

Luther Oaks  
601 Lutz Road  
Bloomington, Illinois 61704  
(309) 557-8000  
www.LutherOaks.org



March 19, 2015

RECEIVED

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HEALTH FACILITIES &  
SERVICES REVIEW BOARD

**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 Oaks, Inc. ("Luther Oaks")  
Project No. #13-067 (the "Project")

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 February 20, 2014, which was corrected on May 8, 2014 to amend the total project cost to construct an 18-bed skilled nursing unit under the CCRC variance located at 601 Lutz Road, Bloomington, Illinois. 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 September 11, 2014, Luther Oaks successfully closed their financing for the Project, which is secured under an existing Master Trust Indenture relating to the construction of the assisted living units and independent living units. 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.

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**4) Anticipated Date of Completion.**

The anticipated date of completion is March 31, 2016, which will require Luther Oaks to file for a permit renewal since this date is beyond the date set forth in its permit. The reasons for the delay in completion are related to adverse weather conditions which delayed construction and a delay in receiving the original financing for the Project as described on Exhibit A.

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 horizontal line.

Roger W. Paulsberg  
President/CEO

RWP/kb

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## **EXHIBIT A PROJECT STATUS**

### Percentage of Project Complete

Luther Oaks estimates that approximately twenty-three percent (23%) of the Project is complete.

### Components Finished

No components of the Project are completed at this time. The start date of the Project was initially delayed pending the closing of financing, and further delayed due to weather and contractor availability. All work on the Project site was temporarily shut down in November 2014 due to the cold temperatures and the inability to pass compaction tests due to frost within the site area. The building site pad is within one (1) foot of completion. Other non-site areas still have an average of three (3) to four (4) feet of additional fill to be raised.

### Components to be Finished

The following components still need to be finished: Independent Living Dining Addition, Prep Kitchen Renovation and Skilled Nursing Addition.

### 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.

**Luther Oaks**  
**A Lutheran Life Community**  
**Arlington Heights, Illinois**  
**Project No. 13892**



March 17, 2015

<b>Project Costs - CON Breakdown</b>	<b>Clinical</b>	<b>Non-Clinical</b>	<b>Approved Permit Total</b>	<b>Current Cost Estimated Total</b>	<b>Approximate Amount Expended as of January 31, 2015</b>
<b>Pre-Planning Costs</b>					
Market Analysis	\$ 3,291	\$ 4,398	\$ 7,689	\$ 24,031	\$ 24,031
Certificate of Need - Application Fee	\$ 1,070	\$ 1,430	\$ 2,500	\$ -	\$ -
<b>Subtotal</b>	<b>\$ 4,361</b>	<b>\$ 5,828</b>	<b>\$ 10,189</b>	<b>\$ 24,031</b>	<b>\$ 24,031</b>
<b>Site Survey and Soil Investigation</b>					
ALTA Boundary and Topo Survey	\$ 6,698	\$ 8,952	\$ 15,650	\$ 15,650	\$ 13,690
Phase 1 Environmental Assessment	\$ 1,498	\$ 2,002	\$ 3,500	\$ 3,500	\$ 3,500
Soil Borings	\$ 2,065	\$ 2,760	\$ 4,825	\$ 4,825	\$ 4,825
<b>Subtotal</b>	<b>\$ 10,261</b>	<b>\$ 13,714</b>	<b>\$ 23,975</b>	<b>\$ 23,975</b>	<b>\$ 22,015</b>
<b>Site Preparation</b>					
Earthwork and Utilities	\$ 398,088	\$ 532,025	\$ 930,113	\$ 1,017,829	\$ 207,634
<b>New Construction Contracts</b>					
Construction	\$ 1,738,491	\$ 1,657,665	\$ 3,396,156	\$ 3,578,228	\$ 314,598
<b>Modernization Contracts</b>					
Construction	\$ -	\$ 997,000	\$ 997,000	\$ 1,050,450	\$ 92,356
<b>Contingencies</b>					
Construction Contingency	\$ 90,043	\$ 120,338	\$ 210,381	\$ 159,416	\$ -
Owner Project Contingency	\$ 42,800	\$ 57,200	\$ 100,000	\$ 5,231	\$ -
<b>Subtotal</b>	<b>\$ 132,843</b>	<b>\$ 177,538</b>	<b>\$ 310,381</b>	<b>\$ 164,647</b>	<b>\$ -</b>

<b>Architectural / Engineering Fees</b>					
Architectural Design	\$ 276,078	\$ 368,963	\$ 645,041	\$ 642,469	\$ 638,100
<b>Consulting and Other Fees</b>					
Civil Engineering	\$ 26,087	\$ 34,863	\$ 60,950	\$ 75,950	\$ 73,512
Landscape Architecture	\$ 7,747	\$ 10,353	\$ 18,100	\$ 18,100	\$ 9,044
Food Service Design	\$ 20,651	\$ 27,599	\$ 48,250	\$ 48,250	\$ 47,397
Interior Design	\$ 9,921	\$ 13,259	\$ 23,180	\$ 23,180	\$ 11,082
Owner's Representative Services	\$ 24,866	\$ 33,233	\$ 58,099	\$ 60,152	\$ 57,211
Legal	\$ 97,095	\$ 129,762	\$ 226,857	\$ 212,403	\$ 212,403
Building Energy Modeling / Commissioning	\$ 9,544	\$ 12,756	\$ 22,300	\$ 22,300	\$ -
Consultant Reimbursables	\$ 17,120	\$ 22,880	\$ 40,000	\$ 43,000	\$ 18,846
<b>Subtotal</b>	<b>\$ 213,031</b>	<b>\$ 284,705</b>	<b>\$ 497,736</b>	<b>\$ 503,335</b>	<b>\$ 429,495</b>
<b>Movable or Other Equipment (not in construction contracts)</b>					
Loose Furnishings, Equipment, Technology	\$ 80,000	\$ 504,000	\$ 584,000	\$ 352,471	\$ -
Loan Issuance Expense	\$ 25,680	\$ 34,320	\$ 60,000	\$ 100,000	\$ 13,399
Net Interest Expense	\$ 128,400	\$ 171,600	\$ 300,000	\$ 300,000	\$ 7,193
<b>Other Costs to be Capitalized</b>					
Permits	\$ 33,134	\$ 44,283	\$ 77,417	\$ 39,961	\$ 39,961
Marketing	\$ 1,284	\$ 1,716	\$ 3,000	\$ 6,472	\$ 6,472
Miscellaneous Development Expenses	\$ 2,140	\$ 2,860	\$ 5,000	\$ 36,140	\$ 36,140
Project Insurance	\$ 2,568	\$ 3,432	\$ 6,000	\$ 6,000	\$ -
<b>Subtotal</b>	<b>\$ 39,126</b>	<b>\$ 52,291</b>	<b>\$ 91,417</b>	<b>\$ 88,573</b>	<b>\$ 82,573</b>
<b>Total</b>	<b>\$ 3,046,359</b>	<b>\$ 4,799,649</b>	<b>\$ 7,846,008</b>	<b>\$ 7,846,008</b>	<b>\$ 1,831,393</b>