

SFZC BOARD MEETING

Minutes

Sangha Room, City Center

August 15, 2016

Present: Larry Bye, Linda Cutts, Dennis McNally, Maitri Goonewardena, Ed Sattizahn, Piper Murakami, Mark Lachmann, Jeremy Levie, Jordan Thorn, Fu Schroeder, Roger Hillyard, Rita Cummings, Mark Schieble, Susan O'Connell, Margie Driscoll, George Kellar

Absent: Albert Kutchins, Alicia Liu, Helen Degenhardt, Brian McCaffrey, Joe Rodriguez, Anna Thorn

Approval of Agenda and Minutes

Fu moved that the minutes be approved. Ed seconded the motion. The minutes were approved unanimously.

ZISLP Report, Discussion and Action

A number of guests joined the board meeting for the presentation on the Zen-Inspired Senior Living Project: Bill Hendrickson, an expert on developing Senior Living facilities in California, who is contributing his advice to the project; Mary Munos, an executive at Ziegler, an investment banking firm, who is also advising on the project; and, David Prowler, a former SFZC board member with expertise in real estate development who has been working closely with Susan on the ZISLP as a SFZC contractor.

Susan reviewed the agenda for the ZISLP project discussion, reminding the board of the project goals and reviewing the funding and expenses for the ZISLP project through January 2016. Along with Mark Schieble, she also reviewed the operational structure of for the project, including the rationale and function of a ZISLP LLC.

David Prowler presented on the progress of the project since the spring. A site was secured and Greenbrier was hired to do a feasibility study. Greenbrier completed three market surveys, which yielded very positive results in terms of market interest. A two-day workshop was held on conceptual design issues. Efforts have also been made to find funders to support the project.

Community design

Susan presented on the program elements of the project, which include: a zendo/meditation hall for daily meditation; classes, both in Zen and through Sonoma State/Osher life-long learning programs; organic gardening and local/organic food offerings; on-site chaplains; contemplative care training for residents and all staff; transition teams for residents who are moving between different levels of care; and practices and processes for harmonious community life.

David Prowler presented an overview of the architectural plans. The site is 11 acres in Sonoma Mountain Valley, which would provide beautiful views of surrounding mountains. The initial phase would include 20 SFZC units and 180 independent living apartments in a mix of sizes and prices, a restaurant and a more casual bistro. There would be another 40-60 independent living apartments in second phase, 24 assisted living units, and 24 memory-care units. In order to create a feeling of neighborhoods, the development will include a combination of 2, 3, and 4 story buildings. There would possibly be parking on grade, and a fitness center, including an indoor swimming pool. There are some suburban areas around and more rural areas,

including farm land. The development would be adjacent to a park, which SFZC may participate in designing. The highway is a few miles away.

Financing

Mary Munos then presented on the financing. She explained that there are different kinds of senior living facilities with a range of care that sometimes includes skilled-nursing. There are three types of expense categories associated with projects such as this one: pre-finance capital, project financing capital, and capital to fund the start-up of operations. Pre-finance capital includes money for the land, architecture design costs, and marketing/pre-sales. For this project this will require about \$15M; sources for this funding include partners/investors or donors. Expenses during the project-financing phase include hard and soft-construction costs, furniture, fixtures, financing and development fees and interest on financing. This part of a project is usually financed largely through bonds. Start-up operations expenses include salaries, management fees, supplies, food/meal services, activities and utilities. Total costs for this project are estimated to be about \$200M.

Key risks for projects of this kind include problems with securing land entitlements, acquiring enough customers during the pre-sales phase, construction timing and budgeting risks, and the rate of actual fill-up once the project is built. For the ZISLP, there are a number of factors that point to success, including the fact that the land is already entitled for ZISL use, the lack of similar products in California, the location near a university and the wine country, encouraging market research results, highly credible and credit worthy potential partners, and friendly investors who have come forth.

Selecting Partners

Ed presented on the process for finding a partner.

Invitations were sent to six development groups and three investor/donor groups. Two viable responses were received from development groups (Kendall/Greenbrier and PRCN) and two responses were received from potential investors/donors ((Stillwater, New Island Capital). Both potential development partners have been interviewed, and the feeling among the project task force members is that either team would be a great partner. Each has different strengths and approaches.

Board Action

The recommendation from the project task force is for the board to offer its support to continue negotiations with both candidates, pick-one, and bring a term-sheet back to the board for approval. A resolution to this effect was proposed. Margie moved that the resolution be adopted. George seconded the motion. The resolution was approved unanimously by the board. It is appended to these minutes.

Update on Tassajara Fire

A report from Steve Davis, retired USFS Division Chief, who is very familiar with the Ventana Wilderness, was shared with the board. It concluded that preparations at Tassajara are sufficient to provide for firefighter safety and the protection of the properties given the fire conditions that are being forecasted. Susan, the three Abbots, and David Zimmerman going to Tassajara tomorrow (August 16) to get a first-hand sense of the situation and to try to determine what would be the conditions/triggers for a full evacuation. Zen students are not being asked to stay to fight the fire. Everyone who is staying is staying voluntarily and has signed waivers.

There was a discussion about whether the guest season would resume this year. The board was also presented with information about the insurance claim that will offset some or all of the lost summer guest season revenue caused by the fire.

Development Committee Report

There is a sub-committee of the Development Committee called the donor outreach team, whose function is to do outreach to specific donors and to be more strategic about to which events donors are invited. Everyone on the board is welcome to attend the next meeting of this group in August, especially those wanting help with their portfolios.

Board members are encouraged to contact people in their portfolio in order to offer information and build relationships. An upcoming salon is being planned for September on leading an ethical life. Members were encouraged to invite people to it. Other upcoming events to which donors and prospective donors can be invited include an Open House at City Center on Saturday, September 24, and an event at Grace Cathedral on November 2, which includes a tie-in with the book, *When Breath Becomes Air*.

Adjournment

After the development discussion the board meeting was adjourned.

Respectfully submitted,
Jeremy Levie
Secretary

Resolution

The SFZC Board of Directors Resolution for Approval of Entering into an exclusive negotiating process to create a Term Sheet with either PRCN or Kendal/Greenbrier for the further development of the Zen Inspired Senior Living Community.

Whereas on June 6th, 2009 and again on January 11th, 2011 the SFZC Board unanimously deemed the Zen-Inspired Senior Living Community (ZISLC) project in partnership with Northern California Presbyterian Homes and Services (NCPHS) to be a viable project, approved it in concept and supported the Senior Living Task Force to continue to develop this as “the best option so far that we have for addressing the issues of providing for our elder monks, and that it is cutting-edge, visionary and a necessity for ZC.”

Whereas On June 18th 2014 the SFZC Board approved further development of a new independent living model, without NCPHS as a partner and with SFZC in a leadership role, while simultaneously continuing to study the “interim housing plan” involving the first floor of 340 Page Street, and a “Plan B”, which will locate individual senior housing units for retirees.

Whereas on September 17th, 2014, the SFZC Board approved the negotiation of a Partnership with BRIDGE Housing to develop a Zen-Inspired Senior Living Community.

Whereas, the Task Force informed the SFZC Board that a piece of entitled property (Sonoma Mountain Village) in Rohnert Park, California had been located and was being investigated as the potential site for the ZISLC. Subsequently at the November 18th, 2015 SFZC Board meeting the SFZC Board was informed that BRIDGE Housing was withdrawing from the Partnership.

Whereas on January 29th, 2016, the SFZC Board approved the Senior Living Task Force to sign the Term sheet for an option to purchase approximately 11 acres of land owned by Sonoma Mountain Village, and to allocate funds from the grant to cover the cost of further development, not to exceed \$335,000.

Whereas on March 15th, 2016, the Task Force signed the Term Sheet with the owners of Sonoma Mountain Village and interviewed and made contract arrangements with a Senior Living Market Survey professional, Maria Dwight, design Team Mithun/Solomon, and a Senior Housing consultant firm, Green Briar, and with them developed conceptual drawings, financial analysis and marketing surveys.

Whereas, an invitation to participate in the further development of this project was sent out to potential Senior Living Development partners and potential investor/donors on June 29th, two viable proposals were received, and interviews were held on August 2nd and August 10th with the two candidates, PRCN and KENDAL/GREENBRIER, and meetings were held with two potential investor/donors, NEW ISLAND CPAITAL and STILL WATER FOUNDATION.

Whereas the Task Force, having duly considered the benefits of each partner, the Task Force recommends that the Board support the Task Force to continue to engage in negotiations with both PRCN and Kendal/Greenbrier, and then make a determination on which party should be engaged with for exclusive Term Sheet negotiations, the terms of which will be brought back to the SFZC Board at the September, 2016 meeting for approval.

THEREFORE BE IT RESOLVED: That the SFZC Board supports the Task Force, after further due diligence, to enter into exclusive negotiations with either PRCN or Kendal/Greenbrier.

August 15, 2016