

Lutheran Home
800 West Oakton Street
Arlington Heights, Illinois 60004
(847) 368-7400
www.LutheranHome.org



July 21, 2015

VIA FEDERAL EXPRESS

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

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**HEALTH FACILITIES &
SERVICES REVIEW BOARD**

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.

**Lutheran Home is a Lutheran Life Community,
EMPOWERING VIBRANT, GRACE-FILLED LIVING ACROSS ALL GENERATIONS.**

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4) Anticipated Date of Completion.

The Project is anticipated to be completed on or before March 30, 2017.

Lastly, please note the following new contact information for the Lutheran Home:

Shareen Anderson
Executive Director
800 West Oakton Street
Arlington Heights, Illinois 60004
(847) 368-7439

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

Sincerely,

A handwritten signature in black ink, appearing to read 'R. Paulsberg', written over a faint, large, stylized outline of a person's head and shoulders.

Roger W. Paulsberg
Lutheran Home for the Aged, Inc.

**EXHIBIT A
PROJECT STATUS**

Percentage of Project Complete

The Permit Holders estimate that approximately seventy-seven (77%) of the Project is complete.

Percentage of Budget Expended

The Permit Holders estimate that approximately seventy-seven (77%) of the budget for the Project has been expended.

Components Finished

The following components of the project are completed: the East Parking Lot, the underground storm water detention system, the West Wing addition to the Olson Pavilion, and the renovation of Building A of the existing skilled nursing facility.

Components to be Finished

The following component still needs to be finished: 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.

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**EXHIBIT B
PROJECT COSTS**

See Attached.



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

July 2, 2015

	Clinical		Non-Clinical		Approved Permit		Current Cost Estimated		Approximate Amount Expended as of May 31, 2015	
					Total	Total	Total	Total		
Project Costs - CON Breakdown										
Pre-Planning Costs										
Market Analysis	\$ 9,320	\$ 10,040	\$ 19,360	\$ 26,239	\$ 26,239	\$ 26,239	\$ 26,239	\$ 26,239	\$ 26,239	\$ 26,239
Focus Groups	\$ 11,351	\$ 12,227	\$ 23,578	\$ 23,578	\$ 23,578	\$ 23,578	\$ 23,578	\$ 23,578	\$ 23,578	\$ 23,578
Development Related Expenses	\$ 12,036	\$ 12,964	\$ 25,000	\$ 1,595	\$ 1,595	\$ 1,595	\$ 1,595	\$ 1,595	\$ 1,595	\$ 1,595
Masterplanning / Pre-Design	\$ 48,954	\$ 52,731	\$ 101,685	\$ 101,685	\$ 101,685	\$ 101,685	\$ 101,685	\$ 101,685	\$ 101,685	\$ 101,685
Legal	\$ 24,071	\$ 25,929	\$ 50,000	\$ 196,555	\$ 196,555	\$ 196,555	\$ 196,555	\$ 196,555	\$ 196,555	\$ 196,555
Pre-Construction Services	\$ 130,766	\$ 140,855	\$ 271,621	\$ 250	\$ 250	\$ 250	\$ 250	\$ 250	\$ 250	\$ 250
Subtotal	\$ 236,499	\$ 254,745	\$ 491,243	\$ 349,902	\$ 349,902	\$ 349,902	\$ 349,902	\$ 349,902	\$ 349,902	\$ 349,902
Site Survey and Soil Investigation										
ALTA Boundary and Topo Survey	\$ 15,983	\$ 17,217	\$ 33,200	\$ 14,250	\$ 14,250	\$ 14,250	\$ 14,250	\$ 14,250	\$ 14,250	\$ 14,250
Existing Floor Elevation Survey	\$ 722	\$ 778	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500
Drainage Analysis	\$ 6,788	\$ 7,312	\$ 14,100	\$ 14,100	\$ 14,100	\$ 14,100	\$ 14,100	\$ 14,100	\$ 14,100	\$ 14,100
Water Flow Test	\$ 289	\$ 311	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600	\$ 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	\$ 25,100	\$ 25,100	\$ 25,100	\$ 25,100	\$ 25,100
Subtotal	\$ 35,505	\$ 38,245	\$ 73,750	\$ 55,550	\$ 55,550	\$ 55,550	\$ 55,550	\$ 55,550	\$ 55,550	\$ 55,550
Site Preparation										
Demolition	\$ 714,542	\$ 769,670	\$ 1,484,212	\$ 1,142,268	\$ 1,142,268	\$ 1,142,268	\$ 1,142,268	\$ 1,142,268	\$ 1,142,268	\$ 1,142,268
Earthwork and Utilities	\$ 1,050,633	\$ 1,131,692	\$ 2,182,325	\$ 2,717,849	\$ 2,717,849	\$ 2,717,849	\$ 2,717,849	\$ 2,717,849	\$ 2,717,849	\$ 2,717,849
Hazardous Material Abatement	\$ 240,714	\$ 259,286	\$ 500,000	\$ 409,362	\$ 409,362	\$ 409,362	\$ 409,362	\$ 409,362	\$ 409,362	\$ 409,362
Subtotal	\$ 2,005,889	\$ 2,160,648	\$ 4,166,537	\$ 4,269,479	\$ 4,269,479	\$ 4,269,479	\$ 4,269,479	\$ 4,269,479	\$ 4,269,479	\$ 4,269,479
Modernization Contracts										
Construction	\$22,127,201	\$23,834,361	\$45,961,562	\$45,799,660	\$45,799,660	\$45,799,660	\$45,799,660	\$45,799,660	\$45,799,660	\$45,799,660
Contingencies										
Construction Contingency	\$ 1,168,175	\$ 1,258,302	\$ 2,426,477	\$ 1,561,620	\$ 1,561,620	\$ 1,561,620	\$ 1,561,620	\$ 1,561,620	\$ 1,561,620	\$ 1,561,620
Architectural / Engineering Fees										
Architectural Design	\$ 1,961,487	\$ 2,112,820	\$ 4,074,307	\$ 4,000,000	\$ 4,000,000	\$ 4,000,000	\$ 4,000,000	\$ 4,000,000	\$ 4,000,000	\$ 4,000,000

Consulting and Other Fees

Civil Engineering	\$ 30,717	\$ 33,087	\$ 63,804	\$ 98,151	\$ 98,086
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	\$ 320	\$ 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	\$ 55,854
Certificate of Need - Application Fee	\$ 19,257	\$ 20,743	\$ 40,000	\$ 100,000	\$ 100,000
Interior Design	\$ 84,972	\$ 91,528	\$ 176,500	\$ 228,614	\$ 225,426
Interior Renderings	\$ -	\$ -	\$ -	\$ 13,825	\$ 13,825
Acoustical Design	\$ -	\$ -	\$ -	\$ 4,180	\$ 4,180
Commissioning Agent	\$ -	\$ -	\$ -	\$ 60,700	\$ 41,507
Acoustical Engineer	\$ -	\$ -	\$ -	\$ 1,873	\$ 1,873
Owner's Representative Services	\$ 261,532	\$ 281,709	\$ 543,241	\$ 650,000	\$ 478,052
Architectural Reimbursables	\$ 48,143	\$ 51,857	\$ 100,000	\$ 100,000	\$ 95,155
Subtotal	\$ 506,975	\$ 546,090	\$ 1,053,065	\$ 1,410,458	\$ 1,210,924

Movable or Other Equipment (not in construction contracts)

Furniture	\$ 1,151,755	\$ 1,240,615	\$ 2,392,370	\$ 2,150,847	\$ 1,554,994
Window Treatments	\$ 133,596	\$ 143,904	\$ 277,500	\$ 277,500	\$ 190,390
Interior Signage	\$ 41,090	\$ 44,260	\$ 85,350	\$ 85,350	\$ 49,500
Artwork	\$ 67,737	\$ 72,963	\$ 140,700	\$ 125,000	\$ 87,250
Accessories	\$ 17,091	\$ 18,409	\$ 35,500	\$ 34,872	\$ 34,872
Bedspreads	\$ 26,479	\$ 28,521	\$ 55,000	\$ 55,000	\$ 29,284
Shower Curtains	\$ 9,629	\$ 10,371	\$ 20,000	\$ 20,000	\$ 12,958
Televisions - Resident Rooms	\$ 46,939	\$ 50,561	\$ 97,500	\$ -	\$ -
Televisions - Resident Rooms	\$ 102,063	\$ 109,937	\$ 212,000	\$ 126,088	\$ 126,088
Technology Equipment	\$ 435,693	\$ 469,307	\$ 905,000	\$ 1,090,664	\$ 949,087
Subtotal	\$ 2,032,071	\$ 2,188,849	\$ 4,220,920	\$ 3,965,321	\$ 3,034,423

Other Costs To Be Capitalized

Performance & Payment Bond	\$ 233,635	\$ 251,660	\$ 485,295	\$ 293,744	\$ 293,744
Operations - Relocations	\$ -	\$ -	\$ -	\$ 1,397,492	\$ 1,213,528
Trustee Draw Fee	\$ -	\$ -	\$ -	\$ 19,200	\$ 12,000
Permits	\$ 305,334	\$ 328,891	\$ 634,225	\$ 685,671	\$ 728,304
Project Insurance	\$ 312,928	\$ 337,072	\$ 650,000	\$ 691,901	\$ 669,773
Subtotal	\$ 851,898	\$ 917,623	\$ 1,769,521	\$ 3,088,009	\$ 2,917,349

Net Interest Expense During Construction

Net Interest Expense During Construction	\$ 6,070,812	\$ 6,539,188	\$ 12,610,000		
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Bond Issuance Expense

Bond Issuance Expense	\$ 939,370	\$ 1,011,844	\$ 1,951,214		
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Total

Total	\$ 37,935,882	\$ 40,862,714	\$ 78,798,596		
Project Fund	\$ 30,925,700	\$ 33,311,683	\$ 64,237,382	\$ 64,499,998	\$ 49,422,508