

PROJECT FINANCE AND DELIVERY

Via a Charitable Foundation Lease

Real Estate is often the number two cost for any health system, trailing only wages and benefits. Deploying unique and innovative structures to finance, lease and delivery projects may represent a health system's largest savings opportunity. Hall Render's finance and real estate attorneys, together with Hall Render Advisory Services, assist clients in the structuring and execution of real estate strategies.

One recent development in health care real estate has been the application of a nonprofit foundation model as an alternative to private developers and real estate investment trusts. A Charitable Foundation Lease ("CFL") offered by a nonprofit foundation provides the tenant health system with dramatic savings and complete operational control. Moreover, rather than lining the pockets of developers and REIT investors, the CFL model delivers 100% of the long-term real estate value to the health system.

BENEFITS OF A CHARITABLE FOUNDATION LEASE

- Occupancy costs are often 30-40% below other options.
- Tenants can see up to 50% reduction in lease liability on the balance sheet.
- Property tax exemptions are available in most states.
- Health system tenants retain full control of property.
- Long-term value is retained by health system tenants.
- Charitable foundation landlord is mission-aligned.
- The model is transparent and independent.
- CFLs may be structured as either an operating or a finance lease.

Hall Render attorneys and advisors assist clients in identifying potential opportunities within their existing real estate portfolio as well as structuring new projects. Once identified, our team helps clients implement the CFL structure in an efficient and timely manner.

POTENTIAL APPLICATIONS OF A CHARITABLE FOUNDATION LEASE

- Build-to-suit projects
- Re-purchases from REITs, developers or other third party owners
- Monetization (sale/leaseback) of current facilities
- Financing and delivery of joint venture facilities
- Applicable to all asset types including clinical facilities, medical office, infrastructure, housing and others

REPRESENTATIVE EXPERIENCE:

Hall Render attorneys and advisors have:

- Assisted a regional health system implement a program for the re-structuring of a \$147 million ambulatory surgery centers portfolio, resulting in a total savings in excess of \$50 million.
- Structured and financed an approximately \$65 million joint venture rehabilitation hospital in a way that provided \$51 million of savings over the next best private development alternative.
- Structured and financed a portfolio of four freestanding emergency departments/micro hospitals, delivering \$125 million in savings over the 25-year term.
- Assisted a large national health system in re-structuring its administrative office building to provide \$3 million in annual, ongoing savings.
- Assisted a community hospital in the financing and delivery of a new central power plant via a CFL.



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LET'S GET STARTED

Contact Hall Render to discuss how your organization can benefit from a partnership with our health care attorneys and advisors.

