



RESIDENTIAL COMMUNITIES INITIATIVE (RCI) & PRIVATIZATION OF ARMY LODGING (PAL) HIGHLIGHTS

as of September 2016



Agenda

- **MHPI Authorities**
- **RCI Overview**
- **RCI Legal Structure and Organization**
- **RCI Financing Overview**
- **Major Decisions Process**
- **Additional Discussion Topics**
- **PAL Overview**



TOP: Fort Hood JNCO Home

BOTTOM: Fort Story SNCO Homes



MHPI Authorities

Authorized in U.S., Its Territories & Possessions Including P.R.

1996 Financial / Other Authorities

- Direct loans at below market rates
- Mortgage guarantees against base closure, downsizing, extended deployments
- Subsidized rents if required for financial feasibility
- Investment in development entities (e.g., limited partnerships, etc.)
- Use local market standards, ground leases and development rights
- Build ancillary neighborhood facilities

Authorities / Restrictions Added Since 1996

- Allowed school construction and local / state housing authorities to participate
- Precluded competition with AAFES, DeCA, and MWR activities
- Provided direction on provision of utilities / services and reimbursement
- Made legislation permanent



Residential Communities Initiative (RCI) Overview

VISION

- **Quality Residential Communities for Military Families**

GOALS

- **Eliminate inadequate Army Family Housing in the U.S.**
- **Eliminate the housing deficit**

OBJECTIVES

- **Sustain adequate housing**
- **Attract quality partners who will provide expertise / innovation / capital to the project**
- **Ensure opportunities for reasonable profits**
- **Ensure incentive based fees**
- **Maximize use of local (large / small) businesses**
- **Protect Army / Soldier interests with a Portfolio & Asset Management Program**



Presidio of Monterey, CA



Privatized Housing – Residential Communities Initiative

- **Program: 44 Installations (combined into 34 projects)**
- **End State: 86,055 Family Homes & 2,408 Unaccompanied Apartments**
- **Program Status: 44 of 44 Installations Privatized by December 2010**

Installations Privatized (Conveyed/Endstate Housing Inventory)

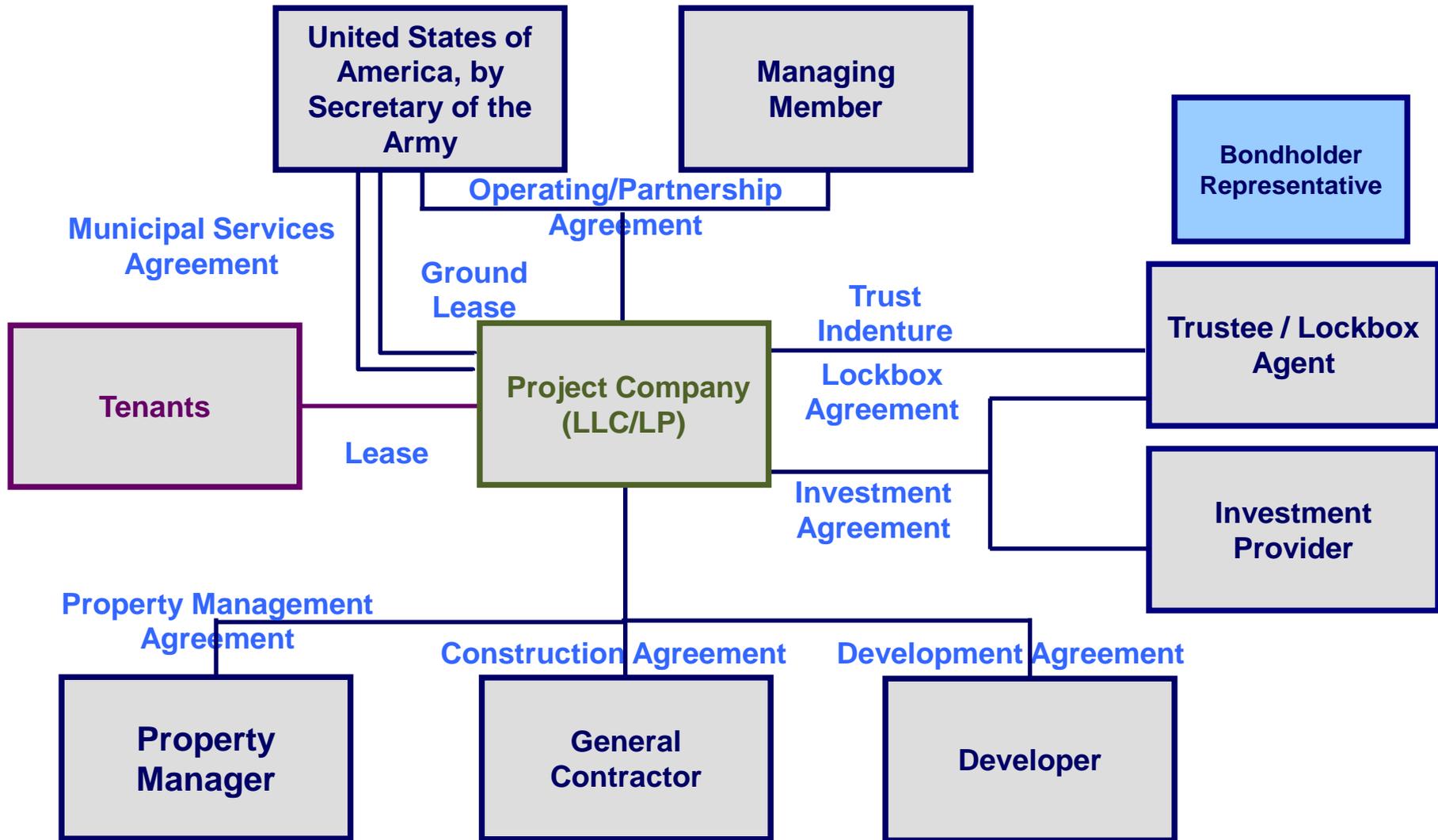
- Ft Carson, CO – (1823/3456) Nov 1999 - Balfour Beatty (BBC)
- Ft Hood, TX – (5622/5912) Oct 01 - Lend Lease
- Joint Base Ft Lewis- McChord AFB, WA–(4994) Apr 02 / Dec 08 - Lincoln
- Ft Meade, MD – (2862/2627) May 02 – Corvias
 - Garden Apartments for Junior Enlisted (0/816 by FY15)
- Ft Bragg-Pope AFB, NC – (5373/6238) Aug 03 / Sep 07 – Corvias
 - Senior UPH (0/504) {Additional 198 by 2015}
- Presidio of Monterey-Naval PS, CA – (2268/1565) Oct 03 – Clark Realty
- Ft Stewart-Hunter AAF, GA – (2926/3629) Nov 03 – BBC
 - Senior UPH (0/370)
- Ft Campbell, KY - (4235/4457) Dec 03 – Lend Lease
- Ft Belvoir, VA – (2070/2106) Dec 03 – Clark Realty
- Ft Irwin-Moffett FAF-Parks RFTA, CA – (2290/2982) Mar 04 – Clark Realty
 - Senior UPH (0/200)
- Ft Hamilton, NY - (293/228) Jun 04 – BBC
- Ft Detrick, MD / Walter Reed - (410/590) Jul 04 - BBC
- Ft Polk, LA - (3466/3773) Sep 04 - Corvias
- Ft Shafter / Schofield Brks, HI – (8132/7756) Oct 04 – Lend Lease
- Fts Eustis-Story, VA – (1115/1130) Dec 04 - BBC
- Ft Leonard Wood, MO – (2496/1806) Mar 05 - BBC
- Joint Base San Antonio (Ft Sam Houston, TX) – (925/925) Mar 05 - Lincoln
- Ft Drum, NY - (2272/3835) May 05 - Lend Lease
 - Senior UPH (0/320)
- Ft Bliss, TX-White Sands MR, NM - (3315/4581) Jul 05 – BBC
- Ft Benning, GA - (3945/4000) Jan 06 - Clark Realty
- Ft Leavenworth, KS - (1578/1583) Mar 06 - Michael's
- Ft Rucker, AL - (1512/1476) Apr 06 - Corvias
- Carlisle Brks, PA-Picatinny Arsenal, NJ - (429/348) May 06 - BBC
- Ft Gordon, GA - (876/1080) May 06 – BBC
- Ft Riley, KS – (3114/3827) Jul 06 - Corvias
- Redstone Arsenal, AL - (453/230) Oct 06 - Hunt
- Ft Knox, KY - (2998/2563) Dec 06 – Lend Lease
- Ft Lee, VA - (1206/1508) Aug 07 -- Hunt
- West Point, NY - (961/824) Aug 08 - BBC
- Ft Jackson, SC - (1162/850) Aug 08 - BBC
- Ft Sill, OK - (1411/1728) Nov 08 - Corvias
- Fts Wainwright-Greely, AK - (1866/1815) Apr 09 - Lend Lease
- Ft Huachuca-Yuma PG, AZ – (1570/1169) Apr 09 – Michael's
- Aberdeen PG, MD - (1006/372) Dec 2009 - Corvias

Program Investment: Equity Contribution

- Initial Development: \$13.2B (Ends in 2019)
 - Private Equity: \$11.3B
 - Government Equity Contribution: \$1.9B
- Portfolio Value (50 years): \$25B
- Annual Portfolio Revenue (Rent): \$1.5B

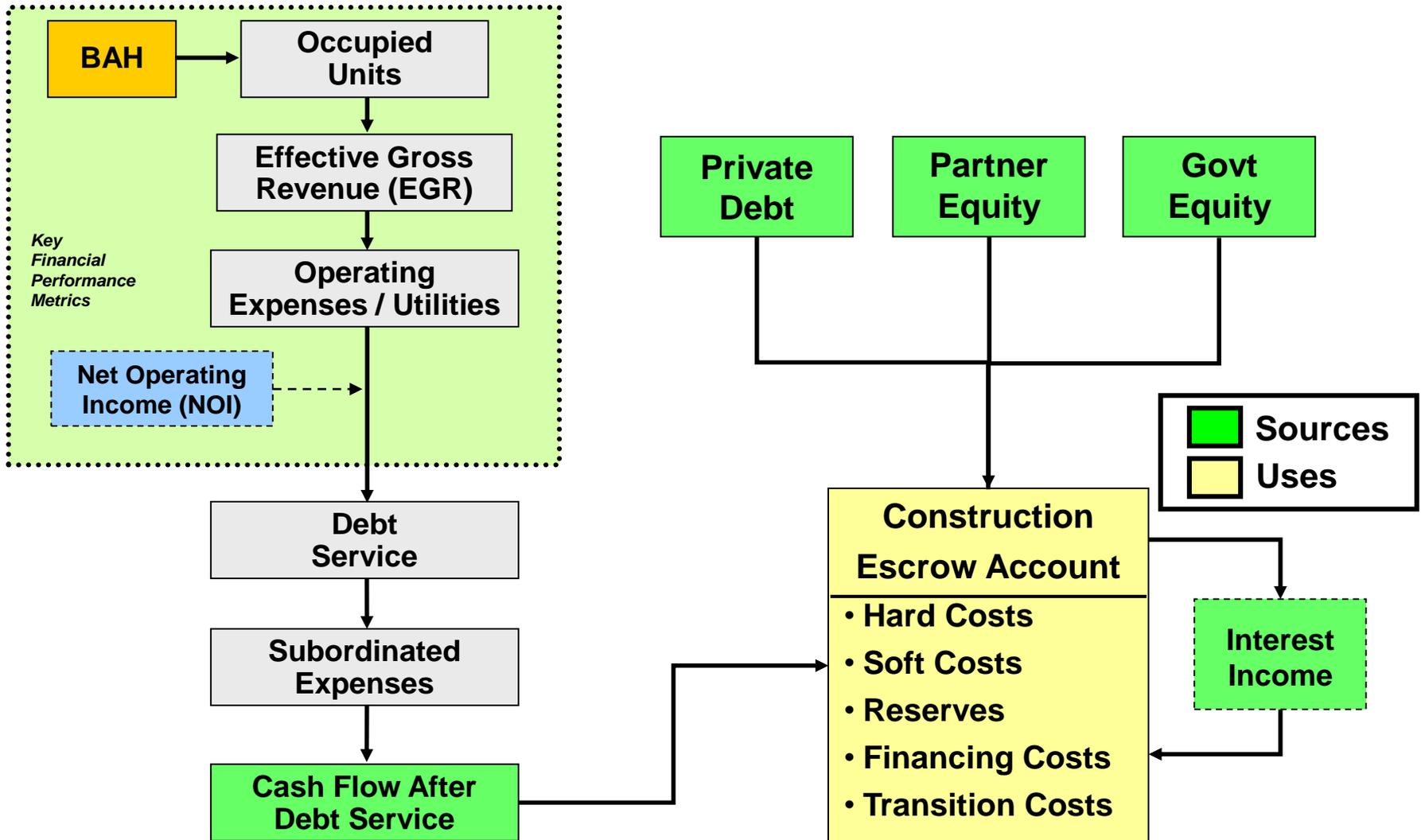


RCI Legal Structure and Organization





Typical RCI Financing Structure





Long-Term Project Sustainability (current vs. future)

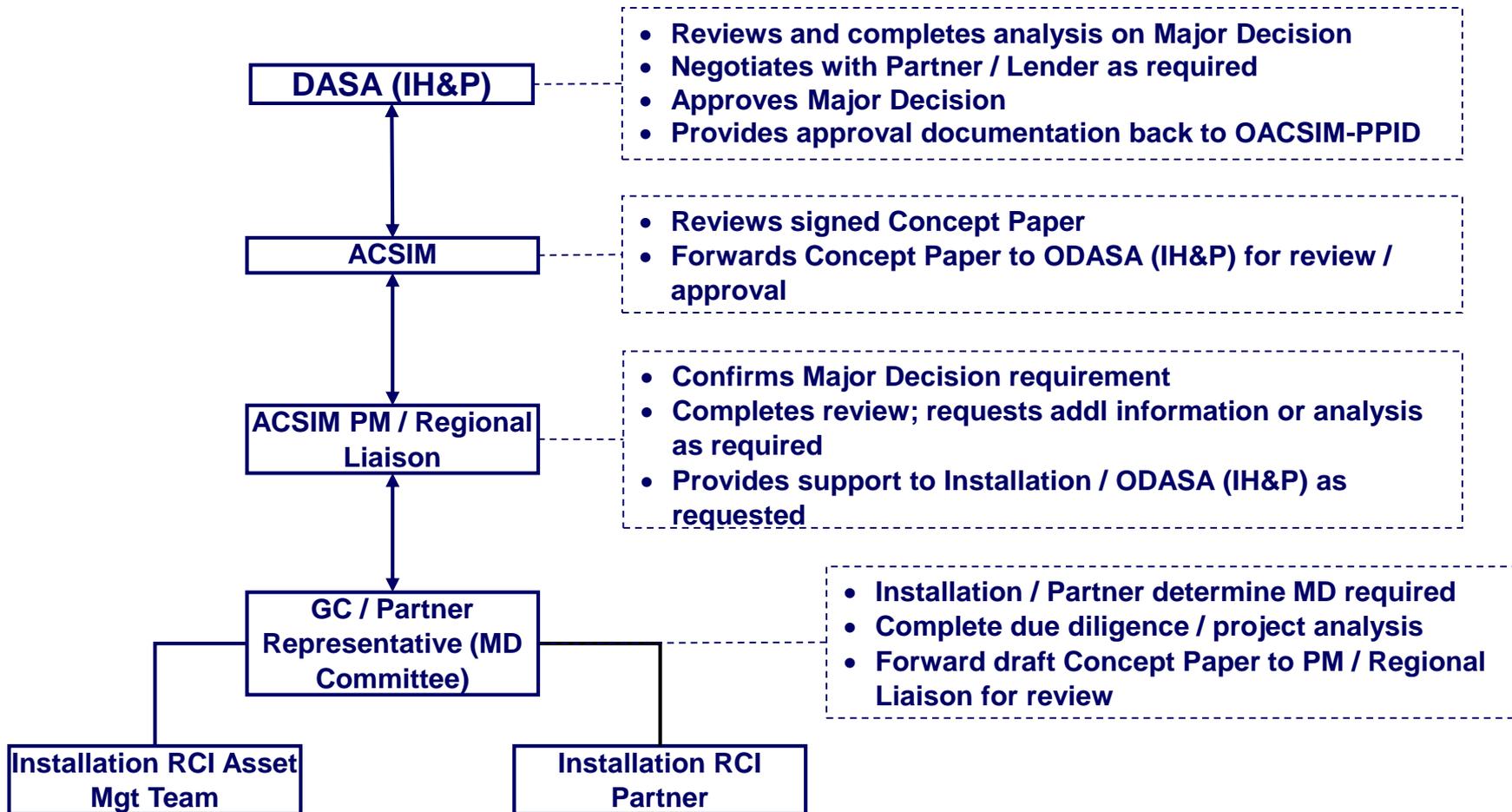
TYPICAL CASH WATERFALL -- ILLUSTRATIVE EXAMPLE



- Project success = financial stakeholders' goals are aligned & their needs are met
- Additional Army goals include delivery of expected scope & resident satisfaction



Major Decision (MD) Approval Process





Privatization of Army Lodging (PAL) Overview

- **PAL is the Army's program to eliminate inadequate lodging facilities and provide for their long-term sustainment**
 - Modeled after RCI family housing program but more arms-length
 - Rates kept below a weighted average of 75% of lodging per diem across the portfolio
- **Army has privatized 41 installations & an end-state of 12,493 guest rooms**
 - Group A (10 installations, 3,200 rooms) transferred August 2009
 - Group B (11 installations, 5,000 rooms) transferred August 2011
 - Group C (18 installations, 7,000+ rooms) transferred in FY13
 - Two additional Installations transferred in 2015
- **\$1.2B+ in recapitalization will be invested in new & renovated hotels**
- **Lend Lease is owner and developer & IHG is hotel operator**
 - Develop “Branded” hotel facilities and standardized amenities & services across the portfolio
 - Renovated hotels will be Holiday Inn Express® and new hotels will be Candlewood/Staybridge Suites®
 - Free hot breakfast, high-speed internet, IHG frequent-stay points, pet-friendly rooms, shuttles



PAL Program

- **DELIVERED:** 14 Holiday Inn Express® (HIE) brand hotels, a combined 2,673 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 Joint Base San Antonio, TX
 - 2014 - HIE on Fort Belvoir, VA
 - 2015 - HIE on Fort Bliss, TX
 - 2015 - HIE on Fort Knox, KY (2)
 - 2015 – HIE on Joint Base San Antonio, TX

- **DELIVERED:** 6 Candlewood Suites® (CWS) brand hotels, a combined 1,081 hotel rooms
 - 2013 - CWS on Fort Riley, KS
 - 2013 - CWS on Yuma Proving Ground, AZ
 - 2014 - CWS on Fort Hood, TX
 - 2014 - CWS on Joint Base San Antonio, TX
 - 2014 - CWS on Fort Huachuca, AZ
 - 2015 - CWS on Fort Meade, MD
- **ALL OTHER FACILITIES HAVE COMPLETED...**
 - Life-safety and critical repair work
 - Local “early win” improvement projects



PAL is structured as a 50 Lease between the Army and Lend Lease who serves as the managing member and owner and InterContinental Hotel Group (IHG) is contracted by Lend lease to serve as the Hotel manager

Customer Satisfaction is trending up at 4.4 on a scale of 1 to 5 (1 as low satisfaction and 5 as highest level of satisfaction)

Eight (8) year initial development plan ends in 2021
➤ \$1.2 Billion in construction

