

HB 1052 Limited Equity Co-Op Conversion

As Maryland seeks to increase affordable and attainable housing, limited equity co-ops are an important tool in the toolbox. A Limited Equity Cooperative (LEC) is a type of housing co-op designed to be affordable to people with low and moderate incomes. Equity refers to the rights to ownership, financial interests, and the co-op community that housing co-op members have. In limited equity cooperatives, residents commit to gaining less financial equity when reselling their share in exchange for greater ownership and social equity while living in the co-op.

This model provides several benefits. Limited Equity Co-ops:

- Are an important tool for affordable homeownership
- Offer more stability (residents are not responsible for repairs, units not prone to drastic monthly charge increases, etc.)
- Give residents more control (they have influence over decision making processes)
- Build stronger communities (often have community gardens, libraries, and events that bring folks together)
- LECs serve residents representing many ethnicities, languages, and incomes. They support cultural norms and traditions, which are critical to a sense of belonging in a community.

The current statute is unworkable for a group of low- and moderate-income tenants who work, take care of their family and then need to volunteer without the monetary resources or technical expertise to fulfill the myriad and complex Maryland Coop Act requirements. The Maryland Coop Act does not address a situation whereby the tenants have purchased their apartment complex, and want to organize themselves into a state-recognized low-income limited-equity cooperative that will keep the property affordable. There are burdensome requirements such as producing a property report, a public offering statement, and other costly and time-intensive document collection. This has been a barrier for housing in Maryland.

This bill will:

- ✓ Establish statute specifically for converting to an LEC mirroring the language used in Washington DC.

For more information please contact: