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RECEIVED

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HEALTH FACILITIES &
SERVICES REVIEW BOARD

January 3, 2014

VIA FEDEX & EMAIL

Illinois Health Facilities and Services Review Board
525 West Jefferson Street
2nd Floor
Springfield, IL 62761
Attention: Mike Constantino

Re: Project 13-067, Luther Oaks, Inc., Bloomington
Applicants: Luther Oaks, Inc.
Lutheran Life Ministries

Dear Mike,

Please accept this letter as a modification to the application submitted by Luther Oaks, Inc. for Project 13-067. In its original application, Luther Oaks, Inc. proposed to construct a new 18-bed skilled nursing facility consisting of 10,397 square feet of clinical new construction, 8,030 square feet of non-clinical new construction and 5,236 square feet of modernized non-clinical space. The cost of the project was \$7,260,000, consisting of equity of \$560,000 of cash and securities and a \$6,700,000 debt financing.

Luther Oaks, Inc. desires to modify its application to increase the non-clinical new construction by 1,221 square feet (from 8,030 square feet to 9,251 square feet). In addition, the cost of the non-clinical portion of the project will increase by \$281,000, which will be paid for with additional cash and securities. Attached please find the following revised pages of the application to reflect the increase in non-clinical new construction by 1,221 square feet and the increase in the non-clinical new construction by \$281,000:

1. Revised p.1 – Narrative Description of Project (revised to reflect increased non-clinical cost and non-clinical square footage).
2. Revised p. 26-27 Availability of Funds (revised to reflect increase of cash and securities by \$281,000 and total funds available of \$7,541,000).
3. Revised p. 31 – Appendix A (revised to reflect the increase of non-clinical costs by \$281,000).

January 3, 2014

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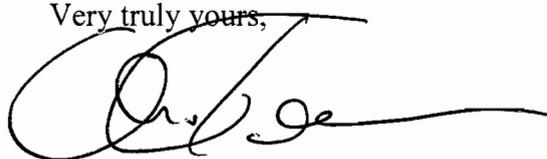
4. Revised p. 249 – Attachment 30 (revised to reflect the increase of non-clinical costs and square footage).
5. Revised p. 254 – Attachment App.D-1 (revised to reflect the increase of non-clinical costs and square footage).

In addition to the above referenced modifications, enclosed please find a marked version of the State Agency Report, which incorporates changes based on the enclosed modifications as well as a few changes to make the report consistent with the original application.

With respect to State Standard 1125.800 – Availability of Funds, Luther Oaks, Inc. received a commitment letter for its original project (Project 13-018). Based on the smaller scope of the new project and use of the CCRC variance, Luther Oaks, Inc. is working with its proposed lenders to revise their commitment letters accordingly.

Please do not hesitate to contact me if you have any additional questions or need any additional information.

Very truly yours,

A handwritten signature in black ink, appearing to read 'A. P. Tecson', with a long horizontal flourish extending to the right.

Andrew P. Tecson

APT:ktb
Enclosures

**LONG-TERM CARE
APPLICATION FOR PERMIT**

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION
This Section must be completed for all projects.

DESCRIPTION OF PROJECT

Project Type

[Check one]

[check one]

<input checked="" type="checkbox"/> General Long-term Care <input type="checkbox"/> Specialized Long-term Care	<input checked="" type="checkbox"/> Establishment of a new LTC facility <input type="checkbox"/> Establishment of new LTC services <input type="checkbox"/> Expansion of an existing LTC facility or service <input type="checkbox"/> Modernization of an existing facility
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Narrative Description

Provide in the space below, a brief narrative description of the project. Explain **WHAT** is to be done, **NOT WHY** it is being done. If the project site does NOT have a street address, include a legal description of the site. Include the rationale regarding the project's classification as substantive or non-substantive. **Include: the number and type of beds involved; the actions proposed (establishment, expansion and/or modernization); the ESTIMATED total project cost and the funding source(s) for the project.**

Luther Oaks, Inc., an Illinois not-for-profit corporation ("Luther Oaks"), proposes to construct a new 18-bed skilled nursing facility ("Project") under the continuum of care variance. The Project will be located at 601 Lutz Road, Bloomington, Illinois 61704, which is leased to Luther Oaks by Trinity Lutheran Church of Bloomington, Illinois pursuant to a 99-year land lease. The Project will enhance Luther Oaks' existing senior care campus, which currently consists of 90 independent living apartments, 40 assisted living apartments and 18 assisted living memory support apartments ("ALU/ILUs").

Luther Oaks is the applicant for the Project. Lutheran Life Ministries, a faith-based Illinois not-for-profit organization, is the parent of Luther Oaks. Consequently, Lutheran Life Ministries is named as a co-applicant.

The Project will consist of the construction of one 18-bed skilled nursing wing with 2 corridors of 9 beds each. One corridor will consist of 9 beds dedicated to memory care and the other corridor will consist of 9 beds focused on short-term rehabilitation and long-term care. All 18 rooms will be private rooms with a private bathroom and a private shower. The corridors will be connected by a shared common space and dining area. The project will total approximately 24,884 square feet. The existing main kitchen will be expanded to allow for preparation of all meals to be served in the skilled nursing wing. Such an expansion will total approximately 500 square feet. The 2 existing dining rooms will be expanded to accommodate more residents. The expansion of these areas will total approximately 2,813 square feet.

The total cost of the Project is \$7,541,000. The money to fund the Project will be a combination of cash equity contributions and traditional debt financing from a bank, which will be secured under the existing Master Trust Indenture relating to the construction of the ALU/ILUs.

The Project is classified as substantive pursuant to Section 1110.40(c) of the Illinois Health Facilities and Service Review Board's Rules.

SECTION V – FINANCIAL AND ECONOMIC FEASIBILITY REVIEW

Criterion 1125.800 Estimated Total Project Cost

The following Sections **DO NOT** need to be addressed by the applicants or co-applicants responsible for funding or guaranteeing the funding of the project if the applicant has a bond rating of A- or better from Fitch's or Standard and Poor's rating agencies, or A3 or better from Moody's (the rating shall be affirmed within the latest 18 month period prior to the submittal of the application):

- Availability of Funds – Review Criteria
- Financial Viability – Review Criteria
- Economic Feasibility – Review Criteria, subsection (a)

Availability of Funds

The applicant shall document that financial resources shall be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources from the following sources, as applicable: **Indicate the dollar amount to be provided from the following sources:**

\$841,000	<p>a. Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to:</p> <ol style="list-style-type: none"> 1) the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and 2) interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion;
_____	<p>b. Pledges – for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated time table of gross receipts and related fundraising expenses, and a discussion of past fundraising experience.</p>
_____	<p>c. Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;</p>
\$6,700,000	<p>d. Debt – a statement of the estimated terms and conditions (including the debt time period, variable or permanent interest rates over the debt time period, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including:</p> <ol style="list-style-type: none"> 1. For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated; 2. For revenue bonds, proof of the feasibility of securing the specified amount and interest rate; 3. For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc.; 4. For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment; 5. For any option to lease, a copy of the option, including all terms and conditions.

_____	e.	Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent;
_____	f.	Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;
_____	g.	All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.
\$7,541,000	TOTAL FUNDS AVAILABLE	

APPEND DOCUMENTATION AS ATTACHMENT-27, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Financial Viability

All the applicants and co-applicants shall be identified, specifying their roles in the project funding or guaranteeing the funding (sole responsibility or shared) and percentage of participation in that funding.

Financial Viability Waiver

The applicant is not required to submit financial viability ratios if:

1. "A" Bond rating or better
2. All of the projects capital expenditures are completely funded through internal sources
3. The applicant's current debt financing or projected debt financing is insured or anticipated to be insured by MBIA (Municipal Bond Insurance Association Inc.) or equivalent
4. The applicant provides a third party surety bond or performance bond letter of credit from an A rated guarantor.

See Section 1120.130 Financial Waiver for information to be provided

APPEND DOCUMENTATION AS ATTACHMENT-28, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

APPLICANT: Luther Oaks, Inc.

1. The applicant or co-applicant that is responsible for funding or guaranteeing funding of the project shall provide viability ratios for the latest three years for which audited financial statements are available and for the first full fiscal year at target utilization, but no more than two years following project completion. When the applicant's facility does not have facility specific financial statements and the facility is a member of a health care system that has combined or consolidated financial statements, the system's viability ratios shall be provided. If the health care system includes one or more hospitals, the system's viability ratios shall be evaluated for conformance with the applicable hospital standards.

Provide Data for Projects Classified as:	Category A or Category B (last three years)			Category B (Projected)
	FY 2011	FY 2012	FY 2013	FY 2017
Enter Historical and/or Projected Years:				
Current Ratio	1.99	1.52	1.15	2.15
Net Margin Percentage	(46.12)	(20.71)	(7.65)	(1.59)
Percent Debt to Total Capitalization	153.14	167.99	176.17	165.96
Projected Debt Service Coverage	0.48	1.38	1.34	1.48
Days Cash on Hand	115	221	214	191
Cushion Ratio				2.87

APPENDIX A**Project Costs and Sources of Funds**

Complete the following table listing all costs associated with the project. When a project or any component of a project is to be accomplished by lease, donation, gift, or other means, the fair market or dollar value (refer to Part 1130.140) of the component must be included in the estimated project cost. If the project contains non-reviewable components that are not related to the provision of health care, complete the second column of the table below. Note, the use and sources of funds must equal.

Project Costs and Sources of Funds			
USE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Preplanning Costs	\$1,070	\$1,430	\$2,500
Site Survey and Soil Investigation	\$11,554	\$15,441	\$26,995
Site Preparation	\$396,970	\$530,530	\$927,500
Off Site Work	n/a	n/a	n/a
New Construction Contracts	\$1,738,491	\$1,521,001	\$3,259,492
Modernization Contracts	-	\$996,551	\$996,551
Contingencies	\$151,693	\$212,388	\$364,081
Architectural/Engineering Fees	\$147,079	\$362,785	\$509,864
Consulting and Other Fees	\$136,324	\$246,237	\$382,561
Movable or Other Equipment (not in construction contracts)	\$80,000	\$536,000	\$616,000
Bond Issuance Expense (project related)	\$25,680	\$34,320	\$60,000
Net Interest Expense During Construction (project related)	\$128,400	\$171,600	\$300,000
Fair Market Value of Leased Space or Equipment	-	-	-
Other Costs To Be Capitalized	\$40,855	\$54,601	\$95,456
Acquisition of Building or Other Property (excluding land)	-	-	-
TOTAL USES OF FUNDS	\$2,858,116	\$4,682,884	\$7,541,000
SOURCE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Cash and Securities	\$220,472	\$620,528	\$841,000
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages	\$2,637,644	\$4,062,356	\$6,700,000
Leases (fair market value)			
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS	\$2,858,116	\$4,682,884	\$7,541,000

Luther Oaks
New Construction and Modernization Cost per BGSF Breakdown

December 17, 2013

CLINICAL

PROJECT SCOPE OF WORK	A B		C D		E F		G	H	Total
	Cost/Square Foot	Mod.	Gross Sq. Ft.	Circ.*	Gross Sq. Ft.	Circ.*			
AREA	New		New		Mod.				
Resident Units	\$184	\$0	4,068	-	-	-	\$748,105	\$0	\$748,105
Resident Baths	\$210	\$0	1,602	-	-	-	\$336,420	\$0	\$336,420
Administrative	\$175	\$0	-	-	-	-	\$0	\$0	\$0
Laundry	\$129	\$0	-	-	-	-	\$0	\$0	\$0
Kitchen/Food Prep/Food Storage	\$310	\$272	-	-	-	-	\$0	\$0	\$0
Dining	\$199	\$128	-	-	-	-	\$0	\$0	\$0
Sitting / Living / Family Room	\$180	\$0	-	-	-	-	\$0	\$0	\$0
Rehab / Therapy	\$190	\$0	622	-	-	-	\$118,180	\$0	\$118,180
Spa / Restrooms	\$210	\$0	496	-	-	-	\$104,160	\$0	\$104,160
Staff Support / Maintenance	\$200	\$0	-	-	-	-	\$0	\$0	\$0
Service / Storage / Receiving	\$115	\$0	-	-	-	-	\$0	\$0	\$0
Mechanical	\$90	\$0	-	-	-	-	\$0	\$0	\$0
Circulation	\$100	\$75	2,797	-	-	-	\$279,700	\$0	\$279,700
Soiled / Clean Utility	\$200	\$0	293	-	-	-	\$58,506	\$0	\$58,506
Medication	\$180	\$0	104	-	-	-	\$18,720	\$0	\$18,720
Activities	\$180	\$0	415	-	-	-	\$74,700	\$0	\$74,700
Subtotals			10,397	-	-	-	\$1,738,491	\$0	\$1,738,491

NON CLINICAL

PROJECT SCOPE OF WORK	A B		C D		E F		G	H	Total
	Cost/Square Foot	Mod.	Gross Sq. Ft.	Circ.*	Gross Sq. Ft.	Circ.*			
AREA	New		New		Mod.				
Resident Units	\$184	\$0	-	-	-	-	\$0	\$0	\$0
Resident Baths	\$210	\$0	-	-	-	-	\$0	\$0	\$0
Administrative	\$175	\$0	620	-	-	-	\$108,500	\$0	\$108,500
Laundry	\$129	\$0	400	-	-	-	\$51,653	\$0	\$51,653
Kitchen/Food Prep/Food Storage	\$310	\$272	469	-	2,482	-	\$145,390	\$675,104	\$820,494
Dining	\$199	\$128	2,813	-	2,154	-	\$559,788	\$276,447	\$836,234
Sitting / Living / Family Room	\$180	\$0	962	-	-	-	\$173,160	\$0	\$173,160
Rehab / Therapy	\$190	\$0	-	-	-	-	\$0	\$0	\$0
Spa / Restrooms	\$210	\$0	-	-	-	-	\$0	\$0	\$0
Staff Support / Maintenance	\$200	\$0	703	-	-	-	\$140,600	\$0	\$140,600
Service / Storage / Receiving	\$115	\$0	1,168	-	-	-	\$134,320	\$0	\$134,320
Mechanical	\$90	\$0	401	-	-	-	\$36,090	\$0	\$36,090
Circulation	\$100	\$75	1,715	-	600	-	\$171,500	\$45,000	\$216,500
Soiled / Clean Utility	\$200	\$0	-	-	-	-	\$0	\$0	\$0
Medication	\$180	\$0	-	-	-	-	\$0	\$0	\$0
Activities	\$180	\$0	-	-	-	-	\$0	\$0	\$0
Subtotals			9,251	-	5,236	-	\$1,521,001	\$996,551	\$2,517,552

TOTAL PROJECT				-		-	\$3,259,492	\$996,551	\$4,256,043
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Luther Oaks
New Construction and Modernization Cost per BGSF Breakdown

December 17, 2013

CLINICAL

PROJECT SCOPE OF WORK	A Cost/Square Foot		C Gross Sq. Ft.		E Gross Sq. Ft.		G Const. \$ (AxC)	H Mod. \$ (BxE)	Total cost (G+H)
	New	Mod.	New	Circ.*	Mod.	Circ.*			
AREA									
Resident Units	\$184	\$0	4,068	-	-	-	\$748,105	\$0	\$748,105
Resident Baths	\$210	\$0	1,602	-	-	-	\$336,420	\$0	\$336,420
Administrative	\$175	\$0	-	-	-	-	\$0	\$0	\$0
Laundry	\$129	\$0	-	-	-	-	\$0	\$0	\$0
Kitchen/Food Prep/Food Storage	\$310	\$272	-	-	-	-	\$0	\$0	\$0
Dining	\$199	\$128	-	-	-	-	\$0	\$0	\$0
Sitting / Living / Family Room	\$180	\$0	-	-	-	-	\$0	\$0	\$0
Rehab / Therapy	\$190	\$0	622	-	-	-	\$118,180	\$0	\$118,180
Spa / Restrooms	\$210	\$0	496	-	-	-	\$104,160	\$0	\$104,160
Staff Support / Maintenance	\$200	\$0	-	-	-	-	\$0	\$0	\$0
Service / Storage / Receiving	\$115	\$0	-	-	-	-	\$0	\$0	\$0
Mechanical	\$90	\$0	-	-	-	-	\$0	\$0	\$0
Circulation	\$100	\$75	2,797	-	-	-	\$279,700	\$0	\$279,700
Soiled / Clean Utility	\$200	\$0	293	-	-	-	\$58,506	\$0	\$58,506
Medication	\$180	\$0	104	-	-	-	\$18,720	\$0	\$18,720
Activities	\$180	\$0	415	-	-	-	\$74,700	\$0	\$74,700
Subtotals			10,397	-	-	-	\$1,738,491	\$0	\$1,738,491

Total Beds	18	18	18
BGSF / Bed	577.6	0.0	577.6
Cost / BGSF	\$167.21	\$0.00	\$167.21

NON CLINICAL

PROJECT SCOPE OF WORK	A Cost/Square Foot		C Gross Sq. Ft.		E Gross Sq. Ft.		G Const. \$ (AxC)	H Mod. \$ (BxE)	Total cost (G+H)
	New	Mod.	New	Circ.*	Mod.	Circ.*			
AREA									
Resident Units	\$184	\$0	-	-	-	-	\$0	\$0	\$0
Resident Baths	\$210	\$0	-	-	-	-	\$0	\$0	\$0
Administrative	\$175	\$0	620	-	-	-	\$108,500	\$0	\$108,500
Laundry	\$129	\$0	400	-	-	-	\$51,653	\$0	\$51,653
Kitchen/Food Prep/Food Storage	\$310	\$272	469	-	2,482	-	\$145,390	\$675,104	\$820,494
Dining	\$199	\$128	2,813	-	2,154	-	\$559,788	\$276,447	\$836,234
Sitting / Living / Family Room	\$180	\$0	962	-	-	-	\$173,160	\$0	\$173,160
Rehab / Therapy	\$190	\$0	-	-	-	-	\$0	\$0	\$0
Spa / Restrooms	\$210	\$0	-	-	-	-	\$0	\$0	\$0
Staff Support / Maintenance	\$200	\$0	703	-	-	-	\$140,600	\$0	\$140,600
Service / Storage / Receiving	\$115	\$0	1,168	-	-	-	\$134,320	\$0	\$134,320
Mechanical	\$90	\$0	401	-	-	-	\$36,090	\$0	\$36,090
Circulation	\$100	\$75	1,715	-	600	-	\$171,500	\$45,000	\$216,500
Soiled / Clean Utility	\$200	\$0	-	-	-	-	\$0	\$0	\$0
Medication	\$180	\$0	-	-	-	-	\$0	\$0	\$0
Activities	\$180	\$0	-	-	-	-	\$0	\$0	\$0
Subtotals			9,251	-	5,236	-	\$1,521,001	\$996,551	\$2,517,552

Total Beds	18	18	18
BGSF / Bed	513.9	290.9	804.8
Cost / BGSF	\$164.41	\$190.33	\$173.78

TOTAL PROJECT							\$3,259,492	\$996,551	\$4,256,043
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