



# House of Representatives

General Assembly

**File No. 239**

January Session, 2025

Substitute House Bill No. 7027

*House of Representatives, March 25, 2025*

The Committee on Housing reported through REP. FELIPE of the 130th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

## ***AN ACT PERMITTING THE USE OF CONDOMINIUM DEPOSITS FOR CONSTRUCTION AND DEVELOPMENT.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 47-271 of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective July 1, 2025*):

3 (a) As used in this section, "actual costs" includes, but is not limited  
4 to, expenditures for demolition, site clearing, permit fees, impact fees,  
5 architectural, engineering and surveying fees, construction,  
6 development, and design costs of furnishing and equipping the  
7 condominium property, but excluding sale and marketing costs.

8 ~~[(a)]~~ (b) Any deposit made in connection with the purchase or  
9 reservation of a unit from a person required to deliver a public offering  
10 statement pursuant to subsection (c) of section 47-263 shall be placed in  
11 escrow and held either in this state or in the state where the unit is  
12 located in an account designated solely for that purpose by a licensed  
13 title insurance company, an attorney, a licensed real estate broker, an

14 independent bonded escrow company or an institution whose accounts  
15 are insured by a governmental agency or instrumentality until (1)  
16 delivered to the declarant at closing; (2) delivered to the declarant  
17 because of the purchaser's default under a contract to purchase the unit;  
18 [or] (3) refunded to the purchaser; [.] or (4) used for the construction of  
19 improvements, in accordance with subsection (d) of this section.

20 (c) Any deposit or other payment made prior to the closing for units  
21 for which building permits have been issued after June 1, 2025, and with  
22 respect to common elements of the condominium within which such  
23 units are situated, related to the initial bona fide sale of each residential  
24 condominium unit for residential occupancy by the purchaser, any  
25 member of the purchaser's family or any employee of the purchaser,  
26 shall be held in escrow.

27 (d) If the contract for the sale of the condominium unit so provides  
28 and the purchaser under the purchase contract represents in the  
29 purchase contract that such purchaser is an accredited investor as  
30 defined in 17 CFR 230.501 et seq., as amended from time to time, at the  
31 time the purchaser enters into the contract, the declarant may withdraw  
32 escrow funds in excess of one per cent of the purchase price from the  
33 escrow account required under subsection (b) of this section when the  
34 construction of improvements has commenced. The declarant may  
35 withdraw such funds from the escrow account as described in this  
36 section for the actual costs incurred by the declarant after termination of  
37 the cancellation period, as set forth in section 47-269, for the  
38 construction, development and design of the condominium property in  
39 which the unit to be sold is located. No part of such funds may be used  
40 for salaries, commissions, expenses, real estate licensees or advertising  
41 purposes.

42 (e) A purchase agreement which permits the use of the earnest money  
43 deposit in accordance with the provisions of this section shall include  
44 the following legend conspicuously printed or stamped in bold type on  
45 the first page of the purchase agreement and immediately above the  
46 place for the signature of the purchaser: "ANY PAYMENT IN EXCESS

47 OF ONE (1%) PER CENT TOWARDS THE PURCHASE PRICE MADE  
48 TO THE DECLARANT PRIOR TO CLOSING PURSUANT TO THE  
49 PURCHASE AGREEMENT MAY BE USED FOR ACTUAL COSTS OF  
50 CONSTRUCTION, DEVELOPMENT, AND DESIGN, AS DEFINED IN  
51 C.G.S. 47-271."

52     [(b)] (f) If such deposit is made in connection with the purchase or  
53 reservation of a unit to be occupied by the purchaser and is placed in an  
54 interest-bearing escrow account other than an account established and  
55 maintained pursuant to section 51-81c, any interest which accrues  
56 thereon from the date of such deposit until its disposition pursuant to  
57 subdivision (1), (2), [or] (3) or (4) of subsection [(a)] (b) of this section  
58 shall be distributed as follows: (1) If such deposit is delivered to the  
59 declarant at closing or refunded to the purchaser, such interest shall be  
60 divided equally between the purchaser and the declarant; and (2) if such  
61 deposit is delivered to the declarant because of the purchaser's default  
62 under a contract to purchase the unit, such interest shall be paid to the  
63 declarant.

64     [(c)] (g) Any person who procures the wrongful release of any escrow  
65 funds to the declarant or to a third party, with intent to defraud the  
66 purchaser, shall be guilty of embezzlement and on conviction shall be  
67 punished in the manner provided by law.

68     Sec. 2. Subdivision (13) of subsection (a) of section 47-264 of the  
69 general statutes is repealed and the following is substituted in lieu  
70 thereof (*Effective July 1, 2025*):

71     (13) A statement that any deposit made in connection with the  
72 purchase of a unit will be (A) held in an escrow account until closing  
73 and will be returned to the purchaser if the purchaser cancels the  
74 contract pursuant to section 47-269, together with the name and address  
75 of the escrow agent, or (B) withdrawn and used for authorized purposes  
76 pursuant to section 47-271, as amended by this act;

This act shall take effect as follows and shall amend the following sections:

Section 1	July 1, 2025	47-271
Sec. 2	July 1, 2025	47-264(a)(13)

**Statement of Legislative Commissioners:**

In Section 1(b), "(c)" was changed to "(d)" for accuracy, in Sections 1(c), and (e), references to "buyer" were changed to "purchaser" for consistency and in Section 1(d) "seller" was changed to "declarant" for consistency.

**HSG**      *Joint Favorable Subst. -LCO*

*The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.*

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**OFA Fiscal Note**

**State Impact:** None

**Municipal Impact:** None

**Explanation**

The bill, which allows condominium deposits to be used for construction and development, is not anticipated to result in a fiscal impact to the state or to municipalities as the provisions of the bill only concern private parties.

**The Out Years**

**State Impact:** None

**Municipal Impact:** None

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**OLR Bill Analysis****HB 7027*****AN ACT PERMITTING THE USE OF CONDOMINIUM DEPOSITS FOR CONSTRUCTION AND DEVELOPMENT.*****SUMMARY**

Under certain conditions, this bill allows residential condominium developers (“declarants”) to use a purchaser’s deposit for actual construction costs, rather than keeping the funds in escrow.

Existing law requires certain deposits toward the purchase or reservation of a condominium (or other common interest community) unit to be placed in escrow. This applies if the seller is someone, such as the declarant, required to deliver a public offering statement before offering units to the public.

Current law requires these deposits to be kept in escrow until delivered to the declarant (at closing or due to the purchaser’s default) or refunded to the purchaser. The bill provides an additional option by allowing the deposit to be used for construction costs. Specifically, it allows the declarant, under certain conditions, to withdraw funds from the escrow account, in excess of 1% of the purchase price, for the actual costs (see below) of the condominium’s construction, development, and design.

The bill allows this if the (1) sale contract provides for it and (2) purchaser represents in the contract that the purchaser is an accredited investor as defined in federal securities regulations (see BACKGROUND). If the bill’s criteria are met, the declarant may withdraw funds from escrow as described above when construction has begun, for eligible costs incurred after the end of the purchaser’s 15-day right to cancel the contract.

Under the bill, if the purchase agreement allows the deposit's use for this purpose, it must include the following statement, in bold type, on the first page and immediately above the space for the purchaser's signature:

**"ANY PAYMENT IN EXCESS OF ONE (1%) PER CENT TOWARDS THE PURCHASE PRICE MADE TO THE DECLARANT PRIOR TO CLOSING PURSUANT TO THE PURCHASE AGREEMENT MAY BE USED FOR ACTUAL COSTS OF CONSTRUCTION, DEVELOPMENT, AND DESIGN, AS DEFINED IN C.G.S. 47-271."**

The bill defines "actual costs" for this purpose to include demolition costs; site clearing; permit or impact fees; architectural, engineering, and surveying fees; and construction, development, and design costs of furnishing and equipping the property. Sales and marketing costs are excluded. The bill also prohibits the withdrawn funds from being used for salaries, commissions, expenses, real estate licenses, or advertising purposes.

The bill makes a conforming change by requiring the public offering statement to indicate that a deposit on a unit may be withdrawn and used for the above purposes rather than kept in escrow.

The bill also specifically requires any deposits or other payments made before the closing on the initial sale of a residential condominium unit, and for related common elements, to be held in escrow. This applies to units with building permits issued after June 1, 2025, to be occupied by the purchaser or his or her family member or employee. (It is unclear how this requirement aligns with the bill's provisions on withdrawing escrow funds for construction costs.)

The bill's provisions apply to condominiums governed by the state's Common Interest Ownership Act (see BACKGROUND).

EFFECTIVE DATE: July 1, 2025

## **BACKGROUND**

### ***Accredited Investors***

Under federal Securities and Exchange Commission regulations, “accredited investors” are those qualified to buy and sell unregistered securities. This generally includes, among others, certain banks; securities brokers or dealers; insurance, investment, or business development companies; and individuals with a net worth or income exceeding certain thresholds (e.g., an individual income over \$200,000) or who hold certain professional credentials (e.g., investment professionals) (17 C.F.R. § 230.501(a)).

**Common Interest Ownership Act (CIOA)**

CIOA governs condominiums and other common interest communities formed in Connecticut on and after January 1, 1984 (CGS § 47-200 et seq.). Certain CIOA provisions also apply to common interest communities created in Connecticut before January 1, 1984, but do not invalidate existing provisions of the communities’ governing instruments. Common interest communities created before that date can amend their governing instruments to conform to portions of CIOA that do not automatically apply (CGS §§ 47-214, -216 & -218).

**COMMITTEE ACTION**

Housing Committee

Joint Favorable

Yea 17    Nay 1    (03/06/2025)