



# Privatization of Army Lodging (PAL)

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## **PAL Goals**

*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 by 2014
- 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*

### *Key Program Characteristics*

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

*Transfer a non-core real estate function to improve our core training function*



## PAL Partners

### IMPROVING QUALITY OF LIFE FOR SERVICE MEMBERS & FAMILIES

- ✓ A Consumer-Branded Lodging Experience
- ✓ A Long Term Financial Plan Focused on Reinvestment
- ✓ Unparalleled Experience and *A Proven Partnership*



#### Owner/Developer/Design Builder

MHPI Market Leader

Over 40,000 Military Family Homes, 19 Installations

Awarded Army's First RCI Project - Fort Hood

Most Recent Closing - Fort Wainwright/Greely

Awarded First Two Phases in PAL Program

End State 8,501 Rooms, 21 Total Installations



#### Hotel Operator

Leader in Extended Stay Hotels

130 Million Guests a Year, 100 Countries

650,000 Rooms, 4,500 Hotels

Focus on Customer Service & Consistency

7+ Million Military Room Nights in 2010

System-Wide Service Standards

## **PAL Services and Scope delivered to-date**

### PAL Services

- Global Reservations via phone or web
- Weekly “get to know you” BBQ socials
- Complimentary daily breakfast offerings
- Free high-speed internet access
- IHG’s Priority Club Rewards® program
- Pets Are Welcome program
- DVQ special services & post concierge
- Courtesy shuttle service (most locations)
- Above & Beyond: Wounded Warrior services

### PAL Scope

- Life-Safety Deficiencies cured
- Critical Building Infrastructure (Mechanical, Electric, Plumbing) repaired
- ADA-compliant guestrooms built-out
- Holiday Inn Express Hotels all now on-line
  - 70 rooms Polk complete
  - 274 rooms at Hood complete
  - 544 rooms at Sill complete
  - 60 rooms Polk complete
  - 171 rooms at Rucker complete



## **PAL Group A Performance To-Date**

### **– PAL Group A transferred to private operations on 15 August 2009**

- Employees have made a smooth transition to private employment
- Lend Lease has spent \$85M over the past two years on renovations
- PAL has experienced strong occupancy
- PAL has surpassed every key developmental, operational & financial metric
- Based on the success of PAL Group A, the Army expanded the portfolio to PAL Group B
- High Guest Survey results that continue to improve
- Official Traveler rates have been within the PAL 75% of per diem requirement
- Based on Group A success, the Army expanded the PAL portfolio

### **– PAL Group B transferred to private operations on 12 August 2011**



*Dedicated 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*





**PRIVATIZATION OF ARMY LODGING**  
**Assistant Secretary of the Army (Installations and Environment)**

**PAL 'Early Win' Program: The 1<sup>st</sup> Year**



Within 45 Days After Close  
*Immediate Impact*

**"Operation Deep Clean"**

- Professionally cleaned carpets, upholstery, windows & window treatments
- Re-caulked bathroom fixtures and re-routed bathroom tile
- Installed new lamp shades and replaced light bulbs with CFLs

**New Signage and Collateral**

- New management/new brand (behind the desk signs, door mats, etc.)
- "What's Coming" posters
- In-room Guest directories

**IHG Signature Linens & Bedding**

Within 4 Months After Close  
*"Early Wins"*

**Developer Initiatives**

- New 32" flat screen TVs
- New box spring/mattress sets
- New multi-function showerheads, curved shower rods and new shower curtains
- "WOW" Plans specific to each post (i.e., front desk upgrades, lobby improvements, fresh paint in common areas, power washing building exteriors, landscape enhancements, new BBQ grills, outdoor furniture, etc.)

**New In-Room Items**

- Alarm clocks, hair dryers, irons and ironing boards, etc.

**New Courtesy Shuttle Vehicles**

7 Months After Close  
*Start LSCR & Branding Renovations*

**Contractor Improvements**

- Fire panel/alarm replacement
- New exit lighting and signs
- Critical roof repairs
- New HVAC and MEP systems
- New electronic door locks
- High-speed internet improvements
- Railing repairs and modifications
- New paint and carpet in rooms, corridors and common areas
- Kitchen and bath improvements

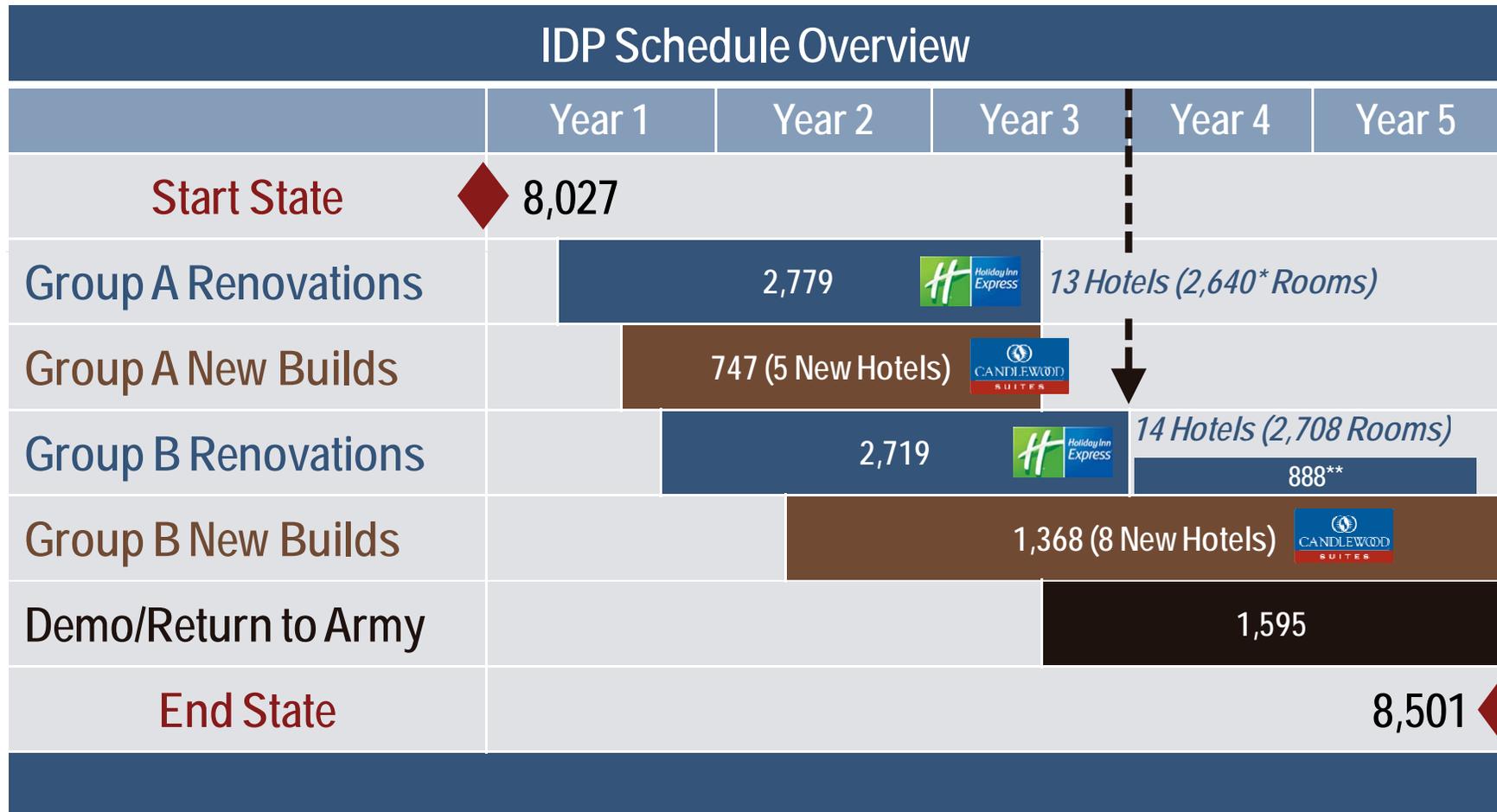
In Less than 1 Year  
*1<sup>st</sup> Branded Hotel on a Military Installation*

**The Former Magnolia House**

Fort Polk, Louisiana  
 Holiday Inn Express  
 Grand Opening  
 August 4, 2010



## PAL Scope & Timeline



\*1,126 total rooms completed in the LSCR phase

\*\*Renovations at Ft Leonard Wood completed between months 36 and 57

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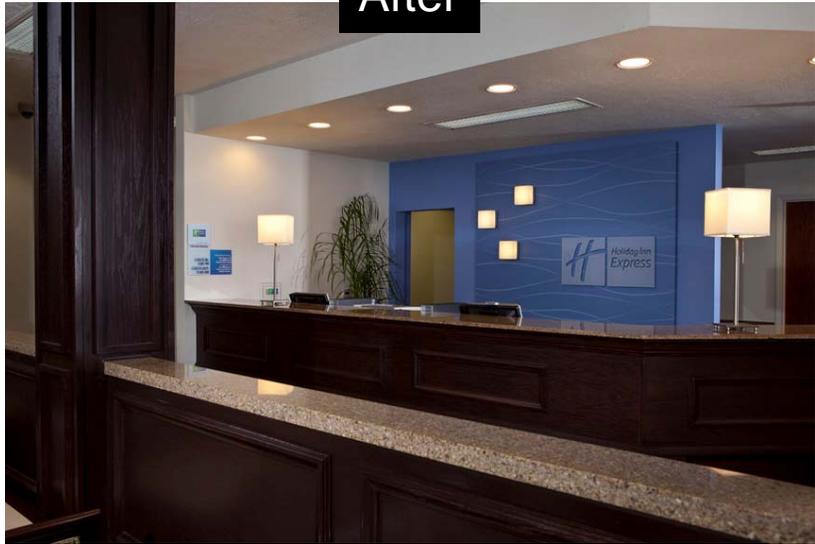
**Fort Polk – Before & After**



**Before**



**After**



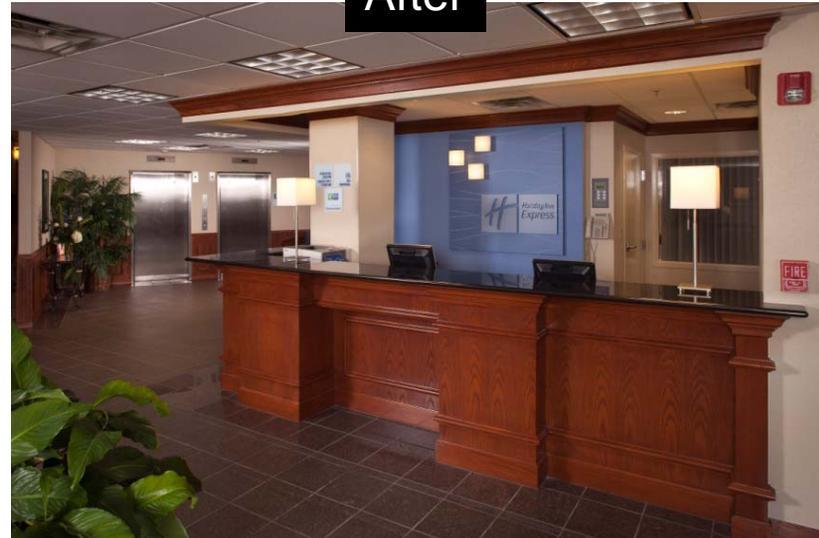
## Fort Hood – Before & After



Before



After



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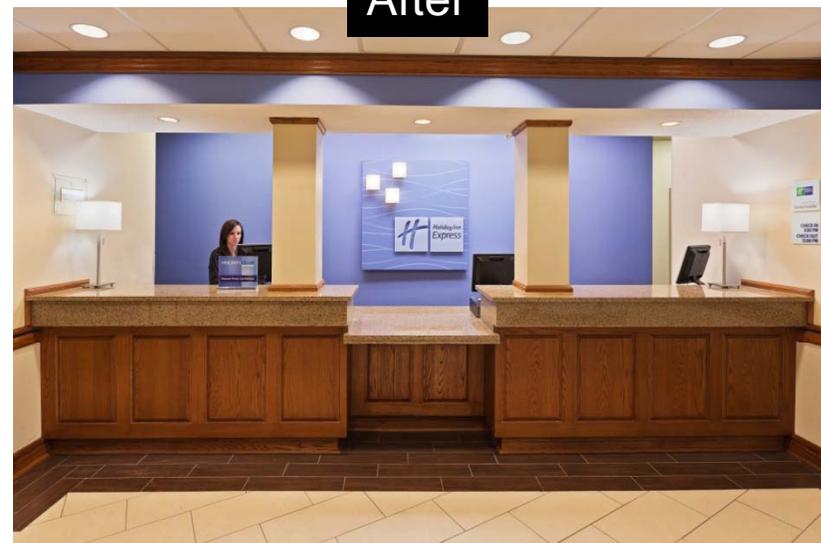
**Fort Sill – Before & After**



**Before**



**After**



## **PAL : A Welcome Transformation**

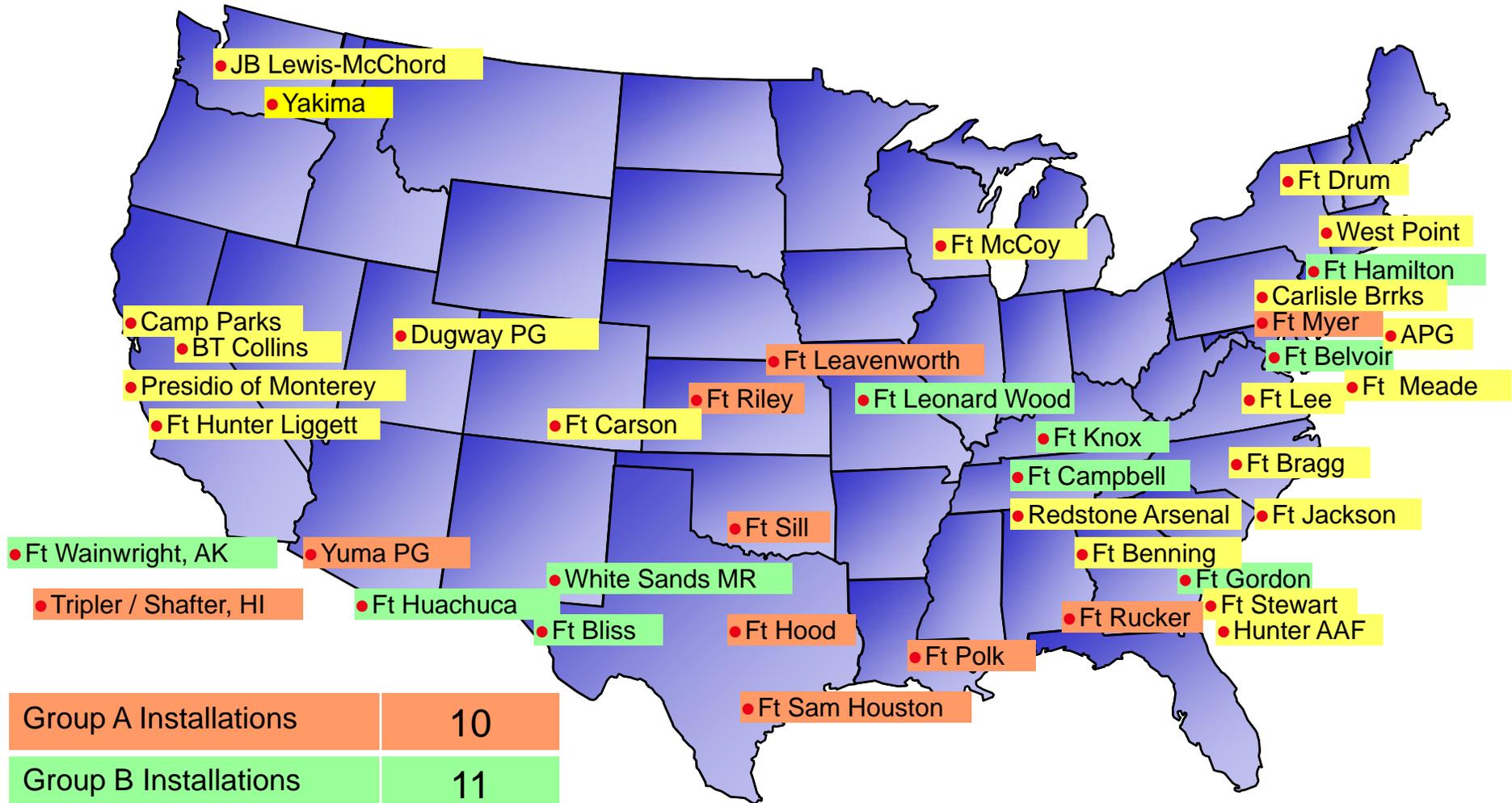


***“I have been working here for 19 years. I think it’s the greatest thing that ever happened. Because to me the Soldiers are finally getting the services they deserve and the amenities that they deserve...”***

**– Gabriele Whitaker, GM IHG Ft Sill (former Army Lodging GM)**



# PAL Installations



Group A Installations	10
Group B Installations	11
Group C Installations	21