FY 2008 Asset Management Plan

The Department of Veterans Affairs FY 2008 Asset Management Plan (AMP)

The Department of Veterans Affairs (VA) is committed to supporting the President's Management Agenda and the Federal Real Property Asset Management Initiative. The Asset Management Plan (AMP) details how VA complies with Executive Order 13327 and fully reflects the Federal Real Property Council's current guiding principles and elements, which are essential for an effective Federal asset management plan.

VA publishes its AMP on an annual basis. The AMP describes VA's capital asset management philosophy and serves as the blueprint for effectively managing assets to provide a safe and appropriate environment for the delivery of cost-effective benefits to veterans. The AMP is a living document that provides a high-level view of how VA manages its assets, and incorporates the most up-to-date techniques and business practices used inside and outside of VA.

By employing best business practices and maximizing the functional and financial value of our capital assets through strategic acquisitions, allocations, operations, and dispositions, VA will also continue to ensure that all capital investments are based on sound business principles and — most importantly — meet our veterans' health care, benefits, and burial needs.

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Executive Summary

Within the Department of Veterans Affairs (VA), the Office of Management has the primary responsibility for the governance, oversight and policies for the Department's current and future capital assets according to the guidelines and requirements of the Office of Management and Budget (OMB) Circular A-11, the Federal Real Property Council (FRPC), the Federal Acquisition Streamlining Act, and the Government Performance and Results Act (GPRA). Each of these guidelines has distinct requirements that VA has incorporated into polices for acquiring and managing capital assets. The major elements of these guidelines are:

1. Strategic vision;
2. Manage what we have most effectively;
3. Make prudent investments;
4. Measure performance; and
5. Dispose or reuse assets we no longer need.

Strategic Vision

VA has both health care and non-health care assets. The CARES (Capital Asset Realignment for Enhanced Services) study is the most comprehensive analysis of VA's health care infrastructure that has ever been conducted. This master planning process analyzed all VA medical centers, culminating in a final CARES decision that provided the blueprint for current and future medical facility infrastructure needs to support health care delivery for veterans. However, 18 sites proved to be too complex for the initial analysis; therefore, a second phase was conducted to determine suitability for future health care and re-use activities. These studies included evaluating outstanding health care issues to recommend health care delivery options, developing capital plans, as well as determining the highest and best use for unneeded VA property. As of Spring 2008 all 18 studies have been completed. Selected capital projects to implement CARES are listed in Appendix E.

Assets not related to the CARES process are considered Non-CARES. Assets in this classification are acquired and managed to suit the unique functions of the National Cemetery Administration (NCA), the Veterans Benefits Administration (VBA), and Staff Offices. Non-CARES asset decisions are evaluated and scored through processes similar to CARES, and take the current and future benefit delivery needs of veterans and the mission of each resident function into consideration.

Manage What We Have Most Effectively

VA's capital asset management program emphasizes ensuring capital investments fully support the agency mission and strategic goals across all administrations within the Department. VA uses a life-cycle approach to manage and maintain its assets. A life-cycle management approach develops and monitors asset performance using physical assessment, operational and financial criteria. There are four stages in the life-cycle of capital assets: formulation, execution, steady state, and disposal.

The formulation stage of asset acquisition includes the following: identifying a need, concept definition, business case development, technical and strategic review, business case approval, funding authorization, and budget appropriation. The execution stage of the life-cycle includes the project award or procurement of the asset; the steady-state stage is the operations and maintenance phase of in-service assets; and the disposal stage is the final stage in the life-cycle where assets are retired or disposed of.

During the steady state of an asset, it is VA policy to fully fund the maintenance and repair of medical equipment and critical facility systems. VA must also account for the estimated costs of deferring maintenance on all other asset types. Deferred maintenance is the delaying of maintenance and routine repairs that may result in either physical damage, lack of performance, or a decline in the useful life or production of its assets. The failure to properly address routine maintenance and repairs over time increases the operational funding required to maintain and repair existing assets. VA's estimated deferred maintenance costs for financial purposes, as of the end of FY 2007: $3.7 billion.

VA also tracks its infrastructure needs through Facility Condition Assessments (FCAs). FCAs include correction estimates for VA-owned land and buildings. Land and buildings, including major systems, found to be in poor condition, critical condition, or at the end of its useful life-cycle are identified in the FCA reporting process. Correction costs do not include those major systems that are rated in fair or better condition. VA's total infrastructure FCA-needs are approximately $6.9 [1] billion as supported by the VA's comprehensive Facility Condition Assessment Report.

The Department is addressing the current FCA deficiencies by:

- Providing $1.028 billion in funding to upgrade, maintain, or replace existing facilities.
- Utilizing $573 million in non-recurring maintenance (NRM) funds in FY08 to address maintenance and FCA deficiencies; $550 million in FY07 supplemental appropriations and $326 million in additional FY08 appropriations to address FCA needs.
- Requesting $1 billion in NRM to address maintenance and FCA issues.

[1] As of June 1, 2008, the FCA needs are approximately $6.9 billion.

Make Prudent Investments

VA develops and implements capital asset management tools and initiatives in order to improve asset management to ensure all capital investments are based on sound business principles and – most importantly – meet our veterans' health care, benefits, and burial needs.

- OMB Exhibit 300/Business Case Applications: Business cases include a detailed project description and justification, with a focus on strategic mission alignment; implementation information; cost and schedule information; alternatives considered; cost-effectiveness analysis; and risk analysis.
- VA Capital Investment Decision Models: VA's capital investment decision models provide a structure to evaluate capital investment proposals. Each investment proposal that passes the validity assessment is weighted and scored by the VA Capital Investment Panel, (VACIP) using customized decision models and analytic hierarchy software. The scores generated by the decision software result in a list of investments ranked in priority order for potential funding and execution. These scored proposals are presented to the Strategic Management Council (SMC) for recommendation to the Secretary for inclusion in the annual budget submission.

As a result of the capital investment process for CARES, VA fully or partially funded 42 major construction projects from FY 2004-2009 [2]. The total cost of the 42 projects is $6.2 billion and $3.9 billion [2] has been appropriated for these projects. Of these 42 projects, Chicago, Pensacola, North Chicago, San Diego, and Tampa are physically complete. There are two projects that meet the definition of CARES but are funded outside the CARES investment process. These two projects are Biloxi and New Orleans, which received emergency appropriations due to Hurricane Katrina.

Measure Performance

The Department tracks the project management performance of its asset acquisitions such as construction projects. During the asset execution stage, VA monitors the time schedules and costs of active projects and compares them against the planned schedule. Project management measures are important to ensure projects are completed in a timely and cost-effective manner. They also provide early alerts of unnecessary delays and/or cost overruns.

The performance of VA's operational assets, which occur during the steady state of an asset's life cycle, is measured against VA's capital portfolio goals and Federal Real Property Council (FRPC) measures. Aligned with the FRPC measures, the VA capital portfolio goals ensure resources are maximized, assets (including veterans and VA staff) are safeguarded, and all opportunities (public, private, or a combination

[2] The $3.9 billion includes VA's FY09 request of $397,652,000 for major construction projects.

thereof) are fully explored. The goals allow VA senior management to monitor the overall health of the Department's capital asset portfolio and engage in corporate decision-making.

Additionally, VA measures asset performance by comparing its assets internally and externally through benchmarking. VA's Capital Asset Management System (CAMS) provides the means and data to compare certain asset expenses to industry or commercial benchmarks for its leasing and energy programs. Benchmarking and trend analyses are also done within VA, encompassing comparisons across fiscal years and between VA facilities.

Disposal

Disposal is the final stage in the life cycle of an asset. When VA determines that an asset is no longer needed, disposal or reuse of the asset is considered. VA's real property disposal policy, Managing Underutilized Real Property, Including Disposal (VA Directive and Handbook 7633) provides a standard methodology and criteria for identifying appropriate underutilized assets for divestment.

When a real property asset is recommended for disposal, other VA entities are given the opportunity to express interest in it. If there is no internal VA interest in the asset, other disposal modalities may be considered in the priority order: enhanced-use leasing, sharing, out-leasing, licenses, permits, easements and transfers (i.e., disposal via enhanced-use leasing authority, Capital Asset Fund, the State Veterans Home program, and GSA authority) and like-kind exchanges. If none of these options is viable, the property will become available for reuse by other Federal agencies. If no other agency is interested, VA may utilize deconstruction, mothballing, or demolition.

CHAPTER 1: OVERVIEW OF VA

Introduction

VA provides world-class benefits and services to the millions of men and women who have served this country with honor in the military. President Lincoln's words spoken nearly 150 years ago – "To care for him who shall have borne the battle, and for his widow, and his orphan" – guide the efforts of more than 235,000 VA employees who are committed to providing the best medical care, benefits, social support, and lasting memorials to veterans and their dependents in recognition of veterans' service to this Nation. Within VA, there are staff offices as well as three Administrations: Veterans Health Administration (VHA), Veterans Benefits Administration (VBA), and National Cemetery Administration (NCA).

Veterans Health Administration (VHA)

VA operates the largest direct health care delivery system in America. VA meets the health care needs of America's veterans by providing a broad range of primary care, specialized care, and related medical and social support services. VHA has a wide range of land (15,708 acres), buildings (4,894) and equipment to accomplish VA's mission.

Veterans Benefits Administration (VBA)

VBA provides many benefits to the Nation's veterans: compensation benefits, pension benefits, education opportunities, vocational rehabilitation and employment services, homeownership opportunities, and insurance services. VBA has smaller equipment and land requirements than VHA, with the majority of its space needs provided through direct or GSA leases (3, 742,084 SF).

National Cemetery Administration (NCA)

Through the National Cemetery Administration, VA honors veterans with final resting places in national shrines and lasting tributes that commemorate their service to the Nation. NCA requires land (16,770 acres) and equipment to accomplish VA's mission.

Staff Offices

The Department's staff offices are critical to VA's ability to deliver services to veterans in a cost-effective manner. These offices provide a variety of services including human resources management, financial management, information technology, acquisition, and facilities management. Each Administration has its own asset management function to implement and manage the goals and objectives of the Department.

Office of Asset Enterprise Management (OAEM)

OAEM is one of six organizations under the jurisdiction of the Assistant Secretary for Management. The Office of Management (OM) has two distinct missions: (1) to support VHA, VBA, NCA, BVA, and staff offices as VA provides benefits and services to our Nation's veterans; and (2) to promote public confidence through stewardship and oversight of VA business activities, ensuring their consistency with national policy, law, and regulation. OM provides this support through strategic and operational leadership for budget, financial management, acquisition and logistics, and asset enterprise management functions.

OAEM provides oversight in the capital asset arena and works collaboratively with all areas of the Department to ensure capital investments are based on sound business practices and principles and – most importantly – meet our veterans' health care, benefits, and burial needs.

OAEM has primary responsibility for developing and promulgating the governance policies, processes, decision-making, and performance measuring systems related to the Department's capital asset management. These responsibilities include publishing the Asset Management Plan (AMP), coordinating the Presidential budget and 5-Year Capital Plan for VA's Major and Minor Construction programs, the 5-Year Disposal Plan, as well as other infrastructure related programs and initiatives.

OAEM also participates as a key member on Federal interagency and White House task forces, committees and councils that cover all aspects of effective stewardship, accountability, and policy guidance for real property and capital assets in the Federal government. OAEM also interfaces with OMB, GAO, Congress and interagency task forces and work groups for the Department on VA capital programs.

Office of Construction and Facilities Management

To continue improving VA's capital programs, the Department has centralized and realigned VA's construction and real estate programs. On February 18, 2007, VHA's Office of Facilities Management reorganized and became realigned to the Office of the Secretary as the Office of Construction & Facilities Management (CFM). CFM provides design, major construction and lease project management, design and construction standards, and historic preservation services and expertise to deliver high quality and cost effective facilities in support of our Nation's veterans. CFM's customers are VA employees in medical centers, community based clinics, regional offices and national cemeteries.

Key Strategic Planning Tool: Capital Asset Realignment for Enhanced Services

The Capital Asset Realignment for Enhanced Services (CARES) initiative—a strategic planning process—provided a system-wide, data-driven assessment of veterans' health care needs within geographic markets, assessed the condition of the infrastructure, and produced recommendations for the strategic realignment of capital assets and related resources to better serve the needs of veterans. This process identified the necessary infrastructure to provide high-quality health care to veterans where it is most needed now, and in the future.

Through CARES, VA bases its plan for enhanced health care services on objective criteria and analysis as well as cost-effectiveness, and in some cases, significant capital asset restructuring. These plans take into account future trends in health care delivery including changes in technology, demographic projections, physical plant capacity, community health care capacity, facility condition assessments, and work force requirements.

CARES provided a fundamental cornerstone upon which the capital asset philosophy and strategies for the vast majority of VA's asset inventory are anchored.

VA Capital Asset Inventory

VA has a vast holding of diverse capital assets consisting of VA-owned buildings and real estate, VA-leased buildings, enhanced-use and sharing agreements pertaining to capital assets and major equipment. Assets include hospitals, clinics, cemeteries, office buildings, and medical and non-medical equipment.

Overall, VA owns 5,242 buildings and 32,643 acres, holds 1,170 leases, and maintains 546 asset-related agreements. Each administration and VA's Staff Offices maintain portfolios of both owned and leased assets and agreements to serve their organizational needs. Table 1-1 reports each organization's portfolio of assets. Each organization is briefly described in Table 1-1 on the following page.

Table 1-1: VA Capital Asset Inventory

VA Capital Asset Management System	VA Capital Asset Inventory - Data as of: End of Year, 2007										
	Owned Assets					Leased Assets		Asset-Related Agreements			
	Bldgs.	Historic Bldgs.	SF	Vacant SF	Acres	Leases	SF	Enhanced Use Leases *	Outlease Agreements **	Sharing Agreements	Energy Conservation Measures
VHA	4,894	1,531	142,035,581	7,275,484	15,708	956	7,608,797	43	319	184	313
VBA	7	0	605,018	0	0	173	3,742,084	0	0	0	0
NCA	334	112	965,839	0	16,770	4	8,715	1	4	0	0
SO	7	1	1,592,008	0	165	37	1,771,994	2	3	0	0
VA TOTALS	5,242	1,644	145,198,446	7,275,484	32,643	1,170	13,131,590	46	326	184	313

* Includes only Awarded EU Agreements
** Includes Outleases, Permits, Licenses, Intra-Agency, and Inter-Agency Agreements

Department of Veterans Affairs Office of Asset Enterprise Management

Veterans Health Administration (VHA); Veterans Benefits Administration (VBA); National Cemetery Administration (NCA); Staff Offices (SO)

VA has implemented its capital asset management philosophy based on the Government Performance and Results Act (1993); Federal Acquisition Streamlining Act (1994); OMB's Capital Programming Guide (Appendix 13 of OMB Circular A-11); Executive Order 13327, Federal Real Property Asset Management; Executive Order 13423, Strengthening Federal Environmental, Energy, and Transportation Management ; the Energy Policy Act of 2005; the Energy Independence and Security Act of 2007; and other Federal initiatives.

- Government Performance and Results Act (1993): The Government Performance and Results Act (GPRA), holds Federal agencies accountable for using resources wisely and achieving program results. GPRA requires agencies to develop plans for what they intend to accomplish, measure how well they are doing, make appropriate decisions based on the information they have gathered, and communicate information about their performance to Congress and the public.

  GPRA requires agencies to develop a five-year Strategic Plan, which includes a mission statement and long-term goals and objectives; Annual Performance Plans, which provide annual commitments toward achieving the goals and objectives presented in the Strategic Plan; and Annual Performance Reports, which evaluate an agency's progress toward achieving performance commitments.

- Federal Acquisition Streamlining Act (1994): This act requires Federal agencies to demonstrate sound decision-making and a results-oriented focus when planning for projects and to effectively manage ongoing programs to achieve intended results.

- OMB's Capital Programming Guide (Appendix 13 of OMB Circular A-11): The Capital Programming Guide provides guidance for a disciplined capital programming process, as well as techniques for planning and budgeting, acquisition, and management and disposition of capital assets. Agencies are provided flexibility in how they implement the capital programming process. This guide is the template for Federal agencies to use long-range planning and a disciplined, integrated budget process as the basis for managing a portfolio of capital assets. The expected results are decisions that lead to achievement of performance goals with the lowest life-cycle costs and least risk. This process should provide agency management with accurate information on acquisition and life-cycle costs, schedules, and performance of current and proposed capital assets.

- Executive Order 13327, Federal Real Property Asset Management: The Federal Real Property Asset Management Executive Order (EO) mandates all agencies establish asset management plans. The Federal Real Property Council established 24 data elements for real property that all agencies are to report on annually at the asset level including the four performance measures: 1) Utilization Rate; 2) Operations and Maintenance Cost; 3) Condition Index; and 4) Mission Dependency.

- Energy Policy Act of 2005 (EPAct 2005): EPAct 2005 sets a new reporting baseline (2003) and annual target (2%) for Federal agency energy efficiency improvement. It also calls for building-level electric metering in all Federal buildings by 2012; reauthorizes Federal authority for energy savings performance contracting through FY 2016; mandates that new Federal construction and major renovation projects incorporate the Five Guiding Principles of Sustainable Design and be designed to 30% below ASHRAE (American Society of Heating, Refrigerating and Air-Conditioning Engineers) standards; and sets minimum renewable electricity consumption targets by year.

- Executive Order 13423, Strengthening Federal Environmental, Energy, and Transportation Management: President Bush signed this executive order (EO) on January 24, 2007. It builds on and supersedes five previously issued "Greening the Government" EOs. Among other provisions, the EO sets the following new and more stringent requirements: 1) Achieve a reduction in energy consumption intensity (vs. FY 2003 baseline) of 3% annually from FY 2006-2015; 2) Achieve reduction in water consumption intensity (vs. FY 2007 baseline) of 2% annually from FY 2008-2015; 3) Ensure that 50% of required renewable energy comes from new sources (those placed in service after January 1999); and 4) By 2015, 15% of building inventory to incorporate the sustainable practices in the Guiding Principles for Federal Leadership in High Performance and Sustainable Buildings. For new Federal construction it sets additional requirements: 1) A 30% reduction in energy usage in new facilities; 2) A 20% reduction in energy usage for major renovations; 3) Implementation of a collaborative, integrated planning and design process; 4) Total building commissioning; 5) A 20% reduction of potable water and ; 6) Other sustainability practices based on the Guiding Principles of Federal Leadership.

- Energy Independence and Security Act of 2007 (EISA 2007): This act, among other things, integrated EPAct 2005 and EO 13423 energy efficiency goals for Federal agencies, providing a schedule through 2008 and mandating 3% annual improvement thereafter through 2015. It also requires agencies to conduct energy audits at facilities constituting at least 75% of total agency energy use every 4 years; mandates web-based tracking of energy conservation measure implementation and use of a benchmarking system; calls for equivalent metering of natural gas and steam use; and sets stringent fossil fuel use reductions for new construction and major renovation projects.

VA acquires, manages and maintains its capital assets through the following programs:

Major Construction

The Major Construction Program is for constructing, altering, extending, and improving any VA facility, including planning, architectural and engineering services, Capital Asset Realignment for Enhanced Services (CARES) activities, and assessments and site acquisition where the estimated cost of a project is greater than $10 million.

Minor Construction

The Minor Construction Program is for constructing, altering, extending and improving any VA facility, including planning, assessment of needs, architectural and engineering services, site acquisition and disposition, where the estimated cost of a project is $10 million or less.

Non-Recurring Maintenance (NRM)

Non-Recurring Maintenance (NRMs) projects are the primary source for infrastructure upkeep, replacement and upgrades for medical and administrative facilities as well as national cemeteries. These projects are also used to provide a safe and effective environment by correcting critical infrastructure deficiencies as indicated in the Facility Condition Assessment (FCA) report. NRM projects range in size from just a few thousand dollars to several million dollars.

Energy

VA's energy management program is designed to meet the requirements of the Energy Policy Act of 2005 and EO 13423, the Energy Independence and Security Act of 2007 (EISA 2007), and to achieve internal goals. Since September 2005, a

Department-wide, cross-functional task force has been coordinating energy management activities. This task force is responsible for facilitating implementation of VA's Energy Management Action Plan, which serves as VA's blueprint for meeting its energy challenges. The energy program expanded in FY 2007 to include environment and vehicle fleet management, and encompasses sustainable building as well.

VA evaluates its portfolio of capital assets through the following:

Federal Real Property Council (FRPC)

In January 2003, the Government Accountability Office (GAO) designated federal real property a high-risk area in its *Performance and Accountability Series: Major Management Challenges and Program Risks*. GAO cited long-standing problems with excess and underutilized property, deteriorating facilities, unreliable real property data, and costly space in its initial report on the topic.

To address and reinforce major reform efforts, Executive Order 13327, Federal Real Property Asset Management created the FRPC. The FRPC is chaired by the Deputy Director of OMB. Members include the Controller of OMB, the Administrator of General Services Administration (GSA), and the appointed Senior Real Property Officers from every federal agency. The Assistant Secretary for Management serves as VA's Senior Real Property Officer. Collectively the FRPC develops guidance and establishes asset management principles, collects specified inventory data elements, and performance measures for all Federal agencies.

Since its inception in 2004, VA has fully participated in FRPC efforts. This participation includes an active role in three of the FRPC (sub) committees. They are the Asset Management Plan Committee, Inventory and Performance Measures Committee and Systems Committee. These committees generally meet on a quarterly basis. GSA publishes common performance measures and standards adopted by the FRPC.

Performance Metrics

VA follows FRPC guidance and OMB reporting requirements, in addition to developing its own performance metrics. Asset performance is compared using both internal and external benchmark analysis. Within VA, benchmarking encompasses comparisons across fiscal years and between VA facilities.

Agency Mission and Strategic Goals

VA's capital asset management philosophy emphasizes ensuring capital investments fully support the agency mission and strategic goals. Capital investments must contribute to carrying out the Department's mission by filling performance gaps. This important linkage between capital asset investment and performance and the

Department's mission and strategic goals is stressed throughout the life cycle of an investment.

VA strives to meet the needs of the Nation's veterans and their families today and tomorrow by:

- Functioning as a single, comprehensive provider of seamless service to the men and women who have served our Nation;
- Cultivating a dedicated VA workforce of highly skilled employees who understand, believe in, and take pride in our vitally important mission;
- Continuously benchmarking the quality and delivery of our service with the best in business and using innovative means and high technology to deliver world-class service; and
- Fostering partnerships with veterans' service organizations, the Department of Defense and other Federal agencies, state and local veterans organizations, and other stakeholders to leverage resources and enhance the quality of services provided to veterans.

VA's strategic goals guide our asset management goals. VA's goals are listed below:

Strategic Goal 1 - Restore the capability of veterans with disabilities to the greatest extent possible and improve the quality of their lives and that of their families.

Strategic Goal 2 - Ensure a smooth transition for veterans from active military service to civilian life.

Strategic Goal 3 - Honor and serve veterans in life and memorialize them in death for their sacrifices on behalf of the Nation.

Strategic Goal 4 - Contribute to the public health, emergency management, socioeconomic well-being, and history of the Nation.

Enabling Goal - Deliver world-class service to veterans and their families by applying sound business principles that result in effective management of people, communications, technology, and governance.

Governance of VA's Capital Asset Management

The Strategic Management Council (SMC) is the governing body within VA responsible for overseeing effective and efficient capital asset management. Chaired by the Deputy Secretary and composed of the deputies to each administration, as well as the heads of a number of key staff offices, the SMC oversees the approval of all capital investment proposals that exceed certain thresholds, represent a high risk or high visibility, or are crosscutting. The SMC assesses and reviews capital investment proposals; evaluates, scores, and prioritizes proposals; and makes recommendations to the Secretary for final approval. The table below provides the capital investment thresholds by asset category requiring SMC review.

Table 1-2: Thresholds for Capital Investments Requiring SMC Approval

Total Acquisition Costs				
Categories	**VHA**	**VBA** [3]	**NCA**	**Staff Offices**
Infrastructure Proposals [1]	$10M	$10M	$10M	$2M
Medical Equipment	$1M/piece	N/A	N/A	N/A
Non-Medical Equipment	$500,000/piece	$500,000/piece	$500,000/piece	$500,000/piece
Information Technology: Total Acquisition Costs or Life-Cycle Costs	$10M or $30M	$2M or $6M	$1M or $3M	$1M or $3M
Leases/GSA Space Assignments	$600,000	$600,000	$600,000	$600,000
Energy Savings Performance Contracts [2]	$7M/Facility or $10M/Multiple Facilities	$7M/Facility or $10M/Multiple Facilities	$7M/Facility or $10M/Multiple Facilities	$7M/Facility or $10M/Multiple Facilities
Thresholds for Capital Investments Requiring Submission for Information Purposes Only				
Total Acquisition Costs				
Categories	**VHA**	**VBA** [3]	**NCA**	**Staff Offices**
Enhanced-Use Leases [4]	$7M	$7M	$7M	$7M
Enhanced Sharing Agreements [5]	$7M	N/A	N/A	N/A

[1]Threshold includes the Construction and Medical CARE (NRM) appropriations.
[2]Multiple facilities means more than two facilities, with not one of the involved facilities value in the task order exceeding $7.0M.
[3]Business case application required for all new regional office building (at new or existing sites) in excess of $4.0M. These will be reviewed by the Office of Management as part of the operating budget plan approval process.
[4]Total value of proposal exceeds $7.0M in NPV over the term of the proposal (both VA and developers).
[5]Enhanced Sharing Agreements for space will use the E-U threshold. For all other VHA categories, existing threshold will apply.

VA Capital Investment Panel

The VA Capital Investment Panel (VACIP) is a senior staff level body created to support the SMC. The panel is the liaison for the SMC and the administrations in evaluating, improving or defending both the capital investment process and individual proposals. The VACIP's role is to assess and review capital investment proposals, evaluate, score, and prioritize proposals, and make recommendations to the SMC. As part of the VA's capital investment and planning process, all major capital investments are evaluated using a multi-criteria, weighted decision model. VA evaluates the capital decision models criteria on an annual basis to ensure the models appropriately reflect the current priorities, strategic goals and policy decisions.

Monthly Performance Review

At the steady-state life-cycle phase, the performance of capital assets are tracked and reported for oversight at two levels. A business group, chaired by OAEM and made up of administration and staff office representatives, meets on a quarterly basis to review and validate asset performance reports. Underperforming assets are discussed with the group representatives. If necessary, the business group representatives are asked to prepare action plans to correct underperforming assets.

Capital asset performance reports are presented quarterly at the Secretary's Monthly Performance Review (MPR). The reports cover year-to-date performance and year-to-year comparisons for VA overall and the administrations. The reports also share administration action plans and progress, and incorporate plans for continuing capital portfolio improvements. The quarterly MPR reports are a critical decision-making element of VA's President's Management Agenda (PMA) Real Property Initiative and scorecard.

CHAPTER 2: VA'S CAPITAL ASSETS

The fundamental goal of VA's capital asset philosophy is to ensure that all major capital decisions, including high-risk and/or mission-critical projects, are based upon sound business and economic principles; promote the One VA vision by linking diverse but complimentary objectives; align with the overall strategic goals and objectives of VA; address the Secretary's priorities by emphasizing program objectives in support of internal goals; and support the President's Management Agenda.

VA Asset Classes

VA's capital asset portfolio consists of four categories. VA views these assets as a single comprehensive portfolio. At each stage of the asset's life cycle, VA's corporate portfolio goals help identify deficiencies that VA can target to improve asset efficiency and effectiveness in delivering services to veterans. VA's asset classes include:

1. **Buildings and Land**

    - Building systems, additions, new construction, renovation, parking garages, and acquisitions and disposal of properties. This category also includes site acquisitions.

2. **Equipment**

    - Medical Equipment: Any diagnostic or treatment modality used in the delivery of health care. This category includes items such as cardiac-catheterization laboratory equipment, magnetic resonance imaging, and linear accelerators.

    - Non-Medical Equipment: Non-recurring equipment items that are used by VA for services not related to patient diagnostics.

3. **Leases/General Services Administration (GSA) Space Assignments**

    - Direct Lease: A contract vehicle that enables VA to become a tenant and rent space and accompanying building services for a specified period at a negotiated rate.

    - GSA Space Assignment: Leased space acquired from GSA.

4. Agreements

- Energy Savings Performance Contracts (ESPC): A legislated mechanism that allows Federal agencies the option to pay for energy efficiency improvements over multiple years out of operating budgets, based on the savings generated by the improvements. VA's energy management program features ESPC as one among a set of prioritized energy investment funding and procurement vehicles. An ESPC contractor is competitively selected to invest its capital in a set of VA-identified energy improvements, which result in significantly reducing VA energy costs and consumption over what would have been the case had the investment not been made. VA repays project costs out of the stream of cost savings generated by the energy improvements.

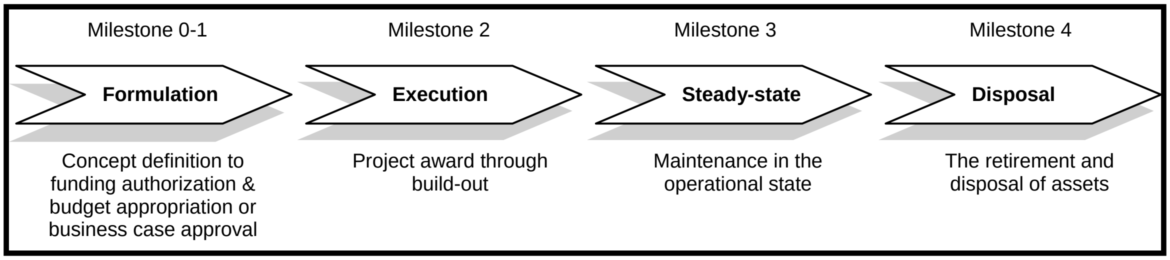
- Enhanced-Use Leasing: Leasing underutilized VA property on a long-term basis to non-VA users for uses compatible with VA's mission. The Department is able to obtain facilities, services, money, or other in-kind consideration for VA requirements that would otherwise be unavailable or unaffordable.

- Enhanced Sharing Agreement: Allows individual medical facilities to contract for services with any health-care provider, entity or individual. These contracts can include a wide array of health care resources. There are no maximum dollar limitations for the investments.

The Life-Cycle Approach

Many of the asset management principles to which VA adheres, and which the Federal Real Property Council (FRPC) has endorsed, are being implemented through a life-cycle approach. The Department's asset management philosophy is to reduce underutilized space and the associated operating costs. The Department employs performance management techniques to monitor asset performance on a regular basis through the entire life cycle of an asset. Each significant capital investment is tracked through its entire life cycle: formulation, execution, steady state, and disposal. The chart on the following page represents the life-cycle process.

Figure 2-1: Capital Investment Life Cycle



1. Formulation Stage

The formulation stage of the life-cycle approach begins when a need is identified and the concept for a capital asset is developed and proposed. The formulation stage ends when the business case is approved and the asset is funded. The three phases within the formulation stage are discussed below.

> Functional Development Phase: The functional development phase is at the operational level, and may occur either at Central Office or the field level. This phase is where needs are realized, gap analyses are completed, proposals are developed, and solutions are ultimately applied. In this phase, initial ideas for capital investments are developed and concept papers are completed.
>
> The functional development phase provides the foundation to support the need for a new capital asset. Data is gathered on strategic linkage, alternatives, cost-effectiveness and risk as the business case is formed. The varying levels of review strengthen the case for a new capital asset. Proposals undergo review first within each administration (VHA, VBA, and NCA) or staff office. A decision is made whether to return the proposal for further development, decline the proposal, or forward the proposal for higher-level consideration by the SMC.

OMB 300 Application Business Case

> As part of the functional development phase, OMB Exhibit 300 business case applications are developed. These comprehensive Exhibit 300 business case applications contain much of the information needed for senior management to make well informed decisions regarding specific capital assets. VA has utilized the Exhibit 300 application since FY 2000 and began entering Exhibit 300 applications in the VA's Capital Asset Management System (CAMS) beginning in the FY 2004 budget cycle. The business case application captures critical asset specific information including building profile, performance measures and goals, financial management data, and exit strategy and serves as an historical record.

As a web-based system, CAMS allows VA personnel including facility managers, capital asset managers, project managers, and Central Office staff to access the application and update or track project performance throughout the asset's life cycle. The most important elements of the VA business case include:

- Detailed project description and justification, with a focus on strategic alignment;
- Implementation information;
- Cost and schedule information;
- Alternatives considered;
- Cost-effectiveness analysis; and
- Risk analysis.

The information contained in CAMS allows VA to capture and review detailed project information and strategic linkages for capital investment decisions.

For the FY 2010 planning cycle VA improved the application review process for VHA major construction projects to better gauge the cost of these projects. In order to develop more accurate cost and project scopes, VA decided to prioritize its projects earlier in the planning cycle than in previous years. To accomplish this, the Exhibit 300 business case application and corresponding decision model criteria were revised, with more emphasis placed on improving infrastructure quality, workload projections, and strategic goals.

By making the review process earlier in the budget preparation cycle, VA is allowing its engineers and cost estimators additional time to develop more refined project proposals to submit as part of the 2010 budget request, as well as future budget years. This process improvement will allow VA to make better informed decisions on which projects to recommend for funding going forward.

Strategic Linkage

Each application must provide a description and justification that addresses VA or administration-specific strategic goals.

Alternatives Considered

An alternatives analysis is an evaluation of all feasible options addressing a known performance gap. Options are evaluated against each other to determine potential strengths and weaknesses prior to requesting project funding. The comparison of strengths and weaknesses allows the Department to make a sound decision on the options considered.

OMB has provided a list of seven possible alternatives which can be considered during the formulation stage of a capital asset project. During the formulation of a proposal, a minimum of four alternatives must be considered, one of which must be the status quo to use as a comparative baseline. Two other alternatives that must also be investigated are renovation and contracting out. Other alternatives that can be considered during the formulation process are build, buy, lease, and share. The Exhibit 300 has a specific section for entering alternatives analysis data as well as a section for explaining why the chosen option is the preferred option for meeting program goals. The table on the below presents potential alternatives for the project categories including but not limited to the following options:

Table 2-1: Potential Alternatives[3]

Project Category	Renovate	Build	Buy	Lease	Status Quo	Share	Contract for Function	Total Options
Infrastructure	x	X	x	x	x	x	X	7
Lease		X	x		x	x	X	5
Non-Medical Equipment			x	x	x	x	X	5
Medical Equipment			x	x	x	x	X	5
Enhanced-Use Leasing		X	x	x	x	x		5
Enhanced Sharing Agreement (ESA)			x		x	x	x	4
Energy Savings Performance Contract (ESPC)	x	X	x		x		x	5

Cost-Effectiveness Analysis

Cost-effectiveness analysis (CEA) is an important component of the VA decision-making process. It is a useful tool for evaluating competing alternatives. Cost-effectiveness analysis evaluates the total life-cycle costs per project, and then compares it against other viable alternatives (e.g., lease, build, contract out) and the status quo. Each capital investment project application has a section devoted to CEA. VA has developed a standard template to collect and analyze significant cost data and compare alternatives. Once users populate the constant value fields in the template, it automatically calculates

[3] Alternatives in this table are for illustrative purposes only and are not to be construed as a complete listing as enhanced-use leases, enhanced sharing agreements, and energy savings performance contracts that have multiple options.

inflated and discounted values including net present value for all the alternatives considered. This data is reviewed by the VACIP to assist VA in making sound capital decisions, and ensure alternatives are compared in a consistent and appropriate manner. Projects that provide the most services in a more cost-effective manner will receive higher scores in the evaluation process.

Risk Analysis

Risk analysis identifies the possible factors that can affect capital investments. The risk evaluation process is completed for each alternative and is composed of three steps: identifying and scoring risks; rationalization; and control. There are ten significant risk components to be considered:

- Schedule;
- Initial costs;
- Life-cycle costs;
- Technical obsolescence;
- Feasibility;
- Reliability of systems;
- Dependencies and interoperabilities;
- Surety (asset protection);
- Creation of a monopoly; and
- Capability of agency to manage the project.

Technical Review Phase: In the technical review phase, approved proposals have been developed into either planning or acquisition applications and receive technical and financial scrutiny from Department-wide councils or administration boards, as well as initial prioritization within the owner organization.

Proposals that do not pass a technical review are returned for further development, while proposals that do pass are forwarded to the VA Capital Investment Panel (VACIP) for strategic review.

Strategic Review Phase: Proposals of all asset types within the Department are reviewed. The VACIP validates and scores the proposal applications and prioritizes the proposal applications through its scoring methodology across asset types. The VACIP then provides recommendations to the SMC on which projects to include in the annual budget request to OMB. The SMC recommends approval of scored proposals, and submits them to the Secretary for final approval. CARES projects are ranked based on six criteria, including service delivery enhancements; safeguarding assets (patient life- safety projects); special emphasis (e.g., spinal cord injury, blindness, serious mental illness); capital asset priorities/portfolio goals; Departmental alignment (DoD collaboration and strategic alignment); and financial priorities. Non-CARES projects are scored and ranked by the VACIP, using some of the same criteria with the exception of service delivery enhancements and special emphasis criteria. A customer service criterion is included with the non-CARES model. Brief descriptions of the criteria utilized for both models are included in Appendix A.

VA Capital Investment Decision Models

The strength of the VA capital investment planning process is that it encourages continual improvement and refinement as a response to customer needs. Stakeholder suggestions, veteran needs and environmental factors are monitored in order to modify the decision model to address changing needs and priorities. VA revisits its decision model and re-evaluates the criteria and sub-criteria on an annual basis to ensure the decision model is meeting these needs.

The capital investment decision models used by VA provide a structure to evaluate capital investment proposals. The structure is part of a multi-attribute decision methodology, the Analytic Hierarchy Process (AHP), which is used to score capital investment proposals. AHP is an established, accepted process used in a number of commercial and public industries. AHP software allows multiple factors to be considered, while imposing a disciplined approach to the decision-making and prioritization process. A hierarchical approach helps to structure the problem and break it down into specific components. These components are called decision criteria (definitions of the criteria and the specific models are found in Appendices A and B). AHP uses a hierarchical model comprised of a goal, criteria, sub-criteria, and alternative outcomes for each problem or decision. Such models combine evaluations or decisions using both quantitative and qualitative criteria.

The VACIP uses the capital investment decision models and decision software to evaluate and score capital investment proposals. The scores are generated by the decision software and result in a list of investments ranked in priority order. The VACIP then provides recommendations to the SMC on which projects to include in the annual budget request to OMB. The SMC recommends approval of scored proposals to the Secretary for final approval.

2. Execution Stage

Once an asset is approved by OMB and receives funding by Congress, it enters the execution stage of its life cycle. Here the emphasis is on measuring planned and actual schedules (design and construction awards, and activation dates, or acquisition) and costs at each phase of the asset's initiation. Performance indicators have been developed, tracking each type of asset.

3. Steady-State Stage

Once an asset becomes fully operational, the steady-state life-cycle stage is entered. A steady-state asset is no longer monitored based on its own project milestones and health, but is merged into the overall facility operations. The tracking of health in steady state is performed at the facility or station level. VA is developing further performance analysis down to the building level. VA's corporate portfolio goals are generally focused on the steady-state phase of capital asset life-cycle.

VA's Capital Asset Management System (CAMS) is the Department's recognized system for tracking and reporting the performance of steady-state assets. CAMS merges data from multiple systems from across the Department. Two primary sources of data for VA steady-state capital assets are the Capital Asset Inventory (CAI) database (for inventory information) and VA's Financial Management System (FMS) (for financial data). CAI is operated by the Office of Construction & Facilities Management, with data input and maintenance accomplished locally using desk-top web access. The database contains essential inventory information on all VA administrations. The major components of the CAI database are:

- Owned buildings
- Land
- Leases
- Space Driver (space usage model)
- Facility Condition Assessment
- Historic Preservation
- Asset-based agreements such as enhanced-use leases, sharing agreements, donations, permits, licenses, energy agreements and Inter-agency agreements.
- Disposals

VA has two key efforts underway to improve data analysis. The first is Business Intelligence (BI), an Office of Asset Enterprise Management (OAEM) initiative to enhance the current Capital Asset Management System (CAMS) data reporting capabilities with the addition of a customized BI toolset. Some of the current reporting requirements are beyond the technical capability of the current CAMS architecture or are inefficient to use. BI will also cut CAMS maintenance costs by reducing the number of servers required to run the system. BI is scheduled for production in FY 2009.

The Federal Financial Management Improvement Act of 1996 requires accountability of actions taken and control over the Federal government's financial resources. The Office of Asset Enterprise Management (OAEM) is responsible for developing, implementing, and maintaining a capital asset management system that will enable VA to collect, analyze, monitor, and report data regarding VA's capital asset portfolio. The following capital assets qualify as Agreements to be included in CAMS:

- Enhanced-Use Lease (EU);
- Enhanced Sharing Agreements (ES);
- Energy Savings Performance Contract (ESPC); and
- Outlease (VA space or land in use by a non-VA entity either by lease, permit, license or donation).

In order to improve the Department's ability to track costs and revenue associated with an agreement, unique codes are issued for each agreement centrally by OAEM and tracked in VA's accounting and financial management system.

VA is assessing the data fields captured in CAI, with the aim of improving reporting functions and work processes associated with real property. Ultimately, this improved data structure will be absorbed into VA's future Strategic Asset Management (SAM) IT system, which will become the system of record for all VA assets.

The other key source system for CAMS is FMS. FMS is VA's accounting system and CAMS extracts obligation and expenditure information to sort into cost categories (e.g., operating and maintenance, leasing, energy, etc). The data is available at the local facility, region, administration and national levels.

Other elements required for tracking and reporting on steady-state assets include energy consumption and workload data. These additional source systems include:

- VHA Support Service Center (VSSC) – VHA & VBA energy consumption
- VHA's Patient Treatment File (PTF) and Outpatient Clinic (OPC) file – VHA workload
- NCA's Management and Decision Support System (MADSS) – NCA workload and energy consumption
- VBA's Workload Management (DOOR) – VBA workload
- VA PAID - Workload

Data from CAMS can be viewed separately or in collectively to track the health of steady-state assets. For example, CAMS reports space utilization using CAI data, as well as provides summary reports on costs per gross square foot using FMS and CAI data. CAI and FMS played a critical role in meeting Federal Real Property Council inventory reporting requirements.

4. Disposal Stage

The final stage of an asset's life cycle is disposal. If an asset proves to be underutilized or costly to maintain, it is considered for disposal. VA has developed a real property disposal policy to identify these assets. Disposal is discussed in Chapter 5

CHAPTER 3: VA's CAPITAL PORTFOLIO, VALUATION AND FUNDING

VA uses two primary mechanisms for measuring the value of the Department's assets, book value and plant replacement cost. Book value follows standard accounting practices (cost less depreciation) and plant replacement value is the market value to replace an existing asset and is consistent with FRPC guidance.

Book Value

Each year VA publishes audited consolidated financial statements, which include the book value of capital assets. Capital assets include land, property, plant, and equipment. The book value is the net amount shown for an asset from the balance sheet. It equals the gross cost less the related valuation account. Book value is based on historical cost and will differ from present market value.

The FY 2007 audited financial statements reflected the following book values:

	Book Value ($ in millions) as of Sept 30, 2007*
Land and Improvements	$ 389
Buildings	7,914
Equipment	1,498
Construction in Progress	1,573
Other	802
	$ 12,176

*Source: VA FY 2007 Annual Performance and Accountability Report

Plant Replacement Value

Consistent with FRPC requirements, VA annually calculates and reports the replacement value of its existing buildings and structures. The FRPC guidance defines replacement value as "the cost of replacing the existing constructed asset at today's standards." VA uses the following formula provided in the guidance:

Replacement Value = Square Feet x Unit Costs x Overhead Factor

The square footage of VA's owned buildings and structures is taken directly from its capital asset inventory. Unit costs are determined by the Office of Construction &

Facilities Management's (CFM) Capital Cost Guides and vary according to an asset's function (e.g., hospital, office, warehouse, etc.) and geographic location. VA used a construction overhead factor of 5.8 percent in FY 2007, per OMB economic assumptions.

FRPC guidance defines replacement value as "the cost of replacing the existing constructed asset at today's standards." Overall, VA reported a total replacement value of buildings and structures at $85.249 [4] billion for FY 2007. VA reports replacement value for FRPC purposes at the individual constructed-asset level.

VA's Capital Asset Funding Mechanisms

In concert with VA's capital asset management philosophy and business practices, the Department develops an annual budget request to submit to Congress.

The Appropriations Process

Congress provides funds through an annual appropriations bill, for VA to make payments out of the Treasury for specified purposes. Capital asset investments are funded through the Construction, Major appropriation (for projects over $10 million) and Construction, Minor appropriation (for projects less than $10 million).

Major Construction

The Major Construction Program is for constructing, altering, extending, and improving any VA facility, including planning, architectural and engineering services, Capital Asset Realignment for Enhanced Services (CARES) activities, assessments and site acquisition where the estimated cost of a project is $10 million or more.

Accomplishments

- Since the initial CARES decision announcements in May 2004, 42 VHA major construction projects have been fully or partially funded with appropriations from FY 2004 - 2009. Two projects funded with Hurricane Katrina emergency supplemental appropriations fell outside the CARES investment process. The total funding received for the 42 projects is $6.2 Billion, including $3.9 Billion in FY 2009 major construction appropriations. [5]
- Five projects have been completed in Chicago (Modernize Inpatient Space), Pensacola (Outpatient Clinic), North Chicago (Surgical

[4] The $85.249 billion total replacement value is from the FY 2007 Federal Real Property Report (May 2008).
[5] This includes VA's FY09 request of $397,652,000 for major construction projects.

Suite/Emergency with DoD), San Diego (Seismic Correction to Building 1), and Tampa (Spinal Cord Injury Expansion).
- Construction contracts have been awarded on seventeen projects.
- Ten projects are now in the design phase. Architect/Engineering firms have been selected for each of these projects and these firms are in various stages of design.
- Eight projects are in planning or pending site acquisition.

Challenges

- Two major challenges face the Department in continuing to implement the CARES program. The first challenge is costs associated with a very robust worldwide construction economy coupled with rapidly increasing costs for labor and building materials. These market trends are exacerbated by rising fuel prices. It has become increasingly difficult to attract more than one or two bidders given the amount of commercial work available to the industry. All of these factors make it a challenge to stay within budget. Despite these challenges, VA awarded 21 of 25 planned major contracts through FY 2007.

- The second challenge for VA is the significant funding required to continue with the CARES process. Of the 42 projects that have been included in VA's budget requests, several have funding only for design. An additional $2.2 Billion is needed for the construction of these facilities.

Please see Appendix E for a status report on the CARES projects.

VA invests in capital assets through the Minor Construction appropriation account.

Minor Construction

The Minor Construction Program is for constructing, altering, extending and improving any VA facility, including planning, assessment of needs, architectural and engineering services, site acquisition and disposition, where the estimated cost of a project is less than $10 million.

VA's Capital Asset Budget Request Mechanisms

Maintaining VA's Assets through Development of VA Facility Sustainment Model

VA developed a Department-wide sustainment model based on the framework currently used by the Department of Defense (DoD). The DoD method utilizes a Real Property Classification System (RPCS) for identifying, categorizing, and analyzing land and facilities around the world. DoD's model defines sustainment as the provision of resources for maintenance and repair activities necessary to keep facilities in good working order over a 50-year service life. Maintenance and repair activities encompass preventative maintenance tasks, regularly scheduled adjustments, regularly scheduled inspections, emergency response, minor repairs, and other components.

After reviewing VA's infrastructure needs and projects, VA decided to determine the necessary level of infrastructure dollars through the VHA actuarial model. The model takes into account previous years expenditures and costs as well as future workload projections in determining the funding level each fiscal year. In addition, VHA has received supplemental appropriations to address its FCA deficiencies.

Non-Recurring Maintenance (NRM)

The NRM program objective is to maintain the safe, effective and efficient function of VA's infrastructure of buildings, structures and land. NRM projects range in size from just a few thousand dollars to several million dollars. VHA's NRM program is funded out of the Medical Facilities appropriation account. NCA requested $2 million in FY 2009 to begin an NRM program. VA uses its NRM dollars to expand capacity where necessary as well as fix its FCA deficiencies.

Deferred Maintenance

Deferred maintenance is customary upkeep and repairs that have been postponed or delayed, and because of the delay may result in physical damage, lack of efficiency, decline in production, or other negative effects to the infrastructure or asset. The Federal Accounting Standards Advisory Board (FASAB) Standard Number 6, as amended, defines maintenance as: the act of keeping fixed assets in acceptable condition. Activities include preventive maintenance, normal repairs, replacement of parts and structural components, and other measures needed to preserve the asset so that it continues to provide acceptable services and achieves its expected life. Maintenance excludes activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from, or significantly greater than, those originally intended (FASAB, 1996). Examples of deferred maintenance are elevator service; heating, ventilating, and air conditioning system servicing; or building inspections that are not performed when they should be, put off or delayed for a future period.

Use of Facility Condition Assessments

In preparation for the CARES process, VHA contracted professional teams of engineers and cost estimators to conduct detailed on-site Facility Condition Assessments (FCA) of VA-owned buildings and land. At least once every three years, each VA facilities is now evaluated. The FCA rates the physical condition and remaining useful life of a capital asset and sixteen major systems in a building (i.e., architectural, structural, mechanical, plumbing and transport, etc.). The FCA uses an alphabetical rating system of A, B, C, D and F. The rating of "A" refers to a like-new condition with 90% of the useful lifespan of the asset/system remaining. A rating of "B" signifies an above average condition with over half of a useful lifespan remaining. A "C" rating indicates an average condition with less than half the useful life remaining. VA pays particular attention when buildings are given "D" or "F" ratings. A "D" rating calls attention to a poor condition and indicates the asset/system being rated is at the end of its useful lifespan. The FCA rating of "F" signifies a critical condition requiring immediate attention.

The FCA database system records corrections and replacement cost information only for assets and systems rated D or F. The correction and replacement costs include an escalation factor to account for inflationary construction costs.

Infrastructure Protection

To fulfill VA's statutory charge to respond to national emergencies, VA's critical facilities must be positioned to provide security and continued operations. VA has taken the following actions to improve the system's ability to respond to natural or man-made disasters:

- Completed review of VA's seismic deficiencies in accordance with Executive Order 12941. Facilities have been categorized into exceptional high risk and high risk categories. Mitigation costs have been identified and are now being integrated into the Facilities Condition Assessment database in FY 2008. In addition, escalation costs will now be applied annually at the end of each fiscal year

- Completed Hurricane Assessments for 21 VA facilities located in high risk hurricane areas. Studies identified mitigations to improve the facilities' ability to remain functional during and after a hurricane. Estimated costs to mitigate the identified hurricane vulnerabilities are based on 2006 as the base year.

- Completed Physical Security Infrastructure Assessments for VA mission critical facilities. These assessments identified mitigations to improve survivability based on 12 risk factors including man-made and natural disasters.

Recurring Maintenance Program

Recurring maintenance projects, like the NRM program projects, directly address the deferred maintenance requirements of VHA's infrastructure. Only VHA has a recurring maintenance program in VA, and it is funded out of the Medical Facilities appropriation, and used to make routine repairs and maintenance on VA's capital assets.

Five-Year Capital Plan

The culmination of VA's capital investment process that describes the selection of the Department's key capital acquisitions, based on funding requirements determined by the above programs, is the 5-year capital plan.

In July 2004, VA produced its first 5-year capital plan. This plan provides a framework for effective management of the Department's capital investments that will lead to improved resource use and more effective health care and benefits delivery for our Nation's veterans. The specific capital needs were provided to Congress in VA's first 5-Year Capital Plan and in each subsequent capital plan.

The most recent 5-Year Capital Plan provides the specific investments needed for FY 2008 and future projects that may be considered for funding during FY 2009-2013. The plan identifies the priority projects that would improve the delivery of services and efficiency of operations at VA facilities.

CHAPTER 4: VA PERFORMANCE METRICS & EVALUATION METHODOLOGY

VA measures its capital asset performance through internal portfolio goals as well as metrics set forth through Federal mandates. In fact, VA had capital asset metrics in place before the FRPC was formed. VA corporate goals are aligned with FRPC and energy principles where applicable. VA's performance results are reported to OMB to meet the President Management Agenda initiatives, and used internally for asset management decision-making.

VA Capital Portfolio Goals

VA's capital portfolio goals are closely aligned with the asset management core objective of providing a safe and appropriate environment for the delivery of benefits and services to veterans in a cost-efficient manner. The VA capital portfolio goals are consistent with the Department's capital asset strategies to ensure resources are maximized, assets (including veterans and VA staff) are safeguarded, and all opportunities (public, private, or a combination thereof) are fully explored. The goals also allow VA senior management to monitor the overall health of the Department's capital asset portfolio and provide for informed corporate decision-making. VA capital portfolio goals include:

Decrease Energy Utilization

Decreasing the intensity of energy consumption in VA facilities has a direct impact on minimizing the overall operational costs of those facilities. To achieve this, VA is committed to leading the way in effective and efficient building operations and management. VA is achieving this goal by placing energy management expertise at the facility and regional level, proactively upgrading systems that do not meet current standards, more accurately measuring and analyzing energy consumption and costs, and conducting facility energy assessments to identify energy efficiency improvement opportunities. The baseline calculation against which VA measures its progress - traditional facility energy consumption per gross square foot - has been updated to the 2003 base year, as directed in the Energy Policy Act of 2005.

Increase Intra/Interagency and Community-Based Sharing

Combining and sharing assets with other Federal, state, and local organizations, departments, and agencies that embrace the mission, goals, and objectives of VA are cost effective and viable approach to servicing our veteran's needs.

Increase Revenue Opportunities

Enhanced-use leasing authority provides VA with increased revenues that may then be reinvested to meet other VA service delivery needs.

Safeguard Assets

Risk management and safeguarding assets are a top priority of the Department. VA spends its infrastructure resources to maintain existing safeguards, make improvements where necessary, and manage exposure and risk.

Maximize Highest and Best Use

Maximizing the highest and best use of VA assets is a combined effort of all VA organizations. VA will increase the number of agreements for asset exchanges (including in-kind consideration) and sales to acquire replacement property better suited to care for and improve the lives of our Nation's veterans. VA is also working to increase the total number of agreements to ensure full utilization and optimum performance of all VA assets. These agreements and programs – such as enhanced-use leasing – also contribute to increased savings and cost avoidance.

Federal Real Property Council

The Government Accountability Office (GAO) has considered Federal real property to be a high risk area for several years. In February 2004, the President issued Executive Order 13327, Federal Real Property Asset Management. It established the Federal Real Property Council (FRPC) to develop guidance and establish asset management principles, collect specified inventory data elements, and performance measures for all federal agencies. The FRPC is composed of Senior Real Property Officers representing Federal agencies and cabinet level departments and is chaired by the Deputy Director of the Office of Management and Budget (OMB). The Assistant Secretary for Management serves as VA's Senior Real Property Officer.

The FRPC is responsible for providing guidance and facilitating the implementation of agency asset management plans. This tasking is accomplished through a myriad of committees and workgroups both external and internal to the Department. Some external committees include the FRPC Asset Management Planning Committee, FRPC Inventory and Performance Measures Committee, FRPC Systems Committee and the Federal Asset Sales Executive Steering Committee. Membership includes Federal agencies and OMB. The following is a list of the guiding principles of the FRPC.

FRPC GUIDING PRINCIPLES

1. Support agency missions and strategic goals.
2. Use public and commercial benchmarks and best practices.
3. Employ life-cycle cost-benefit analysis.
4. Promote full and appropriate utilization.
5. Dispose of unneeded assets.
6. Provide appropriate levels of investment.
7. Accurately inventory and describe all assets.
8. Employ balanced performance measures.
9. Advance customer satisfaction.
10. Provide for safe, secure, and healthy workplaces.

Some internal workgroups include the Capital Asset Management System Business Group and the VHA Portfolio Workgroup, with membership from VA administrations, staff offices and field Capital Asset Managers. These groups function as representatives for their respective administrations and work with the Office of Asset Enterprise Management to meet Federal and agency performance and reporting requirements. Overall, VA portfolio performance is monitored by the VA Management Performance Review Board, chaired by the Deputy Secretary, where results are presented on a quarterly basis.

Federal Real Property Council Performance Metrics

In FY 2005, VA implemented the Federal Real Property Council (FRPC) Tier 1 performance metrics and aligned them with VA corporate goals. Tier 1 metrics vary only in their broad approach to Federal real property. Where there is overlap, VA goals are modified accordingly.

FRPC Tier 1 – Federal Real Property Metric Goals

(1) Percent of **Space Utilization** as Compared to Overall Space (owned and direct-leased)	Baseline = FY04
(2) Percent **Facility Condition Index** (owned buildings)	Baseline = FY05
(3) Ratio of **Non-Mission Dependent Assets** to Total Assets	Baseline = FY05
(4) Ratio of **Operating Costs** per Adjusted Gross Square Foot (GSF) adjusting for inflation	Baseline = FY04

VA has four real property metric goals aligned with the FRPC Tier 1 performance measures: (1) decrease underutilized capacity using the percentage of space utilization compared to overall space; (2) improve the facility condition index on owned buildings; (3) reduce the ratio of non-mission dependent assets to total assets; and (4) decrease operating costs. These goals are discussed below.

Decrease Underutilized Capacity/Percent of Space Utilization as compared to overall space (owned and direct-leased)

Decreasing unused and underutilized space is one key factor in the President's Federal Real Property Asset Management Initiative. This goal is consistent with the FRPC facility utilization index: Percent of Space Utilization as Compared to Overall Space (owned and direct-leased).

Percent Condition Index (VA-Owned Buildings)

VA performed condition assessments of all its medical facilities as part of the CARES study. These assessments included estimates of repair needs for each building. VA calculates its condition index annually. The condition index is the ratio of repair needs to plant replacement value. <u>The higher the condition index the better the condition of the constructed asset</u>. Condition index helps identify assets most in need of repair and plan for upgrades or disposition. VA's Capital Asset Inventory (CAI) database includes both variables needed to provide a facility condition index score, including the facility condition assessment and the plant replacement value for each building. The Department currently conducts assessment updates on a three-year cycle for all VA-owned buildings.

Ratio of Non-Mission Dependent Assets to Total Assets

Using an OMB-approved methodology, VA determines whether each asset (owned and direct-leased buildings, structures, and land parcels) is mission critical; mission dependent/not critical; or not mission dependent. All VA assets that are 70-100% utilized are designated as mission critical. Assets that are 50-70% utilized are designated as mission dependent/not critical. Assets that fall below 50 percent utilized are designated as not mission dependent.

Mission dependency information is entered into the CAI, which feeds into CAMS for tracking and reporting purposes. Mission Dependency is determined using the FRPC Utilization Index.

Decrease Operational Costs/Ratio of Operating Costs per Gross Square Foot (GSF)

This goal is consistent with the Tier 1 Annual Operating Costs measure (Ratio of Operating Costs per Gross Square Foot (GSF)). VA tracks operating costs using two methods: (1) explicitly using the FRPC method, which is standard across the Federal government; and (2) using an internal VA method, which is more detailed, inclusive and comprehensive. For example, the operating costs may vary from $5/GSF (FRPC method) to $20/GSF (VA method) depending upon the method used. The FRPC method, however, is consistent with and a subset of the VA method.

VA seeks to minimize maintenance and operation costs through more efficient use of space and reducing the number of assets that have exceeded their useful life. By decreasing operation costs, VA will be able to reinvest much needed funds in improving services to our Nation's veterans.

VA Performance Using FRPC Tier 1 Metrics

VA Performance Metric	Baseline	2006	2007	2008	VA Strategic Target (2010)
Space Utilization	80%	104%	112%	113%	95%
Facility Condition Index	82%	82%	79%	68%	87%
Non-Mission Dependent Assets	22%	15%	12%	14%	10%
Operating Costs	$22	$20	$20	$15	$29

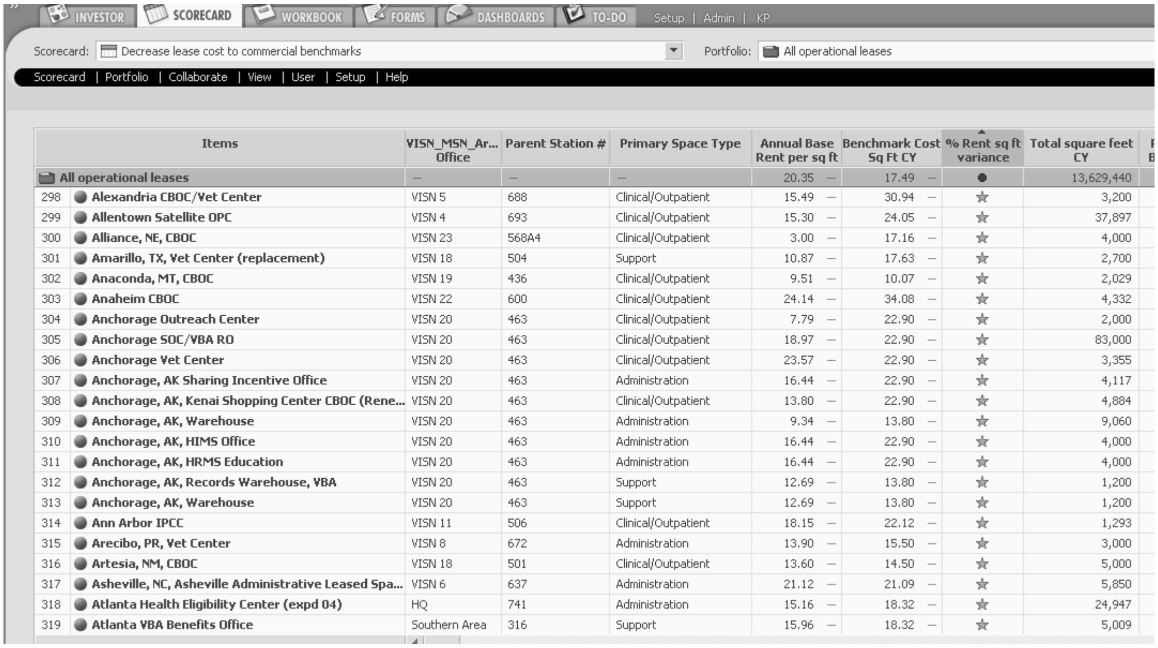
Trend data has shown that space utilization is increasing while Facility Condition Index numbers are dropping. OAEM is tasked with leading a work group to address these issues and report findings and recommendations to the MPR.

Capital Asset Benchmarking

A key measure of VA's success is to compare asset performance to that of the private sector via benchmark analysis. CAMS provides VA the means and data to compare certain asset expenses to industry or commercial benchmarks for its leasing and energy programs. Benchmarking is also done within VA and encompasses comparisons across fiscal years and between similar VA facilities. Examples of analyses that can be performed include: increases or decreases in costs, utilization, and other goal performance elements and at the facility, regional, administration, and national levels.

Lease Benchmarks

With over a twelve hundred operating leases, VA considers this category of investment a priority to measure. From the outset, CAMS was designed to include benchmark analysis. Various commercial real estate information sources were studied in response to the need for benchmarking data, ultimately identifying several sources of the most recent and relevant information. These sources include BOMA (Building Owners & Managers Association), Loopnet, and Market Review Reports. These sources are searched when locating the benchmarking data, utilizing either one number or an average of several depending on the availability of information. The following graphic illustrates a lease benchmark view in CAMS.



	Items	VISN_MSN_Ar... Office	Parent Station #	Primary Space Type	Annual Base Rent per sq ft	Benchmark Cost Sq Ft CY	% Rent sq ft variance	Total square feet CY
	All operational leases	–	–	–	20.35	17.49		13,629,440
298	Alexandria CBOC/Vet Center	VISN 5	688	Clinical/Outpatient	15.49	30.94		3,200
299	Allentown Satellite OPC	VISN 4	693	Clinical/Outpatient	15.30	24.05		37,897
300	Alliance, NE, CBOC	VISN 23	568A4	Clinical/Outpatient	3.00	17.16		4,000
301	Amarillo, TX, Vet Center (replacement)	VISN 18	504	Support	10.87	17.63		2,700
302	Anaconda, MT, CBOC	VISN 19	436	Clinical/Outpatient	9.51	10.07		2,029
303	Anaheim CBOC	VISN 22	600	Clinical/Outpatient	24.14	34.08		4,332
304	Anchorage Outreach Center	VISN 20	463	Clinical/Outpatient	7.79	22.90		2,000
305	Anchorage SOC/VBA RO	VISN 20	463	Clinical/Outpatient	18.97	22.90		83,000
306	Anchorage Vet Center	VISN 20	463	Clinical/Outpatient	23.57	22.90		3,355
307	Anchorage, AK Sharing Incentive Office	VISN 20	463	Administration	16.44	22.90		4,117
308	Anchorage, AK, Kenai Shopping Center CBOC (Rene...	VISN 20	463	Clinical/Outpatient	13.80	22.90		4,884
309	Anchorage, AK, Warehouse	VISN 20	463	Administration	9.34	13.80		9,060
310	Anchorage, AK, HIMS Office	VISN 20	463	Administration	16.44	22.90		4,000
311	Anchorage, AK, HRMS Education	VISN 20	463	Administration	16.44	22.90		4,000
312	Anchorage, AK, Records Warehouse, VBA	VISN 20	463	Support	12.69	13.80		1,200
313	Anchorage, AK, Warehouse	VISN 20	463	Support	12.69	13.80		1,200
314	Ann Arbor IPCC	VISN 11	506	Clinical/Outpatient	18.15	22.12		1,293
315	Arecibo, PR, Vet Center	VISN 8	672	Administration	13.90	15.50		3,000
316	Artesia, NM, CBOC	VISN 18	501	Clinical/Outpatient	13.60	14.50		5,000
317	Asheville, NC, Asheville Administrative Leased Spa...	VISN 6	637	Administration	21.12	21.09		5,850
318	Atlanta Health Eligibility Center (expd 04)	HQ	741	Administration	15.16	18.32		24,947
319	Atlanta VBA Benefits Office	Southern Area	316	Support	15.96	18.32		5,009

Benchmarking is not an exact science. The outcomes of the analyses are intended to lead to suggestions or assistance when analyzing a potential lease, and/or to help measure the value of a VA investment.

The portfolio of VA building leases is comprised of a variety of central business district and suburban locations. Commercial benchmarks are by city, where there can be significant variances within those markets. For example, the commercial benchmark in Denver, Colorado is $21.73 annual rent/square foot. VA has 11 leases in the Denver metropolitan area that range in cost from $9.85 to $28.77 annual rent per square foot. Despite obvious difference between the upper and lower limits, the average of these leases (in annual rent/square foot) is $19.55.

VA lease benchmarks are updated in CAMS annually, making this information available to multiple users, including local capital asset managers. This market-specific information affords local managers leverage to benefit VA in lease negotiations.

Internal Benchmarks

Benchmarking is done within VA and encompasses comparisons across fiscal years and between VA facilities. The system provides views that compare costs, utilization, and other goals from one year to the next. VA can analyze and report increases or decreases in performance at individual station, network, administration and national levels. Performance comparisons are also provided across stations and networks.

The following illustration is an example of one VHA VISN's performance in comparison to the other 20 VISNs.

National Asset Performance Comparison - VHA			High Third	Mid Third	Low Third
Financial	Actual Operational Cost/ Adjusted GSF	$9.42		X	
Utilization/Uniques	Adjusted GSF/ Workload (Unique Patient)	17.63		X	X
Utilization/BDoCs	Adjusted GSF/ Workload (Bed Day of Care)	25.06			X
Utilization/OPVisits	Adjusted GSF/ Workload (OPVisits)	2.82		X	
Space Utility	% Underutilized SF	-3.51%		X	
Space Vacant	% Vacant SF	2.71%		X	
Environmental	Environmental compliane (FCA 1-5 scoring)	3.71			X
Life Safety	Life Safety compliance score (FCA 1-5 scoring)	3.21			X
Seismic	% Buildings seismic compliant	100.00%	X		
Energy	Total BTU (in millions) / Adjusted Owned SF	0.18		X	
Useful Life	% GSF within buildings < 30 years old	23.53%		X	
Condition	Total FCA Repair $ / Adjusted Owned SF	$87.06			X
Sustainment	% Sustainment Goal Funded	TBD			
Security	Security Risk Level	IV			

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* Data will be final in March of the following year. Capital investments include CY(report year) +1 Budget Request (OMB Approval), CY (report year) Medical Equipment (SMC Approval), and CY Agreements (SMC Approved). Future Capital Investments include CY(report year) +2 Budget Requests (OMB Approval). Energy Investments are included at the VISN level only.

Energy Benchmarks

In July 2003, VA established a comprehensive energy conservation program designed to achieve both Federally mandated and internally established energy-related goals. Implicit to achieving these goals is more efficient and cost-effective management of energy assets. VA has undertaken an energy asset performance benchmarking initiative to help gauge current status and future progress in this area. The benchmarking effort encompasses two categories: 1) internal benchmarking, to measure results over past performance; and 2) external benchmarking, to compare VA performance with other similar facilities.

The Table 4-1 on the following page lists the elements that VA is benchmarking internally; followed by relevant current Federal mandates (these address consumption benchmarks only):

Table 4-1: VA Facilities: Internal Energy Asset Performance Benchmarking

MEASURE		Benchmark/Goal
Consumption	**Expenditures**	
VA Energy Management Program		
Btu per square foot kWh per square foot	Total energy cost per square foot Electricity cost per square foot Electricity cost per kWh Natural gas cost per Btu	Period-to-Period Reduction in Unit Consumption/Unit Cost
Federal Mandate: Energy Independence and Security Act of 2007		
Btu per square foot – all facilities		Reduction as follows vs. FY 2003 baseline: 2% by FY 2006 4% by FY 2007 9% by FY 2008 And an additional 3% each FY thereafter through 2015, for a total reduction of 30%.
Federal Mandate: Executive Order 13423		
Btu per square foot – all facilities		3% annual reduction vs. FY 2003 baseline, FY 2006 through FY 2015, or 30% reduction by FY 2015. Reduction in greenhouse gas emissions.
Water consumption intensity (gals/sq ft)		2% annual reduction vs. FY 2003 baseline, FY 2008 through FY 2015, of 16% by FY 2015.

External Benchmarking

VA requires energy cost and consumption information for its major healthcare facilities to be entered into EPA's Energy Star Buildings database so that VA facility energy use can be benchmarked quarterly against all healthcare facilities in the Energy Star database. VA downloads its data electronically to the database, with benchmark results for each facility returned electronically to VA. Based on these results, facilities may apply for the Energy Star building label. Energy Star benchmarking for healthcare facilities is limited to acute care facilities and medical office buildings. Also, the Energy Star hospital model is based on a dated survey conducted by the Electric Power Research Institute (EPRI). EPRI has not updated the survey since 1997. VA plans to continue working with the Energy Star database to expand and improve current benchmarking opportunities.

VA has evaluated the Energy Information Administration's (EIA) Commercial Building Energy Consumption Survey (CBECS) as an alternate benchmarking source. CBECS is a periodic national sample survey that collects information on the stock of U.S. commercial buildings, their energy-related characteristics, and their energy consumption and expenditures. CBECS is now conducted every four years.

However, the healthcare sample CBECS represents has to date not been robust enough to serve as a valid benchmark, either for VA on a stand-alone basis or as data upon which the Energy Star Portfolio program can base its healthcare facilities benchmarking.

Space and Equipment Planning System Update

The Office of Construction and Facilities Management (CFM) completed updates of VA's healthcare space planning criteria, utilizing a process approved by the VHA National Leadership Board and Deputy Under Secretary for Health in January 2005. The process benchmarks VA criteria with private and public sector facilities as well as established VA program officials advisory committees to update the criteria. This system also includes an efficient state-of-the–art electronic system (VA-SEPS) to automate the criteria process. The electronic tool was developed based on a collaboration with VA staff, Department of Defense (DoD) officials, and private sector medical planning consultants. VA-SEPS provides a complete flexible programming package or criteria, equipment lists, and guide plates. It enables multiple methodologies for programming – mission, caseload, and staffing, and provides a reporting instrument for program officials, including monitoring and an approval process for exceptions. It will be regularly updated utilizing healthcare industry best practice benchmarks. The DoD Criteria Committee and VA meet on a quarterly basis to review space and equipment criteria and system performance.

Real Property and Energy Management Scorecards

OMB scorecards illustrate how well agencies manage their real property, measuring results quarterly based on the criteria in the President's Management Agenda (PMA). The scorecard employs a simple grading system: green for success, yellow for mixed results, and red for unsatisfactory. The scorecards are updated quarterly and guide the Department in making management decisions that facilitate progress with real property initiatives. Consistent with PMA practices, VA also developed an internal real property scorecard that captures more detailed data. VA is one of the leaders in Federal real property management, achieving "Green" status for real property management.

OMB has also created a (non-PMA) semi-annual scorecard for tracking Federal agency energy management performance. As with the real property scorecard, agencies receive both a status and progress rating. Agency actions are planned and agreed upon with the Department of Energy. VA achieved leader status in energy management, having received a "Green" rating for both status and progress achieved as of the end of calendar year 2007.

Real Property Performance Results

VA regularly monitors real property performance and reports to the Office of Management and Budget on Federal Real Property Council Tier 1 Measures. VA also reports energy cost and consumption and other performance statistics to the Department of Energy. In response to the Energy Policy Act of 2005 and the Strengthening Federal Environmental, Energy, and Transportation Management Executive Order, VA baselined 2004 energy consumption data for determining cumulative percentage decrease in facility traditional energy consumption per gross square foot.

The table below reflects the level of change in each performance area from the baseline years for each category measured.

Table 4-2: Real Property Performance Results

	Results				Targets		
VA Performance Measure	**2004**	**2005**	**2006**	**2007**	**2008 (Final)**	**2009 (Initial)**	**Strategic Target**
Percent of Space Utilization as Compared to Overall Space (owned and direct-leased) Baseline = FY04	80% Baseline	98%	104%	112%		**95%**	95%
Percent Condition Index (owned buildings) Baseline = FY05	N/A	82%	82%	79%		**87%**	87%
Ratio of Non-Mission Dependent Assets to Total Assets Baseline = FY05	N/A	22%	15%	12%		**10%**	10%
Ratio of Operating Cost per Adjusted Gross Square Foot (GSF) adjusting for inflation Baseline = FY04	$4.52	$4.83	$5.59	$5.80		**$4.52**	$4.52

<u>Utilization</u>

VA's FY 2004 baseline performance is 80%; FY 2007 performance was 112%, exceeding the target of 95% by 2010. VA changes that resulted in improved utilization of space are:

- VA out-leased 4 million square feet (SF) in 2007
- VA reduced vacant space by 4.4% or 338,082 SF between 2006 and 2007
- Since 2004, VA has reduced vacant space by 16% or 1,371,238 SF

In FY 2007, VA reduced over 4 million square feet of underutilized assets through disposals, functional consolidations, and improved planning. Overall, VA's space requirements exceed the space currently available. VA continues to assess current and future real property needs through these management initiatives and tools to ensure the Department meets its infrastructure requirements in a cost effective manner.

Condition

VA's FY 2005 baseline performance is 82%; FY 2007 performance was 79%, with a target of 87% by 2010. Upgrades are pursued through projects/investments as follows:

- Major (FY 2007 $307M CARES)
- Minor (FY 2007 $150M CARES + $326 CARES supplemental)
- Non-recurring Maintenance (FY 2007 $514M + $550M FCA supplemental + $45M polytrauma supplemental)

Mission Dependency

VA's FY 2005 baseline performance is 22%; FY 2007 performance was 12%, on track with the target of 10% by 2010. VA changes that resulted in a decrease in non-mission dependent assets are:

- In FY 2007, VA disposed of a total of 52 buildings and land (390,023 GSF):
  - 44 via demolition (216,952 GSF)
  - 3 via transfer (145,920 GSF and 13.4 acres)
  - 5 via enhanced use lease (27,151 GSF)
- In FY 2006, VA disposed of 6 buildings (658,182 GSF) via sales, 19 buildings (124,946 GSF) via demolition and 52 buildings (400,609 GSF) via enhanced-use leasing
- VA completed 12 disposals in FY 2004 and 67 disposals in FY 2005

Operating Cost

Based on FRPC (Federal Real Property Council) methodology VA's FY 2004 baseline performance is $4.52 per GSF. For FY 2007, VA's operating cost per GSF was $5.80. The 2010 target is $4.52.

Operating Revenue

- In annual recurring revenue, VA generated:
  - $1.1M FY 2007;
  - $1.2M in FY 2006; and
  - Over $900,000 in FY 2005.
- VA generated additional one-time payments of:
  - $20,000 in FY 2007;
  - $22.5M in FY 2006; and
  - $28M in FY 2005.

Overall, VA's space requirements exceed the space currently available. VA continues to assess current and future real property needs through these management initiatives and tools to ensure the Department meets its infrastructure requirements in a cost effective manner.

CHAPTER 5: DISPOSAL

The disposal stage is not just an afterthought for the Department, as VA must include an exit strategy early in the formulation of the project and it is one of the sub-criteria found in the capital investment business model. VA has developed guidance and protocol for implementing an exit strategy that:

1. Achieves the fullest possible use of the buildings and land without degradation, or undesirable and unintended consequences;
2. Preserves the historic, cultural, and natural aspects of our national heritage;
3. Achieves a balance between the use and development of scarce resources; and
4. Enhances the quality of renewable resources while working toward the maximum attainable recycling of nonrenewable resources.

The surrounding community is important to the success of VA's disposal program. Partnering with local community organizations, private sector enterprises, local governments or some combination of these entities, allows for the orderly transfer of Federal property for non-Federal use without devastating local economies. VA enters into public private ventures with compatible reuse purposes for the property. The redevelopment offers potential economic growth and environmental improvements to the local communities through the addition of jobs and adding to the local tax base.

VA's Disposal Authority

Public Law 108-422, signed in November 2004, authorized VA [independent of the General Services Administration (GSA)] to dispose of real property and to deposit proceeds from the sale, transfer or exchange of VA assets into the Capital Asset Fund (CAF). The public law provides VA with much needed incentive by making it economically attractive to pursue disposal activities.

VA uses a unique capital asset management tool, i.e., enhanced-use (EU) leasing which is codified in sections 8161 through 8169 of title 38, United States Code (USC). The authority allows VA to lease land or building to public, private and/or non-profit sector up to 75 years. Under section 8164, 38 USC, if the Secretary determines during the term of an EU lease or within 30 days of its expiration, that the leased property is no longer needed by the Department, the Secretary may initiate action to transfer all rights, title, and interest in the property to the lessee.

The CAF can be used for current and future disposal transactions, improvements or renovations to medical projects with an estimated cost of less than $7 million, and/or to appropriate historic properties. The legislation also provides authority for $10 million to capitalize the expenditure costs associated with the disposal of property such as demolition, environmental clean-up, and repair. The authority requires VA to comply with section 11411 of the McKinney-Vento Act, through which the U.S.

Department of Housing and Urban Development (HUD) surveys all Federal landholding agencies (including VA) quarterly, to identify for Congress, the public, and private-sector homeless service providers, surplus Federal properties that are available for future Federal permits, leases, and transfers to private-sector entities (e.g., applicants), so such applicants can use the properties to provide suitable homeless services. Additionally, VA is required to submit disposal plans to Congress annually, per Public Law 108-422 and accompanying report language. VA issues an annual call for planned disposals, identifying potential candidates for non-mission dependent and underutilized space. The VA disposal plan has two parts: short-term (one year) and long-term (five year). Once identified, disposals are monitored through completion with quarterly updates provided to the Office of Management and Budget.

VA's Disposal Policy

VA developed a real property disposal policy, Managing Underutilized Real Property, Including Disposal (VA Directive and Handbook 7633), which provides a standard methodology and criteria for identifying appropriate underutilized assets for divestment. This policy provides procedures for appropriate management of underutilized property including the available options (or authorities) VA may use to maintain the highest and best use for its real property portfolio. When a property is proposed for disposal, other VA entities are given the opportunity to express interest in it for an alternative use.

Other disposal modalities are also evaluated in priority order including enhanced-use leasing, sharing, out-leasing, licenses, permits, easements and transfers (i.e., disposal via Enhanced-Use Leasing Authority, Capital Asset Fund, State Veterans Home, and GSA Authority) as well as like-kind exchanges. If none of these options prove viable, VA will make the property available for reuse by other Federal agencies. If no other agency is interested, VA may utilize deconstruction, mothballing and demolition. The capability for initiating, justifying, and monitoring proposals for divestment of assets is implemented through CAMS. The disposal policy also provides guidance for navigating the complex processes of Federal real property disposal. These steps include screening for homeless use, environmental and historical status evaluations, as well as various notifications to GSA and Congressional committees.

Please see Appendix C for tables that summarize actual disposals for FY 2005, FY 2006, and FY 2007, and planned disposals for FY 2008, FY 2009, and FY 2010.

Enhanced-Use Leasing Program

The enhanced-use (EU) lease program produces results that include significant cost savings, substantial private investment, new long-term sources of revenues as well as jobs or tax revenues for the local, state and Federal sectors. EU leasing supports the President's Management Agenda by improving VA financial performance and demonstrating budget/performance integration.

Under the enhanced-use leasing authority, VA may lease land or buildings to the private sector for up to 75 years. The leased property may be developed for non-VA uses that are consistent with the mission of the Department. The leased property may be developed for non-VA and/or VA uses, and in return for the lease, the Department obtains fair value in the form of revenue, facilities, space, services, or other considerations. VA continuously explores ways of expanding the use of this integral capital asset management tool and streamlining the process.

For example, in response to a recommendation by the CARES Commission, VA developed a plan to re-delegate the authority to execute smaller and less complex enhanced-use leases to the regional capital asset managers. A national contracting mechanism was put in place to provide these asset managers with the tools (e.g., financial, real estate advisement, market analysis, legal support, etc.) they need to successfully implement these leases.

In order to streamline the EU leasing process, a Concept Paper Review Committee (CPRC) was formed to recognize differing requirements within the Department and assure prioritization of limited resources available for the development to execution of EU projects. The CPRC reviews and recommends concept papers to the Assistant Secretary for Management for final approval. Other process improvements included the implementation of standardized concept plans and templates for common milestones such as public hearings and notices to Congress and the public. VA has also conducted additional studies at sites where healthcare delivery options have been realigned through the CARES process. These studies are evaluating outstanding health care issues, developing capital plans, and determining the highest and best use for the unneeded VA property.

EU Authority

The authority to use enhanced-use leasing was originally enacted in 1991, in sections 8161 through 8169 of title 38, USC. Renewed in 2001, VA has authority to continue using this process until 2011. While this authority allows VA to lease land and/or buildings to public, private and/or non-profit sector entities for up to 75 years, the use of this property must be consistent with VA's mission. Leased property may be developed for non-VA uses, and/or VA uses that will enhance the property.

Congress chose to exempt the EU leasing authority from an array of restrictive Federal statutes to help provide flexibility in its application. VA must abide by all Federal environmental laws (e.g., the National Environmental Policy Act and the National Historic Preservation Act.) VA is not required to follow typical Federal acquisition rules when selecting the EU lessee, but VA must use procedures that ensure selection process integrity.

Benefits to VA

The initial results of this program include significant cost savings. VA's EU leasing program is unlike those of traditional government, which offers little more than a revenue return in proportion to the depletion of the leased asset. VA's EU leasing program encourages innovative public/private partnerships. In return for the lease, VA must obtain fair consideration (monetary and/or in-kind) in various forms including but not limited to revenue, facilities, space, or services.

Generally, when an agency generates revenue connected to real property, proceeds must be deposited in the U.S. Treasury. Under the EU program, funds received as consideration may be kept by VA. This provision in law provides the incentives necessary to encourage government property managers to be creative and aggressively pursue opportunities to partner with public, private and/or non-profit entities.

The success of the EU lease program depends on sound development of economics. The program works best when government requirements can be defined in business terms. This adaptation allows the public, private and/or non-profit sector to finance, construct and operate in a commercially viable manner. Program outcomes include improved redevelopment opportunities for underutilized properties, enhanced services for veterans, significant cost savings, substantial private investment, new long-term sources of revenues as well as jobs or tax revenues for the local, state and Federal governments. EU leasing supports the President's Management Agenda by improving VA financial performance and demonstrating budget/performance integration.

Benefits to Developers and Local Community

An EU lease provides the developer (lessee) with the long-term property interest necessary to secure financing through capital markets, and allows the developer to amortize any capital investment made to the property or facility over time. Although the underlying land is still Federal property, the facility is subject to State and local taxes, which results in an increased tax base for the local community. This boost in local revenue in turn, facilitates the local community's ability to provide needed services. Along with substantial private investment, EU leases provide new long-term sources of revenues for the local economy, jobs, and tax revenues for the local, state and Federal sectors.

Transparency

A key component of the EU leasing program is close coordination with and involvement of the local government and community as full partners in the development process. For example, VA must hold a public hearing at the location of any proposed EU lease to obtain veteran and local community input. VA also must provide a notice to its Congressional oversight committees prior to entering into an enhanced-use lease. Close collaboration with community leaders and interested stakeholders enables VA to address concerns early in the planning and development process.

Project Types

Since enactment of the EU leasing statute, VA has developed a variety of projects that include office buildings, parking facilities, low-cost senior housing, cogeneration (heat and electricity) energy centers, single room occupancy housing (homeless shelters), and child care and mental health centers.

VA continues to explore ways to expand the use of this capital asset management tool and streamline the complex EU process.

Recent Enhanced-Use Lease Successes

Following are examples of EU leasing projects awarded during FY 2007:

Sepulveda, CA- Supportive Housing for Homeless Veterans (Building 5)

On December 21, 2007, VA signed an enhance-use lease with New Directions Sepulveda II L.P. to finance, renovate, construct, operate, repair and maintain "Supportive Housing" consisting of no more than seventy–six (76) units in building 5 on the 3.22 acres of VA land for the purpose of providing Supportive Housing to Homeless Veterans.

This lease will result in the availability of safe, affordable supportive housing for veterans, on a priority basis. In addition, VA will receive as consideration for this lease the following; cash in the form of 10% of gross revenues received from Filmmaking Activities on the Property, in-kind services in the form of professional counseling, case management and crisis management services to veteran tenants, professional/technical training services for VA employees, and temporary use of the property by VA employees for VA activities.

Overall this lease will result in significant cost avoidance to the Department by reducing reliance on inpatient and domiciliary resources, and will permit more resources to be directed toward direct veteran care.

Sepulveda, CA- Supportive Housing (Building #4)

On December 21, 2007, VA signed an enhance-use lease with New Directions Sepulveda I L.P. to finance, renovate, construct, operate, repair and maintain "Supportive Housing" consisting of no more than seventy–six (73) units in building 4 on the 3.83 acres of VA land for the purpose of providing Supportive Housing to Homeless Veterans.

This lease will result in the availability of safe, affordable supportive housing for veterans, on a priority basis. In addition, VA will receive as consideration for this lease the following; cash in the form of 10% of gross revenues received from Filmmaking Activities on the Property, in-kind services in the form of professional counseling, case management and crisis management services to veteran tenants, professional/technical training services for VA employees, and temporary use of the property by VA employees for VA activities.

Overall this lease will result in significant cost avoidance to the Department by reducing reliance on inpatient and domiciliary resources, and will permit more resources to be directed toward direct veteran care.

Columbia, SC-Mixed Use/VARO/Realignment

On November 19, 2007, VA signed an enhance-use lease with Keenan Development Associates of South Carolina to finance, design, and develop on approximately 25 acres of VA land, a new three-story 100,000 square foot office building for future tenants, a new research and clinical investigation facilities for the University of South Carolina School of Medicine (including renovation of Bldg. 10) and a new City of Columbia police/fire facility to serve the surrounding community. Any future Regional Office space requirement by VBA will be met through a separate real property procurement process.

This lease will result in VA receiving ground rent or an option for 10,000 square feet of new clinical/administrative space, participation in profits, proceeds from capital events (assignments, refinancing), hazardous materials abatement and removal of existing buildings at no cost to VA. The total rent and in-kind consideration is valued at $5,500,000, which exceeds appraised value of $2,300,000 for the property.

Current Enhanced-Use Leasing Projects

Secretary's Approved Priority List and Awarded Enhanced-Use Leases

Enhanced-use lease projects that have been identified as Departmental priorities by the Secretary represent concepts that will be further developed to leverage VA assets to engage private business to meet VA requirements and needs. A listing of the Secretary's approved priority list of enhanced-use leasing projects can be found in Appendix D. As further analysis is conducted, projects may be added, modified or deleted from this list. There are additional projects, particularly in light of the CARES decisions, that VA continuously assesses for potential priority consideration. All EU leasing projects require notification of Congressional oversight committees prior to entering into an enhanced-use lease.

Awarded Enhanced-Use Leases

A list of enhanced-use lease projects that have been awarded since the inception of the program is provided in Appendix D.

CARES Re-Use Studies

The CARES process analyzed all VA medical centers, culminating in a final CARES decision. However, 18 sites proved to be too complex for the initial analysis; therefore, a second phase was conducted to determine suitability for future health care and re-use activities. These studies included evaluating outstanding health care issues to recommend health care delivery options, developing capital plans, as well as determining the highest and best use for the unneeded VA property. Completion of the detailed analyses (Stage 2) concluded in Fall 2007 with the exception of one study, the Boston Health Care System which concluded in Spring 2008.

Background

The original 18 CARES site studies evaluated outstanding health care issues, developed capital plans, as well as investigated the best use for underutilized and excess land and vacant buildings on each site. There were nine sites evaluated for general reuse and nine sites evaluated for comprehensive reuse.

The Office of Asset Enterprise Management was charged with hiring a real estate advisor to conduct a three-phase analysis on the nine comprehensive reuse sites.

The three phases of the study included:

- Phase 1 Data Collection and Planning Analysis
- Phase 2 Reuse/Redevelopment Potential
- Phase 3 General Reuse/Redevelopment Option

The Secretary rendered all decisions regarding the reuse opportunities on all the studies sites. The press releases announcing the Secretary's decisions for each campus may be accessed through the VA web page.

Site Review Initiative

The Site Review Initiative (SRI) was established December 4, 2006, to assess and manage the Department's real property assets more effectively. OAEM, within the Office of Management, led the SRI by assembling a Site Review Board (SRB) comprised of key officials from the Veterans Health Administration, National Cemetery Administration, Veterans Benefits Administration, applicable staff offices, and outside consultants. The SRI consists of three phases to identify, select, and market underutilized real property sites within VA's real property inventory.

In Phase 1, a data collection template was used to gather and validate baseline real property data on every VA campus, including all recorded and unrecorded encumbrances. The initial assessment was based on available land, buildings, and encumbrances of approximately 285 sites. Data collected from the Capital Asset Inventory (CAI) and Capital Asset Management System (CAMS) were reviewed against established criteria to determine whether sites were eligible for further review. Based on this initial review, 93 sites were chosen for further data collection and evaluation.

Phase 2 applied specific selection criteria to the underutilized properties to identify eligible sites for the initiative. The selection criteria included whether the campus had sufficient acreage or buildings for real estate development; severability of parcels from the main campus with unencumbered access; environmental, historic or legal constraints; future reuse plans approved and funded by the Department or other entities; local market dynamics; and potential for operating cost avoidance through other reuse strategies such as out-leasing.

Based on the response from the data request and the selection criteria, 39 sites were chosen for future study and the SRB selected 18 sites for site visits and in-depth evaluation. During each site visit, comprehensive site and market data were collected. This information was used to determine recommendations on whether an enhanced-use lease (EUL) was appropriate. Ultimately, 15 sites were recommended by the SRB for inclusion on the Secretary's EUL priority list for further action. The sites were the Lyons VAMC; Northport VAMC; Hines VAMC; Menlo Park Division – Palo Alto HCS; Bay Pines VA HCS; Long Beach VAMC; Minneapolis VAMC; Cheyenne VAMC; Asheville VAMC; Pittsburgh – Highland Drive HCS; Dallas/Ft. Worth VA Cemetery; Battle Creek VAMC; Newington Campus Connecticut HCS; Dayton VAMC and Augusta Lenwood VAMC.

The SRB also recommended that sites with potential land available, but with less viable commercial markets, be considered for a homeless housing EUL. Accordingly, an additional 34 sites were determined to have potential for a homeless housing EUL and were recommended for inclusion on the EUL priority list for further action. These sites are listed below:

Facility Name	Location
Alexandria VAMC	Alexandria, LA
Greater LA HCS	Sepulveda, CA
North Texas HCS	Bonham, TX
Kerryville VAMC	Kerryville, TX
Kansas City VAMC	Kansas City, MO
Roseburg HCS	Roseburg, OR
Lake City VAMC	Lake City, FL
Tomah VAMC	Tomah, WI
Illiana HCS	Danville, IL
Central Texas VA HCS	Temple, TX
Lebanon VAMC	Lebanon, PA
Western NY HCS	Batavia, NY
Wichita VAMC	Wichita, KS
Central Iowa HCS	Des Moines, IA
Central Iowa HCS	Knoxville, IA
Martinsburg VAMC	Martinsburg, WV
Northern Indiana HCS	Marion, IN
Northern Arizona VA HCS	Prescott, AZ
Overton Brooks VAMC	Shreveport, LA
Coatesville VAMC	Coatesville, PA
Eastern KS HCS	Topeka, KS
White River Junction VAMC	White River Junction, VT
Montana HCS	Fort Harrison, MT
Tuscaloosa VAMC	Tuscaloosa, AL
Amarillo VAHCS	Amarillo, TX
Togus VAMC	Augusta, ME
CAVHCS	Tuskegee, AL
Chillicothe VAMC	Chillicothe, OH
Bath VAMC	Bath, NY
Black Hills HCS	Fort Meade, SD
Salem VAMC	Salem, VA
Sheridan VAMC	Sheridan, WY
Butler VAMC	Butler, PA
Iron Mountain VAMC	Iron Mountain, MI

Phase 3 of the SRI begins with the addition of these sites to the Secretary's EUL priority list. VA will conduct additional feasibility and market analysis as well as market the selected sites for enhanced-use leasing opportunities and award long-term leases as deemed appropriate to complete this phase.
Another form of disposal is the Federal asset sales initiative.

Federal Asset Sales Initiative

Background

Each year, the Federal government sells personal and real property assets to the public, valued at billions of dollars. Previously, individual Federal agencies used a variety of methods to sell these assets and provided related-asset sale information. An initiative, FAS, was added to the President's Management Agenda (PMA) to bring conformity to the variety of methods used to sell Federal assets. OMB and GSA subsequently moved forward as the sponsor and project lead.

Current VA Environment

VA is among the few Federal agencies with the authority to sell its real property assets independent of the General Services Administration (GSA). VA also reports asset disposals—including sales—in the annual FRPC reporting requirements.

Personal Property - VA has already migrated to GSA (a designated FAS Sales Center) to sell VA surplus personal property. GSA is the sales agent for VA personal property and has responsibility for reporting.

Real Property - Loan Guaranty (Residential) – VA does not market properties directly through GSA, due to contractual restrictions with their loan servicing companies. VA is the sales agent for residential real property. VA listings are linked to the FAS website. Quarterly residential sales are now provided to GSA in response to FAS requirements.

Buildings and Land/Facility Infrastructure – On March 22, 2006, VA Directive and Handbook 7633 was issued identifying the options for managing underutilized real property in VA's capital asset portfolio. Directive and Handbook 7633 includes a specific listing of the VA recognized options for reducing the underutilized capacity of VA real property. These options include Enhanced-Use Lease authority, Transfer authority, GSA disposal, Like-kind Exchange of Property, Mothballing, Deconstruction and Demolition. All VA facility disposals are reported to the FRPC/GSA annually.

In FY 2008, VA completed all planned milestones and implemented Federal Asset Sales quarterly reporting. So far, this reporting has been limited to residential property sales. VA's FRPC reporting was expanded to include required FY 2007 elements, including lease maintenance and lease authority indicators and disposition net proceeds and disposition recipient. Both reporting efforts were completed as planned and scheduled.

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CHAPTER 6: MANAGEMENT TOOLS AND INITIATIVES

Capital Asset Management System

In September 2004, VA completed implementation of a state-of-the-art capital asset management system (CAMS). The CAMS has the inter-portfolio capability to view assets by their life-cycle stage and across different asset type portfolios. Data is captured at the individual site level and structured in a relational database so that a full range of views, such as alpha and numeric sorts and roll-ups are possible.

One of the more successful features of CAMS is its ability to use existing source systems data. Local data managers can continue to use already familiar systems, and CAMS performs regular electronic extracts of that data for analysis and reporting purposes. VA's Office of Asset Enterprise Management (OAEM) has worked in close collaboration with other VA offices to ensure the validity and integrity of the data sources that feed into CAMS. OAEM issues periodic data calls supported by Q&A teleconferences and written guidance posted to the OAEM web site. CAMS extracts the following key capital asset-related data from several Departmental and VA Administration data sources:

- General – Inventory
- Condition
- Financial Data
- Workload (projections, planned, actual)
- Utilization
- Energy Usage

CAMS allows for web-based input of concept papers, planning, and acquisition business case applications. The data is organized, analyzed, and presented to track and monitor VA's assets against performance goals within and across asset types and administrations.

CAMS provides several outcomes that result in improved service delivery to veterans and increased financial accountability to the general public. The impact of this innovative technology is demonstrated by CAMS ability to:

- Integrate asset management and governance at multiple levels
- Improve financial and analytical capability
- Improve performance management
- Provide for increased and better-informed decisions
- Improve service delivery

The CAMS initiative supports the President's Management Agenda (PMA) and Executive Order 13327, Federal Real Property Asset Management. CAMS has positioned VA to fully contribute to and comply with Federal Real Property Council (FRPC) guidance.

VA's capital portfolio goals are closely tied with the asset management core objective - to provide a safe and appropriate environment for the delivery of benefits to veterans in a cost-efficient manner. In FY 2005, VA implemented the Federal Real Property Council (FRPC) Tier 1 goals and aligned VA and FRPC goals. In FY 2006, VA incorporated the additional disposal data elements required for FRPC reporting; implemented environmental and life safety performance measures to show compliance of VA buildings; and integrated energy reporting with real property management. Disposal reports, including actual and planned assets for disposal, were generated from CAMS. Lastly, in FY 2006, Energy Star Portfolio (an Environmental Protection Agency (EPA) program) quarterly reporting was automated, along with Annual Energy Performance reports. This improved integration promotes consistent data and complete picture of real property performance. In FY 2007, FRPC reporting was updated to include disposition net proceeds, disposal recipient, as well as lease maintenance and lease authority indicators. VA updated its financial system to reflect specific energy costs, not just traditional energy.

CAMS is the main tool that allows VA to comply with this complex type and level of asset performance measurement. VA is one of the leaders in real property management, continuing to achieve a "Green" status for its real property initiatives and scorecard. Within VA, CAMS has already had an impact on capital asset data management. Inventories have been improved, related costs are more accurately tracked and numerous pre-existing asset-related databases have been linked and coordinated. The CAMS process has generated a renewed focus on capital asset matters at all levels of the Department.

Business Intelligence (BI) is the next generation of CAMS scheduled for full implementation in January 2009. Phases leading up to installation include detailed system testing in the third quarter of FY 2008; user acceptance testing in the fourth quarter of FY 2008; and production parallel processing in the first quarter of FY 2009. Key users from the Office of Asset Enterprise Management (OAEM) as well as representatives from other VA administrations received an initial training class in May 2008.

Reporting

CAMS is the Department's recognized system for tracking and reporting on capital assets. CAMS is a web-based portfolio management system that facilitates asset management at all strategic levels within the organization. Each organizational level may be interested in viewing specific performance goal and various health measure reports. The system is designed to provide these views for each level in order to facilitate the management of assets and produce an improved portfolio of assets.

Current performance and trends in asset performance can be determined using available system tools such as scorecards and investor maps.

VA senior managers and administration authorities have the ability to access the system and review performance of various asset categories in their network. They take a front-line approach to ensuring that assets are performing as expected. Performance achievement is quantified in the system and can be measured to determine if goals and expected gap closures are being met. The frequency of this review can be determined by the field users.

Higher level management at the administration and Department level is more concerned with performance on a more global level of review. Performance of entire categories of assets can be compared and viewed. If performance issues arise, information can be drilled down to determine the specific asset for which corrective action may need to be taken. Portfolio management decisions can be determined based on reports generated at this level.

VA reports capital asset performance in executive-level (Deputy Secretary) monthly performance reviews. The report highlights asset performance on VA's portfolio goals, FRPC and energy measures. The report identifies regions with asset performance outside 10% of VA's strategic targets. Explanations or action plans to address outlying performance are included in the report. VA provides regular asset performance reports to the Office of Management and Budget for the President's Management Agenda Real Property and Energy Initiatives. CAMS enables VA to respond to ad hoc report requests from Congress, the Government Accountability Office, and others.

VA Human Capital Strategy

The Department has taken several actions to ensure project managers, capital asset managers, and procurement officials have the proper training and skills necessary in order to carry out their positions effectively. The actions are as follows.

<u>Training</u>
Training is an integral part of human capital strategy. VA staff receives the necessary capital training both in-house and through the private sector. One example of in-house training is the instruction provided on CAMS, which is essential for capital asset managers to implement sound operational policies for the effective management of departmental assets. The goal of this training is to orient staff of the Capital Asset Management Offices, to their roles in VA's capital investment process, and provide users with a working understanding of VA's CAMS. The training session is also used to create a mindset of monitoring assets based on performance and identifying when an asset is no longer fit to operate.

Another example of instruction provided by VA is the comprehensive training seminars on the preparation of the Exhibit 300 business cases to ensure each application is completed consistently and successfully. VA has also developed a *Capital Investment Methodology Guide* to serve as a reference for preparing capital investment applications. This guide is available online to all VA users and explains the investment process, decision-making criteria, and step-by-step instructions on how to complete VA business cases. The specific link to this training tool is provided in Appendix F.

Contracting Specialists and Contracting Officers Technical Representatives (COTR) also receive certified training to perform VA acquisitions and contract monitoring for leases, agreements and construction. Mandatory contracting officer courses include acquisition planning, contract formulation, price analysis, contract negotiation techniques, cost analysis, contract administration, and contract law. COTRs are required to attend certified training every two years to perform the duties assigned by a warranted contract officer.

VA sets high standards for its capital asset managers, project managers and other positions that have a capital-related function. For example, VBA Facilities Management staff are completing Project Management training, a seven-course curriculum provided by George Washington University, resulting in formal certification. Procurement and contracting officials above the GS-13 grade level are required to have a certified warrant with contracting authority commensurate with the level of the contract; and hold a 4-year bachelor's degree supplemented by at least 24 semester hours in any combination of the following fields: accounting, business, finance, law, contracts, purchasing, economics, industrial management, marketing, quantitative methods, or organization and management. Contracting staff who do not meet these educational prerequisites will have to meet the basic requirements in order to qualify for promotion to a higher grade. Waivers can be granted if an applicant can demonstrate specialized experience and the applicant possesses significant potential for advancement to levels of greater responsibility.

Guidance and Policies

VA has established capital policies that provide VA staff the rules, appropriate procedures and management tools related to effective capital asset management. This guidance includes the key directive, Capital Asset Management. This directive was issued in August 2003 and established a uniform framework for VA's capital asset policies, standards, and business practices. The VA-wide Capital Asset Management policy requires all offices to ensure decisions and initiatives are planned and executed with the goal of constructing a corporate capital asset portfolio of maximum functional and financial value. It also assists in ensuring all VA capital asset management policies complement the Department-wide framework. The policy incorporates common government-wide terminology (such as "portfolio management," "life-cycle management," and "cost-effectiveness analysis") to ensure consistency and a uniform capital investment process. In addition, the policy states that decisions regarding investment, management, and disposal of VA's capital assets will be based on a corporate capital asset programming framework built from a uniform set of key components, reflective of the following four principles:

Life-Cycle Management. Policies, procedures, and business practices should facilitate effective management of capital assets at all life-cycle stages (formulation, execution, steady state, and disposal). A life-cycle management approach incorporates asset management practices to monitor and assess asset performance using operational and financial criteria (e.g. utilization, functionality, condition, value, and cost of asset ownership).

VA Adoption of Building Information Modeling VA has adopted the use of Industry Foundation Class (IFC) compliant parametric Building Information Modeling (BIM) for all new major construction projects starting with design in FY 2009. The use of this innovative technology will improve program tracking, building systems coordination, foster much improved visualization of the design and construction process, ultimately reduce costs, better manage risk, and provide data for operation and maintenance during the life cycle of these buildings. The ability to transfer data between software systems using IFC protocol means design information can transfer directly for construction and facility management purposes reducing time, money, and errors.

Empowerment of Accountable and Qualified Asset Decision-Makers. All VA offices must internally identify the specific offices and/or positions within their organization, as well as their scope of responsibility and level of accountability that provide capital asset-related functions and skills. The goal is to ensure VA has the professional staff with sufficient knowledge, training, skills, and expertise to ensure the integrity of VA's capital asset management systems.

Due Diligence. Stewardship of VA's capital asset portfolio requires "good-faith" compliance with applicable laws, regulations, policies, and procedures; full accounting of all costs; prudent oversight and evaluation; and strong administrative controls. "Due diligence" reviews are conducted by the administrations and staff offices. Reviews cover a wide range of issues (e.g., checklists and protocols for environmental requirements; assessments; liabilities; impacts; property entitlements or encumbrances; and closing documentation needs) as appropriate.

Maximizing Benefits to Veterans. Maintaining VA's capability to perform mission-critical functions and seeking to effectively and efficiently maximize benefits to veterans should always be the primary consideration in every capital asset-related decision.

Energy, Environment and Transportation (EE&T) Management

Background

In January 2007, the President signed Executive Order (EO) 13423 - Strengthening Federal Environmental, Energy and Transportation Management, which raised the bar on the energy requirements contained in 2005's Energy Policy Act and addressed environmental and transportation (vehicle fleet) management improvements in an integrated approach. In order to address the new requirements contained in EO 13423, VA integrated its Department-level transportation and environmental management policy and program offices with the energy policy and program office that VA established in 2003 within the Office of Asset Enterprise Management.

EE&T Programs and Program Management

The Office of Asset Enterprise Management (OAEM) continues as the lead office in all Department-level energy initiatives, and in June 2007 became the lead office for environmental and transportation management initiatives as well. OAEM is participating in inter-agency workgroups and related sub-group meetings in all three areas, including: the Inter-Agency Energy Management Task Force; the Interfuels Working Group; the Federal Energy Savings Performance Contracting (ESPC) Steering Committee; the Federal Electronics Stewardship Working Group; the Interagency Sustainability Working Group; the Environmental Managements Systems Working Group; and others. OAEM is updating existing energy, environment and fleet management programs, policies, and other guidance to reflect the myriad new mandates put in place in these areas since 2005 and lessons learned from implementing existing programs.

Energy - In response to the Energy Policy Act of 2005 (EPAct 2005), VA established a Department-wide Energy Management Task Force to address new requirements and to accelerate the adoption of energy efficiency practices and prudent energy investments throughout VA. The Task Force authored an Energy Management Action Plan that currently serves as VA's blueprint for addressing Federal energy mandates and internal goals. The Task Force is updating the Action Plan to reflect EO 13423 and EISA 2007 requirements.

Transportation - VA is pursuing a similar approach for its transportation management program effort. VA chartered a Fleet Management Task Force in 2007, drafted an Action Plan, and expects to improve its performance in this area in the future as the plan is refined, finalized and implemented.

Environmental – VA established an Environmental Management Task Force and is developing an Environmental Management Action Plan via a working group. This

Plan incorporates and updates existing plans that address targeted areas, including a VA Chemicals Management Plan and Electronics Stewardship Plan.

Data and Reporting

Energy - In FY 2007, VA again added new energy reporting categories to CAMS to fulfill new annual reporting requirements. The expanded energy data was included in FY 2007 reporting to DOE. In FY 2006, VA began an automated benchmarking process in partnership with the EPA's Energy Star program. Using online tools and computer programming, VA in FY 2007 continued quarterly energy benchmarking of all its hospitals via this process.

Environment - Data on VA's environmental management systems is entered into and scored via the inter-agency database located on the FedCenter website. VA collects data for the annual Resource Conservation Recovery Act (RCRA) reporting effort via an in-house automated survey tool. As RCRA reporting requirements change, VA changes the survey tool to reflect what is needed.

Transportation - VA enters key transportation fleet data into an inter-agency database -- the FAST database -- and is able to view and report on the data using FAST analytical tools. In addition, VA has created an internal database, CARS, to track key information about VA fleet vehicles around the country.

Sustainability – As part of its effort to create the VA Sustainable Buildings Implementation Plan, VA is conducting a survey to estimate the amount of sustainable features existing inventory reflects. Sustainability indicators are being added to appropriate VA databases so that improvements in both individual and overall levels of sustainability can be tracked.

Results

Energy - VA's improvement in energy management since 2005 is evident in the OMB energy management scorecard status rating, which was "red" initially but has been "green" for the past two years. Accomplishments include: 1) establishing a central energy business office to serve all of VA's energy-related contracting needs; 2) completing regionally-based energy assessments of over half of VA facilities in two years; 3) placing facility energy managers in the field to cover all VA facilities and designating a manager for each region; 4) developing a sustainable design and energy reduction manual applicable to all new construction and major renovation projects; and 5) screening all VA facilities for renewable energy project potential; and 6) launching a renewable projects pilot program under which two sites are receiving solar PV systems, two solar thermal systems are being repaired, one site is installing a wind turbine, and a geothermal system is going in at another location.

Environment - VA chartered and began meeting as a Department-level Environmental Management Task Force to finalize and implement an Action Plan.

The draft Plan integrates and addresses a number of previously discrete environmental initiatives. VA accomplishments to date include: 1) maintaining an up-to-date environmental website resource for both internal and external audiences; 2) executing annual web-based training on green purchasing and other aspects of EO 13423/RCRA 6002/FSRIA 9002 implementation and reporting; and 3) forming a Sustainable Buildings Council and crafting an Action Plan to serve as a blueprint for meeting Federal sustainability mandates.

Transportation - A newly-formed Task Force has developed a draft Action Plan and is already implementing key elements. Successful initiatives since 2005 include: 1) exceeding the annual required procurement level of alternative fuel vehicles for the past two years; 2) implementing an improved in-house fleet vehicle database; 3) appointing 21 regional fleet managers; and 4) developing and conducting web-based training for fleet reporting.

Collaboration with Department of Defense

There have been many efforts by Congress and the Executive Branch to target increasing cooperation and sharing between VA and the Department of Defense (DoD) in order to improve the efficiency and cost-effectiveness of healthcare delivery for beneficiaries.

The President established a task force to identify the forces that present challenges to cooperation. The President's Task Force to Improve Health Care for Our Nation's Veterans was established by Executive Order 13214 on May 28, 2001. To formalize this goal and institutionalize collaboration between Departments, the President made "Coordination of Veterans Affairs and Defense Programs and Systems" one of the 15 management initiatives in the President's Management Agenda. The Task Force was charged with identifying opportunities for improved coordination between the two departments as well as barriers and challenges that impede VA/DoD coordination. The Task Force completed its work and submitted the final report to the President in May 2003. In pursuit of the President's Management Agenda and in concert with the Task Force's organizing principles, the VA/DoD Construction Planning Committee (CPC) was created under the VA/DoD Joint Executive Council (JEC) chaired by the Deputy Secretary of VA and the Under Secretary of Defense for Personnel and Readiness. The CPC was established to provide formalized structure to facilitate cooperation and collaboration in achieving an integrated approach to capital coordination that considers both short-term and long-term strategic capital issues and is mutually beneficial to both departments. The primary focus of this group is to ensure collaborative opportunities for joint capital asset planning are maximized. The CPC also serves as the clearinghouse for the final review of all joint capital asset initiatives submitted by any element of the JEC. The CPC is comprised of individuals with comprehensive knowledge of relevant policy issues within their respective agencies with regard to capital asset planning, investment, and management.

The CPC identified opportunities and challenges to capital collaborations for FY 2009 through 2013 and is working to establish overarching funding principles applicable to joint collaborations. The CPC assesses DoD's excess real property identified through the Base Realignment and Closure (BRAC) program in meeting VA requirements. The CPC also serves as the clearinghouse for review of construction, leasing, and real property dispositions proposed by any element of the VA/DoD JEC structure.

VA/DoD Joint Strategic Plan

The VA/DoD Joint Strategic Plan targets the improvement of management of capital assets, procurement, logistics, financial transactions, and human resources. The CPC is tasked to identify collaborative construction initiatives and pilot a core group on three sites identified through the CARES and BRAC processes. This core group will facilitate the successful formulation of three major initiatives.

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CHAPTER 7: RECENT ACCOMPLISHMENTS AND FUTURE GOALS

Since the publication of VA's first AMP, the Department has made increased progress in managing its real property at strategic and programmatic levels. In keeping with guidance from the FRPC, the Energy Policy Act of 2005 and other Federal mandates, VA accomplishments address the specific areas of: 1) capital projects leading to increased asset performance; 2) asset disposal; 3)improving energy, environmental and transportation management, increasing energy efficiency, and reducing environmental impact; and 4) performance measures and reporting. Below is an overview of recent strategies and their respective program and technical accomplishments that shows recent VA progress.

Recent Accomplishments

<u>Capital Projects Leading to Increased Asset Performance</u>

Capital Asset Realignment for Enhanced Services (CARES)

- Implemented CARES Program – forty projects, not including Gulfport or New Orleans, are in process:
  - Five projects are complete;
  - The status of the remaining thirty-five is as follows:
    - Design phase – 10
    - Construction – 17
    - Planning and Site Selection – 8,
- Medical Centers maintaining status quo with continued sustainment and improvements to capital assets:
  - Big Spring, New York Harbor Health Care System, Montrose, Muskogee, and Popular Bluff
- Medical Centers needing capital construction investments to carry out decision:
  - Canandaigua, Castle Point, Lexington, Louisville, Livermore, Montgomery, Perry Point, St. Albans, Waco, Walla Walla, West Los Angeles, and White City VA Medical Centers (VAMCs)
    - Waco, TX – Current services are being retained and meet requirements for a Center of Excellence for Post-Traumatic Stress Disorder; Also directed to pursue reuse of vacant buildings and land through VA's Enhanced-Use Lease Program.
    - Walla Walla - Directed to use existing contracting authority to provide inpatient and nursing home care and to explore partnerships and other opportunities to utilize the historic campus.
    - White City – Directed that a capital plan be developed that: 1) combines new construction and renovation; 2) replaces several domiciliary buildings through new construction; and 3) expands

ambulatory specialties and outpatient mental health services (should consider enhanced-use leasing opportunities)
    - St. Albans – Directed that a capital plan for new construction be developed for the new nursing home, domiciliary and outpatient clinic.
    - Lexington - directed that the inpatient and outpatient facilities be replaced; all new construction will be on the southeast portion of campus. Existing buildings and part of campus will be available for reuse after construction is completed.
    - VA acquired 4.3 acres of land adjacent to the James A. Haley Veterans' Hospital, Tampa, Florida to relocate ambulatory care and administrative services to existing buildings on the site and expand the hospital parking.
    - A lease contract for 28,000 SF of clinical space for the Knoxville, Tennessee, outpatient clinic was awarded.
- Gulfport, MS, was removed from the study due to Hurricane Katrina

<u>Enhanced-Use Leasing</u>

- Awarded EUL projects of various complexities.
- Developed the EUL directive and handbook to provide guidance on the streamlined process.
- Assisted with CARES sites for Reuse coordination and evaluation with proposed capital improvements at nine VAMC sites.
- Implemented Post Transaction Oversight Tool (PTOT) – Desktop tool to efficiently and effectively monitor and comply with the terms of the executed EU leases.
- Initiated the Healthcare Center Facility (HCCF) studies; to provide alternatives to major construction backlog while increasing veterans accessibility and services provided.
- Completed the National Site Review Initiative on which 34 sites were selected for EUL projects for homeless housing or market driven EUL's with a homeless component.
- Completed the National Site Review Initiate on 15 sites for market driven opportunities whose benefits will provide enhanced services to the veterans, which may includes homeless housing.
- Completed the executed EUL physical files reorganization and merger with VHA's records.
- Completed executed projects electronic database which contains of all the major documents related to an EUL in an Adobe Acrobat format.

<u>Physical Security</u> - Progress has been made by VHA in the area of physical security for Federal real property assets, demonstrating leadership in multi-hazard protection of VA facilities. Accomplishments are as follows:

- Developed Physical Security Assessment Methodology for VA Facilities, September 2002.
  - This multi-hazard risk assessment process includes identifying and ranking risks and vulnerabilities, with suggested remedial actions to mitigate the major vulnerabilities at prioritized mission critical facilities.
- FEMA requested VA assistance to evolve VA's assessment process into a system suitable for both private and other public facilities:
  - This collaborative effort resulted in FEMA's Reference Manual to Mitigate Potential Terrorist Attacks Against Buildings (FEMA 426; Published December 2003) and Risk Assessment: A How-To Guide to Mitigate Potential Terrorist Attacks (FEMA 452, Published January 2005). The Department of Homeland Security took the unusual step of placing VA's seal with theirs on the cover of FEMA 452 to express's their appreciation of VA's assistance.
- Beginning in FY 2005, VA included funding for Physical Security Enhancements in the Major Construction Program budget request.
- Completed Physical Security Assessments of 140 of VA's most mission-critical facilities in 2006
- Secretary concurred in VA Physical Security Strategies Report in May 2006.
  - The report outlined 24 elements to enhance the protection of VA facilities and improve their ability to remain in operation and protect the safety of veterans, staff, and visitors. This program includes requirements for four categories of VA facilities, both new and existing, mission critical, which must remain in operation, and life safety protected facilities.
- Completed final draft of Physical Security Design Manual in December 2006.
  - The manual is based on the Physical Security Strategies Report. Physical Security Design Manual was released in July 2007.

Hurricane Assessments

VA has conducted hurricane assessments of its medical centers and major clinics located in hurricane prone locations. These assessments identified current capabilities, deficiencies and recommended mitigations to upgrade infrastructure to improve the capability of the facilities to remain in operation after a major hurricane and related flooding emergencies. Estimated strategic budget projections to remediate deficiencies were also included in the report. Major infrastructure systems and cost breakdowns included:

- Standby power; full electrical system and fuel storage;
- Water: potable, industrial, sewage – supply and/or storage;
- Enclosure: building skin, glazing, roof, canopies, etc.; and
- Flood protection.

Asset Disposal

- Developed a real property disposal policy, Managing Underutilized Real Property, Including Disposal (VA Directive and Handbook 7633). The real property disposal policy provides a standard methodology and criteria for identifying appropriate underutilized assets for disposal.
- Disposed of 42 buildings in FY 2005, 77 buildings in FY 2006 and 52 in FY 2007. 155 buildings are planned for disposal in FY 2008, and 87 buildings in FY 2009 are planned.
- Submitted annual disposal plans of underutilized and vacant property.
- Submitted quarterly Disposal status report to OMB (Office of Management and Budget).

Energy, Environment and Transportation Management

- Are implementing and maintaining current an Energy Management Action Plan that is serving as a blueprint for meeting Federal mandates and achieving internal goals.
- Established a Green Buildings Council and Action Plan.
- Energy-related contracting services for all of VA being provided through a centralized business office.
- Published a Sustainability and Energy Reduction Design Guide on public website. Use of the Guide is mandatory for all new construction and major renovation projects.
- Acquired more than required number of alternative fuel vehicles, and made improvements to internal database to help track efforts to meet all fleet alternative fuel mandates.
- Hired 42 facility-level energy managers
- Completed region-wide facility energy assessments for about 25% of VA facilities.

Performance Measures and Reporting

- Fully complied with FRPC requirements to track and report asset inventory and performance at the constructed-asset level in FY 2005, FY 2006, and FY 2007.
- Implemented a capital asset performance review on a quarterly basis as part of the Monthly Performance Reviews (MPR) at the executive-level.
- Updated data source systems to comply with additional FRPC reporting requirements.
- Updated CAMS to meet energy reporting requirements.
- Updated CAMS to track and report environmental and life safety compliance.
- Updated lease benchmarks.
- Completed Facility Condition Assessments at 31 VAMCs.
- The steady-state space model (SpaceDriver) was updated using the latest workloads for all VAMCs.

- Completed Phase I of NCA Facility Condition Assessments (FCA).
- Reviewed, updated and corrected the status of all NCA assets for the Capital Asset Inventory (CAI).
- Completed new certified Leadership in Energy and Environmental Design (LEED) at regional office in Reno, NV and Ft. Harrison, MT.
- Developed Enhanced Data Validation Plan.
- Developed and Completed VA Federal Asset Sales Strategy, Milestones and reporting requirements.
- Worked with CFM (Construction and Facilities Management) to reconcile financial policy on deferred maintenance and Facility Condition Assessment (correction costs).
- Developed Business Intelligence (BI) Project Plan, Technical Architecture and Development Environment.
- Completed VA Energy Star submission.
- Updated CAMS to track and report environmental and life safety.
- Developed and Implemented Environment of Care Report.
- Coordinate Real Property efforts with FLITE (Financial and Logistics Integrated Technology Enterprise) and SAM (Strategic Asset Management) implementation.

Current and Future Goals/Milestones

To maintain the momentum and build on the recent accomplishments, VA has plans in place for continuing improvements toward maintaining the right number of assets at the right costs. Planned action over the next two years includes:

FY 2008

- Continue CARES implementation;
- Align capital investments to FRPC Tier 1 measures;
- Work towards improved collaboration and partnership with the Department of Defense regarding capital projects;
- Expand facility and asset benchmarking to ensure costs align with market rates;
- Issue VA Physical Security Standards to include a Physical Security Design Manual addressing new and existing, mission-critical and life safety protected VA facilities;
- Implement a VA process and strategy for Department review of progress in addressing physical security vulnerabilities in facilities that have had a physical security assessment completed;
- Complete energy assessments of approximately 60 facilities in six VISNs;
- Hire an additional 45 new energy managers to serve VA facilities;
- Implement renewable projects at pilot sites;
- Complete metering pilot installations and evaluate;

- Establish a VA Fleet Management Task Force and draft and Action Plan;
- Establish a VA Environmental Management Task Force and draft an Action Plan;
- Incorporate new elements into Green Buildings Action Plan to create a Sustainable Buildings Implementation Plan;
- Designate regional-level energy and fleet managers for all 21 VISNs;
- Continue annual FAS reporting;
- Facility Condition Assessments will be completed in 7 VISNS and 56 Stations;
- Implement FCA across NCA;
- New Boise, ID regional office is planned as an additional/alternate LEED certification;
- Incorporate FCA into:
    - Organizational Assessment & Improvement (OAI) Program
    - Minor Construction Prioritization Process (MCPP)

FY 2009

- Complete energy assessments for approximately 30 facilities in three VISNs;
- Award contracts for implementation of energy and water conservation;
- Hire permanent regional-level energy managers;
- Implement renewable energy projects at pilot sites;
- Implement building-level metering for selected VA sites based upon results of pilot;
- Implement elements of Fleet Management Action Plan;
- Implement elements of Environmental Management Action Plan;
- Implement elements of Sustainable Buildings Implementation Plan;
- Continue annual Federal Asset Sales (FAS) reporting; and
- Complete the studies on Health Care Center Facility (HCCF)
- New Boise, ID & Columbia, SC VBA Regional Offices are planned as additional/alternate LEED certifications
- Complete Facility Condition Assessments at four VBA locations: Fargo, Sioux Falls, Togus, & Wichita.

Future Federal Real Property Asset Management Goals

To support the implementation of Executive Order 13327 and the Real Property Asset Management Initiative, the Federal real property community has undertaken a series of improvement efforts intended to strengthen key areas of asset management to help ensure success. VA already complies with some of the priority actions and is in the early stages of developing a plan to comply with all of the initiatives. Government-wide reform activity initiatives are listed below.

Decision Analytics

Strategic Goal:
- Utilize available and reliable inventory and performance data to improve decision-making.

Interim Objectives:
- Review available inventory and performance data to determine the business questions that can be answered and which may be beneficial to agency management in decision-making.

Priority Actions:
- Identify the most eligible properties for sale in accordance with Section 408 of the DC Lands Act.
- Increase sharing of information among agencies on unneeded assets.
- Ensure use of asset specific performance data in decision-making process.
- Incorporate the Performance Assessment Tool (PAT) or the approved equivalent as one criteria or element in the process of portfolio management decision-making.
- Prioritize condition improvement investment actions based upon FRPP and agency specific data.

Legislative Agenda

Strategic Goal:
- Enact legislative remedies or other reforms to encourage business – like decisions throughout the life-cycle of real property assets as well as methods for streamlining the asset disposition process.

Interim Objectives:
- Obtain legislative authority to reform asset management and disposition, including the retention of sales proceeds.

Priority Actions:
- Enact the President's legislative proposal to allow Executive agencies to retain a portion of the net proceeds of sale which would be directed toward the agency's real property capital asset needs.
- Capture disposal results of agency specific disposal authorities already in place.
- Develop processes for identifying those unneeded assets suitable for disposition through an enacted President's disposal pilot.
- Analyze real property budget scoring issues.

- Identify potential remedies to streamline both the Federal transfer process and the application of the McKinney-Vento Act and National Environmental Policy Act.

Inter- and Intra- Agency Coordination

Strategic Goal:

- Improve coordination of crosscutting real property activities within and among Federal agencies.

Interim Objectives:

- Increase coordination of Federal Councils and Committees with real property related responsibilities including, Interagency Security Council, Advisory Council on Historic Preservation, and the National Capital Planning Commission.
- Identify and share, as appropriate, FRPC government-wide asset management activities with other governmental bodies that may leverage the guidance or activities.

Priority Actions:

- Increase sharing of information among Executive agencies on unneeded assets as required under Section 408 of the DC Lands Act.
- Identify other real property related requirements, (e.g. historic preservation, sustainable design) and review for opportunities to increase coordination.
- Assist the Interagency Security Council in their efforts to establish risk management policies and other measures.
- Encourage other government organizations to leverage FRPC definitions and reporting schema to meet other government-wide real property related needs.
- Formulate economic development case studies showing the benefits that third party stakeholders can receive through the disposal of unneeded and underutilized real property.
- Review FRPC approved guidance to determine what information can be shared with a wider audience (e.g. public).

CHAPTER 8: CONCLUSION

The AMP documents the Department's philosophy for managing its capital assets. VA incorporates this philosophy from acquisition/justification, funding, operations and maintenance of assets all the way through to disposal. The AMP provides guidance for all administrations across the Department to ensure capital investments are based on sound business practices to provide quality and cost-effective services to veterans. As a result, VA is able to: 1) provide a standard process for capital planning and need assessments; 2) apply sound business practices to analyze capital acquisitions; 3) analyze the process and performance of its capital assets; and 4) evaluate the effectiveness of VA's policies, principles, and standards for capital asset management.

VA adheres to FRPC guidelines, OMB Circulars, Presidential Management Initiatives, Executive Orders and legislative mandates in implementing its capital asset management program. The concepts and requirements of these Federal guidelines are integrated to provide a consistent approach to asset management across VA.

VA uses a life-cycle approach to manage its capital assets. Capital assets start in the formulation stage, where a concept definition and business case are developed to justify the capital asset investment. The formulation stage also includes business case approval and budget appropriation. For VHA, capital assets are part of the CARES process, which is VA's plan for aligning health care needs to areas experiencing greatest demand for services, improving the condition of facilities providing care, and reducing the quantity of underutilized and/or costly infrastructure. Next is the execution stage, where capital assets are monitored through the construction process according to time and cost schedules. After an asset is acquired or completed, the asset becomes operational and enters the steady-state stage. Operational assets are no longer tracked separately, but monitored for performance within the context of the facility or station. Steady-state assets are monitored and reported for decision-making based on cost, utilization, condition, and energy performance. Assets no longer needed enter the final stage of an asset's life cycle – the disposal stage. The asset arrives at this stage when VA considers removing the asset from its portfolio if the asset is determined to be underutilized, in too poor of condition, beyond its useful life cycle and/or too costly to maintain.

VA has different funding mechanisms to fund its capital asset requirements, such as Major Construction, Minor Construction, and Non-Recurring Maintenance funds. Each of these funding tools provides unique means to address both future capital asset requirements, as well as maintain assets to maintain performance and prevent further deterioration. VA continually reviews its methodologies for evaluating projects to ensure its most pressing needs are addressed.

VA has many tools for managing its significant portfolio of assets. VA's Capital Asset Management System (CAMS) is the Department's recognized system for monitoring and reporting on asset performance. The Department has multiple human capital strategies for ensuring VA personnel are effectively prepared for capital asset management responsibilities, such as training conferences and policy directives and handbooks. VA is establishing a variety of strategies and programs to significantly improve energy, environmental and transportation fleet management. Using its unique authority, VA employs a number of approaches to dispose of assets to benefit veterans. VA can create an enhanced-use lease or other agreement that maximizes the value of an excess asset. The Department also may elect to sell an asset and retain proceeds to improve veteran services. VA reports asset disposals in keeping with FRPC requirements and the Federal Asset Sales Initiative.

VA continues to seek alternative means to provide quality service to its veterans. VA is developing Healthcare Center Facility studies, or HCCF, as a means of improving both the access and environment of care for its veterans. These studies will assist in determining whether VA should lease space in lieu of seeking construction funding to address the current and future health care needs of veterans. In addition, VA continually looks to improve its internal processes and procedures to maximize resources for the delivery of high quality services. VA modified its project review process to allow more time for thorough cost and scope development as part of the 2010 budget process and beyond. By following this new review process, VA will be able to make better informed and more strategic decisions.

In summary, VA has made many advances in its capital asset programs. VA has incorporated a disciplined, tiered approach to strategically aligning assets to the needs of veterans based on sound business principles and cost effectiveness. VA continues to seek out innovations and best practices in capital asset management to improve the quality of services to veterans and responsible stewardship.

Appendix A – Capital Decision Criteria

Departmental Alignment
This criterion is comprised of priorities from the President's Management Agenda and Secretary's goals for improved management and performance across the Department (e.g., DoD collaboration, strategic realignment and intra-agency projects).

Service Delivery Enhancements
This criterion addresses how the capital investment meets CARES market plan implementation. It focuses requirements on improving customer service, access to quality health care, and identifying opportunities for maximizing the volume of veterans served to effectively reduce gaps in projected workloads.

Financial Priorities
This criterion addresses the specific financial metrics, benefits and risks of the selected acquisition when compared to other explored alternatives (e.g., comparing the life-cycle costs and net present value of leasing versus building).

Capital Portfolio Goals
This criterion addresses how the capital investment meets VA's capital portfolio goals such as increasing intra- and interagency and community-based sharing and decreasing underutilized assets and operating costs while enhancing revenue opportunities.

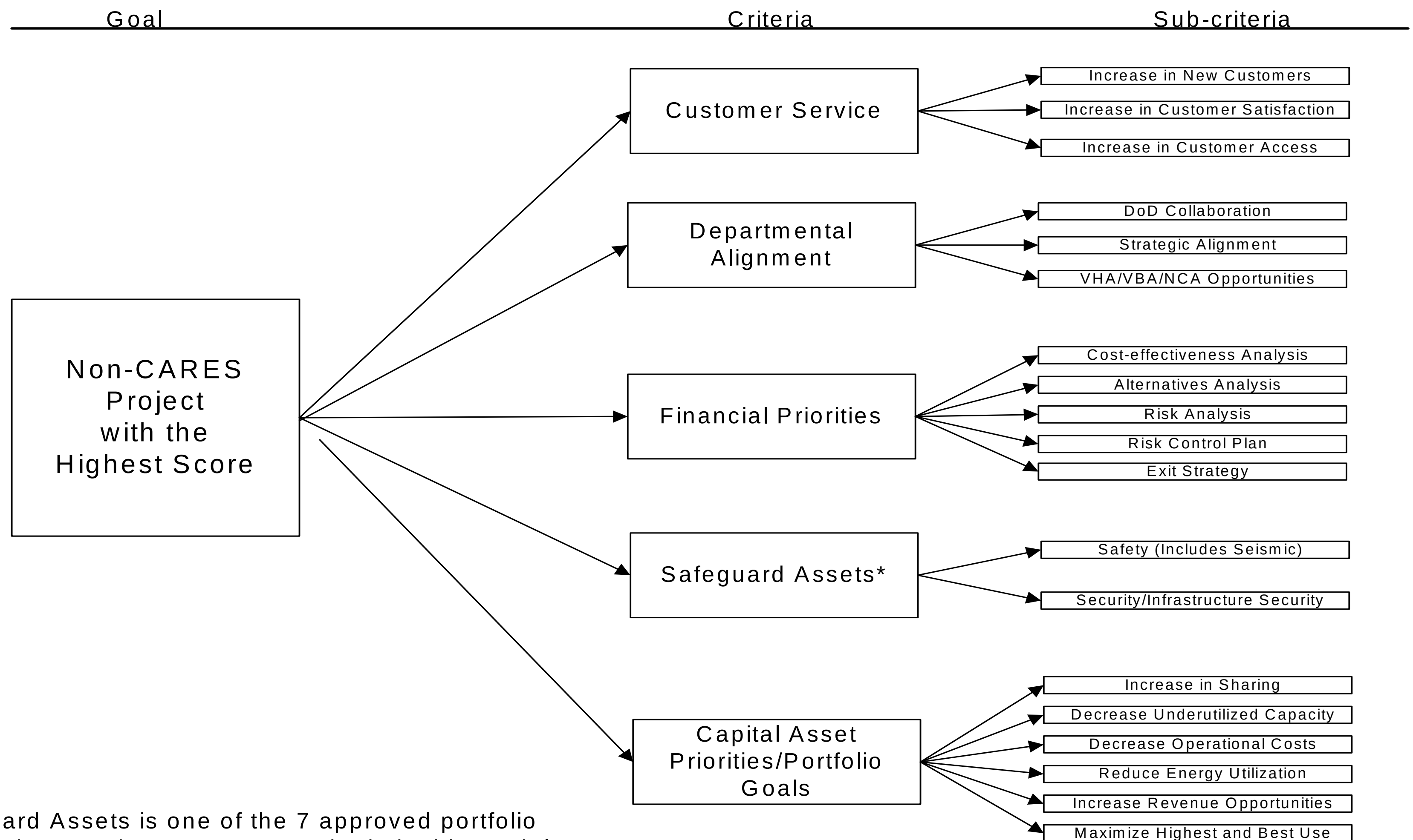
Safeguard Assets
This criterion addresses how well the capital investment results in a decrease in designated high-risk assets or increases the Department's compliance with safety, security, accessibility, and/or accreditation laws and regulations including seismic, life safety, and homeland security projects.

Customer Service
This criterion addresses the extent to which VA is providing quality customer service, which can be measured by evaluating the following criteria: Increase in New or Existing Customers, Customer Satisfaction, and Customer Access.

Special Emphasis
This criterion gives preference to those capital investments that substantially support special emphasis programs and services including: spinal cord injury and disorders; blindness; traumatic brain injury; serious mental illness; post-traumatic stress disorder; prosthetics/amputation and polytrauma rehabilitation.

APPENDIX B – CAPITAL INVESTMENT DECISION MODELS

Figure 1: FY 2009 Non-CARES Capital Investment Decision Criteria – Acquisition Model



* Safeguard Assets is one of the 7 approved portfolio goals but is scored as a separate criteria in this model.

Figure 2: FY 2009 CARES Capital Investment Decision Criteria – Acquisition Model

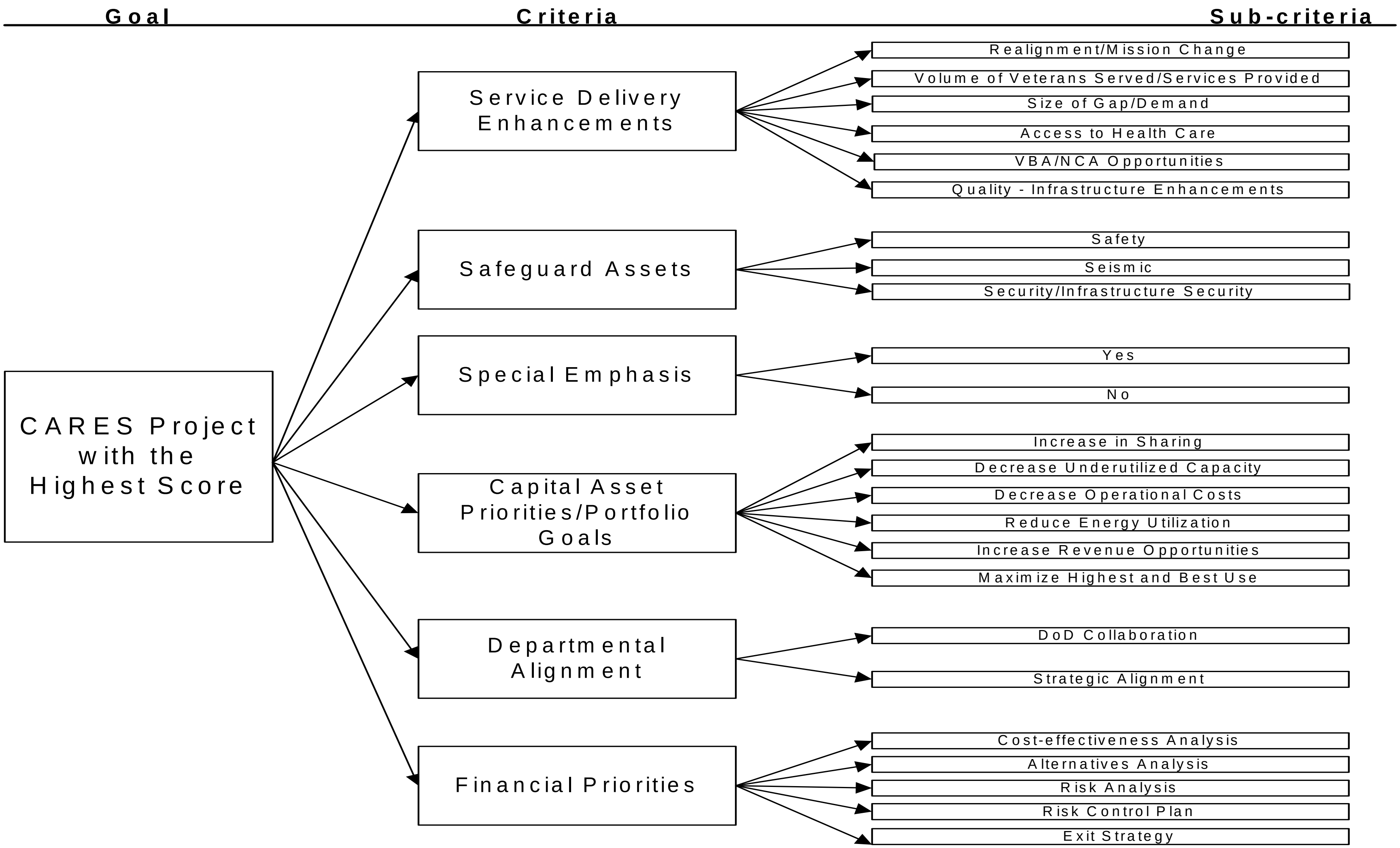
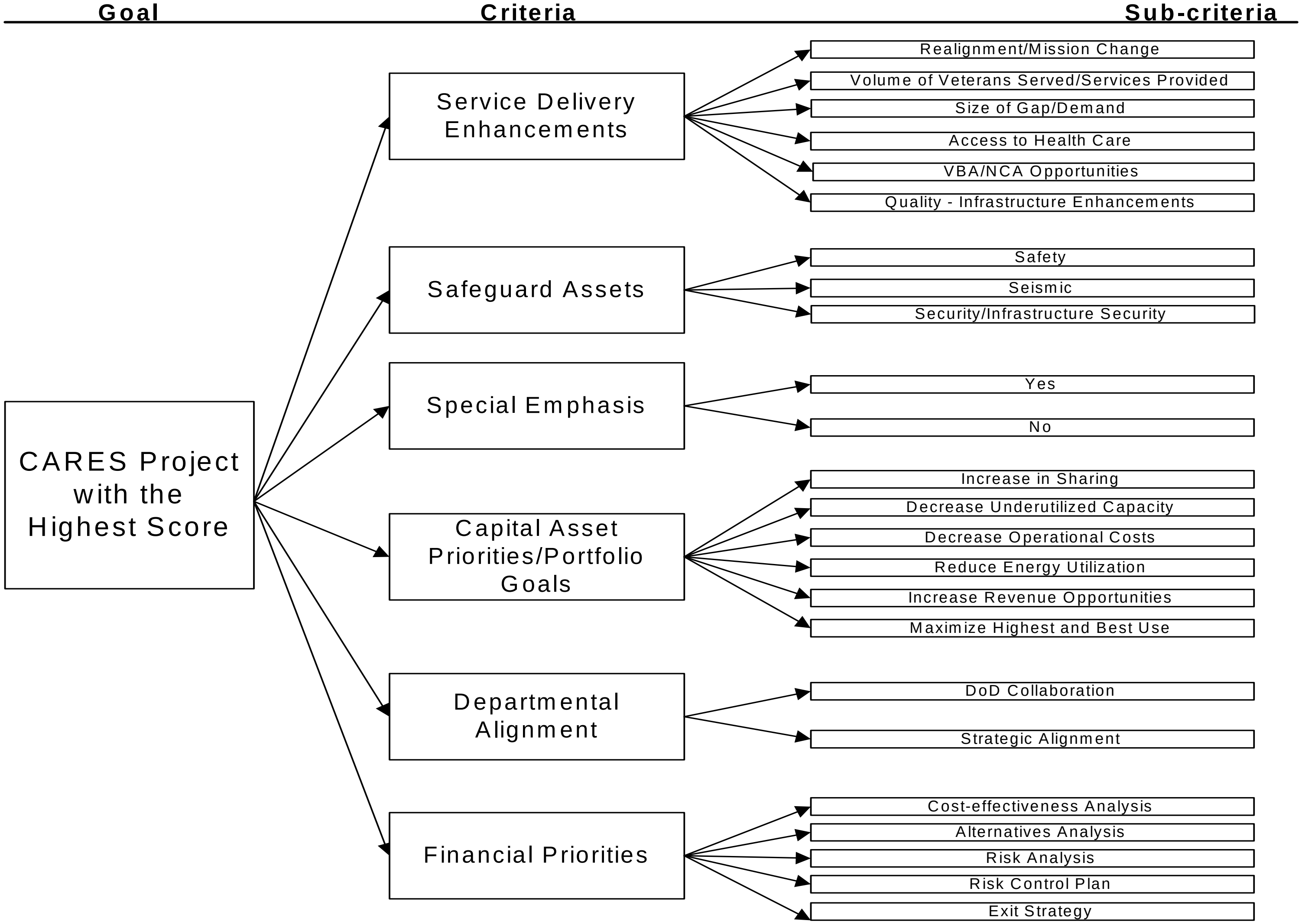


Figure 3: FY 2009 VHA Decision Criteria – Minor Projects Model



APPENDIX C – ACTUAL AND PLANNED DISPOSALS

FY 2005, FY 2006, and FY 2007 Disposal Report

Program	VISN	Building	Station Name	Disposal Modality	Disposal Complete Date
FY 2005					
NCA	1	3010	Calverton, NY	Demolition	06/27/2005
NCA	1	1101	Long Island, NY	Demolition	06/27/2005
NCA	1	3301	Loudon Park, MD	Demolition	06/27/2005
NCA	1	3001	Loudon Park, MD	Demolition	06/27/2005
NCA	1	3301	City Point, VA	Demolition	06/27/2005
NCA	1	3001	Alexandria, VA	Demolition	06/27/2005
NCA	1	3011	Calverton, NY	Demolition	06/27/2005
NCA	1	3W01	Long Island, NY	Demolition	06/27/2005
NCA	1	HA-4	Ft. Harrison, VA	Demolition	06/27/2005
NCA	1	HA-6	Ft. Harrison, VA	Demolition	06/27/2005
VHA	1	13	VACHS, West Haven	Demolition	06/01/2005
VHA	1	TR1	White River Junction	Demolition	12/01/2004
VHA	1	20T	White River Junction	Demolition	12/01/2004
VHA	1	T29	White River Junction	Demolition	12/01/2004
VHA	1	10	White River Junction	Demolition	12/01/2004
VHA	1	T44	White River Junction	Demolition	12/01/2004
VHA	5	10H	Perry Point	Demolition	12/06/2004
VHA	8	T46	Tampa	Demolition	06/01/2005
VHA	8	T45	Tampa	Demolition	06/01/2005
VHA	8	29	Tampa	Demolition	06/01/2005
VHA	8	T38	Tampa	Demolition	06/01/2005
VHA	8	T48	Tampa	Demolition	06/01/2005
VHA	8	T47	Tampa	Demolition	06/01/2005
VHA	8	T44	Tampa	Demolition	06/01/2005
VHA	9	Land	Murfreesboro (10 acres)	Transfer - State Home	09/27/2005
VHA	9	T2	Louisville	GSA Disposal	11/20/2004
VHA	12	158	Hines	Outlease	07/01/2005
VHA	15	24	Kansas City	Demolition	09/15/2005
VHA	15	T115	Marion, IL	GSA Disposal	08/26/2005
VHA	15	T112	Marion, IL	GSA Disposal	08/26/2005
VHA	16	T2	Jackson	Demolition	03/01/2005
VHA	17	1	Temple	Demolition	10/01/2004
VHA	17	22	Temple	Demolition	10/01/2004
VHA	17	18	Temple	Demolition	10/01/2004
VHA	17	17	Temple	Demolition	10/01/2004
VHA	20	T2267	Vancouver	Demolition	02/28/2005
VHA	20	T2291	Vancouver	Demolition	01/05/2005

Program	VISN	Building	Station Name	Disposal Modality	Disposal Complete Date
VHA	20	T2290	Vancouver	Demolition	01/05/2005
VHA	21	T2	Fresno	Demolition	09/05/2005
VHA	21	T1	Fresno	Demolition	08/10/2005
VHA	21	C	Reno	Donated	07/15/2005
FY 2006					
VHA	1	TR4	Providence	Demolition	05/30/2006
VHA	4	11	Pittsburgh, Aspinwall	Demolition	05/30/2006
VHA	4	20	Pittsburgh, Aspinwall	Demolition	05/30/2006
VHA	4	8	Pittsburgh, Aspinwall	Demolition	05/30/2006
VHA	4	15	Pittsburgh, Aspinwall	Demolition	05/30/2006
VHA	4	16	Pittsburgh, Aspinwall	Demolition	05/30/2006
VHA	4	23	Pittsburgh, Aspinwall	Demolition	05/30/2006
VHA	4	13	Pittsburgh, Aspinwall	Demolition	05/30/2006
VHA	4	10	Pittsburgh, Aspinwall	Demolition	05/30/2006
VHA	4	21	Pittsburgh, Aspinwall	Demolition	05/30/2006
VHA	5	T37	Fort Howard CBOC	EU	09/29/2006
VHA	5	ROT	Fort Howard CBOC	EU	09/29/2006
VHA	5	8	Fort Howard CBOC	EU	09/29/2006
VHA	5	37	Fort Howard CBOC	EU	09/29/2006
VHA	5	61	Fort Howard CBOC	EU	09/29/2006
VHA	5	T239	Fort Howard CBOC	EU	09/29/2006
VHA	5	T240	Fort Howard CBOC	EU	09/29/2006
VHA	5	63	Fort Howard CBOC	EU	09/29/2006
VHA	5	51	Fort Howard CBOC	EU	09/29/2006
VHA	5	57A	Fort Howard CBOC	EU	09/29/2006
VHA	5	57B	Fort Howard CBOC	EU	09/29/2006
VHA	5	59	Fort Howard CBOC	EU	09/29/2006
VHA	5	3	Fort Howard CBOC	EU	09/29/2006
VHA	5	9	Fort Howard CBOC	EU	09/29/2006
VHA	5	6	Fort Howard CBOC	EU	09/29/2006
VHA	5	14	Fort Howard CBOC	EU	09/29/2006
VHA	5	12	Fort Howard CBOC	EU	09/29/2006
VHA	5	11	Fort Howard CBOC	EU	09/29/2006
VHA	5	10	Fort Howard CBOC	EU	09/29/2006
VHA	5	13	Fort Howard CBOC	EU	09/29/2006
VHA	5	5	Fort Howard CBOC	EU	09/29/2006
VHA	5	T248	Fort Howard CBOC	EU	09/29/2006
VHA	5	T63	Fort Howard CBOC	EU	09/29/2006
VHA	5	T237	Fort Howard CBOC	EU	09/29/2006
VHA	5	T246	Fort Howard CBOC	EU	09/29/2006
VHA	5	70	Fort Howard CBOC	EU	09/29/2006
VHA	5	156	Fort Howard CBOC	EU	09/29/2006
VHA	5	16	Fort Howard CBOC	EU	09/29/2006

Program	VISN	Building	Station Name	Disposal Modality	Disposal Complete Date
VHA	5	44	Fort Howard CBOC	EU	09/29/2006
VHA	5	43	Fort Howard CBOC	EU	09/29/2006
VHA	5	228	Fort Howard CBOC	EU	09/29/2006
VHA	5	T247	Fort Howard CBOC	EU	09/29/2006
VHA	5	T244	Fort Howard CBOC	EU	09/29/2006
VHA	5	T241	Fort Howard CBOC	EU	09/29/2006
VHA	5	230	Fort Howard CBOC	EU	09/29/2006
VHA	5	226	Fort Howard CBOC	EU	09/29/2006
VHA	5	225A	Fort Howard CBOC	EU	09/29/2006
VHA	5	239	Fort Howard CBOC	EU	09/29/2006
VHA	5	237	Fort Howard CBOC	EU	09/29/2006
VHA	5	68	Fort Howard CBOC	EU	09/29/2006
VHA	5	15	Fort Howard CBOC	EU	09/29/2006
VHA	5	174	Fort Howard CBOC	EU	09/29/2006
VHA	5	64	Fort Howard CBOC	EU	09/29/2006
VHA	5	225	Fort Howard CBOC	EU	09/29/2006
VHA	5	T245	Fort Howard CBOC	EU	09/29/2006
VHA	7	133	Tuscaloosa	Demolition	10/18/2005
VHA	10	8	Chillicothe	EU	05/01/2006
VHA	10	TE	Cincinnati	Demolition	01/01/2006
VHA	11	28	Saginaw	Demolition	08/05/2006
VHA	11	27	Saginaw	Demolition	08/05/2006
VHA	12	7	Chicago, Jesse Brown	Demolition	12/31/2005
VHA	12	1	Chicago, Lakeside	Sale	10/01/2005
VHA	12	1A	Chicago, Lakeside	Sale	10/01/2005
VHA	12	7	Chicago, Lakeside	Sale	10/01/2005
VHA	12	9	Chicago, Lakeside	Sale	10/01/2005
VHA	15	T114	Marion, IL	GSA Disposal	05/20/2006
VHA	15	T113	Marion, IL	GSA Disposal	05/20/2006
VHA	19	11A	Salt Lake City	EU	09/22/2006
VHA	19	22	Salt Lake City	EU	09/22/2006
VHA	19	11	Salt Lake City	EU	09/22/2006
VHA	19	10	Salt Lake City	EU	09/22/2006
VHA	19	15	Salt Lake City	EU	09/22/2006
VHA	19	12	Salt Lake City	EU	09/22/2006
VHA	20	215	White City	Demolition	09/12/2006
VHA	20	216	White City	Demolition	09/27/2006
VHA	20	T2239	Vancouver	Demolition	01/15/2006
VHA	21	UST1	Fresno	Demolition	01/11/2006
FY 2007					
VHA	1	TR6	Providence	Demolition	10/1/06
VHA	4	B29	Pittsburgh, Aspinwall	Demolition	10/1/06
VHA	4	B28	Pittsburgh, Aspinwall	Demolition	10/1/06

Program	VISN	Building	Station Name	Disposal Modality	Disposal Complete Date
VHA	4	36	Butler	Demolition	4/30/07
VHA	4	43	Butler	Demolition	4/30/07
VHA	6	13	Beckley	Demolition	5/20/07
VHA	8	St1	San Juan	Demolition	2/20/07
VHA	10	402	Dayton	EU	4/19/07
VHA	12	38	Milwaukee	Demolition	11/30/06
VHA	12	47	Milwaukee	Demolition	11/30/06
VHA	12	84B	Milwaukee	Demolition	11/30/06
VHA	12	215	Hines	Transfer to VBA	3/19/07
VHA	15	T111	Marion, IL	Transfer to GSA	11/6/06
VHA	16	T49	Biloxi	Demolition	3/16/07
VHA	16	T48	Biloxi	Demolition	3/16/07
VHA	17	7	Temple	Demolition	10/15/06
VHA	18	T34	Amarillo	Demolition	4/5/07
VHA	18	52	Tucson	Demolition	4/6/07
VHA	20	T-3	Roseburg	Demolition	12/15/06
VHA	20	T-12	Roseburg	Demolition	12/15/06
VHA	20	T2115	Vancouver	Demolition	2/28/07
VHA	20	T2113	Vancouver	Demolition	2/28/07
VHA	20	T2107	Vancouver	Demolition	2/28/07
VHA	20	T2131	Vancouver	Demolition	4/30/07
VHA	20	T2116	Vancouver	Demolition	4/30/07
VHA	20	T2114	Vancouver	Demolition	4/30/07
VHA	20	T2279	Vancouver	Demolition	5/1/07
VHA	20	T2241	Vancouver	Demolition	5/15/07
VHA	20	T2265	Vancouver	Demolition	5/15/07
VHA	20	T2288	Vancouver	Demolition	5/15/07
VHA	20	T2125	Vancouver	Demolition	6/1/07
VHA	20	T2126	Vancouver	Demolition	6/1/07
VHA	20	T2289	Vancouver	Demolition	6/1/07
VHA	20	T2243	Vancouver	Demolition	6/1/07
VHA	20	T2286	Vancouver	Demolition	6/1/07
VHA	20	T2287	Vancouver	Demolition	6/1/07
VHA	20	COR	Vancouver	Demolition	6/1/07
VHA	20	T2127	Vancouver	Demolition	6/1/07
VHA	20	T2263	Vancouver	Demolition	6/1/07
VHA	21	AB3	NCHCS, Martinez	Demolition	3/15/07
VHA	21	H	Reno	Demolition	4/13/07
VHA	22	Land	West Los Angeles	Transfer to State Home	12/6/06
VHA	22	267	West Los Angeles	Demolition	8/30/07
VHA	22	265	West Los Angeles	Demolition	8/30/07
VHA	22	266	West Los Angeles	Demolition	8/30/07

Program	VISN	Building	Station Name	Disposal Modality	Disposal Complete Date
VHA	23	8	Des Moines	Demolition	8/1/07
VHA	23	16	Des Moines	Demolition	8/1/07
VHA	23	7	Des Moines	Demolition	8/1/07

Summary of FY 2008 Planned Disposals

VISN	Building/Land	Station Name	Total GSF	Disposal Modality
2	2 Total	Canandaigua	3,200	Demolition
2	T17	Syracuse	1,040	Transfer - Capital Asset Fund - Negotiated Sale
2	2 Total	Albany	4,120	EUL
4	4 Total	Butler	14,594	Demolition
4	2 Total	Pittsburgh, Aspinwall	50,610	Demolition
6	2 Total	Durham	15,242	Demolition
6	3 Total	Hampton	81,842	Transfer - State Home
7	9 Total	Columbia, SC	43,412	EUL
7	26 acres	Columbia, SC		EUL
8	7 Total	Tampa	23,104	Demolition
10	42	Chillicothe	800	Demolition
10	8 acres	Chillicothe		EUL
10	18 Total	Cincinnati, Fort Thomas	80,839	Transfer - Capital Asset Fund - Negotiated Sale
10	11 acres	Cincinnati, Fort Thomas		Transfer - Capital Asset Fund - Negotiated Sale
10	26 Total	Cleveland, Brecksville	796,439	EUL
10	101.1 acres	Cleveland, Brecksville		EUL
10	10 Total	Dayton	104,720	EUL
10	12 acres	Dayton		Reuse by Other VA Entities
11	6 acres	Battle Creek		EUL
12	12	Milwaukee	24,526	EUL
15	*38 Total	Leavenworth	567,087	
15	2 acres	St Louis, John Cochran		EUL
16	*15 Total	Gulfport, MS	128,268	Demolition
16	2	New Orleans	17,628	Demolition
17	9 Total	Temple	206,062	Transfer, Capital Asset Fund
18	T17	Prescott	1,968	Demolition
20	15 acres	Roseburg		Reuse by Other VA Entities
20	217	White City	18,308	Deconstruction
21	CTS	Menlo Park	1,000	Demolition
22	2 Total	Sepulveda	137,022	EUL
22	2	Sepulveda	131,313	Demolition
Total	**155 Bldgs; 166.1 acres**		**2,453,144**	
	*	38 Leavenworth and 13 Gulfport Disposals occurred in prior years but not recorded then.		

Summary of FY 2009 Planned Disposals

VISN	Building/Land	Station Name	Total GSF	isposal Modality
2	39	Canandaigua	3,027	Mothballing
2	13	Canandaigua	1,282	Demolition
2	3	Bath	5,500	Deconstruction
2	4	Bath	3,200	Demolition
2	3	Syracuse	2,687	Demolition
4	3 Total	Butler	12,214	Demolition
7	11 Total	CAVHCS, Tuskegee	58,326	Demolition
11	145	Battle Creek	53,361	EUL
11	6 acres	Battle Creek		EUL
11	10 Total	NIHCS, Marion	174,783	Mothballing
11	3 Total	NIHCS, Marion	59,118	EUL
12	59	North Chicago	6,566	Reuse by Other VA Entities
12	16 Total	North Chicago	318,819	EUL
12	51	Hines	58,000	EUL
12	25	Tomah	7,171	EUL
12	5 Total	Milwaukee	312,701	EUL
12	37 acres	Milwaukee		EUL
16	14 Total	Gulfport, MS	344,350	Transfer - Capital Asset Fund - Public Benefit Conveyance
16	2 Total	Houston	9,070	EUL
16	12.36 acres	Houston		EUL
20	2	American Lake	70,000	Deconstruction
20	5 Total	White City	99,761	Deconstruction
21	5 Total	Menlo Park	114,500	Demolition
22	2 Total	Sepulveda	2,374	Demolition
Total	**87 Buildings; 55.36 acres**		**1,716,810**	

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APPENDIX D – ENHANCED-USE LEASE PROJECTS

Secretary's Approved Priority Enhanced-Use Lease Projects

Project Site	Project Type	Project Description	Status
Albany, NY	Parking	Lease to construct and maintain a parking structure. VA will receive building spaces for use by the VAMC on a no-cost basis.	Appraisal and ESA completed. Waiting for VHA to determine fair consideration
Albuquerque, NM	Assisted Living	Lease for assisted living for spinal cord injury patients; Affordable temporary lodging accommodations for out-of-town/state patients; Alzheimer's patients care center.	Environmental site problems identified-need resolution
Batavia, NY	Transitional Housing	Lease to develop a new transitional housing/community residential services program combined with substance abuse/mental health supportive services to serve the homeless veteran population in the Buffalo/Batavia region of Western New York. The proposed 18-bed unit would utilize Ward A, an 8,803 square foot vacant ward of Building 1 at Batavia VAMC.	Lease negotiation on going. Developer seeking financing
Battle Creek, MI	Homeless Veteran Housing	Lease to create 76 unit long-term transitional housing complex for homeless veterans	Public Hearing held
Battle Creek, MI	Laundry	Lease to reduce laundry costs.	Developer holding internal discussion on how to proceed
Brevard, FL	Assisted Living	Lease of donated land to establish an assisted living housing complex.	Developer proceeding forward with new financing with HUD
Butler, PA	Hospital	Demolition of old hospital and support buildings. Construction of new hospital, cancer center, and medical office buildings.	VHA preparing revised concept paper
Canandaigua, NY	Mixed Use	In conjunction with the Secretary's CARES decision for the capital plan, the potential enhanced use lease project could include construction of a new single-floor 120-bed nursing home, a new 50-bed residential rehabilitation facility and a renovated outpatient building to meet the current and anticipated needs of Finger Lakes area veterans.	Pending CARES master plan

Project Site	Project Type	Project Description	Status
Castle Point, NY	Mixed Use	In conjunction with the Secretary's CARES decision for the capital plan, the potential enhanced use lease project could include a continuing care retirement community with active senior living apartments, independent living, assisted living, Alzheimer's, skilled nursing units and residential housing.	Pending CARES master plan
Chillicothe, OH	Mixed Use	Multipurpose community facility	Negotiation on going. NOIE released
Cleveland, OH	Domiciliary	Lease to provide funding for services of 120-bed domiciliary including space for VA program support and community organizations.	Developer finalizing financing
Dayton, OH	Senior Housing	To construct about 55 beds of single occupancy low-income housing	Lease negotiation on going
Dayton, OH	Homeless Residential	Establish 50 bed transitional housing with supportive services for substance abuse and mental health patients	Lease negotiation on going
Hines, IL	School of Nursing (B #51)	To locate a clinical teaching facility (School of Nursing) on its grounds	Public hearing held
Houston, TX	Clinical/Ambu-latory Space	Lease to develop clinical and ambulatory space to meet needs of veterans	Re-issue of RFP pending
Lebanon, PA	Golf Course	Lease to reduce VA costs by providing golf therapy to patients.	VHA Reviewing options on how to proceed
Lincoln, NE	Outpatient Clinic	Lease all the existing buildings on site. VA to receive outpatient clinic to meet all the existing and future workload projected.	Procurement on going for IDIQ SDVO real estate advisor
Los Angeles, CA	VHA/VBA Collocation	VBA will exit leased space to collocate at VHA space to better provide one-stop services to veterans.	On hold
Marion, IL	Hotel	Lease to increase access to on site hotel for veterans and families.	On Hold. VHA determining how to proceed
Marion, IN	Senior Housing	Low income housing for senior and veterans	IDIQ SDVO real estate advisor selected. Feasibility pending
Memphis, TN	Parking	Lease to develop .69 acres of VA property for a shared parking garage facility	Concept paper approved

Project Site	Project Type	Project Description	Status
Milwaukee, WI	Mixed Use	EUL for assisted living, retail, and entertainment development. EUL process on hold except the chapel. Lease to restore a historical chapel on site.	On hold. Proceeding forward with EUL on chapel. PH completed
Montrose, NY	Assisted Living	Reduce maintenance and repair costs to VA while providing funding for community-based clinics and senior and assisted living housing.	Pending CARES master plan. Concept Paper in the concurrence process.
Murfreesboro, TN	Golf Course	To expand the golf course from 9 to 18 holes and provide other improvements. In this proposal, the VAMC would receive cost savings which would be applied toward the cost of fire suppression services.	Development plan and ESA being prepared
Nashville, TN	Research	Lease to provide research facilities to VA.	Vanderbilt University redefining proposal
Newington, CT	Assisted Living	Lease to develop assisted living facility.	VHA re-evaluating project
Palo Alto, CA	Research	Lease to construct a 250,000 GSF research center. This center would bring world-class cutting edge translational research programs to VA.	On hold while VHA reviewing options
Perry Point, MD	Mixed Use	Working with the Secretary's CARES decision for the capital plan for renovation and new construction of services including nursing home care to remain on campus, study and implement thorough enhanced use leasing the market potential for the reuse for the remaining property including the waterfront areas.	Pending CARES master plan
Portland-Vancouver, OR	Mixed Use	To develop 25-40 units of “green” or Homeless Sustainable Transitional housing on 2.17 acres of vacant VA property.	On hold
Riverside, CA	Transitional Housing	Provide at least 118 beds transitional housing for homeless veterans.	Concept paper in concurrence process
Sacramento, CA	Assisted Living	Lease to provide assisted living facility.	Developer assessing options

Project Site	Project Type	Project Description	Status
Saint Louis, MO	Parking	To build nine-level parking deck. VA patients, visitors, employees get free parking for duration of lease.	Negotiation on going
San Francisco, CA	Research	Lease to develop a new research facility on the VAMC campus.	On hold
Solano County, CA	Water Supply/ Property Development	Lease of land for irrigation and development in exchange for future cemetery expansion.	On hold
St. Albans, NY	Mixed Use	In conjunction with the Secretary's CARES decision for the capital plan (BPO #4), the potential enhanced use lease project could include a continuing care retirement community with active senior living apartments, independent living, assisted living, Alzheimer's, skilled nursing units and hospice., small retail and restaurants may be added as mixed use support.	Development proposal received. Review in process
Syracuse, NY	Research	Lease to develop a Biotechnology Research Center.	On hold
Tomah, WI	Office Building/Parking	Lease to pursue the highest and best use options for a vacant building.	Added to the Secretary’s list
Walla Walla, WA	Mixed Use	To perform, in conjunction with the Secretary's CARES decision of July 7, 2006, a comprehensive reuse study to determine reuse potential in-line with VA's mission of the site and move forward with their implementation.	EUL feasibility study on going
Washington, DC	Mixed Use	To use 5.63 acres of land that are currently underutilized, by developing primary care building, ambulatory, research, and parking to result in decreased operational and fee medical costs and increased access to scarce medical specialty services for veterans.	Concept paper in concurrence process
White City, OR	Community College	To provide training through tuition vouchers for veterans and VA staff.	EUL feasibility study on going
National – VHA	Homeless Housing	To outlease underutilized land buildings for development of homeless housing with preference and priority placement to veterans on 49 identified sites	Added to the Secretary List

Project Site	Project Type	Project Description	Status
National – VHA/NCA	Highest and Best Mixed-Use	To outlease underutilized land buildings for development of highest and best mixed-use and homeless housing with preference and priority placement to veterans on 15 identified sites	Added to the Secretary List

Awarded Enhanced-Use Lease Projects

	Location		Project Type	Lease Awarded
1	Washington	DC	Child Development Center	4/20/1993
2	Houston	TX	Collocation	8/23/1993
3	West Palm Beach	FL	Public Safety Center	11/14/1994
4	West Haven*	CT	Child Development Center	12/1/1994
5	Big Spring*	TX	Parking	3/8/1996
6	Indianapolis	IN	Consolidation	9/23/1996
7	Bay Pines*	FL	Child Development Center	5/22/1997
8	St. Cloud	MN	Golf Course	7/28/1997
9	Atlanta	GA	Regional Office (RO) Collocation	12/18/1997
10	Portland	OR	Single Room Occupancy (SRO)	7/14/1998
11	North Little Rock	AR	Golf Course	10/1/1998
12	Mt. Home	TN	Medical School	12/17/1998
13	Sioux Falls	SD	Parking	4/1/1999
14	Danville	IL	Senior Housing	4/27/1999
15	Mt. Home	TN	Energy	12/2/1999
16	Indianapolis*	IN	Nursing Home	12/6/1999
17	Dallas	TX	Child Development Center	12/20/1999
18	Roseburg	OR	Single Room Occupancy (SRO)	8/1/2000
19	Salt Lake City	UT	Regional Office (RO) collocation	5/9/2001
20	Durham	NC	Mixed Use / Research	1/3/2002
21	North Chicago	IL	Medical School	4/10/2002
22	Chicago (Westside)	IL	Regional Office (RO) Collocation	4/22/2002
23	Chicago (Westside)	IL	Parking Structure	4/22/2002
24	North Chicago	IL	Energy Center Phase I	5/21/2002
25	Batavia*	NY	Single Room Occupancy (SRO)	5/24/2002
26	Chicago (Westside)	IL	Energy	8/12/2002
27	Tuscaloosa	AL	Hospice	9/19/2002
28	Barbers Point	HI	Single Room Occupancy (SRO)	3/17/2003
29	Milwaukee	WI	Regional Office (RO) Collocation	7/17/2003
30	Hines	IL	Single Room Occupancy (Building 14)	8/22/2003
31	Somerville	NJ	Mixed Use	9/5/2003
32	North Chicago	IL	Energy Center Phase II	10/29/2003
33	Mound City	IL	Interpretive/Visitor Center	11/6/2003
34	Butler	PA	Mental Health Facility	12/18/2003
35	Portland	OR	Crisis Triage Center	2/13/2004
36	Charleston/MUSC	SC	Affiliate Partnering	5/18/2004
37	Hines	IL	Single Room Occupancy SRO Phase II	7/30/2004
38	Minneapolis	MN	Credit Union	8/17/2004
39	Batavia	NY	Assisted Living	8/24/2004
40	Bedford	MA	Single Room Occupancy housing	9/10/2004
41	Dayton	OH	Child Care Development Center	12/30/04
42	Dayton	OH	Housing Initiative	12/30/2004
43	Chicago (Lakeside)**	IL	Realignment	1/18/2005
44	St. Cloud	MN	Homeless Housing	5/24/2005
45	Leavenworth	KS	Residential Health Care	8/5/2005
46	Minneapolis	MN	Single Room Occupancy (SRO)	9/1/2005
47	Salt Lake City II	UT	Mixed Use – Office/Retail/Restaurant	9/20/2006

	Location		Project Type	Lease Awarded
48	Fort Howard	MD	Mixed Use – Senior Housing,/Clinic	9/28/2006
49	Butler	PA	Homeless Residential Program	4/17/2007
50	Dayton	OH	Homeless Housing	4/19/2007
51	Columbia	SC	Mixed Use/VARO/Realignment	10/19/2007
52	Sepulveda	CA	Supportive Homeless Housing (bldg #4)	12/21/2007
53	Sepulveda	CA	Supportive Homeless Housing (bldg #5)	12/21/2007

* Terminated Projects
** Disposed Projects

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Appendix E: CARES Major Construction Status

Location		Project Description	Total Est. Cost	Available thru FY 08	FY 09 Request	Future	Contract Award Date	Est. Comp Date
Project Complete								
Chicago	IL	Modernize Inpatient Space	$98,500	$98,500	$0	$0	Sep 2004	Dec 2007
Pensacola	FL	Pensacola Outpatient Clinic	$55,056	$55,056	$0	$0	Mar 2005	May 2008
North Chicago	IL	Surgical Suite / Emergency DoD Sharing	$13,000	$13,000	$0	$0	Sep 2004	Jul 2006
San Diego **(1)**	CA	Seismic Corrections - Bldg. 1	$47,874	$47,874	$0	$0	Sep 2005	Aug 2008
Tampa **(1/2)**	FL	SCI Expansion	$11,407	$11,407	$0	$0	May 2006	Apr 2008
Under Construction								
Anchorage	AK	Outpatient Clinic/ Regional Office	$75,270	$75,270	$0	$0	Jun 2007	Jul 2009
Atlanta **(1)**	GA	Modernize Patient Wards	$20,534	$20,534	$0	$0	Jun 2008	Dec 2010
Cleveland	OH	Brecksville Consolidation	$102,300	$102,300	$0	$0	Sep 2007	Dec 2010
Columbus	OH	New Outpatient Clinic	$94,800	$94,800	$0	$0	Jul 2005	Jul 2008
Des Moines	IA	Des Moines - Extended Care Building	$25,550	$25,550	$0	$0	Feb 2007	Jul 2009
Durham	NC	Renovate Patient Wards	$9,100	$9,100	$0	$0	Sep 2007	May 2009
Gainesville **(3)**	FL	Correct Patient Privacy Deficiencies	$136,700	$136,700	$0	$0	Jun 2008	Jun 2011
Indianapolis	IN	7th & 8th Floor Ward Modernization Add	$27,400	$27,400	$0	$0	Jun 2005	Mar 2010
Las Vegas	NV	New Medical Facility	$600,400	$600,400	$0	$0	Sep 2006	Dec 2010
Menlo Park	CA	Seismic Corrections - (Building 324)	$32,934	$32,934	$0	$0	Sep 2006	Jan 2009
Minneapolis	MN	SCI & SCD Center	$20,500	$20,500	$0	$0	Sep 2006	Feb 2009
Pittsburgh **(3)**	PA	Consolidation of Campuses	$295,600	$233,200	$0	$62,400	Sep 2005	Jul 2011
San Antonio **(4)**	TX	Ward Upgrades And Expansion	$19,100	$19,100	$0	$0	Jun 2007	Sep 2010
San Francisco **(1)**	CA	Seismic Corrections, Bldg. 203	$41,168	$41,168	$0	$0	Jan 2006	Nov 2008
Syracuse **(5)**	NY	Spinal Cord Injury Center	$77,269	$77,269	$0	$0	Jun 2008	Nov 2010
Tampa	FL	Upgrade Essential Electrical Dist. Sys.	$49,000	$49,000	$0	$0	Sep 2007	Jun 2010
Tucson **(6)**	AZ	Mental Health Clinic	$13,300	$13,300	$0	$0	Sep 2006	Jul 2008

Location		Project Description	Total Est. Cost	Available thru FY 08	FY 09 Request	Future	Contract Award Date	Est. Comp Date
In Design								
American Lake	WA	Seismic Corrections-NHCU & Dietetics	$38,220	$38,220	$0	$0	Jul 2008	Feb 2010
Lee County **(7)**	FL	Outpatient Clinic	$131,800	$20,388	$111,412	$0	Mar 2009	Sep 2011
Biloxi **(8)**	MS	Restoration Of Hospital/Consolidati on of Gulfport	$310,000	$310,000	$0	$0	Sep 2008	Nov 2011
Columbia	MO	Columbia, MO - Operating Suite Replacement	$25,830	$25,830		$0	Jan 2009	Feb 2011
Fayetteville **(3)**	AR	Clinical Addition	$93,000	$93,000	$0	$0	Feb 2009	Sep 2011
Long Beach	CA	Seismic Corrections/Clinical, B-7 & 126	$107,845	$107,845	$0	$0	Jul 2008	Nov 2010
Milwaukee	WI	Spinal Cord Injury Center	$32,500	$32,500	$0	$0	Jul 2008	May 2010
Orlando **(3)**	FL	New Medical Facility	$656,800	$74,100	$120,000	$462,700	Apr 2009	Aug 2012
Palo Alto	CA	Seismic Corrections, Bldg. 2	$54,000	$54,000	$0	$0	Sep 2008	Jan 2014
San Juan **(9)**	PR	Seismic Corrections Bldg. 1	$225,900	$69,880	$64,400	$91,620	Mar 2009	Mar 2014
Site Acquisition								
Denver **(10)**	CO	Replacement Medical Center Facility	$769,200	$168,300	$20,000	$580,900	TBD	TBD
Planning								
Bay Pines	FL	Inpatient/Outpatient Improvements	$174,300	$0	$17,430	$156,870	Oct 2010	Dec 2014
Los Angeles	CA	Seismic Corrections - Bldgs. 500 & 501	$111,800	$7,936	$0	$103,864	TBD	TBD
Palo Alto	CA	Centers for Ambulatory Care and Polytrauma Rehabilitation	$450,300	$0	$38,290	$412,010	Apr 2011	Feb 2015
Saint Louis	MO	Medical Facility Improvements & Cemetery Expansion	$134,500	$7,000	$5,000	$122,500	TBD	TBD
San Antonio **(4)**	TX	Polytrauma Center, & Renovation of Exist Bldg. 1	$66,000	$66,000	$0	$0	Jan 2010	Jan 2012
Tampa	FL	Polytrauma Expansion	$223,800	$0	$21,120	$202,680	Dec 2009	Jan 2015
Temple **(11)**	TX	MRI & Supporting Facility	$10,552	$10,552	$0	$0	TBD	TBD

Location		Project Description	Total Est. Cost	Available thru FY 08	FY 09 Request	Future	Contract Award Date	Est. Comp Date
Hurricane Katrina Projects								
Gulfport	MS	Environmental Cleanup	$35,919	$35,919	$0	$0	Feb 2007	Sep 2010
New Orleans **(12)**	LA	Restoration/Replacement Medical Facility	$625,000	$625,000	$0	$0	TBD	TBD
		Total	**$6,144,028**	**$3,550,832**	**$397,652**	**$2,195,544**		

(1) FY 2005 Actual amounts reflect the FY 2005 Rescission.

(2) Tampa, FL received $4,364 million in reprogramming action in FY 2006.

(3) Additional funding provided in the FY 2008 Conference Report P.L. 110-161

(4) San Antonio, TX, reprogrammed $66 million in FY 2008 budget to build a new Polytrauma Center as required by P.L. 110-161.

(5) Syracuse, NY, FY 2008 total estimated cost $77,269. A rescission was not reflected in the Congressional Budget.

(6) Tucson, AZ, received $1.2 million in a reprogramming action in FY 2006.

(7) Lee County, FL, received $4 million in a reprogramming action in FY 2006.

(8) Biloxi, MS, received $17.5 million in regular appropriations and another $292.5 million in emergency supplemental appropriation from P.L. 109-148.

(9) San Juan, PR provided $4 million to fund a FY 1999 Major Construction project.

(10) Denver, CO, received $25 million in a reprogramming action in FY 2006.

(11) Temple, TX received $55.552 million in FY 2005. A recent CARES decision about the future fo the Waco, TX facility has diminished the need to major construction activities in Temple. A reprogramming of $45 million was approved in FY 2008. The remaining $10,552 million will be used to construct and support facilities at Temple.

(12) New Orleans, LA was funded through two emergency supplemental appropriations: $75 million form P.L. 109-148 and another $550 million from P.L. 109-234.

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APPENDIX F - REFERENCES

VA Web Sites

- VA Capital Investment Process **http://vaww.va.gov/oaem** or **http://www.va.gov/oaem/**

- VA Information Resources Management **http://www.va.gov/oirm**

- VA Construction & Facilities Management **http://www.va.gov/facmgt/**

VA Documents

- VA's 5-Year Capital Plan **http://vaww.va.gov/oaem** or call Office of Asset Enterprise Management at (202) 461-6615

- VA Capital Investment Methodology Guide **http://vaww.va.gov/oaem** or call Office of Asset Enterprise Management at (202) 461-6615

- Department of Veterans Affairs Strategic Plan FY 2006-2011 **http://www1.va.gov/op3/docs/VAComplete.pdf** or call Strategic Planning Service at (202) 461-5806

- Department of Veterans Affairs FY 2009 Congressional Budget Submission, Volume 4, **http://www.va.gov/budget/products.htm**

- Department of Veterans Affairs FY 2007 Performance and Accountability Report, **http://www.va.gov/budget/report/2007/index.htm**

- The source for demolition cost factors, developed by VA's Office of Construction and Facilities Management: **http://www.va.gov/facmgt/cost-estimating/vamcpricing.asp**

Information Technology

- VA IT - Investment Management Guide **http://www.va.gov/oit/**

NCA

- National Cemetery Strategic Plan, Planning Division (402A2)
  Call (202) 273-5167

VBA

- Reports and Research for VBA
  Intranet -- **http://vbaw.vba.va.gov/bl/20/cfo/surv/srsindex.html** or
  Internet – **http://www.vba.va.gov/reports/**

VHA

- CARES Portal VISN Support Service Center (VSSC)
  http://vssc.med.va.gov/

- CARES Studies Website
  http://www.va.gov/cares/default.asp

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