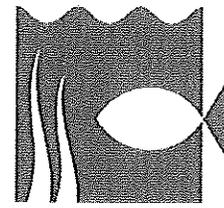


**Connecticut Fund  
for the Environment**



**Save the Sound**  
A Program of  
Connecticut Fund for the Environment

**Testimony of Connecticut Fund for the Environment  
Before the Insurance & Real Estate Committee**

*Regarding*

**S.B. 15, AN ACT CONCERNING THE RESIDENTIAL PROPERTY CONDITION  
DISCLOSURE REPORT**

Submitted by

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February 14, 2012

Senator Crisco, Representative Megna and members of the Committee,

*Connecticut Fund for the Environment ("CFE") is a non-profit environmental organization with over 5,400 members statewide. The mission of CFE is to protect and improve the land, air and water of Connecticut and Long Island Sound. For more than twenty-five years, CFE has used legal and scientific expertise to bring people together to achieve results that benefit our environment for current and future generations.*

Senator Crisco, Representative Megna and Members of the Committee, Connecticut Fund for the Environment is pleased to have the opportunity to comment on SB 15, An Act Concerning The Residential Property Condition Disclosure Report.

CFE fully supports the inclusion of information related to hazardous waste remediation as part of the Residential Property Condition Disclosure Report.

CFE recognizes that this proposal is the product of several months of work by a legislative work-group tasked with addressing deficiencies in the existing Residential Disclosure Form. While we regret that we were not aware of the task force's work early enough to have participated in that process, we applaud its effort.

Before someone invests in a home for themselves and their family, they deserve to know what the material defects of the property may be, so that they can make an informed purchasing decision. The presence of hazardous materials is certainly a condition that meets the fundamental test regarding the necessity of disclosure in a real estate transaction. Specifically, disclosure is important where the condition (1) materially affects the value of the property, (2) is difficult to observe by a buyer and (3) nondisclosure would induce a buyer to act.

CFE suggests that Connecticut's residential disclosure requirements could be further strengthened with the addition of another category of material defect to the disclosure and

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reporting requirements – the Energy Performance of the home. Energy Efficiency is a category of building condition that also meets the three-part test above.

Connecticut has a significant amount of older housing stock that falls well below modern standards for energy efficiency, resulting in homes that are more expensive than necessary to heat in the winter and cool in the summer. 84% of the state's housing stock was built before 1980 and 45% was built before 1960. Homes built prior to the adoption of energy codes use approximately 23 percent more energy per square foot than homes built after 1990.<sup>1</sup> Frequently, building envelopes are not insulated, windows provide little thermal benefit and heating and cooling systems do not perform optimally. These factors can significantly increase the operating expenses of a property, as well as contributing to impaired air quality and increased emissions of global warming pollutants as a result of increased combustion of fossil fuels.

The results of an energy audit and the practical recommendations for cost-effective energy saving improvements contained in such an audit are important facts for any potential homeowner to have. Just as disclosure of a hazardous condition provides an incentive to remedy the condition, disclosing the results of an energy audit (1) provides an incentive to a seller to invest in prudent improvements to enhance the marketability of the property and (2) provides the information necessary for a purchaser to make cost-effective energy improvements at the most convenient time – before they are settled.

Accordingly, CFE suggests that a useful amendment to this bill would be to include an energy audit as part of the real estate disclosure process. To that end, we would recommend the language appended to our testimony.

In support of this suggestion, CFE respectfully points out that just such a proposal was considered by the legislature in 2008. That bill (SB 571, "An Act Concerning Energy Audits") received unanimous support not only from the Insurance & Technology Committee (which voted 18-0 in favor), but also from the Energy & Technology (22-0) and Finance, Revenue & Bonding Committees (47-0). Unfortunately, the time pressure of a short session meant that it never had the opportunity to be considered by the full Senate and House.

The timing for such a proposal is even better this year. First, the state is poised to greatly expand its energy efficiency programs through its Conservation and Load Management and Integrated Resource Planning processes, creating more opportunities for professionally managed, low-cost residential energy audits. In 2010, the efficiency program served nearly 50,000 Connecticut residents through its residential programs, saving them more than \$16 Million in annual energy costs. The programs' budget (and reach) is slated to double for 2012.

Second, the state's energy efficiency programs successfully completed a year-long efficiency financing pilot, and has now established a permanent efficiency financing program administered by the Connecticut Housing Investment Fund (CHIF). This financing program offers low-interest loans (from 2.99% to 4.99%, with some measures qualifying for 0% financing) to make energy efficiency improvements to residential property.

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<sup>1</sup> "Residential Energy Efficiency and the American Clean Energy and Security Act", David Hoppock and Jonas Monast (Duke University July 2009).

Providing the transparency and information necessary to allow the market to appropriately value energy efficiency in real estate transactions will help move properties, since lowering the operating costs a home (i.e., the energy costs) may help to temper the impacts of recent mortgage requirements requiring higher down-payments in a restricted credit environment. A 2008 consumer survey conducted by the U.S. Green Building Council and McGraw Hill Construction found that 70 percent of homebuyers are more inclined to buy a green home over a conventional home in a down market and that improving the energy and environmental performance of their home was the leading reason that homeowners invested in home improvements.<sup>2</sup>

Including the disclosure of energy efficiency in real estate transactions make sense for consumers, for the market and for Connecticut's economy moving forward.

Thank you for the opportunity to comment.

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<sup>2</sup> "Home Buyers Increasingly Thinking about Buying Green" (July 24, 2008). 42 percent of respondents cited this as their primary reason, compared to 34 percent who cited improving comfort and 24 percent who cited improving appearance



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