

**U.S. Department of Veterans Affairs (VA)
Enhanced-Use Lease (EUL) Program Fact Sheet
March 27, 2019**

Fact Sheet Purpose

The purpose of this fact sheet is to provide an overview of the U.S. Department of Veterans Affairs' (VA) Enhanced-Use Lease (EUL) Program. The EUL Program is an important component of both VA's mission to end Veteran homelessness and the Department's overall asset management program.

EUL Program Overview

An EUL provides a mechanism for a non-VA entity to develop and operate supportive housing for homeless and at-risk Veterans and their families on VA property. VA enters into a long-term ground lease with a private, not-for-profit, or local government entity, who develops, builds, finances, operates, and maintains the housing. Through this innovative tool, Veterans are provided with both housing and an expanded range of services that would not otherwise be available on medical center campuses. VA's EUL program and implementation process are aligned with the Housing First philosophy.

Since 1991, VA has executed 101 EULs, which include 48 operational housing EULs nationwide comprised of more than 3,100 units of housing. VA housing EULs have raised over \$500M of private sector capital. These EUL projects provide safe, affordable living arrangements near health care providers, which contribute to positive health care outcomes for Veterans. The EUL program is managed by the Office of Asset Enterprise Management (OAEM). A list of completed EUL projects, including EUL housing projects, can be found at: <http://www.va.gov/assetmanagement/>.

EUL Authority (38 U.S.C. §§ 8161-8169)

EULs can only be for the provision of supportive housing that engages tenants in on-site and community-based support services. The supportive housing must be for Veterans and their families that are at risk of homelessness or are homeless and may include:

- Permanent housing;
- Transitional housing;
- Single-room occupancy;
- Congregate living housing;
- Independent living housing;
- Assisted living housing; and/or
- Other modalities of housing.

The EUL term may not exceed 75 years. The lease consideration for any EUL shall consist solely of cash at fair value as determined by the Secretary – VA can receive no other type of consideration. The EUL agreement **may not** provide for any: acquisition, sale, exchange, or lease-back by the federal government.

EUL Project Initiation and Developer Selection

VA conducts periodic reviews of its real property portfolio to identify vacant and underutilized buildings and land parcels that could be repurposed as supportive housing under the EUL Program. Once property has been identified and internal approvals obtained, VA typically issues a competitive solicitation (or Request for Qualifications) to select a development team to design, finance, develop, construct, manage, and maintain the project. The solicitations contain detailed property information, as well as background on the EUL Program and process. Solicitations are issued on the Federal Business Opportunities website (www.fbo.gov), which allows interested parties to set up solicitation alerts/notifications based on agency name, key words, etc. Following evaluation of all solicitation responses, VA selects a preferred Offeror/development team. The EUL cannot be executed until all due diligence has been completed and the preferred Offeror/development team has obtained all financing. Please see the following section for more information on the EUL process.

EUL Process and Project Financing

Once selected, the development team is responsible for conducting due diligence, developing a project concept (i.e., number of units, type of supportive housing, target population(s), etc.), and preparing a financing plan. It will be up to the selected development team to secure all capital, operating, and supportive services financing for the project. Examples of funding sources used by previous EUL projects include, but are not limited to: Low Income Housing Tax Credit equity, Historic Preservation Tax Credit equity, U.S. Housing and Urban Development (HUD) McKinney-Vento Programs, state and local affordable housing programs, Federal Home Loan Bank funds, HUD-VASH (VA Supportive Housing) vouchers, project-based Housing Choice Vouchers, etc. The following diagram depicts the key steps in the EUL process:



Project Affordability

EUL projects should be affordable to the identified target population(s). Rents can be set at no more than 30% of a tenant's adjusted gross income. Maximum allowable tenant household income limits (expressed as a percentage of Area Median Income (AMI)) are typically dictated by the funding sources for the project. However, VA encourages developers/lessees to develop projects that target those Veterans who are the lowest income and most in need of housing.

Selected EUL Requirements

- *Environmental:* VA EULs are subject to all applicable federal, state, and local environmental laws, codes, ordinances, and regulations, including but not limited to the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) and the National Environmental Policy Act (NEPA).
- *Historic:* VA EULs are subject to the National Historic Preservation Act (NHPA).
- *Design:* The developer/lessee is responsible for obtaining all pertinent federal, state, and local permits, licenses, and approvals necessary for construction, renovation and operation of the project. All applicable federal, state, and local requirements must be met during construction and operation, including but not limited to, the latest version of the National Fire Protection Association (NFPA) 101 Life Safety Code; the Americans with Disabilities Act of 1990; the National Historic Preservation Act of 1966; and the Archaeological Resources Protection Act.
- *Sustainability:* EUL projects must obtain a Leadership in Energy and Environmental Design (LEED) Silver, Green Building Initiative Two Green Globes certification, and/or an equivalent as approved by VA.

Project Operations and Supportive Services

EUL lessees are responsible for all project operating activities and costs, including but not limited to: utilities, security, building and grounds maintenance, and capital repairs. In addition, EUL lessees are required to provide supportive services to residents. The development team will prepare a detailed, feasible, and financeable supportive services plan in coordination with the local VA Medical Center after selection. Regardless of whether the development team secures a project-based HUD-VASH award, it is expected that the lessee (or their supportive/resident services provider, if different entities) will provide supportive services over and above what is provided by VA under the HUD-VASH Program.

Contact Information

For more information on the EUL Program, please send an email to: EUL.Team.Management@va.gov