FY 2007

ASSET MANAGEMENT PLAN

DEPARTMENT OF VETERANS AFFAIRS

The Department of Veterans Affairs' FY 2007 Asset Management Plan (AMP)

The Department is committed to supporting the President's Management Agenda and the Federal Real Property Asset Management Initiative. The 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.

By employing best business practices and maximizing the functional and financial value of our capital assets through well thought-out 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

The Department of Veterans Affairs' (VA) capital asset program manages and maintains the Department's current and future assets according to the guidelines and requirements of 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 have 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. CARES (Capital Asset Realignment for Enhanced Services) is a system-wide process for VA to meet the current and future health care needs of veterans in modern health care facilities. It is the most comprehensive analysis of VA's health care infrastructure that has ever been conducted. CARES serves as VA's plan for the future. VA matches future needs and services with current assets and manages assets to meet these mission needs based on CARES projections. Annual updates with new forecasts of future demand have been incorporated in VA's strategic planning process. CARES studies have been completed on all VHA sites except for 18 identified sites for follow-up analysis and studies. Selected capital projects to implement CARES can be found in Appendix E.

CARES follow-up studies provide recommendations to VA regarding the best approach to provide current and future veterans with equal or better healthcare than is currently provided, while maximizing any potential reuse or redevelopment of all or portions of the property.

Assets that are not related to the CARES process are Non-CARES. Assets for this classification are acquired and managed utilizing unique characteristics of the National Cemetery Administration (NCA), the Veterans Benefits Administration (VBA), and Staff Offices. All assets match needs with their respective missions, and are evaluated and scored through processes similar to CARES.

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 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 a project includes all of 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 through build-out; steady-state stage is maintenance in the operational state; and the disposal stage is the final stage in the life-cycle where assets are retired or disposed of.

VA determines the necessary level of resources to maintain its assets through its sustainment model. The sustainment model is used within the steady-state stage of an asset's life-cycle. "Sustainment cost" can be defined as the provision of resources for maintenance and repair activities necessary to keep the current inventory from further deteriorating. It does not address critical systemic deficiency in the current inventory infrastructure. Sustainment in VA will address necessary maintenance expenses below the minor construction program threshold. Taking into account the recent CARES studies and emphasis on vacant space, the VA model substantially decreases cost factors for vacant and common spaces. The formula used to derive the requirement for VA sustainment is discussed on page 27.

VA must also account for facility deferred maintenance. Deferred maintenance includes correction costs/repair needs for any VA owned building to improve poor condition (at the end of useful lifespan failure is not critical) and critical condition (requires immediate attention). VA's total deferred maintenance needs are approximately $5 billion dollars as supported by the VA's current and comprehensive Facility Condition Assessment (FCA) Report.

The Department is taking steps to address the current backlog by:

- Providing $2.5 billion in funding to upgrade, maintain, or replace existing facilities.
- Fully funding the sustainment needs in the FY 2007 ($517 million) and FY 2008 ($573 million) budget requests. The sustainment model estimated that VA needs approximately $500 million annually to fund these needs.
- Refining asset condition information, reconciling FCA and financial statement deferred maintenance costs, and taking into account all of our disposals and investments in the pipeline. A revised assessment of need and an updated strategy to address the backlog figure will be completed in the summer of 2007.

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 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.
- VA Capital Investment Decision Models: The capital investment decision models used by VA provide a structure to evaluate capital investment proposals. The VA Capital Investment Panel (VACIP) uses the models and decision software to evaluate investment proposals and score each proposal that has passed the validity assessment. The scores are generated by decision software and result in a list of investments ranked in priority order. These scored proposals then are presented to the SMC for recommendation to the Secretary for inclusion in the annual budget submission.

As a result of the capital investment process for CARES, VA has 36 fully or partially funded major construction projects from FY 2004-2007. Of these 36 projects, North Chicago is physically complete. There are two projects that meet the definition of CARES but are funded outside the CARES investment process. These two projects are Gulfport and New Orleans, and they received emergency appropriations due to Hurricane Katrina. The total cost of the 38 projects is $4.7 billion and $2.7 billion has been appropriated for CARES major construction requirements.

Measure Performance

The Department tracks the performance of assets such as construction projects, throughout their operational life spans. VA monitors the time schedules and costs of active projects and compares them against the planned schedule. Project measures are important to ensure projects are completed on time and in a cost-effective manner. They also provide early alerts of unnecessary delays and/or cost overruns.

The performance of VA's operational assets 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 are based on the Department's main objective to manage assets in a way that ensures resources are maximized, assets (including VA staff and veterans) are safeguarded, and all opportunities (public, private, or a combination thereof) are fully explored. The goals allow VA senior management to monitor the overall health of the Department's capital asset portfolio and provide for informed corporate decision-making.

Additionally, VA measures asset performance in comparison to that of the private sector via benchmark analysis. 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 is also done within VA and encompasses comparisons across fiscal years and comparisons between VA facilities.

Disposal

When an asset is determined to be no longer needed, VA looks to dispose of or reuse it. VA's real property disposal policy provides a standard methodology and criteria for identifying appropriate underutilized assets for divestment. Disposal is the final stage in the life cycle of an asset.

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 home, and GSA authority) as well as 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 and demolition.

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.

CHAPTER 1: OVERVIEW OF VA

Introduction

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. 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; and other Federal initiatives.

- <u>Government Performance and Results Act (1993):</u> 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 to 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.

- <u>Federal Acquisition Streamlining Act (1994):</u> 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.

- <u>OMB's Capital Programming Guide (Appendix 13 of OMB Circular A-11)</u>: 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 23 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.

- Executive Order 13423, Strengthening Federal Environmental, Energy, and Transportation Management: President Bush signed this executive order on January 24, 2007. It builds on and supersedes five previously issued "Greening the Government" EOs. Among others, 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; and 3) Ensure that 50% of required renewable energy comes from new sources (those placed in service after January 1999.)

VA publishes its Asset Management Plan (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.

VA 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, assessments and site acquisition where the estimated cost of a project is $10 million or more.

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 with a minor improvement component costing $500,000 or more.

Non-Recurring Maintenance (NRM)
The NRM program's 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.

Energy
VA's energy management program is designed to meet the requirements of the Energy Policy Act of 2005 and EO 13423, 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.

VA evaluates its portfolio of capital assets through the following:

Federal Real Property Council
The FRPC was developed under Executive Order 13327, Federal Real Property Asset Management to develop guidance and establish asset management principles, collect specified inventory data elements, and performance measures for all federal agencies.

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 $83.9 billion for FY 2006.

In contrast, book value is another method for valuing the Department's assets. It differs from replacement value since it is based on historical cost, not today's current costs. The latest report reflected a book value for VA assets of $11.6 billion, as of September 2006.

Performance Metrics
VA follows OMB reporting requirements and has also developed its own performance metrics. Asset performance is compared by both internal and external benchmark analysis. Benchmarking is done within VA and encompasses comparisons across fiscal years and comparisons between similar VA facilities. VA performs external benchmarking against industry where comparable data exists.

Overview of VA

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).

Overall, VA owns 5,227 buildings and 32,635 acres, holds 1,133 leases, and maintains 871 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 below.

Table 1-1

VA Capital Asset Management System	VA Capital Asset Inventory - Data As Of: 5/10/2007										
	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	4,883	1,531	140,641,745	7,402,303	15,699	914	7,194,736	38	320	190	313
VBA	7	0	605,018	0	0	176	3,735,226	0	0	0	0
NCA	330	112	941,039	0	16,770	4	8,715	1	4	0	0
SO	7	1	1,592,008	0	165	39	1,772,543	2	3	0	0
VA TOTALS	5,227	1,644	143,779,810	7,402,303	32,635	1,133	12,711,220	41	327	190	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)

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 (15,699 acres), buildings (4,883) 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 service. VBA has smaller equipment and land requirements than VHA, with the majority of its space needs provided through direct and GSA leases (3,735,226 SF).

National Cemetery Administration (NCA)

Primarily 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 their own asset management office to implement and manage the goals and objectives of the Department.

Under the Assistant Secretary for Management, the Office of Asset Enterprise Management (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.

To continue to improve VA's capital programs, the Department has taken steps to centralize and realign VA's construction and real estate programs. On February 18, 2007, VHA's Office of Facilities Management was reorganized and realigned to the Office of the Secretary as the Office of Construction & Facilities Management (CFM). CFM includes VHA's Office of Facilities Management, and the major construction and real estate execution responsibilities of NCA. CFM will continue to support VBA and Departmental staff offices.

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 five 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.

Strategic Goal 5 - 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 Management

The Strategic Management Council (SMC) is the governing body within VA responsible for overseeing effective and efficient capital asset management. The SMC oversees the approval of all capital investment proposals that exceed established thresholds, represent a high risk or high visibility, or are crosscutting. The SMC is supported by a panel that assesses and reviews capital investment proposals; evaluates, scores, and prioritizes proposals; and makes recommendations. The table below provides the capital investment thresholds by asset category that requires 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
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

[1]Threshold includes the Construction and Medical Care (non-recurring maintenance) 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 buildings (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.

VA Capital Investment Panel

The VA Capital Investment Panel (VACIP) was created to support the SMC, which is chaired by the Deputy Secretary. The VACIP's role is to assess and review capital investment proposals, evaluate, score, and prioritize proposals, and make recommendations to the SMC. Their role also includes serving as liaison between representative SMC members and the administrations, as well as assisting in improving or defending capital investment proposals during the review process. As part of the VA's capital investment and planning process, all major capital investments are evaluated using a multi-criteria decision model. As part of the process improvement activities, VA evaluates the capital decision models on an annual basis to ensure the models by which capital investments are scored reflect the current priorities 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 MPR is chaired by the Deputy Secretary and comprised of VA's senior executives. 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.

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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's capital asset portfolio consists of four categories. VA views these assets as a single comprehensive portfolio. At each stage of the project's life cycle, VA's corporate portfolio goals help identify deficiencies that VA can address in order 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 also includes site acquisitions.

2. **Equipment**

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

    - Non-Medical Equipment: Non-recurring equipment items that are used by 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 whereby federal agencies may 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 like-kind consideration for VA requirements that would otherwise be unavailable or unaffordable.

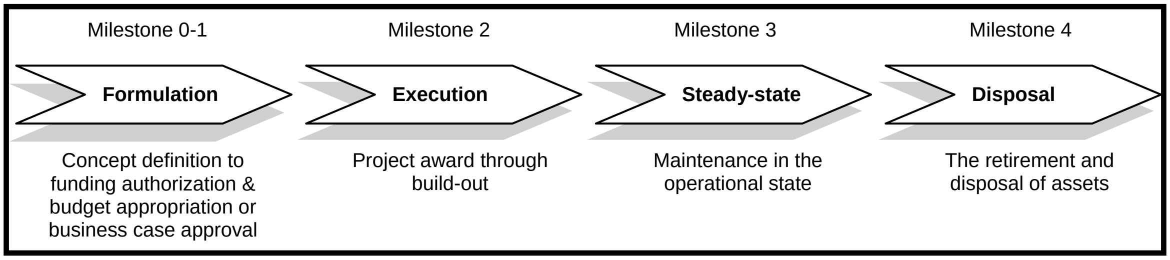
- Enhanced Sharing Agreement: Allows individual medical facilities to contract for services with any health-care provider, or other entity or individual. These contracts can include a wide array of health care resources. There are no maximum dollar limitations for the investments.

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 is where a need is identified, the concept of a capital asset is developed and the business case is approved. 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 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). 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 applications capture critical asset specific information including building profile, performance measures and goals, financial management data, and exit strategy and serve 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.

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 allow the official to make a sound decision on the alternatives.

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 to address OMB concerns are renovation and contracting out. Other alternatives that can be considered during the formulation process are build, buy, lease, and share. Projects that have a detailed alternatives analysis are given higher scores when they are evaluated by the capital investment panel. 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 following page presents potential alternatives for the project categories including but not limited to the following options:

Table 2-1: Potential Alternatives[1]

Project Category	Reno-vate	Build	Buy	Lease	Status Quo	Share	Contract for Function	VA Developed Software	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		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

[1]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 have multiple options.

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 the CEA. VA has developed a standard uniform Excel template where professionals can collect and analyze significant cost data to compare alternatives. Once users populate the constant value fields in the template, it automatically calculates 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 correct capital decisions, and ensure alternatives are compared in an appropriate manner. Project managers who propose the most cost-effective alternatives with a quick payback period—and provide supporting documentation on estimates—will receive a high score.

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.

Capital investment 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. Proposals are submitted using a web-based application in CAMS. A multi-disciplinary team – the VACIP – validates and then scores the proposal applications. The scoring results in a prioritized list of investments across asset types. The VACIP 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 then 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; however, a customer service criterion was added to 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. Along with 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 that a number of commercial and public industries utilize. It accommodates the more judgmental factors and imposes 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). Multi-attribute decision modeling is a technique that allows evaluators to consider a number of diverse criteria in reaching a decision. 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 perform necessary calculations to evaluate investment proposals based on the effect a particular proposal has with respect to each sub-criterion. All panel members score each capital investment proposal that has passed the validity assessment. The scores are generated by the decision software and result in a list of investments ranked in priority order. This provides the SMC with a Department-wide view of projects that contribute to the accomplishment of VA's diverse strategic goals.

2. <u>Execution Stage</u>

Once a construction project receives funding by Congress it enters the execution stage of its life cycle. Here the emphasis will be on measuring planned and actual schedules (design and construction awards, and activation dates) and costs at each phase of the project's initiation. Performance indicators will be developed and tracked for each type of project.

The performance of two key indicators will be measured and tracked in VA's Capital Asset Management System (CAMS) during the execution life-cycle phase of an asset. The health of these two indicators – schedule and cost – is monitored via reports called scorecards in CAMS. After a capital investment application is funded by Congress and the project begins, the health of that project will be monitored. Health is comprised of a plan, revised plan, and actual obligations, and schedule, revised schedule, and actual schedule dates. VA staff will use CAMS to calculate an overall health score for each project. This score will allow VA to determine how well an individual initiative is progressing as well as the entire VA portfolio during the execution stage. Scorecard indicators include red circles, yellow diamonds, and green stars that provide a quick view of the health of the particular indicator.

In the near future VA hopes to incorporate a standardized performance-based measurement system such as earned value to improve management of capital assets during the execution stage.

3. Steady-State Stage

Once a project 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 rather than at the project 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 source 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

Another key source system is FMS. FMS provides data extracts of obligation and expenditure information and categorizes these by cost types (e.g., operating and maintenance, leasing, energy) for specific assets. The data can also be rolled up for more general views at the local facility, region, and administration 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 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 the systems is loaded to and can be viewed in CAMS separately or in combination to track the health of steady state assets. For example, CAMS reports space utilization using CAI data. CAMS also calculates and reports costs per gross square foot using FMS and CAI data. CAI and FMS were critical in the transition to 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 further detail in Chapter 5.

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

VA has two primary mechanisms in place for measuring the value of the Department's assets, book value and plant replacement cost. Book value follows standard accounting practices and plant replacement value is consistent with FRPC guidance.

Book Value

Each year VA publishes consolidated financial statements, which includes 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 market value.

The latest report reflected the following book values ($ in millions):

	Book Value as of Sept 30, 2006*
Land and Improvements	$ 345
Buildings	7,887
Equipment	1,431
Construction in Progress	1,194
Other	781
	$ 11,638

*Source: VA FY 2006 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 Facility Management Office's Capital Cost Guides and vary according to an asset's function (e.g., hospital, office, warehouse, etc.) and geographic location. The overhead factor used for FY 2006 was an inflation factor of 1.9 percent.

VA reports replacement value for FRPC purposes at the individual constructed-asset level. Overall, VA reported a total replacement value of owned buildings at $31.5 billion in FY 2006.

VA's Capital Asset Funding Mechanisms

In concert with VA's capital asset management philosophy, the Department maintains the current assets in its portfolio and also makes prudent investments.

The Appropriations Process

In the appropriations process, Congress provides funds through an annual appropriations bill, for VA to make payments out of the Treasury for specified purposes. VA makes prudent capital asset investments through the Construction, Major appropriation (for projects over $10 million) and Construction, Minor appropriation (for projects less than $10 million with a minor improvement component costing $500,000 or more).

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.

CARES serves as the blueprint for the future in capital asset planning and management. VA continues to make significant progress in implementation of the CARES decisions of 2004.

Accomplishments

- Since the initial CARES decision announcements in May 2004, 36 major construction projects have been fully or partially funded in the appropriations of FY 2004 -2007. Two projects that meet the definition of CARES were funded with Hurricane Katrina emergency supplemental appropriations outside the CARES investment process. The total cost of the 38 projects is $4.7 Billion and $2.7 Billion has been appropriated for CARES major construction requirements.

- Construction contracts have been awarded on fourteen projects; and one project, the VA/Navy surgery and emergency room improvement joint venture at North Chicago, has been completed.

- Nineteen projects are now in the design phase. Architect/Engineering firms have been selected for each of these projects and these firms are proceeding in various stages of design.

- Two projects, the Denver Replacement Hospital and the new Orlando Hospital are in early planning pending site acquisition.

Challenges

- Two major challenges face the Department in continuing to implement the CARES program. The first challenge is cost associated with a very robust worldwide construction economy coupled with rapidly increasing pricing for labor and building materials. This is 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 this makes it a challenge to stay within budget. Notwithstanding this, VA awarded 12 of 14 planned major contracts during FY 2006.

- The second challenge for VA is the significant funding required to continue with the CARES process. Of the 36 projects that have been included in VA's budget requests, several have funding only for design. An additional $2.1 Billion is needed for the construction of these facilities. The FY 2008 budget requests $511 million for these projects.

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

Another account through which VA makes prudent investments in capital assets is 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 with a minor improvement component costing $500,000 or more.

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 others.

However, DoD's sustainment model does not include components such as: restoration, modernization, repairing or replacing non-attached equipment or furniture, or repairing or replacing building components that last more than 50 years. To account for these componenets, a more refined and discreet classification system was finalized for VA and a Department-wide sustainment model was completed in 2005.

The advantages of implementing a VA sustainment model are as follows:

1. It will support the non-recurring maintenance program by providing budget requirements needed to sustain existing infrastructure;
2. It identifies any additional funding needed to improve the condition of the current infrastructure;
3. It avoids the expedited degradation of existing infrastructure; and
4. It reinforces the practical and tactical principles of responsible stewardship of federal properties.

VA Sustainment Model

VA has initiated an assessment of all real property holdings (buildings, land, and leases). Additional details regarding the asset portfolio are being developed and implemented into CAMS. The DoD approach is compatible with VA's needs because it is a logical progression of the CAMS concept to delineate life-cycle costs of an asset. Sustainment in VA will address maintenance necessary expenses below the minor construction program threshold. The model used DoD cost factors and developed cost factors for psychiatry, nursing home care units and domiciliary because DoD did not have similar programs. VA also adjusted for geographic location, age of facility, and historic considerations. Taking into account the recent CARES studies and emphasis on vacant space, the VA model substantially decreases cost factors for vacant and common spaces.

The VA Sustainment Model formula is:

Requirement = Facility Functionality Mix

- X **Sustainment Cost Factor (Apply DoD factors with modifiers for Psych, NHC, and Domiciliary Care*)**
- X **Area Cost Factor****
- X **Inflation Factor (for FY 2005 and beyond)**
- X **Age Factor (apply 10% premium when building is older than 50 years)**
- X **Historic Factor (apply 5% premium when building is on the National Register of Historic Places).**

* Modified based on identifying functions, applying % of space and extrapolating comparables to DoD FSM

** Geographic location adjustment for Labor, Materials, and Equipment (LME).

The sustainment model will only maintain the portfolio at current levels. It will keep our new assets in top condition, but will not improve assets that are in failing condition – it will only stop them from further deteriorating. Once a baseline is established using this methodology, VA will reevaluate the effectiveness of the formula annually by comparing it to actual obligations. After using the model for several years, VA will revisit the formula to determine if and how it should be further refined.

VA is also looking to further develop methods of measuring how maintaining infrastructure leads to improved and more efficient healthcare and service delivery. This information would help managers make capital decisions as whether to invest in and retain an asset or to excess it. In addition, a complete review of VA's seismic correction needs is currently underway. VA expects to integrate these results into its capital asset budget request process by FY 2008.

<u>Non-Recurring Maintenance (NRM)</u>

The NRM program's 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. NRM is funded out of the Medical Facilities appropriation account. The sustainment model computes the amount of NRM funds required each fiscal year.

<u>Deferred Maintenance</u>

Deferred maintenance includes correction costs/repair needs for any VA-owned building to improve or maintain assets in poor condition (at the end of useful lifespan failure is not critical) and critical condition (requires immediate attention) not funded or performed within a fiscal year. Building systems (e.g., structural, mechanical, architectural, etc.) and sub-systems (structural: floor systems, foundations, and vertical members; mechanical: air handling equipment, ductwork and piping; architectural: accessibility, exterior walls, fixed equipment, and interior finish/door; etc.) are examples of systems where deferred maintenance costs would apply.

There are various methods for reporting deferred maintenance figures. The Capital Asset Inventory System (CAI), a detailed system with asset specific information, reports figures resulting from on-site Facility Condition Assessments (FCAs). VA's Performance and Accountability Report (PAR) reports deferred maintenance costs from VA's Financial Management System (FMS).

Use of Facility Condition Assessments

In preparation for the CARES process, VHA conducted detailed contractor-assisted (engineers and architects) on-site condition evaluations of VA-owned buildings and land. Now one third of VHA's VISNs facilities are evaluated each year. The FCA rated the physical condition and remaining useful life of capital assets and the sixteen major systems in a building (i.e., architectural, structural, mechanical, plumbing and transport, etc.). The FCA uses primarily 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 remaining of an item. 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 item 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 costs of corrections and replacement cost information only for elements and systems rated D or F. The correction and replacement costs include an escalation factor to account for inflationary construction costs. Until the current year (FY 2007), the escalation factor was only applied to FCA updates being conducted at the seven VISNs within a given year. It is anticipated that, starting in FY 2008, the escalation factor will be applied to all correction and replacements costs annually, whether a VISN is due for a FCA update or not.

Initial condition assessments in the National Cemetery Administration were accomplished by the FY 2002 Millennium Study. This was a one-time audit of cemetery conditions and needs. NCA recently completed condition assessment rating updates for its 124 national cemeteries to comply with FRPC requirements. The NCA plans a more comprehensive facility condition assessment for FY 2007.

Facility condition assessment for VBA is a more simplified process because the great majority of the assets are leased. The VBA assessment is limited to age, shape, security risks, and seismic issues. Assessment data is included in CAMS and is used in the justification of new lease acquisitions.

Infrastructure Protection

To fulfill VA's statutory charge to respond to national emergences requires VA to provide for the security and continued operation of VA's critical facilities. VA has taken the following actions to improve the system's ability to respond to natural or man-made disasters:

- Complete 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 escalated to 2005. These costs are being integrated in to the Facilities Condition Assessments with annual escalation of cost.

- 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 were develop based on 2006 as the base year.

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

The Performance and Accountability Report

The PAR figure and methodology calculates deferred maintenance in accordance with accounting and fiscal policy. The PAR accounting procedures require reporting deferred maintenance only for capitalized assets. Additionally, the accounting estimate used for PAR reporting is limited to the cumulative cost of deferred maintenance (on a capitalized asset) of at least $100,000. Information is based on a Condition Assessment Survey, Total Life-Cycle Cost Method, or other acceptable methods.

Related to deferred maintenance is the recurring maintenance program.

Recurring Maintenance Program

Recurring maintenance projects, like the NRM program, directly address the deferred maintenance requirements of tVA. Recurring maintenance is funded out of the Medical Facilities appropriation. Recurring maintenance costs are derived from the sustainment model for each fiscal year.

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.

Five-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 plan facilitates the Department's implementation of the Capital Asset Realignment for Enhanced Services (CARES) process, which is the most comprehensive analysis of VA's health care infrastructure ever conducted, and provides a 20-year blueprint for the critical modernization and realignment of VA's health care system. The CARES report provided a national blueprint of infrastructure changes needed to improve veterans' health care access, by realigning and modernizing facilities while lowering vacancy rates and operating costs. CARES focused on meeting veterans' long-term medical care needs (including access) by ensuring that VA's medical capital investments would be established in the right location, at the correct capacity, and excessing those investments that VA no longer requires, in order to meet VA's mission and strategic goals. The Secretary's CARES Decision report called for approximately $1 billion per year for the next five years to modernize VA's medical infrastructure and enhance veterans' access to care but did not provide the specific details of the projects needed to carry out the recommendations. The specific capital needs were provided to Congress in VA's first 5-Year Capital Plan and in each capital plan subsequent to that one.

The most recent 5-Year Capital Plan provides the specific investments needed for FY 2007 and future projects that may be considered for funding during FY 2008-2012. The plan identifies the priority projects that would improve the environment of care at VA medical facilities and ensure more effective operations by redirecting resources from maintenance of vacant and underused buildings and reinvesting the resources in veterans' health care. These projects will address the requirements the Secretary approved in his CARES Decision report in May 2004.

The capital plan also identifies VA's highest priority needs for new construction and expansion of cemeteries in areas where burial sites will soon be depleted, as well as six new cemetery sites that address the National Cemetery Expansion Act of 2003, Public Law 108-109, and new benefits administration office facilities. Equally important, the plan describes how VA will enhance collaborative efforts with the Department of Defense and increase the use of public and private ventures through VA's enhanced-use lease authority.

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CHAPTER 4: VA PERFORMANCE METRICS & EVALUATION METHODOLOGY

VA measures its capital asset performance following the Department's own capital portfolio goals, and the metric set forth through other federal mandates. VA's capital portfolio goals preceded FRPC metrics and goals and metrics put forth in recent energy legislation. VA maintains its corporate goals and has aligned them with FRPC and energy principles where measures are related. VA employs a number of external and internal benchmarks to help analyze and report asset performance. VA's performance results are reported to meet 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 to provide a safe and appropriate environment for the delivery of benefits to veterans in a cost-efficient manner. The VA capital portfolio goals are based on the Department's main objective to manage assets in a way that ensures resources are maximized, assets (including VA staff and veterans) 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 total energy consumption in VA facilities has a direct impact on minimizing the overall operational costs of those facilities. To achieve this cost minimization, VA is committed to leading the way in effective building operations and management. VA is achieving this goal by implementing energy efficiency and renewable energy projects, installing self-generation, implementing sustainable design principles in new construction and major renovation projects, and proactively upgrading energy systems. VA has realigned its measure of traditional energy consumption per gross square foot per the Energy Policy Act of 2005, with FY 2003 serving as the new baseline from which improvements are measured.

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 is a cost effective and viable approach to servicing our veteran's needs.

Increase Revenue Opportunities

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

Safeguard Assets

Safeguarding assets (including patient and employee safety) is a top priority of the Department. Decreasing the number of high-risk assets in VA's portfolio can reduce the cost of making these facilities compliant with government standards and practices. VA will reduce costs by maintaining assets that conform to safety measures.

Maximize Highest and Best Use

Maximizing the highest and best use of VA assets is a combined effort of all VA organizations. VA is developing targets to balance spending distribution (e.g., new, enhancements, maintenance, research activities) to ensure portfolio management and leveraging of investments. 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 General 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 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 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 Performance Measures Committee, FRPC Inventory and Systems Committee and the Federal Asset Sales Committee. Membership includes federal agencies and the Office of Management and Budget. 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. Membership includes VA administrations and staff offices, VHA analysts, 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. Because much of the data needed to support the FRPC Tier 1 metrics were already embedded in the Department's predefined corporate portfolio goals, the transition from VA's corporate goals to the FRPC metrics was possible. Tier 1 metrics vary only in their broad approach to federal real property. In order to meet federal requirements and to provide VA-focused measures, the Department currently measures and maintains VA's capital portfolio goals and the FRPC Tier 1 metrics. Where there was overlap, VA goals were modified accordingly. VA has four real property metric goals and they are discussed on the following page.

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 leading the President's decision to implement the Federal Real Property Asset Management Initiative. VA transitioned or modified this goal to be consistent with the following FRPC facility utilization index: Percent of Space Utilization as Compared to Overall Space (owned and direct-leased). This transition involved updating the vacant and underutilized facility baseline adjusting CAMS business rules and incorporating the FRPC definition of "ratio of occupancy to current design capacity."

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

This goal was transitioned to be consistent with the Tier 1 Annual Operating Costs measure (Ratio of Operating Costs per Gross Square Foot (GSF)). VA's CAMS tracks operating costs using many of the same cost elements the FRPC requires. These include utilities, recurring maintenance and repairs, cleaning/janitorial, and roads/grounds expenditures required to operate a facility. However, these costs are not captured at the constructed-asset level as planned by the FRPC. OMB approved a methodology for providing annual operating costs using an allocation model.

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

Percent Condition Index (owned buildings)

VA performed condition assessments of all its medical facilities as part of the CARES study. These assessments include estimates of repair needs for each building. VA calculates condition index annually as the ratio of repair needs to plant replacement value. The higher the Condition Index the better the condition of the constructed asset. 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 one-third of owned buildings per year.

Ratio of Non-Mission Dependent Assets to Total Assets

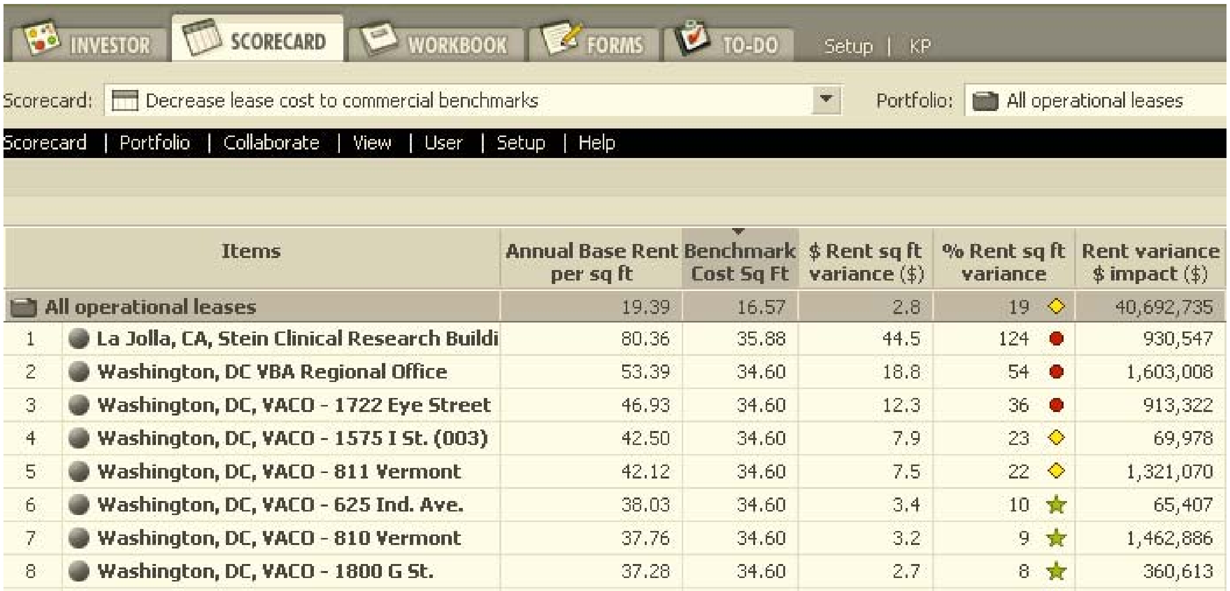
Using the OMB approved methodology, VA determines whether each asset (owned and direct leased buildings, structures, and land parcel) is mission critical; mission dependent/not critical; or not mission dependent. Mission dependency information is entered into the CAI, which feeds into CAMS for tracking and reporting purposes. Mission Dependency is determined by the FRPC Utilization Index. 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.

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 comparisons between similar VA facilities. CAMS currently holds performance data back to FY 2004. The system provides views that compare from one year to the next. VA can analyze and report increases or decreases in costs, utilization, and other goal performance from year to year and across individual stations, networks, and at administration levels.

Lease Benchmarks

With over a thousand operating leases (88 of which are over the $600,000 Strategic Management Council (SMC) threshold), VA considers it a priority to measure the value of such investments. From the outset, CAMS was designed to include benchmark analysis. Sources were studied and a selection was made on the basis of quality/cost. VA uses a combination of two nationally-recognized sources of lease rate benchmark data: BOMA (Building Owners & Managers Association) and LoopNet. LoopNet is an online commercial real estate listing service with over 380,000 commercial properties for sale and for lease. VA will use an average of BOMA and LoopNet for FY 2007 benchmarking. The following graphic illustrates a lease benchmark view in CAMS.



	Items	Annual Base Rent per sq ft	Benchmark Cost Sq Ft	$ Rent sq ft variance ($)	% Rent sq ft variance	Rent variance $ impact ($)
	All operational leases	19.39	16.57	2.8	19	40,692,735
1	La Jolla, CA, Stein Clinical Research Buildi	80.36	35.88	44.5	124	930,547
2	Washington, DC VBA Regional Office	53.39	34.60	18.8	54	1,603,008
3	Washington, DC, VACO - 1722 Eye Street	46.93	34.60	12.3	36	913,322
4	Washington, DC, VACO - 1575 I St. (003)	42.50	34.60	7.9	23	69,978
5	Washington, DC, VACO - 811 Vermont	42.12	34.60	7.5	22	1,321,070
6	Washington, DC, VACO - 625 Ind. Ave.	38.03	34.60	3.4	10	65,407
7	Washington, DC, VACO - 810 Vermont	37.76	34.60	3.2	9	1,462,886
8	Washington, DC, VACO - 1800 G St.	37.28	34.60	2.7	8	360,613

Benchmarking is not an exact science. The outcomes are meant to lead to suggestions, not directly to consequences. Some of the inherent limitations of this process are:

- BOMA data will always be at least a year old.
- BOMA data pertain to generic office space.
- Only the major metropolitan areas are covered.

These are not precise comparisons. VA lease costs are a blend 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 Tampa, Florida is $17.90. VA has eight leases in Tampa ranging from $14.23 to $33.00 per square foot and an average of $20.56 per square foot overall.

VA lease benchmarks are updated annually, and benchmark data is shared across the system so that local asset managers can use it to VA's benefit in lease negotiations.

Internal Benchmarks

Benchmarking is done within VA and encompasses comparisons across fiscal years and comparisons between similar VA facilities. CAMS currently holds performance data back to FY 2004. 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 from year to year at individual station, network, and administration 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	$12.95		■	
Utilization/Uniques	Adjusted GSF / Workload (Unique Patient)	13.53	■		
Utilization/BDoCs	Adjusted GSF / Workload (Bed Day of Care)	11.25	■		
Utilization/OPVisits	Adjusted GSF / Workload (OPVisit)	1.82	■		
Space Utility	% Underutilized SF	-29.42%	■		
Space Vacant	% Vacant SF	0.42%	■		
Environmental	Environmental compliance (FCA 1-5 scoring)	3.62			■
Life Safety	Life Safety compliance score (FCA 1-5 scoring)	3.42		■	
Seismic	% Buildings seismic compliant	95.02%			■
Energy	Total BTU (in millions) / Adjusted Owned SF	0.185	■		
Useful Life	% GSF within buildings < 30 years old	48.07%	■		
Condition	Total FCA Repair $ / Adjusted Owned SF	$18.10	■		
Sustainment	% Sustainment Goal Funded	TBD			

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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 recently begun 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 improvements over past performance; and 2) external benchmarking, to compare VA performance with other similar facilities.

VA is tracking and comparing both energy consumption and energy expenditures with internal and external benchmarks, as follows. Internal benchmarking with calculations down to the facility level is in the following table.

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

MEASURE		
Consumption	**Expenditures**	**Benchmark/Goal**
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: Executive Order 13423		
Btu per square foot – all facilities		3% reduction annually through FY 2015 beginning in FY 2006, or 30% reduction by FY 2015, relative to FY 2003. Reduction in greenhouse gas emissions
Water consumption intensity (measure TBD)		2% reduction annually through FY 2015, beginning in FY 2008, or 16% by FY 2015, relative to FY 2007
Federal Mandate: Energy Policy Act of 2005		
Btu per square foot – all facilities		2% reduction annually through FY 2020 beginning in FY 2006, for a total 30% reduction by 2020, relative to FY 2003 baseline
Federal Mandate: EO 13123		
Btu per square foot – commercial facilities		30% reduction by FY 2005 35% reduction by FY 2010 vs. 1985 baseline
Btu per square foot – industrial facilities		20% reduction by 2005 25% by 2010 vs. 1985 baseline

External Benchmarking

VA has focused in FY 2006 on ensuring that energy cost and consumption information for its major healthcare facilities is 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 now 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 potentially expand benchmarking opportunities. VA also plans to evaluate other potentially promising benchmarking databases such as the Energy Information Administration's (EIA) Commercial Building Energy Consumption Survey (CBECS). 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. It is now conducted every four years. The 2003 survey, the most recent, is the eighth survey in the series begun in 1979. The next survey is scheduled to take place in 2007.

CBECS statistics in CBECS reports include energy expenditure per square foot and energy consumption per square foot, with summary statistics by facility type, major Census region, size and age of facility, and energy source. Limitations of current CBECS statistics as contained in EIA's standard reports with respect to benchmarking VA facilities include: 1) healthcare facility data is contained in two different categories: healthcare (with in-patient and out-patient subcategories), and lodging (includes nursing homes/skilled nursing facilities); 2) minimal regional specificity; and 3) long time interval between surveys.

Real Property and Energy Management Scorecards

Externally, progress on how well agencies manage their capital assets and implement the elements of real property found in the PMA are tracked quarterly via scorecard by OMB. The scorecard provides two ratings. The first rating reflects an overall status in how effectively VA is managing its real property. The second rating applies to the progress the Department makes each quarter in implementing specific actions toward ongoing improvements in real property. The actions are planned and agreed upon between VA and OMB each quarter. VA is one of the leaders in real property management as it achieved a "Green" status for real property initiatives in the third quarter of FY 2006. Only two other agencies had received this real property status.

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 is currently a leader in energy management, having received a "Green" rating for both status and progress achieved as of the end of fiscal year 2006.

Consistent with PMA practices, VA developed an internal real property scorecard that captures more detailed level data. The scorecard employs the same, 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 on this initiative.

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 re-baselined 2003 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.

Table 4-2: Real Property Performance Results

	Results				Targets		
Organization/Program/Measure (Key Measures in Bold)	**2003**	**2004**	**2005**	**2006**	**2007 (Final)**	**2008 (Initial)**	**Strategic Target**
Percent of space utilization as compared to overall space (owned and direct-leased)	N/A	80% Baseline	98%	100%	95%	**95%**	95%
Percent Condition Index (owned buildings)	N/A	N/A	82% Baseline	79%	84%	**85%**	87%
Ratio of non-mission dependent assets to total assets	N/A	N/A	22% Baseline	15%	16%	**13%**	10%
Ratio of operating costs per gross square foot (GSF)	N/A	$4.52	$4.85	$5.59	$4.52	**$4.52**	$4.52
Cumulative percentage decrease in facility traditional energy consumption per GSF from the 2003 baseline							
EPAct 2005	Baseline	N/A	N/A	4.4%	4%	**6%**	20%
EO 13423	Baseline	N/A	N/A	4.4%	6%	**9%**	30%

<u>Utilization</u>

VA's FY 2004 baseline performance is 80%; FY 2006 performance was 100%, exceeding the target of 95% by 2010. VA changes that resulted in improved utilization of space are:

- VA out-leased 5.2 million square feet in 2006
- VA generated annual recurring revenue in excess of $900,000 in FY 2005 and $1.2M in FY 2006
- VA generated one-time payments of $28M in 2005 and $22.5M in 2006
- VA reduced vacant space by 15% or 1,301,305 SF between 2004 and 2005 (Vacant space went up slightly (4%) in FY 2006)

Condition
VA's FY 2005 baseline performance is 82%; FY 2006 performance was 79%, with a target of 87% by 2010. Condition Upgrades are pursued through projects/investments as follows:

- Major (FY 2006 $532M CARES)
- Minor (FY 2006 $155M CARES)
- Non-recurring Maintenance (FY 2006 $493M)

Mission Dependency
VA's FY 2005 baseline performance is 22%; FY 2006 performance was 15%, on track with the target of 10% by 2010. VA changes that resulted in a decrease in non-mission dependent assets are:

- 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
VA's FY 2004 baseline performance is $4.52 per GSF. For FY 2006, VA's GSF was $5.59, and has a target of $4.52 GSF by 2010.

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.

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CHAPTER 5: DISPOSAL

Disposal is always challenging because of the many parties involved. The local community, being one of the important parties to the post-federal use, is also one of the keys to the success of VA's disposal program. Partnering with the local community through local private entities, local governments or a combination of both allows the orderly transfer of federal property to non-federal use without devastating local economies. VA enters into public private ventures with local entities which find a compatible reuse purpose for the property and/or buildings as well as providing economic, developmental, and environmental aspects to the local communities in the form of a potential tax base and compliance with local codes and regulations.

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.

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. Deptartment 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. The VA disposal plan has two parts: short-term (one year) and long-term (five year). CAMS will collect this disposal information from across the capital portfolio.

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 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.

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 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.

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

As part of the disposal process, VA utilizes a unique capital asset management tool called enhanced-use (EU) leasing.

Enhanced-Use Leasing Program

The results of this program 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. 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 is currently performing additional studies at sites where health care 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. VA will utilize its enhanced-use lease authority to maximize the value of unneeded real property.

EU Authority

The Department of Veterans Affairs uses a unique capital asset management tool called enhanced-use (EU) leasing. The authority to use this mechanism was originally enacted in 1991, under Section 8161 through 8169 of Title 38, United States Code (38 U.S.C. §§ 8161-8169). Renewed in 2001, VA has authority to continue using this process until 2011. While this authority allows VA to lease land or buildings to both private and/or non-profit sector 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.

Though, 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 do not have to be returned to the Treasury, but may be kept by VA. This provides incentives necessary to encourage government property managers to be creative and aggressively pursue opportunities to partner with both private and 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 allows the private and non-profit sector to construct and operate in its customary manner. VA then benefits from the efficiencies of organizations and delivery processes that reflect best practices. VA continually improves its process to deliver the highest and best use for its assets over time.

Benefits to Developers and Local Community

An EU lease provides the developer (lessee) with the long-term property interest necessary to secure financing through the capital markets, and allows the developer to amortize any capital investment made to the property or facility. 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 in turn, facilitates the local community's ability to provide needed services along with substantial private investment, 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

VA's variety of projects since the enactment of the EU leasing statute includes: office buildings, parking facilities, low-cost senior housing, co-generation (heat and electricity) energy facilities, single room occupancy housing (homeless shelters), and child care and mental health centers.

VA is currently exploring ways to expand the use of this capital asset management tool in the Department and continually working to streamline the complex EU process.

Recent Enhanced-Use Lease Successes

VA has completed a variety of projects since the enactment of the enhanced-use leasing statute, including office buildings, parking facilities, low-cost senior housing, co-generation energy facilities, single room occupancy housing (homeless shelters), and child care and mental health centers.

Fort Howard, MD – Life Care Community

In the fall of 2002, Fort Howard inpatient care services were consolidated to other campuses within the VA Maryland Health Care System (VAMHS), allowing VA to transform the 100-acre campus into a Life Care Community (LCC) through an enhanced use lease. The LCC approach includes independent living, assisted living, a skilled nursing facility component, and a small community center.

On September 29, 2006, VA executed an enhanced-use lease with Fort Howard Senior Housing Associates, LLC to finance, design, and develop a continuum of senior housing totally approximately 1,300 units. This supports the predominant trend in senior housing today which is to help seniors stay in one location for as long as possible – commonly referred to as aging in place. Veterans and their spouses will receive priority placement on all 1,300 units and discounts on 40% of units. In addition, the developer will replace the current VA Outpatient clinic with a new facility, and hold 10-acres for potential future use as a Maryland State Veterans home.

Through this lease, VA will provide additional affordable housing for veterans and senior citizens in the State of Maryland, obtain a new 10,000 square feet outpatient clinic, and eliminate current VAMHCS maintenance, repair, and utility costs associated with the Fort Howard campus. This project will save VA an estimated $1,500,000 in construction cost savings as well as a cost avoidance of approximately $1,000,000 annually. The current waiting list to join the LCC is over 500 veterans.

Leavenworth, KS Mixed-Use Development

On August 5, 2005, VA signed an enhanced-use lease with the Eisenhower Ridge Association (ERA) to renovate 38 underutilized buildings and to adaptively reuse historic properties located on approximately 50 acres of land. This mixed-use development will provide services and accommodations relating to affordable senior housing, long-term care, transitional veterans housing with supportive services, long-term veteran housing, educational and community support facilities.

This lease will result in the reuse of buildings listed on the Federal National Register of Historic Places as well as expansion of services to veterans. The project will also result in additional land (without historical buildings) to become available to the Leavenworth National Cemetery for additional gravesites for veterans and for a columbarium.

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. These projects will require notification to 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 can also be found in Appendix D.

Capital Asset Realignment for Enhanced Services

The Capital Asset Realignment for Enhanced Services (CARES) initiative—a strategic planning process—provided a 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 directions in health care delivery including changes in technology, demographic projections, physical plant capacity, community health care capacity, facility condition assessments, and workforce requirements.

CARES has been completed for all but the 18 follow-up studies in June 2004. The CARES process advances VA's efforts to ensure the continued availability of quality health care for our nation's veterans.

All VA sites, except for the 18 sites selected for follow-up studies, have approved CARES missions and VA is implementing its capital asset management philosophy to meet the current and future demands.

CARES Re-use Studies

Background

As part of VA's continued CARES effort to realign its medical campuses to better meet the healthcare demands of veterans, VA has been conducting the CARES studies in pursuit of creating efficient, cost-effective and appropriately sized footprints for its campuses thereby identifying enhanced-use leasing opportunities. The original 18 CARES site studies pursued evaluating outstanding health care issues, developing capital plans, as well as determining the best use for the 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 include:

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

Status

Following is a summary chart of the status of each of the CARES Reuse Sites:

CARES Comprehensive Reuse Site Status

		CARES SITES	SECRETARY'S DECISION	Closed @ Stage 1	Secretary's Decisions	Continue with Stage 2	Reuse Opportunities
Comprehensive Reuse	4	**Canandaigua, NY**	5-Oct-06	No	Study five options: replace inpatient and outpatient services in new and/or renovated facility,	Yes	Yes
	6	**Lexington, KY**	30-May-07	No	Replace the inpatient and outpatient facilities; all new construction will be on SE portion of campus. Existing buildings and part of campus will be available for reuse after construction is completed.	No	Yes
	17	**West Los Angeles, CA**	1-Feb-07	No	Decision made to move forward into Stage 2 on the capital planning reuse portion of study placed on hold	Yes, but without reuse Phase 3	Yes
	7	**Livermore, CA**	13-Jul-06	No	Study three options: Renovate or relocate NHCU on campus or colocate new facility with CBOC in Central Valley	Yes	Yes
	10	**Montrose Castle Point, NY**	1-Feb-07	No	Study five options at Montrose for new construction and/or relocation of residential and ambulatory care facilities and two options at Castle Point for replacement facility and new nursing home	Yes	Yes
	12	**Perry Point, MD**	TBD	Yes	Upgrade entire campus, continue nursing home project, and complete reuse plan	No	Yes
	14	**St. Albans, NY**	11-Aug-06	Yes	Develop Capital Plan for New Construction (BPO4): New residential and outpatient/clinic building, new nursing home, domicilliary, some demolition, and reuse plan for the campus	No, joint memo issued incl. OAEM	Yes
	18	**White City, OR**	22-Jul-06	Yes	Submit Capital Investment proposals (BPO3): combination of new construction and renovation of DOM, some demolition	No, joint memo issued incl. OAEM	Yes
	5	**Gulfport, MS**			CARES study ended due to Hurricane Katrina; PL 109-234 Sec. 234 directs the Secretary to transfer property to City of Gulfport		
General Reuse	1	**Big Spring, TX**	20-Apr-06	Yes	Inpatient services to remain and consider expanding mental health services	No	No
	2	**Boston, MA**	29-Jul-06	Yes	Rejected proposal to consolidate all services to one facility. Consider several options to modernize facilities	Yes, further study	Yes
	3	**Brooklyn/ Manhattan, NY**	11-Aug-06	Yes	Retain existing medical centers in both Brooklyn and Manhattan. Prepare plan for continued service integration	No, joint memo issued	No
	8	**Louisville, KY**	30-Jun-06	Yes	Build a new hospital; site selection committee established by the USH	No	Yes
	9	**Montgomery, AL**	13-Jul-06	Yes	Continue inpatient services and modernize the facility	No	No
	11	**Muskogee, OK**	21-Dec-06	Yes	Keep facility and implement increase in psychiatric beds	No	No
	13	**Poplar Bluff, MO**	21-Dec-06	Yes	Secretary's Decision Made at LAP 2 to keep the facility	No	No
	15	**Waco, TX**	1-Dec-06	Yes	Retain all current services. Create Center for Excellence for Post Traumatic Stress Disorder. Pursue re-use of vacant land and buildings through Enhanced Use Leases(s)	No	Yes
	16	**Walla Walla, WA**	7-Jul-06	Yes	Develop Capital Investment proposal to construct new CBOC for primary, specialty and mental health care	No, joint memo issued	Yes, OAEM is working with the VISN

Outside firms were awarded contracts to assist the Secretary in reaching a decision by assessing the health care, capital planning and reuse options for each site. CARES reuse sites were identified early on as being either general or comprehensive reuse. Those general sites in which only the health care delivery options needed further analyses were Big Spring, TX; Boston, MA; Brooklyn/Manhattan, NY: Louisville, KY; Montgomery, AL; Muskogee, OK; Popular Bluff, MO; Waco, TX; and Walla Walla, WA. Those comprehensive sites requiring the development of a comprehensive capital plan were Canandaigua, NY; Lexington, KY; West LA, CA; Livermore, CA; Montrose/Castle Point, NY; Perry Point, MD; St. Albans, NY; White City, OR; and Gulfport, MS.

The OAEM website contains the completed reuse reports. More will be posted as they become available.

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. The Federal Asset Sales (FAS) initiative was added to the President's Management Agenda (PMA) on E-GOV to address the currently decentralized approach of federal agencies using individual methods to sell these assets and provide related-asset sale information The FAS initiative intends to identify a centralized sales and reporting environment for federal real property and personal property assets. 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.

Current VA Environment

VA had 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.

VA does not market residential loan guaranty properties directly through GSA and cannot do so due to contract restrictions with their loan servicing company. VA is the sales agent for residential real property. VA listings are linked to the FAS website. No reporting of residential sales is currently provided.

Using its authority, VA has responsibility for the sale of buildings and land real property. All VA facility disposals are reported for FPRC purposes annually. There is no link to the FAS website. Currently, there is no reporting of these sales to GSA for FAS purposes.

In FY 2006, VA developed a Federal Asset Sales GSA Summary and VA Strategy; provided a strategy to OMB; and developed FAS implementation milestones for VA real property. VA has proposed to maintain its residential, buildings, and land real property sales authority independent of the FAS initiative. VA will continue to link residential sales to the FAS web site. VA will comply with additional FAS reporting requirements either through electronic reporting or manual entry to the FAS database.

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, actuals)
- 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. Crystal reports can be created, providing polished reports for viewing and presentations.

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 and Executive Order 13327, *Federal Real Property Asset Management*, the Energy Policy Act of 2005 and Executive Order 13423, *Strengthening Federal Environmental, Energy, and Transportation Management*, and the Federal Asset Sales Initiative. In FY 2005, VA implemented the FRPC Tier 1 goals and aligned VA and FRPC goals. In FY 2006, VA incorporated the additional disposal data elements required for FRPC reporting and implemented environmental and life safety performance measures to show compliance of VA buildings. Also in FY 2006, automated Energy Star quarterly reporting and EPAct2005 Annual Energy Performance reporting were integrated with real property management. Disposal reports, including actual and planned assets for disposal, were generated from CAMS in FY 2006, and Federal Asset Sales reporting is being added in FY 2007. These improved integrations promote consistent data and a complete picture of real property performance.

Electronic reporting is also feasible and has been demonstrated. VA submitted an XML file to the GSA in FY 2005 and FY 2006, reporting FRPC requirements. In FY 2006, VA also submitted an electronic file for Energy Star ratings to Department of Energy (DOE) and received ratings in return. Annual Energy Consumption Reports are now created in CAMS. VA's goal is to electronically submit those in the future.

CAMS is the main factor that allows VA to comply with this type and degree of asset performance measurement. VA is one of the leaders in real property management as it achieved a "Green" status for real property initiatives in the third quarter of FY 2006. Only two other agencies have received this real property status. Within VA, CAMS has already had an impact on capital asset data management. Inventories have been improved, related costs are being 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.

Reporting

CAMS is the Department's recognized system for tracking and reporting capital assets across their lifecycle. 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 at 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. For instance, decisions such as identifying assets for disposition based on investor maps derived from CAMS.

VA reports capital asset performance in executive-level (Deputy Secretary) monthly performance reviews on a quarterly basis. The report highlights asset performance on VA's portfolio goals and on 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 new Capital Asset Management Offices to their roles in VA's capital investment process and provide any user with a working understanding of VA's CAMS. The training session is also used to create a mindset of monitoring assets based on their 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 is provided in Appendix F.

Contracting Specialists also receive training in order to perform VA acquisitions for leases, agreements and construction. Mandatory courses include acquisition planning, contract formulation, price analysis, contract negotiation techniques, cost analysis, contract administration, and contract law.

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 have, or are in the process of completing, Project Management training, a seven-course curriculum associated with George Washington University, resulting in formal certification. Procurement and contracting officials above the GS-13 grade, are required to have warrants to enter into contracts 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 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).

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 system.

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 will be conducted by the Administrations and staff offices. Reviews will 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 Initiative

<u>Background</u>

Prior to 2005, the Energy Policy Act of 1992 and a series of five executive orders (the "Greening the Government" series) served as the impetus for urging the nation's largest energy consumer, the federal government, to significantly improve its energy, environmental and transportation fleet (EE&T) management. The purpose of these mandates was to save taxpayer dollars, encourage development and deployment of new and improved technologies, reduce energy consumption intensity, and reduce emissions that contribute to air pollution and global climate change.

<u>Changing Policy Landscape</u>

On August 28, 2005, the President signed the Energy Policy Act of 2005 (EPAct 2005), adding a new and stronger focus to federal agencies' efforts. The significant requirements from EPAct 2005 include:

- reducing energy consumption intensity by 2% annually from FY2006 through FY2020 (compared to a FY2003 baseline);

- metering of electricity in all federal buildings to be in place by 2012;
- reaching a renewable electricity goal of 3% of total electricity consumption for FYs 2006-2009, 5% in FYs 2010-2012, and 7.5% each fiscal year thereafter;
- requiring new buildings to be 30% more efficient than industry standards for heating/cooling (ASHRAE 90.1-2004); and
- installing 20,000 solar photovoltaic systems on federal buildings by 2010.

Federal agency reporting on these and other EPAct 2005 requirements began in FY 2006.

In January 2007, OMB issued executive order (EO) 13423, which supersedes and consolidates all previous "Greening the Government" EOs. EO 13423 imposes new and more stringent mandates in the areas of EE&T. The Office of the Federal Environmental Executive (OFEE) issued accompanying detailed instructions for implementation in March 2007. These instructions are an integral part of the EO and implementation is mandatory. Related guidance from DOE on renewable energy and several other topics, originally due by mid-April, is now due at the end of June. Water conservation guidance is due at the end of September. These guidances contain significant details and will impact how agencies address the new reporting requirements and performance metrics.

EO 13423 imposes the following new energy mandates:

- Reduction in greenhouse gas emissions via 3% annual reduction in energy consumption intensity beginning in FY 2006, or 30% by 2015, vs. FY 2003 baseline.
- Reduction in annual water consumption intensity by 2% beginning in FY 2008, or 16% by 2015, vs. 2007 baseline.
- Requirement of 50% renewable energy consumption to come from new sources (in service date of January 1999 or later).

Energy Management Program

Energy Management Task Force and Action Plan

Efficient energy management and increased energy conservation allow more of VA's limited resources to be directed toward providing high quality services to veterans. In response to EPAct 2005, VA established a Department-wide Energy Management Task Force to meet the new requirements by accelerating the adoption of energy efficiency practices, prudent energy investments, and sustainable design and practices throughout VA. The Energy Management Action Plan authored by this new task force and approved in September 2006 serves as VA's blueprint for meeting federal mandates and achieving internal goals. The task force is addressing the new mandates of EO 13423 by updating the Action Plan and coordinating implementation.

The Action Plan addresses VA's five major energy challenges: 1) identifying what types of energy VA uses and their associated costs; 2) optimally managing energy systems; 3) purchasing energy wisely; 4) making prudent energy investments; and 5) implementing renewable and alternative energy purchasing and projects. For each challenge, there is a working subcommittee that has already made noteworthy progress in defining the challenge, deciding how best to meet it, coordinating efforts across VA, and improving the quality of existing initiatives.

Reporting

In FY 2004, VA began reporting agency-wide energy achievements in concert with VA's commitment to portfolio management. With the Department-wide energy management program and energy management task force in place, VA is better positioned than ever before to meet its energy challenges successfully.

In FY 2006, VA made several system changes to more precisely report energy costs and consumption to the Department of Energy (DOE). New energy-related budget object codes (BOCs) were created and existing energy-related BOCs were revised to collect and report a variety of energy costs. New reporting categories were created in CAMS to separate building, non-building and total energy costs. Finally, new categories of energy consumption data were added to the VHA Support Service Center database to collect and report increased consumption details. The expanded energy data will be reported to DOE in FY 2007.

Benchmarking

In FY2006, VA began an automated benchmarking process in partnership with the EPA Energy Star program. Using online tools and computer programming, VA has implemented quarterly energy benchmarking of all its hospitals.

Resources

VA's 2008 budget includes $25 million in the Medical Care appropriation to improve the Department's ability to better manage its assets to improve energy efficiency. These resources will be allocated in accordance with the recommendations of the VA Energy Management Task Force and Action Plan.

VA Energy Program Management

OAEM continues as the lead energy policy and program office. OAEM is participating in intra-agency workgroups and related sub-group meetings including the Inter-Agency Energy Management Task Force, the Federal Energy Savings Performance Contracts (ESPC) Steering Committee, the Federal Energy Management Advisory Committee, and several sustainability working groups. OAEM is updating the existing energy management program, policies, directives, and handbooks that provide guidance on energy issues to reflect the EPAct 2005 environment and lessons learned to date. With EO 13423, a number of additional updates are now necessary as well to reflect those new mandates, pending finalized instructions and guidance from OFEE and DOE, respectively.

VA Created National Energy Contracting Office
Accomplishment of VA's energy program activities is being facilitated with services provided by VA's new Cleveland-based National Energy Business Center (NEBC), dedicated to serving all of VA's energy contracting needs, such as contracting for energy assessments, for ECM implementation via alternative financing, and for measurement and verification of energy savings. The Center will also facilitate implementation of on-site renewable energy projects and other renewable energy initiatives. Based on results of feasibility studies, VA will solicit proposals for sites where significant savings are projected on a national basis.

Sustainability/Alternative Fuel Vehicles
As a signatory to the 2006 Sustainability Memorandum of Understanding (MOU), VA was already on its way to incorporating sustainability-based improvements in facility design and operation when EO 13423 mandated that agencies abide by the MOU. An internal working group drafted a Green Buildings Action Plan, the implementation of which is now the responsibility of a new Department-wide Green Buildings Council, and an updated sustainability design guide is under development.

Likewise, VA has jumpstarted its alternative fuel vehicle fleet efforts by implementing forward-looking purchasing and a database that will help track efforts to meet the alternative fuel consumption mandates set in EO 13423.

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 health care 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). 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 2006 through 2010 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 has a need 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 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 – thirty-six projects, not including Gulfport or New Orleans, are in process:
    - One project is complete;
    - One project is on hold awaiting further cares study;
    - The status of the remaining thirty-four is as follows:
        - Construction documents – 6,
        - Construction – 14,
        - Schematics/Design Development – 14,
    - Eighteen Sites were selected for further study with one site (Gulfport), lost to Hurricane Katrina.
- Nine General Reuse site studies have completed their Stage I review with some final decisions:
    - Five sites: Big Spring, TX; Brooklyn/Manhattan, NY; Montgomery, AL; Muskogee, OK; and Poplar Bluff, MO, via the Secretary's decision have concluded their study with no change to current operations.
    - Current services at Waco, TX are being retained and meet requirements for a Center of Excellence for Post-Traumatic Stress Disorder.
        - Waco, TX was also directed to pursue reuse of vacant buildings and land through VA's Enhanced-Use Lease Program.
    - The Secretary directed Walla Walla, WA to use existing contracting authority to provide inpatient and nursing home care and to explore partnerships and other opportunities to utilize the historic campus.
    - Louisville, KY's decision is not going to Stage 2 as it is a replacement hospital.
    - Boston, MA is proceeding to Stage 2.
- Eight Comprehensive Reuse sites are being assessed; the ninth site, Gulfport, MS, was removed from the study due to Hurricane Katrina:
    - West Los Angeles, CA has not had the Secretary's decisions announced.

  - Three sites: Livermore, CA; Canandaigua, NY; and Montrose/Castle Point, NY, have been or are being evaluated under the Price Waterhouse Cooper's Stage 2 contract.
  - In White City, OR, the Secretary 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.
    - The Master Plan should consider enhanced-use leasing opportunities that are currently being looked at by the Reuse Contractor under Phase 3 Reuse/Redevelopment.
  - In St. Albans, NY, the Secretary directed that a capital plan for new construction be developed for the new nursing home, domiciliary and outpatient clinic.
    - The site is leading the effort, designing the new medical components of the campus and the Reuse Contractor has developed the Phase 3 Reuse/Redevelopment Report.
  - In Lexington, KY, the Secretary 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 square feet of clinic space for the Knoxville, Tennessee, outpatient clinic was awarded.

Enhanced-Use Leasing

- Created the Concept Proposal Review Committee (CPRC) to streamline internal concurrences for EUL projects.
- Awarded EUL projects of various complexities.
- Developed "templates" EUL agreement, request for proposal, and bid terms agreement to streamline the selection process as well as reduce negotiation time.
- Assisted with CARES sites for Reuse coordination and evaluation with proposed capital improvements at nine VAMC sites.
- Developed Post Transaction Oversight Tool (PTOT) – Desktop tool to efficiently and effectively monitor and comply with the terms of the executed EU leases.

Physical Security - 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 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 and related Design and Construction Standards are to be issued in the second quarter of FY 2007.

<u>Hurricane Assessments</u>

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 67 buildings in FY 2005, 77 buildings in FY 2006, and nine buildings in FY 2007 (year-to-date).

Improving Energy Efficiency and Reducing Environmental Impact

- Developed an Energy Management Action Plan that is serving as a blueprint for meeting federal mandates and achieving internal goals.
- Established a National Energy Acquisition Office to provide energy-related contracting services for all of VA.
- Prepared a Green Buildings Action Plan, established a Green Building Council to facilitate implementation, and began development of updated sustainability design guidance.
- Significantly increased acquisition of alternative fuel vehicles, and created an enhanced database to help track efforts to meet all fleet alternative fuel mandates.
- Developed placement plan and position description for energy managers to be added in locations around the country.

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 and FY 2006.
- Implemented a capital asset performance review on a quarterly basis in Monthly Performance Reviews 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.

Veterans Health Administration

- Facility Condition Assessments were completed for 31 VAMCs
- The steady-state space model (SpaceDriver) was updated using the latest workloads for all VAMCs.

National Cemetery Administration

- 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).

Veterans Benefits Administration

- Completed new certified Leadership in Energy and Environmental Design (LEED) regional office in Reno, NV and Ft. Harrison, MT.

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 2007

- Continue with planning and construction of the VA capital initiatives contained in VA's 5-year Capital Plan;
- Achieve significant reduction in underutilized and vacant space for the Department through implementation of the disposal plans;
- Execute identified actions including enhanced-use leasing, disposal, etc. (second quarter);
- Complete OAEM Phase 3 Reuse reports and CARES Stage 2 studies (first quarter);
- Initiate procurement actions to solicit interest in the reuse/development parcels of each site (first and second quarter);
- Refine asset condition information to reconcile FCA and financial statement deferred maintenance costs and take into account all of our disposals and investments in the pipeline, to address the backlog estimate;
- Participate in interagency and intra-agency workgroups and related sub-groups on energy issues;
- Draft a Green Buildings Action Plan to implement the Sustainability MOU, and establish a Green Buildings Council to coordinate accomplishment of the Action Plan and related activities.
- Pursue implementation of on-site renewable technologies at selected high-potential facilities through site visits and feasibility studies;
- Implement CAMS enhancements, which include data store/data warehousing and Business Intelligence capabilities;
- Provide periodic CAMS training;
- Develop annual call for FRPC inventory and performance measure updates;
- Implement Federal Asset Sales reporting strategy for VA real property;
- Develop a Sales Report (XML file) from VBA's Centralized Property Tracking System for FAS Quarterly Reporting.; and
- Enter FAS reporting requirements into VA's Capital Asset Inventory (CAI) System and GSA's Federal Asset System as they occur. This will continue annual FRPC reporting and implement quarterly Federal Asset Sales reporting. FAS data entry is dependent on the FAS database implementation schedule.

Sustainability Principles for Design of New and Renovated VA Facilities

- Draft VA plan to implement MOU described in Executive Order 13423. The plan provides budget guidance, directs the use of sustainable design principles, outlines time lines for achieving MOU goals, and identifies responsibilities for VA offices. It also establishes the FY 2009 as the base year for inclusion of funding for implementation of the MOU goals in the Major Construction Program.

- Establishment of a VA Advisory Council on Sustainable/Green Buildings. The Advisory Council comprises members from each of the VA Administrations and key staff offices to provide advice, coordination, and recommendations related to the implementation of the sustainability construction projects for VA. Advisory Council members reflect expertise in the areas relating to the five Guiding Principles of the MOU. The Council will operate at and maintain a Department-level focus.

- Complete development of VA Sustainability Design Manual. This manual will include energy studies and cost analysis to determine the cost ranges for full implementation of the MOU. Energy studies will also determine the percentage energy usage reductions that are life cycle cost effective for VA medical facilities.

- A/E consultants for major projects are selected considering their experience with the principles of energy conservation and sustainability

Veterans Health Administration

- Facility Condition Assessments will be completed for 62 VAMCs

National Cemetery Administration

- NCA is implementing a Facility Condition Assessment (FCA) program modeled on the VHA system.
  - It is expected the FCA will be completed annually by every cemetery director for each of the cemeteries under his/her management.
  - Assessments will be reviewed by the MSN engineers to ensure accuracy and standardization.
  - NCA will use the completed FCAs as part of the minor construction prioritization process to ensure projects with the greatest need are funded.
- In addition, NCA will utilize the FCA in the Organizational Assessment and Improvement (OAI) Program.
  - The OAI is an internal process of annual self assessment against national operational standards that is validated during periodic visits by independent teams of trained NCA employees.

  - The FCA will provide a scorecard for cemetery facilities that meets the requirements the OAI Program and the National Shrine Scorecard.
  - OAI team visits to select cemeteries every year will validate the FCA as part of the OAI program.

Veterans Benefits Administration

- Facility Condition Assessments are in the final phases of completion for four regional offices (Jackson, MS; Little Rock, AR; Houston, TX; and St. Petersburg, FL);
- Recommendations will be analyzed to ensure projects will receive the proper attention.

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;
- Award contracts for energy assessments in an additional three VISNs (approximately 30 facilities);
- Award contracts for implementation of energy and water conservation measures in seven VISNs;
- Hire 60 new energy managers to serve VA facilities;
- Implement renewable projects at pilot sites;
- Complete feasibility assessments of renewable energy projects at an additional 30 sites;
- Implement sub-metering for VA sites based upon results of pilot; and
- Continue annual FAS reporting.

Veterans Health Administration

- Facility Condition Assessments will be completed for 55 VAMCs

National Cemetery Administration

- Implement FCA across NCA.
- Incorporate FCA into:

  - Organizational Assessment & Improvement (OAI) Program
  - Minor Construction Prioritization Process (MCPP)

Veterans Benefits Administration

- New Boise, ID regional office is planned as an additional/alternate LEED certification.

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 the rest 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 their decision-making process.
- Incorporate the Performance Assessment Tool (PAT) or the approved equivalent as one part of the process for 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.

<u>Inter- and Intra- Agency Coordination</u>

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, showing the process VA follows, from acquisition/justification, funding, maintenance, and 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 needs 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, and Presidential Management Initiatives in implementing its capital asset management program. The concepts and requirements of these guidelines are incorporated 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 is developed to justify the capital asset. 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 in 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 a project is completed and the asset becomes operational, it 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 determined to be no longer needed enter the final stage of an asset's life cycle – the disposal stage. This is when VA considers removing the asset from its portfolio if the asset is determined to be underutilized, in too poor of condition, and/or too costly to maintain.

VA has different funding mechanisms to fund its capital asset requirements, such as Major Construction, Minor Construction, Non-Recurring Maintenance funds, and the Sustainment Model. Each of these funding tools provides unique means to address both future capital asset requirements, as well as maintain assets in their existing condition to prevent further deterioration.

VA has many tools for managing its significant portfolio of assets. VA's Capital Asset Management System 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. 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 could elect to sell an asset and retain any proceeds for improved veteran services. VA reports asset disposals in keeping with FRPC requirements and the recent Federal Asset Sales Initiative.

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 best practices in capital asset management to improve the quality of services to veterans in a cost effective manner.

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.

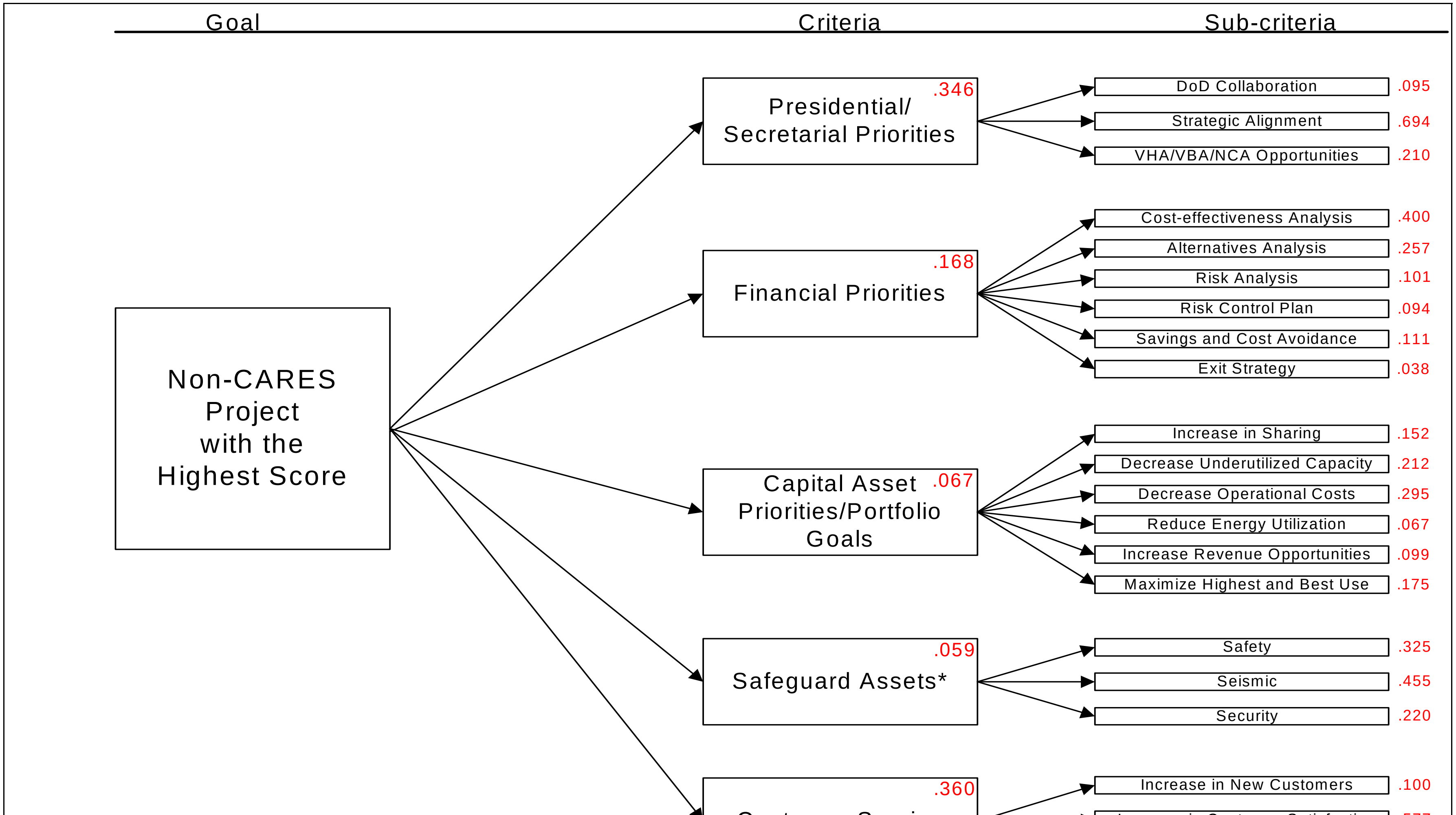
Safeguard Assets
This criterion addresses how well the capital investment results in a decrease in designated high-risk assets or increases the Department's compliance with safety, security, accessibility, and/or accreditation laws and regulations including seismic, life safety, and homeland security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

APPENDIX B – CAPITAL INVESTMENT DECISION MODELS

Figure 1: FY 2007 Non-CARES Capital Investment Decision Criteria – Acquisition Model with Priority Weights



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

Figure 2: FY 2007 CARES Capital Investment Decision Criteria – Acquisition Model with Priority Weights

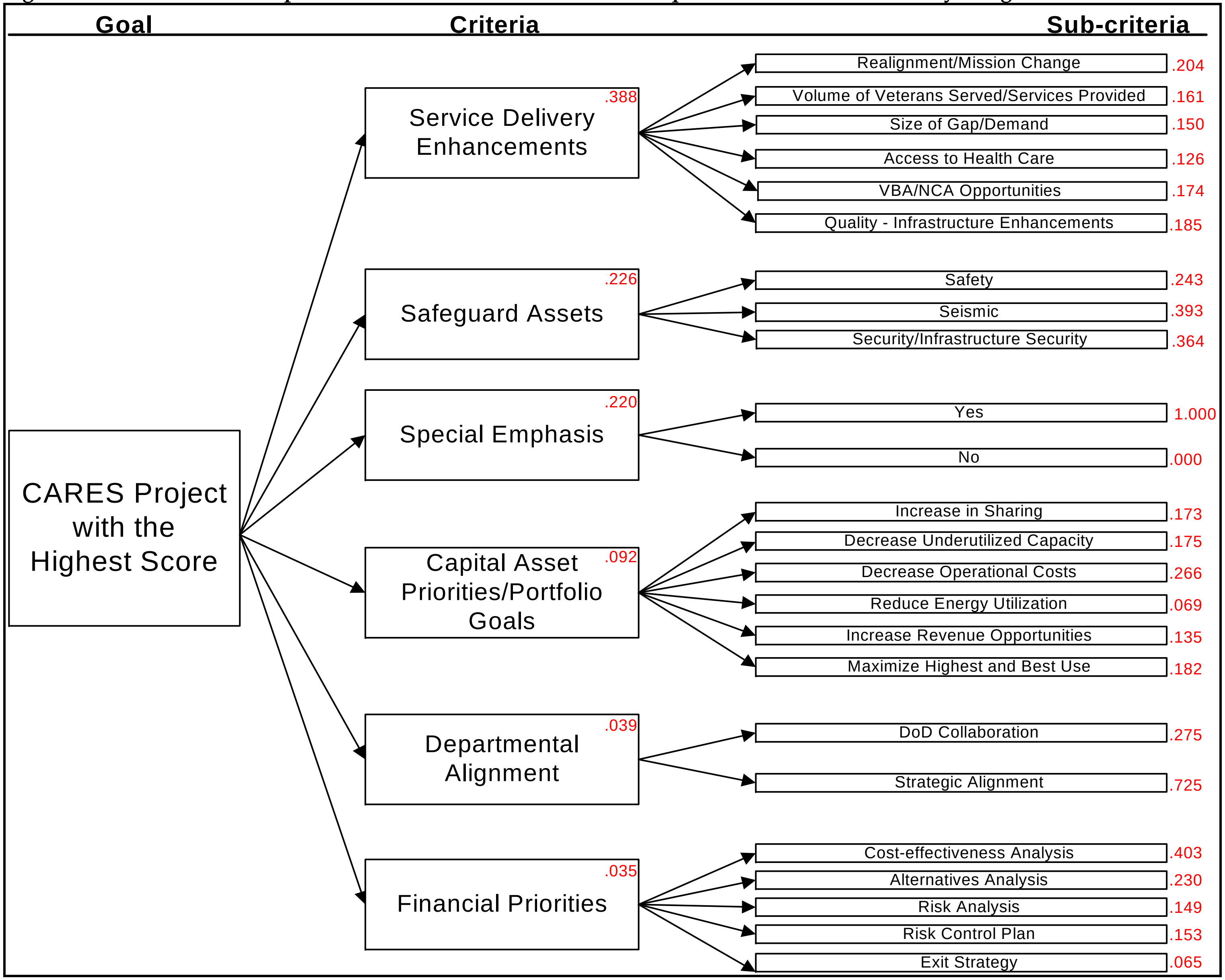
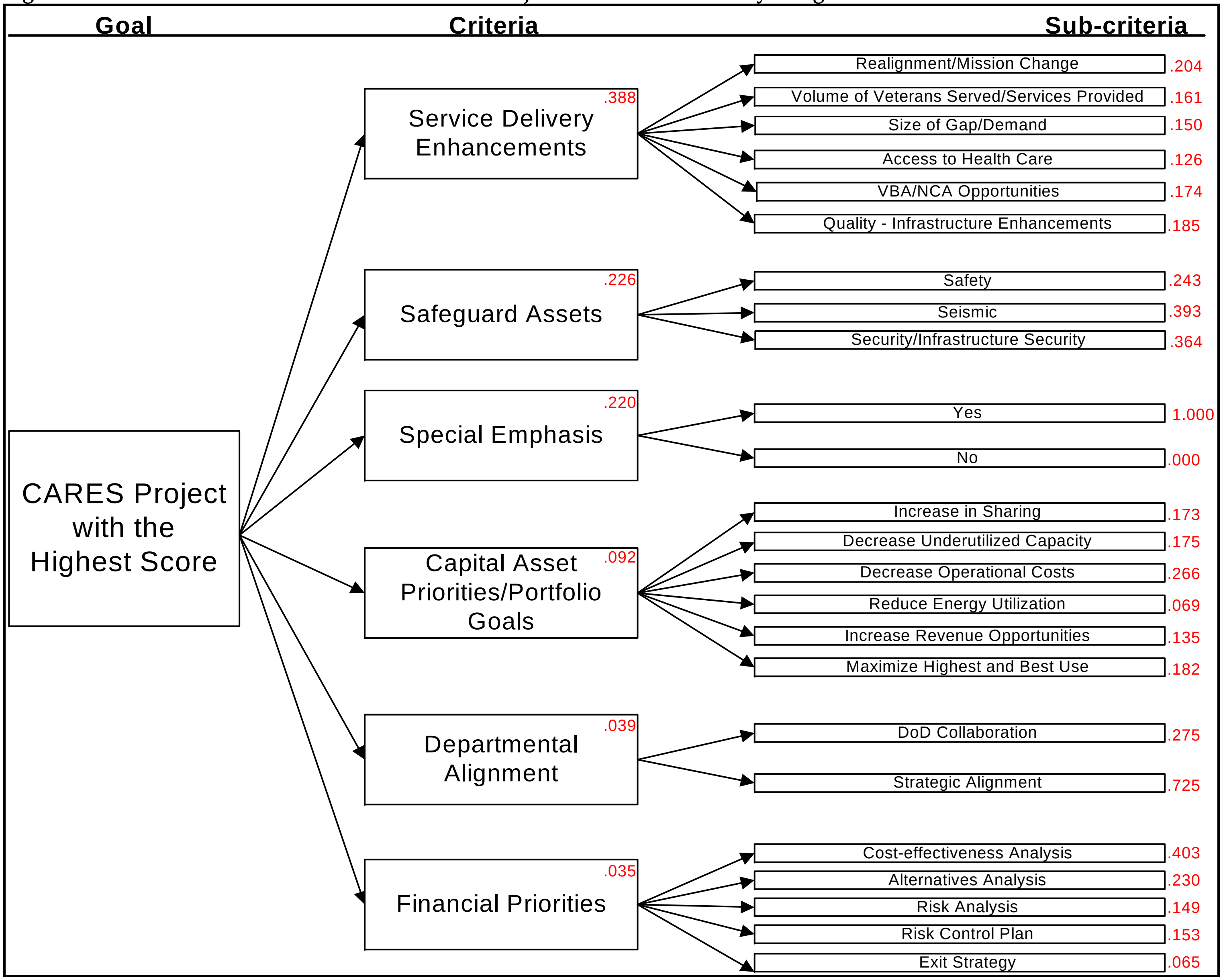


Figure 3: FY 2007 VHA Decision Criteria – Minor Projects Model with Priority Weights



APPENDIX C – ACTUAL AND PLANNED DISPOSALS

FY 2005 and FY 2006 Disposal Report

Program	VISN	Building/ Land	Station Name	Disposal Modality	Disposal Complete Date
FY 2005					
NCA	1	2 Total	Calverton, NY	Demolition	06/27/2005
NCA	1	2 Total	Long Island, NY	Demolition	06/27/2005
NCA	1	2 Total	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	2 Total	Ft. Harrison, VA	Demolition	06/27/2005
VHA	1	13	VACHS, West Haven	Demolition	06/01/2005
VHA	1	5 Total	White River Junction	Demolition	12/01/2004
VHA	5	10H	Perry Point	Demolition	12/06/2004
VHA	8	7 Total	Tampa	Demolition	06/01/2005
VHA	9	10 acres	Murfreesboro	Transfer - State Home	09/27/2005
VHA	9	T2	Louisville	GSA Disposal	11/20/2004
VHA	15	38 Total	Leavenworth	EUL	08/05/2005
VHA	12	158	Hines	Outlease	07/01/2005
VHA	15	24	Kansas City	Demolition	09/15/2005
VHA	15	2 Total	Marion, IL	GSA Disposal	08/26/2005
VHA	16	T2	Jackson	Demolition	03/01/2005
VHA	17	4 Total	Temple	Demolition	10/01/2004
VHA	20	3 Total	Vancouver	Demolition	02/28/2005
VHA	21	2 Total	Fresno	Demolition	09/05/2005
VHA	21	C	Reno	Donated	07/15/2005
FY 2006					
VHA	1	TR4	Providence	Demolition	05/30/2006
VHA	4	9 Total	Pittsburgh, Aspinwall	Demolition	05/30/2006
VHA	5	45 Total	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	2 Total	Saginaw	Demolition	08/05/2006
VHA	12	7	Chicago, Jesse Brown	Demolition	12/31/2005
VHA	12	4 Total	Chicago, Lakeside	Sale	10/01/2005
VHA	15	2 Total	Marion, IL	GSA Disposal	05/20/2006
VHA	19	6 Total	Salt Lake City	EU	09/22/2006
VHA	20	2 Total	White City	Demolition	09/12/2006
VHA	20	T2239	Vancouver	Demolition	01/15/2006
VHA	21	UST1	Fresno	Demolition	01/11/2006

Summary of FY 2007 Planned Disposals

Program	VISN	Building/ Land	Station Name	Total GSF	Disposal Modality
VHA	1	TR6	Providence	720	Demolition
VHA	2	2 Total	Canandaigua	3,200	Demolition
VHA	2	2 Total	Albany	4,120	EU
VHA	4	2 Total	Butler	9,808	Demolition
VHA	6	13	Beckley	1,200	Demolition
VHA	10	Stadium	Chillicothe		EU
VHA	10	36 Total	Cleveland, Brecksville	796,439	EU
VHA	10	3 Total	Dayton	33,945	Other Agreement
VHA	10	2 Total	Dayton	66,901	EU
VHA	10	6 Total	Dayton	31,025	Other VA Reuse
VHA	10	6 acres	Dayton		EU
VHA	11	145	Battle Creek	53,361	EU
VHA	11	3 Total	NIHCS, Marion	61,109	EU
VHA	15	2 acres	St Louis, John Cochran Division		EU
VHA	15	T 111	Marion, IL	720	GSA Disposal
VHA	16	28 Total	Gulfport, MS	501,843	Other Agreement
VHA	16	4 Total	Houston	9,700	EU
VHA	17	9 Total	Temple (Marlin)	207,848	GSA Disposal
VHA	18	T34	Amarillo	2,841	Demolition
VHA	18	52	Tucson	2,520	Demolition
VHA	20	19 Total	Vancouver	109,519	Demolition
VHA	20	T-12	Roseburg	2,112	Demolition
VHA	21	324	Menlo Park	80,300	Demolition
VHA	21	H	Reno	9,425	Demolition
VHA	22	2 Total	Sepulveda	137,022	EU
VHA	22	2	Sepulveda	131,313	Demolition

Summary of FY 2008 Planned Disposals

Program	VISN	Building/ Land	Station Name	Total GSF	Disposal Modality
VHA	2	3	Batavia	17,520	EU
VHA	4	4 Total	Butler	14,594	Demolition
VHA	4	2 Total	Pittsburgh, Aspinwall	50,610	Demolition
VHA	6	3 Total	Hampton	81,842	Transfer - State Home
VHA	10	42	Chillicothe	800	Demolition
VHA	10	18 Total	Cincinnati, Fort Thomas	80,839	Transfer - CAF
VHA	10	11 acres	Cincinnati, Fort Thomas		Transfer - CAF
VHA	12	6 Total	Milwaukee	337,227	EU
VHA	12	37 acres	Milwaukee		EU

Program	VISN	Building/ Land	Station Name	Total GSF	Disposal Modality
VHA	20	2	American Lake	70,000	Deconstruction
VHA	20	T-3	Roseburg	2,077	Demolition
VHA	20	217	White City	18,308	Deconstruction
VHA	21	AB3	NCHCS, Martinez	4,320	Demolition

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 not-for-profit corporation for construction and maintenance of a parking structure. VA will receive parking spaces for use by the VAMC on a no-cost basis.	Revising Concept Paper
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.	Preparing Concept Paper
Batavia, NY	Transitional Housing	Lease to provide a new transitional housing combined with substance abuse/mental health supportive services	Reviewing Concept Paper
Battle Creek, MI	Laundry	Lease to reduce laundry costs.	Negotiations ongoing
Brevard, FL	Assisted Living	Lease of donated land to establish an assisted living housing complex.	Negotiations ongoing
Butler, PA	Homeless Residential Program	Expansion of existing homeless residence dedicated to serving veterans.	NOI sent to congress
Butler, PA	Hospital	Demolition of old hospital and support buildings. Construction of new hospital, cancer center, and medical office buildings.	Studies being conducted
Chillicothe, OH	Mixed Use	Multipurpose community facility	Public Hearing pending
Cleveland, OH	Domiciliary	Lease to provide funding for services of 120-bed domiciliary including space for VA program support and community organizations.	NOI sent to congress
Columbia, SC	Mixed Use/VARO/ Realignment	Lease for a mixed use residential development (multi-family, and/or institutional office related uses; possible VBA Regional Office to be relocated from leased space to the VAMC campus.	Negotiations ongoing
Dayton, OH	Senior Housing	About 55 beds of single occupancy low-income housing	Feasibility study ongoing
Dayton, OH	Homeless Residential	Housing for substance abuse and mental health patients	NOI sent to congress
Dayton, OH	Transitional Housing	Lease to Volunteers of America (VOA) to establish 50-bed transitional housing with supportive services	Reviewing Concept Paper

Project Site	Project Type	Project Description	Status
Hines, IL	Assisted Living #51	Create assisted living facility in existing building with non-profit partner.	Inactive
Houston, TX	Clinical / Ambulatory Space	Lease to develop clinical and ambulatory space to meet needs of veterans.	Negotiations ongoing
Lebanon, PA	Golf Course	Lease to township to reduce VA costs by providing golf therapy to patients.	Pending discussions
Lincoln, NE	Outpatient Clinic	Outpatient clinic	Public Hearing pending
Los Angeles, CA	VHA/VBA Collocation	VBA will exit leased space to collocate at VHA space to better provide one-stop services to veterans.	Pending CARES business study
Marion, IL	Hotel	Lease to increase access to on site hotel for veterans and families.	Feasibility study ongoing
Marion, IN	Senior Housing	Low income housing for senior and veterans	Feasibility study ongoing
Milwaukee, WI	Mixed Use	Proposed E-U lease for assisted living, retail, and entertainment development.	Exploring options to proceed
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 business study
Murfreesboro, TN	Golf Course	Lease to the City of Murfreesboro to develop, operate, and maintain the existing golf course properly	Public hearing pending
Nashville, TN	Research	Lease to Vanderbilt University to provide research facilities to VA.	Negotiation ongoing
Newington, CT	Assisted Living	Lease to develop assisted living facility.	Preparing RFP
Phoenix, AZ	Child Care Development Center	Exit high cost leases to obtain on-site offices and child care complex for VAMC employees.	Feasibility study ongoing
Riverside, CA	Transitional Housing	Provide at least 118 beds transitional housing for homeless veterans.	Preparing Concept Paper
Sacramento, CA	Assisted Living	Lease to provide assisted living facility.	Negotiation ongoing
Saint Louis, MO	Parking	Public/private partnership to build nine-level parking deck. VA patients, visitors, employees get free parking for duration of lease.	Proposals under review
San Francisco, CA	Research	Lease to Northern California Institute for Research and Education (NCIRE) to develop a new research facility on the VAMC campus.	On hold
Sepulveda, CA	Homeless Veterans	Lease to New Directions, Inc. (NDI) a non-profit organization, of two	NOI submitted to congress

Project Site	Project Type	Project Description	Status
	Housing	currently unoccupied buildings for transitional housing and ancillary services.	
Solano County, CA	Water Supply/Property Development	Lease of land for irrigation and development in exchange for future cemetery expansion.	Preparing Concept Paper
St. Albans, NY	Mixed Use	In conjunction with the Secretary's CARES decision, the potential project could include continuing care retirement community, independent living, assisted living, Alzheimer's, skilled nursing units and others.	CARES decision made. The capital master plan and EU potential are being identified
Syracuse, NY	Research	Lease to the State University of New York's (SUMY) Upstate Medical University and College of Environmental Science and Forestry to develop a Biotechnology Research Center.	On hold
Walla Walla, WA		To perform in conjunction with the Secretary's CARES decision, a comprehensive reuse study to determine reuse potential in-line with VA's mission of the site and move forward with their implementation.	CARES decision made. Moving forward with the capital and EUL process
White City, OR	Community College	VA/Community college partnership providing training through tuition vouchers for veterans and VA staff.	CARES decision made. Moving forward with the capital and EUL process
Coatesville, PA; Philadelphia, PA; Pittsburgh, PA (Aspinwall); Pittsburgh, PA (Univ Drive); Wilkes-Barre, PA	Co-generation, energy savings	Potential for reducing costs and generating revenue via national cogeneration plan	Negotiations ongoing

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
43	Dayton	OH	Child Care Development Center	12/30/04
44	Dayton	OH	Housing Initiative	12/30/2004
45	Chicago (Lakeside)	IL	Realignment	1/18/2005
46	St. Cloud	MN	Homeless Housing	5/24/2005
47	Leavenworth	KS	Residential Health Care	8/5/2005

	Location		Project Type	Lease Awarded
48	Minneapolis	MN	Single Room Occupancy (SRO)	9/1/2005
49	Salt Lake City II	UT	Mixed Use – Office/Retail/Restaurant	9/20/2006
50	Fort Howard	MD	Mixed Use – Senior Housing,/Clinic	9/28/2006

Appendix E: CARES Major Construction Status
June 2007

Location		Project Description	Total Est. Cost	Available thru FY 07	FY 08 Request	Future	Construct Award Date	Estimated Completion Date
Project Complete								
North Chicago	IL	Surgical Suite/Emergency DoD Sharing	$13,000	$13,000	$0	$0	Sep 2004	Jul 2006
Under Construction								
Chicago	IL	Modernize Inpatient Space	$98,500	$98,500	$0	$0	Sep 2004	Oct 2007
Cleveland	OH	Cleveland-Brecksville Consolidation	$102,300	$102,300	$0	$0	Sep 2006	May 2010
Columbus	OH	New Outpatient Clinic	$94,800	$94,800	$0	$0	Jul 2005	May 2008
Des Moines[1]	IA	Extended Care Building	$25,550	$25,550	$0	$0	Feb 2007	Mar 2008
Indianapolis	IN	7th & 8th Fl. Wards Modernization Addition	$27,400	$27,400	$0	$0	Jun 2005	Apr 2009
Las Vegas	NV	New Medical Center Facility	$600,400	$259,000	$341,400	$0	Sep 2006	Jan 2011
Menlo Park	CA	Seismic Corrections-Geropsych Replacement (Bldg. 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
Pensacola	FL	Pensacola Outpatient Clinic	$55,056	$55,056	$0	$0	Mar 2005	Sep 2007
Pittsburgh	PA	Consolidation of Campuses	$248,000	$102,500	$40,000	$105,500	Sep 2005	TBD
San Diego	CA	Seismic Corrections-Bldg. 1	$47,874	$47,874	$0	$0	Sep 2005	Aug 2008
San Francisco	CA	Seismic Corrections-Bldg. 203	$41,168	$41,168	$0	$0	Jan 2006	Aug 2008
Tampa	FL	Spinal Cord Injury Center Expansion	$11,407	$11,407	$0	$0	May 2006	Dec 2007
Tucson	AZ	Mental Health Clinic	$13,300	$13,300	$0	$0	Sep 2006	Apr 2008
In Design								
American Lake	WA	Seismic Corrections-NHCU & Dietetics	$38,220	$38,220	$0	$0	Mar 2008	Dec 2009
Anchorage	AK	Outpt. Clinic/Regional Office	$75,270	$75,270	$0	$0	Jun 2007	Jul 2009
Atlanta	GA	Modernize Patient Wards	$20,534	$20,534	$0	$0	Nov 2007	Aug 2010
Biloxi	MS	Restoration of Hospital/Consolidation of Gulfport	$310,000	$310,000	$0	$0	Sep 2007	Jul 2012
Columbia	MO	Operating Room Suite Replacement	$25,830	$25,830	$0	$0	Jul 2008	May 2010
Durham	NC	Renovate Patient Wards	$9,100	$9,100	$0	$0	Jul 2007	Aug 2009
Fayetteville	AR	Clinical Addition	$65,700	$5,800	$0	$59,900	TBD	TBD
Gainesville	FL	Correct Pt. Privacy Deficiency	$85,200	$85,200	$0	$0	Jan 2008	Jan 2010
Lee County	FL	Outpatient Clinic	$109,400	$10,498	$9,890	$89,012	Dec 2008	Feb 2011
Long Beach	CA	Seismic Corrections-Bldgs 7 &126	$107,845	$107,845	$0	$0	Feb 2008	Nov 2009
Los Angeles	CA	Seismic Corrections-Bldgs. 500 & 501	$111,800	$7,936	$0	$103,864	TBD	TBD
Milwaukee	WI	Spinal Cord Injury Center	$32,500	$32,500	$0	$0	Jan 2008	Feb 2010
Orlando	FL	New Medical Center Facility	$553,900	$25,000	$35,000	$493,900	TBD	TBD
Palo Alto	CA	Seismic Corrections Bldg. 2	$34,000	$34,000	$0	$0	Dec 2007	Jan 2010
San Antonio	TX	Ward Upgrades and Expansion	$19,100	$19,100	$0	$0	Jun 2007	Apr 2010
San Juan	PR	Seismic Corrections-Bldg. 1	$178,100	$10,880	$0	$167,220	TBD	TBD
St. Louis (JB)	MO	Medical Facility Improvements and Cemetery Expansion	$99,000	$7,000	$0	$92,000	TBD	TBD
Syracuse[2]	NY	Spinal Cord Injury Center	$77,700	$53,469	$23,800	$0	Oct 2007	Jun 2010
Tampa	FL	Upgrade Essential Electrical Distribution Systems	$49,000	$49,000	$0	$0	Aug 2007	Jan 2010
Site Acquisition								
Denver	CO	New Medical Center Facility	$646,000	$107,000	$61,300	$477,700	TBD	TBD
On Hold								
Temple[3]	TX	MRI & Supporting Facility	$10,552	$55,552	-$45,000	$0	TBD	TBD
Hurricane Katrina Projects								
Gulfport	LA	Environmental Cleanup	$35,919	$35,919	$0	$0	Feb 2007	Apr 2008
New Orleans	LA	Restoration/Replacement of Medical Center Facility	$625,000	$625,000	$0	$0	TBD	TBD
		Total	**$4,751,859**	**$2,695,942**	**$466,390**	**$1,589,096**		

[1] This project received $750 thousand in a reprogramming action in FY 2007.

[2] This project is overstated by a recission amount. The total estimated cost is $77.269 million with the recission.

[3] $56 million was appropriated in FY 2005 for the Temple project. A recent CARES decision about the future of the Waco, TX facility has diminished the need for major construction activities at Temple. A reprogramming of $45 million is requested for FY 2008. The remaining $10.552 million will be used to construct an MRI and support facilities at Temple.

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) 273-9702

- VA Capital Investment Methodology Guide http://vaww.va.gov/oaem or call Office of Asset Enterprise Management at (202) 273-9702

- Department of Veterans Affairs Strategic Plan FY 2006-20011 http://www1.va.gov/op3/docs/VAComplete.pdf or call Strategic Planning Service at (202) 273-8766 or (202) 273-5068

- Department of Veterans Affairs FY 2008 Congressional Budget Submission, Volume 5 http://www.va.gov/budget/summary/index.htm

- Department of Veterans Affairs FY 2006 Performance and Accountability Report, http://www.va.gov/budget/report/index.htm

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

Information Technology

- VA IT - Investment Management Guide http://www.va.gov/oirm/ITplanning/IT_Capital_Investment_Guide.asp

NCA

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

VBA

- Surveys and Research Staff of the Data Management Office for VBA
  Intranet -- http://vbaw.vba.va.gov/bl/20/cfo/surv/srsindex.html or
  Internet –http://www.vba.va.gov/surveys

VHA

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

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