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SENATE BILL NO. 718

AMENDMENT IN THE NATURE OF A SUBSTITUTE

(Proposed by the House Committee on Counties, Cities and Towns
on February 26, 2010)

(Patron Prior to Substitute—Senator Norment)

A BILL to amend the Code of Virginia by adding in Title 15.2 a chapter numbered 18.1, consisting of sections numbered 15.2-1815, 15.2-1816, and 15.2-1817, and by adding in Title 23 a chapter numbered 3.4, consisting of sections numbered 23-30.59, 23-30.60, and 23-30.61, relating to conduit lending for state and local governmental entities.

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding in Title 15.2 a chapter numbered 18.1, consisting of sections numbered 15.2-1815, 15.2-1816, and 15.2-1817, and by adding in Title 23 a chapter numbered 3.4, consisting of sections numbered 23-30.59, 23-30.60, and 23-30.61, as follows:

CHAPTER 18.1.

LOCAL GOVERNMENT FACILITIES PRIVATE CAPITAL LENDING.

§ 15.2-1815. Definitions.

As used in this chapter, unless the context otherwise requires:

"Conduit entity" means an organization described in § 501(c)(3) of the Internal Revenue Code that qualifies as a public charity under § 509(a)(2) or 509(a)(3) of the Internal Revenue Code, and the purposes of which entity allow it to perform the functions and obligations of a conduit entity prescribed in a financing agreement.

"Conveyed property" means real and personal property conveyed by a local government to a conduit or other entity pursuant to a financing agreement.

"Costs," as applied to a project or any portion thereof financed under the provisions of this chapter, means all or any part of the cost of construction, acquisition, alteration, enlargement, reconstruction, and remodeling of a project including all lands, structures, real or personal property, rights, rights-of-way, air rights, franchises, easements, and interests acquired or used for or in connection with a project; the cost of demolishing or removing any buildings or structures on land so acquired, including the cost of acquiring any lands to which such buildings or structures may be moved; the cost of all machinery and equipment; financing charges; interest prior to, during, and for a period after completion of such construction and acquisition; provisions for reserves for principal and interest and for extensions, enlargements, additions, replacements, renovations, and improvements; the cost of architectural, engineering, financial, and legal services, plans, specifications, studies, surveys, and estimates of cost and of revenues; administrative expenses; expenses necessary or incident to determining the feasibility or practicability of constructing the project; and such other expenses as may be necessary or incident to the construction and acquisition of the project, the financing of such construction and acquisition, and the placing of the project in operation.

"Private capital funding source" means a private entity that enters into a financing agreement, under which that private entity shall purchase a lease of the conveyed property for a consideration to be provided in such agreement, and its successors and assigns.

"Project" means a structure or structures identified in the capital improvement program of the locality or an agency or instrumentality of the locality that is a revenue-producing undertaking as provided in § 15.2-2608.

§ 15.2-1816. Power to enter into financing agreements.

In addition to other powers granted by law, every local government may, by ordinance, enter into a financing agreement as described in this section and may as part of that financing agreement (i) convey title to any property that is part of a project as defined in this chapter to a conduit or other entity in exchange for consideration provided for under the financing agreement; (ii) assign, pledge to, and create a lien in favor of a conduit or other entity, and permit the conduit or other entity to reassign, pledge to, and create a lien in favor of a private capital funding source, any revenues derived from the project being financed as provided for under the financing agreement; (iii) enter into a lease-leaseback arrangement for a term not to exceed 99 years, under which the private capital funding source will lease from the conduit or other entity, and the conduit or other entity shall lease back from the private capital funding source, the conveyed project. In addition, the conduit or other entity has the power to contribute to the local government any funds received by it in excess of the payments it is required to make to the private capital funding source under the lease-leaseback arrangement and has the power to convey the conveyed property back to the local government when the property is no longer encumbered by any lien or lease in favor of the funding source. The local government and the conduit or other entity may enter into agreements or contracts under which the local government may maintain or

60 administer the conveyed property under the project or may collect rents or fees on behalf of the conduit
61 or other entity. The parties may modify or extend the financing agreement subject to approval by the
62 local government. The local government may enter into a financing agreement under this section either
63 through a competitive selection process or by direct negotiations with a private capital funding source,
64 as determined by the local government or as otherwise provided by law.

65 § 15.2-1817. Real estate taxation.

66 The conveyed property under the project shall be subject to real property taxation under Chapter 32
67 (§ 58.1-3200 et seq.) of Title 58.1.

68 CHAPTER 3.4.

69 HIGHER EDUCATIONAL FACILITIES PRIVATE CAPITAL LENDING.

70 § 23-30.59. Definitions.

71 As used in this chapter, unless the context otherwise requires:

72 "Conduit entity" means an organization described in § 501(c)(3) of the Internal Revenue Code that
73 qualifies as a public charity under § 509(a)(2) or 509(a)(3) of the Internal Revenue Code, and the
74 purposes of which entity allow it to perform the functions and obligations of a conduit entity prescribed
75 in a financing agreement.

76 "Conveyed property" means real and personal property that is part of a project conveyed by a public
77 institution of higher education to a conduit or other entity pursuant to a financing agreement.

78 "Costs," as applied to a project or any portion thereof financed under the provisions of this chapter,
79 means all or any part of the cost of construction, acquisition, alteration, enlargement, reconstruction,
80 and remodeling of a project including all lands, structures, real or personal property, rights,
81 rights-of-way, air rights, franchises, easements, and interests acquired or used for or in connection with
82 a project; the cost of demolishing or removing any buildings or structures on land so acquired,
83 including the cost of acquiring any lands to which such buildings or structures may be moved; the cost
84 of all machinery and equipment; financing charges; interest prior to, during, and for a period after
85 completion of such construction and acquisition; provisions for reserves for principal and interest and
86 for extensions, enlargements, additions, replacements, renovations, and improvements; the cost of
87 architectural, engineering, financial, and legal services, plans, specifications, studies, surveys, and
88 estimates of cost and of revenues; administrative expenses; expenses necessary or incident to
89 determining the feasibility or practicability of constructing the project; and such other expenses as may
90 be necessary or incident to the construction and acquisition of the project, the financing of such
91 construction and acquisition, and the placing of the project in operation.

92 "Private capital funding source" means a private entity that enters into a financing agreement, under
93 which that private entity shall purchase a lease of the conveyed property for a consideration to be
94 provided in such agreement, and its successors and assigns.

95 "Project" means a structure or structures suitable for use as a dormitory or other multi-unit housing
96 facility for students, faculty, officers, or employees; a dining hall, student union, administration building,
97 academic building, library, laboratory, research facility, classroom, athletic facility, or health care
98 facility; a maintenance, storage, or utility facility; and other structures or facilities related to any of the
99 foregoing or required or useful for the instruction of students or the conduct of research or the
100 operation of an public institution of higher education, including parking and other facilities or
101 structures essential or convenient for the orderly conduct of such public institution of higher education,
102 and shall also include landscaping, site preparation, furniture, equipment and machinery, and other
103 similar items necessary or convenient for the operation of a particular facility or structure in the
104 manner for which its use is intended, but shall not include such items as books, fuel, supplies, or other
105 items the costs of which are customarily deemed to result in a current operating charge, and shall not
106 include any facility used or to be used for sectarian instruction or as a place of religious worship nor
107 any facility used or to be used primarily in connection with any part of the program of a school or
108 department of divinity for any religious denomination.

109 § 23-30.60. Power to enter into financing agreements.

110 In addition to other powers granted by law, every public institution of higher education shall have
111 the power and is hereby authorized and empowered, with the approval of the Governor, to enter into a
112 financing agreement for any revenue-producing undertaking and may as part of that financing
113 agreement (i) convey title to any property that is part of a project as defined in this chapter to a
114 conduit or other entity in exchange for consideration provided for under the financing agreement; (ii)
115 assign, pledge to, and create a lien in favor of a conduit or other entity, and permit the conduit or
116 other entity to reassign, pledge to, and create a lien in favor of an private capital funding source, any
117 revenues derived from the project being financed as provided for under the financing agreement; (iii)
118 enter into a lease-leaseback arrangement for a term not to exceed 99 years, under which the private
119 capital funding source will lease from the conduit or other entity, and the conduit or other entity shall
120 lease back from the private capital funding source, the conveyed project. In addition, the conduit or
121 other entity has the power to contribute to the institution any funds received by it in excess of the

122 payments it is required to make to the private capital funding source under the lease-leaseback
123 arrangement, and has the power to convey the conveyed property back to the public institution of higher
124 education when the property is no longer encumbered by any lien or lease in favor of the private
125 capital funding source. The public institution of higher education and the conduit or other entity may
126 enter into agreements or contracts under which such public institution may maintain or administer the
127 conveyed property under the project or may collect rents or fees on behalf of the conduit or other
128 entity. The public institution of higher education may enter into a financing agreement under this
129 section either through a competitive selection process or by direct negotiations with a private capital
130 funding source, as determined by the public institution of higher education or as otherwise provided by
131 law.

132 § 23-30.61. Real estate taxation.

133 The conveyed real property under any project shall be subject to real property taxation in
134 accordance with the provisions of Chapter 32 (§ 58.1-3200 et seq.) of Title 58.1.