

# CONGRESS OF PHYSICIAN-OWNED MEDICAL PROPERTIES

**2022**



This copy of the CPOMP 2022 session slides are presented as they were during the conference. Over the next few weeks, annotated versions of the slides will be uploaded that highlight some of the outcomes from each presentation and panel discussion.

# 05a

## *Breakout Session* Creating Practice Glue in Sale-Leasebacks

### Speakers

Grant Blackhurst, Solutions Specialist, CMAC Partners

James Winchester, Principal, CMAC Partners



# Topics for Discussion



The relationship between a lease and their building valuation



The effects of monetizing a lease when dealing with a group with diverse timeframes for continued practice



Discuss a solution around potential inequities

# How is the valuation affected by the lease?

	NOI	
	\$1,200,000	
	Sale Price	Appraised Value
Cap Rate	6.00%	7.25%

Valuation	\$20,000,000	\$16,551,724
Incremental Value Driven By Capitalization of a 12 Year Lease	\$3,448,276	

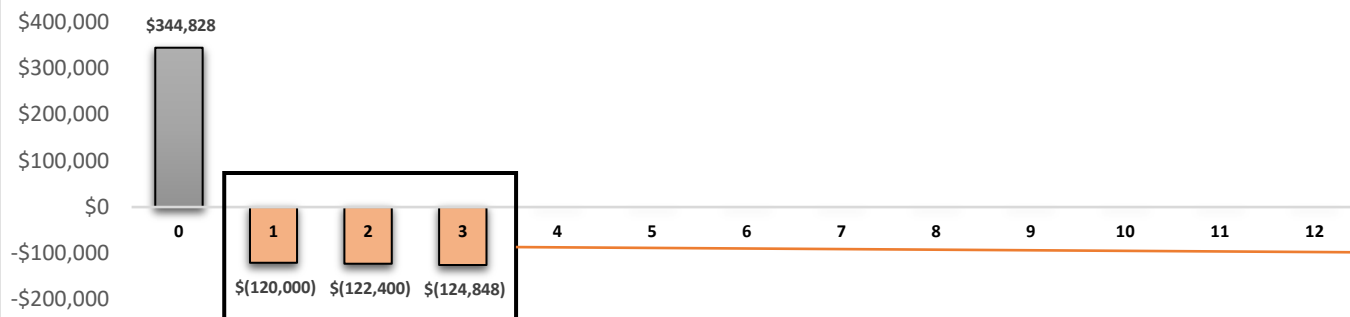
# of Equal Partners	10
Incremental Value Received Per Partner	\$344,828

# What are you selling, building or lease?

If primarily monetizing the lease (a practice obligation), can we assume that this is part of the practice that is being sold?

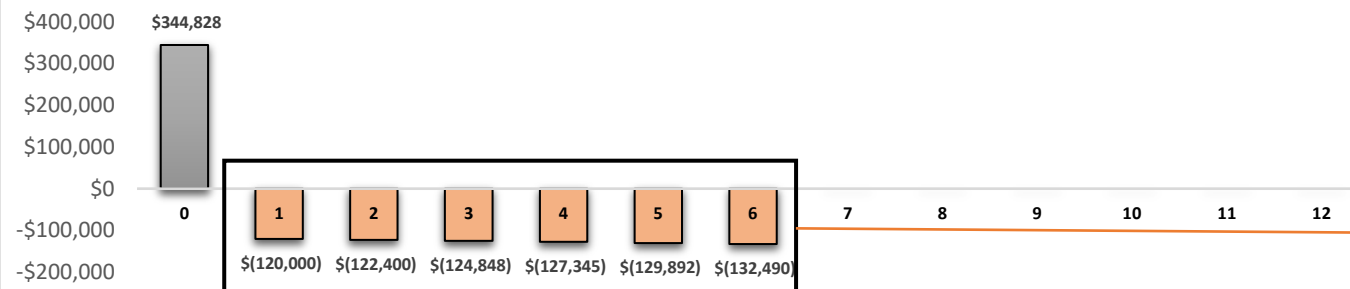
If a Private equity purchase of the practice requires an employment contract with clawbacks for early departure. Is it reasonable to ask the same for a sale/leaseback?

### Partner A - Retires in 3 years



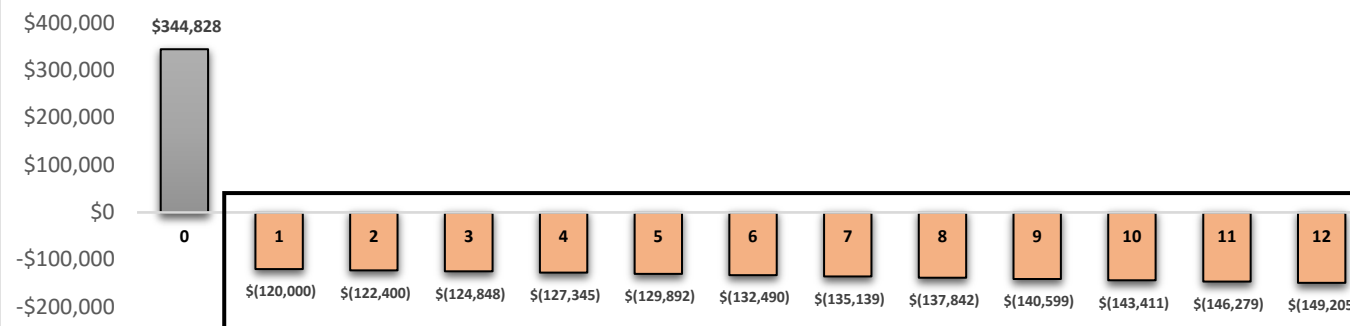
**\$367,000**  
3-years of lease payments

### Partner B - Retires in 6 years



**\$757,000**  
6-years of lease payments

### Partner C – Retires beyond lease term



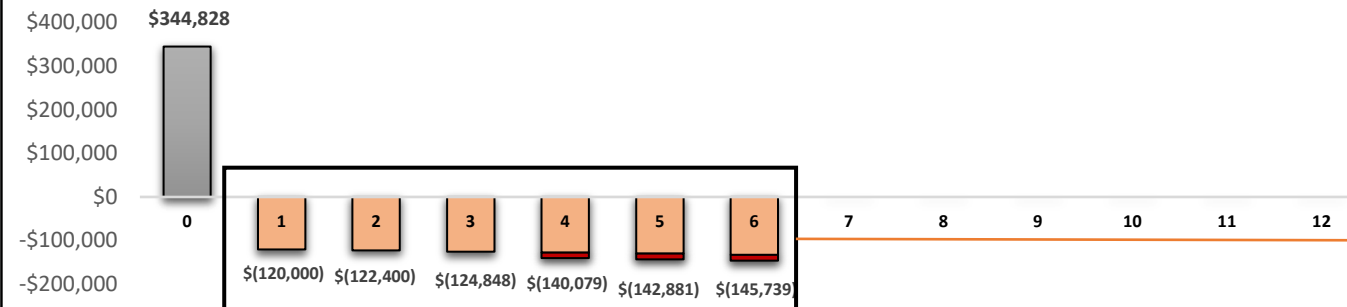
**\$1.61MM**  
12-years of lease payments

### Partner A - Retires in 3 years



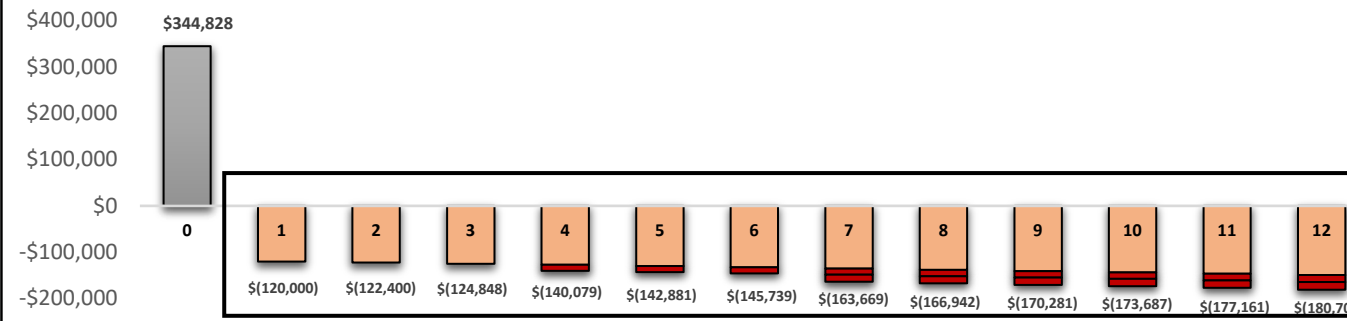
**\$367,000**  
3-years of lease payments

### Partner B - Retires in 6 years



**\$757,000 \$795,000**  
6-years of lease payments

### Partner C - Retires in 20 years

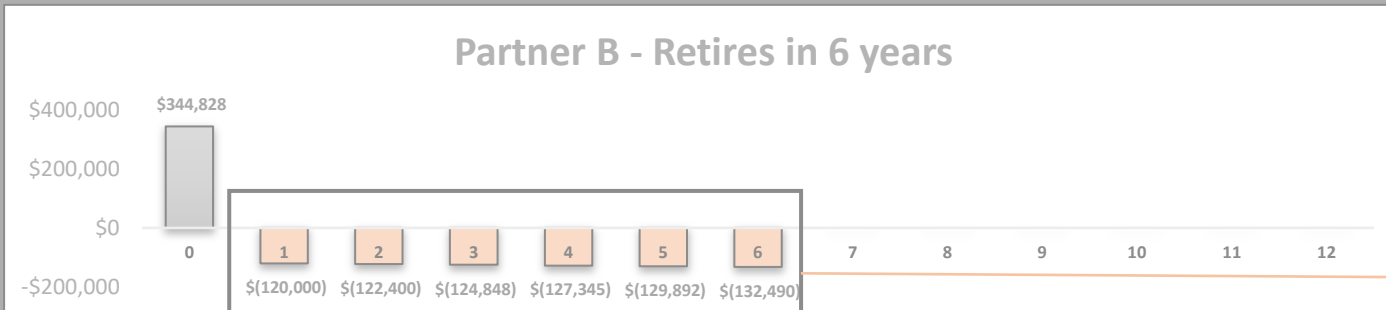


**\$1.61MM \$1.83MM**  
12-years of lease payments

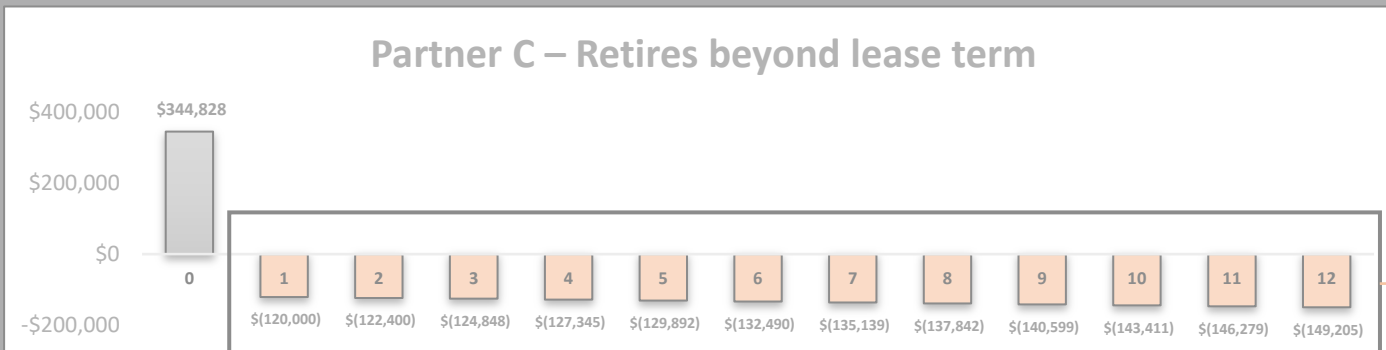




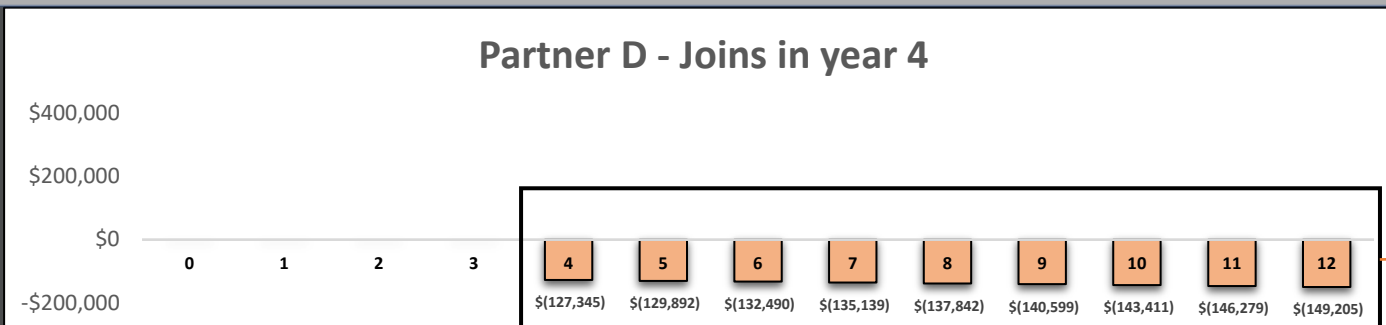
**\$367,000**  
*3-years of lease payments*



**\$757,000**  
*6-years of lease payments*



**\$1.61MM**  
*12-years of lease payments*



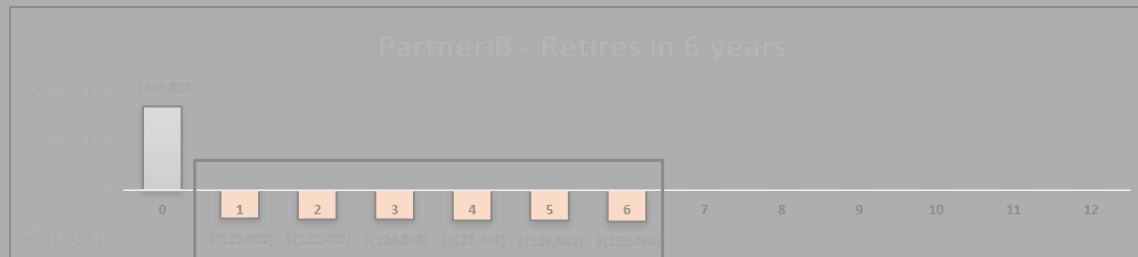
**\$1.24MM**  
*8-years of lease payments*

# Example Solution – Private Equity



$$\frac{\$367,000}{\$16.1\text{MM}} = 2.28\%$$

3-years of lease payments



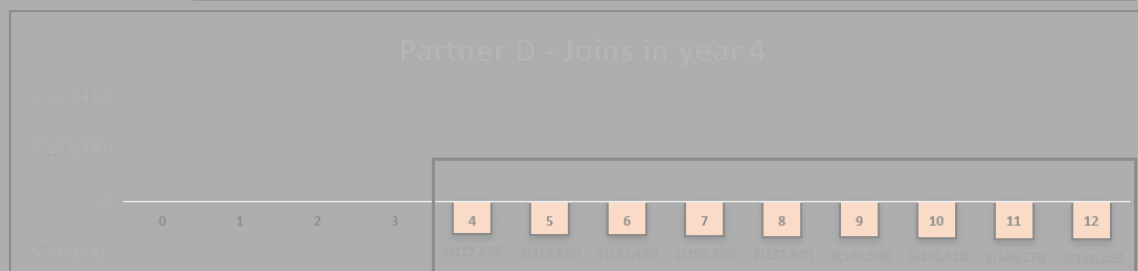
$$\frac{\$757,000}{\$16.1\text{MM}} = 4.7\%$$

6-years of lease payments



$$\frac{\$1.61\text{MM}}{\$16.1\text{MM}} = 10\%$$

12-years of lease payments



$$\frac{\$1.24\text{MM}}{\$16.1\text{MM}} = 6.93\%$$

8-years of lease payments

# Solution to Inequity Clawback Provision?

Valuation	\$20,000,000	\$16,551,724
Incremental Value Driven By Capitalization of a 12 Year Lease	\$3,448,276	

Doctor Ownership	Real Estate Ownership	Incremental Value Received	Remaining Years with the Practice	% of Individual Rent Paid	Incremental Value Earned	Clawback Amount
Doctor A	10%	\$344,828	12	100%	\$344,828	\$0
Doctor B	10%	\$344,828	12	100%	\$344,828	\$0
Doctor C	10%	\$344,828	2	15%	\$51,935	\$292,893
Doctor D	10%	\$344,828	12	100%	\$344,828	\$0
Doctor E	10%	\$344,828	12	100%	\$344,828	\$0
Doctor F	10%	\$344,828	4	31%	\$105,967	\$238,860
Doctor G	10%	\$344,828	12	100%	\$344,828	\$0
Doctor H	10%	\$344,828	1	7%	\$25,710	\$319,117
Doctor I	10%	\$344,828	6	47%	\$162,183	\$182,644
Doctor J	10%	\$344,828	3	23%	\$78,684	\$266,144
<b>Total</b>	<b>100%</b>	<b>\$3,448,276</b>	<b>12</b>	<b>100%</b>	<b>\$2,148,617</b>	<b>\$1,299,659</b>

## Who Receives the Clawback?

- ☐ Remaining Real Estate Owners
- ☐ Practice

# Solution to Inequity

## Withhold Distribution of Incremental Value?

Year	1	2	3	4	5	6	7	8	9	10	11	12	Total
Rent	\$1,200,000	\$1,224,000	\$1,248,480	\$1,273,450	\$1,298,919	\$1,324,897	\$1,351,395	\$1,378,423	\$1,405,991	\$1,434,111	\$1,462,793	\$1,492,049	\$16,094,508
% of Total Rent	7.5%	7.6%	7.8%	7.9%	8.1%	8.2%	8.4%	8.6%	8.7%	8.9%	9.1%	9.3%	100%
Annual Distribution	\$257,102	\$262,244	\$267,489	\$272,839	\$278,296	\$283,861	\$289,539	\$295,329	\$301,236	\$307,261	\$313,406	\$319,674	\$3,448,276

