

VIRGINIA ACTS OF ASSEMBLY -- 2011 SESSION

CHAPTER 660

An Act 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, relating to conduit lending for state and local governmental entities.

[H 2075]

Approved March 26, 2011

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, 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 administer the conveyed property under the project or may collect rents or fees on behalf of the conduit or other entity. The parties may modify or extend the financing agreement subject to approval by the local government. The local government may enter into a financing agreement under this section either

through a competitive selection process or by direct negotiations with a private capital funding source, as determined by the local government or as otherwise provided by law.

§ 15.2-1817. Real estate taxation.

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

2. That nothing in this chapter shall be construed to limit any existing authorities of local governments to finance public improvements.

3. That nothing in this chapter shall be construed to authorize any additional powers of eminent domain or to amend any existing requirements for voter referendum for approval for financing of capital projects.