



## Acts Affecting Housing and Real Estate

By: Kristin Sullivan, Chief Analyst  
July 19, 2019 | 2019-R-0149

## Notice to Readers

This report provides summaries of new laws (public acts and special acts) significantly affecting housing and real estate enacted during the 2019 regular session. OLR's other Acts Affecting reports, including Acts Affecting Municipalities, are, or will soon be, available on OLR's website: <https://www.cga.ct.gov/olr/actsaffecting.asp>.

Each summary indicates the public act (PA) or special act (SA) number. Not all provisions of the acts are included. The report does not include vetoed acts unless the veto was overridden. Complete summaries of public acts are, or will soon be, available on OLR's website: <https://www.cga.ct.gov/olr/olrsums.asp>.

Readers are encouraged to obtain the full text of acts that interest them from the Connecticut State Library, House Clerk's Office, or General Assembly's website: <http://www.cga.ct.gov>.

# Table of Contents

Crumbling Concrete Foundations .....	4
Collapsing Foundation Supplemental Loan Program .....	4
Residential Buildings .....	4
Residential Condition Report Changes.....	4
Tax Exemption for Certain Properties .....	5
Foreclosure Mediation and Mortgage Assistance .....	5
Foreclosure Mediation Program.....	5
Mortgage Assistance for Minority Teachers.....	5
Healthy Homes Fund .....	5
\$12 Surcharge .....	5
Grants to Homes in New Haven and Woodbridge .....	6
Land Use and Economic Development .....	6
Land Bank Authorities .....	6
Municipal Redevelopment Authority.....	6
Opportunity Zones.....	7
Landlord and Tenant.....	7
Fire Sprinkler Systems in Rental Units .....	7
Public Housing.....	7
Public Housing Provider Municipal Registry.....	7
Waivers for Certain Housing Authorities.....	8
Real Estate Professionals.....	8
Appraisal Management Companies.....	8
Home Inspectors and Appraisers.....	8
Real Estate Brokers and Salespersons .....	8
Real Estate Closings .....	9
Residential Condition Report Liability and Requirements .....	9
Validation of Conveyance Defects .....	9
Taxes.....	9
Conveyance Tax on High-Value Homes .....	9
Property Tax Credit Limits.....	10
Tax Increment Financing (TIF) Districts .....	10
Miscellaneous .....	10
Receiverships for Abandoned Property .....	10
Transfer Act .....	10

## **Crumbling Concrete Foundations**

### ***Collapsing Foundation Supplemental Loan Program***

A new law allows homeowners to apply for supplemental loans to help repair or replace crumbling concrete foundations. Under the law, the Connecticut Housing Finance Authority (CHFA) must guarantee loans made by banks and credit unions in Connecticut to owners of residential buildings with pyrrhotite-damaged concrete foundations. To be eligible, building owners must have already received an agreement from the Connecticut Foundation Solutions Indemnity Corporation (CFSIC) to pay for a portion of the cost to repair or replace a crumbling concrete foundation. (CFSIC is the captive insurer established by the state to distribute funds to homeowners with concrete foundations that are crumbling due to pyrrhotite.)

Participating banks and credit unions may issue loans of up to \$75,000, capped at an aggregate maximum of \$20 million for all loans. The program also establishes maximum closing costs and interest rates. The program ends once CHFA processes and the comptroller pays \$2 million in claim guarantees ([PA 19-192](#), §§ 7-12, effective upon passage).

### ***Residential Buildings***

A new law broadens the definition of “residential building” that applies to several programs and statutory requirements. Among other things, this means that more people are eligible for CFSIC grants and Collapsing Foundations Credit Enhancement Program loans to repair or replace crumbling concrete foundations. Under the law, a “residential building” is a (1) single- or multi-family residential unit, including a condominium unit or unit in a common interest community, or (2) building containing one or more of these units ([PA 19-192](#), § 2, effective July 1, 2019).

### ***Residential Condition Report Changes***

A new law expands the contents of the residential condition report, which residential property owners must use to make specific disclosures about a property’s condition to a prospective purchaser. Among other things, it requires sellers to disclose and explain any knowledge they have about pyrrhotite in the foundation.

In addition, the new law establishes additional disclosure requirements for regions affected by crumbling concrete foundations. Specifically, it requires affected municipalities selling residential property and anyone selling foreclosed residential property in an affected municipality to disclose any knowledge they have of significant defects in the property’s foundation, including the presence of pyrrhotite. Under prior law, these transfers were exempt from the residential disclosure requirements. The law also creates a private right of action for buyers to bring a civil suit to recover

actual damages from sellers who fail to make the required disclosures, including disclosures about a property's foundation (see "Residential Condition Report Liability and Requirements" below) ([PA 19-192](#), § 5, effective October 1, 2019).

### ***Tax Exemption for Certain Properties***

A new law exempts from the real estate conveyance tax, transfers of principal residences with concrete foundations that have deteriorated due to the presence of pyrrhotite. The exemption applies to the first transfer of the residence after a written evaluation of the foundation is obtained; it is generally not available to a transferor who received financial assistance to repair or replace the foundation from the Crumbling Foundations Assistance Fund ([PA 19-117](#), § 336, effective July 1, 2019).

## **Foreclosure Mediation and Mortgage Assistance**

### ***Foreclosure Mediation Program***

The legislature extended the state's foreclosure mediation program, by four years, until June 30, 2023. The mediation program brings together judicial branch mediators, lenders, and borrowers or owner-occupants, as applicable. The new law also decreases the frequency with which the chief court administrator must report to the legislature about the program ([PA 19-145](#), effective upon passage).

### ***Mortgage Assistance for Minority Teachers***

CHFA administers a mortgage assistance program for certified teachers who qualify by, among other reasons, working in municipalities with the largest populations and a large number of children receiving state temporary family assistance benefits. A new law expands program eligibility to certified teachers who graduated from a (1) public high school in an educational reform district (i.e., the 10 lowest performing districts in the state) or (2) historically black college or university or a historically Hispanic-serving institution. The program offers mortgages at below market interest rates for those purchasing a house as their principal residence ([PA 19-74](#), § 4, effective July 1, 2019).

## **Healthy Homes Fund**

### ***\$12 Surcharge***

Existing law imposes a \$12 surcharge on certain homeowners insurance policies and deposits the revenue into the Healthy Homes Fund. Among other things, the fund assists homeowners with crumbling foundations.

A new law makes various changes to the surcharge. It imposes the charge (1) on the policy's first named insured, rather than on all named insureds; (2) only when a policy begins or renews, instead of each time it is amended; and (3) on all policies covering individual condominium units, individual units in common interest communities, or owned homes with four or fewer units, excluding mobile homes ([PA 19-192](#), § 3, effective upon passage).

### ***Grants to Homes in New Haven and Woodbridge***

A new law clarifies that a grant of up to \$1 million from the Healthy Homes Fund to aid certain homeowners in New Haven and Woodbridge with homes suffering from subsidence damage and water infiltration, must come from money accrued in the Healthy Homes Fund during the 2019 calendar year ([PA 19-192](#), § 4, effective upon passage).

## **Land Use and Economic Development**

### ***Land Bank Authorities***

A new law establishes a framework for municipalities, on their own or with other municipalities, to create nonprofit land bank authorities in order to acquire, maintain, and dispose of real property, other than brownfields. It requires that each authority be governed by a board of directors and gives the board various powers, including the power to borrow money, issue revenue bonds, and develop and acquire property, but not by eminent domain.

The new law exempts from state and local taxes, any real property or interest in real property an authority holds, as well as any income it derives from it. For any property an authority conveys, 50% of the taxes collected on it by the municipality must be remitted to the authority in the following five years ([PA 19-175](#), effective upon passage).

### ***Municipal Redevelopment Authority***

A new law establishes a quasi-public Municipal Redevelopment Authority (MRDA) to, among other things, develop property and manage facilities in the areas around transit stations and downtowns (i.e., "development districts") in order to stimulate economic and transit-oriented development. It requires certain municipalities to be members of MRDA and allows others to join under specified conditions. MRDA's powers include purchasing property; hiring consultants, attorneys, and appraisers; entering into contracts; employing staff; and issuing bonds ([PA 19-117](#), §§ 212-227, effective October 1, 2019).

## ***Opportunity Zones***

The federal Opportunity Zone program, created as part of the 2017 federal Tax Cuts and Jobs Act (P.L. 115-97), is designed to spur economic development and job creation in distressed communities by providing federal tax benefits for private investments in designated opportunity zones.

This session, the legislature made various changes to the state's laws concerning the promotion and development of its 72 opportunity zones. Among other things, a new law extends the 30% historic structure rehabilitation tax credit to projects located in opportunity zones and requires the Department of Economic and Community Development (DECD) to give these projects preference. It also (1) requires the DECD commissioner to prioritize opportunity zone projects when approving applications for urban and industrial site reinvestment tax credits and state financial assistance for brownfield remediation and (2) allows DECD's Office of the Permit Ombudsman to provide assistance to opportunity zone projects ([PA 19-54](#), various effective dates).

## **Landlord and Tenant**

### ***Fire Sprinkler Systems in Rental Units***

Prior law required landlords to include a notice in each dwelling unit's lease disclosing whether the unit had a working fire sprinkler system. If a unit had a working system, the lease also had to include a notice indicating the date of the system's last maintenance and inspection.

Under a new law, landlords must provide these notices only when renting a dwelling unit in a building that is required to be equipped with a fire sprinkler system (e.g., by the State Fire Safety Code). Correspondingly, the notices must disclose information about the building's fire sprinkler system, rather than about a single dwelling unit's system ([PA 19-51](#), effective October 1, 2019).

## **Public Housing**

### ***Public Housing Provider Municipal Registry***

A new law authorizes municipalities to require project-based housing providers (PBHPs) to file their residential addresses with the municipality. (PBHPs are property owners who contract with the U.S. Department of Housing and Urban Development to rent some or all of the units in their housing development to low income individuals and families.) Prior law already gave municipalities this authority concerning nonresident rental property owners (landlords). Municipalities may use the addresses to maintain properties and compliance with state and local codes.

The new law (1) increases, from \$250 to \$500, the maximum civil penalty that municipalities may impose on nonresident rental property owners for a first failure to file violation; (2) leaves the maximum penalty for subsequent violations unchanged at \$1,000; and (3) subjects PBHPs to these same penalties for failure to file ([PA 19-168](#), effective October 1, 2019).

### ***Waivers for Certain Housing Authorities***

Existing law (1) requires state-financed housing authorities for moderate rental housing projects to make payments to the municipality in which the project is located instead of paying property taxes, special benefit assessments, and sewer system use charges and (2) authorizes the Department of Housing (DOH) to make these payments on a housing authority's behalf under the Moderate Rental Payment in Lieu of Taxes (PILOT) Program ([CGS § 8-216](#)).

Under prior law, municipalities to which DOH made a Moderate Rental PILOT Program payment on a housing authority's behalf in FY 15, had to waive the above payments in FYs 16 to 19. For these same municipalities, a new law instead requires the waiver in any year when a Moderate Rental PILOT Program payment is not made on an authority's behalf ([PA 19-117](#), § 69, effective October 1, 2019).

## **Real Estate Professionals**

### ***Appraisal Management Companies***

A new law prohibits someone from owning an appraisal management company if he or she had a real estate appraiser credential denied, refused renewal, suspended, or revoked. Prior law allowed such a person to own up to 10% of the company ([PA 19-177](#), §§ 32-34, effective upon passage).

### ***Home Inspectors and Appraisers***

A new law requires the Department of Consumer Protection (DCP) commissioner to publish, maintain, and annually update a list of all DCP-licensed home inspectors on the department's website. It also allows the commissioner, before issuing or renewing an appraisal management company's registration, to determine to her satisfaction that the company compensates independent appraisers at a customary and reasonable rate, in compliance with the federal Truth in Lending Act ([PA 19-183](#), effective October 1, 2019).

### ***Real Estate Brokers and Salespersons***

A new law makes various changes to requirements affecting real estate professionals. Among them, it eliminates automatic license forfeiture for real estate brokers or salespersons who are convicted of certain crimes involving fraud or money (e.g., forgery, embezzlement, larceny,



conspiracy). Instead, it gives the DCP commissioner discretion about whether to require forfeiture and subjects the licensee to existing revocation procedures ([PA 19-177](#), § 35, effective upon passage).

### ***Real Estate Closings***

A new law requires anyone conducting a real estate closing to be a Connecticut-admitted attorney in good standing (i.e., the attorney cannot be disqualified from practicing law due to resignation, disbarment, inactive status, or suspension). A “real estate closing” is a closing for (1) a mortgage loan that is secured by real property in the state, excluding a home equity line of credit or other loan that does not require the issuance of a lender’s or mortgagee’s title insurance policy or (2) any transaction where consideration is paid to change ownership of real property. Violating the law constitutes the unauthorized practice of law ([PA 19-88](#), effective October 1, 2019).

### ***Residential Condition Report Liability and Requirements***

Under a new law, sellers must disclose and explain any actual knowledge they have related to significant defects in the property, even if they fail to complete the required written residential condition report. The law also creates a private right of action for buyers to bring a civil suit to recover actual damages from sellers who fail to comply ([PA 19-192](#), § 6, effective January 1, 2020).

### ***Validation of Conveyance Defects***

With certain exceptions, a new law generally validates documents that convey, lease, mortgage, or affect a real estate interest recorded after January 1, 1997, if they are executed pursuant to a recorded power of attorney but the power of attorney is not recorded on the land records of the municipality where the instrument is recorded. These documents include deeds, mortgages, leases, powers of attorney, releases, assignments, and other instruments ([PA 19-85](#), effective October 1, 2019).

## **Taxes**

### ***Conveyance Tax on High-Value Homes***

Beginning July 1, 2020, a new law establishes a conveyance tax rate of 2.25% on the portion of the sales price of a residential property that exceeds \$2.5 million. For tax years beginning on or after January 1, 2021, it also allows taxpayers who paid conveyance tax at the new 2.25% rate to calculate their property tax credit against the income tax based on the amount they paid in conveyance tax ([PA 19-117](#), §§ 335 & 337, effective upon passage for the tax credit provision and July 1, 2019, for the new tax rate).

## ***Property Tax Credit Limits***

A new law extends existing limits on the property tax credit against the personal income tax to the 2019 and 2020 tax years. Specifically, eligibility is limited to people who (1) are age 65 or older before the end of the tax year or (2) validly claim at least one dependent on their federal income tax return for that year ([PA 19-117](#), § 335, effective upon passage).

## ***Tax Increment Financing (TIF) Districts***

TIF is a development strategy whereby anticipated property tax revenue resulting from a major project is allocated to costs associated with the project. This year, the legislature made various changes to the process municipalities must follow to establish a TIF district. Among other things, the new law eliminates or delays certain deadlines associated with submitting TIF master plans to local commissions and adopting such plans ([PA 19-185](#), effective October 1, 2019).

## **Miscellaneous**

### ***Receiverships for Abandoned Property***

A new law allows the Superior Court to appoint receivers for abandoned properties in municipalities with a population of at least 35,000. Under this law, lienholders and others may seek to be appointed as the receiver and, once appointed, are granted extensive powers to rehabilitate the property pursuant to a court-approved plan. Once the property is rehabilitated, the court may approve its sale, free of any encumbrances. The law also (1) establishes a process for distributing sale proceeds and (2) requires the receiver to draft a deed after the sale stating that recognizable and marketable title to the property is vested in the purchasers, and prior ownership interests are extinguished ([PA 19-92](#), effective January 1, 2020).

### ***Transfer Act***

Connecticut's property transfer law, commonly referred to as the "Transfer Act," regulates the transfer of real property on which, or a business operation from which, (1) hazardous waste was generated or processed or (2) a dry cleaning, furniture stripping, or vehicle body repair business operated. The Transfer Act generally requires the disclosure of environmental conditions and in some cases, investigation and remediation.

This year the legislature reduced the number of properties and businesses subject to the Transfer Act by narrowing the types of hazardous waste that trigger the act's application. The new law also (1) shortens, from three years to one year, the window for commencing audits of Transfer Act final verifications received on or after October 1, 2019, and (2) requires the Department of Energy and

Environmental Protection to complete these audits within three years after receiving the final verification.

Lastly, the new law also creates a working group to examine the Transfer Act and recommend potential changes to it ([PA 19-75](#), effective October 1, 2019, except that the working group provision takes effect upon passage).