

**LEASE TRANSACTION CRITERIA
(REAL ESTATE TRANSACTIONS)
VIRGINIA RESOURCES AUTHORITY**
Amended as of March 21, 2023



The criteria herein are intended to apply to real estate transactions of cities, counties or towns.

Guiding Principles

Rating Requirement: Local Borrowers borrowing \$25 million or more or having total VRA indebtedness of \$25 million or more after the requested borrowing must either:

- (1) have at least a rating in the “BBB” Category from either Standard & Poor’s, Moody’s or Fitch. A rating from Standard & Poor’s is preferred but not mandatory. or
- (2) demonstrate that their lowest level of state aid budgeted in the current fiscal year or received in the previous three fiscal years has been not less than 150% of the maximum annual future debt service including any general obligation debt or other debt of the Local Borrower subject to any state aid intercept provisions and taking into account issuance of the proposed debt and any other debt planned by the Local Borrower during the next succeeding five year period. To the extent the Local Borrower’s total VRA indebtedness exceeds 10% of the program portfolio a rating may be required.

Where the participation of an unrated local government borrower in a VRA program has the potential to adversely impact the existing public debt rating of a VRA loan program, VRA reserves the right to require that a local government borrower obtain a rating from Moody’s and/or Standard & Poor’s as a condition of loan approval. VRA may require that a certain rating level be achieved by the borrower as a condition of loan approval if such borrower rating is required to maintain the existing VRA program public debt ratings.

Collateral Requirement: The Local Borrower shall provide the asset to be financed as collateral for its requested borrowing. The Local Borrower shall demonstrate the following with respect to the characteristics of such collateral:

- (1) There shall be no environmental issues with respect to the collateral. A Phase I environmental report may be required if sufficient assurance of the lack of environmental issues cannot be provided by the Local Borrower via an environmental questionnaire.
- (2) There shall be no other encumbrances on the collateral to be provided that are senior to VRA.
- (3) The collateral shall be owned by the Local Borrower.
- (4) If available, a site plan, survey or (tax parcel map) of the collateral shall be provided.

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- Collateral Valuation Target:** (1). The targeted valuation of collateral deemed to be essential to the local government's operations shall be at least 75% of the amount of the borrowing requested.
- (2). The targeted valuation of collateral deemed to be non-essential to the local government's operations shall be at least 100% of the amount of the borrowing requested.
- (3). The targeted valuation of collateral deemed to include a mix of essential and non-essential to the local government's operations (whereby the essential collateral is less than 75% of the borrowing amount requested) shall be at least 100% of the borrowing requested.
- To the extent the collateral offered under sections (1), (2), and (3) above is less than the prescribed amount, a cash reserve may be provided by the borrower and pledged for the life of the loan to meet the minimum collateral valuation requirement.
- Substitute Collateral:** To the extent that the asset to be financed cannot be provided as collateral, VRA may accept substitute collateral. The Local Borrower shall demonstrate that such substitute collateral shall be subject to the same requirements and valuation targets in the Collateral Valuation Target section listed above.
- Borrower Concentration:** Where the total existing or proposed debt exposure to any one local government borrower rises to a level where the locality becomes a Material Obligor, as defined in the appropriate VRA program documentation, or such other lesser amount that could impact the existing public debt ratings of a VRA loan program, the Executive Director shall seek PRMC and Board approval prior to authorization of any new debt exposure.
- General Covenants:** The general covenants by the Local Borrower contained in the financing documents shall include at a minimum:
- (1) Continued operation and maintenance of the collateral asset to be pledged for the life of the issue; and
 - (2) Covenant not to build or use a competing facility.
- Credit Evaluation Criteria:** The requested borrowing shall be considered and reviewed in context of its impact on the Local Borrower's future budgets, tax rates and debt ratios with respect to VRA's Tax Supported Evaluation Criteria including but not limited to:

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- Debt Service versus Expenditures;
- Debt Payout Ratio;
- Total Debt versus Total Valuation; and
- Fund Balance versus Total Revenues.