

DATE: February 25, 2025

BILL NO.: House Bill 1052

TITLE: Corporations and Associations – Limited Equity Housing Cooperatives - Establishment

COMMITTEE: House Environment & Transportation Committee

Letter of Support

Description of Bill:

House Bill 1052 allows coops that have been set up as corporations to transition to become Limited Equity Cooperatives (LECs). The legislation clarifies the process the coop would have to undertake, including the process for submitting to SDAT for approval. The legislation also gives Maryland DHCD the ability to provide grants to coops.

Background and Analysis:

This bill attempts to fix an incongruence between state and local laws. Advocates have claimed that current Maryland laws related to coops are nearly forty years old and have seldom if ever been utilized because they are too prohibitive. HB1052 creates a statutory framework for LECs that reduces burdens and allows for conversion from a corporate structure to an LEC structure.

Generally speaking, coops are one among a number of alternative ownership models gaining popularity in recent years. Given the current context of high interest rates and escalating home prices, these alternative homeownership models represent important new pathways for wealth creation, especially for lower-income households who are largely excluded from homeownership opportunities in the status quo. It is important to note that this bill is narrowly tailored and doesn't open the floodgates to large volumes of new LECs. It does, however, reduce some of the regulatory confusion and barriers related to LECs that currently exist in state law.

DHCD Position:

The Department of Housing and Community Development respectfully requests a **favorable** report on House Bill 1052.