


An Energy-Efficiency Workshop and Exposition
 Orlando, Florida

Enhanced-Use Leasing and Energy

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 Department of Veterans Affairs
 Office of Asset Enterprise Management


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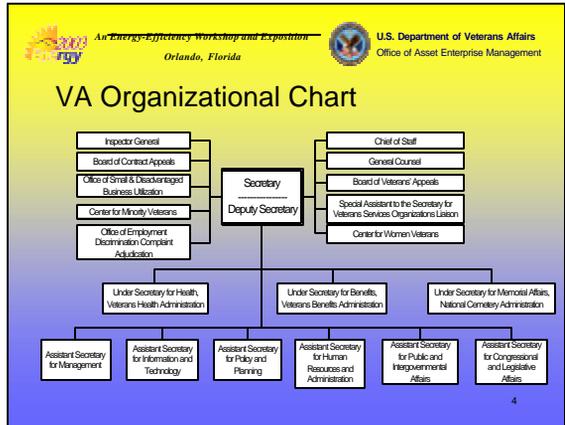

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Department of Veterans Affairs (VA)

- Established March 15, 1989, as a cabinet level department succeeding the Veterans Administration established in 1930.
- VA is responsible for providing benefits and health care to veterans and their dependents.
 - FY 2003 Budget - \$59.6 Billion
- 2nd largest of the 15 cabinet Departments
 - 225,000 employees nationwide
- Responsible for all federal cemeteries except Arlington National
 - 120 national cemeteries in 39 states and Puerto Rico
- Largest health care system in the world
 - 163 hospital systems
 - 850 community based clinics
 - 137 nursing homes
 - 43 domiciliaries

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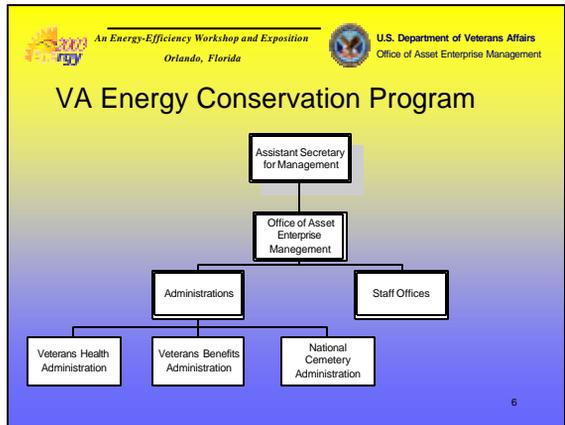

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VA Energy Conservation Program

- VA has put in place a systematic, agency-wide approach to energy conservation
- In addition to being a good steward of the environment, VA will save money that can be used to improve the lives of our veterans
- VA's energy conservation program will promote efficiency in commodity acquisitions, building design and operations, energy consumption, energy savings, energy management, water conservation, and use of new advances in energy conservation technologies

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VA Energy Conservation Program

- Energy Investments
 - Current Workload Potentials - **\$1.0 Billion or more**
 - ESPC
 - 21 facilities identified as having high potential for new ESPC contracts (\$7M - \$10M each)
 - Co-generation
 - 48 facilities identified as having a high potential for the installation of a co-generation plant (\$5M - \$20M each)
 - Cool storage
 - 31 facilities with high potential for the installation of cool storage facilities (\$1M - \$2M each)
 - Demand-side management
 - 60 facilities identified as having high potential for demand-side management upgrades (\$500K - \$750K per upgrade)

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VA Energy Conservation Program

- Energy Investment – Decision Matrix

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VA Energy Conservation Program

- Energy Investments
 - Energy investments financing options
 - Appropriated funds
 - Alternative financing
 - DoD ESPC
 - DOE ESPC
 - Enhanced-use leasing
 - GSA FSS
 - GSA UESC

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Enhanced-Use Leasing

- Authorization
 - Title 38 USC 8161-8169 – Authorized August, 1991
 - Authority Expires – December 31, 2011
- Legislation
 - Allows VA to lease its property/facilities for up to 75 years
 - Lease can include both VA and non-VA uses
 - VA can receive cash or "in-kind" consideration (such as facilities, services, goods, or equipment)
 - VA can use Minor Construction \$\$\$ as a capital contribution
 - Funds received, in excess of expenses, deposited into the Medical Care Collections Fund

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Enhanced-Use Leasing

- Experience
 - 12 years developing Enhanced-Use (EU) leases
 - Over 100 initiatives studied; 50+ currently "in development"
 - Child care centers
 - Mixed-use developments
 - Energy centers
 - Office buildings
 - Transitional housing
 - 28 projects awarded
 - 6 involved third party financing – municipal bonds
 - Includes three energy projects

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Enhanced-Use Leasing

- VA Perspective
 - Promotes sound asset management policies and investment decisions
 - Facilitates operational flexibility needed to retain / reuse, or dispose of property, as dictated by changing mission needs
 - Reduces or eliminates operation and maintenance costs
 - Generates needed revenues and savings
 - Utilize private \$\$\$ vs. VA appropriations
 - Creates "win/win" arrangements with local communities and markets by facilitating economic development and expanding tax base
 - Retain cash proceeds for VA use

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Enhanced-Use Leasing

- Private Sector Perspective
 - Provides long term property rights needed to secure private financing
 - Provides access to VA and to local market opportunities
 - Uses local codes and standards for development
 - Generates tax revenue and create jobs in local economy
 - Provides developer fair economic returns in exchange for assuming development and ownership risk
 - Allows VA to dispose/sell leased property at a later date

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Enhanced-Use Leasing

- Congressional Issues
 - Not used enough
 - Expanded authority in expectation of generating revenues & improving services to veterans
- OMB Expectations
 - Assure adequate return to VA
 - Assure return to lessee is reasonable
 - Assure adequate participation by lessee
 - Assure fair comparison to other alternatives
 - Verify appropriate scoring of long-term commitments

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Enhanced-Use Leasing

- VA Opportunities
 - VA Office Collocation
 - Energy Facilities/Utility Production/Co-Generation
 - Skilled Nursing Facilities/Assisted Care Living Centers
 - SRO/Transitional or Temporary Housing
 - Consolidations
 - Medical, Research Facilities, Parking Garages
 - Child Development Centers, Adult Day Care Facilities
 - Recreational Facilities
 - Capital Asset Realignment for Enhanced Services (CARES)
 - generated opportunities

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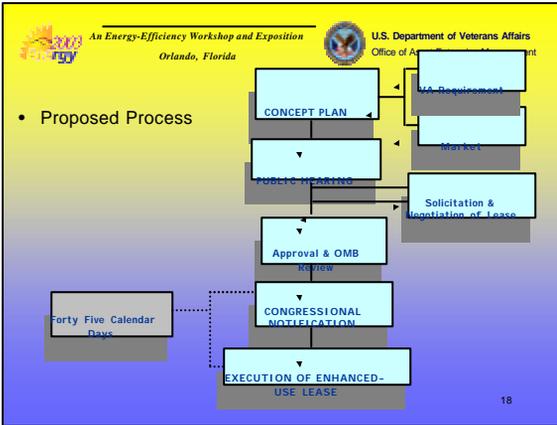
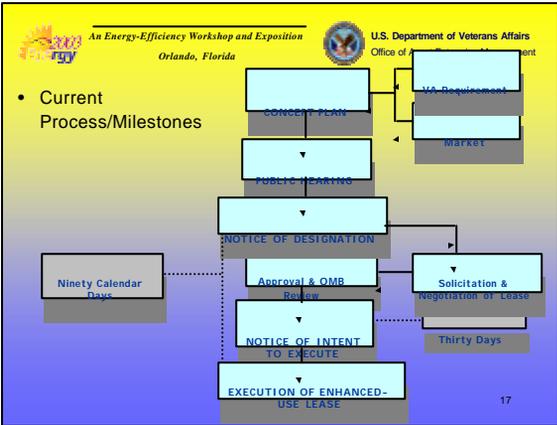
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Enhanced-Use Leasing

- EU Requirements
 - Requires internal VA review/approval to initiate
 - Local public hearing to receive views of veterans and others
 - Selection procedures to ensure competition and procurement integrity
 - Two Congressional notifications
 - Internal capital investment review of final development plan
 - Significant projects reviewed by OMB
 - Compliance with federal environmental laws.

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Indianapolis, IN Consolidation Project



Challenge: Eliminate dysfunctional space & use; retain needed limited presence on campus; improve health care services; reduce costs; and obtain return on VA investment.

Solution: An EU lease of 22 acres of the Cold Spring Road Division to the State of Indiana, for their use as a health care facility. In return, VA obtained \$15.7M in financial benefits, plus \$5M/year operational savings from consolidation, as well as improved operations and better service to veterans.

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Houston, TX Regional Office Collocation/Mixed-Use Development



Challenge: VBA needed to relocate their regional office, in order to provide better and more accessible services to over 876,999 veterans and their beneficiaries throughout south Texas.

Solution: An E-U lease of underutilized VAMC land to a local developer, who constructed a 140 KSF state-of-the-art regional office. The developer also financed, built, owns, and operates businesses on the balance of the site. This project saved taxpayers over \$6M in construction costs, generated an additional \$10M savings in operating costs, and produces other financial benefits.



Atlanta, GA Regional Office Collocation



Challenge: VBA needed to replace high-cost leased office space, while improving service delivery and accessibility to veterans.

Solution: VA leased 6 acres to local Development Authority. A developer, jointly selected by VA and the Authority, designed, built, and manages a 188 KSF office building and needed parking. DeKalb County Development Authority bond financing permitted VA to substantially reduce costs. Average annual cost 50% less than comparable market rates.

Similar projects completed at Salt Lake City, UT, Chicago (Westside Division), IL, and Milwaukee, WI

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Washington, DC Child Development Center



Challenge: Improve employee environment, recruiting and retention, without adding overhead.

Solution: VA leased 1.3 acres to La Petite Academy, a national child care provider, who financed, designed, built, and manages a center for 100 children. VA employees receive substantial discounts. VA provides no funding and makes no guarantees.

Similar projects completed at West Haven, CN and Dallas, TX.

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Enhanced-Use Leasing

- EU Energy
 - Utilize EU lease authority to develop and operate co-generation energy centers through alternative financing
 - Developer / Operator leases, long-term, real property from VA
 - Designs / constructs / operates a co-generation energy center
 - Sells energy (electric, steam and chilled water) to VA, at cost.
 - Sells energy to third party users

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Enhanced-Use Leasing

- EU Energy
 - 48 locations identified with VA nationwide as having "high potential" for a co-generation facility
 - Potential development / construction value in excess of \$800 million
 - Accomplish energy conservation measures via EU leasing

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Enhanced-Use Leasing

- EU Energy – VA's Benefits
 - Ability to install high efficiency energy centers at VA facilities
 - Low financing costs
 - Ability to purchase energy at reduced costs, lowering energy bills
 - Ability to do energy conservation measures
 - No capital costs
 - Reduces or eliminates VA energy operation and maintenance costs

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Enhanced-Use Leasing

- EU Energy
 - Top 20 VA sites with high co-generation potential
 - ✓ Phoenix, AZ
 - ✓ Bronx, NY
 - ✓ Reno, NV
 - ✓ Big Spring, TX
 - ✓ Montrose, TX
 - ✓ Bonham, TX
 - ✓ Bath, NY
 - ✓ Wilkes-Barre, PA
 - ✓ Sepulveda, CA
 - ✓ Atlanta, GA
 - ✓ Loma Linda, CA
 - ✓ Fresno, CA
 - ✓ Livermore, CA
 - ✓ Albany, NY
 - ✓ Tucson, AZ
 - ✓ Mt. Home, TN
 - ✓ Brooklyn, NY
 - ✓ Cleveland, OH (Wade Park)
 - ✓ Cleveland, OH (Brecksville)
 - ✓ West Lost Angeles, CA

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Enhanced-Use Leasing

- EU Energy
 - Process
 - Co-generation screening through the energy assessment process
 - Feasibility study
 - Initial VA review / approvals
 - Public hearing
 - 1st Congressional notification
 - Request for Proposal – full and open competition
 - Evaluation / selection for a developer / operator
 - Final negotiations
 - VA capital asset review / approval
 - 2nd Congressional notification
 - Award of an enhanced-use lease

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Enhanced-Use Leasing

- EU Energy
 - Energy Savings Initiatives (ESI)
 - EU definition for energy conservation measures (ECM)
 - Any location with an active EU lease is eligible for an ESI
 - ESI is an "in-kind" consideration to an EU lease
 - Reduces contingent liabilities
 - Favorable financing
 - Payback through guaranteed savings

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Enhanced-Use Leasing

- Mountain Home – Co-Generation Center



Challenge: Replace outdated energy plant and reduce energy costs

Solution: VA leased 2 acres to energy provider who operates a \$27M co-generation plant. \$3M of ESIs also installed. Projected NPV of capital and O&M savings expected to exceed \$36M. Also selling energy products to neighboring medical affiliate.

Similar projects under construction at North Chicago, IL and Chicago (Westside Division), IL

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Enhanced-Use Leasing

- Future EU Energy Initiatives
 - Consolidation of several EU energy projects for financing
 - Energy centers designed and constructed that will allow distribution of excess electric to other sites in VA's system
 - Aggressive incentives for energy center manager / operators to promote third party sales

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Enhanced-Use Leasing

- EU Energy - Looking for interested parties to participate
 - Energy developers / operators
 - Financial groups / lenders
 - Transaction teams
 - Project facilitators
 - Energy consultants

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Enhanced-Use Leasing

- **For more information and if interested in participating in VA's energy programs, e-mail**
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