



# Energy Improvements Through Enhanced Use Leasing

U.S. Dept. of Veterans Affairs



**GovEnergy**  
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# What is Enhanced Use Leasing?

- EUL is a program based on a law that allows VA to out-lease property/ facilities for up to 75 years
  - Title 38 U.S.C., Sections 8161 – 8169
  - Not a permanent authority
- Agency-specific legislative authority necessary for EUL
  - DOD, NASA have EUL authorities



# How Does EUL Work?

- VA makes cooperative arrangements with public or private partner
- Executes long term out-lease and related agreements
- Lessee develops, owns/operates the improved property for the term of the lease; reverts to VA at end of lease
- VA receives consideration through revenue and/or in-kind consideration



# How VA Has Used EUL for Energy Improvements

- VA leases a central boiler/chiller plant to selected developer/owner/operator entity
- Entity designs, builds, owns and operates a cogeneration-based energy center
  - Supplies steam, electricity, chilled water to VA medical center, other customers
  - Operates and maintains all central plant equipment and systems through life of the lease
- Currently have three EUL energy centers operating



# VA EUL Energy Centers

## Mt. Home Energy Center

James  
H.  
Quillen  
VA  
Medical  
Center

Mt.  
Home,  
TN





# VA EUL Energy Centers

## Chicago West Side Energy Center

Jesse  
Brown  
VA  
Medical  
Center  
Chicago,  
IL





# VA EUL Energy Centers

## North Chicago Energy Center

North  
Chicago  
VA  
Medical  
Center  
  
Chicago,  
IL





# How VA Has Used EUL for Energy Improvements

- Have included installation & maintenance of energy conservation measures in 2 EUL deals
  - Installed agreed-upon ECMs as part of project
  - Provided in the EUL agreements for future provision of ECMs, to be negotiated
- Structured as an energy savings performance contract
- Allowed for ECM implementation at multiple sites in the region



# Main EUL Deal Components

- Set of Agreements
  - Single purpose entity
  - Management
  - Enhanced use lease
  - Development
  - Operations and maintenance
  - Energy services



# Evaluating EUL

- BENEFITS
  - VA realizes lowest financing costs for EUL energy projects
  - Flexibility to negotiate terms and conditions
- COSTS
  - Relatively complex; no “Super EUL” vehicle
    - Requires expert team -- real estate, financial, legal, technical, contracting, ...
  - Time to complete deal; process requirements
  - Post-transaction activity



# For More Information

- Would you like to know more about this session?
- Contact: CJ Córdova
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Don't forget to fill out and drop off your session evaluations!



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