



State of Connecticut

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FTR

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February 14, 2013

Senator Crisco, Representative Megna, Senator Kelly, Representative Sampson and members of the Insurance and Real Estate Committee, thank you for the opportunity to testify **in support of SB 859, An Act Concerning the Regulation of Private Transfer Fees.**

Forty-one other states have already banned or severely restricted the practice of developer's burying private transfer fees in their financing transactions.

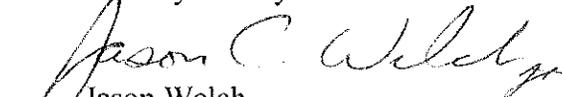
-A private transfer fee is imposed by a developer as part of the deed covenants and restrictions in a real estate development. This particular deed covenant requires the payment of a percentage of the sales price to the developer or the developer's assignee whenever the property in the development is transferred during the term of the deed covenant. The developer assigns the rights to this income stream to a financial firm in return for a lump sum payment. These deed covenants typically have a life span of 99 years.

-Private transfer fees of this nature are legally questionable since they do not "touch and concern" or benefit the subject land itself, and in some states, they have been successfully challenged on that basis. Individual home owners, however, do not have the wherewithal to challenge these fees in court, and the fees serve only as an additional private conveyance tax on property.

- Since these fees are often buried in multi-page declarations of covenants and restrictions, they can be a big surprise to a homeowner or the homeowner's heirs when it comes time to sell the property.

-These fees do nothing to improve or maintain the development or any amenities or otherwise inure to the benefit of the owners in the development.

Thank you for your consideration of this bill.


Jason Welch
State Senator 31st District