



September 16, 2021

## NOTICE

The Board of Directors of the Kaweah Delta Health Care District will meet in an open Finance, Property, Services and Acquisition Committee meeting at 10:00AM on Tuesday September 21, 2021 in the Kaweah Health Support Services Building, 520 West Mineral King Avenue, Copper Room (2<sup>nd</sup> Floor), Visalia, CA.

All Kaweah Delta Health Care District regular board meeting and committee meeting notices and agendas are posted 72 hours prior to meetings (special meetings are posted 24 hours prior to meetings) in the Kaweah Health Medical Center, Mineral King Wing entry corridor between the Mineral King lobby and the Emergency Department waiting room.

The disclosable public records related to agendas are available for public inspection at Kaweah Health Medical Center – Acequia Wing, Executive Offices (Administration Department) {1st floor}, 400 West Mineral King Avenue, Visalia, CA and on the Kaweah Delta Health Care District web page <https://www.kaweahhealth.org>.

KAWEAH DELTA HEALTH CARE DISTRICT  
Garth Gipson, Secretary/Treasurer

A handwritten signature in black ink that reads "Cindy Moccio".

Cindy Moccio  
Board Clerk, Executive Assistant to CEO

DISTRIBUTION:  
Governing Board  
Legal Counsel  
Executive Team  
Chief of Staff  
<http://www.kaweahdelta.org>

**KAWEAH DELTA HEALTH CARE DISTRICT BOARD OF DIRECTORS  
FINANCE, PROPERTY, SERVICES & ACQUISITION COMMITTEE**

Tuesday September 21, 2021

Kaweah Health Support Services Building  
520 West Mineral King – Copper Room (2<sup>nd</sup> floor)

ATTENDING: Directors: Lynn Havard Mirviss (acting chair) & Mike Olmos; Gary Herbst, CEO; Malinda Tupper, VP & CFO; Marc Mertz, VP Chief Strategy Officer; Jennifer Stockton, Director of Finance, Deborah Volosin, Director of Community Engagement; Cindy Moccio, Recording

**1. OPEN MEETING – 10:00AM**

**2. CALL TO ORDER – Lynn Havard Mirviss**

**3. PUBLIC PARTICIPATION** – Members of the public may comment on agenda items before action is taken and after it is discussed by the Board. Each speaker will be allowed five minutes. Members of the public wishing to address the Board concerning items not on the agenda and within the jurisdictions of the Board are requested to identify themselves at this time. For those who are unable to attend the beginning of the Board meeting during the public participation segment but would like to address the Board, please contact the Board Clerk (Cindy Moccio 559-624-2330) or [cmoccio@kaweahhealth.org](mailto:cmoccio@kaweahhealth.org) to make arrangements to address the Board.

**4. FINANCIALS** – Review of the most current fiscal year financial results and budget.

*Malinda Tupper – Vice President & Chief Financial Officer*

**5. QUAIL PARK (CYPRESS) AND LAUREL COURT AND QUAIL PARK AT SHANNON RANCH** – Annual report for Quail Park Cypress and Laurel Court and Quail Park Cypress and Laurel Court.

**6. ADJOURN** – Lynn Havard Mirivss

*In compliance with the Americans with Disabilities Act, if you need special assistance to participate at this meeting, please contact the Board Clerk (559) 624-2330. Notification 48 hours prior to the meeting will enable the District to make reasonable arrangements to ensure accessibility to the Kaweah Delta Health Care District Board of Directors meeting.*

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*Mike Olmos – Zone I  
Board Member*

*Lynn Havard Mirviss – Zone II  
Vice President*

*Garth Gipson – Zone III  
Secretary/Treasurer*

*David Francis – Zone IV  
President*

*Ambar Rodriguez – Zone V  
Board Member*

**MISSION: Health is our Passion. Excellence is our Focus. Compassion is our Promise.**

# REPORT TO THE BOARD OF DIRECTORS

## Quail Park (Cypress) and Laurel Court (Memory Care)

Marc Mertz, VP/Chief Strategy Officer, 624-2511  
September 13, 2021

### Summary Issue/Service Considered

Quail Park (Cypress campus) consists of a senior independent living facility and a secure memory care facility. These are organized as separate legal entities.

The independent living facility is a 127-unit senior retirement village owned 44 percent by Kaweah Health and 56 percent by Living Care Senior Housing. Denis Bryant from Living Care is the Managing Member.

The 40-unit Memory Care Center (Laurel Court) is an Alzheimer's/Dementia facility located east of the Rehabilitation Hospital on Kaweah Health's west campus. It has the same ownership percentage split as Quail Park.

Denis Bryant is the manager of both entities. Lynn Havard Mirviss and Marc Mertz represent Kaweah Health on the Quail Park and Memory Care Center Boards of Members. Cathy Boshaw and Elling Halverson (recently deceased) represent Living Care Senior Housing on the two boards. Kaweah Health and Living Care have equal voting rights on the boards.

### Quality/Performance Improvement Data

Quail Park has historically operated nearly at capacity, significantly above industry benchmarks. As recently as June 2019, Quail Park had a 28-unit waiting list. Like all senior living facilities, Quail Park has been impacted by COVID-19. Many individuals have chosen to delay moving into the facility. As of August 2020, occupancy in Quail Park was 87.4%, down more than 10% from prior year. By June 30, 2021 occupancy had decreased to 81.1%. According to The National Investment Center for Seniors Housing & Care (NIC), occupancy rates for US assisted living facilities reached a record low of 77.7% at the end of 2020. Similarly, occupancy in independent living facilities also reached a record low of 83.5% at the end of 2020.

During fiscal year 2021, Quail Park at Cypress was a defendant in a class action lawsuit related to employment practices. The case alleged that Quail Park failed to properly compensate employees for meal periods, rest breaks, and waiting time. Other accusations include inappropriate rounding of hours and errors on wage statements/paychecks. A settlement was reached during mediation, and Quail Park has agreed to pay \$721,287. The issue is pending court approval and the amount will likely be paid in fiscal year 2022. In anticipation of this payment, profit distributions to owners were decreased during the second half of FY2021 in order to preserve cash for the payment of this settlement. Owners will not be required to contribute to the settlement amount.

During fiscal year 2021 (July 2020 and June 2021), Quail Park paid Kaweah Health \$297,000 in quarterly profit distributions based on Kaweah Health's 44 percent ownership. The first profit distributions were made in 2003. Since then, Quail Park has paid Kaweah Health profit

distributions totaling \$5,569,500 through June 30, 2021. In addition, through a series of loan refinancing activities, Kaweah Health has received an additional \$5,934,841 in distributions. Total distributions to Kaweah Health for this property are \$10,815,571 based on an original investment of \$1,588,770. \$900,000 of the initial investment was made via donation of land, with the remaining \$688,770 being invested in cash.

The 40-unit Memory Care Center, which opened in July 2012, was operating at 77.5% occupancy on June 30, 2021, down from 82.5% in August 2020 and well below its historic near-capacity rate of nearly 100%.

The Memory Care Center paid Kaweah Health a \$77,000 profit distribution between July 2020 and June 2021. The Memory Care Center has paid Kaweah Health a total of \$1,485,000 in profit distributions through June 2021. Kaweah Health has received an additional \$1,505,040 in refinance distributions from this property. Total distributions are \$2,719,104 based on an original Kaweah Health investment of \$990,936. Of the \$990,936 investment, \$720,000 was invested via land donation and \$270,936 was invested in cash. The first profit distributions were made in 2012.

## **Policy, Strategic or Tactical Issues**

COVID-19 has had a significant negative impact on the occupancy rates of senior living facilities nationwide. The Quail Park independent living and memory care centers were not spared. Current occupancy rates are fairly consistent with industry averages.

Management was taken significant precautions to keep residents and employees safe during COVID-19, including restricting visitation, mandatory quarantine at move-in, frequent testing, and enhanced cleaning and sanitizing practices.

## **Recommendations/Next Steps**

Continue to operate Quail Park and the Memory Care facility as high-level senior retirement centers with services ranging from independent living to assisted living to expanded dementia care.

## **Approvals/Conclusions**

Despite challenging years in 2020 and 2021 due to COVID-19, Quail Park is filling a significant health care need in our community, providing exceptional services to its residents, and at the same time generating an income stream for Kaweah Health.

# REPORT TO THE BOARD OF DIRECTORS

## Quail Park at Shannon Ranch

Marc Mertz, VP/Chief Strategy Officer, 624-2511  
September 13, 2021

### Summary Issue/Service Considered

In 2016 Kaweah Health approved construction of a new 120-unit independent, assisted, and memory care senior living project called Quail Park at Shannon Ranch near the intersection of Demaree and Flagstaff in northwest Visalia. The 139,000 square foot project is located on a 3.65 acre site next to the 6,100 square foot Urgent Care Center which Kaweah Health opened on a 1.01 acre parcel on the east side of Demaree. The main independent living facility has 100 units ranging from studios to 2-bedroom units, and the secure memory care facility has 20 rooms.

Kaweah Health owns 33 and one third percent of the project, which is held by Northwest Visalia Senior Housing. Other partners are Shannon Senior Care, LLC, BTV Senior Housing, LLC, BEE, Inc., and Millennium Advisors. Shannon Senior Care is owned by members of the Shannon family; BTV is owned by Bernard te Velde, Jr.; BEE is owned by Cathy Boshaw and Doug Eklund of the Seattle area; Millennium Advisors is owned primarily by Denis Bryant, the current managing partner of Quail Park and the Memory Care Center.

The approximately \$40 million project broke ground in March 2018 and was completed in early 2020. All Kaweah Health equity contributions to the project have originated from the Bettie Quilla Fund at Kaweah Health Hospital Foundation. The Quilla Fund is restricted by the donor for support of senior living projects in collaboration with Kaweah Health. Kaweah Health has made a total equity contribution in Quail Park Shannon Ranch of \$3,997,000.

### Quality/Performance Improvement Data

Before COVID-19, management expected that occupancy of the main building would reach 50% within 90 days of opening and that the memory care center would be completely filled within that time frame. Early deposits and waiting lists supported this. However, by July 2020 occupancy of the independent living building reached just 7% and the memory care was at 35%. During fiscal year 2021, management has worked hard to provide a safe environment for residents and visitors and they have dramatically increased marketing efforts, including offering limited-time discounts to encourage people to move in. As a result, the independent living building reached 28% occupancy by June 20, 2021 and the memory care reached 50%. In the last two months, the number of move-ins has continued to increase and current occupancy is 39% for independent living and 60% for the memory care building. These trends are expected to continue, pending any significant changes in COVID.

Due to the lower-than-expected occupancy, Quail Park at Shannon Ranch (including memory care) generated an operating loss of \$1,308,436 from July 1, 2020 to June 30, 2021. Combined with non-operating expenses, which include pre-opening expenses, loan fees, interest, depreciation, and management, the total net income/(loss) was \$4,332,416 during fiscal year 2021. Owners of Northwest Visalia Senior Housing have made a series of cash calls to fund operations. These contributions are being treated as loans payable with a 5% interest rate. During

fiscal years 2020 and 2021, Kaweah Health has made loan payments totaling \$1,257,029, which was paid entirely from the Quilla Fund.

## **Policy, Strategic or Tactical Issues**

The COVID-19 pandemic and its impact on senior living could not have been predicted. Management of Quail Park at Shannon Ranch have continued to actively promote the facility, providing both in-person and virtual tours. The sales staff routinely delivers meals to individuals that have expressed interest in Quail Park as a way to stay in touch with potential residents. The facility is also very active on social media. Management offered various discounts to entice people to move in during FY2021, although that practice has been discontinued as the occupancy rates have increased in recent months.

## **Recommendations/Next Steps**

Continue to support the startup of Quail Park at Shannon Ranch during these challenging times.

## **Approvals/Conclusions**

Quail Park at Shannon Ranch opened at perhaps the worst possible time in recent memory. However, the facility is the premier senior living in Visalia and perhaps the Central Valley. The amenities and services offered are unrivaled in the market. As the pandemic abates, this facility will be a significant asset to the community. The recent increase in resident move-ins has been encouraging and is expected to continue.

# KAWEAH HEALTH ANNUAL BOARD REPORT

## Senior Housing Joint Ventures

FY2020 - FY2021

	Quail Park	Laurel Court	Shannon Ranch	Total
<b>FY2021</b>				
Loans			(\$883,279)	(\$883,279)
Profit distributions	\$297,000	\$77,000		\$374,000
Total cash inflow (outflow) from investment	<b>\$297,000</b>	<b>\$77,000</b>	<b>(\$883,279)</b>	<b>(\$509,279)</b>
Total income (loss) from Investment	<b>\$297,000</b>	<b>\$77,000</b>	<b>(\$1,434,149)</b>	<b>(\$1,060,149)</b>
<b>FY2020</b>				
Loans			(\$373,750)	(\$373,750)
Profit distributions	\$363,000	\$319,000		\$682,000
Total cash inflow (outflow) from investment	<b>\$363,000</b>	<b>\$319,000</b>	<b>(\$373,750)</b>	<b>\$308,250</b>
Total income (loss) from Investment	<b>\$363,000</b>	<b>\$319,000</b>	<b>(\$948,982)</b>	<b>(\$266,982)</b>
<b>From Inception</b>				
Initial investment - land	(\$900,000)	(\$720,000)		(\$1,620,000)
Initial Investment - cash	(\$688,770)	(\$270,936)	(\$3,997,054)	(\$4,956,760)
Loans			(\$1,257,029)	(\$1,257,029)
Profit distributions	\$5,569,500	\$1,485,000		\$7,054,500
Refinance distributions	\$5,934,841	\$1,505,040		\$7,439,881
Total cash inflow (outflow) from investment	<b>\$10,815,571</b>	<b>\$2,719,104</b>	<b>(\$5,254,083)</b>	<b>\$8,280,592</b>
Total income (loss) from Investment	<b>\$9,915,570</b>	<b>\$2,043,104</b>	<b>(\$2,383,131)</b>	<b>\$9,575,543</b>