



PRIVATIZATION OF ARMY LODGING INITIATIVE PAL

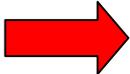
MOTIVATION AND OBJECTIVES FOR PRIVATIZING ARMY LODGING

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CURRENT STATE OF ARMY LODGING

- **Lodging currently at 61 CONUS* installations; 19,052 rooms**
- **Chronic underfunding**  **\$1B+ revitalization backlog**
- **Inadequate conditions**  **>80% of lodging facilities need renovation or replacement**

** Includes Alaska and Hawaii*

ARMY ACTIONS TO ADDRESS INADEQUATE LODGING

- November 1999: Initiated Army Lodging Wellness Plan, funded through “tax” collected in room rates and deposited in central Army Lodging Fund
- May 2002: Attempted to secure appropriated funds through Army’s budget process for upgrade of lodging - requirement remains unfunded
- May 2003: Held industry forum to establish dialogue with private sector, seeking innovative solutions to the lodging upgrade challenge
- October 2003: Creation of the PAL office to pursue lodging privatization

THE CASE FOR CHANGE

- Army Lodging Wellness Plan insufficient
 - Excessive completion time (20+ years)
 - Although basic sustainment requirements incorporated, does not include funding for out-year replacement
- Appropriated funds unavailable
 - Requirement validated but unfunded
- Expansion of housing privatization authorities provides opportunity to capitalize on success and lessons learned through Residential Communities Initiative (RCI)
- Consistent with President's Management Agenda for Transformation of Government
 - Transfer of non-core functions to private sector

PAL PROGRAM SUPPORT

- ASA(I&E) established PAL Program office, October 2003
- Briefed initiative and received endorsement from Army financial community, November 2003
- Enthusiastic support received during briefings to Army's senior leadership
 - Vice Chief of Staff, Army - January 2004
 - Acting Secretary of the Army - March 2004
 - Chief of Staff, Army - April 2004

PAL GOAL AND OBJECTIVES

- **Goal:**

Improve the quality of transient lodging facilities, supporting Soldiers and their families on official travel, through partnerships with the private sector

- **Objectives:**

- Overcome \$1B+ revitalization backlog
- Provide for long-term sustainment
- Support mission accomplishment
- Support retention through improved quality of life
- Leverage success of a proven initiative
- Transfer non-core function

PRIVATE NATURE OF PARTNERSHIPS

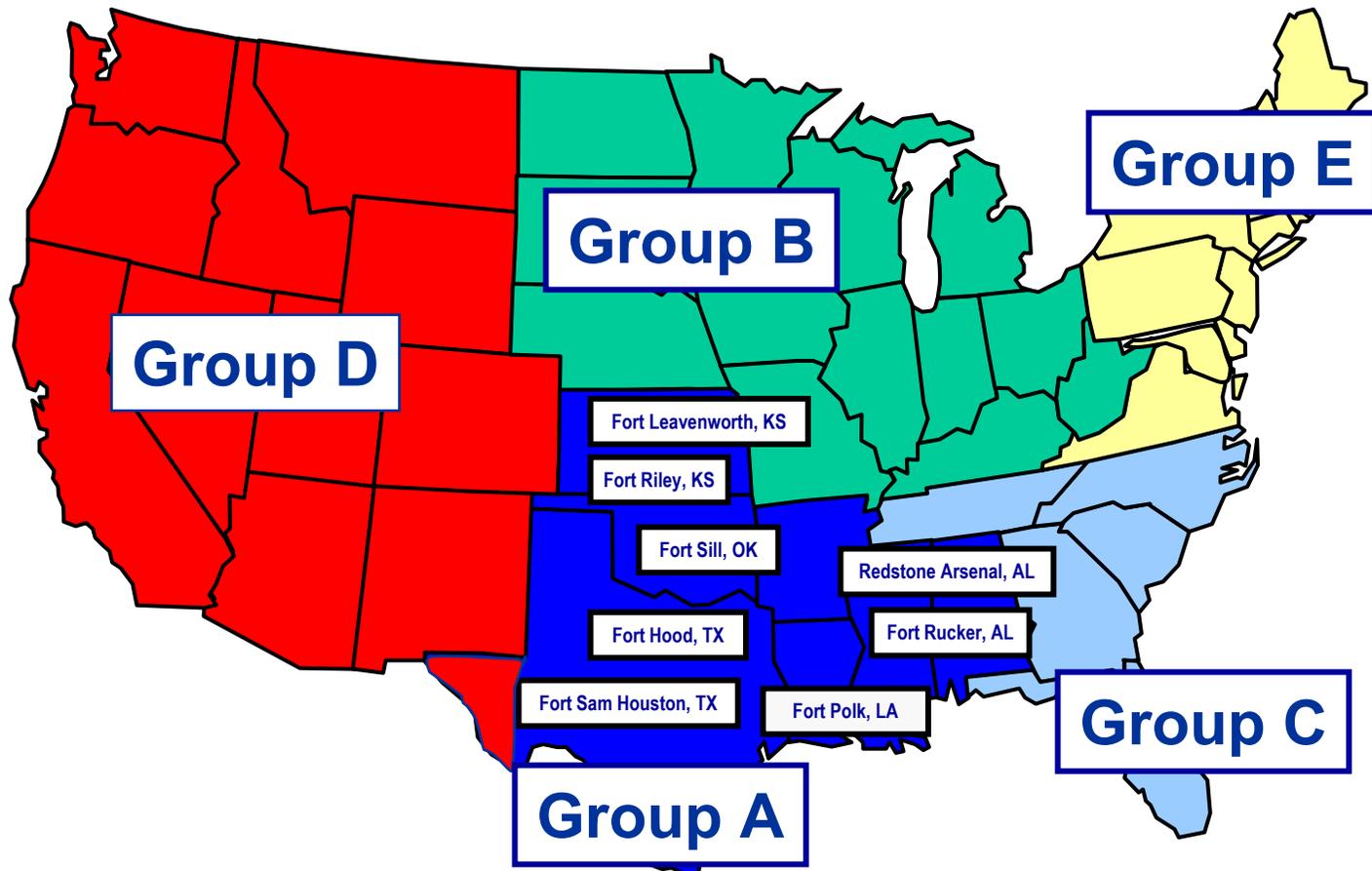
- Legal instruments include:
 - Ground lease (on-base / use agreement)
- Control mechanisms are put in place
 - Lockbox accounts
 - Impositions placed on escrow accounts
- No government involvement in day-to-day operations
- Limited government involvement in business decisions of the partnership
 - Army participates in Major Decisions Board and provides input to ensure quality maintained through life-cycle maintenance

BENEFIT OF ON-POST LODGING: ARMY PERSPECTIVE

- Supports institutional and unit training requirements
 - Approximately 80% of training requirement is institutional
 - Facilitates class/unit integrity
 - Minimizes logistical requirements
 - Promotes esprit de corps
- Supports PCS families
 - Minimizes transportation requirements
 - Proximity to processing centers

PAL PROGRAM – 5 PROJECT GROUPS

Project #1 = Group A



PRIMARY CONSIDERATIONS FOR PROJECT GROUPS

- Balancing of investment requirements and projected return on equity
- Cash Flow that supports sustainable long-term capital improvements
- Combining “haves” with “have-nots” to achieve balanced financial result across the group
- Ability to achieve adequate return on equity while keeping room rates (overall) within 75% of lodging per diem
- Geographic Proximity

WHY 5 PROJECTS?

- Distributes resource requirements
 - Personnel
 - Budgetary Impact on the Army
- Ongoing competition provides increasingly favorable results for all parties
- Minimizes impact on Army culture

TENTATIVE SCHEDULE

- **Army approve project concept** Dec 03
- **Brief OSD and obtain concept approval** Mar 04
- **Brief OMB and obtain concept approval** Apr 04
- **Notify congress of Intent to Solicit (30 days)** May 04
- **Issue RFQ** Jun 04
- **Notify Congress of partner selection (45 days)** Nov 04
- **Award LDMP** Dec 04
- **Submit project to OSD for approval** Jun 05
- **Submit project to Congress** Jul 05
- **Issue Notice to Transition** Aug 05
- **Transfer assets / operations to partner** Sep 05

PRIVATIZATION OF ARMY LODGING

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PAL Info on the Web

<https://www.asaie.army.mil/Public/Partnerships/pal.html>