



PA 25-146—sHB 7027

Housing Committee

AN ACT CONCERNING THE USE OF CONDOMINIUM DEPOSITS FOR CONSTRUCTION AND DEVELOPMENT, ACCOUNTING OF RENTAL CHARGES AND A WORKING GROUP TO DEVELOP A UNIFORM STATUTORY DEFINITION OF "AFFORDABLE HOUSING"

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

Separately, the act (1) requires residential landlords, at an occupant’s request, to provide an accounting for the dwelling unit showing assessed charges, completed payments, and any balance owed or surplus paid (§ 3) and (2) establishes a working group to develop a statutory definition of “affordable housing” to promote consistency in the statutes. Lastly, it makes a technical change to PA 25-52 to correct the Office of Health Strategy commissioner’s title (§ 5).

EFFECTIVE DATE: July 1, 2025, except the working group provision and technical change are effective upon passage.

§§ 1 & 2 — CONDOMINIUM DEPOSITS

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, who must deliver a public offering statement before offering units to the public.

Prior law required 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 act 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 act allows this if the (1) sale contract allows 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 act’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 act, 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:

OLR PUBLIC ACT SUMMARY

“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.”

Under the act, “actual costs” for this purpose 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 act also prohibits the withdrawn funds from being used for salaries, commissions, expenses, real estate licenses, or advertising purposes.

The act 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.

These provisions apply to condominiums governed by the state’s Common Interest Ownership Act (see BACKGROUND).

§ 4 — WORKING GROUP ON STATUTORY AFFORDABLE HOUSING DEFINITION

The act establishes a working group to develop a statutory definition of “affordable housing” to promote consistency in the statutes. (For Title 8, which primarily concerns housing and zoning laws, “affordable housing” is housing for which households earning no more than the federally determined area median income pay 30% or less of their annual income (CGS § 8-39a).)

Under the act, the working group includes (1) the Housing Committee chairpersons (who are also the group’s chairpersons); (2) the Housing Committee ranking members; and (3) any other individuals the chairpersons believe are sources of relevant information and data, including the housing commissioner or her designee. The chairpersons must schedule and hold the working group’s first meeting by August 29, 2025. The Housing Committee’s administrative staff must serve as that of the working group.

The act requires the working group to report its findings and recommendations to the Housing Committee by January 1, 2026. The group terminates on the date it does so or January 1, 2026, whichever is later.

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 with income over

OLR PUBLIC ACT SUMMARY

\$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).