

Hi everybody – My name is Kyran Clark. I am the Executive Director of Marquardt Village in Watertown. Marquardt Village is sponsored by the Moravian Church of America, a small protestant denomination with a Mission of serving the elderly.

The Marquardt Village Corporations are all tax exempt under 501(c)(3). We have a voluntary community Board of Directors. We have recently celebrated our 35th anniversary with an affirmation of our goal of serving the elderly and the handicapped into perpetuity.

Every dollar generated at Marquardt Village goes into the mission. There is no private inurement. We have never discharged anyone for lack of payment. We provide subsidy in our CBRF for those who cannot afford the cost of assisted living as well as for those whose money has run out.

We are one of the few nursing homes in Wisconsin and in the nation with all private rooms with all private bathrooms. We do not discriminate for finances upon admission. We have higher staffing levels than required by law. We have high retention of employees with 55% of our employees with us 5 years or more.

We also voluntarily pay the City of Watertown a payment in Lieu of Taxes (PILOT) of nearly \$150,000 a year for the City services we use (police, fire, streets, etc.).

Marquardt Village consists of:

1. A Skilled Nursing Facility (SNF) with **140** beds – all private rooms with private bathrooms. We do not screen for finances and we have a mix of 70% Medicaid, 5% Medicare and 25% Private Pay. Medicaid does not pay the full cost, in fact only pays 73% of cost, putting a tremendous burden on the Private Pay. The Medicaid shortfall amounts to \$1.5 million/year. The average age of the residents is 86.
2. A Community Based Residential Facility (CBRF) with **48** private rooms with private bathrooms. We have a mix of 5% Community Options Program (COP), 20% Subsidy and 75% Private Pay. We provide in excess of \$200,000 of subsidy for those who cannot afford assisted living. The average age of the residents is 87.
3. **101** HUD subsidized apartments for low income residents. Residents pay 30% of adjusted income, up to \$592, utilities included. The average age of the residents is 80.
4. **78** duplex units, marketed at \$100,000 with a guaranteed refund of 75% upon vacating. The monthly service fee is \$455, utilities not included. The average age of the residents is 78.
5. **152** apartment units, marketing between \$52,000 and \$92,000 with a guaranteed refund of 85% upon vacating. The monthly service fees are between \$465 and \$620, utilities included. The average age is 83.
6. Other services we provide are:

- a. Home Health
- b. Lifeline
- c. Chore Services
- d. Delivered Meals

We have five (5) separate corporations owning land, each with less than 10 acres.

We have 600 residents, 280 employees and 300 volunteers.

As many of you already know, the elderly are the fastest growing segment of our population. Life expectancy in 1900 was 47. Life expectancy today is 77. People are living longer due to better healthcare, better nutrition, better education and better services.

This longevity translates into people coming to us at a later stage in life and typically already needing extra services or they will be shortly. They are looking for more than a roof over their heads. They are looking for peace of mind and for availability of services if or when they are needed.

Their profile is a middle income person or couple, who sell their house (which stays on the property tax roll) and move into the retirement village. The proceeds from the sale of the house are used to pay for the contract of the duplex or apartment (with a guaranteed refund percentage).

In my 17 years at Marquardt Village I have seen 8 or 9 threats to the tax exempt status. The latest, of course, being the Columbus Park decision. The Supreme Court ruling caught us all by surprise and if it hadn't been corrected, a lot of elderly could have been harmed. My estimate of the impact on Marquardt Village would have been nearly \$500,000, approximately \$100/mo for our residents. Thankfully, Section 70.11 was amended and the Legislative Council, through this Committee, is required to study and report back to the legislature.

I feel good that if the statutes are to be changed it will be done in the "light of day" with a recorded vote of the legislators.

I want to speak to Fairness. The elderly want to plan their remaining years without the rules changing (or threatened to be changed) every couple of years.

They have limited sources of income – social security, pensions and interest income – and they have a FEAR of their savings depleting – they worry about running out of money.

I believe the current statute 70.11 is a good starting point, but it needs some clarifications. Without clarifications, the elderly are still vulnerable to court rulings on leasehold income.

"Leasing a part of the property described in this section does not render it taxable if the lessor uses all of the leasehold income for maintenance of the leased property, or construction debt retirement of the leased property, or both, ..."

I would like to see the underlined verbiage removed and replaced with "...for benevolent purposes,..."

As I've described above, we provide services in many different ways – all needed - all benevolent. We are required, by our 501(c)(3) tax exemption, to use all of the proceeds for benevolent purposes.

If there is a court ruling on "leasehold income" similar to the court ruling in Columbus Park on "lessee status", there could indeed be another threat to the peace of mind of our elderly residents.

Although Marquardt Village does not cross subsidize from one corporation to another, the need to do that could arise in the future. I've already mentioned that Medicaid does not pay its fair share in the nursing home and there could be a time when we would need to supplement the nursing home. The current Medicaid shortfall is \$1.5 million/year. Changing the statute to encompass benevolent purposes would avoid one threat to our elderly.

Another change I would like to see is the 10 acre rule. As you know, certain tax entities, - including nursing homes, assisted living and elderly housing – are limited to tax exemption on 10 acres of land.

I don't know the genesis of this limitation, but it is my understanding that it has been around for over 50 years. It clearly was created long before the demographic changes in our population were known. People are living longer and have needs for services that couldn't have been envisioned 50 years ago. If there was a time when 10 acres did make sense, that time is now past.

To provide the services needed by the elderly – in an economical way, most retirement campuses need more than 10 acres. The present law allows each corporation to own 10 tax exempt acres and most organizations have ownership in multiple corporations, thereby complying with the law.

It is my understanding that there are legal challenges currently underway contesting the separation of some corporate identities. These challenges suggest that a retirement village should be entitled to 10 acres tax exemption in total, regardless of the number of corporations.

I do not believe this argument should prevail. However, in light of Columbus Park, which surprised many of us, it certainly is possible that the courts could once again put the elderly in jeopardy.

A change in this rule would be very helpful to the elderly.