

Chapter 12: Reducing Vacant Space

Background

The GAO Report (GAO/HEHS-99-145) titled “VHA Health Care Improvements Needed in Capital Asset Planning and Budgeting” from August 1999 states:

“VA’s large, aged infrastructure could be the biggest obstacle confronting its efforts to transform itself from a hospital-based operator to a health care provider that relies on integrated networks of VA and non-VA providers to meet veterans’ health care needs. Over the next few years, VA could spend one of every four of its health care dollars operating, maintaining, and improving capital assets at its 181 major delivery locations that encompass over 4,700 buildings on 18,000 acres of land nationwide.”

The cost savings cited by GAO are based upon total closure of facilities and not the reduction of vacant space that is dispersed throughout numerous campuses within individual buildings, which is our current condition. However recognizing the importance of reducing vacant space, the CARES Plan included a discrete component – described in this chapter of the plan – designed to reduce excess space and conserve resources by lowering maintenance and operational costs of infrastructure not needed by VHA to meet its various missions.

The description and data on the reduction in vacant space does not include the results of the realignment reviews that are described in Chapter 9. This data will be fully developed during implementation planning.

Baseline CARES Data

To evaluate the ability of existing capital assets to meet future demand, VHA first conducted a comprehensive survey of current infrastructure, (Appendix O). This Space and Functional Survey evaluated both the quantity and the quality of the physical infrastructure that was owned or leased by VHA. This was used to develop the inventory of existing VHA-owned space that included approximately 8.5 million square feet of vacant space.

Projecting Vacant Space

The existing VHA-owned space inventory and the workload projections were used to develop a projected demand for space. Using the projected demand for space, VISNs developed a 20-year plan of actions (renovation, new construction, converting vacant space, leasing) that adjusted the existing inventory to meet projected need. Space that was not utilized for patient care, support of patient care or other VA missions, was identified as vacant. The resulting vacant space was then proposed for demolition, divestiture, out leasing or enhanced use.

Summary of Vacant Space Planning Initiatives

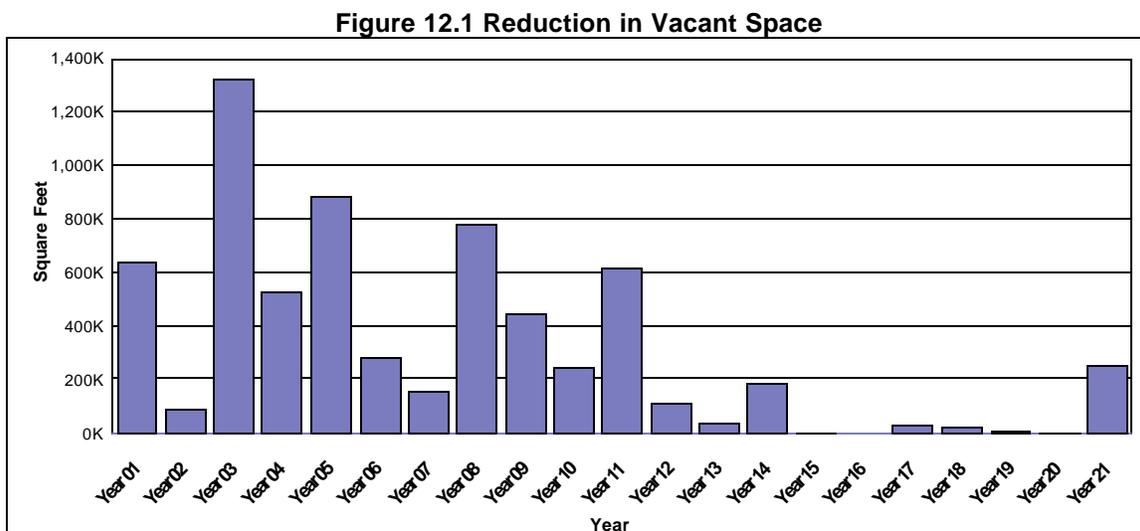
The CARES planning process resulted in a projected 42% reduction of vacant space from 8,571,605 square feet in FY2001 (excludes space that is currently out leased) to 4,934,002 square feet in FY2022 for a net reduction of 3,637,603 square feet. See Table 12.1.

Table 12.1 Reductions in Vacant Space In Square Feet (FY 2001 to FY 2022)

	FY 2001	FY 2022
Total Space	93,949,947	118,156,557
Vacant Space	8,571,605	4,934,002
% Vacant	9%	4%

The following charts and tables depict VHA's plans to manage its vacant space over the 20 year planning horizon.

Figure 12.1 graphically depicts reduction in vacant space over the 20 year planning cycle.



Most of the reduction in vacant space is accomplished in the first few years of the planning horizon since much of this space is currently vacant and not dependent upon realigning space. In addition, from Year 1 to Year 11, demolition remains fairly high as new vacant space is created by consolidations of existing services/buildings and modern building replacements. Decreases in vacant space in the later years occur because complete units (buildings or wings) have been demolished and the vacant space remaining is scattered in pockets throughout facilities. The increase in the reduction of vacant space in Year 21 is due to two facilities planning to undergo mission changes. The fact that domino moves are needed to phase in these mission changes, and the fact that historic buildings are involved, caused the final demolition of their space to occur in Year 21 rather than earlier.

Figure 12.2 depicts the vacant space that has been planned for out leasing. Out leasing includes space leased to Service Organizations, Community Service Organizations, National and Community Homeless programs, and State, Local and other Federal agencies.

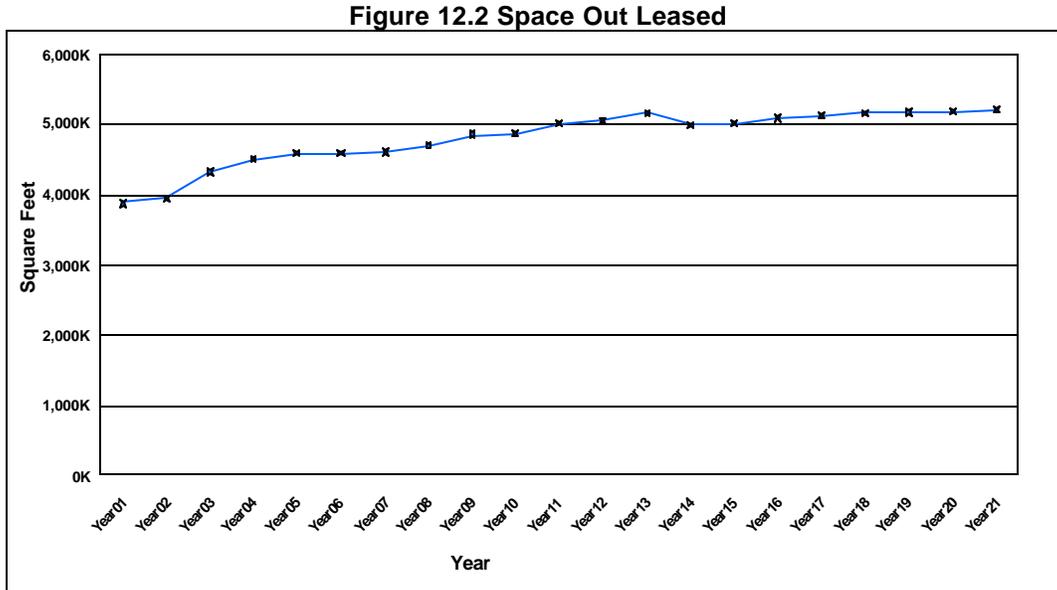
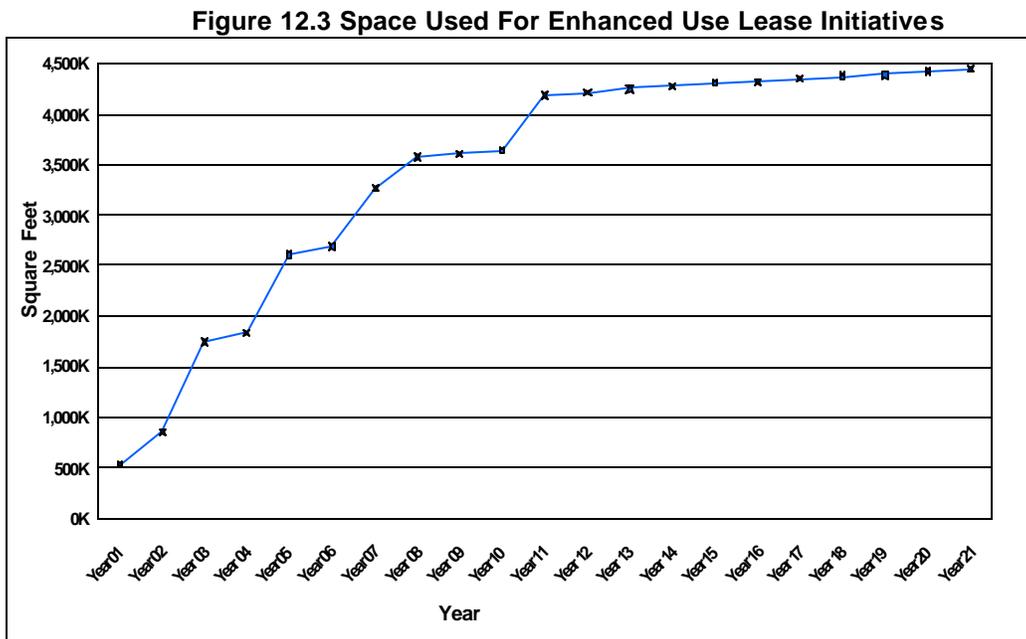


Figure 12.3 below indicates the space that has been planned for enhanced use lease opportunities that could generate revenue for VHA.

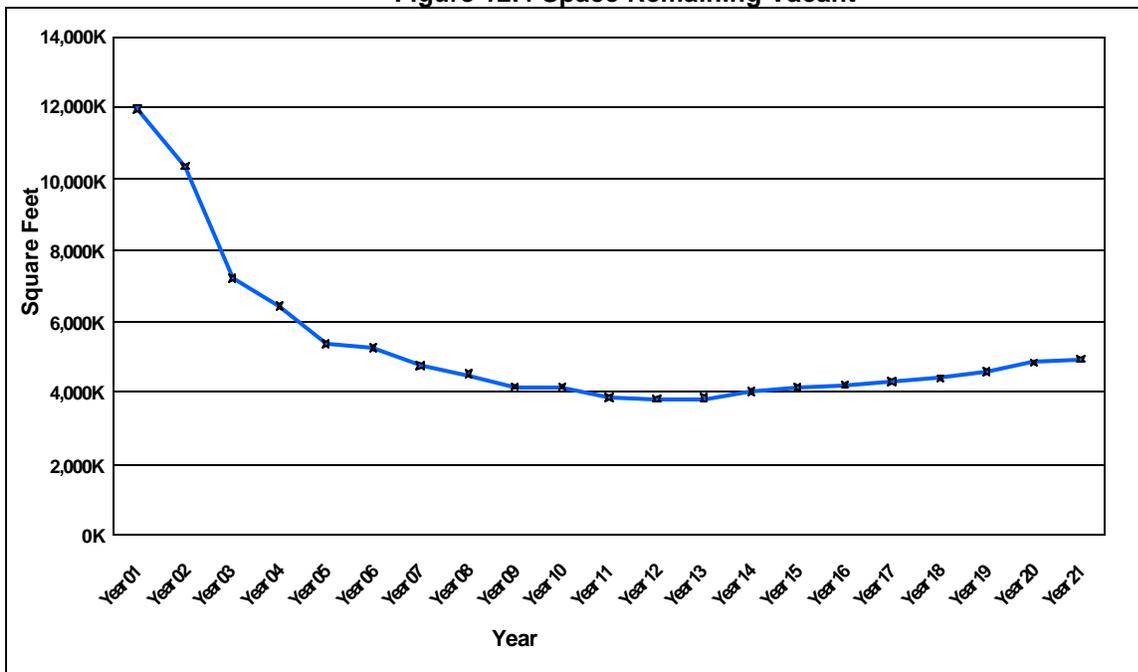


Of the top twenty VA facilities identified by the Office of Asset and Enterprise Management (OAEM) as having the highest potential Enhanced Use Lease opportunities, 18 have Enhanced Use Lease initiatives included in the VISN CARES Market Plans (Appendix J). By Year 21, 4.5 million square feet of vacant space is being allocated for enhanced use lease initiatives. This square footage does not include the acres of land that more than half of the 18 facilities propose excessing for enhanced use lease initiatives.

Figure 12.4 below shows the vacant space remaining after all initiatives in the VISN CARES Market Plans have been achieved. It is important to note that the amount of space vacant is inversely related to the amount of workload projected. VHA's peak workload years are around Year 11. Therefore, the greatest amount of space (and contract care) is required during this time. As workload demand starts declining after Year 11, space needs decrease as well, thereby increasing the amount of vacant space. The total amount of vacant space remaining in Year 21 is slightly higher than in the peak workload years around Year 11, but still significantly lower (42%) than the baseline year (FY 2001).

Reasons why VISNs could not maintain the exact Year 11 levels of vacant space include changes in location of where care is provided over the course of the twenty years. As missions change and campuses are realigned, space configurations of where care is provided change significantly. Campuses made up of several buildings rather than a few, larger structures are more likely to be able to demolished.

Figure 12.4 Space Remaining Vacant



As mentioned in other areas of this plan, proposed capital investments cannot be accurately predicted beyond five years. This also applies in predicting alternative uses of vacant space. The demand for possible vacant space at VA facilities could change in the future based on a number of factors such as the economy or changes in health care delivery practices. In most instances, the vacant space is not contiguous but consists of pockets of vacant space scattered throughout the campuses, rendering it useless for alternative uses.

Savings associated with the reduction in vacant space are shown below. The reduction in vacant space described in Table 12.2 represents a minimum reduction since it does not include reductions in vacant space that will occur due to realignments of campuses and reuse of the campus through enhanced use leasing.

Table 12.2 Recurring Cost of Vacant/Underutilized Space through 2022
Costs are in Current Dollars

	FY 2001	FY 2022	Difference
Vacant/Underutilized Space in Square Feet (SF)	8,571,605 SF	4,934,002 SF	3,637,603 SF
Average Cost/SF to Maintain in Current \$ ¹	\$12.39 per SF	\$12.39 per SF	--
Annual Cost (\$ per year)	\$106,245,044	\$61,156,955	\$45,088,089
Other Savings/Profits/Costs (\$ per year)*	--	\$15,493,381	--
Revised Annual Costs (\$ per year)	\$106,245,044	\$45,663,574	\$60,581,470
Cost per Day (\$ per day)	\$291,082	\$125,105	\$165,977

NOTE: *Other Savings/Profits/Costs related to the management of vacant space include such things as revenues from enhanced use lease initiatives, operational savings from building demolition, or revenues from sale of property. VISNs did not have a standardized way to enter these cost estimates so this dollar figure is not all inclusive of the potential savings from the management of vacant space.

Campus Closures

The CARES planning process has identified several potential campus closures for which the total savings has not yet been fully evaluated. Chapter 9 on Proximity and Campus Realignments and Appendix G, Proximity Planning Initiatives, contain additional information regarding facility mission changes and the potential uses for the resulting vacant space.

¹ Cost provided by Professional Estimator in VHA Office of Facilities Management