



HOME BUILDERS ASSOCIATION OF CONNECTICUT, INC.
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*Your Home
Is Our
Business*

February 18, 2009

To: Senator Ed Meyer, Co-Chairman
Representative Richard Roy, Co-Chairman
Members of the Environment Committee

From: Bill Ethier, CAE, Chief Executive Officer

Re: **Raised Bill 6397, AAC Open Space Preservation**

The HBA of Connecticut is a professional trade association with almost one thousand, three hundred (1,300) member firms statewide, employing tens of thousands of Connecticut citizens. Our members are residential and commercial builders, land developers, remodelers, general contractors, subcontractors, suppliers and those businesses and professionals that provide services to this diverse industry. We also created and administer the Connecticut Developers Council, a professional forum for the land development industry in the state.

We oppose Raised Bill 6397's local option conveyance tax to fund the acquisition of open space

It's the WRONG way to fund open space or other public improvements. We served on the Governor's Blue Ribbon Comm'n on Open Space in the late 1990s that led to a renewed state open space purchase and grant program. We strongly support that program and at the time advocated for even greater funding than what the legislature approved. As this committee well knows, that funding is done through bond authorizations and everyone, then, shares in the cost. Open space is enjoyed by everyone, so everyone should pay for it. **Legislators should support the commitment to the state's open space program – the right way to purchase open space - rather than impose the cost of preservation on a minority of land owners.**

Municipalities should be required to plan for the open space, natural resources and other public improvements that its current and future citizens need. They should then stop spending the public's money once its plan has been achieved. It is wrong to place the burden of paying for these public benefits on the backs of only home owners and other property owners who will be selling or buying property. There is no justifiable distinction between home owners who stay put and those who do not since both use public open spaces.

This new tax will ensure that land not environmentally deserving of protection will be removed from the market - land that is needed by Connecticut's citizens for new homes and growth. The State's open space program, both for its own open space purchases and in issuing grants to municipalities and land trusts, generally ensures that land purchased is environmentally deserving of protection. But this new local "sales tax" on real estate has no such criteria. **In fact, municipal supporters of this new tax in the**

past have testified that they need it “to stop development.” Land will be purchased by municipalities regardless of its environmental merit and revenues collected from this new tax used as a roadblock to stop growth.

The dollars that will be raised by this new local tax will be leveraged by smart towns that will bond a large amount today and use the tax as the revenue stream to service the bond. Thus, towns and cities could create immediately a lot more money than the tax itself will produce to buy up huge amounts of land. This land grab will reduce the availability of land and raise the price of what's left. Legislators must answer the question of what impact this will have on Connecticut's already very high land prices and, accordingly our future economic development potential. And don't be fooled by erroneous and incomplete media reports on the current real estate market. Land prices here have not declined and are not expected to do so during this economic recession.

This sales tax on real estate places another cost burden on buyers and sellers of homes, commercial, industrial, agricultural and all other property. Please do not dismiss “another cost burden.” Connecticut already suffers under some of the highest housing costs in the country. Potential new employees for Connecticut's businesses are experiencing severe “Sticker Shock” at our high home prices – yes, even still today. This new tax makes it that much harder to attract people to Connecticut, including the employees that businesses need. This new tax is levied directly on real estate sales and will come directly out of the pocket of either the seller or the buyer; it does not matter that it is called a buyer's tax. In real estate transactions, all costs are negotiable. The real financial impact is more acute for first-time home buyers, median-income families, minorities and immigrants trying to obtain their American Dream. For new homes and businesses, the tax will be paid two or three times - once when the developer buys land, again when sold to a builder and again on the sale of the home or building and lot to the end buyer. And this tax hits home builders and new home buyers especially hard because residential developers already give 10%, 20%, even 50% or more of their land or fees through the open space subdivision exaction requirement.

Finally, this new tax will promote rural development. Communities that have a lot of real estate transactions (typically more urbanized areas) will get rich off of this new local sales tax. These communities will then be able to buy up more land to keep out more development, competing for and driving up the price of land. Communities without a lot of real estate activity (typically more rural and outer suburban areas) will not receive significant dollars from this tax and, thus, will not have the same resources to purchase open spaces as closer in communities. Developers, in trying to meet the demands of growth (i.e., new businesses and home buyers) will go to the towns without significant real estate activity because that is where the land will be available. Thus, developers will be forced to areas farther and farther out if this local tax is adopted.

This new tax is a unwarranted and laden with adverse consequences. Please do not support this local option conveyance tax for open space. Thank you for considering our comments on this legislation.