extending sewer and water services make it financially challenging for investors. Offering incentives, support, and expedited regulatory processes will encourage builders to invest in

residential and affordable housing construction. Consequently, investors will prioritize these projects, increasing the overall housing supply.

Short-term incentives include streamlining approval processes and providing incentives and support to investors. Modifying zoning restrictions to allow for higher density construction in specific regions can help to increase housing supply in the near term. Infill development is a practical and short-term solution that is an effective approach to increase housing supply without encroaching on undeveloped land. This strategy not only optimizes land usage, but it also revitalizes disadvantaged communities.

A few long-term strategies include infrastructure investment, innovative land use policy reforms, public-private partnerships, urban planning, and affordable housing trust funds. Strategies like these are in place in other areas.

Infrastructure improvements can open market driven development opportunities and support the construction of new planned community developments over the long term. For example, developing urban plans that prioritize mixed-use community development, transit design, and affordable housing goals can guide long-term growth and ensure that housing needs are met.

Establishing financing resources such as fiscal incentives, grants, low-interest loans, or housing trust funds for developers can encourage long-term investment in housing.

Actionable Items for Consideration

- Tax Increment Financing (TIF) Policies
 - City of Salisbury to create and implement https://www.salisbury.md/wp-content/uploads/archived/resolutions/Res1369_NECollectorPh3.pdf
 - Identify the TIF District. Map out zones with potential for development or revitalization that currently lack the necessary infrastructure or investment.
 - Establish clear guidelines, objectives, and duration for the TIF districts.
 - Howard County TIF guidelines
<https://www.howardcountymd.gov/finance/resource/tif-guidelines>
 - Frederick County TIF guidelines
<https://www.discoverfrederickmd.com/DocumentCenter/View/95/TIF-Policy-Guidelines-PDF>
- HORIZON (Hotel or Residential Incentive Zone) Program
 - Passed by the State of MD, after successful implementation in Salisbury
 - City of Salisbury https://salisbury.md/wp-content/uploads/2021/10/HORIZON-Program_Application_FINAL.pdf
- Planning and Zoning Reform
 - Overlay development districts. For example, Camden Historic District, Downtown Historic District, Newtown Historic District.
 - Brownfield initiatives and subsidies like North Prong of the Wicomico
 - Alternate Village Types. For example, modern neighborhoods and infrastructure independent incentives.
 - Co-housing options

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- Continuing Care Retirement Community (CCRC's) Willow Valley in Lancaster PA. <https://www.willowvalleycommunities.org/>.
 - Mallard Landing Senior Living
<https://www.lakesideatmallardlanding.com/>
 - Commonwealth Senior Living
<https://www.commonwealthsl.com/>
 - The Planning and Zoning Department will proactively review zoning codes, introduce innovative ideas, encourage forward-thinking planning, and implement necessary changes effectively. Additionally, the department will implement a more assertive approach with suggestions and recommendations.
 - Creation of new limited-duration positions in the review and permitting offices to help expedite permitting processes.
 - Projects with prolonged approval timelines will be permitted to continue under grandfathered provisions.
 - Housing Trust Funds – Wicomico County establish housing trust funds
 - <https://dhcd.maryland.gov/HousingDevelopment/Pages/nht/default.aspx>
 - The Maryland Mortgage - Montgomery Homeownership Program.
 - <https://mmp.maryland.gov/Lenders/Documents/FactSheets/MHP.pdf>
 - Key features include a zero percent deferred DPA loan repayable upon sale or payoff of the first mortgage, a maximum DPA loan of 40% of 1003 income (up to \$25,000), and the ability to utilize external assistance that meets insurer/investor/servicer guidelines.
 - Accessory Dwelling Units (ADU's) – Promote ADU's.
 - Carriage houses
 - In-law suites
 - Cottage houses
 - “Here is Home” – Get updates on progress of the City of Salisbury’s “Here is Home” developments and/or continue to use the ideas established in the “Here is Home” initiative
 - Work with non-profits and developers
 - Secure funding through grants, low-interest loans, and tax credits
 - Incentive for developers – expedited permitting
 - Advocate for zoning changes
 - Density Bonuses – couple with affordable housing (fee in lieu)
 - Collected fees contribute to a Housing Trust Fund supporting various affordable housing initiatives across the Salisbury/ Wicomico Area.
 - Example: Annapolis - 15% of the houses for sale or rent in new subdivisions of 10 or more units be moderately priced dwelling units (MPDUs).
 - Expedited reviews for affordable housing – Loudoun County, Va example
 - “The county planning staff is creating a policy to expedite review of development applications that propose 100 percent affordable housing.” -Loudoun Now Paper
 - Marketing plan – To properly promote this area effectively, a county level position or office should be established. This position will be responsible for developing and implementing

a comprehensive marketing plan, aimed at showcasing the area's appeal as a prime destination for both residents and developers.

- EDU (Equivalent Dwelling Units) In Somerset County, the EDU policy replaced the Front Foot Assessment method, which was phased out in December 2018. Under the new system, customers are billed for Debt Service based on their allocated EDUs. This county-wide unified rate helps repay construction loans used to develop water and sewer infrastructure. The EDU fee is tied to the amount of water flow, and new business architects submit plans that determine how many EDUs are allocated. As more participants are added to the EDU system, the cost per customer decreases.

Conclusion

New housing/residential development provides economic advantages to the community by creating employment and supporting livelihoods. This leads to increased revenue for local governments and these funds can be allotted for education, healthcare, and infrastructure upgrades, benefiting the entire community. In addition, it attracts new residents, increasing demand for goods and services. Overall, residential construction boosts economic growth and strengthens the community.

Future success of the Salisbury/Wicomico County area depends on overcoming the current housing limitations. Building a healthy and sustainable housing market that meets diverse needs while enhancing the community's overall well-being is crucial.

This presentation outlines the challenges and proposed solutions to the housing shortage, offering detailed analysis and recommended strategies, along with a roadmap to guide our efforts to improve the housing situation in the Salisbury/Wicomico County area. Achieving these goals will require commitment, support, and alignment between the public and private sectors. The key is for all parties to work in a coordinated and collaborative fashion. If, as a community, we do nothing to address the housing crisis, we believe we will be in the same situation five years from now.

Members: GSC Housing Task Force

Chair: Bill McCain, W. R. McCain & Associates
Austin Whitehead, Whitehead Real Estate
Ben VanNest, Rauch Inc.
Brad Gillis, Gillis Gilkerson
Braxton Dees, W. R. McCain & Associates
Bret Davis, Davis Strategic Development, LLC
Brian Shipe, Shipe Builders, Inc.
Cheryl Meadows, Salisbury Neighborhood Housing Services, Inc.
Chris Eccleston, Delmarva Veteran Builders
Chris Messick, Miller Commercial Real Estate & Property
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Jeannie Haddaway-Riccio, Rauch Inc.
John Custis, Long and Badger
Joni Martin Williamson, ERA
Keith White, Salisbury Door & Hardware
Michael Wigley, Former Principal: Davis, Bowen and Friedel
Mike Dunn, Greater Salisbury Committee
Molly Hilligoss, Habitat for Humanity of Wicomico County, Inc.
Tom Ayd, Green Street Housing
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