



# RCI, PAL and Army Housing Training

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## Privatized Army Lodging Update

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# Privatized Army Lodging (PAL) Overview

*Improve the quality of transient lodging facilities throughout the continental United States, Alaska, Hawaii and Puerto Rico, supporting Soldiers and their Families by privatizing the lodging function*

## *PAL Program Objectives*

- Eliminate substandard Army lodging
- Improve quality of life for Soldiers and their Families
- Use of private sector capital and best practices
- Overcome \$1B+ revitalization backlog
- Provide for long-term sustainment of the facilities
- Capitalize on success of a proven initiative
- Offer rooms across the privatized portfolio at a weighted cost of 75% of the prevailing lodging per diem for Official Travelers
- No Army Equity

## *Key Program Characteristics*

- Natural expansion of a proven initiative (RCI)
- Private sector institutes best practices and commercial standards (meeting or exceeding Army Lodging standards)
- Excess cash flow is trapped in a Reinvestment Account dedicated to long-term facility sustainment
- Owner earnings limited to fees for service earned at negotiated rates
- Experienced developer & hotel operator





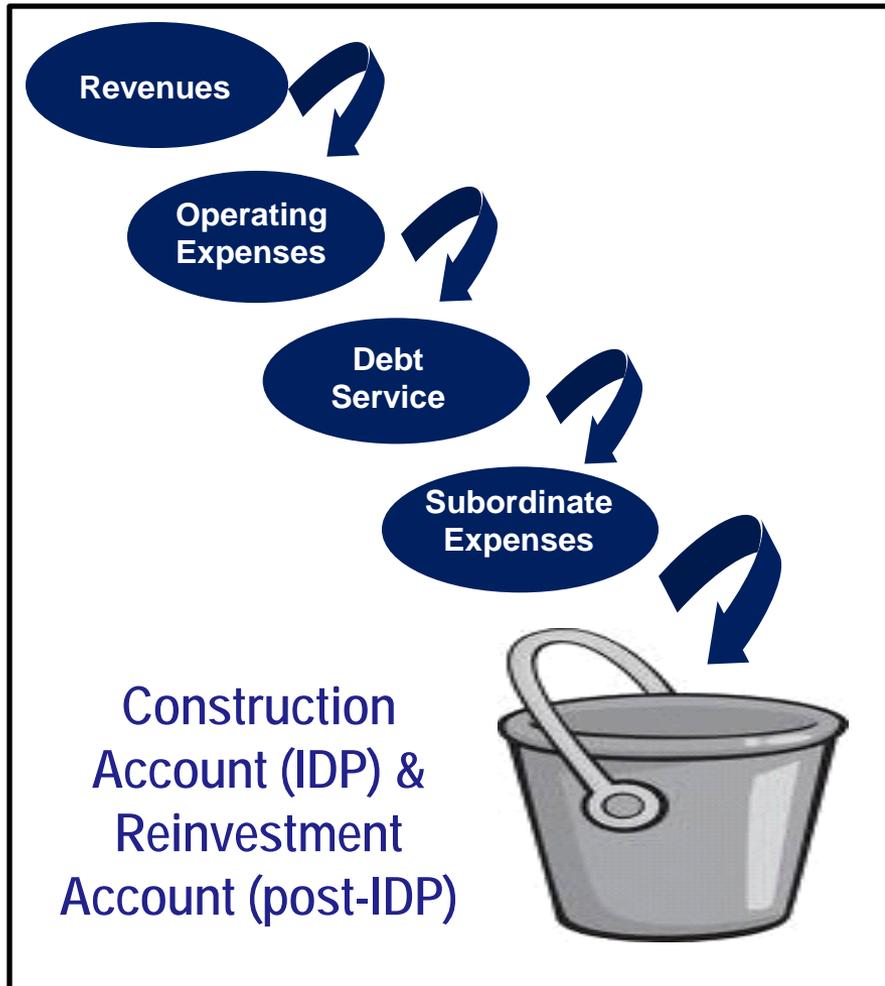
# Army Roles and Responsibilities

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- **Centrally Managed Portfolio**
  - Lease governs requirements
  - **ASA IEE PAL Major Decisions Authority Policy #2 explains Army process**
    - Review and approve project plans and specifications
    - Approve change orders which trigger Army approval requirement
    - Deal with programmatic issues
- **Rest Easy LLC**
  - Owner of the Project
  - Contracts with Development Manager (Lend Lease)
  - Contracts with International Hotel Group (IHG); responsible for operating the properties
- **Garrison Commanders / PAL POC**
  - Day-to-Day interface with the IHG General Manager (GM) as required
  - Build relationships
  - Deal with minor local issues
  - Ensure coordination with GM to support mission requirements



# PAL Cash Waterfall



All funds stay within the Project Company

“Profit” is replaced by the Construction Account and Reinvestment Account

Developer & Construction Company earn capped fees for service as a percent of development costs

Hotelier & Asset Manager earn capped base fees and incentive fees; half of the fee is incentive based & tied to objective performance metrics

Of every \$100 spent:

\$51 goes to operating expenses,  
\$ 5 goes to management fees,  
\$44 goes to fund construction & facility sustainment



# PAL Performance To-Date

- PAL dealing with economic budget impacts
  - Reduced occupancy due to Army travel and training cutbacks
  - Reduced force structure results in fewer class requirements
  - Per diem rates for 2015 remain at 2014 levels (no change)
- Currently reviewing/reprioritizing construction to meet impacts due to sequestration and down-sizing
- Employees have made a smooth transition to private employment
- High guest survey results that continue to improve
- Continuing to deliver hotels that meet brand standard requirements



*Dedicated IHG Corporate Staff for PAL  
IHG Priority Club Rewards Program  
World Class Quality & Service Platform  
Global Training Platform Customized for PAL  
IHG Winning Ways Culture Drives Guest Loyalty  
Enhanced Services and Product Offerings for PAL*





# PAL Performance To-Date

**DELIVERED: 12 Holiday Inn Express® brand hotels, a combined 2,328 hotel rooms**

- 2010 - HIE on Fort Polk, LA
- 2010 - HIE on Fort Hood, TX
- 2011 - HIE on Fort Rucker, AL
- 2011 - HIE on Fort Sill, OK
- 2011 - HIE on Fort Hamilton, NY
- 2012 - HIE on Fort Wainwright, AK
- 2014 - HIE on Fort Buchanan, PR
- 2014 - HIE on Fort Leavenworth, KS
- 2014 - HIE on Fort Knox, KY (Newgarden)
- 2014 - HIE on Fort Knox, KY (Wickam)
- 2014 - HIE on Joint Base San Antonio, TX
- 2014 - HIE on Fort Belvoir, VA

**DELIVERED: 2 Candlewood Suites® brand hotels, a combined 192 hotel rooms**

- 2013 - CWS on Fort Riley, KS
- 2013 - CWS on Yuma Proving Ground, AZ





## PAL Performance To-Date

**UNDER CONSTRUCTION:**  
3 Candlewood Suites® brand hotels, a combined 646 rooms

- Candlewood Suites on Joint Base San Antonio, TX (310 rooms)
- Candlewood Suites on Fort Hood, TX (93 rooms)
- Candlewood Suites on Fort Huachuca, AZ (243 rooms)

**UNDER CONSTRUCTION:**  
1 Staybridge Suites® brand hotel, 141 rooms.

- Staybridge Suites on Fort Belvoir, VA (141 rooms)



In total, through all three phases, the \$1 billion PAL program will result in the development and/or renovation of more than 11,600 hotel rooms across 39 military installations nationwide



# Questions?

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