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HOUSE BILL NO. 1819

Offered January 13, 2025

Prefiled January 6, 2025

A BILL to amend and reenact § 15.2-958.3 of the Code of Virginia, relating to C-PACE financing programs.

Patron—Reid

Referred to Committee on Counties, Cities and Towns

Be it enacted by the General Assembly of Virginia:

1. That § 15.2-958.3 of the Code of Virginia is amended and reenacted as follows:

§ 15.2-958.3. Commercial Property Assessed Clean Energy (C-PACE) financing programs.

A. As used in this section:

"Eligible improvements" means any of the following improvements made to eligible properties:

1. Energy efficiency improvements;
2. Water efficiency and safe drinking water improvements;
3. Renewable energy improvements;
4. Resiliency improvements;
5. Stormwater management improvements;
6. Environmental remediation improvements; and
7. Electric vehicle infrastructure improvements.

A program administrator may include in its C-PACE loan program guide or other administrative documentation definitions, interpretations, and examples of these categories of eligible improvements.

"Borrower" means the fee simple owner of eligible property or the leasehold owner of the eligible improvements to be affixed to the eligible property under a ground lease. To be eligible for a C-PACE loan, the fee simple owner shall provide consent to the C-PACE loan, and the leasehold owner shall comply with the requirements of the loan program.

"Eligible properties" means all assessable commercial real estate located within the Commonwealth, with all buildings located or to be located thereon, whether vacant or occupied, whether improved or unimproved, and regardless of whether such real estate is currently subject to taxation by the locality, other than a residential dwelling with fewer than five dwelling units or a condominium as defined in § 55.1-2000 used for residential purposes. Common areas of real estate owned by a cooperative, a condominium, or a property owners' association described in Subtitle IV (§ 55.1-1800 et seq.) of Title 55.1 that have a separate real property tax identification number are eligible properties. Eligible properties shall be eligible to participate in the C-PACE loan program.

"Program administrator" means a third party that is contracted for professional services to administer a C-PACE loan program.

"Resiliency improvement" means an improvement that increases the capacity of a structure or infrastructure to withstand or recover from natural disasters, the effects of climate change, and attacks and accidents, including, but not limited to:

1. Flood mitigation or the mitigation of the impacts of flooding;
2. Inundation adaptation;
3. Natural or nature-based features and living shorelines, as defined in § 28.2-104.1;
4. Enhancement of fire or wind resistance;
5. Microgrids;
6. Energy storage; and
7. Enhancement of the resilience capacity of a natural system, structure, or infrastructure.

B. Any locality may, by ordinance, authorize contracts to provide C-PACE loans (loans) for the initial acquisition, installation, and refinancing of eligible improvements located on eligible properties by free and willing property owners and borrowers of such eligible properties. The ordinance may refer to the mode of financing as Commercial Property Assessed Clean Energy (C-PACE) financing and shall include but not be limited to the following:

1. The kinds of eligible improvements that qualify for loans;
2. The proposed arrangement for such C-PACE loan program (loan program), including (i) a statement concerning the source of funding for the C-PACE loan; (ii) the time period during which contracting property owners or borrowers would repay the C-PACE loan; and (iii) the method of apportioning all or any portion of the costs incidental to financing, administration, and collection of the C-PACE loan among the parties to the C-PACE transaction;
3. (i) A minimum dollar amount that may be financed with respect to an eligible property; (ii) if a locality

59 or other public body is originating the loans, a maximum aggregate dollar amount that may be financed with  
 60 respect to loans originated by the locality or other public body, and (iii) provisions that the loan program may  
 61 approve a loan application submitted within ~~two~~ *three* years of the locality's issuance of a certificate of  
 62 occupancy or other evidence that eligible improvements comply substantially with the plans and  
 63 specifications previously approved by the locality and that such loan may refinance or reimburse the property  
 64 owner *or borrower* for the total costs of such eligible improvements;

65 4. In the case of a loan program described in clause (ii) of subdivision 3, a method for setting requests  
 66 from owners of eligible properties for financing in priority order in the event that requests appear likely to  
 67 exceed the authorization amount of the loan program. Priority shall be given to those requests from owners of  
 68 eligible properties who meet established income or assessed property value eligibility requirements;

69 5. Identification of a local official authorized to enter into contracts on behalf of the locality. A locality  
 70 may contract with a program administrator to administer such loan program;

71 6. Identification of any fee that the locality intends to impose on the property owner *or borrower*  
 72 requesting to participate in the loan program to offset the cost of administering the loan program. The fee  
 73 may be assessed as a program fee paid by the property owner *or borrower* requesting to participate in the  
 74 program; ~~and~~

75 7. A draft contract specifying the terms and conditions proposed by the locality; *and*

76 8. *In the case of a ground-leased structured C-PACE loan, a provision that the ground-lessee of a ground*  
 77 *lease for a property that is owned by a public or private entity may be eligible for a C-PACE loan if the*  
 78 *ground lease meets the requirements of the C-PACE loan program.*

79 C. The locality may combine the loan payments required by the contracts with billings for water or sewer  
 80 charges, real property tax assessments, or other billings; in such cases, the locality may establish the order in  
 81 which loan payments will be applied to the different charges. The locality may not combine its billings for  
 82 loan payments required by a contract authorized pursuant to this section with billings of another locality or  
 83 political subdivision, including an authority operating pursuant to Chapter 51 (§ 15.2-5100 et seq.), unless  
 84 such locality or political subdivision has given its consent by duly adopted resolution or ordinance. The  
 85 locality may, either by ordinance or its program guide, delegate the billing; collection, including enforcement;  
 86 and remittance of C-PACE loan payments to a third party.

87 D. The locality shall offer private lending institutions the opportunity to participate in local C-PACE loan  
 88 programs established pursuant to this section.

89 E. In order to secure the loan authorized pursuant to this section, the locality shall place a voluntary  
 90 special assessment lien equal in value to the loan against any property where such eligible improvements are  
 91 being installed. The locality may bundle or package said loans for transfer to private lenders in such a manner  
 92 that would allow the voluntary special assessment liens to remain in full force to secure the loans. The  
 93 placement of a voluntary special assessment lien shall not require a new assessment on the value of the real  
 94 property that is being improved under the loan program.

95 F. A voluntary special assessment lien imposed on real property under this section:

96 1. Shall have the same priority status as a property tax lien against real property, except that such  
 97 voluntary special assessment lien shall have priority over any previously recorded mortgage or deed of trust  
 98 lien only if (i) a written subordination agreement, in a form and substance acceptable to each prior lienholder  
 99 in its sole and exclusive discretion, is executed by the holder of each mortgage or deed of trust lien on the  
 100 property and recorded with the special assessment lien in the land records where the property is located, and  
 101 (ii) evidence that the property owner is current on payments on loans secured by a mortgage or deed of trust  
 102 lien on the property and on property tax payments, that the property owner is not insolvent or in bankruptcy  
 103 proceedings, and that the title of the benefited property is not in dispute is submitted to the locality prior to  
 104 recording of the special assessment lien;

105 2. Shall run with the land, and that portion of the assessment under the assessment contract that has not  
 106 yet become due is not eliminated by foreclosure of a property tax lien;

107 3. May be enforced by the local government in the same manner that a property tax lien against real  
 108 property is enforced by the local government. A local government shall be entitled to recover costs and  
 109 expenses, including attorney fees, in a suit to collect a delinquent installment of an assessment in the same  
 110 manner as in a suit to collect a delinquent property tax; and

111 4. May incur interest and penalties for delinquent installments of the assessment in the same manner as  
 112 delinquent property taxes.

113 G. Prior to the enactment of an ordinance pursuant to this section, a public hearing shall be held at which  
 114 interested persons may object to or inquire about the proposed loan program or any of its particulars. The  
 115 public hearing shall be published twice, with the first notice appearing no more than 28 days before and the  
 116 second notice appearing no less than seven days before the hearing, in a newspaper of general circulation in  
 117 the locality.

118 H. The Department of Energy shall serve as a statewide sponsor for a loan program that meets the  
 119 requirements of this section. The Department of Energy shall engage a private program administrator through

120 a competitive selection process to develop the statewide loan program. A locality, ~~in~~ by its adoption or  
121 amendment of its C-PACE ordinance described in subsection B, ~~may opt~~ *agrees to execute a locality*  
122 *agreement within 30 days of the adoption or amendment of its C-PACE ordinance that opts them into the*  
123 *statewide C-PACE loan program sponsored by the Department of Energy;* ~~and such~~ *Such* action shall not  
124 require the locality to undertake any competitive procurement process.

**INTRODUCED**

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