

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



August 18, 2016

RECEIVED

AUG 19 2016

**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 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. On August 15, 2016, the Illinois Health Facilities and Services Review Board approved the Permit Holders' request for an alteration to the Project, which increased the permit amount to \$79,658,527. 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.

4) Anticipated Date of Completion.

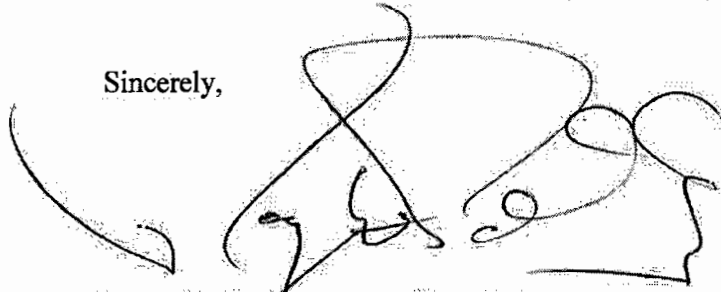
The Project is anticipated to be completed on or before March 30, 2017.

Please have the contact information for the Permit Holders changed to:

Shareen Anderson
Executive Director
800 West Oakton Street
Arlington Heights, IL 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 'Roger W. Paulsberg', is written over a large, stylized, and somewhat abstract scribble or flourish.

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 97.6% of the Project is complete.

Percentage of Budget Expended

The Permit Holders estimate that approximately 97.6% 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, the renovation of Building A of the existing skilled nursing facility; and the renovation and addition of Building B of the existing skilled nursing facility.

Components to be Finished

The following component still needs to be finished: ductwork modifications.

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



August 3, 2016

Project Costs - CON Breakdown	Clinical	Non-Clinical	Approved Permit Total	Current Cost Estimated Total	Approximate Amount Expended as of May 31, 2016
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	\$ 1,595	\$ 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	\$ 349,902	\$ 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	\$ 1,157,173	\$ 1,157,173
Earthwork and Utilities	\$ 1,050,633	\$ 1,131,692	\$ 2,182,325	\$ 2,718,172	\$ 2,714,473
Hazardous Material Abatement	\$ 240,714	\$ 259,286	\$ 500,000	\$ 409,362	\$ 409,362
Subtotal	\$ 2,005,889	\$ 2,160,648	\$ 4,166,537	\$ 4,284,707	\$ 4,281,008
Modernization Contracts					
Construction	\$ 22,127,201	\$ 23,834,361	\$ 45,961,562	\$ 46,397,716	\$ 46,368,724
Duct Modifications	n/a	n/a	n/a	\$ 614,470	\$ -
Subtotal	\$ 22,127,201	\$ 23,834,361	\$ 45,961,562	\$ 47,012,186	\$ 46,368,724
Contingencies					
Construction Contingency	\$ 1,168,175	\$ 1,258,302	\$ 2,426,477	\$ 307,442	\$ -
Architectural / Engineering Fees					

Architectural Design	\$ 1,961,487	\$ 2,112,820	\$ 4,074,307	\$ 4,000,000	\$ 3,993,230
Consulting and Other Fees					
Civil Engineering	\$ 30,717	\$ 33,087	\$ 63,804	\$ 98,086	\$ 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	\$ 59,075	\$ 59,024
Certificate of Need - Application Fee	\$ 19,257	\$ 20,743	\$ 40,000	\$ 100,000	\$ 100,000
Interior Design	\$ 84,972	\$ 91,528	\$ 176,500	\$ 230,872	\$ 230,872
Interior Renderings	\$ -	\$ -	\$ -	\$ 13,825	\$ 13,825
Acoustical Design	\$ -	\$ -	\$ -	\$ 4,180	\$ 4,180
Commissioning Agent	\$ -	\$ -	\$ -	\$ 60,700	\$ 60,700
Acoustical Engineer	\$ -	\$ -	\$ -	\$ 1,873	\$ 1,873
Owner's Representative Services	\$ 261,532	\$ 281,709	\$ 543,241	\$ 650,000	\$ 601,624
Architectural Reimbursables	\$ 48,143	\$ 51,857	\$ 100,000	\$ 96,390	\$ 96,390
Subtotal	\$ 506,975	\$ 546,090	\$ 1,053,065	\$ 1,413,016	\$ 1,363,538
Movable or Other Equipment (not in construction contracts)					
Furniture and equipment	\$ 1,151,755	\$ 1,240,615	\$ 2,392,370	\$ 2,566,065	\$ 2,454,232
Window Treatments	\$ 133,596	\$ 143,904	\$ 277,500	\$ 312,988	\$ 312,988
Interior Signage	\$ 41,090	\$ 44,260	\$ 85,350	\$ 78,500	\$ 78,500
Artwork	\$ 67,737	\$ 72,963	\$ 140,700	\$ 132,250	\$ 132,250
Accessories	\$ 17,091	\$ 18,409	\$ 35,500	\$ 47,372	\$ 47,372
Bedspreads	\$ 26,479	\$ 28,521	\$ 55,000	\$ 39,084	\$ 39,084
Shower Curtains	\$ 9,629	\$ 10,371	\$ 20,000	\$ 23,258	\$ 23,258
Medical Office Suite	\$ 46,939	\$ 50,561	\$ 97,500	\$ -	\$ -
Televisions - Resident Rooms	\$ 102,063	\$ 109,937	\$ 212,000	\$ 232,230	\$ 203,774
Technology Equipment	\$ 435,693	\$ 469,307	\$ 905,000	\$ 1,090,664	\$ 971,415
Subtotal	\$ 2,032,071	\$ 2,188,849	\$ 4,220,920	\$ 4,522,410	\$ 4,262,873
Other Costs To Be Capitalized					
Performance & Payment Bond	\$ 233,635	\$ 251,660	\$ 485,295	\$ 295,751	\$ 295,751
Operations - Relocations	\$ -	\$ -	\$ -	\$ 1,495,075	\$ 1,375,296
Trustee Draw Fee	\$ -	\$ -	\$ -	\$ 19,200	\$ 16,800
Permits	\$ 305,334	\$ 328,891	\$ 634,225	\$ 685,671	\$ 728,304
Project Insurance	\$ 312,928	\$ 337,072	\$ 650,000	\$ 691,282	\$ 673,381
Subtotal	\$ 851,898	\$ 917,623	\$ 1,769,521	\$ 3,186,980	\$ 3,089,533
Net Interest Expense During Construction	\$ 6,070,812	\$ 6,539,188	\$ 12,610,000	\$ 11,754,841	\$ 11,719,081
Bond Issuance Expense	\$ 939,370	\$ 1,011,844	\$ 1,951,214	\$ 2,486,278	\$ 2,482,778
Total	\$ 37,935,882	\$ 40,862,714	\$ 78,798,596	\$ 79,373,312	\$ 77,950,398