**San Francisco Zen Center**

**Board of Directors Meeting Minutes**

**June 21, 2:00-6:00 PM**

**Green Gulch Farm**

**Present:** Brian McCaffrey (chair), Linda Galijan, Rita Cummings, Jordan Thorn, Jeremy Levie, Roger Hillyard, Mark Schieble, George Kellar, Alicia Liu, Julia Ten Eyck, Dennis McNally, Joe Rodriguez, Fu Schroeder, Maitri Goonawandera,

**Absent:** Margie O’Driscoll, Linda Cutts, Ed Sattizahn, Piper Murakami, Eli Brown-Stevenson, Helen Degenhardt

**Bow in**

**Approval of Agenda and Minutes**

Dennis moved that the April minutes be approved, as written. Larry seconded this motion. Julia moved that the May minutes be approved as written. Roger seconded this motion. Both sets of minutes were approved unanimously as written.

**Abbess’s report**

Green Gulch Farm Abiding Abbess Furyu Schroeder reported that Green Gulch is carefully launching a summer curriculum on racism and white privilege. This is a much more robust effort of getting into this topic than has been done in the past and includes films, classes, and talks. Not only is the community reviewing this material, but trying to study the painful personal habits associated with racism, as well as studying the structures of racism in our society and culture. This effort also includes collecting materials that will remain in the GGF library and serve the community for years. This work at Green Gulch may serve as a pilot program to bring this work to the wider SFZC community.

Fu met recently with David Zimmerman and Jiryu Rutschman-Byler to talk about curriculum at SFZC. They came up with a text-based idea for a curriculum for the first two years that a student is in residence at SFZC that could be offered in four modules.

The farm season has begun and produce is going to market.

Fu shared a little about a recent Appreciative Inquiry retreat she attended with the Strategic Implementation Team (SIT) group and expressed appreciation about the mode of reflecting on SFZC from the perspective of appreciation. She recently led a retreat with Pico Iyer at Tassajara and will lead another soon with Angel Kyodo Williams. The practice period at Green Gulch will start in the fall.

Fu has recently been re-appointed to the Marin Community Foundation board, which offers her a wide and educated view of how to make an impact in the world, which she appreciates.

**President’s Report**

Linda reported that she was recently at Tassajara and Keith Meyerhoff informed her that one of the SFZC Suburbans needed to be towed out of Tassajara (at a cost of $800). Another Suburban is in the shop and two others have mechanical issues. All these vehicles are from the mid-‘00s. Given all of this, she decided with folks at ZMC that it is time to acquire a “new” used vehicle. They have located a new vehicle for ~$40K (with only about 14k miles on it). The finance committee recommends the purchase unanimously.

George made a motion that the board approve this expenditure, Dennis seconded the motion. The board approved this unanimously.

Linda reported on the recent Appreciative Inquiry (AI) retreat the SIT group held with an AI facilitator, Peg Syverson. Linda expressed that this was good, but difficult work, in which it became clear to her that this model really is a way to do Vision and Strategic Planning work, but from a strengths-based perspective, rather than from the perspective of problems.

The SIT group generated questions on which to reflect, including times when each person felt most supported and/or committed to practicing at SFZC and imagined what an ideal SFZC in five years might be like. Peg herself is a Zen teacher so there was no need to translate the SFZC culture and her facilitation itself often felt like a Dharma offering.

Working groups at the retreat generated ideas for work to be done at SFZC. These ideas came out of questions, which were focused on what aspects of our practice and institution are most associated with supporting longer-term commitment by students.

Linda shared thoughts about more structured training programs, including lay training programs, more akin to the teacher training programs offered at Spirit Rock. Linda G. feels very positive and encouraged by ideas such as this.

Linda is working on an organizational audit and cost accounting with Sachiko. Sachiko has the capacity to translate her conversations with Linda into well-organized timelines and spreadsheets that can be used for project management. In response to a question from the board, Linda clarified that this work is mostly being focused on the Development and Program departments. As an example of the work that needs to be done with cost accounting, Linda mentioned Tassajara, which receives all the revenue from the guest season in its budget, while the expenses associated with supporting the retreats and guests show up in the program department.

Linda also reported that Gentoku Smith will be the next City Center Director.

**Long Range Plan**

Larry Bye reported that the original plan was to bring the long-range plan originally presented last September to this board meeting for approval, but the development committee met recently and created a more thoughtful set of recommendations regarding staffing in the development department. Given this, the finance committee suggests that these recommendations be vetted and that the long-range plan be brought to the board for approval at the July meeting, or shortly thereafter.

The development office staffing proposal includes creating even more professional paid staff positions and creating a marketing and communications department. There is a development department working group proposed (which may include Helen, Dennis, Linda G, Larry Bye, George K.) that will be focusing on the development office.

The board discussed membership at SFZC as a place of unrealized potential and various thoughts were shared about how to develop membership. A question was raised of whether membership rightfully belongs in the development department or is fundamentally a different kind of work. Questions were raised about announcements and materials regarding membership, whether and how people are asked to become members, and what the benefits of membership are that could serve as an incentive for people to become members.

**Capital Campaign update**

Rita reported on the City Center capital campaign first by announcing that the restructuring of her role means that she is overseeing the City Center capital campaign and that Joel Evans is now reporting to her. She announced that the refurbishing of the City Center building will cost ~$7M. She announced a number of unsolicited gifts that have already been made during the quiet planning phase of the campaign. There have also been a number of recent legacy gifts/bequests that have come in and been credited toward the campaign.

She reported that there is a strong City Center Capital Campaign leadership group that is meeting every two weeks. The group has worked on a grant proposal for the Stillwater Foundation for $2M plus a two-for-one $1M challenge grant

Work is being done currently to craft the message of the campaign and articulate the case for support. There is a planning study that will focus on what we are doing and will solicit feedback from donors about what they think about the proposed campaign and who else might be included.

In response to a question from the board it was clarified that certain legacy gifts need to go through probate before coming to SFZC. A question was asked by a board member about what support may be available for the campaign in virtue of the building at 300 Page being a Julia Morgan building, to which it was replied that some small sources of support have been found that might be interested in the general historical nature of the building. Another possible source of support may be found in the Jewish community due to the original function of the building as a home for single Jewish women in the city. The cultivation of this community is only in its beginning stages.

Another question was raised about the untapped potential of City Center as a beacon for Buddhism in San Francisco. This would lend itself to a wider vision for the campaign: not only how can the building be refurbished, but how can the temple be more welcoming, serve the wider community, and pay more attention to our local communities.

**Finance Report**

Jordan reported on the FY’17 budget: Net income came in at ~ (-$325K) compared to a budget of ~ (-$504K), but cash flow was nearly breakeven (actually close to -$8K).

The largest areas of positive variance of income include workshop income which brought in ~$64K more income than budgeted. Other areas where income was better than budgeted include practice period income ($27K) and general donations ($23K). The largest areas of negative variance (where income was significantly below budget) include Online Class Income (-$52K), Membership (-$33K), Yr-end Letter contributions (-$30k), year long program income and major gifts. These are all in the program and development departments.

The largest areas of positive variance with respect to expenses (where expenses were less than budgeted), include the HRA health account (~$58K), classes (~$47K), and food (~$49K).

The largest areas of negative variance with respect to expenses (where expenses were greater than budgeted) include salaries (~$100k), due mostly to salaried position in the administration), software license renewal and utilities (~$25K each).

Personnel costs have risen significantly over the last decade. Personnel costs in administration have grown near $1M over the last decade, due primarily to an increase in salaried staff.

There was a question about the cash surplus that had originally been budgeted. Jordan explained that there had been a cash reserve budgeted for FY’17 of $100K, which was not realized.

Considering the fire that closed ZMC for six weeks, the overall assessment of the board was that SFZC did well in Fy’17, but not great.

**New Island Capital Term Sheet (Resolution)**

David Prowler joined the call by speaker phone.

The Board was asked to approve the execution of a non-binding term sheet with New-Island Capital Management for a loan of approximately $12 million to fund pre-development (“seed money”) expenses in connection with the development of the senior housing project. Parties to the term sheet are, in addition to New Island Capital Management as the lender, San Francisco Zen Center, the Kendal Corporation, and Kendal at Sonoma (the project owner).

Proceeds of the loan would be used to pay pre-development expenses in the nature of professional service fees (including architect and engineering fees), marketing costs, and deposits on the land purchase contract. Loan proceeds would be advanced as needed, so long as certain “milestones” are achieved as of each advance, including finalization of marketing plan, development of architectural designs, receipt of resident deposits, city development approvals, etc. However, no loan proceeds will be advanced until the $3.25 million that San Francisco Zen Center has obtained for this project is full expended.

The borrower will be Kendal at Sonoma, the entity that will be jointly controlled by Zen Center and Kendal and that will actually own the senior housing project. However, this loan is intended to qualify as a tax exempt obligation. If Kendal at Sonoma, which was only recently organized, has not received a determination of tax exempt status from the IRS (a requirement for the financing to qualify as tax-exempt) when the loan is to be funded, Zen Inspired Senior Living LLC, the limited liability company wholly controlled by Zen Center, may be required to “stand-in” as borrower on a temporary basis until Kendal at Sonoma has received a determination of tax exempt status.

Although the loan will be tax exempt, it nonetheless bears a high interest rate – 12% -- in view of the fact that it will be funding a high-risk ‘start-up’ operation. The loan will be repayable when permanent financing (from a tax exempt bond issue) is obtained, but not later than 4 years from date of loan inception.

As previously noted, the term sheet obligates Zen Center to contribute $3.25 million in payment of pre-development expenses before any loan proceeds will be advanced. The term sheet also obligates the Kendal Corporation to pledge $1.5 million to cover any cost overruns and/or delays in obtaining permanent financing. The loan will be secured by all assets of Kendal at Sonoma, consisting primarily of all rights it obtains and holds to develop the senior housing project, including all rights it holds under the land purchase contract.

The terms, conditions and provisions of the term sheet are non-binding and will become binding only if and when the parties enter into definitive loan documents.

SFZC will be the signer on the term sheet because the financing is being proposed as a tax-exempt borrowing and requires an existing 501c3, and so the entity legally borrowing the money would be the ZISL LLC1, the non-profit entity of SFZC set-up a few years ago as the legal entity to engage financially with respect to ZISL (and incur any financial risks associated with the project). It is anticipated that the joint entity of SFZC and Kendal, “Kendal at Sonoma, A Zen Inspired Community,” will assume responsibility for the loan once it is granted its 501 c3 status, which it is in the process of securing.

Larry Bye moved to approve the resolution authorizing Linda G. to sign the non-binding term sheet for the loan as modified by the board. Dennis seconded the motion to approve the resolution. The board approved the resolution unanimously.

**Pre-Affiliation Agreement between ZISL and Kendal (Resolution)**

The Board was asked to approve the terms of a Pre-Affiliation Agreement by and among Kendal at Sonoma, a Zen-Inspired Community, a California nonprofit corporation (“Kendal at Sonoma”), Zen Inspired Senior Living LLC, a California limited liability company wholly owned by San Francisco Zen Center (“ZISL”), and Kendal Aging, a California nonprofit corporation wholly controlled by the Kendal Corporation (“Kendal Aging”).

Kendal at Sonoma is the “joint venture” between SFZC and the Kendal Corporation, organized to own and operate the proposed senior housing project. SFZC’s participation in this venture is through its affiliate ZISL and Kendal Corporation’s participation in the venture is through its affiliate Kendal Aging. Technically, ZISL and Kendal Aging are the “members” of Kendal at Sonoma with the power to appoint a majority of the members of the Kendal at Sonoma board (with some independent members).

The Pre-Affiliation agreement provides for the development of the senior housing project to be owned by Kendal at Sonoma and operated by the Kendal Corporation. The agreement is called a “Pre-Affiliation Agreement” simply because it comes before a contemplated “Affiliation Agreement.” Although the Kendal Corporation is a recognized expert with an abundance of experience in senior housing, it does not directly own any senior housing projects in which it is involved, but merely manages and operates senior housing projects for separate and, generally, independent owners. The contractual vehicle by which the Kendal Corporation manages and operates senior housing projects is called the Affiliation Agreement. Here, Kendal will have a greater than normal involvement in the ownership of the contemplated senior housing project in that its affiliate, Kendal Aging, is a member of and will be involved in the ongoing operations of the ownership entity, Kendal at Sonoma, but the contemplated management of the project will be pursuant to a more or less standard Kendal Affiliation Agreement.

The Pre-Affiliation Agreement generally provides for a collaborative relationship among ZISL, Kendal Aging and Kendal at Sonoma in developing the project, but it outlines primary responsibilities for each party. Thus, Kendal Aging bears primary responsibility for more of the ‘nuts and bolts’ of project development, including management of the project consultants, development and management of project budgets, development and implementation of a plan of finance, preparation of financial forecasts and models, implementation of a marketing plan and recruitment of a marketing staff, and general oversight of construction budgets and scheduling. ZISL’s areas of primary responsibility on the other hand fall more in the spiritual and mission realms, including development of meditation and educational programs for residents, development of cultural and public relationship events, development of dining and gardening venues, exploration of community fund-raising events and similar vehicles, and development of wellness/well-being programs.

The Pre-Affiliation Agreement also provides for the payment of fees and other amounts to ZISL and Kendal Aging, including “Co-Sponsor Administration Fees” of $1.1 million to each of ZISL and Kendal Aging; a “Licensing Fee” payable to ZISL in the amount of 1.5% of project operating expenses; and a “System Fee” of 5% of project operating expenses payable to Kendal Aging, with certain reductions once “Stabilized Occupancy” (i.e., a 90% occupancy rate) is achieved. However all such fees are subject to a variety of contingencies, including lender approval.

Finally, the Pre-Affiliation Agreement provides that ZISL will receive 100% of excess project cash flow once the project achieves Stabilized Occupancy.

The risks of signing the pre-affiliation agreement were summarized for the board, which include the $3.25M SFZC is giving to the project (which came as grant specifically for this project) and its reputation. The main challenge is whether there will be a market to support the development. Information about the market is being determined by current marketing studies that will be available in August. The recent marketing study done had a 47% return on the SFZC list and a 17% return on Kendall email list. These are extremely good numbers. Kendal will take responsibility for the marketing.

There were questions from the board about the long-term financial agreements which are being entered into in this agreement. It was clarified that ZISL LLC is acting as a stand-in borrower for interim financing.

It was also clarified that SFZC is credited in these agreements with the money it has already spent on this development (~$750-800k) toward the $3.25M SFZC is agreeing to contribute to the project.

There was a question from the board about whether there has been any effort or consideration about whether to seek copyright registration for term “Zen Inspired Senior Living.” This has not been pursued, but the board agreed that it seems like it would be good for SFZC to do this.

There were questions from the board about whether future revenue from the project coming to SFZC could be spent for any uses SFZC wants. It seems the answer to this is yes.

A question was raised about whether it is possible to explicitly state in the organizational documents of ZISL LLC that the sole purpose of ZISL LLC is to support and benefit SFZC.

In response to questions about the project costs (and whether they are realistic), it was explained that Kendal has insight into operational costs and that Greenbrier only builds senior living projects and says the projected numbers for the project are very conservative.

Questions were raised about Mark Schieble’s future role on the board as he serves as paid counsel for the project during the financing phase of the project. These questions will continue to be considered and explored as the project proceeds.

Julia moved to approve the resolution, as amended, authorizing SFZC to enter into the pre-affiliation agreement. Dennis seconded the motion. The board approved the resolution unanimously.

**Governance Committee**

Joe Rodriguez reported on the process for filling the general director seat on the board vacated by Albert Kutchins. The Governance Committee is looking for people to fill Albert’s seat, as well as people to serve potentially as additional appointed directors. (The committee is seeking to fill Alicia’s seat and considering adding more appointed directors. The bylaws state that there may be a maximum of four appointed directors).

In filling these seats the committees is especially interested in diversifying the board and is looking for people of color, women, and younger members (anyone under 60), as well as people who may have any of a broad range of skills that would serve the board and SFZC.

Notices seeking candidates for the board have been placed in Sangha News, as well as at the local centers, and in social media.

There was a request of the committee to board members to spread the word about the search for candidates for the board and to offer suggestions themselves for possible candidates.

**An Executive Session followed.**

Respectfully submitted,

Jeremy Levie

Board Secretary

Resolution Re: New Island Capital Term Sheet

The San Francisco Zen Center Board of Directors

 Whereas, Zen Inspired Senior Living LLC (of which San Francisco Zen Center is the only member) and Kendal Aging, a non-profit Public Benefits Corporation, dba Kendal California, have formed Kendal at Sonoma, a Zen-Inspired Community, a California nonprofit public benefit corporation for the purpose of developing a senior living facility ; and

 Whereas, at its September 21, 2016, Board meeting the SFZC Board of Directors approved a Letter of Intent with Kendal; and

 Whereas on April 5, 2017, Kendal at Sonoma signed a Term Sheet with Comstock Healdsburg LLC with regard to the purchaser of land to be used for the senior living facility; and

 Whereas in order to continue with the development of this project, it is now proposed that

San Francisco Zen Center, together with Kendal at Sonoma Mountain, The Kendal Corporation, and Greenbrier Development, execute a non-binding Term Sheet with regard to the terms and conditions of the loan of up to $12 million that New Island Capital intends to make to Kendal at Sonoma Mountain; and

 Whereas among the terms specified in the Term Sheet is the contribution of $3.25 million by San Francisco Zen Center to capitalize Kendal at Sonoma Mountain.

 IT IS HEREBY RESOLVED that the Board of Directors approves the execution of the Term Sheet on behalf of San Francisco Zen Center, a copy of which will be attached hereto.

 Approved by the Board of Directors, June 21, 2017

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 Jeremy Levie, Board Secretary

 Resolution

The San Francisco Zen Center Board of Directors

 Whereas, Zen Inspired Senior Living LLC (of which San Francisco Zen Center is the only member) and Kendal Aging, a non-profit Public Benefits Corporation, dba Kendal California, have formed Kendal at Sonoma, a Zen-Inspired Community, a California nonprofit public benefit corporation for the purpose of developing a senior living facility ; and

 Whereas, at its September 21, 2016, Board meeting the SFZC Board of Directors approved a Letter of Intent with Kendal; and

 Whereas on April 5, 2017, Kendal at Sonoma signed a Term Sheet with Comstock Healdsburg LLC with regard to the purchaser of land to be used for the senior living facility; and

 Whereas in order to continue with the development of this project, it is now proposed that Zen Inspired Senior Living LLC, Kendal Aging, dba Kendal California, and Kendal at Sonoma, a Zen-Inspired Community, enter into a Pre-Affiliation Agreement, the terms of which are consistent with the Letter of Intent and the Term sheet just mentioned, including the loan of certain funds from the San Francisco Zen Center through ZISL to Kendal Sonoma, as specified in the Pre-Affiliation Agreement,

 IT IS HEREBY RESOLVED that the Board of Directors approves Zen Inspired Senior Living LLC entering into the Pre-Affiliation agreement a copy of which will be attached hereto.

 Approved by the Board of Directors, June 21, 2017

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 Jeremy Levie, Board Secretary