





Energy Improvements Through Enhanced Use Leasing

U.S. Dept. of Veterans Affairs



GovEnergy
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For More Information

- Would you like to know more about this session?
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What is Enhanced Use Leasing?

- VA outleases underutilized property/facilities in return for _____
 - EUL program authorized under Title 38 U.S.C., Sections 8161 – 8169
 - Not a permanent authority



What is Enhanced Use Leasing?

- Agency-specific legislative authority is necessary for EUL
 - DOD, DOE, NASA have EUL authorities
- Basic elements of VA's authority
 - 75 years = maximum term of outlease
 - Non-VA uses/activities are permitted
 - “Fair consideration:” VA may obtain monetary consideration, services, facilities or other benefits
 - All improvements revert to VA upon expiration of outlease



How Does EUL Work?

- VA makes cooperative arrangements with public or private partner
- Executes long term outlease 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 Does EUL Work?

Three major steps required

1. **Concept Plan:** A formal application submitted for Secretary's approval
2. **Public Hearing:** Present overview of VA's intentions to community members and other interested parties
3. **Notice of Intent to enter into an EUL:** Formal notification to Congress (45 days prior)



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 operating EUL energy centers



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
 - Agreed-upon ECMs installed as part of project
 - EUL agreements provide for future ECMs, to be negotiated
- Structured as an energy savings performance contract – part of EUL consideration
- Allows 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 for Energy

- **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 support team -- real estate, financial, legal, technical, contracting, ...
 - Time to complete deal; process requirements
 - Post-transaction activity



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