

September 20, 2011

Ken Jendryka, Chairman
Hospital and Neighborhood Committee
C/o Marshall City Hall
323 W. Michigan Ave.
Marshall, MI 49068

Dear Ken,

We are in receipt of the Marshall Historical Society's (MHS) response to the Hospital and Neighborhood Committee (HNC) recommendations. As the HNC will need to determine its response to this input, we would like to offer to the HNC our perspective, and potentially some additional information, on those elements of the MHS letter specific to the hospital.

There appear to us to be four general themes in the MHS letter upon which the Hospital may be able to provide additional input for HNC consideration. The Marshall Historical Society

1. Asserts that there is no plan for hospital expansion in its current location that would be acceptable, for a variety of reasons as delineated in the MHS letter,
2. Alleges that the City would be "ceding privileges not available to other businesses and individuals" if these recommendations are adopted,
3. States that hospital expansion in its current location is a threat to public health and safety, a blight on the neighborhood and is responsible for current and future financial deterioration of the central business district.
4. Points out our charitable status and raises the question of whether being a public charity is inconsistent with being a private business.

While the MHS makes numerous specific points, we would like to focus on addressing these general concepts as that should also adequately address the individual points.

As to each item enumerated above, we would offer the following for consideration:

1. The goal of the HNC to which all members unanimously agreed was to "propose a plan to accommodate hospital expansion that is satisfactory to the Community and the Hospital." Of necessity, this assumes that expansion will occur. Regardless of the historical reasons that now find us in the position of not being able to afford to move the hospital to a location outside the City, that is the position we are in. Thus while we recognize the frustration in Ms. Nager's communication, we need to address the current reality that if expansion will occur, which we have agreed it will, it will occur in the current location.

2. We disagree with the allegation that the City would be “ceding privileges not available to other businesses and individuals” by approval of the recommendations now tabled. In fact, each business and each individual in the City of Marshall has the right to approach their elected and appointed government officials to request zoning changes, specific agreements with the City, and so forth. The key difference is that the Hospital is the only business required to participate in a lengthy public process with a Mayoral Committee in order to have any reasonable probability of successfully exercising those rights.

We noted with interest the actions of City Council at their meeting of September 19, 2011. With no opposition, and very little discussion, Council agreed to forego tax revenue from two local businesses in return for the promise of those businesses creating additional jobs, with one of the businesses promising only five (5) additional jobs. This was an excellent example of local businesses working within the system to obtain advantages that make it easier for them to do business. We are due the same right to access that system and seek changes that will make it easier to do business; and the City supports these requests when they also benefit the City in the long run, as we believe our growth will continue to do.

3. Clearly we disagree with the assertion that our business and our growth are, or will be, the source of financial deterioration of the central business district, neighborhood blight, and threats to public health and safety. In fact, we believe our business and our growth have had a strongly positive impact on the community as evidenced, in part, by these examples:
 - a. A study of property values surrounding the hospital showed those homes had an equivalent or slightly higher value than comparable homes in other areas of the City. Additionally, the hospital has guaranteed the fair market value of homes contiguous to our activities if our activities should result in a decline in value for the homeowner.
 - b. The traffic study conducted as part of the HNC process does not support that current traffic volumes, or projected traffic volumes with full implementation of the recommendation, pose any threat to public health and safety. In fact, projected traffic volumes don't exceed 20% utilization of surrounding streets.
 - c. Economically, the hospital provides about half of the City's economic base, while all of commercial and tourism activities combined provide about 15%. With the departure of other large employers, and the size reduction of many remaining employers, it has been extremely beneficial for the community to have a stable economic engine. Albion provides a good example of what deterioration of the central business district and neighborhood blight look like when the major economic engines are no longer present and thriving.
 - d. While the hospital is tax exempt, that does not mean the hospital does not pay taxes. Structures purchased by the hospital are not removed from the tax rolls unless those structures are used for core hospital business purposes. Oaklawn Hospital paid approximately \$115,000 in property

taxes in 2010. Additionally, adding a projected 500 new employees over the next 20 years is more likely to increase the City's tax revenue than to decrease it, as these new employees build and purchase homes in our town.

4. We recognize the confusion that can be caused by the terms "private business" and "public charity", and would like to clarify the distinction. A public charity is simply an IRS designation that identifies not-for-profit organizations that are something other than a foundation. In general a public charity gets its support from a broad public base. The IRS has chosen to include hospitals in this subcategory of tax-exempt organizations. Qualifying as a public charity for tax purposes does not make an organization a public entity.

Oaklawn Hospital is a private nonprofit corporation organized under the laws of the State of Michigan in such a manner that it meets the definition of a charitable purpose corporation and has qualified for tax exempt status under the Internal Revenue Code as a public charity. It is not a public entity.

Our use of the term "private" stems from the fact that we are incorporated in the State of Michigan as a nonprofit corporation that is private, not public. A "public corporation" refers to all counties, cities, villages, boards, commissions, and agencies made corporations for the management and control of public business and property. Such public corporations are subject to the Open Meetings Act (OMA) and the Freedom of Information Act (FOIA), and they may be delegated the authority to acquire property by the right of eminent domain. As a private corporation we are not subject to the OMA or FOIA, and do not have authority to acquire property by exercise of eminent domain.

We would request that our response be shared with all those with whom the Marshall Historical Society letter is being shared, to provide the greatest opportunity for balanced consideration of all positions.

Thank you again, Ken, for your leadership and stamina throughout this process.

Sincerely,

Rob Covert
President and CEO
Oaklawn Hospital