Capitol Contact
Virginia General Assembly
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Thursday, January 30, 2025

ACTION ITEM: VACo Opposes Bill Mandating Targets for Utility-Scale Solar in Comprehensive Plans

SB 1190 (Deeds), as **amended** in committee, mandates that every locality, no later than July 1, 2029, shall incorporate into its comprehensive plan targets for energy production and energy efficiency based on regional energy plans that planning district commissions are now required to adopt. The regional energy plans must be adopted by January 1, 2027, and include targets for the development of energy efficiency, distributed generation solar energy, shared solar, utility-scale solar, onshore and offshore wind, and battery energy storage. These targets will be developed by the Virginia Department of Energy by July 1, 2026. The targets, in total, must meet the requirements of the **Virginia Clean Economy Act of 2020** to achieve zero greenhouse gas emissions from the energy sector by the middle of this century.

ACTION REQUIRED: Contact **Members of the Senate of Virginia** now to oppose SB 1190.

The bill passed the Senate Finance and Appropriations Committee by a vote of 10 to 4. It is now headed to the Senate Floor.

The legislation also prohibits (1) a locality from adopting a comprehensive plan or ordinance that unreasonably restricts or prohibits the development of any renewable energy facility; and (2) a locality from denying any permit or special exception application for a renewable energy facility without a reasonable basis.

KEY POINTS

- Counties should not be required to amend their comprehensive plans to include targets for energy production, including utility-scale solar, which are in effect largescale power plants, many of which may have oversized footprints. For

example, a solar facility with a generating capacity of 100 megawatts (MW) can occupy 1,000 acres or more of land.

- The state should not impose a vague and undefined standard, such as evaluating comprehensive plans, ordinances, and local land use decisions based on whether they deny or prohibit renewable energy facilities. Currently, no such standard exists in state law to challenge local governing bodies' land use decisions.

KEY CONTACTS

- **SENATE OF VIRGINIA**

VACo Contact: Joe Lerch, AICP

ACTION ITEM: VACo Opposes Bill that Imposes Strict Limitations on Providing Drinking Water

SB 923 (Stuart), as substituted and amended, would prohibit the Department of Environmental Quality (DEQ) from issuing a Virginia Water Protection Permit for a surface water withdrawal if more than 6 million gallons of water per day would be returned to a different river basin.

SB 923 imposes strict limitations on the ability of water utilities to provide drinking water to citizens now and in the future.

ACTION REQUIRED: Contact Members of the **Senate Finance and Appropriations Committee** to oppose SB 923.

While the substituted version of the bill changes the threshold of water needed to be returned to a different river basin, inter-basin transfers of water should be conducted on a case-by-case review. It is very difficult to ascertain the amount of water discharged to a different river basin, especially for facilities that are currently under construction or expansion, and the possibility of an outright ban is not the solution for Virginia's counties moving forward.

KEY POINTS

- Inter-basin transfers of water have proven to be beneficial in using surplus water to meet drinking needs in Virginia. Efforts to supply water needs are not necessarily confined by the boundaries of river basins.

- The bill would ban all inter-basin water transfers meeting the threshold and harm counties that engage in regional water planning now and in the future and

by doing so, limit the development and growth goals of counties.

- If this legislation were to pass, counties that plan to or are expanding their drinking water facilities could see their facility's construction delayed or postponed.

- Six million gallons of water is an arbitrary figure that could have wide ranging impacts, we currently do not know what planned surface water withdrawals across the Commonwealth will release this amount of water to a different river basin.

- DEQ's existing regulation (9VAC25-340 B 5) requires a case-by-case technical review that provides sufficient regulatory guardrails to protect the source water. As part of DEQ's expert review in making permitting decisions, for both the source basin and the receiving basin, the DEQ considers all the facts of how the proposed transfer will positively or negatively affect instream and offstream beneficial uses.

- As water supplies get tighter in the future, it would be wise for the Commonwealth to retain the option, rather than prohibit it.

KEY CONTACTS

- **Senate Finance and Appropriations Committee**

VACo Contact: James Hutzler

ACTION ITEM: Oppose Bill to Create "Housing Approval Board" with Authority to Overturn Local Land Use Decisions

HB 2641 (Helmer) establishes a three-member Housing Approval Board with authority to overturn local land use decisions and to automatically approve such applications that will have the effect of increasing the supply of housing in a locality, if a locality has not made a "good faith effort" to meet required housing targets over a five-year period. The process for overturning local land use decisions begins, starting January 1, 2027, with every locality mandated to increase its total housing stock by an average of 1.5 percent growth per year for five consecutive years to meet a total 7.5 percent growth target.

ACTION REQUIRED: Contact members of the **House of Delegates** (**HOUSE OF DELEGATES 1** | **HOUSE OF DELEGATES 2)** today to oppose HB 2641.

The legislation also requires every locality develop a housing growth plan that must include at least three of the following nine actions to be "deemed" at making "a good faith effort" to meet their targets:

1. Eliminate minimum lot size requirements or reduce such requirements by at least 25 percent.

2. Increase building height limits for dwelling units by at least 25 percent.

3. Simplify the permitting procedures for multifamily housing and shorten the average time to receive final approval for multifamily housing projects by at least 25 percent.

4. Modify zoning ordinances to allow for high-density housing, including multifamily units such as apartments and condominiums, on land previously zoned for single-family use.

5. Allow multifamily housing as a permitted use on all lots where office, retail, or commercial is the primary permitted use.

6. Rezone land for higher-density housing near transit stations, places of employment, higher education facilities, and other appropriate population centers.

7. Implement a plan to repurpose underutilized office parks and strip malls for multifamily housing.

8. Eliminate requirements for off-street parking minimums per dwelling unit or reduce such requirements by at least 25 percent.

9. Eliminate aesthetic, material, shape, bulk, size, floor area, and other massing requirements for multifamily developments.

Beginning January 31, 2032, an applicant who seeks local government approval for a residential development that will have the effect of increasing the supply of housing in a locality and has that application rejected may appeal such decision to the newly created Housing Approval Board.

HB 2641 passed in the County, Cities, and Towns Committee by a **vote of 11 to 9** and was referred to House Appropriations Committee where it passed by a **vote of 12 to 9** and sent to the House floor.

Call Delegates now to oppose HB 2641.

VACo Contact: Joe Lerch, AICP

ACTION ITEM: Transportation Services Mandate Heads to House and Senate Floors for Vote

SB 919 (Salim) / **HB 2619 (Helmer)**, two problematic bills, are headed for floor votes in the House and Senate.

ACTION REQUIRED: Contact members of the **House of Delegates** (**HOUSE OF DELEGATES 1** | **HOUSE OF DELEGATES 2)** and **Senate of Virginia** today to strongly oppose.

SB 919 and HB 2619 would require the governing body of any county that contracts with a private company to provide transportation services, for the contract to include provisions requiring any employee of the private company be given compensation and benefits that are at a minimum equivalent to the compensation and benefits provided to a public employee.

Furthermore, the bill states that if a county has adopted an ordinance or resolution authorizing collective bargaining by employees of such county, in contracting with a private company for transportation services, the county would require such company to enter and adhere to a collective bargaining agreement. **VACo opposes SB 919 and HB 1619.**

KEY POINTS

- The bills would mandate collective bargaining within select counties, interfere with the ability for a county to make employment and services delivery decisions, and may have costly unintended consequences (as shown by this **fiscal impact statement**).

- The bills include language that could be potentially harmful to counties such as how "transportation services" are constituted. Generally, this means those who operate transit systems but could very likely include mechanics of such systems.

- The bills would almost certainly raise the operating costs of transportation delivery systems at a time when the budgets of these services are very tight as it is.

KEY CONTACTS

- **House of Delegates**

- **Senate of Virginia**

VACo Contact: James Hutzler

BPOL Legislation Needs Thorough Review

HB 1743 (Watts) deals with the ability of businesses to deduct gross receipts attributable to business conducted in another state or foreign country from taxation under the BPOL tax. Under current law, receipts attributable to business conducted in another state or foreign country in which the taxpayer is liable for an income tax or other tax based on income are deductible. As reported by the House Finance Committee on Wednesday, HB 1743 would expand this provision to cover receipts from other states or foreign countries with a net income tax or other tax based upon gross or net income or receipts. The bill has a delayed effective date of July 1, 2026, and requires the Department of Taxation to convene a working group to review the current methodology of the existing deduction, potential revenue impacts of the expanded deduction, and potential complexities for tax administration and for taxpayers, among other elements.

This legislation is expected to affect local revenues, with a potentially significant impact in some jurisdictions, although the full scope is difficult to quantify. Allowing the deductibility of gross receipts generated in states with other types of taxes also adds complexity to tax administration, since states have different rules and thresholds for filing. Given the unknown revenue impact and administrative complexity involved in the bill, and the compressed timeline of the short session, VACo has encouraged a more thorough review of its implications in discussions with the patron and proponents of the legislation. VACo strongly prefers a reenactment clause to a delayed enactment, as in the current version of the bill, because it would allow the implications of the policy change to be fully vetted prior to making changes to the Code, rather than making statutory changes this session and returning to revise those changes in 2026.

VACo Contact: **Katie Boyle**

Local Authority to Appoint School Boards Preemption Bill Defeated

On January 30, **SB 1404 (Pekarsky)**, which requires election as the method of selecting the members of each school board in the Commonwealth and makes several changes to eliminate provisions relating to appointed school boards, was defeated in the Senate Education and Health Committee by failing to report on a vote of 6-7-2. As previously **reported**, current law requires such members to be appointed but permits their election under certain circumstances. There are approximately a dozen localities that still opt to appoint their school boards, including the two counties of Hanover and Richmond.

VACo supports local authority to choose the selection process for school board members. VACo thanks those members who testified against the bill and legislators who sided with local government.

VACo Contact: Jeremy R. Bennett

Affordable Housing Assessment Legislation Improved

HB 2245 (Callsen), as introduced, would require affordable housing property operated under certain federal housing programs to be assessed using the income approach, based on the analysis of certain enumerated data points. Under current law, in valuing affordable housing properties, assessors are required to consider the contract rent and the impact of applicable rent restrictions; restrictions on the transfer of title or other restraints on alienation of the real property; and the actual operating expenses and expenditures and the impact of any such additional expenses or expenditures, but retain some flexibility to use alternative methods to determine fair market value under generally accepted appraisal practices. Under generally accepted appraisal practices, the three approaches to valuing property (cost, sales comparison, and income) must be considered, but an approach may be rejected if adequate information is not available, or the method would lead to unreliable results. Under the introduced bill, if the assessor failed to comply with the revised valuation requirements and the property owner prevailed in an appeal, the locality would owe the owner attorney fees and costs, unless the owner had failed to comply with his or her obligation to provide income and expense data. The introduced bill also required the Department of Taxation to convene a stakeholder group to develop a form to collect income and expense data from property owners.

A more extensive version of this legislation was considered during the 2024 session and referred to the Virginia Housing Commission over concerns expressed by VACo, VML, and Commissioners of the Revenue about the breadth of the changes proposed and the effect of strictly prescribing one methodology to value property. VACo, VML, and Commissioners of the Revenue had several discussions with proponents of the legislation over the "off season" to attempt to address concerns about application of the existing statute. One of the results of these discussions was a request by VACo, VML, and the Commissioners of the Revenue to the Department of Taxation to develop a training module for assessment professionals on the assessment of affordable housing properties. The Department agreed to develop this training and plans to have it ready later this year.

This year's version of the legislation has been pared back from the 2024 proposal, but local governments remained concerned with a strict requirement to use the income approach, even in situations where the information required to perform such a valuation was not provided. After further discussions, the patron agreed to several amendments, including removal of the attorney fees provisions. As reported

by the full House Finance Committee on Wednesday, the legislation now requires property operated as affordable housing under the specified federal programs that is generating income to be assessed using an income approach based on certain specified data points; however, if the information needed for this analysis is not provided by the property owner or is not available on relevant databases, the income approach would not be required. Language regarding the owner's submission of income and expense information on a standard form was revised to ensure that the information would have to be complete and accurate in order to satisfy the owner's existing statutory obligation to report this information. These amendments improve the bill; VACo appreciates the patron's willingness to discuss local government's concerns and has withdrawn its opposition.

VACo Contacts: **Katie Boyle** and **Joe Lerch, AICP**

Bills to Eliminate Grocery Tax, Restrict Meals Tax Authority Fail

HB 2006 (McNamara) and **SB 1172 (Suetterlein)**, similar bills that would have eliminated the 1 percent local option sales and use tax on groceries, have failed to emerge from their respective committees. **VACo opposed both bills;** although the legislation proposed to replace the lost revenue with a state appropriation based on each city and county's monthly pro rata share of total sales and use tax collections, VACo pointed out in testimony on the bills that localities would be relying on the state to honor this commitment in the future.

HB 2004 (McNamara) would have capped rates for local meals taxes at 4 percent, after January 1, 2028; the bill proposed to allow rates of up to 6 percent after approval in a referendum initiated by resolution of the local governing body or on the filing of a petition signed by 10 percent of the registered voters in a locality. These provisions would apply to counties, cities, and towns. **VACo opposed this legislation,** which would place limits on the additional authority to raise revenue that counties were granted in 2020. Currently, counties may impose meals taxes at rates of up to six percent without seeking voter approval via referendum; cities and towns are not subject to caps on meals tax rates. The bill failed in a subcommittee of House Finance on Monday morning.

VACo Contact: **Katie Boyle**

Line of Duty Act (LODA) Bills for Private Police Departments and Campuses Advance

VACo supports **HB 1815 (Campbell)** / **SB 1142 (Obenshain)**, which would provide employees of contributing nonprofit private institutions of higher education and contributing private police departments with the benefits granted to employees of participating employers under the Line of Duty Act. The bills require each contributing nonprofit private institution of higher education to pay its pro rata share of the initial costs to implement the bill, as determined by the Virginia Retirement System.

The bill was drafted in response to the death of a Wintergreen Police Officer in the line of duty. There are currently less than 10 private police departments in the Commonwealth, though they provide the same services and duties of public departments and work closely with their public department counterparts. They are currently excluded from protection in **LODA**. VACo supports changes to LODA that would allow state authorized and trained private law enforcement agencies to participate in and contribute to the LODA program in a manner that does not create an unfunded mandate to local government and testified in support of the legislation. As previously **reported**, legislation ultimately failed last year.

HB 1815 reported unanimously 21-0 from House Appropriations Committee and now heads to the House Floor. SB 1142 passed the Senate unanimously 38-0 and will now crossover to the House of Delegates.

VACo Contact: Jeremy R. Bennett

Real Property Tax Exemption Bills Under Consideration

Several bills regarding property tax exemptions for disabled veterans and their surviving spouses and the surviving spouses of servicemembers who die in the line of duty are under consideration this session.

Current law provides that for the real property tax exemption for the surviving spouse of a servicemember who died in the line of duty, dwellings qualify for a full exemption if they do not exceed the average assessed value of a dwelling that is situated on property that is zoned as single family residential. If the value of the dwelling exceeds the average assessed value, the portion of the assessed value that exceeds the average assessed value is taxable. **SB 895 (Rouse)**, **HB 2737 (Tata)**, and **SB 900 (DeSteph)** would establish a local option to provide for a total exemption for dwellings situated on property that is zoned as single family residential. SB 900 also includes language stipulating that localities would not be

liable for a refund for taxes paid by a surviving spouse of a member of the armed forces of the United States who died in the line of duty, but was not killed in action, for any tax year commencing prior to January 1, 2025, when the most recent expansion to cover line of duty deaths took effect. A subcommittee of Senate Finance and Appropriations opted not to take action on SB 895 and SB 900, and to refer them for further study.

HB 1868 (Feggans), which has passed the House, clarifies that the real property exemption available to a surviving spouse of a servicemember who died in the line of duty extends to deaths as a result of suicide.

HB 2404 (Scott) specifies that the real property tax exemption for disabled veterans and their surviving spouses and for the surviving spouses of servicemembers who die in the line of duty applies to driveways used to access the tax-exempt property. After failing to report in subcommittee on Monday morning, the bill was brought before the full House Finance Committee on Wednesday afternoon and unanimously reported.

SB 1312 (McPike) is a helpful measure that VACo supports. Introduced at the request of Stafford County, the bill would have required the Commonwealth to reimburse 50 percent of lost revenue associated with the property tax exemptions for disabled veterans or their surviving spouses and the surviving spouses of members of the armed forces who are killed in the line of duty, if at least one percent of real property was exempt from real property taxes in tax year 2022. (A member budget amendment, **Item 255.10 #1s (McPike)**, would provide $42 million in FY 2026 for this purpose.) The bill narrowly failed in Senate Finance and Appropriations last week.

Item 251 #1s (Aird), which was introduced at the request of VACo and VML, would provide one-time funding of $103 million in FY 2026 to reimburse local governments for the amount of providing property tax exemptions for disabled veterans or their surviving spouses and the surviving spouses of members of the armed forces who are killed in the line of duty, if more than one percent of such locality's otherwise taxable real estate was exempt from taxation. These provisions are modeled on legislation supported by VACo in previous years. The amendment also includes language that requires the Auditor of Public Accounts to convene a stakeholder group that would be charged with conducting a review of current exemptions and recent trends and an analysis of future growth, and developing options to address the ongoing cost to localities.

VACo Contact: Katie Boyle

General Assembly Convenes, Adopts Schedule for 2025 General Assembly Session

Key dates for the 2025 session, as approved by the General Assembly in its procedural resolution, are as follows:

- **Wednesday, January 8:** General Assembly convenes. Last day to introduce legislation creating or continuing a study, or legislation regarding the Virginia Retirement System
- **Friday, January 10:** Deadline for Senate budget amendments
- **Monday, January 13:** Governor's State of the Commonwealth Address; last day to pre-file legislation (by 10 a.m.); deadline to submit House budget amendments
- **Friday, January 17:** Last day to file bills, except for bills offered by unanimous consent or bills submitted on behalf of the Governor
- **Sunday, February 2:** "Budget Sunday" deadline for House Appropriations and Senate Finance and Appropriations Committees to report their respective budgets by midnight
- **Tuesday, February 4:** "Crossover" deadline for each chamber to complete work on legislation originating in that chamber (except the budget bill)
- **Thursday, February 6:** Deadline for each chamber to complete work on its budget bill
- **Wednesday, February 12:** Deadline for each chamber to complete consideration of the other chamber's budget bill and revenue bills
- **Monday, February 17:** Deadline for committee action on legislation by midnight
- **Saturday, February 22:** Scheduled adjournment *sine die*
- **Wednesday, April 2:** Reconvened session for consideration of Governor's amendments and vetoes

VACo Contact: **Katie Boyle**