



## assignment | challenge

### Health Net of California, Inc.

Health Net of California provides managed health care services and is a wholly owned subsidiary of Health Net, Inc., (NYSE: HNT). It is one of the largest health care provider networks in the state serving two million members.

Members of the IRES team were selected to assist Health Net on the 335,000 square-foot corporate headquarters relocation in the greater Los Angeles basin. Health Net had several specific requirements and challenges affecting this transaction including:

- Several owned assets were negatively affecting performance ratios
- The Company was under significant earnings pressure
- A reduction in “non-cash” earnings impact was imperative
- “Creep Costs” associated with any corporate relocation would not be tolerated
- Capital requirements were to be minimized with a focus on maximized return on capital
- Real estate flexibility (i.e. short lease terms) was required

Our strategy for implementing this corporate headquarters relocation was rooted in understanding the operational and financial objectives of Health Net and developing a specific process aimed at optimizing the financial structure of corporate real estate.

## outcome | results

IRES created an analysis of multiple potential solutions, ultimately determining that the appropriate financing structure was a developer-financed 10-year lease. IRES’s structuring of this corporate relocation provided its client with the following benefits:

- New facility meeting Health Net’s specific requirements
- Best accretive effect on earnings
- Reduction of cost of capital based on transaction size and Health Net’s exceptional credit
- Minimal corporate capital outlay increasing performance ratios
- “Off-balance sheet” recognition without risk of either a synthetic lease or long-term lease obligation

### QUICK FACTS

#### STRATEGIC ADVISORY Corporate HQ Consolidation

335,000 square feet  
\$93,800,000  
Woodland Hills, CA

### IRES CONTACT

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### CLIENT REFERENCE

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