KANSAS
GEOLOGICAL
SURVEY

The University of Kansas

April 15, 2008

Cassie Kasteler
Bonneville MultiFamily
111 East Broadway, Suite 310
Salt Lake City, Utah 84111

RE: Housing Rehabilitation, Pittsburg, KS

Dear Ms. Kasteler:

The Kansas Geological Survey (KGS) has received Bonneville MultiFamily's April 8, 2008 request for intergovernmental comments. The comment request is part of the USDA's Rural Development grant application process for funds to renovate the Besse Hotel and 46 family, multi-family housing properties near downtown Pittsburg, KS.

A review of regional geologic information along with the site map provided by Bonneville MultiFamily indicates that this area is underlain by the Pennsylvania age Weir-Pittsburg coal bed and is within the historic limits of the Weir-Pittsburg mining district in southeast Kansas. Other environmental factors that could affect this project will likely be more site-specific in nature or dependent on the structure (e.g., asbestos, lead paint, USTs, etc.). The applicant should further consider historic mining activities and site-specific factors during the environmental review. Many of these environmental issues (if any) can likely be mitigated, so for the purposes of the grant application, clearance of the project should be granted. An environmental comments form was not included with the submittal, therefore, this letter should serve as the agency review and transmittal form.

This letter is an assessment based on the regional geologic conditions available at the KGS at the time of writing and cannot be used in substitute of a detailed site characterization. Other geologic conditions, not discussed herein, or for which the KGS has no knowledge, may affect the viability or safe operation of this facility or property. It is the responsibility of the applicant to provide any necessary characterization, geotechnical or environmental testing, or design by a licensed professional geologist or engineer to complete the project.

A Research and Service Division of the University of Kansas
1930 Constant Avenue | Lawrence, KS 66047-3724 | (785) 864-3965 | Fax 785-864-5317 | www.kgs.ku.edu

Sincerely,

Shane Lyle, RG
Geology Extension Coordinator

Enclosures

cc: Dan Suchy, KGS Data Resources Library

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Shawn Lyle

To: Dr. Harrison
KS Geological Survey

1903 Constant Avenue
Lawrence, Kansas 66047

Date: April 8, 2008

Re: "REQUEST FOR INTERGOVERNMENTAL COMMENTS"

Please be advised that Downtown Pittsburg Housing Partners, LP is submitting an application for financial assistance from USDA Rural Development.

PURPOSE: To obtain a Section 538, Guaranteed Rural Rental Housing Loan

BENEFICIARIES: Residents of the city of Pittsburg and the Crawford County area

COST, SCALE, FUNDS NEEDED & SOURCES:
The request is for $1,000,000. Funds will be used to rehab the historic Besse Hotel in downtown Pittsburg and will be combined with equity from Low Income Housing Tax Credits to rehabilitate the 46 unit family multi-family housing property. The facility will provide affordable rental housing for income eligible tenants. The facility was constructed in 1929.

ENVIRONMENTAL ISSUES: None known

This project will comply with all appropriate state laws concerning the application.

The application will be sent to the USDA Rural Development state office at:

USDA Rural Development
1303 SW First American Place
Suite 100
Topeka, Kansas 66604-4040

ACTION REQUESTED:
1. Review the information provided.
2. Insert project title & your agency name on attached Agency Review Transmittal Form with your comments within 30 days.
3. Please send or fax your response to the following address:

Cassie Kasteler
Bonneville MultiFamily
111 East Broadway, Suite 310
Salt Lake City, Utah 84111
Fax – 801-323-1071

Sincerely,

Cassie Kasteler

Cassie Kasteler

APPLICATION FOR FEDERAL ASSISTANCE — Version 7/03

1. TYPE OF SUBMISSION:	**2. DATE SUBMITTED** 4/8/08	Applicant Identifier
Application: ☒ Construction ☐ Non-Construction	**3. DATE RECEIVED BY STATE**	State Application Identifier
Pre-application: ☐ Construction ☐ Non-Construction	**4. DATE RECEIVED BY FEDERAL AGENCY**	Federal Identifier

5. APPLICANT INFORMATION

Legal Name: Downtown Pittsburg Housing Partners L.P.	**Organizational Unit:**
	Department:
Organizational DUNS:	Division:
Address:	**Name and telephone number of person to be contacted on matters involving this application (give area code)**
Street: 416 E 3rd St.	Prefix: Mr. / First Name: Tony
City: Kansas City	Middle Name: Joseph
County: Jackson	Last Name: Krsnich
State: MO / Zip Code: 64106	Suffix:
Country: USA	Email: tkrsnich@garrisoncompanies.com
6. EMPLOYER IDENTIFICATION NUMBER (EIN): 26-1344100	Phone Number (give area code): 816-474-2253 / Fax Number (give area code): 816-474-4807
8. TYPE OF APPLICATION: ☒ New ☐ Continuation ☐ Revision If Revision, enter appropriate letter(s) in box(es) (See back of form for description of letters.) ☐ ☐ Other (specify)	**7. TYPE OF APPLICANT:** (See back of form for Application Types) N. Profit Organization Other (specify)
	9. NAME OF FEDERAL AGENCY: USDA 538
10. CATALOG OF FEDERAL DOMESTIC ASSISTANCE NUMBER: 10-438 TITLE (Name of Program): USDA 538	**11. DESCRIPTIVE TITLE OF APPLICANT'S PROJECT:** Besse Hotel Rehabilitation → See attached info
12. AREAS AFFECTED BY PROJECT (Cities, Counties, States, etc.): Pittsburg, KS, Crawford county	
13. PROPOSED PROJECT Start Date: May 2008 / Ending Date: February 2009	**14. CONGRESSIONAL DISTRICTS OF:** a. Applicant 5 (MO) / b. Project 2 (KS)

15. ESTIMATED FUNDING:

a. Federal	$ .00
b. Applicant	$ .00
c. State	$ .00
d. Local CDBG	$ 200,000 .00
e. Other	$ .00
f. Program Income	$ .00
g. TOTAL	$ .00

16. IS APPLICATION SUBJECT TO REVIEW BY STATE EXECUTIVE ORDER 12372 PROCESS?

a. Yes. ☐ THIS PREAPPLICATION/APPLICATION WAS MADE AVAILABLE TO THE STATE EXECUTIVE ORDER 12372 PROCESS FOR REVIEW ON
DATE:

b. No. ☒ PROGRAM IS NOT COVERED BY E. O. 12372
☐ OR PROGRAM HAS NOT BEEN SELECTED BY STATE FOR REVIEW

17. IS THE APPLICANT DELINQUENT ON ANY FEDERAL DEBT?

☐ Yes If "Yes" attach an explanation. ☒ No

18. TO THE BEST OF MY KNOWLEDGE AND BELIEF, ALL DATA IN THIS APPLICATION/PREAPPLICATION ARE TRUE AND CORRECT. THE DOCUMENT HAS BEEN DULY AUTHORIZED BY THE GOVERNING BODY OF THE APPLICANT AND THE APPLICANT WILL COMPLY WITH THE ATTACHED ASSURANCES IF THE ASSISTANCE IS AWARDED.

a. Authorized Representative		
Prefix: Mr.	First Name: Tony	Middle Name: Joseph
Last Name: Krsnich		Suffix
b. Title: Development Associate		c. Telephone Number (give area code): 816-474-2253
d. Signature of Authorized Representative: Tony Krsnich		e. Date Signed: 3/27/2008

PROJECT DESCRIPTION

The Besse Hotel is a planned affordable family housing project to be located on approximately 1 acre at the northwest corner of Fourth Street and North Locust in the County of Crawford, City of Pittsburg, Kansas. The site is currently zoned for multi-family use. The tract is on the East side of 69 Highway less than one block from the heart of downtown Pittsburg. All utilities are on-site or available. Pittsburg is a thriving community, population 19,243, as well as 6,500 full time college students.

The project size is 46 units with 11 one-bedroom, 32 two-bedroom and 3 three-bedroom units housed in the tallest building in southeast Kansas, the Besse Hotel Building. Built in 1927 the Besse Hotel is composed of thirteen floors and more than 72,000 square feet. A one bedroom unit will average will average 750 square feet, the twos will average 900 square feet and the threes will average 1190 square feet. The historic rehabilitation will include a full kitchen package. Washer/dryer hook-ups, microwaves and ceiling fans are available. Other amenities include a community room and exercise room. Parking in the rear of the building will be provided through the anticipated donation or reservation of land from the city of Pittsburg.

The units will cater to low to moderate income families (40%-60% or less of area's median income). The units will be offered at rental rates as follows:

	50% AMI		60% AMI	
	#	Rent	#	Rent
1BR	3	$314	8	$400
2BR	5	$374	27	$500
3BR	1	$429	2	$600

The project will be all-electric. Landlord pays for sewer, water and trash. There are no vacancies in the low-income development in the immediate market. Only a multifamily LIHTC project exists and it is presently fully leased and now has a waiting list of more than 50 applicants.

The $8,000,000 development will be funded by equity generated from the sale of Low-income housing tax credits, Federal Historic Tax Credits, and Kansas Historic Tax Credits to a syndicator and by a construction and permanent loan from a private lender. The project owner is Downtown Pittsburg Housing Partners, L.P. The General Partner is Downtown Pittsburg Housing Corporation, Garrison L. Hassenflu, President.

A May, 2008 construction start is anticipated with a February, 2009 completion. Estimated lease-up is 6 units per month.

Bonneville MultiFamily LLC

111 East Broadway, Suite 310 ♦ Salt Lake City, Utah 84111
Telephone (801) 323-1000 ♦ Fax (801) 323-1071

This project is a historical rehab, located at 121 East 4th street, Pittsburg, Kansas 66762. The environmental review will be conducted by the Kansas USDA Rural Development office. A Phase I environmental survey has been conducted by Hernly Associates, Inc. The report concludes there are no apparent environmental impacts and no conditions that require further investigation with respect to the scope of CERCLA. The report does recommend installing a functioning sump pump in the basement, and hiring a certified mold and asbestos professional to properly inspect and address the mold and asbestos problems.

Besse Hotel

Pittsburg, KS

Units: 46

CURRENT AS OF: 3/12/2008

GENERAL INFORMATION

Fed. LIHTC	YES	
State LIHTC	NO	
LIHTC Development Type	8.12%	YES
NMTC Project	NO	NO
Fed. Historic Credits	YES	
State Hisoric Credits	YES	
QCT	YES	QCT Locator
Lease Pass Through	YES	Rent & Income Limits
Acquisition Credit	NO	Applicable Federal Rate
9% Rate	8.12%	Lending Rates
4% Rate	3.45%	
Federal Historic Rate	20%	
State Historic Rate	25%	
NMTC Rate	39%	
Developer Return on Acquisition	8%	
Developer Return on Development	15%	
Contractor General Requirement	6%	
Contractor Over Head	2%	
Contractor Profit	6%	
Construction Interest Rate	5.75%	
Construction Loan Origination Fee	1%	
Commercial Construction Cost/Sq.Ft.	$60	
Residential Construction Cost/Unit	$123,730	
Residential Land/Building Acq. Cost/Ur	10,870	
Residential Rehab Cost/Unit	141,052	
w/ contingency	153,425	

NMTC BASIS	$9,338,185
HISTORIC BASIS	$8,295,977
LIHTC BASIS	$11,044,771
ACQUISITION BASIS	$0
Total State Historic Credits	2,073,994
Total Fed. Historic Credits	1,659,195
Total LIHTC Credits	5,200,000
New Market Tax Credits	0

SOURCE OF FUNDS

Fed. LIHTC Equity	91	cents/$	99.99%	4,731,528
Fed. Hist. Equity	96	cents/$	99.99%	1,592,668
State LIHTC Equity	35	cents/$	99.99%	0
State Hist. Equity	81	cents/$	99.99%	1,679,767
NMTC	60	cents/$	99.99%	0
CDBG Loan				200,000
Deferred Dev. Fee				134,222
HOME Loan				0
Permanent Loan				1,000,000
			Total Sources	9,338,185

USES OF FUNDS

USES OF FUNDS	NMTC	Hist.	Non-LIHTC	
Building Acquisition Cost		500,000	500,000	500,000
Land Value		0	0	0
Residential Rehab		200,000		5,691,580
Commercial Rehab				0
Const. Orig. Fee				38,911
Construction Interest		31,600	31,600	133,607
Contractor General Req.				341,495
Contractor Overhead				113,832
Contractor Profit				341,495
Contingency				569,158
Parking Deck		0	0	
Engineering				40,000
Architectural				150,000
Development Fee				1,040,000
Market Study & Environmental				10,000
Appraisal				5,000
Cost Certification				15,000
Permanent Financing Fees		10,000	10,000	10,000
Operating Reserve		112,267	112,267	112,267
R.E. Tax During Construction		30,000		30,000
Closing Costs			30,000	30,000
Rent-Up Reserve		60,000	60,000	60,000
Syn. Legal Fees		15,000	15,000	15,000
Tax Credit Fees		54,540	54,540	54,540
Bond Allocation Fee		0	0	0
Lender, Issuer & Trustee Fees		0	0	0
Bond Counsel & FNMA Fee		0	0	0
Underwriting Fee		0	0	0
Replacement Reserve		13,800	13,800	13,800
Marketing Reserve		15,000	15,000	15,000
R.E. and Construction Legal				5,000
NPS Fee				2,500
			Total Uses	9,338,185

INCOME

Total Land Area (Acres)	1.40		
Gross Building Sq. Ft. (not inc. basen	292,000	sqft	
Net Rentable Sq. Ft.	40,620	sqft	
Efficiency	13.91%		
Apartment Rent/Net Rentable Sq. Ft.	0.53		
Market Rate Rent/Sq.Ft.	1.05		
Average Sq. Ft. 1br	750.00		
Average Sq. Ft. 2br	900.00		
Average Sq. Ft. 3br	1190.00		
Avg. Rent 1br (50%, HOME)	100	1	UNITS
Avg. Rent 1br (50%, TC)	314	2	UNITS
Avg. Rent 1br (60%)	400	8	UNITS
Avg. Rent 1br (market):	788	0	UNITS
Avg. Rent 2br (50%, HOME)	500	0	UNITS
Avg. Rent 2br (50%TC)	374	5	UNITS
Avg. Rent 2br (60%)	500	27	UNITS
Avg. Rent 2br (market)	945	0	UNITS
Avg. Rent 3br (50%, HOME)	600	0	UNITS
Avg. Rent 3br (50%TC)	429	1	UNITS
Avg. Rent 3br (60%)	600	2	UNITS
Avg. Rent 3br (market)	1,250	0	UNITS
% Market Rate Units	0.00%	46	TOTAL
Monthly Gross 1br	3,928		
Monthly Gross 2br	15,370		
Monthly Gross 3br	1,629		
Residential Monthly Income	20,927		
Other Mthly Income (parking, comm'.)	479		
# of Parking Stalls	0		
Rent per Stall	40		
Parking Income	0		
Commerical Sq.Ft.	0	0	
Commercial Rent/Sq.Ft. NNN	$10.00	$11	
Commerical Monthly Income	0		
% Commercial Rent	0.00%		
Total Income/Month	21,406		

UNDERWRITING

Gross Revenue	256,872
Vacancy Rate	7.00%
Vacancy	17,981
Expenses/Unit	3,400
Ann.Operating Exp. + Res.	156,400
NOI	82,493
Cap Rate	7.00%
Total Appraised Value	1,178,469
Appraised Value/Unit	25,619
Loan/Bond Amount	1,000,000
Perm. Interest Rate	5.50%
1st debt service:	68,135
HOME Debt Service	0
Total Debt Service	68,135
Cash Flow Annually	14,358
Min. DSCR	1.15
Actual DSCR	1.21
15 year Average DSCR	1.20
LTV	84.86%
Max. Loan/Bond Amt.	1,052,810
Loan/Bond Term	30
Construction Loan Amount	3,891,139
Construction Interest	133,607
Construction Period (months)	9
Seasoning Period (months)	6

CASH FLOW/INVESTMENT ANALYSIS

Income Factor 2%
Expence Factor 3%

	year 1	year 2	year 3	year 4	year 5	year 6	year 7	year 8	year 9	year 10	year 11	year 12	year 13	year 14	year 15
annual gross possible:	256,874	262,011	267,252	272,597	278,049	283,610	289,282	295,067	300,969	306,988	313,128	319,391	325,778	332,294	338,940
vacancy:	17,981	18,341	18,708	19,082	19,463	19,853	20,250	20,655	21,068	21,489	21,919	22,357	22,804	23,261	23,726
per unit operating expenses	3,400	3,502	3,607	3,715	3,827	3,942	4,060	4,182	4,307	4,436	4,569	4,706	4,848	4,993	5,143
annual operating expenses:	156,400	161,092	165,925	170,903	176,030	181,310	186,750	192,352	198,123	204,067	210,189	216,494	222,989	229,679	236,569
annual net operating incom	82,493	82,579	82,619	82,612	82,556	82,447	82,282	82,060	81,778	81,433	81,020	80,539	79,985	79,355	78,645
debt service annually:	68,135	68,135	68,135	68,135	68,135	68,135	68,135	68,135	68,135	68,135	68,135	68,135	68,135	68,135	68,135
DCR before other fees:	1.21	1.21	1.21	1.21	1.21	1.21	1.21	1.20	1.20	1.20	1.19	1.18	1.17	1.16	1.15
net cash flow before DDF/F	14,358	14,444	14,485	14,478	14,421	14,312	14,148	13,926	13,643	13,298	12,886	12,404	11,850	11,220	10,510
investor services fee:	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
deferred development fee:	14,358	14,444	14,485	14,478	14,421	14,312	14,148	13,926	13,643	6,008	0	0	0	0	0
net cash flow after DDF/Fe	0	0	0	0	0	0	0	0	0	7,290	12,886	12,404	11,850	11,220	10,510

ANNUAL EXPENSE INFORMATION

Besse Hotel

ADMINISTRATIVE:

Advertising:	4,000
Management Fee:	14,500
Legal/Partnership:	2,500
Accounting/Audit:	3,000
Other:	4,250
Other:	0
TOTAL ADMIN COST:	28,250

MAINTENANCE:

Decorating:	3,450
Repairs:	10,000
Exterminating:	2,500
Ground Expense:	2,000
Other:	0
TOTAL MAINT COST:	17,950

OPERATING:

Elevator:	2,250
Fuel (Heating/Hot Water):	10,000
Lighting & Misc Power:	3,000
Gas:	
Water/Sewer:	6,000
Trash & Snow Removal:	3,400
Payroll, Including Taxes:	35,000
Insurance:	20,300
TOTAL OPERATING COSTS:	79,950

REAL ESTATE TAXES:

Real Estate Taxes:	18,000
TOTAL REAL ESTATE TAXES:	18,000

*How were the r/e taxes determined? What is value? Mill levy rate?
*Is there tax abatement?

TOTAL ANNUAL OPERATING EXPENSES:	144,150
NUMBER OF UNITS:	46
ANNUAL REPLACEMENT RESERVE FOR UNITS:	12,250
ESTIMATED ANNUAL % INCREASE IN EXPENSES?:	3%
TOTAL ANNUAL OPERATING EXPENSE PER UNIT:	3,400

Pittsburg, Kansas, United States