

New York Quarterly Meeting Trustees
to the New York Quarterly Meeting

An Epistle
dated April 9, 2015

Dear Friends,

In October, 2007, the Trustees of the New York Quarterly Meeting sent the attached epistle to the Quarter, recommending separate incorporation of Brooklyn Friends School and Friends Seminary. The Trustees concluded then after long and worshipful consideration that separate incorporation was the best way to bring integrity and simplicity to our mutual relationship. This epistle began a process which evolved into the incorporation of Brooklyn Friends School in 2008 and continues today in the Ad Hoc Committee of New York Quarterly Meeting on the Relationship between the Quarterly Meeting, Fifteenth Street Meeting, and Friends Seminary. The latter committee recently also approved a minute supporting separate incorporation, also attached.

As many Friends are aware, Friends Seminary has in recent years experienced growth in enrollment of over a hundred students (to 756), which has led to strains on space to fulfill their mandate to educate the children in their care in the Friends' spirit of open inquiry, mutual support and respect, and development of inner leadings. Friends Seminary has engaged in a long and searching examination of how to put the resources available to them in best service to their educational mission, and Trustees support them in this effort.

The plan they have developed to meet this need, which they presented to Trustees on September 12, would add two additional floors to the 1964 building and the three townhouses on 212, 214, and 216 East 16th Street, reconfigure the interior spaces in the three townhouses, and excavate under the three townhouses and extend 216 to its rear lot line. Construction would take three years. The project was initially budgeted at \$51 million and more recently has risen to \$67 million—\$29 million to be raised from donors, \$26 million from existing funds, and \$12 million from commercial borrowing.

Trustees of the New York Quarter support Friends Seminary in this necessary chapter in their growth. As we arrive at this point in our shared history, however, Trustees have concluded that the proposal brings us to a point where the long acknowledged need for separate incorporation can no longer be deferred.

In February, during a hiatus in consideration of the proposal that began on December 12, when Trustees received word from Friends Seminary that they were redrafting the proposal, Trustees began seasoning a recommendation from its Finance Sub-Committee that the Quarter pursue separate incorporation in advance of authorizing the project. In March, Trustees approved the following minute:

03-15-06 We appreciate the many aspects of the Friends Seminary Redevelopment and Renovation project that will contribute to the educational experience at Friends Seminary and the important work that has been done by the many people who developed it.

In our estimation, however, due in particular to concerns about financial liability and the transfer of development rights (see attached legal opinion from our attorney), it would be contrary to our fiduciary responsibility to the Quarter to approve commencing construction on the project without separate incorporation. We commit ourselves to vigorous and immediate pursuit of separate incorporation and invite representatives of the School Committee to meet with us at soonest opportunity to being to develop a proposal. We are seeking professional consultation to expedite the process.¹

Trustees are now in active discussion with Friends Seminary toward developing a proposal for separate incorporation to present to the Quarter that would meet the following needs:

- Nourish Friends practice and values in the work of the Quarter, 15th Street Meeting, and Friends Seminary;
- Provide both bodies with long-term financial security and the means to maintain our buildings and support our missions going forward;
- Protect each institution from liability in the other;
- Provide clarity in cohabitation and undergird our long-term Friendly partnership as Quaker institutions sharing space and linked history and values.

Friends are reminded that the New York Quarterly Meeting and the Friends Seminary School Committee, which is currently constituted as a committee of the Quarter, are at the moment a single legal body, with ultimate responsibility resting in the New York Quarter for all financial and legal operations of both institutions and full ownership of the school and all property in the Rutherford Place complex. NYQM total liquid assets aside from those in the care of Friends Seminary total \$23 million at March 31, 2015, a figure dwarfed by the scale of the proposed renovation.

¹ Our conflict of interest policy dictates that the body of Trustees determines the presence of a conflict of interest in a member of Trustees. Trustees came to unity that the policy applies to Ben Frisch in this instance. Ben Frisch stands aside. He is recused from this minute.

As this juncture is so consequential for the Quarter, Trustees wanted to lay out our rationale for seeking separate incorporation in advance of the Townhouse Redevelopment Project in some detail:

Liability

A significant factor driving separate incorporation has been that the New York Quarter bears full liability for the operations of Friends Seminary, even though the Quarter does not have active meaningful management of the school. The Quarter's already current potential exposure to lawsuit resulting from injury, mismanagement, financial impropriety, or misconduct, would be exponentially magnified by construction on this scale and its related fiscal obligations. An entity managing and financing a project of this scope should be legally responsible for it.

Financing

The project is now estimated to cost \$67 million and there is a significant likelihood that its costs will increase as it is executed. The liquid net worth of the Quarter is \$23 million, only a third of the projected cost of the project. It is not sound practice for the Quarter to commit itself institutionally to a project so far in excess of its existing assets and fundraising capacity.

Property and development rights

The project would irrevocably commit \$67 million in assets raised by Friends Seminary to property owned by the New York Quarter, without a clear understanding as to how those funds would be allocated in the event of eventual separate incorporation. This allocation exacerbates the already complex prospect of property division between the two entities. Furthermore, the project requires the use of more than 10,000 square feet of development rights deriving from Quarter's original historic lot. These rights are themselves a factor in a future division of property and irrevocably entailing them in new construction further complicates future property division.

Indebtedness

The project requires renegotiating and increasing Friends Seminary's debt of approximately \$23 million, now retiring on 2038. There was significant unease in the Quarter when this debt was renegotiated in 2010, because it requires a commitment on the part of the indebted institution that it is not using the funds for the practice of religion. Separate incorporation would sever the Quarter from this commitment.

(As we labor with separate incorporation, we continue to be mindful of the following concerns about the project itself: insurance and safety during construction, a shared commitment to sustainability, stewardship of our historic property and neighborhood, impact of construction on the worship and activities of 15th Street Meeting and on our renters and tenants, and responsibility to our neighbors.)

Trustees are mindful that separate incorporation of the NYQM and Friends Seminary is a weighty prospect requiring spirit-led care and attention. As New York City Friends we are responsible to the legacy of the historic Friends who passed to us the worshipful assembly and property of which we are now stewards. It was these Friends' purpose to secure Quaker worship and witness in New York City for centuries to come, and also soundly to establish a school grounded in the practice of Friends' education.

While recognizing the challenges of this moment we also see its possibilities for defining and nourishing Friends' presence here for decades to come, as an educational institution and as a worshipful body and a vibrant spiritual community. We have an opportunity now to create a secure foundation for us all, to shape a worldly vessel for our work that will ease our past differences and support us in mutually loving labors of the spirit. The worldly urgencies that drive our process at the moment are a source of possibility and renewal, but we cannot allow them to force us into hasty conclusions that will disappoint our fundamental need for clarity, simplicity, and integrity in our worldly dispensations.

Trustees commit ourselves to providing the Quarter expeditiously with a sound and spirit-led proposal for property division and separate incorporation and oversight of the redevelopment project. As we exercise our charge to safeguard the financial assets of the Quarter, we look to the Ad Hoc Relationship Committee to recommend to the Quarter essential principles, practices, and procedures for a newly incorporated Friends Seminary that will ground it in Friends' practice.

In Friendship,
Ann Kjellberg (clerk), Linda Hill Brainard, Diane Keefe, Bill Parrott, and Michael Phillips

New York Quarterly Meeting Trustees
to the New York Quarterly Meeting

An Epistle
dated October 28, 2007

Dear Friends:

Let us consider these passages from New York Yearly Meeting Faith and Practice:

“Friends have been concerned to communicate with integrity, to make our words and actions fit the truth of our lives. We endeavor to speak the truth as we know it, honestly and forthrightly...” and the query, “Do we keep to moderation and simplicity in our daily lives?”

The Quarterly Meeting Trustees, through the Working Group, and the New York Quarterly Meeting have sought for the way to bring integrity and simplicity to our relationship with Friends' Seminary and the Brooklyn Friends' School because we do not find that the present arrangements are clear, honest or simple.

After long and worshipful consideration we have come to believe that the best way to clarify this situation is to separate the schools legally and financially from the Quarterly Meeting while keeping close to each other as spiritual communities.

We realize that it may be painful for Friends to give up the idea that the Quarterly Meeting can oversee the schools or the hope that the Quarterly Meeting can make the schools more Quakerly by holding onto them.

The truth is that the Quarterly Meeting does not now really manage the education, finances, buildings or legal requirements of the schools. Quarterly Meeting Friends cannot run these schools. We haven't the time, the people, the expertise or the energy. For at least a hundred years the schools have made their own educational and social policies, dealt with government, from food-service to teaching standards, and hired their own staff. For at least thirty years they have managed, raised money for and bought and maintained their properties.

We understand that the two schools are educational institutions with a commitment to Quaker values and practices but we do not believe that they are voluntary spiritual communities – and certainly not Quaker communities – in the same way that we should like our monthly meetings to be. They can be similar to Oakwood School, Powell House and Mary McDowell Center for Learning, governed by Friends participating in school committees, and dedicated to bringing the message of Friends to the larger community.

For the past two years the Working Group appointed by Trustees has provided opportunities for the community to come together in worship and dialogue to learn about and seek guidance in considering this proposal. We have listened to the suggestions and concerns of Friends at these meetings and weighed them all.

At the present time Trustees are clear and in unity in recommending to the Quarterly Meeting the following minute:

New York Quarterly Meeting asks the Trustees to begin the process of separately incorporating Brooklyn Friends School and Friends Seminary legally and financially and to report regularly to the Quarterly Meeting on their progress. We continue to hold the schools in our loving care as part of our Quaker community.

In Friendship,

Mary Rusnak, JoAnne Dally, Brian Doherty, Elizabeth Gilmore, Kathy Ch'ui Hinton, Carol Jackson, Emmanuel Mulindi and John Slater

Minute of the Ad Hoc Committee of New York Quarterly Meeting on the Relationship between the Quarterly Meeting, Fifteenth Street Meeting and Friends Seminary

2015.03.05 Friends are in unity on adopting the March 2, 2015, minute (below) of the Fundamental Issues subcommittee. We commit ourselves to supporting a vigorous process for creating the fair and equitable negotiating structure that it calls for and to recognizing Friends Seminary's need for tangible progress. It is in all parties' interest to pursue this in an expeditious manner. (One Friend stands aside.)

The Working Group on Fundamental Issues met twice, on February 16 and March 2. Attending both meetings were Linda Hill Brainard (host), Margery Cornwell (convener), Corona Macheimer, Katherine Alford, and Charles Brainard.

The Group was charged with discerning the Quarter's "intention" regarding Friends Seminary: Does the Quarter "want" such a school in 2015, and if so, how do we envision it going forward.

At its meeting on March 2, the Group reached unity on the following Minute:

1) We are in unity that New York Quarterly Meeting, having "inherited" Friends Seminary, and recognizing that it is a good school, should continue to support it spiritually, and that a carefully designed Separate Incorporation is the way forward.

2) We believe that the present time is opportune, before planned development at Friends Seminary occurs, to resolve the questions relating to property and the relationship between New York Quarterly Meeting and the School.

3) We advocate that a fair and equitable negotiating structure be set up that can make the necessary compromises in order to accomplish this with concern for the long-term well-being of both New York Quarterly Meeting and Friends Seminary.

Tom Rothschild (clerk), Katherine Alford, Charles Brainard, Linda Hill Brainard, Beth Bugdaycay, Mary Doty, David Garrity, Maureen Healy, Ann Kjellberg, and Corona Macheimer

March 11, 2015

Trustees
New York Quarterly Meeting
15 Rutherford Place
New York, NY 10003

Dear Friends:

You have requested an opinion letter from this law firm regarding the possible use of transferable development rights (TDRs) in a proposed building project by Friends Seminary. It is our understanding that Friends Seminary is proposing combining the tax lot containing the Meetinghouse, Central Building, Old School Building and 222 East 16th Street (“Landmark Lot”) with the tax lots containing three townhouses used by Friends Seminary on 16th Street. This lot merger would facilitate use of TDRs in constructing additional floors to the townhouses and 222 East 16th Street.

At the outset, it should be noted that there exists an unexpressed underlying issue that would not be readily apparent without an explanation. As you know, Friends Seminary is not a separate legal entity and is legally indistinguishable from the Quarterly Meeting itself. Thus, in form, you are asking us what would be the possible legal consequences of the proposed use of TDRs that the Quarterly Meeting currently owns. However, as you know, the real issue is the impact that the proposed use of TDRs would have in the future on the possible legal separation of Friends Seminary and New York Quarterly Meeting. Without expressing this underlying issue, our opinion letter might appear absurd to a third party who may be shown this letter.

Please be advised that TDRs are considered valuable assets and you have fiduciary obligations as Trustees to carefully consider their use. Please note that New York City zoning laws are amended from time to time. These amendments often greatly enhance the value of TDRs. In the same way that you would not simply transfer endowment assets from the Quarterly Meeting to Friends Seminary and vice versa, you cannot simply allow the use of TDRs without considering the value of the TDRs, even assuming that the proposed transfer would be consistent with the Quarterly Meeting’s beliefs and testimonies.

We understand that issues of separate incorporation of Friends Seminary and the possibility of property division between the New York Quarterly Meeting and Friends Seminary have been under consideration for over ten years. We strongly advise that any possible division of transferable development rights would best be considered within the framework of an overall property settlement. Please do not hesitate to contact me with any questions or concerns.

In friendship,

Brian Doherty