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REPLACE YOUR FOR-PROFIT LANDLORDS WITH A CHARITABLE FOUNDATION LEASE SOLUTION

Hall Render Advisory Services is excited to share with you information about a dynamic new approach to third-party real estate ownership and occupancy within the non-profit health care sector.

OPPORTUNITY: SIGNIFICANT SAVINGS, MAXIMUM CONTROL, MISSION ALIGNMENT AND VALUE CAPTURE

The goal of a charitable foundation landlord is to help non-profit or public health systems execute on their mission. To that end, the charitable foundation is motivated to provide cost savings, property control and long-term value to the nonprofit or public health system tenant. On the other hand, the goals of most for-profit landlords such as real estate developers and REITs are naturally misaligned with those of their nonprofit tenants, particularly regarding properties the tenants consider core to their mission and operations. The Charitable Foundation Lease structure replaces these for-profit landlords and provides non-profit and public health system tenants with several critical benefits, including:

- Charitable Foundation mission alignment for health care cost savings
- Full operational and economic control of leased assets
- Rent levels significantly lower than traditional for-profit owners
- Lease liabilities that are a fraction of traditional leases
- Leases that may be structured as operating or finance leases to meet the health system’s objectives – all major accounting firms agree

Charitable Foundation Lease Structure Overview

- The Centurion Foundation, a national 501(c)(3) organization, serves as the owner of the facilities
- 100% of Centurion's funding is provided through the foundation’s debt financing, priced primarily on the credit strength of the health system tenant
- The Charitable Foundation owner will be exempt from property taxes in most states – offering additional savings to the health system
- Rent and tax savings can reduce occupancy expense by 30-60% vs. traditional landlord leases
- Lease liabilities on the balance sheet can be reduced by up to 60% vs. traditional landlord leases or direct ownership
- End of term lease options and favorable purchase options allow the health system tenant to retain 100% of property value appreciation and value

Recent Case Study:

- Closed December 2021
- $63 million acquisition and buildout of 100,000sf administrative office facility
- Baa1 rated urban safety net health system
- Lease rate of 3.76% of total cost
- $2.5 million annual rent and tax savings vs. developer/landlord lease
- $30.2 million reduction in lease liability vs. developer/landlord lease

If you have any questions or would like additional information about this topic, please contact:

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