



**Valbridge**  
PROPERTY ADVISORS

## Appraisal Report

Patterson Primary School  
701 Darlington Road  
Patterson Township, Beaver County, Pennsylvania 15010

Report Date: October 10, 2019



FOR:

Blackhawk School District  
Victor Kustra, Esquire  
Weiss Burkardt Kramer, LLC  
445 Fort Pitt Boulevard, Suite 503  
Pittsburgh, PA 15219

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Valbridge File Number:  
PA01-19-9531



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October 10, 2019

Victor Kustra, Esquire  
Weiss Burkardt Kramer, LLC  
Blackhawk School District  
445 Fort Pitt Boulevard, Suite 503  
Pittsburgh, PA 15219

RE: Appraisal Report  
Patterson Primary School  
701 Darlington Road  
Patterson Township, Beaver County, Pennsylvania 15010

Dear Mr. Kustra:

In accordance with your request, we have performed an appraisal of the above referenced property. This appraisal report sets forth the pertinent data gathered, the techniques employed, and the reasoning leading to our value opinions. This letter of transmittal is not valid if separated from the appraisal report.

The subject property is located at 701 Darlington Road in Patterson Township, Beaver County, Pennsylvania. It is further identified as Tax Parcel Number: 72-005-0612. The site contains a gross area of 7.580 acres or 330,185 square feet and it is improved with two-level school building.

We developed our analyses, opinions, and conclusions and prepared this report in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute; and the requirements of our client as we understand them.

The client in this assignment is Blackhawk School District. The intended user of this report is the Blackhawk School District. The intended use is for asset valuation by the client. The value opinions reported herein are subject to the definitions, assumptions, limiting conditions, and certifications contained in this report.

The findings and conclusions are further contingent upon the following extraordinary assumptions and/or hypothetical conditions, the use of which might have affected the assignment results:

**Extraordinary Assumptions:**

- Considering the location and demographics of the community and the physical features of the site and building, in this analysis we assume that the subject would continue to function as a school. If the subject no longer functions as a school, the current residential zoning would limit the potential legal uses of the property and this could potentially impair its market value.
- This analysis assumes a roof replacement cost of \$220,000. If further documentation of the roof condition and the reported cost are made available, and it differs materially from what is reported herein, then we reserve the right to amend the appraisal.

**Hypothetical Conditions:**

- None.

***If any of the above are found to be untrue, it could influence the value conclusions.***

Based on the analysis contained in the following report, the value conclusion is summarized as follows:

**Value Conclusion**

<b>Component</b>	<b>As Is</b>
Value Type	Market Value
Property Rights Appraised	Fee Simple
Effective Date of Value	September 17, 2019
<b>Value Conclusion</b>	<b>\$625,000</b>
	<b>\$22.14 psf</b>

Respectfully submitted,  
Valbridge Property Advisors | Pittsburgh



William K. Murtha, MAI  
PA Certified General Real Estate Appraiser  
Certification No. GA-000066-L



Thomas A. Murtha  
PA Certified General Real Estate Appraiser  
Certification No. GA-001590-L

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# Summary of Salient Facts

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## Property Identification

Property Name	Patterson Primary School
Property Address	701 Darlington Road Patterson Township, Beaver County, Pennsylvania 15010
Latitude & Longitude	40.747723, -80.336545
Tax Parcel Number	72-005-0612
Property Owner	Blackhawk School District

## Site

Zoning	Single-Family Residential District (R-1)
FEMA Flood Map No.	42007C0152D
Flood Zone	Zone X
Usable Land Area	4.30 acres
Gross Land Area	7.58 acres

## Improvements

Property Use	School, University-Classroom Building
Gross Building Area (GBA)	28,230 sf
Number of Buildings	1
Number of Stories	2
Year Built	Original construction 1969 with addition in 1979.
Condition	Average
Construction Class	C - Masonry
Construction Quality	Average to good
Surface Parking	30 spaces

## Valuation Opinions

Highest & Best Use - As Vacant	Remain vacant or a community use if demand is evident.
Highest & Best Use - As Improved	A school if demand is evident.
Reasonable Exposure Time	In excess of 1 year.
Reasonable Marketing Time	In excess of 1 year.

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### Value Indications

Approach to Value	As Is
Cost Approach	Not Developed
Sales Comparison Approach	\$600,000
Income Capitalization Approach	\$640,000

### Value Conclusion

Component	As Is
Value Type	Market Value
Property Rights Appraised	Fee Simple
Effective Date of Value	September 17, 2019
<b>Value Conclusion</b>	<b>\$625,000</b>
<b>Value Conclusion PSF</b>	<b>\$22.14 psf</b>

Our findings and conclusions are further contingent upon the following extraordinary assumptions and/or hypothetical conditions which might have affected the assignment results:

#### Extraordinary Assumptions:

- Considering the location and demographics of the community and the physical features of the site and building, in this analysis we assume that the subject would continue to function as a school. If the subject no longer functions as a school, the current residential zoning would limit the potential legal uses of the property and this could potentially impair its market value.
- This analysis assumes a roof replacement cost of \$220,000. If further documentation of the roof condition and the reported cost are made available, and it differs materially from what is reported herein, then we reserve the right to amend the appraisal.

#### Hypothetical Conditions:

- None.

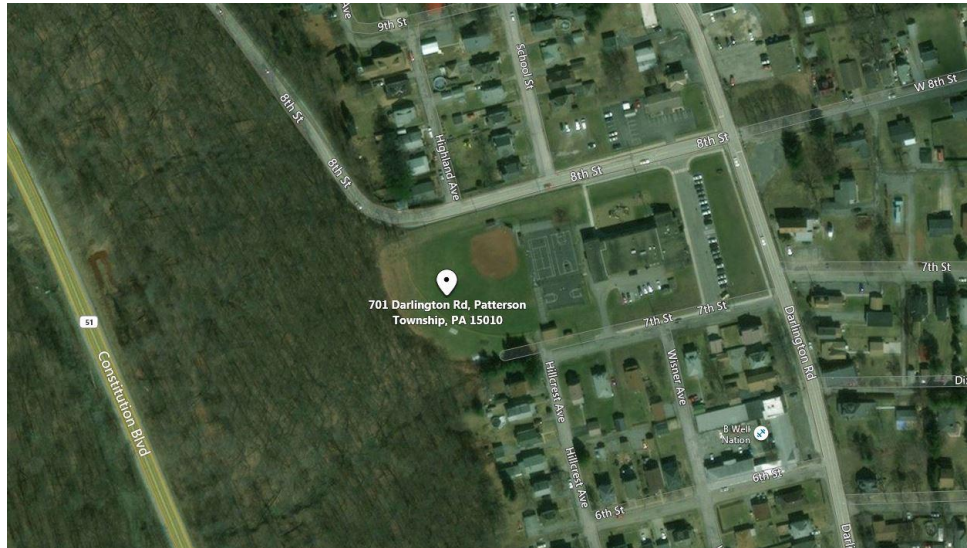
***If any of the above are found to be untrue, it could influence the value conclusions.***



# Aerial and Front Views

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## AERIAL VIEW



## FRONT VIEW



# Introduction

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## Client and Intended Users of the Appraisal

The client is Blackhawk School District. The intended user of this report is the Blackhawk School District. Under no circumstances shall any of the following parties be entitled to use or rely on the appraisal or this appraisal report:

- i. The borrower(s) on any loans or financing relating to or secured by the subject property,
- ii. Any guarantor(s) of such loans or financing; or
- iii. Principals, shareholders, investors, members or partners in such borrower(s) or guarantors.

## Intended Use of the Appraisal

The intended use of this report is for asset valuation by the client.

## Real Estate Identification

The subject property is located at 701 Darlington Road in Patterson Township, Beaver County, Pennsylvania, 15010. The subject property is further identified by Tax Parcel Number: 72-005-0612.

## Legal Description

Please refer to the tax map for a legal description of the subject.

## Use of Real Estate as of the Effective Date of Value

As of the effective date of value, the subject was a school building.

## Use of Real Estate as Reflected in this Appraisal

The opinion of value for the subject as is reflects use as a school, university-classroom building.

## History of the Property

According to the deed, title to the subject property is vested in the name of Blackhawk School District.

<b>Tax Parcel Number(s):</b>	72-005-0612
<b>Grantor:</b>	State Public School
<b>Grantee:</b>	Blackhawk School District
<b>Deed Book Volume / Page:</b>	1444 / 836
<b>Sale Date:</b>	May 30, 1991
<b>Sale Price:</b>	\$0
<b>Verification Source:</b>	Deed

Other than as noted herein, ownership of the property has not been transferred within the three years prior to earliest valuation date, nor is it presently listed, optioned, or under agreement of sale. The known transaction history of the subject property has been analyzed and considered in the opinions and conclusions presented in this report.



## Type and Definition of Value

The appraisal problem is to develop an opinion of the market value of the subject property. "Market Value," as used in this appraisal, is defined as "the most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus." Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- *Buyer and seller are typically motivated.*
- *Both parties are well informed or well advised, each acting in what they consider their own best interests;*
- *A reasonable time is allowed for exposure in the open market;*
- *Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*
- *The price represents the normal consideration for the property sold unaffected by special or creative financing or sale concessions granted by anyone associated with the sale."<sup>1</sup>*

The value conclusions apply to the value of the subject property under the market conditions presumed on the effective date of value. Please refer to the Glossary in the Addenda section for additional definitions of terms used in this report.

## Valuation Scenarios, Property Rights Appraised, and Effective Dates of Value

Per the scope of our assignment we developed opinions of value for the subject property under the following scenarios of value:

Valuation Scenario	Effective Date of Value
As Is Market Value of the Fee Simple Interest	September 17, 2019

The date of this report is October 10, 2019, which is the same as the date of the letter of transmittal. A site visit was completed to the subject property on September 17, 2019.

## List of Items Requested but Not Provided

- None

## Assumptions and Conditions of the Appraisal

This appraisal assignment and the opinions reported herein are subject to the General Assumptions and Limiting Conditions contained in the report and the following extraordinary assumptions and/or hypothetical conditions, the use of which might have affected the assignment results.

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<sup>1</sup> Source: Code of Federal Regulations, Title 12, Banks and Banking, Part 722.2-Definitions

### Extraordinary Assumptions

- Considering the location and demographics of the community and the physical features of the site and building, in this analysis we assume that the subject would continue to function as a school. If the subject no longer functions as a school, the current residential zoning would limit the potential legal uses of the property and this could potentially impair its market value.
- This analysis assumes a roof replacement cost of \$220,000. If further documentation of the roof condition and the reported cost are made available, and it differs materially from what is reported herein, then we reserve the right to amend the appraisal.

### Hypothetical Conditions

- None.

***If any of the above are found to be untrue, it could influence the value conclusions.***

## Scope of Work

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The elements addressed in the Scope of Work are (1) the extent to which the subject property is identified, (2) the extent to which the subject property is inspected, (3) the type and extent of data researched, (4) the type and extent of analysis applied, (5) the type of appraisal report prepared, and (6) the inclusion or exclusion of items of non-realty in the development of the value opinion. These items are discussed below.

### Appraisal Problem to be Solved

The appraisal problem is defined by the intended use, which is for asset valuation by the client. In this case, there is a single question to be answered, which is the market value of the real estate as defined under FIRREA, summarized in the following table:

Valuation Scenario	Effective Date of Value
As Is Market Value of the Fee Simple Interest	September 17, 2019

### Type and Extent of Analysis Applied (Valuation Methodology)

We observed surrounding land use trends, the condition of any improvements, demand for the subject property, and relevant legal limitations in concluding a highest and best use. We then valued the subject based on that highest and best use conclusion.

Appraisers develop an opinion of property value with specific appraisal procedures that reflect three distinct methods of data analysis: the cost approach, sales comparison approach, and income capitalization approach. One or more of these approaches are used in all estimations of value.

- Cost Approach - In the cost approach, the value indication reflects the sum of current depreciated replacement or reproduction cost, land value, and an appropriate entrepreneurial incentive or profit.
- Sales Comparison Approach - In the sales comparison approach, value is indicated by recent sales and/or listings of comparable properties in the market, with the appraiser analyzing the impact of material differences in both economic and physical elements between the subject and the comparables.
- Income Capitalization Approach - In the income capitalization approach, value is indicated by the capitalization of anticipated future income. There are two types of capitalization: direct capitalization and yield capitalization, more commonly known as discounted cash flow (DCF) analysis.

All of these approaches to value were considered in the appraisal process. We assessed the availability of data and applicability of each approach to value within the context of the characteristics of the subject property and the needs and requirements of the client. Based on this assessment, the Sales Comparison and Income Capitalization Approaches were developed in this appraisal. Further discussion of the extent of our analysis and the methodology of each approach is provided later in the respective valuation sections.

### Extent to Which the Property was Identified

The legal description was obtained from the tax parcel reference.

### Extent of Property Inspection

The site was visited on September 17, 2019, at which time the exterior and interior were viewed. Floor plan drawings were available for review. Area measures were based on drawings and ownerships representation.

### Land Use Regulations

The zoning district and land use regulations were confirmed via the zoning authority website.

### Type and Extent of the Data Researched

Research included sale, rent, and expense comparables. Data sources included proprietary databases, interviews with market participants and Internet websites.

### Appraisal Conformity and Report Type

We developed our analyses, opinions, and conclusions and prepared this report in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute; and the requirements of our client as we understand them. This is an Appraisal Report as defined by the Uniform Standards of Professional Appraisal Practice under Standards Rule 2-2a.

### Personal Property/FF&E

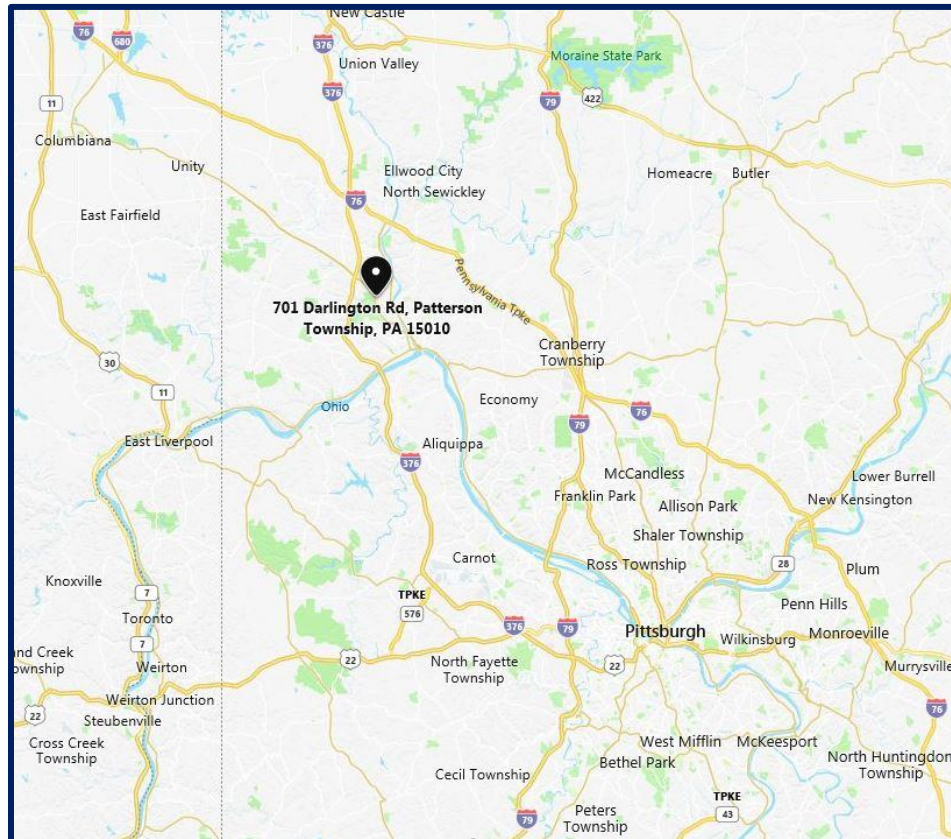
All furniture, fixtures, and equipment (FF&E) or any other personal property have been excluded from our analysis. The opinion of market value developed herein is reflective of real estate only.

### Competency Statement

The appraisers have provided opinions of market value of similar properties throughout the region. They are familiar with the current trends impacting the property including mortgage interest rates, employment trends and user requirements. Furthermore, the appraisers are familiar with current financing and investor return expectations and trends within the regional real estate investment market.

# Regional and Market Area Analysis

## REGIONAL MAP



## Overview

The subject is located in Patterson Township, in Beaver County. It is part of the Pittsburgh MSA. The relationship of the county to the most proximate major markets is as follows:

### Distance to Major Markets

Metro Area	Approximate Distance
Pittsburgh, PA	35 miles (Southeast)
Youngstown, OH	42 miles (Northwest)
Wheeling, WV	67 miles (Southwest)
Morgantown, WV	95 miles (Northwest)
Cleveland, OH	109 miles (Northwest)

\* Distances are measured from Beaver Borough, which is the county seat.

Beaver County is in the western portion of the Pittsburgh Metropolitan Statistical Area and benefits from the concentration of employers, services and infrastructure of a major metropolitan area.

## Infrastructure

Infrastructure considerations relate primarily to transportation and utility systems. First addressing transportation, roadways are perhaps the most important aspect. Primary routes within the area are identified as follows:

### Primary Routes

North-South	East-West
PA Route 18	Interstate 76
US Route 51	Interstate 376
PA Route 60	US Route 30
PA Route 65	--

Highway transportation within the region is adequate. Interstate 376 (formerly Route 60) is a limited access highway that bisects the county from the southwest border with Allegheny County and Pittsburgh International Airport extending north to Mercer County. It intersects with the Pennsylvania Turnpike in New Galilee. Route 51 is a heavily traveled secondary artery that connects a number of the older industrially based communities that line the Ohio River. Development along these routes is anticipated as utility services are extended and other local infrastructure improvements are implemented.

Other modes of transportation servicing the area are as follows:

### Transportation

Mode	Provider
Airports	Pittsburgh International, Allegheny County
Railroads	Conrail, Amtrak, P&LE, CSX
Bus	Port Authority of Allegheny County, Greyhound, County Transit Authorities

The Pittsburgh International Airport (PIA) is one of the largest complexes built since the construction of the Dallas-Fort Worth Airport in 1974. The facility is fourteen miles west of Pittsburgh and provides transportation for residents throughout southwestern Pennsylvania, as well as those within portions of Ohio and West Virginia. Cutbacks by US Airways, the primary carrier, have left large portions of the structure underutilized and several gates have been moth-balled. That said, discount carriers have moved into some of the gates. Southwest Airlines began flying to four non-stop destinations from Pittsburgh in May 2005 and is now the second largest carrier.

The Port of Pittsburgh includes Allegheny, Armstrong, Beaver, Butler, Clarion, Fayette, Greene, Indiana, Lawrence, Washington, and Westmoreland counties and the 200 miles of commercially navigable waterways within that region. It is home to more than 200 river terminals and barge industry service suppliers -- and is served by the CSX and Norfolk Southern railroads and four interstate highways. The port handled 40 million tons of cargo in 2009. About 34,000 jobs in the port area are dependent on the system.



The Beaver County Transit Authority provides bus service throughout Beaver County and to destinations in Allegheny County. The BCTA operates a 51-vehicle fleet including buses and coaches. The authority opened the \$14 million Expressway Travel Center, a transit terminal with 200 parking spaces for commuters, in 2001. While budget constraints forced cuts in operation, the system still provides adequate service throughout the more densely developed portions of the county.

With regard to utility availability, the following providers service the region:

Utility Providers	
Service	Provider
Natural Gas	Columbia, Peoples
Electricity	Duquesne Light, Pennsylvania Power
Water	Municipal Authorities
Sewerage	Municipal Authorities

The highway system provides adequate access throughout the region and good linkage to nearby major markets. Other modes of transportation supporting passenger and freight movement are also good. The utility infrastructure is developed to the point where public utilities are available to most portions of the county. Overall, the regional infrastructure is well developed and is an asset to attracting new business to the area.

### Physical Features and Land Use Characteristics

Beaver County's land area is approximately 444 square miles of rolling topography with its lowest point near the western banks of the Ohio River; much of the area remains undeveloped. The county features 10 square miles of water, the 7,572-acre Raccoon Creek State Park in the southern part of the county, and the 2,000-acre Brady's Run County Park in the center of the county.

Residential development is primarily occurring in the central portion of the county, along the Allegheny County border and near Cranberry Township. Commercial development is primarily occurring in the central portion of the county. Industrial uses are being pursued proximate to the I-76/I-376 Hopewell/Big Beaver corridors.

There is ample land available for development though utilities and infrastructure, as well as demand characteristics, limit the potential for growth.

### Population

Population characteristics relative to the subject property are presented in the following table.

Area	2000	2010	Annual %	Estimated	Projected	Annual %
			Change			Change
			2000 - 10	2019	2024	2019 - 24
United States	281,421,906	308,745,538	1.0%	332,417,793	345,487,602	0.8%
Pennsylvania	12,281,054	12,702,379	0.3%	13,012,438	13,160,675	0.2%
Pittsburgh MSA	2,431,087	2,356,285	-0.3%	2,359,300	2,359,594	0.0%
Beaver County, PA 4	181,412	170,539	-0.6%	167,258	165,135	-0.3%

*Source: Site-to-Do-Business (STDB Online)*

After experiencing a slight decline in population from 2000 to 2010, the MSA exhibited a slight gain from 2010 to 2018. This compares favorably to Beaver County which continued to decline in population, albeit at a nominal rate. The data suggests a slight continued decline through 2023.

## Employment

Manufacturing, which was long the basis of the local economy, has been declining for an extended period of time. Major areas of employment include finance, health care, education, high technology, and research. Growth in these sectors is now sufficient to offset the losses experienced in the manufacturing sector, though not yet sufficient to drive regional growth. That noted, these sectors draw a highly educated, largely well-paid workforce. Employment by industry for the MSA is as follows:

### Employment by Industry - Beaver County

Industry	2019 Estimate	Percent of Employment
Agriculture/Mining	687	0.80%
Construction	5,242	6.10%
Manufacturing	10,312	12.00%
Wholesale trade	2,406	2.80%
Retail trade	9,452	11.00%
Transportation/Utilities	9,280	10.80%
Information	859	1.00%
Finance/Insurance/Real Estate Services	5,242	6.10%
Services	39,872	46.40%
Public Administration	2,492	2.90%
<b>Total</b>	<b>85,930</b>	<b>100.0%</b>

Source: Site-to-Do-Business (STDB Online)

The county has a greater percentage of the population involved in the transportation/utilities industry than the MSA, state, or the nation. Manufacturing is well below any of the assembled areas. Services are generally consistent with state and national trends. Growth in the services sector has been driving economic stability in the region.

Principal employers in the region are listed as follows<sup>2</sup>:

#### Top 10 Employers by Employment in Q4 of 2018

Great Arrow Builders LLC  
 Valley Medical Facilities Inc  
 Passavant Memorial Homes  
 Wal-Mart Associates Inc  
 FirstEnergy Nuclear Operating Co  
 Beaver County  
 IPSCO Koppel Tubulars Corp  
 McGuire Memorial  
 Veka Inc  
 Heritage Valley Medical Group Inc

Source: Quarterly Census of Employment and Wages

<sup>2</sup> Source: [www.pasitesearch.com](http://www.pasitesearch.com)

The employment distribution and array of principal employers suggest adequate economic diversity in Beaver County. While historically there have been few drivers for considerable new employment, recent activity suggests that growth in the health services and research generated from the universities in the MSA may be starting to reinvigorate the economy.

Shell Oil purchased a 340-acre site for \$13.5 million for the development of a world-class, multi-billion dollar, ethane cracker (petrochemical) plant. Demolition, foundation work, environmental cleanup, and site work are now complete. Construction of the petrochemical complex commenced in November 2017. The primary structures include four processing units, an ethane cracker, and three polyethylene units. In addition, Shell will construct a 900-foot long cooling tower, rail and truck loading facilities, an office building and laboratory, a water treatment plant, and a 250-megawatt natural gas-fired power plant. The plant will be receiving state grants and tax abatement through an expanded Keystone Opportunity Zone. The development is expected to create 600 permanent jobs at the plant and a greater number of spin-off jobs. It is expected that there will be up to 6,000 contractors working on construction of the plant. The proposed plant has also spurred considerable new development, including: a new hotel, a large training center for Columbia Gas, and increased residential activity within close proximity to the plant.

## Unemployment

The following table exhibits current and past unemployment rates as obtained from the Bureau of Labor Statistics. The county figure typically represents a figure that is a month behind the national and state figures.

### Unemployment Rates

Area	2012	2013	2014	2015	2016	2017	2018	Current
United States	8.1%	7.4%	6.2%	5.3%	4.9%	4.4%	3.9%	3.7%
Pennsylvania	7.8%	7.4%	5.9%	5.3%	5.4%	4.9%	4.3%	4.5%
Pittsburgh MSA	7.2%	6.8%	5.7%	5.3%	5.6%	5.0%	4.3%	4.0%
Beaver County	7.5%	7.2%	6.5%	6.0%	6.3%	5.5%	4.5%	3.8%

*Source: Bureau of Labor Statistics - Not Seasonally Adjusted*

## Median Household Income

Total median household income for the region is presented in the following table. Overall, the subject's MSA and county compare unfavorably to the state and the country.

### Median Household Income

Area	Estimated 2019	Projected 2024	Annual % Change 2019 - 24
United States	\$60,548	\$69,180	2.9%
Pennsylvania	\$59,112	\$66,924	2.6%
Pittsburgh MSA	\$58,651	\$67,051	2.9%
Beaver County	\$56,100	\$62,596	2.3%

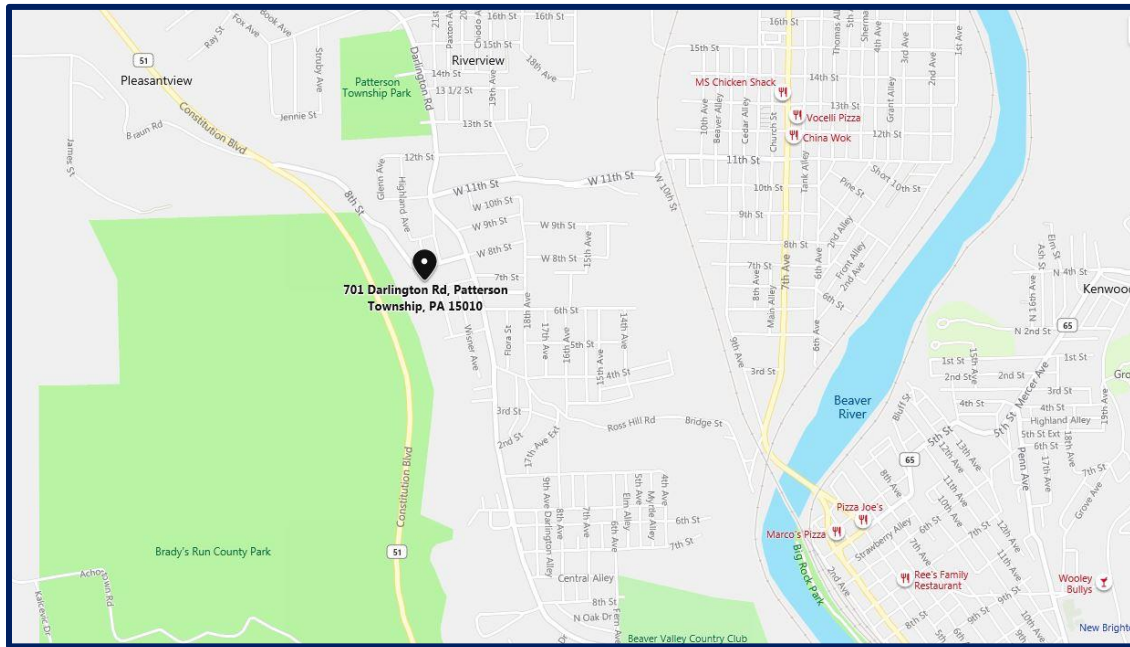
*Source: Site-to-Do-Business (STDB Online)*

## Conclusions

Overall, the regional characteristics exert a stable to positive influence on the subject property.

# City and Neighborhood Analysis

**NEIGHBORHOOD MAP**



## Overview

The neighborhood discussion addresses the relative desirability of the subject area within the region, and identifies dominant characteristics of the residential and non-residential properties within the area.

## Neighborhood Location and Boundaries

The subject is located in Patterson Township in central Beaver County. The township has a total land area of 1.7 square miles and is located about 25 miles northwest of Pittsburgh. Neighborhoods are defined by political boundaries, transportation routes, etc. The subject neighborhood is defined in the following tables:

### Political Boundaries

Municipality/Ward/District	School District	Zip Code / Census Tract
Patterson Township	Blackhawk School District	15010

### Transportation Routes

Local East-West	Local North-South	Interstates
Local Only	SR 588 and SR 51	I-376

The neighborhood boundaries are summarized in the following table:

### Neighborhood Boundaries

Direction	
North	White Township
South	Fallston Borough
East	Beaver Falls, Patterson Heights and New Brighton
West	Chippewa and Brighton Townships

The location setting is suburban. Access to the area is rated as average.

## Demographics

The following table depicts the area demographics within a one-, three-, and five-mile radius from the subject.

### Neighborhood Demographics

Radius	1 mile	3 miles	5 miles
<b>Population Summary</b>			
2000 Population	3,953	35,453	68,117
2010 Population	3,632	33,342	64,469
2019 Population	3,552	32,688	63,404
2024 Population Estimate	3,514	32,268	62,677
Annual % Change (2019 - 2023)	-0.2%	-0.3%	-0.2%
<b>Housing Unit Summary</b>			
2000 Housing Units	1,738	15,065	29,404
% Owner Occupied	63.8%	61.7%	64.0%
% Renter Occupied	28.4%	30.4%	29.0%
2010 Housing Units	1,800	15,094	29,731
% Owner Occupied	60.6%	57.8%	60.9%
% Renter Occupied	30.2%	32.7%	30.2%
2019 Housing Units	1,801	15,070	29,833
% Owner Occupied	60.0%	58.2%	61.1%
% Renter Occupied	29.9%	31.4%	28.8%
2024 Housing Units	1,802	15,081	29,861
% Owner Occupied	58.6%	57.0%	60.0%
% Renter Occupied	30.5%	31.5%	28.9%
Annual % Change (2019 - 2024)	0.0%	0.0%	0.0%
<b>Income Summary</b>			
2019 Median Household Income	\$53,123	\$48,830	\$52,981
2024 Median Household Income Estimate	\$57,832	\$53,860	\$58,711
Annual % Change	1.7%	2.0%	2.1%
2019 Per Capita Income	\$31,891	\$26,733	\$29,426
2024 Per Capita Income Estimate	\$35,548	\$30,384	\$33,543
Annual % Change	2.2%	2.6%	2.7%

Source: Site-to-Do-Business (STDB Online)

Population levels in all three survey rings decreased between 2010 and 2019 and further declines are projected to continue through 2024. Median household income levels are below average, compared to the county and MSA, in all three-survey area. The rate of growth is expected to be similar to the inflation rate.

### Residential Desirability

Some of the primary factors influencing residential desirability are school district quality, safety services, municipal amenities, etc.

#### School District Information

District	Student Population	Grades Served
Blackhawk School District	2,400	K - 8; High School

#### Safety and Emergency Services

Police	Fire	Medical/EMS
Municipal PD	Patterson VFD	Medic Rescue

Neighborhood desirability for residential purposes is rated as average.

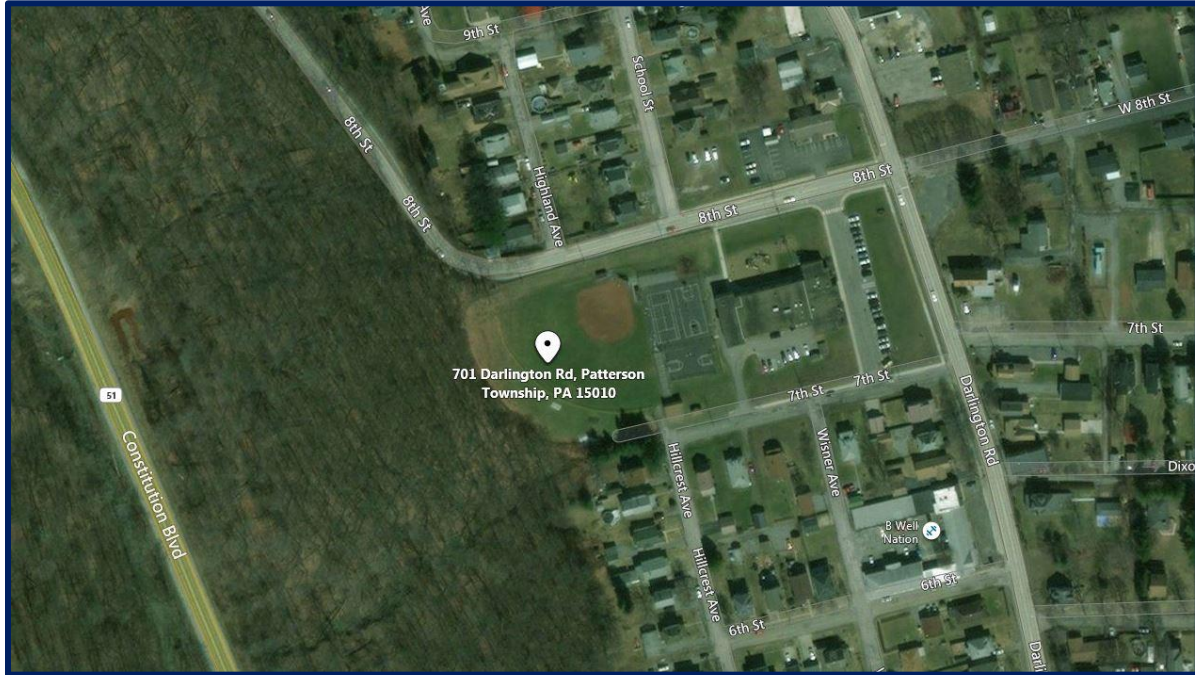
### Non-Residential Characteristics

The neighborhood is largely residential in nature. There are limited commercial uses situated along Darlington Road and commercial/industrial uses along PA 51 (Constitution Boulevard). Most are small-scale local service providers and medical offices. Additionally, there are institutional uses also typically located on or proximate to Darlington Road. The level of non-residential development is adequate and residents can avail themselves of goods and services providers situated in Chippewa, Beaver Falls and the Beaver area.

### Specific Location

The following aerial image provided by Google Earth depicts the subject in relation to its surrounding land uses:



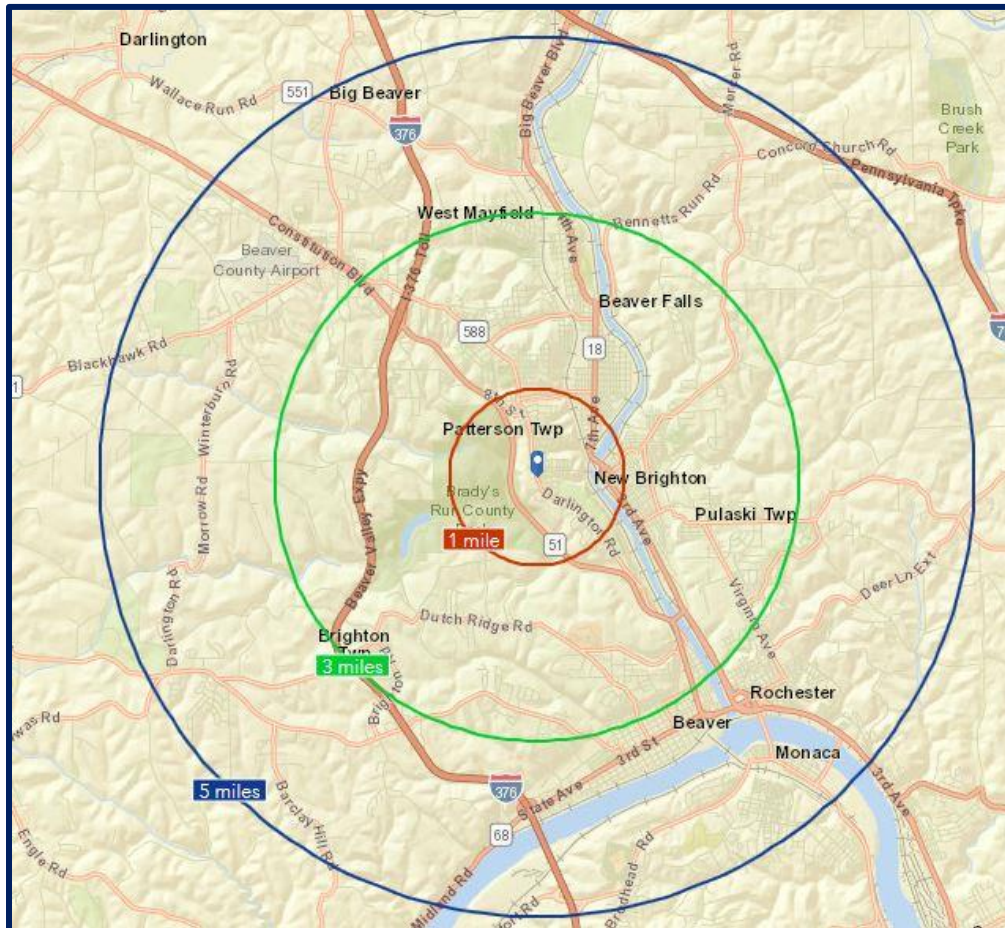


## Conclusions

The area is in the stability stage of the neighborhood life cycle. The factors discussed above suggest that the area is generally equal to other neighborhoods in the county, and exerts a neutral influence on local real estate values.

# Market Trends

**MARKET AREA MAP**



## Definition of Product and Market Segmentation

In the following paragraphs, we describe the competitive qualities of the subject and the market segment in which it competes.

## Property Type

The subject is a school/activity building.

## Demographic information

As detailed in the neighborhood analysis, population in the trade area suggests that the neighborhood is semi-rural and is experiencing a mild decline since 2000.

## Supply and Demand Trends

The subject is a special purpose property, a school/activity building. To our knowledge, there are no public market trend surveys of properties of this type, but there are observable market trends occurring that influence this type of real estate.

In the Pittsburgh region, due to declining and shifting population bases, schools, churches, etc. have either been closed or built to accommodate the micro demographic trends in the region. For example, in 2008, the Pittsburgh Public School system put 20 vacant school properties on the market at a combined asking price of \$7 million. Given declining enrollment, these schools had become a burden to the district. A few of these have sold, while others remain for sale. In the North Hills area of Pittsburgh, four schools in the North Hills School District were placed on the market due to school consolidation. One of these, the Seville Elementary school sold in 2017 for \$445,000.

Conversely, some of the Pittsburgh area schools and others around the region have been purchased by a growing number of charter schools such as; Propel, City Charter High School, Northside Urban Pathways, Career Communications, Charter High School, the Urban League of Greater Pittsburgh Charter School, etc. Charter schools have become very popular due to their ability, at times, to outperform public schools. Not all charter schools succeed, however, and often they are at odds with public schools and their political power.

Other buyers in the market for school buildings have been education or religious oriented groups like Glen Montessori who purchased the former Perrysville Elementary School in Ross Township or Spectrum Charter School who specializes in children with cognitive and sensory challenges, including autism. Other school districts wishing to expand special services have also been buyers of these properties. While this group of buyers has focused on continuation of use, ***in other instances these types of properties have been sold or converted into other uses; commercial, multi-family or industrial, depending upon location and zoning. Location and zoning are significant factors in the redevelopment of these properties as they both outline feasible and permitted alternate uses.***

While the property type is special purpose, there has, historically, been enough buyers, to acknowledge that the available sales are market value oriented, however, in most instances, the sale prices are substantially less than the cost of construction unless there is a lease involved that allows for feasibility.

The subject property is owned by the Blackhawk School District. The Blackhawk School District is a small, semi-rural public-school district that spans portions of Beaver and Lawrence Counties in southwest Pennsylvania. The district encompasses approximately 64 square miles and it covers the Boroughs of Darlington, Patterson Heights and West Mayfield, along with Chippewa Township, Darlington Township, Patterson Township and South Beaver Township. It also serves the Borough of Enon Valley in Lawrence County. The school district currently serves approximately 2,400 students and this represents a decline of about 10.7% from the 2007/08 school year.

Within the school district the Patterson Primary School serves students from Kindergarten to 2<sup>nd</sup> Grade and it has an estimated 2018 enrollment of 512 students. A June 2019 study (*Demographic School Analysis: Population Projections for the Blackhawk School District*) completed for the Blackhawk School District suggests a 2028 enrollment at the Patterson Primary School of 517 students. The school was constructed in 1961 with an addition in 1979. Since 1979 only equipment and mechanical improvements have been completed along with routine maintenance; however, the roof is reportedly near the end of its useful life. Considering the projected stable student population, the demographics of the trade area, the size of the facility and its average condition, we assume that the subject would continue to serve the Blackhawk School District, or it is possible to continue the use of the property as an educational facility for an alternate user. Given its smaller building size and location within a more developed area of the district.

## Conclusions

In summary, there have been a number of former schools marketed in the Pittsburgh area over the last 20 years due to declining school and religious school enrollments or due to outdated facilities being replaced. A more recent trend has been for some of these facilities to be purchased by a growing market of private and charter school groups offering alternatives to the public-school system. We expect that the trend will continue. In this instance, we assume that the subject would continue to serve the Blackhawk School District, or it is possible to continue the use of the property as an educational facility for an alternate user. We do warn the client that if, the subject no longer served the school district or an alternate educational user were not available, the restrictive residential zoning of the site would be a limiting factor that would likely impair the marketing and market value of the property. ***See the Extraordinary Assumption.***



# Site Description

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The characteristics of the site are summarized as follows:

## Site Characteristics

Location:	701 Darlington Road
Gross Land Area:	7.580 Acres or 330,185 SF
Usable Land Area:	4.300 Acres or 187,308 SF
Usable Land %:	56.7%
Shape:	Elongated
Topography:	Terraced and sloping
Grade:	Slightly below street grade
Utilities:	Utilities are reported to be available.
Interior or Corner:	Double Corner
Signalized Intersection:	No: - Traffic signal nearby that enhances access to the site

## Street Frontage / Access

Frontage Road	Primary	Secondary
Street Name:	Darlington Road	8th Street and 7 <sup>th</sup> Street
Street Type:	Public	Public
Frontage (Linear Ft.):	292.48	NA
Number of Curb Cuts:	0	3
Traffic Count (Cars/Day):	3,211	4,978 (8 <sup>th</sup> Street) / NA 7 <sup>th</sup> Street

## Flood Zone Data

Flood Map Panel/Number:	42007C0152D
Flood Map Date:	August 17, 2015
Flood Zone:	Zone X

## Other Site Conditions

Environmental Issues:	An evaluation of the subsurface conditions is beyond the scope of this report. This analysis assumes that the subsurface conditions are suitable for the existing use. Similarly, we make no determination as to the presence or absence of any environmental hazard; <b>however, the age of the building suggests that lead based paints and asbestos based materials may be present.</b>
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**Easements/Encroachments:** The site is subject to street and utility easements of record, including access easements. Other than those specifically listed, we are not aware of any easements, restrictions, encumbrances, leases, reservations, covenants, contracts, special assessments, ordinances or partial interests that would adversely affect value. We did not complete a title search or survey of the property and assume no responsibility for matters pertaining to title or ownership. We recommend that the client have such studies completed.

### Site Ratings

**Access:** Above Average  
**Visibility:** Above average

### Zoning Designation

**Zoning Jurisdiction:** Patterson Township  
**Zoning Classification:** R-1, Single-Family Residential District  
**Permitted Uses:** Limited to single-family detached residential dwellings, municipal recreation and accessory residential uses.  
**Zoning Comments:** The age of the property may predate the ordinance, or the school was awarded a variance for development.

### Analysis/Comments on Site

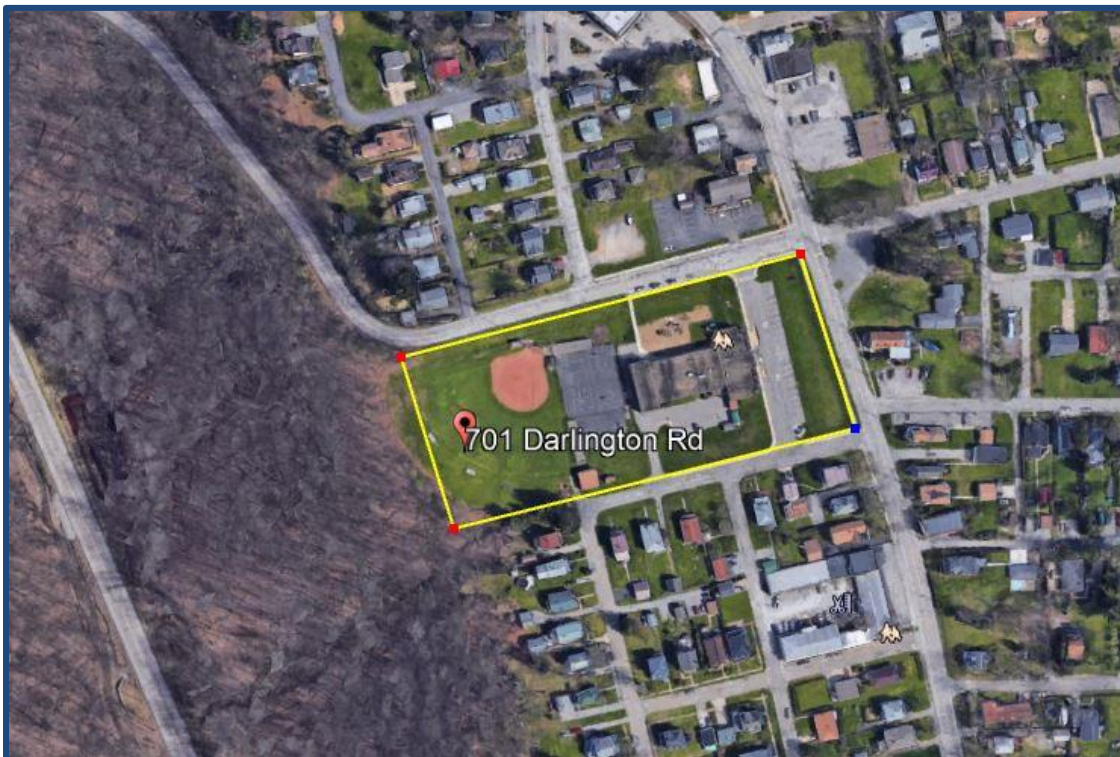
The subject is a 7.58-acre site; however, the rear of the site has a sloping topography and we estimate a usable area of about 4.30 acres. The location is suburban and all public utilities are available. The site is situated slightly below street grade; however, access and visibility are adequate. The site is not located within a flood plain and we are not aware of any adverse easements or encroachments; however, the age of the building suggests that lead based paint and asbestos may be present. We recommend further testing. Overall, the most limiting factor impacting the potential uses of the property is its R-1 zoning.



**TAX MAP**



**USABLE LAND AREA ESTIMATE – 4.3 ACRES**

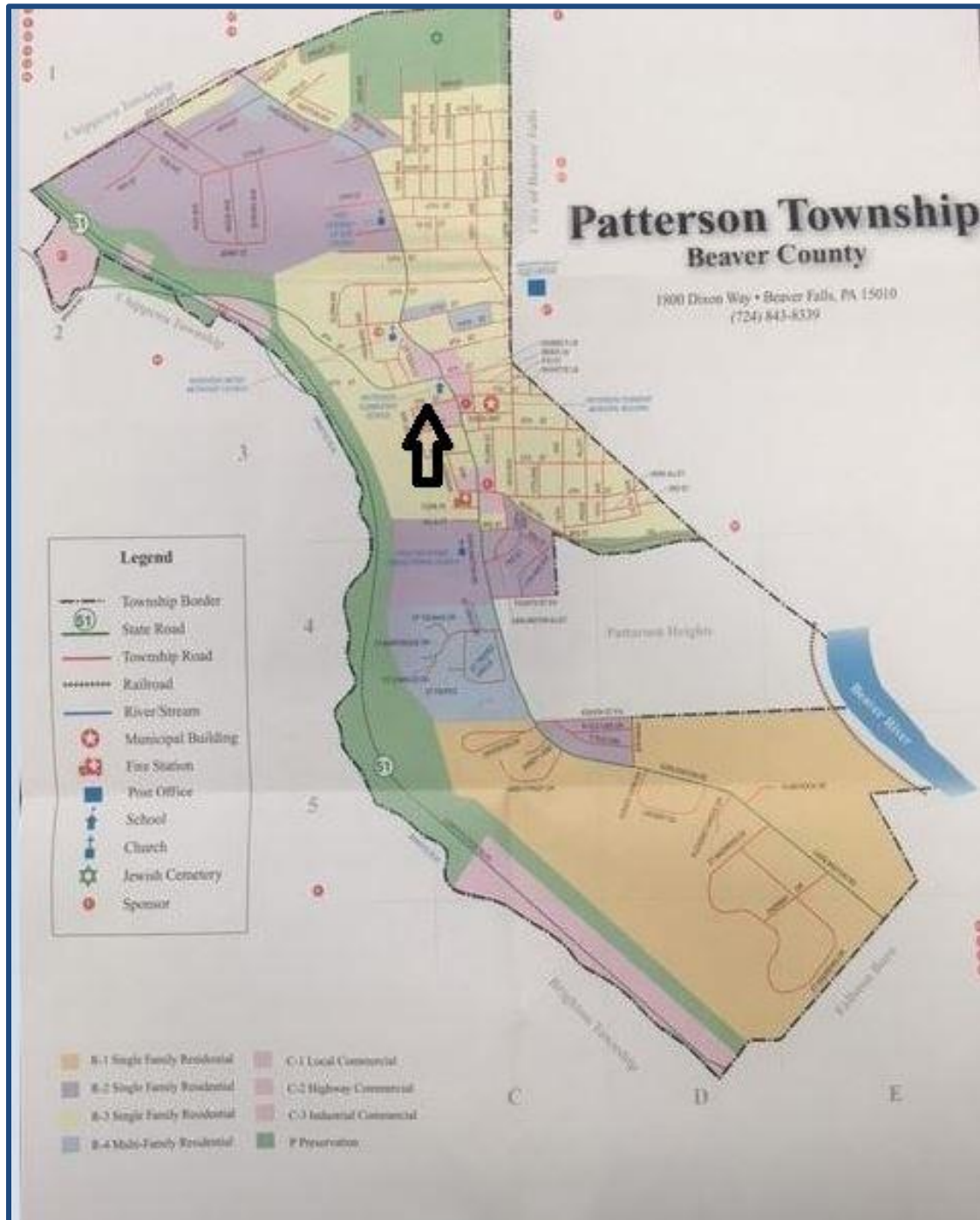


**FLOOD MAP**





**ZONING MAP**



# Improvements Description

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## Improvement Characteristics – Patterson Primary School

Property Type:	Special Purpose
Property Subtype:	School, University Classroom Building
Number of Buildings:	1
Number of Stories	2
Construction Class:	C - Masonry per Marshall Valuation Service
Construction Quality:	Average to good
Gross Building Area (GBA):	28,230 SF (based on Eckles Engineering Documents)

## Age / Life

Year Built:	Original construction 1969 with addition in 1979.
Renovated/Yr. Renovated:	Yes
Yr. Blt./Renovated Comments:	Improvements in 1991, 2009, 2010, 2012 and 2013.
Condition:	Average
Actual Age:	50 years
Effective Age:	30 years
Typical Building Life:	45 years
Remaining Economic Life:	15 years

## Structural Characteristics

Foundation:	Masonry
Building Frame:	Masonry
Exterior Walls:	Brick
Roof Material:	Built-up with aggregate ballast over insulated metal deck supported by steel trusses. The age of the roof is unknown; however, <b><i>we were informed that the roof is nearing the end of its useful life and the reported estimated cost of a roof replacement is \$220,000.</i></b>

## Interior Characteristics

Floors:	The lower level has a poured concrete slab on grade and the upper level is concrete on metal deck supported by steel joists. The floor coverings are primarily terrazzo and commercial grade carpeting.
Walls:	Combination of painted plaster, glazed tile and masonry walls.
Ceilings:	Acoustic Tile, Exposed in the gymnasium
Lighting:	Fluorescent
Restrooms:	Yes-student and faculty restrooms.

## Mechanical Systems

Electrical:	1,000 Amp Main
Heating:	Boiler (gas), radiant heaters
Air Conditioning:	Air-conditioning service in classrooms only.
Fire Protection/Sprinklers:	Fire alarm system and security cameras, no sprinkler system.
Number of Elevators:	0

## Ratios & Parking

Land-to-Building Ratio:	5.85 to 1 (Usable Land/GBA)
Floor Area Ratio (FAR):	0.09 (based on GBA)
Parking Spaces:	30
Parking Ratio:	1.06 (per 1,000 sf of GBA)

## Site Improvements

Primary Site Improvements:	Playground, baseball field, paved parking, concrete sidewalks and storage shed.
Landscaping:	Above average

## Deferred Maintenance

We were informed that a roof replacement will be require in the near future. The reported roof replacement cost is \$220,000.

## Analysis/Comments on Improvements

The functional utility of the property is rated as average based upon a comparison of similar educational properties of this vintage.

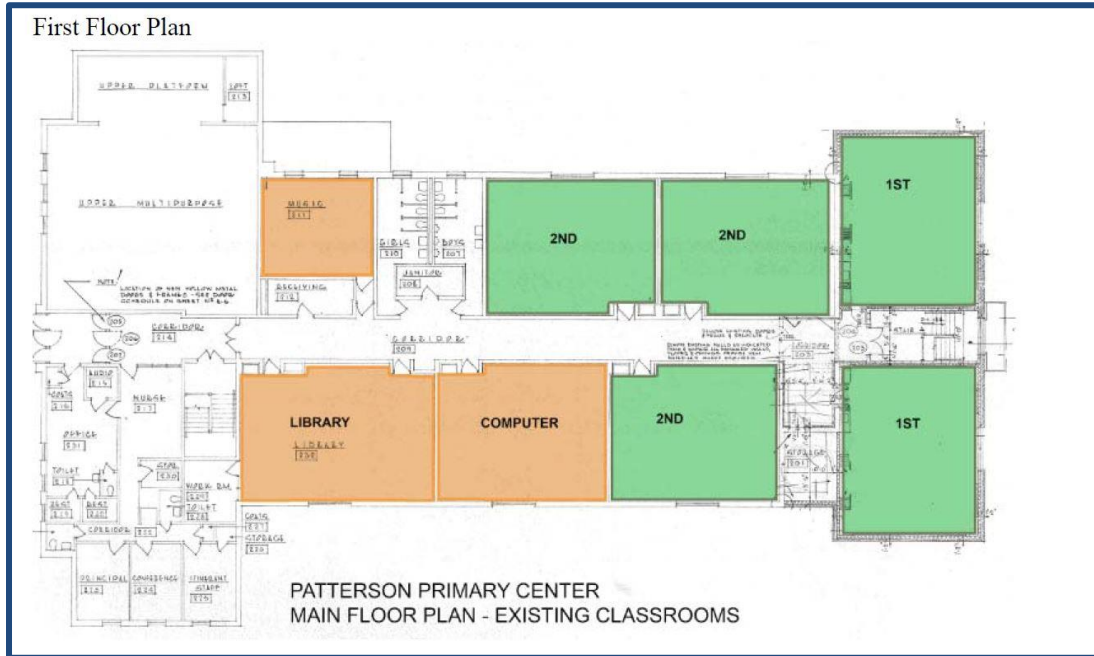
## ADA Issues

The Americans with Disabilities Act ("ADA") become effective January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative effect upon the value of the property. We have no direct evidence relating to this issue and are not experts in this field. **Possible non-compliance with ADA requirements was NOT considered in estimating the property value.**

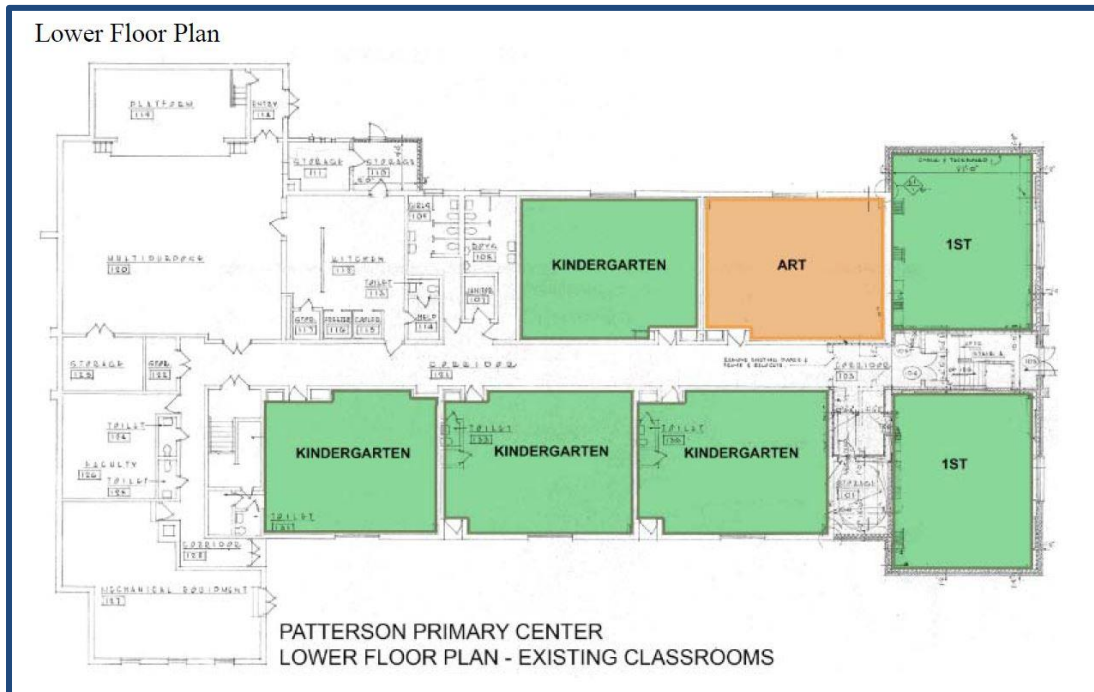
## Notes

Unless otherwise noted, the appraiser(s) assumes the various elements that constitute to the subject property are fundamentally sound and in working order. Statements regarding the condition, particularly those related to major mechanical and structural systems, are based on superficial observations only. The appraisal should not be relied upon to disclose the condition of the property or the presence/absence of any defects. **Inspections by qualified personnel for such matters are encouraged.**

**MAIN LEVEL FLOOR PLAN**



**LOWER LEVEL FLOOR PLAN**



# Zoning Overview

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An overview of the zoning characteristics and requirements is provided in the tables that follow:

## ZONING DESCRIPTION

Zoning Overview	
Jurisdiction:	Patterson Township
Zoning Code:	R-1
Description/Category:	Single-Family Residential District
Permitted Uses:	Limited to single-family detached residential dwellings, municipal recreation and accessory residential uses.
Conditional Uses:	Limited home occupation, private recreation and horse stables.
Current/Proposed Use Permitted:	No – the age of the property may predate the ordinance, or the school was awarded a variance for development.

### Conclusion

The improvements were built in 1969, which may precede the current zoning regulations. As such, the improvements represent a legal, nonconforming use of the site.

### Limitations of Zoning Analysis

Zoning regulations are often complex and a number of factors can impact the compliance of a property. The data presented and the conclusions reported are not intended to be an absolute statement of compliance (or non-compliance) as that is beyond the scope of this assignment. If the intended user requires a more in-depth analysis of the zoning, an expert in that field should be consulted.



## Subject Photos

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Exterior View



Exterior View



Exterior View



Exterior View

*Additional photos are included in the Addenda*

## Assessment and Tax Data

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### Assessment Methodology

The following identifies the current assessment for the subject. As a public educational facility the property is tax-exempt.

2019 Assessment		
Parcel No.	72-005-0612	Total
Land:	\$23,200	\$23,200
Building:	<u>\$1,173,500</u>	<u>\$1,173,500</u>
Total:	\$1,196,700	<b>\$1,196,700</b>

The current common level ratio / factor for Beaver County is 4.59. Assuming an assessment of \$1,196,700 and a factor of 4.59, the indicated market value for tax purposes only is \$5,492,853. If an alternate use of the property is assumed the property would be reassessed by Beaver County.



# Highest and Best Use

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The Highest and Best Use of a property is the use that is legally permissible, physically possible, and financially feasible which results in the highest value. An opinion of the highest and best use results from consideration of the criteria noted above under the market conditions or likely conditions as of the effective date of value. Determination of highest and best use results from the judgment and analytical skills of the appraiser. It represents an opinion, not a fact. In appraisal practice, the concept of highest and best use represents the premise upon which value is based.

## Analysis of Highest and Best Use As If Vacant

The primary determinants of the highest and best use of the property as if vacant are the issues of (1) Legal permissibility, (2) Physical possibility, (3) Financial feasibility, and (4) Maximum productivity.

### Legally Permissible

The subject site is zoned R-1, Single-Family Residential District which controls the general nature of permissible uses but is appropriate for the location and physical elements of the subject property, providing for a consistency of use with the general neighborhood. The location of the subject property is appropriate for the uses allowed, as noted previously, and a change in zoning is unlikely. There are no known easements, encroachments, covenants or other use restrictions that would unduly limit or impede development.

### Physically Possible

The primary factors impacting adaptability are the physical characteristics of the land and the influence of other land uses within the area. The physical site characteristics are reiterated as follows:

#### **PHYSICAL CHARACTERISTICS**

<b>Characteristic</b>	<b>Conclusion</b>
Gross Land Area	330,185 square feet / 7.580 acres
Usable Land Area	187,308 square feet / 4.30 acres
Topography	Terraced and sloping
Shape	Elongated
Utilities	Utilities are reported to be available.
Visibility	Above average
Flood Plain	Zone X
Access	Above Average
Surrounding Land Uses	Suburban residential, local commercial

Conclusion: There are no items of a physical nature that would materially limit any reasonable development plan.

### Financially Feasible

Feasibility is a function of demand, which in turn can be measured through achievable sale, rent and occupancy levels. Ultimately, the question is whether or not demand is adequate to assure sale or rent levels that warrant anticipated construction costs. The test for financial feasibility depends on estimates of costs, income risk and expected rates of return.

Considering the permitted uses of the property, it is unlikely that demand would support a speculative development at this time, eg., a residential subdivision. In support of this conclusion we completed a search of the following databases – The federal government’s SOCDs Building Permit Database, the West Penn Multi-List and RealStats. From 2014 to the present, we only identified 3 residential lot sales that are all located in the County Club Estates Plan. This is an older subdivision that originated in the 1970’s. These results indicate that there is likely insufficient demand for a residential subdivision development in Patterson Township at this time.

### Maximally Productive

Among the financially feasible uses, the use that results in the highest value (the maximally productive use) is the highest and best use. Considering these factors, the maximally productive use as though vacant is for the property to remain vacant.

### Conclusion of Highest and Best Use As If Vacant

Based on the absence of new development in Patterson Township, the conclusion of the highest and best use as if vacant is for the site to remain vacant.

### Analysis of Highest and Best Use as Improved

As an improved property, the analysis must consider the following alternatives:

- Operate the property with no significant modifications.
- Implement property modifications to increase revenue potential, improve functional utility, enhance marketability or extend the remaining economic life.
- Raze the improvements to allow for an alternate development.

The following table summarizes the relevant factors:

<b>Property Feature</b>	<b>Evaluation</b>
Size	Consistent
Condition	Average
Functional Utility	Average
Consistency with Highest & Best Use as Vacant	Consistent

The highest and best use of the subject property, as improved, is a school if demand is evident.

### Most Probable Buyer

As of the date of value, the most probable buyer of the subject property is a private educational user.

# Appraisal Methodology

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## Three Approaches to Value

There are three traditional approaches typically available to develop indications of real property value: the cost, sales comparison, and income capitalization approaches.

### Cost Approach

The cost approach is based upon the principle that a prudent purchaser would pay no more for a property than the cost to purchase a similar site and construct similar improvements without undue delay, producing a property of equal desirability and utility. This approach is particularly applicable when the improvements being appraised are relatively new or proposed, or when the improvements are so specialized that there are too few comparable sales to develop a credible Sales Comparison Approach analysis.

### Sales Comparison Approach

In the sales comparison approach, the appraiser analyzes sales and listings of similar properties, adjusting for differences between the subject property and the comparable properties. This method can be useful for valuing general purpose properties or vacant land. For improved properties, it is particularly applicable when there is an active sales market for the property type being appraised – either by owner-users or investors.

### Income Capitalization Approach

The income capitalization approach is based on the principle that a prudent investor will pay no more for the property than he or she would for another investment of similar risk and cash flow characteristics. The income capitalization approach is widely used and relied upon in appraising income-producing properties, especially those for which there is an active investment sales market.

## Subject Valuation

As stated within the Scope of Work, we have relied upon the Sales Comparison and Income Capitalization Approaches. The Cost Approach was considered, but not fully developed given the subjectivity involved with estimating accrued depreciation.



# Sales Comparison Approach

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## Methodology

The sales comparison approach develops an indication of market value by analyzing closed sales, listings, or pending sales of properties similar to the subject, focusing on the difference between the subject and the comparables using all appropriate elements of comparison. This approach is based on principles of supply and demand, balance, externalities, and substitution, or the premise that a buyer would pay no more for a specific property than the cost of obtaining a property with the same quality, utility, and perceived benefits of ownership.

The process of developing the sales comparison approach consists of the following: (1) researching and verifying transactional data, (2) selecting relevant units of comparison, (3) analyzing and adjusting the comparable sales for differences in various elements of comparison, and (4) reconciling the adjusted sales into a value indication for the subject.

## Unit of Comparison

The primary unit of comparison selected depends on the appraisal problem and nature of the property. The primary unit of comparison in the market for properties such as the subject property is price per square foot of the gross building area.

## Elements of Comparison

Elements of comparison are the characteristics or attributes of properties and transactions that cause the prices of real estate to vary. The primary elements of comparison considered in sales comparison analysis are as follows: (1) property rights conveyed, (2) financing terms, (3) conditions of sale, (4) expenditures made immediately after purchase, (5) market conditions, (6) location, and (7) physical characteristics.

## Comparable Sales Data

A search of data sources typically includes a review of public records, a field survey, interviews with knowledgeable real estate professionals in the area, and a review of our internal database. The comparables selected for the analysis were based on the following parameters:

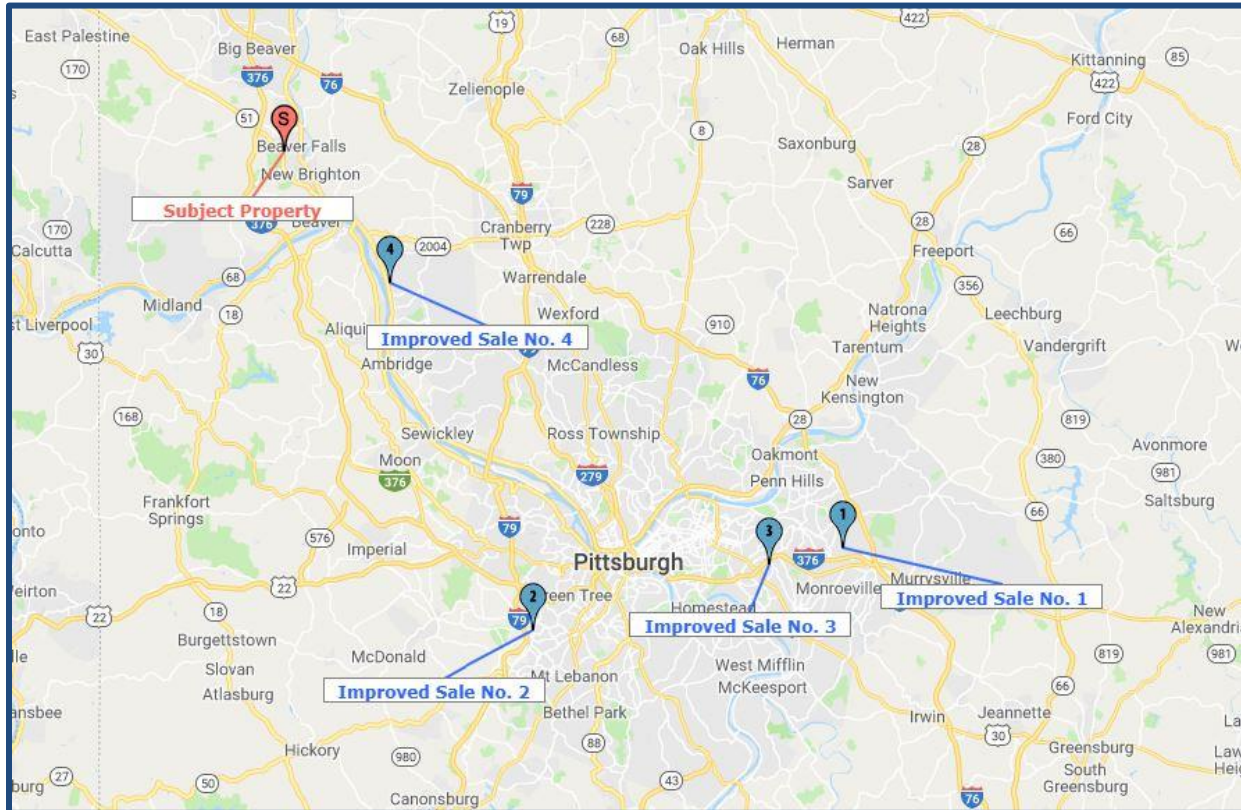
Item	Parameter
Time Frame	Best Available
Geographic Location	Western PA
Property Type	School Properties

Based on the above research parameters, we used the sales summarized on the following page in the analysis.

### Improved Sales Summary

Comp. No.	Date of Sale	Property Name	Municipality / County	Year Built	Unadjusted		
					GBA	Sale Price	PSF
1	September-16	New Story	Monroeville / Allegheny	1961	27,500	\$827,200	\$30.08
2	September-14	Former School	Heidelberg / Allegheny	1960	14,756	\$435,000	\$29.48
3	March-17	Former Churchill Elementary	Churchill / Allegheny	NA	24,082	\$700,000	\$29.07
4	April-18	Baden Academy Charter School Activities	Baden / Beaver	1970's	23,280	\$580,000	\$24.91

### COMPARABLE SALES MAP



## COMPARABLE 1



### Property Identification

<b>Property/Sale ID</b>	1161124/500164
<b>Property Type</b>	School, University Classroom Building
<b>Property Name</b>	New Story
<b>Address</b>	715 Bilberry Road
<b>City, State Zip</b>	Monroeville, Pennsylvania 15146
<b>County</b>	Allegheny
<b>MSA</b>	Pittsburgh
<b>Submarket</b>	East
<b>Latitude/Longitude</b>	40.450631/-79.783421
<b>Tax ID</b>	637-H-52

### Transaction Data

<b>Sale Date</b>	09-23-2016	<b>Financing</b>	Cash to Seller
<b>Sale Status</b>	Closed	<b>Conditions of Sale</b>	See comments
<b>Grantor</b>	Salisbury Real Holdings 3, LLC	<b>Deed Book/Page</b>	16559/494
<b>Grantee</b>	Volos Properties 6, LLC	<b>Sale Price</b>	\$827,200
<b>Property Rights</b>	Fee Simple	<b>Sale Conditions Adj.</b>	\$52,800
		<b>Adjusted Price</b>	\$880,000

### Property Description

<b>Gross Building SF</b>	27,500	<b>Pkg/1,000 SF GBA</b>	4.04
<b>Net Rentable SF</b>	27,500	<b>Pkg/1,000 SF NRA</b>	4.04
<b>No. of Lots</b>	1	<b>Gross Acres</b>	5.500
<b>Stories</b>	2	<b>Usable Acres</b>	5.500
<b>Building Condition</b>	Average	<b>Flr. Area Ratio (FAR)</b>	0.11
<b>Building Quality</b>	Average to good	<b>Gross Land to Bldg</b>	8.71
<b>Construction Class</b>	C - Masonry	<b>Usable Land to Bldg</b>	8.71
<b>Year Built</b>	1961	<b>Access</b>	Fair to Adequate
<b>Office Space %</b>	0.0%	<b>Visibility</b>	Fair
<b>Parking Spaces</b>	111		

### Physical Indicators

<b>\$/SF GBA</b>	\$32.00	<b>Occupancy at Sale</b>	100.0%
<b>\$/SF NRA</b>	\$32.00		

### Verification

<b>Confirmed With</b>	Alan Schwender
<b>Confirmed By</b>	William K. Murtha, MAI
<b>Confirmation Date</b>	11-03-2016

### Remarks

Former two-level school at the terminus of a residential street. Prior to purchase as a school it was used as an office building. The lower level had been renovated in 2000.

The property was purchased by a family trust which is a subsidiary of New Story. While the parties are related the sale was based upon an appraisal of \$880,000 less a 6% real estate commission. Therefore, the sale price is market oriented. The buyer then leased the property back to New Story for 12-years at a rate of return of 8%, NNN with 2% per year increases. The lease is below market.





## COMPARABLE 2



### Property Identification

<b>Property/Sale ID</b>	1191596/495394
<b>Property Type</b>	School, University Classroom Building
<b>Property Name</b>	Former School
<b>Address</b>	1819 Ellsworth Avenue
<b>City, State Zip</b>	Heidelberg, Pennsylvania 15106
<b>County</b>	Allegheny
<b>MSA</b>	Pittsburgh
<b>Submarket</b>	West
<b>Latitude/Longitude</b>	40.389824/-80.090835
<b>Tax ID</b>	101-G-37

### Transaction Data

<b>Sale Date</b>	09-30-2014	<b>Financing</b>	Cash to Seller
<b>Sale Status</b>	Recorded	<b>Conditions of Sale</b>	Market
<b>Grantor</b>	Three Hierarchs Eastern Orthodox School	<b>Deed Book/Page</b>	15751/235
<b>Grantee</b>	WFE Enterprises LLC	<b>Days on Market</b>	326
<b>Property Rights</b>	Fee Simple	<b>Sale Price</b>	\$435,000
		<b>Adjusted Price</b>	\$435,000

### Property Description

<b>Gross Building SF</b>	14,756	<b>Parking Spaces</b>	18
<b>Stories</b>	1	<b>Pkg/1,000 SF GBA</b>	1.22
<b>Year Built</b>	1960	<b>Gross Acres</b>	0.932
<b>Yr. Blt. Comments</b>	Roof and HVAC replaced in 1997	<b>Flr. Area Ratio (FAR)</b>	0.36
<b>Office Space %</b>	0.0%	<b>Gross Land to Bldg</b>	2.75
		<b>Flood Hazard Zone</b>	Zone X (unshaded)

**Physical Indicators**

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**\$/SF GBA**                      \$29.48**Verification**

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**Confirmed With**              Michelle Williams  
**Confirmed By**                 William K. Murtha**Remarks**

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One-story brick school building containing four classrooms, an office, a library and a stage/multi- purpose area. Purchased for use as a daycare.



### COMPARABLE 3



#### Property Identification

<b>Property/Sale ID</b>	1201613/501500
<b>Property Type</b>	School, University Classroom Building
<b>Address</b>	2430 Greensburg Pike
<b>City, State Zip</b>	Churchill, Pennsylvania 15221
<b>County</b>	Allegheny
<b>MSA</b>	Pittsburgh
<b>Latitude/Longitude</b>	40.438344/-79.856344
<b>Tax ID</b>	298-G-105

#### Transaction Data

<b>Sale Date</b>	03-16-2017	<b>Financing</b>	Cash to Seller
<b>Sale Status</b>	Closed	<b>Conditions of Sale</b>	Atypically motivated buyer
<b>Grantor</b>	Woodland Hills School District	<b>Deed Book/Page</b>	16731/282
<b>Grantee</b>	Pace School	<b>Sale Price</b>	\$700,000
<b>Property Rights</b>	Fee Simple	<b>Adjusted Price</b>	\$700,000

#### Property Description

<b>Gross Building SF</b>	24,082	<b>Pkg/1,000 SF GBA</b>	2.99
<b>Net Rentable SF</b>	24,082	<b>Pkg/1,000 SF NRA</b>	2.99
<b>Stories</b>	1	<b>Gross Acres</b>	4.591
<b>Construction Class</b>	C - Masonry	<b>Flr. Area Ratio (FAR)</b>	0.12
<b>Office Space %</b>	0.0%	<b>Gross Land to Bldg</b>	8.30
<b>Parking Spaces</b>	72		

### Physical Indicators

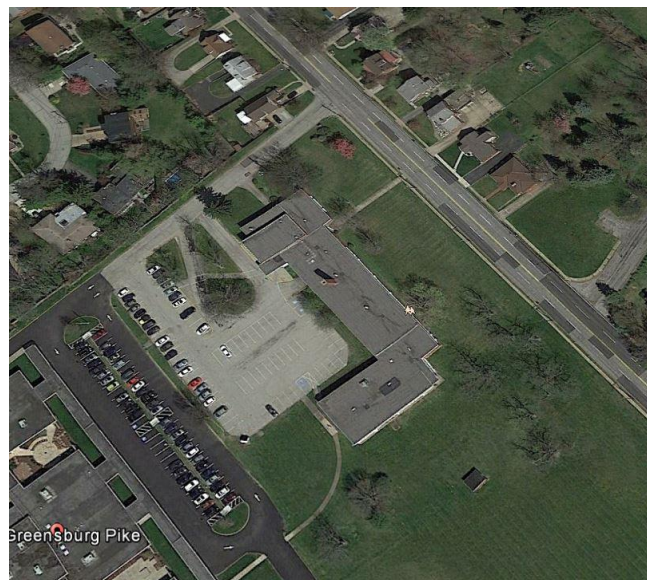
<b>\$/SF GBA</b>	\$29.07	<b>\$/SF NRA</b>	\$29.07
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### Verification

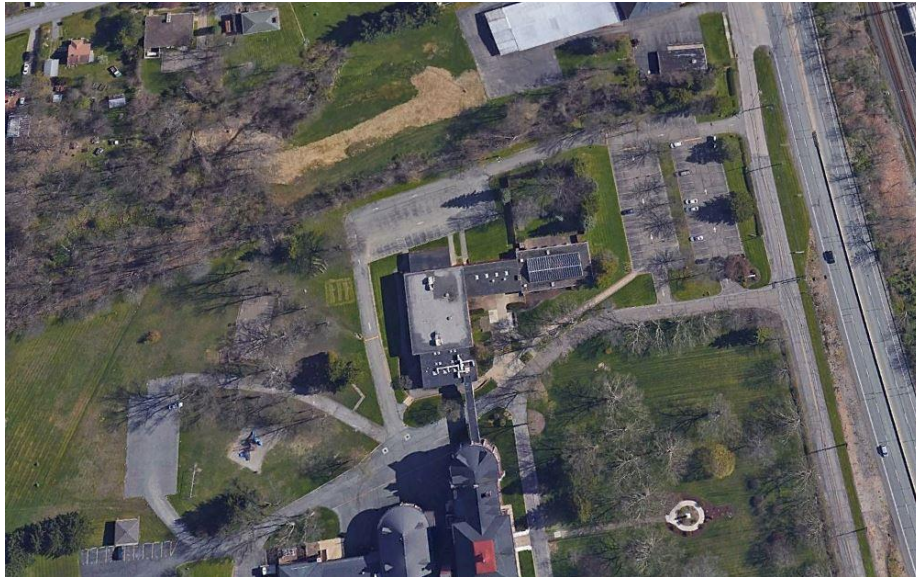
<b>Confirmed With</b>	Pace School
<b>Confirmed By</b>	William K. Murtha
<b>Confirmation Date</b>	04-20-2017

### Remarks

This is a one-story school building, administrative offices) that was sold to the adjoining Pace charter school. Pace expressed interest in this property in 2013 but the district was reluctant to sell to Pace, reportedly because they were non-profit or 'tax exempt'. The property was to be sold to Trek Development for \$625,000 for the development of senior housing but the sale never transpired. Ultimately, Pace acquired the property at what they described as a premium price. The building was demolished after purchase given the poor physical condition of the improvements. Pace plans to hold the property for future undisclosed purposes.



### COMPARABLE 4



#### Property Identification

<b>Property/Sale ID</b>	1204712/504384
<b>Property Type</b>	School, University Classroom Building
<b>Property Name</b>	Baden Academy Charter School Activities Building
<b>Address</b>	West State Street
<b>City, State Zip</b>	Baden, Pennsylvania 15005
<b>County</b>	Beaver
<b>MSA</b>	Pittsburgh
<b>Latitude/Longitude</b>	40.649576/-80.232464
<b>Tax ID</b>	Part of 13-174-0179-00A and 13-174-0179-002

#### Transaction Data

<b>Sale Date</b>	04-03-2018	<b>Property Rights</b>	Fee Simple
<b>Sale Status</b>	Closed	<b>Financing</b>	Cash to Seller
<b>Grantor</b>	Sisters of St Joseph of Baden	<b>Conditions of Sale</b>	Market
<b>Grantee</b>	Baden Academy Charter School	<b>Sale Price</b>	\$580,000
		<b>Adjusted Price</b>	\$580,000

#### Property Description

<b>Gross Building SF</b>	23,280	<b>Pkg/1,000 SF NRA</b>	4.38
<b>Net Rentable SF</b>	23,280	<b>Gross Acres</b>	3.420
<b>Stories</b>	2	<b>Usable Acres</b>	3.420
<b>Building Condition</b>	Average	<b>Flr. Area Ratio (FAR)</b>	0.16
<b>Building Quality</b>	Good	<b>Gross Land to Bldg</b>	6.40
<b>Construction Class</b>	C - Masonry	<b>Usable Land to Bldg</b>	6.40
<b>Year Built</b>	1970's	<b>Access</b>	Shared access within adjoiner
<b>Parking Spaces</b>	102	<b>Flood Hazard Zone</b>	Zone X (unshaded)
<b>Pkg/1,000 SF GBA</b>	4.38		



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### Physical Indicators

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**\$/SF GBA**                      \$24.91

### Verification

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**Confirmed With**              Buyer  
**Confirmed By**                William K. Murtha  
**Confirmation Date**        07-25-2018

### Remarks

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This building contained a pool, gymnasium, music rooms and classrooms. The building had been leased to the buyer for six years prior to sale. It was to undergo renovations after purchase.

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## Sales Comparison Analysis

When necessary, adjustments were made for differences in various elements of comparison, including property rights conveyed, financing terms, conditions of sale, expenditures made immediately after purchase, market conditions, location, and other physical characteristics. If the element in comparison is considered superior to that of the subject, we applied a negative adjustment. Conversely, a positive adjustment to the comparable was applied if inferior. A summary of the elements of comparison follows.

## Transaction Adjustments

Transaction adjustments include: (1) real property rights conveyed, (2) financing terms, (3) conditions of sale, and (4) expenditures made immediately after purchase. These items, which are applied prior to the market conditions and property adjustments, are discussed as follows:

### Real Property Rights Conveyed

Real property rights conveyed influence sale prices and must be considered when analyzing a sale comparable. In the case of the subject property, the fee simple interest is considered. All of the sale comparables conveyed the fee simple interest as well; no adjustments were required.

### Financing Terms

The transaction price of one property may differ from that of an identical property due to different financial arrangements. Sales involving financing terms that are not at or near market terms require adjustments for cash equivalency to reflect typical market terms. A cash equivalency procedure discounts the atypical mortgage terms to provide an indication of value at cash equivalent terms. All of the comparable sales involved typical market terms by which the sellers received cash or its equivalent and the buyers paid cash or tendered typical down payments and obtained conventional financing at market terms for the balance. Therefore, no adjustments for this category were required.

### Conditions of Sale

Atypical conditions of sale may result in a price that is higher or lower than a normal transaction. Such atypical conditions of sale often occur in conjunction with sales between related parties or those in which one of the parties is atypically motivated to complete the transaction. Additionally, a downward adjustment may be applied to a listing price, which usually reflects the upper limit of value. The reported sale price of \$827,200 for Sale 1 was based on an \$880,000 appraised value less a 6% real estate commission. This sale is adjusted upward \$52,000. The other sales did not require an adjustment.

### Expenditures Made Immediately After Purchase

A knowledgeable buyer considers expenditures required upon purchase of a property, as these costs affect the price the buyer agrees to pay. Such expenditures may include: costs to cure deferred maintenance, costs to demolish and remove any portion of the improvements, costs to petition for a zoning change, costs to remediate environmental contamination, and/or costs to occupy or stabilize the property. The relevant figure is not the actual cost incurred, but the cost anticipated by both the buyer and seller. The subject is compared to all of the sales in their condition at the time of sale without consideration of any improvements and no adjustments are necessary.

## Market Conditions Adjustment

Market conditions change over time because of inflation, deflation, fluctuations in supply and demand, or other factors. Changing market conditions may create a need for adjustment to comparable sale transactions completed during periods of dissimilar market conditions.

The sale comparables are property types that have experienced a degree of favorable trends, particularly due to the emergence of private schools. As a result, the sales are adjusted upward 2% per year for market conditions.

## Property Adjustments

Property adjustments are usually expressed quantitatively as percentages or dollar amounts that reflect the differences in value attributable to the various characteristics of the property. In some instances, however, qualitative adjustments are used. These adjustments are based on locational and physical characteristics and are applied after the application of transaction and market conditions adjustments.

Our reasoning for the property adjustments made to each sale comparable follows. The discussion will analyze each adjustment category deemed applicable to the subject property.

### Location

Location adjustments may be required when the locational characteristics of a comparable property are different from those of the subject property. These include, but are not limited to, general neighborhood characteristics and other factors. In this instance the demographics of each location is compared to the subject.

The following table summarizes the comparison:

**Location Comparison - 5 Mile Radius**

Property	Population	Median HH Income	Median Home Value	Overall Comparison
<b>Subject</b>	<b>63,404</b>	<b>\$52,981</b>	<b>\$136,861</b>	<b>--</b>
1	150,254	\$55,280	\$129,066	<b>Superior</b>
2	203,830	\$66,104	\$172,731	<b>Superior</b>
3	269,004	\$50,041	\$125,772	<b>Superior</b>
4	78,239	\$54,763	\$138,391	<b>Similar</b>

### Size

The size adjustment addresses variance in the net rentable area of the comparables and that of the subject, as a larger building typically commands a lower unit price than a smaller building. The following table summarizes the comparison:

**Size Comparison**

Property	# of Buildings	Gross Building Area (SF)	Overall Comparison
<b>Subject</b>	<b>1</b>	<b>28,230</b>	<b>--</b>
1	1	27,500	<b>Similar</b>
2	1	14,756	<b>Superior</b>
3	1	24,082	<b>Similar</b>
4	1	23,280	<b>Similar</b>



### Age/Condition

All else being equal, older properties typically command a lower price per square foot than newer properties. Although a property may be physically older than another property, the effective age may be similar to a newer property and no adjustment may be indicated. This may be due to the older property being well maintained or a recent renovation. We based the adjustments to the comparables on effective age rather than physical age. This takes the overall condition of a property into consideration.

The following table summarizes the comparison:

#### Age/Condition Comparison

Property	Year Built / Renovated	Condition	Overall Comparison
<b>Subject</b>	<b>1969</b>	<b>Average</b>	<b>--</b>
1	1961 / Yes	Average	<b>Similar</b>
2	1960 / Yes	Average	<b>Similar</b>
3	NA	Poor	<b>Inferior</b>
4	1970's	Average	<b>Similar</b>

### Zoning and Use

The following table summarizes the comparison of the zoning and the buyer's intended use. The subject is zoned for residential use and the permitted uses in Patterson Township are quite restrictive. All of the sales are also located in a residential district and the buyer's intended uses are all similar or generally similar and no adjustments are warranted. Following is a comparison of the subject to the sales:

#### Zoning and Use Comparison

Property	Zoning	Buyer's Use	Overall Comparison
<b>Subject</b>	<b>Residential</b>	<b>NA</b>	<b>--</b>
1	Residential	Continued educational use.	<b>Similar</b>
2	Residential	Daycare	<b>Similar</b>
3	Residential	Pace School, but eventually razed.	<b>Similar</b>
4	Residential / Commercial	Continued educational use.	<b>Similar</b>

### Land-to-Building Ratio

The following table summarizes the comparison:

#### Land-to-Building Ratio Comparison

Property	Usable Land Area (acres)	Land-to-Building Ratio	Overall Comparison
<b>Subject</b>	<b>3.790</b>	<b>5.85-to-1</b>	<b>--</b>
1	5.500	8.71-to-1	<b>Slightly Superior</b>
2	0.932	2.75-to-1	<b>Inferior</b>
3	4.591	8.30-to-1	<b>Slightly Superior</b>
4	3.420	6.40-to-1	<b>Similar</b>

## Summary of Adjustments

Based on the preceding analysis, we have summarized comparisons of the sale comparables on the following adjustment grid. These qualitative comparisons are based on our market research, best judgment, and experience in the appraisal of similar properties.

### COMPARABLE SALES ADJUSTMENT GRID

	Subject	Sale # 1	Sale # 2	Sale # 3	Sale # 4
Sale ID		500164	495394	501500	504384
Date of Value & Sale	September-19	September-16	September-14	March-17	April-18
Gross Building Area	28,230 sf	27,500	14,756	24,082	23,280
Unadjusted Sales Price		\$827,200	\$435,000	\$700,000	\$580,000
<b>Unadjusted Sales Price PSF of GBA</b>		<b>\$30.08</b>	<b>\$29.48</b>	<b>\$29.07</b>	<b>\$24.91</b>
<b>Transactional Adjustments</b>					
<b>Property Rights Conveyed</b>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>
Adjustment		-	-	-	-
Adjusted Sales Price		\$30.08	\$29.48	\$29.07	\$24.91
<b>Financing Terms</b>	<i>Cash to Seller</i>	<i>Cash to Seller</i>	<i>Cash to Seller</i>	<i>Cash to Seller</i>	<i>Cash to Seller</i>
Adjustment		-	-	-	-
Adjusted Sales Price		\$30.08	\$29.48	\$29.07	\$24.91
<b>Conditions of Sale</b>		<i>See comments</i>	<i>Market</i>	<i>Atypically motivated buyer</i>	<i>Market</i>
Adjustment		6.4%	-	-	-
Adjusted Sales Price		\$32.00	\$29.48	\$29.07	\$24.91
<b>Expenditures after Sale</b>					
Adjustment		-	-	-	-
<b>Market Conditions Adjustments</b>					
<b>Elapsed Time from Date of Value</b>		<i>2.98 years</i>	<i>4.97 years</i>	<i>2.51 years</i>	<i>1.46 years</i>
Market Trend Through	September-19	6.0%	9.9%	5.0%	2.9%
<b>Analyzed Sales Price</b>		<b>\$33.91</b>	<b>\$32.41</b>	<b>\$30.52</b>	<b>\$25.64</b>
<b>Property Adjustments</b>					
<b>Location</b>					
Relative Comparison		Superior	Superior	Superior	Similar
<b>Size</b>					
Relative Comparison		Similar	Superior	Similar	Similar
<b>Age/Condition</b>					
Relative Comparison		Slightly Inferior	Slightly Inferior	Inferior	Similar
<b>Zoning and Use</b>					
Relative Comparison		Similar	Similar	Similar	Similar
<b>Land-to-Building Ratio</b>					
Relative Comparison		Slightly Superior	Inferior	Slightly Superior	Similar
<b>Overall Net Relative Comparison</b>		<b>Slightly Superior</b>	<b>Slightly Superior</b>	<b>Similar</b>	<b>Similar</b>
<b>Adjusted Sales Price PSF of GBA</b>		<b>\$33.91</b>	<b>\$32.41</b>	<b>\$30.52</b>	<b>\$25.64</b>

### Sales Comparison Approach As Is Value Indication

From the market data available, we used sales in competitive market areas which were analyzed based on pertinent elements of comparison. The following table summarizes the unadjusted and adjusted sale prices:

#### Improved Sales Statistics

Metric	Unadjusted	Analyzed
Minimum Sale Price per Sq. Ft.	\$24.91	\$25.64
Maximum Sale Price per Sq. Ft.	\$30.08	\$33.91
Median Sale Price per Sq. Ft.	\$29.27	\$31.47
Mean Sale Price per Sq. Ft.	\$28.39	\$30.62

The comparable sales indicate a rather narrow range of value for the subject. Based on this analysis, and according slightly more weight to Sale 4, it is our opinion that the value indication would be slightly below the analyzed median and mean of the data set. The market value estimate is summarized as follows:

#### Improved Sales Comparison Approach Value Indication

Reasonable Adjusted Comparable Range				
28,230 sf	x	\$28.00	=	\$790,440
28,230 sf	x	\$30.00	=	\$846,900
<b>Market Value Indication</b>				
28,230 sf	x	\$29.00	=	<b>\$818,670</b>
Less: Deferred Maintenance - Roof				<u>\$220,000</u>
As Is Fee Simple Market Value Indication				<u>\$598,670</u>
<b>Rounded</b>				<b>\$600,000</b>

# Income Capitalization Approach

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## Methodology

The income capitalization approach is developed by converting anticipated future income into an indication of present value by a capitalization process. There are two types of capitalization: direct capitalization and yield capitalization, more commonly known as discounted cash flow (DCF) analysis.

Direct capitalization involves applying a market derived capitalization rate to a stabilized forecast of income. This methodology is most appropriate for properties that investors would view as having stabilized income, expense, and risk levels.

Discounted cash flow (DCF) analysis requires a forecast of the income stream a property may produce during its remaining useful life or during a specific holding period, and a value reversion (i.e., resale of the property) at the end of the holding period. Development of the cash flow is a forecast predicated upon various assumptions about the property's future performance. The income stream and reversion are discounted to a present value at an appropriate discount or yield rate. This allows the modeling of an income stream to reflect potential fluctuations during the holding period. Thus, discounted cash flow analysis is of particular importance to investors, as it enables one to compare the financial return of the subject with alternative investments.

Income-producing properties, by nature, are developed and purchased for investment purposes, where earning power, including an income stream and return of investment, are the most critical elements affecting value. The forecast of income and selection of appropriate rate(s) are therefore important aspects of the valuation process. The process of developing the income approach consists of the following analyses:

### Market Rent Analysis

An opinion of market rent is developed through an analysis of comparable rental transactions and offerings obtained through market surveys.

### Income Analysis

Existing subject leases (if any) are reviewed and compared to market rent, which is applied to vacant space and upon lease rollover. Additional income sources, expense recoveries, and rent escalations are considered. The sum of all income develops potential gross income (PGI).

### Vacancy Analysis

The subject's existing vacancy is compared to the market. The potential loss of gross income due to vacancy, turnover, collection loss, or other factors is considered. The application of vacancy and collection loss to potential gross income develops effective gross income (EGI).

### Expense Analysis

Expenses that are an obligation to the property are estimated based on the subject's history and/or comparable data, and are deducted from effective gross income to develop an estimate of net operating income (NOI). Inflation of expenses and other costs such as leasing commissions, tenant improvements, concessions and replacement reserves are included as appropriate.

### Rate Analysis

Capitalization of the net operating income and/or cash flow stream is completed through the development of appropriate direct (overall), terminal, and yield capitalization rates, as appropriate.

### Application of Methodology

Direct capitalization is most applicable to single-tenant and stabilized properties and those with long-term leases and level income. Discounted cash flow analysis better recognizes changes in income patterns over a holding period and is most applicable to below-stabilized and multi-tenant properties, properties that have tenants with various lease structures and/or properties with a high-level of anticipated lease turnover. Given the nature of the property in question, in this appraisal, we employed the direct capitalization to develop an indication of market value.

### Income Analysis

In this section, the subject rent roll is reviewed and existing subject leases (if any) are compared to market rent to discern if a measureable leasehold interest is present. Additional income sources, expense recoveries, and rent escalations are considered. The sum of all income develops potential gross income (PGI), discussed as follows:

### Lease Abstracts

The subject is currently not encumbered by any arm's length leases.

### Estimate of Market Rent

To develop an opinion of market rent we surveyed representatives of comparable and competitive properties in the region, focusing on those offering the greatest similarity in terms of location, size and market appeal. We have included meaningful rent comparables in the analysis. The following table summarizes each of the rent comparables.

#### **Rent Comparable Summary**

#	Name/Location	Size - SF	Description	Rent PSF	Lease Structure	Lease Term
1	Propel School Turtle Creek Allegheny County, PA	40,000	Charter School	\$9.99	NNN	5 Years
2	Propel School Homestead Allegheny County, PA	41,141	Charter School	\$8.49	NNN	15 Years
3	American Education Assoc. Wilkins Township Allegheny County, PA	18,610	Technology School	\$8.23	NNN	8 Years
4	Education Space Pleasant Hills Allegheny County, PA	17,247	Elementary School	\$8.83	NNN	5 Years
5	Westinghouse Arts Academy Wilmerding Allegheny County, PA	78,344	Charter School	\$7.16	NNN	14.98 Years
6	Former Elementary School Melcroft Westmoreland County, PA	42,977	Asking	\$7.00	NNN	+ -/10 Years



## Market Rent Analysis

Notes are as follows:

- As renovated and improved facilities, the rent comparables indicate a net rent equivalent range of \$7.00 to \$9.99 per square foot.
- Several of the rent comparables represent older leases, however, the data is the most accurate indication of comparable rental data available to the appraiser. Comparable 5 was executed in 2017 and Comparable 6 is an asking lease.
- Of the two most current comparables, the rental rate for Comparable 5 assumed \$3.1 million of proposed renovations. Without the \$3.1 million of renovations the base rent was \$1.60 psf. Comparable 6 is an asking rent and assuming the entire facility were leased as is for an approximate 10 year term the asking rent is in the \$7.00 psf range with NNN terms. The asking rent should be adjusted for it is typical that the eventual actual lease terms are often negotiated at a rate below asking. This property has 20.52 acres of land and it was constructed in 1966.
- Typical lease terms range from five to 15 years.
- Comparables 1 to 5 are all located in Allegheny County where the population density is greater and the demand for alternate education users would be greater. This suggests that these comparables have a superior location. Comparable 6 has a generally similar location in Westmoreland County. Physically all of the comparables are mature school properties that have been improved by varying degree for next generation educational providers; however, as an un-renovated facility, the base rent for Comparable 5 was a low as \$1.60 psf.

## Conclusions

From the market data available, we used meaningful rent comparables, which were analyzed based on pertinent elements of comparison. The following table summarizes our estimate of the market rent estimate for the subject in it's as is condition:

### Market Rent Conclusion

Building Area	Market Rent PSF	Lease Term	Expense Structure	Tenant Allowance
28,230 SF	<b>\$5.00</b>	+/- 10 Years	NNN	As Is

### Potential Rental Income

Potential rental income during the first year of the analysis is forecast in the following table:

### Rental Income

Space	Rentable Area (SF)	Rental Rate PSF	Annual Rent
School	28,230	\$5.00	\$141,150
<b>Total</b>	<b>28,230</b>	<b>\$5.00</b>	<b>\$141,150</b>

### Expense Reimbursement and Other Income

Additional income can be derived from a number of sources including expense recoveries, parking income, percentage rent, and other sources. Based on the lease structure and operation of the subject property, no expense reimbursement income and other income are applicable.

<b>Expense Reimbursement and Other Income</b>	
<b>Expense Category</b>	<b>Stabilized Estimate</b>
Reimbursement	\$0
Other Income	\$0
<b>Total</b>	<b>\$0</b>

### Potential Gross Income

The potential gross income is summarized in the following table:

<b>Potential Gross Income</b>	
<b>Income Source</b>	<b>Stabilized Estimate</b>
Rental Income	\$141,150
Reimbursement	\$0
Other	\$0
<b>Potential Gross Income</b>	<b>\$141,150</b>

### Vacancy/Collection Loss

In this section, vacancy is estimated based on the current and projected market conditions. Collection loss is also considered. The application of vacancy loss develops effective gross income (EGI), discussed as follows:

- There is no Co-Star or other similar data available relative to the property type. For the most part either the schools are occupied or they are vacant.
- From a physical standpoint, the subject is an older, but well maintained facility. The location is adequate, but a higher population density would be more desirable.
- Typically, commercial properties are purchased based on vacancy and credit loss factors ranging from zero to 15 percent. The low end of the range represents a property encumbered by a long-term lease with a credit user. The high end of the range represents a shorter term contract with a local user. Typically, there are concerns about the durability of the income stream for properties at the high end of the range.

Potential users for the property would include a number of non-profit agencies that provide training/educational services to individuals with physical or mental limitations, vocational schools, charter schools, etc. Typically, the lease would be longer term since new improvements are involved but, there is no lease and there is risk associated with tenancy as the facility is not designed for a wide audience.

Given the location of the subject and the market data presented, a vacancy and collection loss factor of 15.0% is estimated.

### Effective Gross Income (EGI)

Effective gross income consists of the income from all operations of the real property after an allowance for vacancy and collection loss has been applied. The revenue, stabilized vacancy and collection loss estimates discussed in the prior sections indicate a stabilized effective gross income as follows:

<b>Effective Gross Income</b>	
<b>Item</b>	<b>Stabilized Estimate</b>
Potential Gross Income	\$141,150
Vacancy & Collection Loss %	15.0%
Vacancy & Collection Loss Estimate	(\$21,173)
<b>Effective Gross Income</b>	<b>\$119,978</b>

### Expense Analysis

Expense categories include Management/Administration, Utilities, Repairs/Maintenance, Cleaning, Real Estate Taxes, Insurance, Security, and Reserves. The expense projection is based on the following:

- No expense information was provided. All of the leases examined were NNN. Expense providers such as IREM and BOMA do not cover this property type. Under the assumed leasing scenario the owner would be responsible for management/administration, reserves and miscellaneous expenses.

### Management & Administration

This expense category includes management fees, professional fees, general office expenses, administrative payroll and payroll taxes. Management and administrative fees are typically measured as a percentage of the effective gross income. In western Pennsylvania, third-party management contracts typically fall in a range of two to five percent of the effective gross income. Administrative expenses are an additional half to three percent depending upon the age of the building and number of tenants. Given the potential leasing characteristics of the subject property, this expense is estimated as follows:

<b>Management and Administration</b>		
<b>Effective Gross Income</b>	<b>Expense Ratio</b>	<b>Stabilized Expense</b>
\$119,978	5.0%	\$5,999

### Replacement Reserves

This expense allows for the periodic replacement of capital items. We have utilized the RealtyRates Investors Survey to develop a market-derived cost for this expense item. This survey indicates reserve for replacement costs ranging from \$0.25 to \$0.90 per square foot for the national special purpose market, with an overall average of \$0.63 per square foot. Considering the condition of the subject property, a reserve for replacement cost is estimated as follows:

### **Reserves**

<b>Rentable Building Area</b>	<b>Expense / Square Foot</b>	<b>Stabilized Expense</b>
28,230	\$0.60	\$16,938

### Miscellaneous

During periods of vacancy certain operating expenses would then become the responsibility of ownership. While the vacancy allowance may account for some of this expense responsibility some miscellaneous expenses should still be recognized. We estimate a miscellaneous expense of \$2,500.

### Stabilized Net Operating Income (NOI)

Net operating income consists of the income that remains after all operating expenses are deducted from effective gross income, but before mortgage debt service and other non-periodic leasing and capital expenditures. The stabilized net operating income calculation is presented in the following table:

	Stabilized		
	Total	Per Sq. Ft.	% of EGI
<b>Income</b>			
Rental Income	\$141,150	\$5.00	-
Reimbursement Income	\$0	\$0.00	-
Other Income	\$0	\$0.00	-
<b>Potential Gross Income</b>	<b>\$141,150</b>	<b>\$5.00</b>	-
Vacancy and Collection Loss	-\$21,173	-\$0.75	-
<b>Effective Gross Income</b>	<b>\$119,978</b>	<b>\$4.25</b>	<b>100.00%</b>
<b>Operating Expenses</b>			
Management & Administration	\$5,999	\$0.21	5.00%
Reserves	\$16,938	\$0.60	14.12%
Miscellaneous	\$2,500	\$0.09	2.08%
<b>Total Expense</b>	<b>\$25,437</b>	<b>\$0.90</b>	<b>21.20%</b>
<b>N.O.I.</b>	<b>\$94,541</b>	<b>\$3.35</b>	<b>78.80%</b>

### Direct Capitalization Analysis

The income capitalization approach to value is based on the premise that a direct relationship exists between the value of a property and the stabilized level of net income it is capable of generating. Direct capitalization is the process of converting a stabilized income stream into an estimate of value and is obtained by applying an overall capitalization rate (OAR) to the net operating income (NOI) before debt service. The direct capitalization rate is the ratio between a single year's net operating income expectancy and the total property price or value. Several techniques were employed in the determination of an appropriate overall capitalization rate for the subject. These are discussed below.

### Overall Capitalization Rate (OAR)

Two indicators have been analyzed to estimate an appropriate overall capitalization rate for the subject, including market comparables and the band of investment technique.

### Market

In the market extraction method, recent sales of similar buildings purchased solely for investment purposes were assembled and analyzed. In each case, the stabilized income potential was estimated and applicable expenses deducted to derive stabilized net income potential. The following overall rates, listed in descending chronological order, were extracted from recent sales of similar properties.

#### OAR - Market Extraction

#	Property / Address	Sale Price	Sale Date	OAR
1	Propel - Kennedy Township	\$5,555,000	Aug-10	7.51%
2	Propel - Braddock	\$11,202,170	May-13	10.39%
3	Office - Pine Township	\$2,850,000	Mar-19	8.52%
4	Office - Monroeville	\$960,000	Jan-19	8.01%
5	Office - Brentwood	\$1,600,000	Oct-18	9.71%
6	Office - Castle Shannon	\$2,050,000	Dec-17	8.03%
7	Office - Pine Township	\$3,300,000	Sep-17	8.61%
8	Office - Center Township	\$1,633,000	May-17	9.02%
9	Office - Pleasant Hills	\$5,125,000	Dec-17	10.05%
10	Office - Bethel Park	\$3,600,000	Sep-16	8.96%
11	Office - Pleasant Hills	\$1,920,000	Apr-16	8.91%

#### OAR - Summary

Minimum	Mean	Median	Maximum
7.51%	8.88%	8.91%	10.39%

The first two sales are sales of leased school facilities. They range from 7.51% to 10.39%. The first sale was in Braddock Hills and the sale was a mix of retail and building area that had been converted into educational use for Propel. The second sale was also a Propel school. It was a more modern facility in a superior location off of the Parkway West. There was about ten years remaining on the lease at sale. The remaining sales are for office properties in superior commercial locations. Given, the dearth of sales of leased schools we felt that office sales would reflect the lower end of overall rates as there is less risk and the properties are in better locations with superior zoning.

There are locational, physical and economic factors that influence the estimation of an overall capitalization rate. In our opinion the overall rate should be toward the upper end of the range reflecting higher risk due to absence of credit tenancy, its specific design as a school which limits alternate users, location, and a building of mix of age and condition in a residential zone. In summary, the physical and economic risk assessment places upward pressure on the capitalization rate and suggests a rate at the high end of the data set. Given the previous observations, the Market Extraction Method supports an overall capitalization rate of 10.50 percent.



### Band of Investment Technique

This technique is based on the premise that investments in income-producing properties are typically financed with a mortgage, and that an equity investor will seek the best available loan terms to take advantage of leverage. An overall capitalization rate must reflect the complete cash flow requirements of an investment. The derivation of an overall capitalization rate by the band of investment method develops a weighted average of the mortgage constant and a competitive equity dividend rate necessary to compensate for alternative investments. The equity dividend rate is described in the following table:

Equity Requirement			
Class	Rate Range	Description	
A	6% to 9%	Properties have good locations, minimal risk and future upside potential. Appreciation must be expected. Only the best Class A facilities fall within this category. Facilities with one or a few tenants delineate the low end of the range.	
B	9% to 12%	Properties that are not perceived to have substantial risk, but the upside is often limited. Locations are still generally good and sometimes there are barriers to new competition.	
C	12% +	These facilities typically have secondary market positions, occupancy issues or no upside. The durability of the income stream is an issue. In some cases, properties have significant competition or serve a limited market.	

Given the characteristics of the subject property, an equity requirement of 14.0% is estimated. The following summarizes the indication from the band of investment technique:

Band of Investment Technique			
Mortgage Interest Rate	=	6.00%	
Mortgage Term	=	15 years	
Mortgage Ratio (M)	=	75.0%	
Mortgage Constant ( $R_M$ )	=	0.10126	
Equity Dividend Rate ( $R_E$ )	=	14.00%	
Mortgage (LTV) Ratio (M)		Mortgage Constant ( $R_M$ )	Mortgage Component
75.0%	x	0.10126	= 0.07595
1 - Mortgage Ratio (1-M)		Equity Dividend Rate ( $R_E$ )	Equity Component
25.0%	x	14.00%	= 0.03500
<b>Overall Rate (<math>R_O</math>)</b>			<b>= 11.09%</b>

The overall capitalization rate indications are as follows:

**OAR Summary Table**

Market Extraction	Band of Investment	Conclusion
10.50%	11.09%	<b>11.00%</b>

**Direct Capitalization Conclusions**

The direct capitalization calculation is presented as follows:

**Value Indication - Income Capitalization Approach**

Net Operating Income	\$94,541
Overall Capitalization Rate	11.00%
<b>Stabilized Value Indication</b>	<b>\$859,464</b>
Deduction:	
Deferred Maintenance	\$220,000
Total Deductions	\$220,000
Value Indication	\$639,464
<b>Rounded To</b>	<b>\$640,000</b>

# Reconciliation

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## Summary of Value Indications

The indicated values from the approaches used and our concluded market values for the subject property are summarized in the following table.

### Value Indications

Approach to Value	As Is
Cost Approach	Not Developed
Sales Comparison Approach	\$600,000
Income Capitalization Approach	\$640,000

### Value Conclusion

Component	As Is
Value Type	Market Value
Property Rights Appraised	Fee Simple
Effective Date of Value	September 17, 2019
<b>Value Conclusion</b>	<b>\$625,000</b>
<b>Value Conclusion PSF</b>	<b>\$22.14 psf</b>

To reach a final opinion of value, we considered the reliability and relevance of each value indication based upon the quality of the data and applicability of the assumptions underlying each approach. Given the availability and reliability of data we accorded each approach weight in arriving at our final value conclusion.

## Analysis of Prior Appraisals

Not applicable.

## Exposure Time and Marketing Periods

Based on statistical information about days on market, escrow length, and marketing times gathered through national investor surveys, sales verification, and interviews of market participants, marketing and exposure time estimates of >1 year and >1 year, respectively, are considered reasonable and appropriate for the subject property.

# General Assumptions and Limiting Conditions

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This appraisal is subject to the following general assumptions and limiting conditions:

1. The legal description – if furnished to us – is assumed to be correct.
2. No responsibility is assumed for legal matters, questions of survey or title, soil or subsoil conditions, engineering, availability or capacity of utilities, or other similar technical matters. The appraisal does not constitute a survey of the property appraised. All existing liens and encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management unless otherwise noted.
3. Unless otherwise noted, the appraisal will value the property as though free of contamination. Valbridge Property Advisors | Pittsburgh will conduct no hazardous materials or contamination inspection of any kind. It is recommended that the client hire an expert if the presence of hazardous materials or contamination poses any concern.
4. The stamps and/or consideration placed on deeds used to indicate sales are in correct relationship to the actual dollar amount of the transaction.
5. Unless otherwise noted, it is assumed there are no encroachments, zoning violations or restrictions existing in the subject property.
6. The appraiser is not required to give testimony or attendance in court by reason of this appraisal, unless previous arrangements have been made.
7. Unless expressly specified in the engagement letter, the fee for this appraisal does not include the attendance or giving of testimony by Appraiser at any court, regulatory or other proceedings, or any conferences or other work in preparation for such proceeding. If any partner or employee of Valbridge Property Advisors | Pittsburgh is asked or required to appear and/or testify at any deposition, trial, or other proceeding about the preparation, conclusions or any other aspect of this assignment, client shall compensate Appraiser for the time spent by the partner or employee in appearing and/or testifying and in preparing to testify according to the Appraiser's then current hourly rate plus reimbursement of expenses.
8. The values for land and/or improvements, as contained in this report, are constituent parts of the total value reported and neither is (or are) to be used in making a summation appraisal of a combination of values created by another appraiser. Either is invalidated if so used.
9. The dates of value to which the opinions expressed in this report apply are set forth in this report. We assume no responsibility for economic or physical factors occurring at some point at a later date, which may affect the opinions stated herein. The forecasts, projections, or operating estimates contained herein are based on current market conditions and anticipated short-term supply and demand factors and are subject to change with future conditions. Appraiser is not responsible for determining whether the date of value requested by Client is appropriate for Client's intended use.
10. The sketches, maps, plats and exhibits in this report are included to assist the reader in visualizing the property. The appraiser has made no survey of the property and assumed no responsibility in connection with such matters.
11. The information, estimates and opinions, which were obtained from sources outside of this office, are considered reliable. However, no liability for them can be assumed by the appraiser.

12. Possession of this report, or a copy thereof, does not carry with it the right of publication. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to property value, the identity of the appraisers, professional designations, reference to any professional appraisal organization or the firm with which the appraisers are connected), shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval.
13. No claim is intended to be expressed for matters of expertise that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers. We claim no expertise in areas such as, but not limited to, legal, survey, structural, environmental, pest control, mechanical, etc.
14. This appraisal was prepared for the sole and exclusive use of the client for the function outlined herein. Any party who is not the client or intended user identified in the appraisal or engagement letter is not entitled to rely upon the contents of the appraisal without express written consent of Valbridge Property Advisors | Pittsburgh and Client. The Client shall not include partners, affiliates, or relatives of the party addressed herein. The appraiser assumes no obligation, liability or accountability to any third party.
15. Distribution of this report is at the sole discretion of the client, but third-parties not listed as an intended user on the face of the appraisal or the engagement letter may not rely upon the contents of the appraisal. In no event shall client give a third-party a partial copy of the appraisal report. We will make no distribution of the report without the specific direction of the client.
16. This appraisal shall be used only for the function outlined herein, unless expressly authorized by Valbridge Property Advisors | Pittsburgh.
17. This appraisal shall be considered in its entirety. No part thereof shall be used separately or out of context.
18. Unless otherwise noted in the body of this report, this appraisal assumes that the subject property does not fall within the areas where mandatory flood insurance is effective. Unless otherwise noted, we have not completed nor have we contracted to have completed an investigation to identify and/or quantify the presence of non-tidal wetland conditions on the subject property. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.
19. The flood maps are not site specific. We are not qualified to confirm the location of the subject property in relation to flood hazard areas based on the FEMA Flood Insurance Rate Maps or other surveying techniques. It is recommended that the client obtain a confirmation of the subject property's flood zone classification from a licensed surveyor.
20. If the appraisal is for mortgage loan purposes 1) we assume satisfactory completion of improvements if construction is not complete, 2) no consideration has been given for rent loss during rent-up unless noted in the body of this report, and 3) occupancy at levels consistent with our "Income and Expense Projection" are anticipated.
21. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.



22. Our inspection included an observation of the land and improvements thereon only. It was not possible to observe conditions beneath the soil or hidden structural components within the improvements. We inspected the buildings involved, and reported damage (if any) by termites, dry rot, wet rot, or other infestations as a matter of information, and no guarantee of the amount or degree of damage (if any) is implied. Condition of heating, cooling, ventilation, electrical and plumbing equipment is considered to be commensurate with the condition of the balance of the improvements unless otherwise stated. Should the client have concerns in these areas, it is the client's responsibility to order the appropriate inspections. The appraiser does not have the skill or expertise to make such inspections and assumes no responsibility for these items.
23. This appraisal does not guarantee compliance with building code and life safety code requirements of the local jurisdiction. It is assumed that all required licenses, consents, certificates of occupancy or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value conclusion contained in this report is based unless specifically stated to the contrary.
24. When possible, we have relied upon building measurements provided by the client, owner, or associated agents of these parties. In the absence of a detailed rent roll, reliable public records, or "as-built" plans provided to us, we have relied upon our own measurements of the subject improvements. We follow typical appraisal industry methods; however, we recognize that some factors may limit our ability to obtain accurate measurements including, but not limited to, property access on the day of inspection, basements, fenced/gated areas, grade elevations, greenery/shrubbery, uneven surfaces, multiple story structures, obtuse or acute wall angles, immobile obstructions, etc. Professional building area measurements of the quality, level of detail, or accuracy of professional measurement services are beyond the scope of this appraisal assignment.
25. We have attempted to reconcile sources of data discovered or provided during the appraisal process, including assessment department data. Ultimately, the measurements that are deemed by us to be the most accurate and/or reliable are used within this report. While the measurements and any accompanying sketches are considered to be reasonably accurate and reliable, we cannot guarantee their accuracy. Should the client desire more precise measurement, they are urged to retain the measurement services of a qualified professional (space planner, architect or building engineer) as an alternative source. If this alternative measurement source reflects or reveals substantial differences with the measurements used within the report, upon request of the client, the appraiser will submit a revised report for an additional fee.
26. In the absence of being provided with a detailed land survey, we have used assessment department data to ascertain the physical dimensions and acreage of the property. Should a survey prove this information to be inaccurate, upon request of the client, the appraiser will submit a revised report for an additional fee.
27. If only preliminary plans and specifications were available for use in the preparation of this appraisal, and a review of the final plans and specifications reveals substantial differences upon request of the client the appraiser will submit a revised report for an additional fee.

28. Unless otherwise stated in this report, the value conclusion is predicated on the assumption that the property is free of contamination, environmental impairment or hazardous materials. Unless otherwise stated, the existence of hazardous material was not observed by the appraiser and the appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials may affect the value of the property. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required for discovery. The client is urged to retain an expert in this field, if desired.
29. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We have not made a specific compliance survey of the property to determine if it is in conformity with the various requirements of the ADA. It is possible that a compliance survey of the property, together with an analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this could have a negative effect on the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of ADA in developing an opinion of value.
30. This appraisal applies to the land and building improvements only. The value of trade fixtures, furnishings, and other equipment, or subsurface rights (minerals, gas, and oil) were not considered in this appraisal unless specifically stated to the contrary.
31. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated, unless specifically stated to the contrary.
32. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute prediction of future operating results. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance.
33. Any estimate of insurable value, if included within the scope of work and presented herein, is based upon figures developed consistent with industry practices. However, actual local and regional construction costs may vary significantly from our estimate and individual insurance policies and underwriters have varied specifications, exclusions, and non-insurable items. As such, we strongly recommend that the Client obtain estimates from professionals experienced in establishing insurance coverage. This analysis should not be relied upon to determine insurance coverage and we make no warranties regarding the accuracy of this estimate.
34. The data gathered in the course of this assignment (except data furnished by the Client) shall remain the property of the Appraiser. The appraiser will not violate the confidential nature of the appraiser-client relationship by improperly disclosing any confidential information furnished to the appraiser. Notwithstanding the foregoing, the Appraiser is authorized by the client to disclose all or any portion of the appraisal and related appraisal data to appropriate representatives of the Appraisal Institute if such disclosure is required to enable the appraiser to comply with the Bylaws and Regulations of such Institute now or hereafter in effect.

35. You and Valbridge Property Advisors | Pittsburgh both agree that any dispute over matters in excess of \$5,000 will be submitted for resolution by arbitration. This includes fee disputes and any claim of malpractice. The arbitrator shall be mutually selected. If Valbridge Property Advisors | Pittsburgh and the client cannot agree on the arbitrator, the presiding head of the Local County Mediation & Arbitration panel shall select the arbitrator. Such arbitration shall be binding and final. In agreeing to arbitration, we both acknowledge that, by agreeing to binding arbitration, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury. In the event that the client, or any other party, makes a claim against Valbridge Property Advisors | Pittsburgh or any of its employees in connections with or in any way relating to this assignment, the maximum damages recoverable by such claimant shall be the amount actually received by Valbridge Property Advisors | Pittsburgh for this assignment, and under no circumstances shall any claim for consequential damages be made.
36. Valbridge Property Advisors | Pittsburgh shall have no obligation, liability, or accountability to any third party. Any party who is not the "client" or intended user identified on the face of the appraisal or in the engagement letter is not entitled to rely upon the contents of the appraisal without the express written consent of Valbridge Property Advisors | Pittsburgh. "Client" shall not include partners, affiliates, or relatives of the party named in the engagement letter. Client shall hold Valbridge Property Advisors | Pittsburgh and its employees harmless in the event of any lawsuit brought by any third party, lender, partner, or part-owner in any form of ownership or any other party as a result of this assignment. The client also agrees that in case of lawsuit arising from or in any way involving these appraisal services, client will hold Valbridge Property Advisors | Pittsburgh harmless from and against any liability, loss, cost, or expense incurred or suffered by Valbridge Property Advisors | Pittsburgh in such action, regardless of its outcome.
37. The Valbridge Property Advisors office responsible for the preparation of this report is independently owned and operated by Pittsburgh. Neither Valbridge Property Advisors, Inc., nor any of its affiliates has been engaged to provide this report. Valbridge Property Advisors, Inc. does not provide valuation services, and has taken no part in the preparation of this report.
38. If any claim is filed against any of Valbridge Property Advisors, Inc., a Florida Corporation, its affiliates, officers or employees, or the firm providing this report, in connection with, or in any way arising out of, or relating to, this report, or the engagement of the firm providing this report, then (1) under no circumstances shall such claimant be entitled to consequential, special or other damages, except only for direct compensatory damages, and (2) the maximum amount of such compensatory damages recoverable by such claimant shall be the amount actually received by the firm engaged to provide this report.
39. This report and any associated work files may be subject to evaluation by Valbridge Property Advisors, Inc., or its affiliates, for quality control purposes.
40. Acceptance and/or use of this appraisal report constitutes acceptance of the foregoing general assumptions and limiting conditions.

## Certification – William K. Murtha, MAI

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I certify that, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. The undersigned has not performed services regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
9. William K. Murtha has personally inspected the subject property.
10. No one provided significant real property appraisal assistance to the person signing this certification, unless otherwise noted.
11. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
13. As of the date of this report, the undersigned has completed the continuing education program for Designated Members of the Appraisal Institute.



William K. Murtha, MAI  
PA Certified General Real Estate Appraiser  
Certification No. GA-000066-L

## Certification – Thomas A. Murtha

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I certify that, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. The undersigned has performed services regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
9. Thomas A. Murtha did personally inspect the subject property.
10. No one provided significant real property appraisal assistance to the person signing this certification, unless otherwise noted.
11. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
13. As of the date of this report, the undersigned has completed the Standards and Ethics Education Requirement for Candidates/Practicing Affiliates of the Appraisal Institute.



Thomas A. Murtha  
PA Certified General Real Estate Appraiser  
Certification No. GA-001590-L



# Addenda

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- Subject Photographs
- Exhibit 1 – Assessment Record
- Exhibit 2 – Zoning Information
- Exhibit 3 – Engagement Letter
- Glossary
- Qualifications
  - William K. Murtha, MAI
  - Thomas A. Murtha
- Information on Valbridge Property Advisors

Subject Photographs



Exterior View



Exterior View



Exterior View



Exterior View



Interior View



Interior View

Subject Photographs



Interior View



Interior View



Interior View



Interior View



Site



Site



Subject Photographs



Site



Upper Level Parking Lot



Street Scene: Darlington Road



Street Scene: Darlington Road



Street Scene: 8<sup>th</sup> Street



Street Scene: 7<sup>th</sup> Street

Exhibit 1 – Assessment Record



**Property Search**

[Print](#)

*Patterson Primary*  
**New Search**

Parcel	72-005-0612-000
Owner	BLACKHAWK SCHOOL DISTRICT
Owner Address	500 BLACKHAWK ROAD BEAVER FALLS PA 15010
Property Location	00701 DARLINGTON RD
Description	7.854 AC BLDGS SCHOOL
Year Built	1980
Neighborhood	PATTERSON 1WP
School District	BLACKHAWK
Total Acres	7.58
Landuse	UNIVERSITIES, COLLEGE, JUNIOR COLLEGE AND PROF. SCHOOLS
Assessment For Year	2020
Ratio	.5000
Assessed - Land	\$23,200.00
Assessed - Building	\$1,173,500.00
Assessed - Total	\$1,196,700.00
Market - Land	\$46,400.00
Market - Build	\$2,347,000.00
Market - Total	\$2,393,400.00
Lender	No Data Available
	No Data Available
	No Data Available
Display Owner History	<a href="#">Owner History</a>
	<a href="#">View Property Record Card</a>
	<a href="#">View in GIS</a>

*From: State Public  
School  
5/30/91  
1444/836*

## Exhibit 2 – Zoning Information

Township of Patterson, PA

Page 1 of 4

*Township of Patterson, PA  
Tuesday, September 24, 2019***Chapter 190. Zoning****Article VI. R-1 Single-Family Residential District***[Amended 7-27-1988 by Ord. No. 297; 2-13-1989 by Ord. No. 299]***§ 190-10. Purpose.**

The R-1 Single-Family Residential District is intended to provide sites for low-density single-family residential uses, together with such public facilities and accessory uses as may appropriately be located in the same district. This district is intended to ensure adequate light, air, privacy and open space for each dwelling commensurate with low-density single-family occupancy and to maintain the residential quality of the sites by establishing appropriate site development standards.

**§ 190-11. Permitted uses.**

- A. The following uses shall be permitted:
- (1) Single-family detached residential dwellings.
  - (2) Municipal recreation.
  - (3) Accessory residential uses.
- B. Permitted uses shall not include the raising, boarding, breeding, keeping or permitting of any livestock or poultry or any animals other than household pets on the premises.

**§ 190-12. Accessory uses.**

The following accessory uses shall be permitted in conjunction with authorized uses in the R-1 District: garages, carports, utility storage buildings, home gardening, playhouses, private greenhouses, swimming pools, tennis and similar courts, patios and similar facilities customarily incidental to private single-family activities. Accessory uses shall not include the raising, boarding, breeding, keeping or permitting of any livestock or poultry or any animals other than household pets on the premises, except for horses when approved as a conditional use.

**§ 190-13. Conditional uses.**

<https://ccode360.com/print/PA1294?guid=11582260&children=true>

9/24/2019



The following conditional uses may be permitted, subject to the issuing of a conditional use permit in accordance with the provisions of Article XIV of this chapter and the standards and criteria listed herewith:

- A. Limited home occupation, pursuant to the following standards and criteria:
- (1) Activities shall be limited to professional, technical or business pursuits which involve only office and office-related functions and practices.
  - (2) Off-street parking shall be provided at the rate specified in Article XVII of this chapter.
  - (3) Signs shall be limited to the provisions specified in Article XVI of this chapter.
  - (4) All activities shall be conducted inside the principal dwelling structure and be free of any procedure, motion or action which could be construed as adversely influencing surrounding uses and site occupants or creating any nuisance factor in the immediate proximity.
  - (5) No person other than members of the family residing on the premises shall be engaged in the occupation and involved in business activities in conjunction therewith at the site of the limited home occupation.
- B. Private recreation pursuant to the following standards and criteria:
- (1) Activities shall be limited to those specifically included in the definition of "private recreation."
  - (2) When private recreation is included as part of a planned residential community or cluster development (as permitted elsewhere in this chapter), it shall be part of the approved plan.
- C. Keeping of horses and stables as an accessory use pursuant to the following standards and conditions:
- (1) Any horses to be kept on the property shall be owned by the residents of the property.
  - (2) The horses shall be kept as pets or for personal enjoyment by residents.
  - (3) The residents shall not engage in the business of buying or selling horses and shall not use the horses for any commercial purpose, but this shall not prevent the entering of the horses in shows or competitions off the premises.
  - (4) The premises on which the horses are to be kept shall contain not more than one residence and shall be at least five acres in size. When determining the size of the lot for the purpose of this conditional use, all improved land (e.g., land with a residence or shed on it) and land scheduled to be improved is excluded from the calculation; however, land used or scheduled to be used for stables may be included with determining lot size. Should additional improvements be made after this calculation, the size of the lot shall be recalculated and the number of horses reduced (if required) to the new maximum. If more than one lot is combined for the purpose of meeting the minimum lot size requirements, the minimum/maximum requirements shall be recalculated if it is desired to remove the additional lot(s) from the calculation.

Township of Patterson, PA

- (5) The number of horses permitted to be kept as an accessory use shall be limited to one horse for each full acre, over and above the five-acre minimum described in Subsection C(4) above.
- (6) A stable shall be provided that has an adequately sized stall for each horse to be kept. The stable shall be located a minimum of 100 feet from any property line. Requests for a waiver of the one-hundred-foot minimum distance may be presented along with supporting justification for this request.
- (7) All fence lines shall be a minimum of 20 feet from any property line (except for property lines of lots combined to meet the requirements of this conditional use).
- (8) The residents shall meet the following performance standards:
  - (a) The stable shall be kept safe, clean and neat and in good repair.
  - (b) The residents shall control odor, bugs, insects, vermin and rodents.
  - (c) The residents shall keep unattended horses within the fenced enclosure(s), in the stable or attached to restraining devices and shall keep the fences and equipment in good repair. Fences constructed for the exterior fence line shall be constructed of wooden materials, woven wire, pipe or PVC materials and be at least 48 inches high with posts not more than 10 feet apart. Electric fence may be used for partition fences, where applicable, but shall not be used for an exterior fence. (Electric fencing may be attached to, but inside, the exterior fence.)
  - (d) The fenced lot shall be so located and managed so that it does not become and remain muddy due to weather conditions, from surface drainage or from activity of the confined horses, and drainage should prevent any standing water from accumulating. The fenced area should not be extended to reach streams running through the property.
  - (e) The residents shall not permit or allow manure piles or other wastes to accumulate which cause offensive odors or sights. Manure generally produces odors when it is allowed to accumulate. By eliminating these conditions, odor, fly and rodent problems can be minimized. The manure disposal area must be in a low-profile position, cause no nuisance and be at least 100 feet from a property line. Requests for a waiver of the one-hundred-foot minimum distance may be presented along with supporting justification for this request.
  - (f) The installation of artificial lighting shall be such that it does not create a nuisance surrounding property owners.
- (9) All minimum lot, area and dimensional requirements are still applicable where they are not modified by the above requirements.
- (10) Any requirements for fencing or limitations on the fencing, as discussed in this conditional use, only apply to fences installed to meet the requirements of this conditional use.

## § 190-14. Lot, area and dimensional requirements.

<https://ecode360.com/print/PA1294?guid=11582260&children=true>

9/24/2019

Township of Patterson, PA

The following requirements shall apply in the R-1 District:

- A. Minimum lot area shall be 20,000 square feet.
- B. Minimum lot width shall be 100 feet at the building line.
- C. Minimum front yard depth shall be 35 feet from the front lot line.
- D. Minimum side yard width on each side of the lot shall be 15 feet. The minimum side yard width on the street side of a corner lot shall be 25 feet.
- E. Minimum rear yard depth shall be 15 feet from the rear lot line.
- F. Not more than 30% of the total site shall be covered by structures.
- G. No structure shall exceed 35 feet in height.

Exhibit 3 – Engagement Letter



Valbridge Property Advisors |  
Pittsburgh  
4701 Baptist Road, Suite 304  
Pittsburgh, PA 15227  
(412) 881-8080  
(412) 881-8040  
valbridge.com

July 15, 2019

William K. Murtha, MAI  
(412) 881-6080 Ext/ 303  
bmurtha@valbridge.com

Victor Kustra, Esquire  
Weiss Burkardt Kramer, LLC  
445 Fort Pitt Blvd., Suite 503  
Pittsburgh, PA 15219  
Via E-Mail: [vkustra@wbklegal.com](mailto:vkustra@wbklegal.com)

**RE: 4 School Properties  
Blackhawk School District  
Beaver Falls, Beaver County, PA 15010**

Dear Mr. Kustra,

Valbridge Property Advisors | Pittsburgh ("Appraiser") is pleased to present this proposal to perform Appraisal Services regarding the above referenced properties for Blackhawk School District. If this document is executed by both parties, it will form the engagement contract for our services ("Agreement").

The following provisions will apply to our services:

<b>Subject Property</b>	4 School Properties, Blackhawk School District, Beaver Falls, Beaver County, PA 15010
<b>Intended Use</b>	Asset valuation  Alternate uses are neither intended nor authorized.
<b>Intended User(s)</b>	Blackhawk School District
<b>Date of Value</b>	Date of Inspection
<b>Scope of Assignment</b>	<input type="checkbox"/> Land Value <input type="checkbox"/> Cost <input type="checkbox"/> Income <input checked="" type="checkbox"/> Sales Comparison
<b>Assignment Conditions</b>	Specific assignment conditions to be assumed by the Appraiser per the Client's request: None
<b>Presentation of Findings</b>	Narrative Appraisal Report. Electronic copy in PDF format.





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<b>Professional Fee</b>	The professional fee for this assignment will not exceed: <b>Highland School. \$3,750</b> <b>Blackhawk Intermediate \$3,500</b> <b>Patterson \$3,500</b> <b>Northwestern \$3,500</b>
<b>Retainer</b>	50%
<b>Responsibility for Fees</b>	<p>The balance of the fee is due upon completion of the assignment. In the event that the balance is not paid in full within 30 days, late charges will accrue at a rate of 1% per month on the original balance. Additionally, Appraiser will have the right to seek immediate collection and shall be entitled to recover costs and attorney fees associated with any such action.</p> <p>If the assignment is terminated prior to completion of the report, billing will reflect expenses to date and work to date. Billing of a cancelled assignment will follow the standard payment policy described in the included Terms and Conditions.</p>
<b>Additional Services</b>	In the event that additional services are needed, such as, but not limited to additional reports, further analysis, formal presentations, court testimony or any other services, a fee of \$250 per hour will be charged.
<b>Delivery</b>	<p>30-45 Days (final electronic report)</p> <p>Appraiser will use Appraiser's best efforts to deliver the appraisal report by the above date. Appraiser's delivery of the report is contingent on receipt of an executed copy of this engagement contract, receipt of the retainer, and receipt of the requested information and documentation from Client within seven (7) business days of acceptance of this proposal.</p>
<b>Requested Information</b>	A data request will be submitted upon receipt of the executed engagement letter.
<b>Professional Standards Governing Assignment</b>	The analyses, opinions, and conclusions will be developed and presented in conformance with (and the use of this report is subject to) the requirements of: (1) the Uniform Standards of Professional Appraisal Practice, and (2) the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute.
<b>Disclosure of Prior Services Regarding Subject Property</b>	The appraiser(s) who will perform the appraisal has not performed any prior services regarding the Subject Property within the three year period immediately preceding the date of this Agreement, as an appraiser or in any other capacity.

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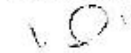


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Page 3

Attached to and incorporated in this engagement letter are Valbridge Property Advisors | Pittsburgh's Terms and Conditions of Agreement. These Terms and Conditions form a material part of this Agreement and are no less important than any other part. The appraisal(s) performed under this Agreement also will be subject to all assumptions and limiting conditions and other conditions (collectively, "Appraisal Conditions") set forth in the appraisal report(s). Client's use of the appraisal will constitute acceptance of the Appraisal Conditions stated in a report. The Appraisal Conditions shall be considered as being incorporated into and forming part of this Agreement with respect to the appraisal in which they are contained and to the services relating to that appraisal.

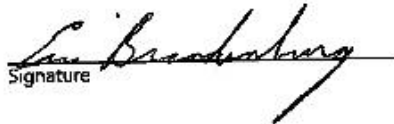
Thank you for considering our firm for this assignment. If these terms are acceptable to you, please indicate below by your signature, or the signature of an authorized alternate. Please retain a copy for your records and return a signed copy to us, along with the retainer. We look forward to working with you on this assignment.

Respectfully submitted,



Valbridge Property Advisors | Pittsburgh

**AGREED AND ACCEPTED**

  
Signature

BOND SECRETARY  
Title

ERIC BRANDENBURG  
Name (print)

08/14/2019  
Date

724 846-6600 X 1004  
Phone Number

File Name: 2018-03-16 - Standard Engagement Letter - DP.docx



July 15, 2019  
Page 4**TERMS AND CONDITIONS OF AGREEMENT**

1. "Appraiser" means Valbridge Property Advisors | Pittsburgh and its appraisers, employees, partners, owners, shareholders, members, officers, directors and independent contractors.
2. Acceptance of this Agreement assumes that Client will provide all necessary information needed for the appraisal on a timely and truthful basis.
3. It is Client's responsibility to read the report and to inform Appraiser of any errors or omissions, prior to utilizing the report or making it available to any third party.
4. The fee quoted is based on Appraiser's understanding of the assignment as outlined in the scope of work. Changes in scope will be billed at Appraiser's normal hourly rates. The fee and estimated completion time are subject to change if the property is not as outlined in our proposal, or if issues come to light during the course of Appraiser's investigation which, in Appraiser's opinion, necessitates such change. If Client places an assignment "on hold," then reactivates the appraisal, an additional charge may apply due to the inefficiency created. If Appraiser is requested or required to provide testimony as a result of this appraisal, testimony and preparation time will be charged at our normal hourly rates.
5. The Valbridge Property Advisors office responsible for the preparation of this report is independently owned and operated by Valbridge Property Advisors | Pittsburgh. Neither Valbridge Property Advisors, Inc. nor any of its affiliates, has been engaged to provide this report. Valbridge Property Advisors, Inc., does not provide valuation services, and has taken no part in the preparation of this report.
6. If any legal action or claim is filed against any of Valbridge Property Advisors, Inc., a Florida Corporation, its affiliates, officers or employees, or Appraiser, in connection with, or in any way arising out of, or relating to, the appraisal(s) or this Agreement, then (1) under no circumstances shall such claimant be entitled to consequential, special or other damages, except only for direct compensatory damages and (2) the maximum amount of such compensatory damages recoverable by such claimant shall be the amount actually received by Appraiser from Client.
7. Unless the time period is shorter under applicable law, any legal action or claim in connection with, or in any way arising out of, or relating to, the appraisal(s) or this Agreement shall be filed in court (or in the applicable arbitration tribunal) within two (2) years from the date of delivery to Client of the appraisal to which the claims or causes of action relate or, in the case of acts or conduct after delivery of the report, two (2) years from the date of the alleged acts or conduct. The time period stated in this section shall not be extended by any delay in the discovery or accrual of the underlying claims, causes of action or damages. The time period stated in this section shall apply to all non-criminal claims or causes of action of any type.
8. Legal claims or causes of action in connection with, or in any way arising out of, or relating to, the appraisal(s) or this Agreement are not assignable, except: (i) as the result of a bona fide merger, consolidation, sale or purchase of a legal entity, (ii) with regard to the collection of a bona fide existing debt for services but then only to the extent of the total compensation for the appraisal plus reasonable interest, or (iii) in the case of an appraisal performed in connection with the origination of a mortgage loan, as part of the transfer or sale of the mortgage before an event of default on the mortgage or note or its legal equivalent.
9. Appraisal reports and associated work files may be subject to evaluation by Valbridge Property Advisors, Inc., or its affiliates, for quality control purposes. If Client is unwilling to waive confidentiality for this purpose, client must inform Valbridge Property Advisors | Pittsburgh upon acceptance of this assignment.
10. This appraisal shall be used only for the function outlined in the attached letter, unless expressly authorized by Valbridge Property Advisors | Pittsburgh. The format and value reported may or may not be valid for other purposes.
11. Unless otherwise noted, the appraisal will value the property as though free of contamination. Valbridge Property Advisors | Pittsburgh will conduct no hazardous materials or contamination inspection of any kind. It is recommended that the client secure appropriate inspections from qualified experts if the presence of hazardous materials or contamination poses any concern.

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July 15, 2019  
Page 5**TERMS AND CONDITIONS OF AGREEMENT**

12. Our standard payment policy is as follows: the balance is due upon presentation of the invoice; if payment is not made within 30 days of date due, interest at the rate of 1.5% per month will be added to the principal from the due date to date payment is received, and you shall pay all expenses of collection, including court costs and attorney fees. If the client requests a draft, the fee is due upon delivery of the draft. Valbridge Property Advisors | Pittsburgh shall be under no obligation to continue work on an assignment that is not paid current.
13. The fee for this appraisal is not contingent upon the valuation of the property, the funding of any loan or outcome of litigation. Any opinions Appraiser may have expressed about the outcome of your matter or case are expressions of Appraiser's opinions only and do not constitute any guarantee about the outcome. Should the assignment be terminated prior to completion, you agree to pay for time and costs incurred prior to Appraiser's receipt of written notice of cancellation.
14. If this assignment includes a provision for work performed on an hourly billing basis, such work is subject to periodic adjustment to Appraiser's then-current rates. Valbridge Property Advisors | Pittsburgh shall provide 30 days' notice to client prior to any rate increase. If client chooses not to consent to the increased rates, client may terminate Valbridge Property Advisors | Pittsburgh's services by written notice effective when received by Valbridge Property Advisors | Pittsburgh.
15. If this assignment includes a provision for work on an hourly billing basis, client acknowledges that Valbridge Property Advisors | Pittsburgh has made no promises about the total amount of fees to be incurred by client under this agreement.
16. Client and Valbridge Property Advisors | Pittsburgh both agree that any dispute over matters in excess of \$5,000 will be submitted for resolution by arbitration. This includes fee disputes and any claim of malpractice. The arbitrator shall be mutually selected. If Valbridge Property Advisors | Pittsburgh and the client cannot agree on the arbitrator, the presiding civil administrative judge the presiding head of the Local County Mediation & Arbitration panel shall select the arbitrator. Such arbitration shall be binding and final. In agreeing to arbitration, the Client and Appraiser both acknowledge that, by agreeing to binding arbitration, each is giving up the right to have the dispute decided in a court of law before a judge or jury. In the event that the client, or any other party entitled to do so, makes a claim against Valbridge Property Advisors | Pittsburgh or any of its employees in connection with or in any way relating to this assignment, the maximum damages recoverable from Valbridge Property Advisors | Pittsburgh or its employees shall be the amount of monies actually collected by Valbridge Property Advisors | Pittsburgh for this assignment and under no circumstances shall any claim for consequential damages be made.
17. Appraiser shall have no obligation, liability, or accountability to any third party. Any party who is not the "client" or intended user identified on the face of the appraisal or in the engagement letter is not entitled to rely upon the contents of the appraisal without the express written consent of Valbridge Property Advisors | Pittsburgh. "Client" shall not include partners, affiliates or relatives of the party named in the engagement letter. Client shall hold Appraiser harmless in the event of any lawsuit brought by any third party, lender, partner or part owner in any form of ownership or any other party as a result of this assignment. The client also agrees that in case of lawsuit arising from or in any way involving these appraisal services, client will hold Appraiser harmless from and against any liability, loss, cost or expense incurred or suffered by Appraiser in such action, regardless of its outcome.
18. Distribution of this report is at the sole discretion of the client, and the Appraiser will make no distribution without the specific direction of the client. However, in no event shall client give a third party a partial copy of the appraisal report.
19. This Agreement contains the entire agreement of the parties. No other agreement, statement or promise made on or before the effective date of this agreement will be binding on the parties. This agreement may be modified by subsequent agreement of the parties.

## Glossary

Definitions are taken from The Dictionary of Real Estate Appraisal, 6<sup>th</sup> Edition (Dictionary), the Uniform Standards of Professional Appraisal Practice (USPAP), and Building Owners and Managers Association International (BOMA).

### Absolute Net Lease

A lease in which the tenant pays all expenses including structural maintenance, building reserves, and management; often a long-term lease to a credit tenant. (Dictionary)

### Amortization

The process of retiring a debt or recovering a capital investment, typically through scheduled, systematic repayment of the principal; a program of periodic contributions to a sinking fund or debt retirement fund. (Dictionary)

### As Is Market Value

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. (Dictionary)

### Base Rent

The minimum rent stipulated in a lease. (Dictionary)

### Base Year

The year on which escalation clauses in a lease are based. (Dictionary)

### Building Common Area

In office buildings, the areas of the building that provide services to building tenants but which are not included in the office area or store area of any specific tenant. These areas may include, but shall not be limited to, main and auxiliary lobbies, atrium spaces at the level of the finished floor, concierge areas or security desks, conference rooms, lounges or vending areas, food service facilities, health or fitness centers, daycare facilities, locker or shower facilities, mail rooms, fire control rooms, fully enclosed courtyards outside the exterior walls, and building core and service areas such as fully enclosed mechanical or equipment rooms. Specifically excluded from building common area are floor common areas, parking space, portions of loading docks outside the building line, and major vertical penetrations. (BOMA)

### Building Rentable Area

The sum of all floor rentable areas. Floor rentable area is the result of subtracting from the gross measured area of a floor the major vertical penetrations on that same floor. It is generally fixed for the life of the building and is rarely affected by changes in corridor size or configuration. (BOMA)

### Certificate of Occupancy (COO)

A formal written acknowledgment by an appropriate unit of local government that a new construction or renovation project is at the stage where it meets applicable health and safety codes and is ready for commercial or residential occupancy. (Dictionary)

### Common Area Maintenance (CAM)

The expense of operating and maintaining common areas; may or may not include management charges and usually does not include capital expenditures on tenant improvements or other improvements to the property. (Dictionary)

The amount of money charged to tenants for their shares of maintaining a [shopping] center's common area. The charge that a tenant pays for shared services and facilities such as electricity, security, and maintenance of parking lots. Items charged to common area maintenance may include cleaning services, parking lot sweeping and maintenance, snow removal, security and upkeep. (ICSC – International Council of Shopping Centers, 4<sup>th</sup> Ed.)

### Condominium

A multiunit structure, or a unit within such a structure, with a condominium form of ownership. (Dictionary)

### Conservation Easement

An interest in real estate restricting future land use to preservation, conservation, wildlife habitat, or some combination of those uses. A



conservation easement may permit farming, timber harvesting, or other uses of a rural nature as well as some types of conservation-oriented development to continue, subject to the easement. (Dictionary)

### Contributory Value

A type of value that reflects the amount a property or component of a property contributes to the value of another asset or to the property as a whole.

The change in the value of a property as a whole, whether positive or negative, resulting from the addition or deletion of a property component. Also called deprival value in some countries. (Dictionary)

### Debt Coverage Ratio (DCR)

The ratio of net operating income to annual debt service ( $DCR = NOI/Im$ ), which measures the relative ability of a property to meet its debt service out of net operating income; also called *debt service coverage ratio (DSCR)*. A larger *DCR* typically indicates a greater ability for a property to withstand a reduction of income, providing an improved safety margin for a lender. (Dictionary)

### Deed Restriction

A provision written into a deed that limits the use of land. Deed restrictions usually remain in effect when title passes to subsequent owners. (Dictionary)

### Depreciation

In appraisal, a loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date.

In accounting, an allocation of the original cost of an asset, amortizing the cost over the asset's life; calculated using a variety of standard techniques. (Dictionary)

### Disposition Value

The most probable price that a specified interest in property should bring under the following conditions:

- Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
- The property is subjected to market conditions prevailing as of the date of valuation;
- Both the buyer and seller are acting prudently and knowledgeably;
- The seller is under compulsion to sell;
- The buyer is typically motivated;
- Both parties are acting in what they consider to be their best interests;
- An adequate marketing effort will be made during the exposure time;
- Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto; and

The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (Dictionary)

### Easement

The right to use another's land for a stated purpose. (Dictionary)

### EIFS

Exterior Insulation Finishing System. This is a type of exterior wall cladding system. Sometimes referred to as dry-vit.

### Effective Date

The date on which the appraisal or review opinion applies. (SVP)

In a lease document, the date upon which the lease goes into effect. (Dictionary)

### Effective Gross Income (EGI)

The anticipated income from all operations of the real estate after an allowance is made for vacancy and collection losses and an addition is made for any other income. (Dictionary)

### Effective Rent

Total base rent, or minimum rent stipulated in a lease, over the specified lease term minus rent concessions; the rent that is effectively paid by a tenant net of financial concessions provided by a landlord. (TIs). (Dictionary)

### EPDM

Ethylene Propylene Diene Monomer Rubber. A type of synthetic rubber typically used for roof coverings. (Dictionary)

### Escalation Clause

A clause in an agreement that provides for the adjustment of a price or rent based on some event or index. e.g., a provision to increase rent if operating expenses increase; also called *escalator clause*, *expense recovery clause* or *stop clause*. (Dictionary)

### Estoppel Certificate

A signed statement by a party (such as a tenant or a mortgagee) certifying, for another's benefit, that certain facts are correct, such as that a lease exists, that there are no defaults, and that rent is paid to a certain date. (Black's) In real estate, a buyer of rental property typically requests estoppel certificates from existing tenants. Sometimes referred to as an *estoppel letter*. (Dictionary)

### Excess Land

Land that is not needed to serve or support the existing use. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land has the potential to be sold separately and is valued separately. (Dictionary)

### Excess Rent

The amount by which contract rent exceeds market rent at the time of the appraisal; created by a lease favorable to the landlord (lessor) and may reflect unusual management, unknowledgeable or unusually motivated parties, a lease execution in an earlier, stronger rental market, or an agreement of the parties. (Dictionary)

### Expense Stop

A clause in a lease that limits the landlord's expense obligation, which results in the lessee paying operating expenses above a stated level or amount. (Dictionary)

### Exposure Time

The time a property remains on the market. The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal;

Comment: Exposure time is a retrospective opinion based on an analysis of past events assuming a competitive and open market. (Dictionary)

### Extraordinary Assumption

An assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

Comment: Uncertain information might include physical, legal, or economic characteristics of the subject property; or conditions external to the property, such as market conditions or trends; or the integrity of data used in an analysis. (USPAP)

### Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat. (Dictionary)

### Floor Common Area

In an office building, the areas on a floor such as washrooms, janitorial closets, electrical rooms, telephone rooms, mechanical rooms, elevator lobbies, and public corridors which are available primarily for the use of tenants on that floor. (BOMA)

### Full Service (Gross) Lease

A lease in which the landlord receives stipulated rent and is obligated to pay all of the property's

operating and fixed expenses; also called a *full service lease*. (Dictionary)

#### Furniture, Fixtures, and Equipment (FF&E)

Business trade fixtures and personal property, exclusive of inventory. (Dictionary)

#### Going-Concern Value

An outdated label for the market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more accurately termed the *market value of the going concern* or *market value of the total assets of the business*. (Dictionary)

#### Gross Building Area (GBA)

Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the market area of the type of property involved.

#### Gross leasable area plus all common areas.

For residential space, the total area of all floor levels measured from the exterior of the walls and including the superstructure and substructure basement; typically does not include garage space. (Dictionary)

#### Gross Measured Area

The total area of a building enclosed by the dominant portion (the portion of the inside finished surface of the permanent outer building wall which is 50 percent or more of the vertical floor-to-ceiling dimension, at the given point being measured as one moves horizontally along the wall), excluding parking areas and loading docks (or portions of same) outside the building line. It is generally not used for leasing purposes and is calculated on a floor by floor basis. (BOMA)

#### Gross Up Method

A method of calculating variable operating expenses in income-producing properties when less than 100% occupancy is assumed. Expenses reimbursed based on the amount of occupied space, rather than on the total building area, are described as "grossed up." (Dictionary)

#### Gross Retail Sellout

The sum of the separate and distinct market value opinions for each of the units in a condominium, subdivision development, or portfolio of properties, as of the date of valuation. The aggregate of retail values does not represent the value of all the units as though sold together in a single transaction; it is simply the total of the individual market value conclusions. Also called the *aggregate of the retail values*, *aggregate retail selling price* or *sum of the retail values*. (Dictionary)

#### Ground Lease

A lease that grants the right to use and occupy land. Improvements made by the ground lessee typically revert to the ground lessor at the end of the lease term. (Dictionary)

#### Ground Rent

The rent paid for the right to use and occupy land according to the terms of a ground lease; the portion of the total rent allocated to the underlying land. (Dictionary)

#### HVAC

Heating, ventilation, air conditioning (HVAC) system. A unit that regulates the temperature and distribution of heat and fresh air throughout a building. (Dictionary)

#### Highest and Best Use

The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.

The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (IVS)

[The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future.



(Uniform Appraisal Standards for Federal Land Acquisitions) (Dictionary)

#### Hypothetical Condition

A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

Comment: Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP)

#### Industrial Gross Lease

A type of modified gross lease of an industrial property in which the landlord and tenant share expenses. The landlord receives stipulated rent and is obligated to pay certain operating expenses, often structural maintenance, insurance and real property taxes, as specified in the lease. There are significant regional and local differences in the use of this term. (Dictionary)

#### Insurable Value

A type of value for insurance purposes. (Typically this includes replacement cost less basement excavation, foundation, underground piping and architect's fees). (Dictionary)

#### Investment Value

The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market. (Dictionary)

#### Just Compensation

In condemnation, the amount of loss for which a property owner is compensated when his or her property is taken. Just compensation should put the owner in as good a position pecuniarily as he or she would have been if the property had not been taken. (Dictionary)

#### Leased Fee Interest

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires. (Dictionary)

#### Leasehold Interest

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease. (Dictionary)

#### Lessee (Tenant)

One who has the right to occupancy and use of the property of another for a period of time according to a lease agreement. (Dictionary)

#### Lessor (Landlord)

One who conveys the rights of occupancy and use to others under a lease agreement. (Dictionary)

#### Liquidation Value

The most probable price that a specified interest in property should bring under the following conditions:

- Consummation of a sale within a short time period.
- The property is subjected to market conditions prevailing as of the date of valuation.
- Both the buyer and seller are acting prudently and knowledgeably.
- The seller is under extreme compulsion to sell.
- The buyer is typically motivated.
- Both parties are acting in what they consider to be their best interests.
- A normal marketing effort is not possible due to the brief exposure time.
- Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.

The price represents the normal consideration for the property sold, unaffected by special or

creative financing or sales concessions granted by anyone associated with the sale. (Dictionary)

#### Loan to Value Ratio (LTV)

The ratio between a mortgage loan and the value of the property pledged as security, usually expressed as a percentage. (Dictionary)

#### Major Vertical Penetrations

Stairs, elevator shafts, flues, pipe shafts, vertical ducts, and the like, and their enclosing walls. Atria, lightwells and similar penetrations above the finished floor are included in this definition. Not included, however, are vertical penetrations built for the private use of a tenant occupying office areas on more than one floor. Structural columns, openings for vertical electric cable or telephone distribution, and openings for plumbing lines are not considered to be major vertical penetrations. (BOMA)

#### Market Rent

The most probable rent that a property should bring in a competitive and open market reflecting the conditions and restrictions of a specified lease agreement, including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations; term, concessions, renewal and purchase options and tenant improvements (TIs). (Dictionary)

#### Market Value

The most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;

- Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and

The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (Dictionary)

#### Marketing Time

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Appraisal Standards Board of the Appraisal Foundation)

#### Master Lease

A lease in which the fee owner leases a part or the entire property to a single entity (the master lease) in return for a stipulated rent. The master lessee then leases the property to multiple tenants. (Dictionary)

#### Modified Gross Lease

A lease in which the landlord receives stipulated rent and is obligated to pay some, but not all, of the property's operating and fixed expenses. Since assignment of expenses varies among modified gross leases, expense responsibility must always be specified. In some markets, a modified gross lease may be called a *double net lease*, *net net lease*, *partial net lease*, or *semi-gross lease*. (Dictionary)

#### Operating Expense Ratio

The ratio of total operating expenses to effective gross income (TOE/EGI); the complement of the net income ratio, i.e.,  $OER = 1 - NIR$  (Dictionary)

#### Option

A legal contract, typically purchased for a stated consideration, that permits but does not require the holder of the option (known as the *optionee*) to buy, sell, or lease real estate for a stipulated period of time in accordance with specified terms; a unilateral right to exercise a privilege. (Dictionary)

### Partial Interest

Divided or undivided rights in real estate that represent less than the whole, i.e., a fractional interest such as a tenancy in common, easement, or life interest. (Dictionary)

### Pass Through

A tenant's portion of operating expenses that may be composed of common area maintenance (CAM), real property taxes, property insurance, and any other expenses determined in the lease agreement to be paid by the tenant. (Dictionary)

### Potential Gross Income (PGI)

The total income attributable to property at full occupancy before vacancy and operating expenses are deducted. (Dictionary)

### Prospective Future Value Upon Completion

A prospective market value may be appropriate for the valuation of a property interest related to a credit decision for a proposed development or renovation project. According to USPAP, an appraisal with a prospective market value reflects an effective date that is subsequent to the date of the appraisal report. ... The prospective market value –as completed- reflects the property's market value as of the time that development is expected to be complete. (Dictionary)

### Prospective Future Value Upon Stabilization

A prospective market value may be appropriate for the valuation of a property interest related to a credit decision for a proposed development or renovation project. According to USPAP, an appraisal with a prospective market value reflects an effective date that is subsequent to the date of the appraisal report ...The prospective market value – as stabilized – reflects the property's market value as of the time the property is projected to achieve stabilized occupancy. For an income-producing property, stabilized occupancy is the occupancy level that a property is expected to achieve after the property is exposed to the market for lease over a reasonable period of time and at comparable terms and conditions to other similar properties. (Dictionary)

### Replacement Cost

The estimated cost to construct, at current prices as of a specific date, a substitute for a building or other improvements, using modern materials and current standards, design, and layout. (Dictionary)

### Reproduction Cost

The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all of the deficiencies, superadequacies, and obsolescence of the subject building. (Dictionary)

### Retrospective Value Opinion

A value opinion effective as of a specified historical date. The term *retrospective* does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., "retrospective market value opinion." (Dictionary)

### Sandwich Leasehold Estate

The interest held by the sandwich leaseholder when the property is subleased to another party; a type of leasehold estate. (Dictionary)

### Sublease

An agreement in which the lessee in a prior lease conveys the right of use and occupancy of a property to another, the sublessee, for a specific period of time, which may or may not be coterminous with the underlying lease term. (Dictionary)

### Subordination

A contractual arrangement in which a party with a claim to certain assets agrees to make his or her claim junior, or subordinate, to the claims of another party. (Dictionary)

### Surplus Land

Land that is not currently needed to support the existing use but cannot be separated from the property and sold off for another use. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel. (Dictionary)

### TPO

Thermoplastic polyolefin, a resilient synthetic roof covering.

### Triple Net (Net Net Net) Lease

An alternative term for a type of net lease. In some markets, a net net net lease is defined as a lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management; also called *NNN lease*, *net net net lease*, or *fully net lease*. (Dictionary)

(The market definition of a triple net lease varies; in some cases tenants pay for items such as roof repairs, parking lot repairs, and other similar items.)

### Usable Area

The measured area of an office area, store area, or building common area on a floor. The total of all the usable areas for a floor shall equal floor usable area of that same floor. (BOMA)

### Value-in-Use

The value of a property assuming a specific use, which may or may not be the property's highest and best use on the effective date of the appraisal. Value in use may or may not be equal to market value but is different conceptually. (Dictionary)

### VTAB

Value of the Total Assets of a Business. The value of a going concern (i.e. the business enterprise). (Dictionary)

## Qualifications

Qualifications of William K. Murtha, MAI

## Senior Managing Director

Valbridge Property Advisors | Pittsburgh

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#### State Certifications

Pennsylvania

#### Membership/Affiliations:

Member: Appraisal Institute - MAI Designation

#### Appraisal Institute & Related Courses:

Real Estate Appraisal Principles, Basic Valuation Procedures, Litigation Valuation, Industrial Valuation, Case Studies in Real Estate Valuation, USPAP; Business Practices and Ethics; PA Rules and Regulations; Valuation Analysis and Report Writing; Hotel/Motel Valuation Seminar; Appraising Troubled Properties; Litigation Skills for the Appraiser; Assessment Law & Procedures in Pennsylvania; Appraisal Challenges: Declining Markets and Sales Concessions; The Appraiser as an Expert Witness: Preparation & Testimony, Conservation Easements; Introduction to Business Valuation; Appraisal of a Small Business and Professional Practice.

#### Education

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Dan McCown and Company (1979-1987)

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#### **Other**

Greater Pittsburgh Metropolitan Chapter President 2000  
Adjunct Instructor of Real Estate Appraisal-Community College of Allegheny County, Pennsylvania  
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Since 1979, Mr. Murtha has completed thousands of appraisals throughout Pennsylvania, Delaware, Ohio, West Virginia, Georgia, Maryland and New York. Appraisal/valuation and consulting assignments include: apartment buildings; retail buildings and shopping centers; office buildings; industrial buildings; religious and special purpose properties including schools, churches, hotel/motel, golf courses, service stations; residential subdivisions; and vacant industrial, commercial and residential land. Mr. Murtha also completes appraisal reviews.



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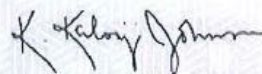
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Active


**Initial License Date**  
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**Expiration Date**  
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Signature

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Qualifications of Thomas A. Murtha  
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State Certifications

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Appraisal Institute & Related Courses:

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Experience:

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Mr. Murtha has been associated with Valbridge Property Advisors | Barone, Murtha, Shonberg and Associates, Inc. since 1994. He has participated in a variety of appraisals addressing a diverse spectrum of property types. The majority of his work has been oriented towards income producing properties with an emphasis on vacant land, office, retail and small commercial facilities. Prior to his association with this company, Mr. Murtha held various management accounting and finance positions for the H.J. Heinz Company in Pittsburgh.

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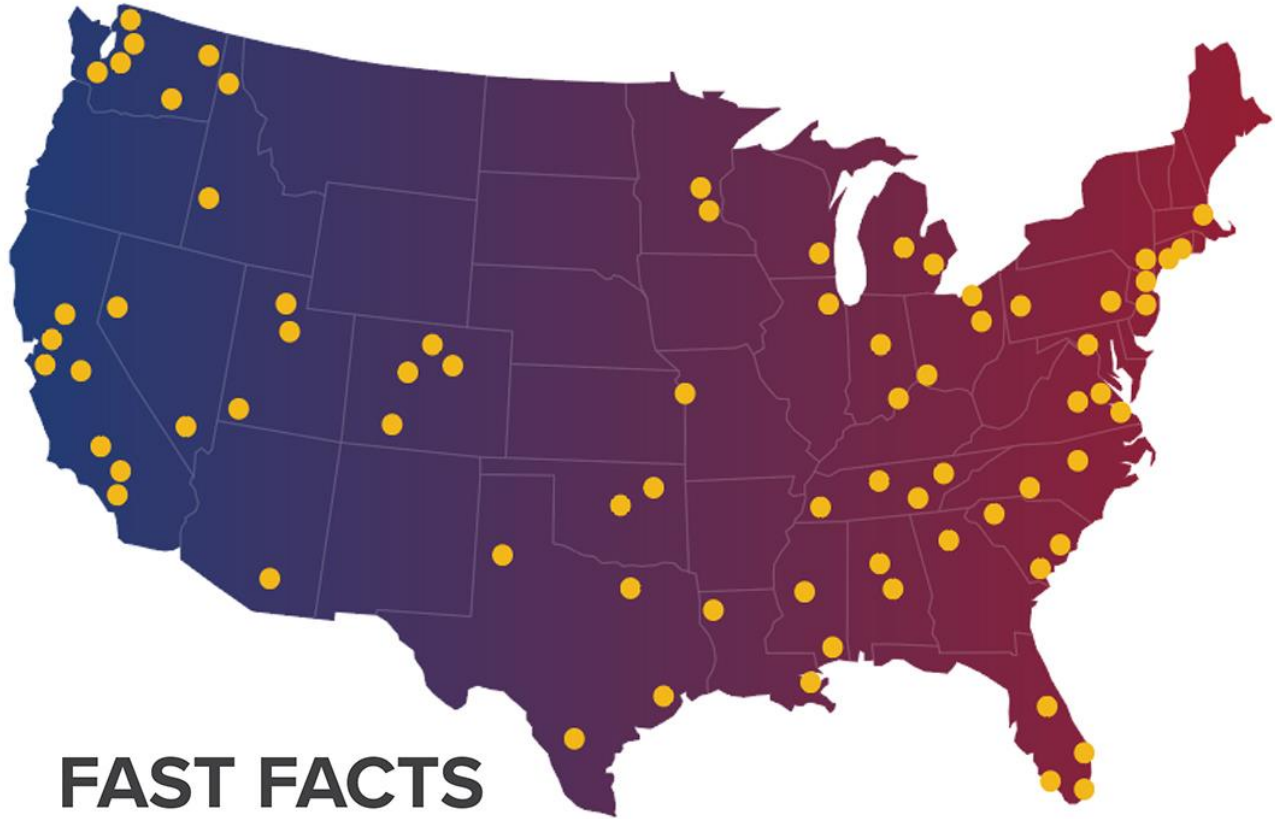
  
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**Valbridge**  
PROPERTY ADVISORS



## FAST FACTS

### COMPANY INFORMATION

- Valbridge is the largest independent national real estate valuation and advisory services firm in North America.
  - Total number of MAI-designated appraisers (200+ on staff)
  - Total number of office locations (70+ across U.S.)
  - Total number of staff (675+ strong)
- Valbridge covers the entire U.S. from coast to coast.
- Valbridge services all property types, including special-purpose properties and residential.
- Valbridge provides independent valuation services. We are not owned by a brokerage firm or investment company.
- Every Valbridge office is led by a senior managing director who holds the MAI designation of the Appraisal Institute.
- Valbridge is owned by our local office leaders.
- Valbridge welcomes single-property assignments as well as portfolio, multi-market and other bulk-property engagements.

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