



General Assembly

January Session, 2025

Substitute Bill No. 7027



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 Section 47-271 of the general statutes is repealed and the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*