

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



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MAY 14 2015

**HEALTH FACILITIES &
SERVICES REVIEW BOARD**

May 11, 2015

VIA FEDERAL EXPRESS

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

Re: Luther Oaks, Inc.
Project No. 13-067 (the "Project")
Request for Renewal

Dear Chairperson Olson:

Please accept this letter as a request for permit renewal for the Project referenced above in accordance with Section 1130.740 of the Illinois Health Facilities and Services Review Board's Rules. We are pleased to report that the Project is continuing to progress successfully.

On February 20 2014, the Illinois Health Facilities and Services Review Board granted Luther Oaks, Inc. ("Luther Oaks") a permit ("Permit"), which was subsequently 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. We now seek a permit renewal for this Project to extend the completion date until March 31, 2016.

Requested Completion Date

We ask the Board for a Permit Renewal and to extend the completion date to March 31, 2016.

Project Overview and Status

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. Since closing the financing, the Project has been proceeding well and approximately twenty-eight (28%) percent of the Project is complete. As of May 8, 2015, we have expended \$1,461,282 on the Project or 19% of the total Project budget.

As reported on our March 19, 2015 annual report, a copy of which is enclosed, the start date of the Project was initially delayed pending the closing of financing, and further delayed due to weather and contractor availability. Work began shortly after closing of the financing in September 2014; however, all work on the Project site was temporarily shut down in November

Permit Renewal Request
Project No. 13-067
May 11, 2015
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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. The following components still need to be finished: Independent Living Dining Addition; Prep Kitchen Renovation; and Skilled Nursing Addition.

Statement as to Reasons Why the Project Has Not Been Completed

As noted in our 2015 annual report, the start date of the Project was initially delayed pending the closing of financing, and further delayed due to weather and contractor availability. Despite difficulties in beginning construction, we have been able to proceed with our Project and have successfully completed approximately twenty-eight (28%) percent of the Project.

Project's Cost and Scope

The Project's cost and scope remain in compliance with what the Health Facilities and Services Review Board approved in our original permit.

Enclosed please find the required \$500 application fee. Please let me know of any questions on this material, or if any additional information is needed.

Sincerely,



Roger W. Paulsberg
President/CEO

RWP/ktb

Enclosures: \$500.00 Application Fee
March 19, 2015 Annual Progress Report

Luther Oaks
601 Lutz Road
Bloomington, Illinois 61704
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March 19, 2015

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.

March 19, 2015

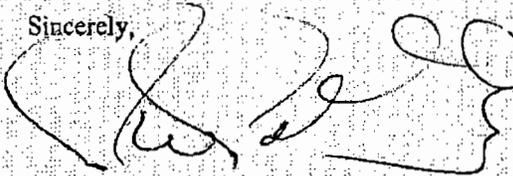
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4) Anticipated Date of Completion.

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 'Roger W. Paulsberg', written over a faint, dotted grid background.

Roger W. Paulsberg
President/CEO

RWP/kb

March 19, 2015

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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.

March 19, 2015
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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

Project Costs - CON Breakdown	<u>Clinical</u>	<u>Non-Clinical</u>	<u>Approved Permit Total</u>	<u>Current Cost Estimated Total</u>	<u>Approximate Amount Expended as of January 31, 2015</u>
Pre-Planning Costs					
Market Analysis	\$ 3,291	\$ 4,398	\$ 7,689	\$ 24,031	\$ 24,031
Certificate of Need - Application Fee	\$ 1,070	\$ 1,430	\$ 2,500	\$ -	\$ -
Subtotal	\$ 4,361	\$ 5,828	\$ 10,189	\$ 24,031	\$ 24,031
Site Survey and Soil Investigation					
ALTA Boundary and Topo Survey	\$ 8,698	\$ 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
Subtotal	\$ 10,261	\$ 13,714	\$ 23,975	\$ 23,975	\$ 22,015
Site Preparation					
Earthwork and Utilities	\$ 388,088	\$ 532,025	\$ 930,113	\$ 1,017,829	\$ 207,634
New Construction Contracts					
Construction	\$ 1,738,491	\$ 1,657,665	\$ 3,396,156	\$ 3,578,228	\$ 314,598
Modernization Contracts					
Construction	\$ -	\$ 997,000	\$ 997,000	\$ 1,050,450	\$ 92,356
Contingencies					
Construction Contingency	\$ 90,043	\$ 120,338	\$ 210,381	\$ 159,416	\$ -
Owner Project Contingency	\$ 42,800	\$ 57,200	\$ 100,000	\$ 5,231	\$ -
Subtotal	\$ 132,843	\$ 177,538	\$ 310,381	\$ 164,647	\$ -

Architectural / Engineering Fees					
Architectural Design	\$ 276,078	\$ 368,963	\$ 645,041	\$ 642,469	\$ 638,100
Consulting and Other Fees					
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	\$ 128,762	\$ 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
Subtotal	\$ 213,031	\$ 284,705	\$ 497,736	\$ 503,335	\$ 429,495
Movable or Other Equipment (not in construction contracts)					
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
Other Costs to be Capitalized					
Permits	\$ 33,134	\$ 44,283	\$ 77,417	\$ 39,961	\$ 39,861
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	\$ -
Subtotal	\$ 39,126	\$ 52,291	\$ 91,417	\$ 88,573	\$ 82,573
Total	\$ 3,046,358	\$ 4,799,649	\$ 7,846,008	\$ 7,846,008	\$ 1,831,393