

TOWN OF CHESAPEAKE BEACH

EDC Rental Subcommittee

Final Meeting Overview & Recommendations

April 14, 2026

EXECUTIVE SUMMARY

The Rental Subcommittee was convened in January 2026 to review the Town's rental licensing program — established under Ordinance O-19-11 (Chapter 162) — and recommend targeted improvements. The subcommittee's goal: streamline the program, protect tenants, support lawful landlords, align utility billing with housing reality, and ensure financial transparency. This document summarizes findings, formal recommendations, and proposed next steps for Council action.

I. MEETING AGENDA — APRIL 14, 2026

#	Item
1	Call to Order & Roll Call
2	Approval of Minutes — March 24, 2026
3	Chair's Overview: Subcommittee Purpose & Progress Since January 2026
4a	Current Ordinance Assessment (O-19-11 / Chapter 162)
4b	Inspection Scope: Health & Safety Only
4c	Rental Application: Simplification Recommendations
4d	Data Gaps & Program Integrity
4e	Financial Transparency
5a	Long-Term Rental Program
5b	Short-Term Rentals (STR)
5c	Accessory Dwelling Units (ADUs)
6a	Water & Sewer: Existing Lawful Connections — Protection from New Fees
6b	Water & Sewer: Zoning Amendment Concern
7	Formal Votes — Subcommittee Recommendations to Council
8	Next Steps & Council Submission
9	Public Comment
10	Adjournment

II. CURRENT ORDINANCE ASSESSMENT

Ordinance O-19-11 / Chapter 162, Article III — Rental Licensing

Adopted May 16, 2019, effective July 1, 2020. The program requires a rental license for all residential rental properties, administered via American Property Consultants (APC) conducting inspections against the 2015 IPMC and a Town checklist.

✓ WHAT IS WORKING	⚠ WHAT NEEDS REFORM
<ul style="list-style-type: none">Licensing process is straightforward; staff communication is consistentWorking relationship with contracted inspector (APC)Two-year license term provides a reasonable renewal cycleComplaint-driven inspection authority (§162-18C) is a useful enforcement tool	<ul style="list-style-type: none">Full IPMC standard applied — far broader than life-safety; creates inconsistency and subjectivitySelf-reporting program: unlicensed units are not systematically identifiedDuplicate registration account numbers distort program dataInspection contract cost has grown from \$10,000 (2019) to \$30,000; cost-to-revenue ratio never publicly reportedWater/sewer account currency as a license prerequisite risks tenant displacement over billing disputes30-day deficiency window lacks clear re-inspection sign-off standards4-year new-construction exemption (§162-18D) should be tracked

III. KEY FINDINGS

Finding 1 — Inspection Scope Is Too Broad

Inspectors have cited IPMC code sections (e.g., 504.1, 605.1, 403.2) that go well beyond essential habitability, adding subjective items not uniformly applied across properties. This creates landlord uncertainty, potential for unfair enforcement, and unnecessary tenant displacement.

Inspections must be narrowed to essential life-safety and habitability standards only. A defined, written checklist must be the exclusive basis for pass/fail. Inspectors may not add items outside the adopted checklist without Council-approved amendment.

Finding 2 — Preventive Maintenance Items Should Be Removed

Items functioning as preventive maintenance obligations — maintenance schedules, pre-emptive condition requirements, open-ended upkeep standards — add burden without proportionate safety benefit.

Remove preventive maintenance items from the application and inspection checklist. The program focuses exclusively on current, observable conditions at time of inspection. Ongoing maintenance is addressed through separate code enforcement.

Finding 3 — Data Integrity Gaps Undermine the Program

- Duplicate registration accounts prevent accurate tracking of licensed vs. unlicensed units
- No cross-reference exists between rental licenses, water/sewer accounts, and tax assessment records
- The self-reporting nature means an unknown number of rental units operate without a license

Reconcile duplicate rental registration accounts. Cross-reference rental licenses with utility accounts and State/County tax records. Implement a structured self-reporting/amnesty window before active enforcement.

Finding 4 — Financial Transparency Is Absent

The program's \$300 license fee has never been formally benchmarked against actual inspection and administration costs. Long-term and short-term rentals are not tracked in separate budget line items.

Rental program revenues and expenditures must be tracked in dedicated budget line items. The license fee should reasonably recover program costs with an annual public report. If a short-term rental program is approved, it should be a revenue generator for the general fund.

Finding 5 — Water & Sewer as a License Gate Is a Risk to Housing

Current §162-14 requires water and sewer billing to be current before a rental license may be issued or renewed. A billing dispute unrelated to habitability can result in license denial and tenant displacement — disproportionate harm to the very tenants the program is meant to protect. Additionally, a proposed zoning amendment requiring a separate, standalone water/sewer connection as a condition of rental licensing was identified as a potential backdoor restriction on long-term rental housing.

Water/sewer billing disputes should be a separate enforcement matter — not an automatic license block. Existing lawful connections should not face new infrastructure fees solely because a unit is used as a rental. Any zoning amendment requiring a standalone water/sewer connection should be reviewed for housing impact before adoption.

Finding 6 — Proactive Renewal Notice Protocol Is Absent

Currently the Town has no structured outreach process to notify license holders ahead of renewal deadlines. Owners miss renewals, creating unnecessary lapses, enforcement burden, and risk to tenants. A tiered notice sequence — starting with the water/sewer bill and followed by two independent letters — gives owners ample time to act before a lapse occurs.

The Town shall implement a three-step renewal notice sequence: (1) First notice inserted in water & sewer bill — 90 days prior to license expiration; (2) Second notice — independent mailed letter 60 days prior; (3) Final notice — independent mailed letter and email 30 days prior. All notices shall identify the expiration date, required documents, and applicable fees.

Finding 7 — Education Packet Should Be Triggered by Home Sale or Known Tenant Change

New owners and new tenants are the most likely to be unfamiliar with rental licensing requirements, habitability standards, and their rights and responsibilities. Currently no mechanism exists to proactively reach these parties. Connecting education delivery to two existing trigger events — a recorded property sale and a reported tenant change — closes this gap at low cost.

The Town shall automatically distribute the Landlord & Tenant Education Packet upon: (1) a recorded sale of a known rental property, and (2) any reported tenant change submitted to the Town. Distribution via first-class mail and email where available. The packet shall include rental licensing requirements, the health & safety inspection checklist, tenant rights summary, and Town contact information.

IV. FORMAL RECOMMENDATIONS TO COUNCIL

The following represent the subcommittee's formal positions, voted and agreed, for transmission to the Mayor and Town Council.

Recommendation	Status
Keep and reform the rental licensing program (do not eliminate)	APPROVED
Narrow inspection standard to life-safety & habitability only	APPROVED
Adopt a defined written inspection checklist — inspector-binding	APPROVED
Remove preventive maintenance items from application & checklist	APPROVED
Require rental program financials in separate budget line items	APPROVED
Benchmark license fee to actual program cost (cost-neutral goal)	APPROVED
Reconcile duplicate registration accounts and cross-reference utility data	APPROVED
Decouple water/sewer billing disputes from automatic license denial	APPROVED
Protect existing lawful connections from new infrastructure fees based solely on rental use	APPROVED
Flag proposed zoning amendment (standalone W/S connection) for Council review re: housing impact	APPROVED
Implement 3-step renewal notice sequence: 90-day notice in water/sewer bill, 60-day mailed letter, 30-day letter and email	APPROVED
Automatically distribute Landlord & Tenant Education Packet upon recorded property sale or reported tenant change	APPROVED
STR policy: permit home-based STRs in appropriate zones under structured regulatory framework	FOR COUNCIL DECISION
ADUs: implement Maryland ADU Act; maximum unit size 1,000 sq ft	FOR COUNCIL DECISION

V. PROGRAM POLICY POSITIONS

Long-Term Rental Program (28+ Days)

- The subcommittee unanimously supports retaining and modernizing the long-term rental license
- License cycle: 2-year term
- License fees should be cost-reflective and publicly reported annually
- Family-occupied units (owner-attested) may qualify for simplified registration track
- Tenant protections: no license denial, suspension, or revocation based on owner billing disputes without proper notice and opportunity to cure or relocate

Short-Term Rental (STR) Program (<28 Days)

- STRs already exist in Chesapeake Beach and are currently unregulated under the rental license
- STR policy to be addressed after parking study is complete
- The subcommittee recommends a structured Home-Based STR category (Residential Lodging — Short-Term) for owner-occupied or small-scale operations
- Requirements would include: STR license, State/County tax compliance documentation, occupancy and parking standards, and a 24/7 local contact
- STR licensing should be integrated into the same two-year cycle as long-term rentals
- Whether STRs are permitted by right or by special exception in each zone is a Council and Planning & Zoning decision — outside the subcommittee's scope

Accessory Dwelling Units (ADUs)

- The Town must comply with the Maryland ADU Act — local rules may not be more restrictive than State law requires
- ADU maximum size: 1,000 sq ft
- ADUs in appropriate zones are subject to the same rental licensing framework as other dwelling units

VI. WATER & SEWER ALIGNMENT

This was among the most complex issues the subcommittee examined. The core concern: the Town's Water & Sewer Manual and related zoning provisions could be used to impose new connection or capacity fees on properties that have long been lawfully connected to Town utilities, simply because those properties become or remain rentals.

Subcommittee Position

- Existing lawful connections will not be charged new infrastructure, capacity, or connection fees solely because a unit is used as a rental or STR
- A unit already connected and paying utility bills has paid its connection costs — it should not pay again
- New connections, expansions creating material new demand, or properties newly connecting from septic may properly be charged applicable fees
- Illegal connections (water/sewer hookups without permits) will be treated as new connections for fee purposes; a structured self-reporting/amnesty window is recommended before active enforcement
- The Town should cross-reference rental licenses with utility accounts to identify unregistered units — but billing reconciliation must not weaponize utility status against tenants

Zoning Amendment Concern

The subcommittee identified a proposed or pending zoning amendment that would require a separate, standalone water/sewer connection as a condition of rental licensing. The subcommittee's position:

- This requirement would effectively impose a new infrastructure cost on existing properties and could deter or eliminate long-term rental housing — particularly for ADUs and in-law units already served by an existing connection
- The subcommittee does not oppose legitimate metering and billing reform; it does oppose the use of utility connection requirements as a backdoor restriction on lawful housing
- The subcommittee recommends the Council obtain a legal opinion on this amendment's consistency with Maryland landlord-tenant law and fair housing protections before adoption

VII. HEALTH & SAFETY INSPECTION CHECKLIST

The following represents the subcommittee's recommended scope for all rental inspections going forward. Items outside this list are not grounds for license denial.

<p>LIFE SAFETY</p> <ul style="list-style-type: none"> <input type="checkbox"/> Working smoke detectors — all sleeping areas and hallways <input type="checkbox"/> Carbon monoxide detector (where applicable) <input type="checkbox"/> Minimum two means of egress from each unit <input type="checkbox"/> Exit doors operable from inside without special knowledge or tools <input type="checkbox"/> No blocked or obstructed exits <input type="checkbox"/> No exposed live wiring or open electrical panels <input type="checkbox"/> Electrical panel safely secured and accessible <p>STRUCTURAL SAFETY</p> <ul style="list-style-type: none"> <input type="checkbox"/> No active structural collapse risk <input type="checkbox"/> Stairs, handrails, and guardrails structurally sound <input type="checkbox"/> Decks and porches in safe condition <input type="checkbox"/> No roof failure causing interior hazard 	<p>PLUMBING & SANITATION</p> <ul style="list-style-type: none"> <input type="checkbox"/> Working toilet (flushes and retains water) <input type="checkbox"/> Working lavatory with hot and cold water <input type="checkbox"/> Working bathtub or shower <input type="checkbox"/> No active sewer gas intrusion or sewage backup <input type="checkbox"/> Kitchen sink operational <p>HEATING & HABITABLE CONDITIONS</p> <ul style="list-style-type: none"> <input type="checkbox"/> Functioning heat source — capable of 68°F in living areas (Oct–May) <input type="checkbox"/> Running potable water <input type="checkbox"/> No active mold visible on walls, ceilings, or floors <input type="checkbox"/> Adequate weatherproofing (no broken windows, missing exterior doors)
--	--

NOT INCLUDED — Items expressly excluded from inspection scope:
 Sink/tub stoppers or drain plugs • Interior paint condition (unless peeling lead paint) • Closet doors, cabinet hardware, cosmetic fixtures • Appliance cosmetics beyond basic operability • Preventive maintenance schedules or records • Landscaping or exterior aesthetics

VIII. NEXT STEPS & SUBMISSION TO COUNCIL

#	Action	Owner / Timeline
1	Subcommittee Chair transmits this document via the EDC to Town Council	Chair — April 14, 2026
2	Town Attorney reviews proposed §162 amendments and zoning amendment for legal compliance	Town — 30 days
3	Staff reconciles duplicate rental registration accounts and prepares unit inventory	Town Staff — 60 days
4	Rental program budget line items established in FY2027 budget	Town Manager — Budget cycle
5	New inspection checklist formally adopted by resolution	Council — 60 days
6	Water & Sewer Manual updated to reflect Active/Dormant/Illegal Connection framework	Town — 90 days
7	Self-reporting/amnesty window for unlicensed units and unreported connections	Town — After ordinance adoption
8	STR and ADU policy decisions presented to Planning & Zoning and Council	Council — TBD
9	Draft and adopt 3-step renewal notice template (water/sewer bill insert + two letters)	Town Staff — 60 days
10	Develop Landlord & Tenant Education Packet; establish distribution trigger at property sale and tenant change	Town Staff — 90 days
11	Apply for available grants for rental programs	Town — 30 days
12	Implement landlord, tenant, and staff education program	Town — 90 days

IX. SUBCOMMITTEE MEMBERS & CHAIR'S NOTE

<p>SUBCOMMITTEE MEMBERS</p> <p>Daniel Duvall — Co-Chair Anthony Greene — Co-Chair Debbie Buckingham — Member Shirl Hendley — Member Wes Donovan — Member</p>	<p>CHAIR'S NOTE</p> <p><i>This subcommittee set out to make about a 10% improvement to an existing program — not to reinvent housing policy. The bones of the program are sound. What's needed is precision: narrowing inspections to what actually matters for safety, cleaning up the data, making the finances visible, and protecting both landlords and tenants from an arbitrary process. These are achievable, practical goals that can be adopted without significant cost.</i></p>
--	--

Respectfully submitted,

Daniel Duvall, Chair

EDC Rental Subcommittee | Town of Chesapeake Beach, Maryland | April 14, 2026