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HOUSE BILL NO. 196
AMENDMENT IN THE NATURE OF A SUBSTITUTE
 (Proposed by the House Committee on Appropriations
 on January 30, 2026)

(Patron Prior to Substitute—Delegate Thomas)

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 36-140.8, relating to Virginia Residential Development Infrastructure Pilot Program established; sunset.

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 36-140.8, as follows:

CHAPTER 8.2.

VIRGINIA RESIDENTIAL DEVELOPMENT INFRASTRUCTURE PILOT PROGRAM.

§ 36-140.3. Definitions.

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

"Cost," as applied to any project financed under the provisions of this chapter, means the total of all costs incurred by the local government as reasonable and necessary for carrying out all works and undertakings necessary or incident to the accomplishment of any project. "Cost" includes (i) all necessary developmental, planning, and feasibility studies, surveys, plans, and specifications; (ii) architectural, engineering, financial, legal, or other special services; (iii) the cost of acquisition of land and any buildings and improvements thereon, including the discharge of any obligations of the sellers of such land, buildings, or improvements; (iv) real estate appraisals; (v) site preparation and development, including demolition or removal of existing structures; (vi) construction and reconstruction; (vii) labor; (viii) materials; (ix) machinery and equipment; (x) the reasonable costs of financing incurred by the local government in the course of the development of the project, including the cost of any credit enhancements, carrying charges incurred before placing the project in service, and interest on local obligations issued to finance the project to a date subsequent to the estimated date the project is to be placed in service; (xi) necessary expenses incurred in connection with placing the project in service; (xii) the funding of accounts and reserves that the Department may require; and (xiii) the cost of other items that the Department determines to be reasonable and necessary.

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

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

"Local government" means any county, city, town, municipal corporation, authority, district, commission, or political subdivision created by the General Assembly or pursuant to the Constitution of Virginia and laws of the Commonwealth or any combination of any two or more of the foregoing.

"Program" means the Virginia Residential Development Infrastructure Pilot Program created by this chapter.

"Project" means the construction or installation of public infrastructure in connection with a new residential development located in Planning District 8 or 23. "Project" includes water distribution systems, water treatment plants, wastewater treatment systems, sanitary sewer systems, storm sewer systems, stormwater retention ponds, lift or pump stations, or transportation infrastructure such as streets, roads, alleys, bridges, curbs, gutters, sidewalks, or traffic devices or any other equipment or facilities necessary or desirable in connection therewith or incidental thereto.

§ 36-140.4. Creation and management; Virginia Residential Development Infrastructure Pilot Program.

A. There is hereby established the Virginia Residential Development Infrastructure Pilot Program for the purpose of assisting local governments with the costs incurred for expanding or improving public infrastructure needed to support new residential development. The Department shall establish guidelines related to the application for and award of grants and loans pursuant to the Program. Subject to the availability of funds, a local government shall be eligible to apply for financial assistance from the Program.

B. The Department shall enter into a memorandum of understanding with the Financial Viability Manager, which shall require the Financial Viability Manager to provide a written financial viability and feasibility report to the Department as to the financial propriety of each proposed loan to a local government. The Department shall not make a loan under this chapter until the Financial Viability Manager has provided the Department with a written recommendation as to the financial viability and feasibility of such proposed loan.

C. In order to carry out the administration and management of the Program, the Department is granted the power to employ officers, employees, agents, advisors, and consultants, including attorneys, financial advisors, engineers, and other technical advisors 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 or instrumentality. The Department may disburse from moneys appropriated to the Program the reasonable costs and expenses incurred by the Department and the Financial Viability Manager in the administration and management of the Program.

§ 36-140.5. Collection of money due to Program.

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

§ 36-140.6. Grants and loans to local governments.

A. Except as otherwise provided in this chapter, moneys appropriated to the Program 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. No loan from the Program 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 Department shall determine the interest rate and terms and conditions of any loan from the Program, 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 Program. The bonds, notes, leases, or agreements shall have been duly authorized by the local government and executed by its authorized legal representatives. The Department is authorized to require in connection with any loan from the Program such documents, instruments, certificates, legal opinions, and other information as it may deem necessary. All loan repayments made by a local government shall be deposited into the general fund. In addition to any other terms or conditions that the Department may establish, the Department may require, as a condition to making any loan from the Program, 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 purpose of the project, including the principal of, premium, if any, and interest on the loan from the Program 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 Department 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 Program 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 Department.

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 Program, or take other actions as may be deemed necessary or desirable by the Department, to secure payment of the principal of, premium, if any, and interest on the loan from the Program to the local government and to provide for the remedies of the Program 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 Program 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 Program 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 Department according to the needs of the contracting local governments and the Program.

§ 36-140.7. 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,

122 *general, special, or local, the provisions of this chapter shall be controlling.*
123 **§ 36-140.8. Sunset.**
124 *The provisions of this chapter shall expire on July 1, 2028.*