Lutheran Home
A Lutheran Life Community

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HEALTH FACILITIES &
SERVICES REVIEW BOARD

July 22, 2014

VIA FEDERAL EXPRESS
Ms. Kathryn J. Olson
Chair
Illinois Health Facilities and Services Review Board
525 West Jefferson, Second Floor
Springfield, Illinois 62761

Re: Lutheran Home for the Aged, Inc. ("Lutheran Home")
Project No. #12-025 (the "Project")
Lutheran Home for the Aged, Inc., Lutheran Home and Services for the Aged, Inc., Lutheran Life Ministries f/k/a Lutheran Life Communities, Lutheran Foundation for the Aged, Inc. (the "Permit Holders")

Dear Chairperson Olson:

Please accept this letter as the Annual Progress Report for the Project referenced above in accordance with Section 1130.760 of the Illinois Health Facilities and Services Review Board's Rules. We are pleased to report that the Project is continuing to progress successfully.

1) **Current Status.**

The Illinois Health Facilities and Services Review Board approved the permit for the Project on July 23, 2012 for the modernization of a 331-bed long-term-care facility located at 800 West Oakton Street, Arlington Heights, Illinois with 100,969 gross square feet of new construction and 122,222 gross square feet of modernized space. Please see Exhibit A for a description of the Project status.

2) **Project Costs.**

The Project remains within the approved requirements of the Permit with respect to Project cost. Please see Exhibit B which includes the costs incurred to date and an itemized listing of the current estimated project costs and a comparison of those costs to the approved permit amounts.

3) **Method of Financing and Sources of Funds.**

The method of financing the Project remains a combination of equity and debt. On October 30, 2012, the Permit Holders successfully closed their bond issuance for the Project. We confirm that nothing has been undertaken on this Project that would cause the Project to be out of compliance with what was approved by the Board.

800 West Oakton Street · Arlington Heights, IL 60004
(847) 368-7400 · fax (847) 368-7320
www.LutheranHome.org

4) Anticipated Date of Completion.

The anticipated date of completion remains March 30, 2017.

Please let me know of any questions on this material or if additional information needs to be provided.

Sincerely,

Roger W. Paulsberg
President & CEO
Lutheran Home for the Aged, Inc.

EXHIBIT A
PROJECT STATUS

Percentage of Project Complete

The Permit Holders estimate that approximately fifty-five percent (55%) of the Project is complete.

Components Finished

The following components of the project are completed: the East Parking Lot, the underground storm water detention system, and the West Wing addition to the Olson Pavilion.

Components to be Finished

The following components still need to be finished: the renovation of Building A of the existing skilled nursing facility and the renovation of Building B of the existing skilled nursing facility.

Change in the Scope of the Project and Size

We do not currently anticipate any changes in the scope or size of the Project.

EXHIBIT B
PROJECT COSTS

See Attached.

Lutheran Home
A Lutheran Life Community
Arlington Heights, Illinois
Project No. 09726

Hoffman tpm

July 21, 2014

Project Costs - CON Breakdown	Clinical	Non-Clinical	Approved Permit Total	Cost Estimated Total	Approximate Amount Expended as o May 31, 2014
Pre-Planning Costs					
Market Analysis	$ 9,320	$ 10,040	$ 19,360	$ 26,239	$ 26,239
Focus Groups	$ 11,351	$ 12,227	$ 23,578	$ 23,578	$ 23,578
Development Related Expenses	$ 12,036	$ 12,964	$ 25,000	$ 25,000	$ 1,595
Masterplanning / Pre-Design	$ 48,954	$ 52,731	$ 101,685	$ 101,685	$ 101,685
Legal	$ 24,071	$ 25,929	$ 50,000	$ 196,555	$ 180,737
Pre-Construction Services	$ 130,766	$ 140,855	$ 271,621	$ 250	$ 250
Subtotal	$ 236,499	$ 254,745	$ 491,243	$ 373,307	$ 334,084
Site Survey and Soil Investigation					
ALTA Boundary and Topo Survey	$ 15,983	$ 17,217	$ 33,200	$ 14,250	$ 14,250
Existing Floor Elevation Survey	$ 722	$ 778	$ 1,500	$ 1,500	$ 1,500
Drainage Analysis	$ 6,788	$ 7,312	$ 14,100	$ 14,100	$ 14,100
Water Flow Test	$ 289	$ 311	$ 600	$ 600	$ 600
Private Line Locate	$ 2,407	$ 2,593	$ 5,000	$ -	$ -
Phase 1 Environmental Assessment	$ 1,059	$ 1,141	$ 2,200	$ -	$ -
Soil Borings	$ 8,256	$ 8,894	$ 17,150	$ 25,100	$ 25,100
Subtotal	$ 35,505	$ 38,245	$ 73,750	$ 55,550	$ 55,550
Site Preparation					
Demolition	$ 714,542	$ 769,670	$ 1,484,212	$ 1,107,437	$ 56,200
Earthwork and Utilities	$ 1,050,633	$ 1,131,692	$ 2,182,325	$ 2,704,898	$ 2,551,331
Hazardous Material Abatement	$ 240,714	$ 259,286	$ 500,000	$ 387,875	$ 48,059
Subtotal	$ 2,005,889	$ 2,160,648	$ 4,166,537	$ 4,200,210	$ 2,655,590
Modernization Contracts					
Construction	$ 22,127,201	$ 23,834,361	$ 45,961,562	$ 46,028,929	$ 23,681,535
Contingencies					
Construction Contingency	$ 1,168,175	$ 1,258,302	$ 2,426,477	$ 1,334,043	$ -
Architectural / Engineering Fees					
Architectural Design	$ 1,961,487	$ 2,112,820	$ 4,074,307	$ 4,000,000	$ 3,813,730

Consulting and Other Fees					
Civil Engineering	$ 30,717	$ 33,087	$ 63,804	$ 97,881	$ 96,913
Parking Study	$ 3,856	$ 4,154	$ 8,010	$ 8,900	$ 8,900
Traffic Study	$ 6,259	$ 6,741	$ 13,000	$ 23,525	$ 23,525
Landscape Architecture	$ 5,512	$ 5,938	$ 11,450	$ 14,435	$ 13,385
Tree Preservation Plan	$ 1,430	$ 1,540	$ 2,970	$ 2,970	$ 320
Hazardous Materials Assessment	$ 4,328	$ 4,662	$ 8,990	$ 11,544	$ 11,544
Utility Deposit for Engineering	$ 2,407	$ 2,593	$ 5,000	$ 5,000	$ 5,000
Financial Feasibility	$ 14,443	$ 15,557	$ 30,000	$ 34,291	$ 34,291
Food Service Design	$ 24,120	$ 25,980	$ 50,100	$ 55,100	$ 49,392
Certificate of Need - Application Fee	$ 19,257	$ 20,743	$ 40,000	$ 100,000	$ 100,000
Interior Design	$ 84,972	$ 91,528	$ 176,500	$ 230,476	$ 217,126
Commissioning Agent	$ -	$ -	$ -	$ 60,700	$ 19,627
Acoustical Engineer	$ -	$ -	$ -	$ 1,873	$ 1,873
Owner's Representative Services	$ 261,532	$ 281,709	$ 543,241	$ 650,000	$ 409,110
Architectural Reimburseables	$ 48,143	$ 51,857	$ 100,000	$ 100,000	$ 91,930
Subtotal	$ 506,975	$ 546,090	$ 1,053,065	$ 1,396,695	$ 1,082,936
Movable or Other Equipment (not in construction contracts)					
Furniture	$ 1,151,755	$ 1,240,615	$ 2,392,370	$ 2,164,822	$ 875,721
Window Treatments	$ 133,596	$ 143,904	$ 277,500	$ 277,500	$ 54,831
Interior Signage	$ 41,090	$ 44,260	$ 85,350	$ 85,350	$ 23,500
Artwork	$ 67,737	$ 72,963	$ 140,700	$ 125,000	$ 43,500
Accessories	$ 17,091	$ 18,409	$ 35,500	$ 27,706	$ 5,129
Bedspreads	$ 26,479	$ 28,521	$ 55,000	$ 55,000	$ 9,284
Shower Curtains	$ 9,629	$ 10,371	$ 20,000	$ 20,000	$ 5,458
Medical Office Suite	$ 46,939	$ 50,561	$ 97,500	$ 50,000	$ -
Televisions - Resident Rooms	$ 86,657	$ 93,343	$ 180,000	$ 107,000	$ -
Televisions - Common Areas	$ 15,406	$ 16,594	$ 32,000	$ -	$ -
Technology Equipment	$ 435,693	$ 469,307	$ 905,000	$ 1,165,011	$ 788,876
Subtotal	$ 2,032,071	$ 2,188,849	$ 4,220,920	$ 4,077,389	$ 1,806,300
Other Costs To Be Capitalized					
Performance & Payment Bond	$ 233,635	$ 251,660	$ 485,295	$ 287,622	$ 287,622
Operations - Relocations	$ -	$ -	$ -	$ 1,038,324	$ 667,027
Trustee Draw Fee	$ -	$ -	$ -	$ 19,200	$ 6,400
Permits	$ 305,334	$ 328,891	$ 634,225	$ 685,671	$ 728,304
Project Insurance	$ 312,928	$ 337,072	$ 650,000	$ 680,895	$ 658,767
Subtotal	$ 851,898	$ 917,623	$ 1,769,521	$ 2,711,712	$ 2,348,120
Net Interest Expense During Construction	$ 6,070,812	$ 6,539,188	$ 12,610,000	$ 12,683,440	$ 6,185,762
Bond Issuance Expense	$ 939,370	$ 1,011,844	$ 1,951,214	$ 1,937,320	$ 1,937,320
Total	$ 37,935,882	$ 40,862,714	$ 78,798,596	$ 78,798,596	$ 43,900,928