CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

April 30, 2007

H.R. 1642
Homeless Veterans Housing at Sepulveda Ambulatory Care Center Promotion Act

As ordered reported by the House Committee on Veterans' Affairs on April 18, 2007

H.R. 1642 would authorize the Secretary of Veterans Affairs (VA) to enter into an enhanced-use lease to provide housing for homeless veterans at the Sepulveda Ambulatory Care Center, an existing VA facility in California. The bill would require that the center be maintained as a well-staffed, sober living facility, exclusively for veterans, but would grant VA some flexibility regarding those requirements if a diligent search failed to find qualified organizations willing to develop and operate the facility under those terms.

Under current law, the Veterans Health Administration (VHA) has authority to use enhanced-use leases to enter into an array of long-term agreements with property developers who establish a limited-liability company, partnership, or other special-purpose entity, specifically for the purpose of renovating, constructing, operating, and maintaining the facilities for each project. Those agreements establish government control over the project, protect the government's interests, and ensure that VHA will receive guaranteed access to whatever facility is being developed. The resulting lease payments to VHA are deposited into the Health Services Improvement Fund and are considered offsets to direct spending, but VHA may spend amounts in the fund without appropriation action. Thus, any such collections are spent, resulting in no net impact on direct spending.

VA is currently in the process of finalizing an enhanced-use lease for the Sepulveda facility with a nonprofit organization named New Directions. However, New Directions cannot meet the conditions specified in H.R. 1642. Based on information from VA, CBO expects that under the bill, the department would be required to break off arrangements with New Directions and search for qualified organizations, a process that could take a few years. CBO estimates that implementing this bill would increase VA's administrative expenses, which are subject to appropriation, by an insignificant amount. Enacting the bill also would have an insignificant effect on direct spending (the delay in receiving lease payments would be offset by lower spending), but would not affect revenues.

H.R. 1642 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of state, local, or tribal governments.

The CBO staff contact for this estimate is Sunita D'Monte. This estimate was approved by Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.