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**SENATE BILL NO. 1189****AMENDMENT IN THE NATURE OF A SUBSTITUTE**

(Proposed by the Senate Committee on General Laws and Technology  
on January 22, 2025)

(Patron Prior to Substitute—Senator Carroll Foy)

*A BILL to amend the Code of Virginia by adding in Title 36 a chapter numbered 8.2, consisting of sections numbered 36-140.3 through 36-140.11, relating to Virginia Residential Development Infrastructure Fund established.*

**Be it enacted by the General Assembly of Virginia:**

**1. That the Code of Virginia is amended by adding in Title 36 a chapter numbered 8.2, consisting of sections numbered 36-140.3 through 36-140.11, as follows:**

**CHAPTER 8.2.****VIRGINIA RESIDENTIAL DEVELOPMENT INFRASTRUCTURE FUND.****§ 36-140.3. Definitions.**

*As used in this chapter, unless the context requires a different meaning:*

*"Authority" means the Virginia Resources Authority as established in Chapter 21 (§ 62.1-197 et seq.) of Title 62.1.*

*"Cost," as applied to any project financed under the provisions of this chapter, means the same as that term is defined in § 62.1-199.*

*"Department" means the Department of Housing and Community Development.*

*"Fund" means the Virginia Residential Development Infrastructure Fund created by this chapter.*

*"Local government" means the same as that term is defined in § 62.1-199.*

*"Project" means the construction or installation of water distribution systems, water treatment plants, wastewater treatment systems, sanitary sewer systems, storm sewer systems, stormwater retention ponds, lift or pump stations, and transportation infrastructure such as streets, roads, alleys, bridges, curbs, gutters, side walks, and traffic devices and any other equipment or facilities necessary or desirable in connection therewith or incidental thereto.*

**§ 36-140.4. Creation and management; Virginia Residential Development Infrastructure Fund.**

*A. There is hereby created in the state treasury a special nonreverting fund to be known as the Virginia Residential Development Infrastructure Fund. The Fund shall be established on the books of the Comptroller. All funds appropriated for such purpose and any gifts, donations, grants, bequests, and other funds received on its behalf shall be paid into the state treasury and credited to the Fund. Interest earned on moneys in the Fund shall remain in the Fund and be credited to it. Any moneys remaining in the Fund, including any appropriated funds and all principal, interest accrued, and payments, at the end of each fiscal year shall not revert to the general fund but shall remain in the Fund. Moneys in the Fund shall be used solely for the purposes of providing financial assistance to local governments for expanding or improving public infrastructure needed to support new residential development. Expenditures and disbursements from the Fund shall be made by the State Treasurer on warrants issued by the Comptroller upon written request signed by the Board of Directors of the Authority.*

*B. The Department shall establish guidelines related to the application for and award of grants and loans from the Fund. Subject to the availability of funds, a local government shall be eligible to apply for financial assistance from the Fund.*

*C. In order to carry out the administration and management of the Fund, the Authority, in consultation with the Department, is granted the power to employ officers, employees, agents, advisers, and consultants, including attorneys, financial advisers, engineers, and other technical advisers and public accountants, and, the provisions of any other law to the contrary notwithstanding, to determine their duties and compensation without the approval of any other agency of instrumentality. The Authority may disburse from the Fund the reasonable costs and expenses incurred by the Authority and the Department in the administration and management of the Fund and a reasonable fee to be approved by the Department for management services by the Authority.*

**§ 36-140.5. Deposit of money; expenditures; investments.**

*All money belonging to the Fund shall be deposited in an account or accounts in banks or trust companies organized under the laws of the Commonwealth or in national banking associations located in the Commonwealth or in savings institutions located in the Commonwealth organized under federal or state law. The money in these accounts shall be paid by electronic transfer or check signed by the Executive Director of the Authority or other officers or employees designated by the Board of Directors of the Authority. All deposits of money shall, if required by the Authority, be secured in a manner determined by the Authority to be prudent, and all banks, trust companies, and savings institutions are authorized to give security for the deposits. Money in the Fund shall not be commingled with other money of the Authority. Money in the Fund*

not needed for immediate use or disbursement may be invested or reinvested by the Authority in obligations or securities that are considered lawful investments for public funds under the laws of the Commonwealth.

**§ 36-140.6. Collection of money due Fund.**

The Authority is empowered to collect, or to authorize others to collect on its behalf, amounts due to the Fund under any loan to a local government, including, if appropriate, taking the action required by § 15.2-2659 or 62.1-216.1 to obtain payment of any amounts in default. Proceedings to recover amounts due to the Fund may be instituted by the Authority in the name of the Fund in the appropriate circuit court.

**§ 36-140.7. Grants and loans to local governments.**

A. Except as otherwise provided in this chapter, moneys in the Fund shall be used solely to make grants and loans to local governments to finance or refinance the cost of any project. The local governments to which grants and loans are to be made, the purposes of the grants and loans, and the amount of each such grant or loan shall be designated in writing by the Department to the Authority following consultation with the Authority. No loan from the Fund shall exceed the total cost of the project to be financed or the outstanding principal amount of the indebtedness to be refinanced plus reasonable financing expenses.

B. Except as otherwise provided in this chapter, the Authority shall determine the interest rate and terms and conditions of any loan from the Fund, which may vary between local governments. Each loan shall be evidenced by appropriate bonds, notes, leases, or agreements of the local government payable to the Fund. The bonds, notes, leases, or agreements shall have been duly authorized by the local government and executed by its authorized legal representatives. The Authority is authorized to require in connection with any loan from the Fund such documents, instruments, certificates, legal opinions, and other information as it may deem necessary. In addition to any other terms or conditions that the Authority may establish, the Authority may require, as a condition to making any loan from the Fund, that the local government receiving the loan covenant perform any of the following:

1. Establish and collect rents, rates, fees, and charges to produce revenue sufficient to pay all or a specified portion of (i) the costs of operation, maintenance, replacement, renewal, and repairs of the project; (ii) any outstanding indebtedness incurred for the purposes of the project, including the principal of, premium, if any, and interest on the loan from the Fund to the local government; and (iii) any amounts necessary to create and maintain any required reserve, including any rate stabilization fund deemed necessary or appropriate by the Authority to offset the need, in whole or in part, for future increases in rents, rates, fees, or charges.

2. Create and maintain a special fund or funds for the payment of the principal of, premium, if any, and interest on the loan from the Fund to the local government and any other amounts becoming due under any agreement entered into in connection with the loan, or for the operation, maintenance, repair, or replacement of the project or any portions thereof or other property of the local government, and deposit into any fund or funds amounts sufficient to make any payments on the loan as they become due and payable.

3. Create and maintain other special funds as required by the Authority.

4. Perform acts otherwise permitted by applicable law, including the conveyance of, or the granting of liens on or security interests in, real and personal property, together with all rights, title, and interest therein, to the Fund, or take other actions as may be deemed necessary or desirable by the Authority, to secure payment of the principal of, premium, if any, and interest on the loan from the Fund to the local government and to provide for the remedies of the Fund in the event of any default by the local government in the payment of the loan, including any of the following:

a. The procurement of insurance, guarantees, letters of credit, and other forms of collateral, security, liquidity arrangements, or credit supports for the loan from any source, public or private, and the payment therefor of premiums, fees, or other charges;

b. The combination of one or more projects, or the combination of one or more projects with one or more other undertakings, facilities, utilities, or systems, for the purpose of operations and financing, and the pledging of the revenues from such combined projects, undertakings, facilities, utilities, and systems to secure the loan from the Fund to the local government made in connection with such combination or any part or parts thereof;

c. The maintenance, replacement, renewal, and repair of the project; and

d. The procurement of casualty and liability insurance.

C. All local governments borrowing money from the Fund are authorized to perform any acts, take any action, adopt any proceedings, and make and carry out any contracts that are contemplated by this chapter. Such contracts need not be identical among all local governments but may be structured as determined by the Authority according to the needs of the contracting local governments and the Fund.

D. Subject to the rights, if any, of the registered owners of any of the bonds of the Authority, the Authority may consent to and approve any modification in the terms of any loan to any local government.

**§ 36-140.8. Pledge of loans to secure bonds of Authority.**

The Authority may pledge, assign, or transfer from the Fund to banks or trust companies designated by the Authority any or all of the assets of the Fund to be held in trust as security for the payment of the

principal of, premium, if any, and interest on any or all of the bonds, as defined in § 62.1-199, issued to finance any project. The interests of the Fund in any assets so transferred shall be subordinate to the rights of the trustee under the pledge, assignment, or transfer. To the extent that funds are not available from other sources pledged for such purpose, any of the assets or payments of principal and interest received on the assets pledged, assigned, or transferred or held in trust may be applied by the trustee thereof to the payment of the principal of, premium, if any, and interest on such bonds of the Authority secured thereby, and, if such payments are insufficient for such purpose, the trustee is empowered to sell any or all of such assets and apply the net proceeds from the sale to the payment of the principal of, premium, if any, and interest on such bonds of the Authority. Any assets of the Fund pledged, assigned, or transferred in trust as set forth above and any payments of principal, interest, or earnings received thereon shall remain part of the Fund but shall be subject to the pledge, assignment, or transfer to secure the bonds of the Authority and shall be held by the trustee to which they are pledged, assigned, or transferred until no longer required for such purpose by the terms of the pledge, assignment, or transfer.

**§ 36-140.9. Sale of loans.**

The Authority may sell, upon such terms and conditions as the Authority shall deem appropriate, any loan, or interest therein, made pursuant to this chapter. The net proceeds of the sale remaining after the payment of the costs and expenses of the sale shall be designated for deposit to, and become part of, the Fund.

**§ 36-140.10. Powers of the Authority.**

The Authority is authorized to do any act necessary to exercise the powers granted in this chapter or reasonably implied thereby.

**§ 36-140.11. Liberal construction of chapter.**

The provisions of this chapter shall be liberally construed to the end that its beneficial purposes may be effectuated. Insofar as the provisions of this chapter are inconsistent with the provisions of any other law, general, special, or local, the provisions of this chapter shall be controlling.