

APPRAISAL REPORT

Part 2.5 Story & 2-Story Detached Dwelling



Owner: Gloria M Brown

Address:

**726 Shields Street
Bethlehem, PA 18015
Tax ID: P6SE2D-24-4**

PREPARED FOR:

**City of Bethlehem
Redevelopment Authority
Executive Director-Tony Hanna
10 E Church Street
Bethlehem, PA 18018**

PREPARED BY:

**Christie M. Davies, SRA
Real Property Appraiser & Consultant**

**Exterior Inspection Date: 27 November & 7 December 2017 & 11
January 2018**

**Effective Valuation Date: 8 January 2018
Report Completion Date: 14 January 2018**

Christie M. Davies, SRA

*Real Property Appraiser
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14 January 2018

City of Bethlehem
Redevelopment Authority
Executive Director-Tony Hanna
10 E Church Street
Bethlehem, PA 18018

RE: Part 2.5 Story and Part 2-story Detached Dwelling
726 Shields Street,
Bethlehem, PA
Northampton County
Tax ID: P6SE2D-24-4

Dear Mr. Hanna,

Following your request, I have completed a personal examination of the above-captioned property, and have analyzed all the discoverable factors that index its value. The purpose of this analysis is to estimate the fee simple market value of the subject property (real estate only), in its "as is" condition, as of the present date. The intended use of this report is to serve as a guide for acquisition under the Blighted Property Review Committee (BPRC) Article 149 of the Codified City Ordinance. The intended users are: City of Bethlehem Redevelopment Authority; City of Bethlehem's legal counsel and the Blighted Property Review Committee.

This is an "Appraisal Report" in accordance with the *Uniform Standards of Professional Appraisal Practice* of the Appraisal Foundation and *The Code of Professional Ethics and Standards of Professional Practice* of the Appraisal Institute. I trust this report will meet your needs. However, should you have any questions, I am maintaining a complete office file with all the supporting documentation.

Based on all the factors involved, and as a result thereof, I am of the opinion that the fee simple market value of the subject property, in its "as is" condition, as of 11 January 2018 was:

Forty-Eight Thousand (\$48,000) Dollars,

This appraisal is subject to the definition of market value, the *USPAP* certification, and the statement of limiting conditions and assumptions contained hereinafter. I hereby certify that I have examined the subject property; that I have no financial interest in the same; that neither employment nor the fee is contingent upon the amount of valuation; that I have based the worth upon a study of local conditions, comparison of similar sales and the general knowledge of real estate over a long period of active appraisal and consulting business.

Respectfully submitted,



Christie M. Davies, SRA
Pennsylvania Certified General Real Estate Appraiser
GA000506L

Re: 726 Shields Street, Bethlehem, PA-City of Bethlehem Redevelopment Authority

INTENDED USE AND USERS

The intended use of this report is to provide an opinion of the current market value in its present condition as of the date of the exterior inspection for potential acquisition from the property owner. The intended users of the report are addressed on the title page and transmittal letter and may also include the City of Bethlehem's legal counsel and the Blighted Property Review Committee (BPRC).

CERTIFICATION

I hereby certify and agree that, except as otherwise noted in this appraisal report:

1. To the best of my knowledge and belief, the statements of fact contained in this appraisal report, upon which the analyses, opinions, and conclusions expressed herein are based, are true and correct, and I have not knowingly withheld any significant information.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, 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 I have no personal interest or bias with respect to the owners, prospective owners, nor any parties involved. The estimate of value or values in the appraisal report are not based in whole or in part upon the race, color, or national origin of the present owners, occupants, or prospective owners of the subject property or any other property in the vicinity.
4. I have performed no services, as an appraiser or in any other capacity regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. My compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report. Further, my compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
6. My value conclusions as well as other opinions expressed herein are not based on a requested minimum or maximum value, any specific value, or the approval of a loan, if any.
7. 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. Further, "the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives".
8. As of the date of this report, Christie M. Davies has completed the continuing education program of for Designated Members of the Appraisal Institute.
9. No change of any item in the appraisal report shall be made by anyone other than me, and I shall have no responsibility for any such unauthorized change.
10. I have made an exterior inspection only of the property that is the subject of this report, and I have made at least exterior inspections of all the comparable properties listed in this report.
11. No one provided significant professional assistance to the person signing this report. I expressly certify to having the necessary level of competency to perform this assignment.
12. The value of the subject property in its current condition as of the date of inspection and this appraisal of 11 January 2018 was \$48,000.

Respectfully submitted,



Christie M. Davies, SRA
Pennsylvania Certified General Real Estate Appraiser
GA000506L

Re: 726 Shields Street, Bethlehem, PA-City of Bethlehem Redevelopment Authority

VIEWS OF THE SUBJECT

Front-view from Shields Street facing NE



Garage on SS of dwelling

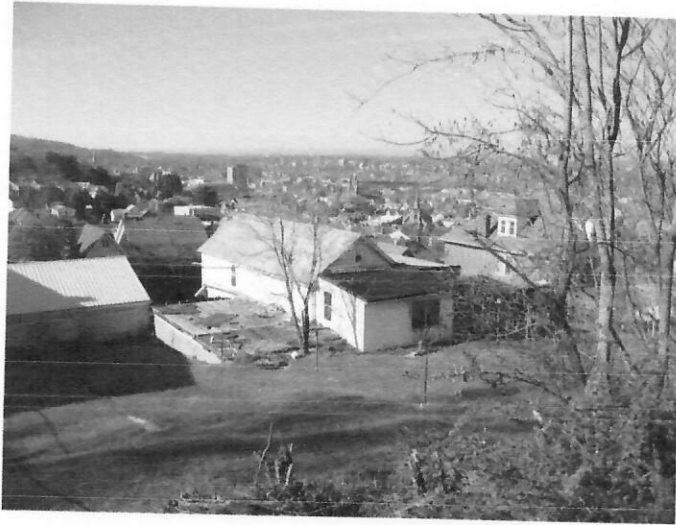


Parking on NS of dwelling



Re: 726 Shields Street, Bethlehem, PA-City of Bethlehem Redevelopment Authority

Rear view from Ridge Street facing W



Close-up of rear sections



Re: 726 Shields Street, Bethlehem, PA-City of Bethlehem Redevelopment Authority

Facing north on Shields Street



Facing south on Shields Street



Re: 726 Shields Street, Bethlehem, PA-City of Bethlehem Redevelopment Authority

ASSUMPTIONS AND LIMITING CONDITIONS

The Certification appearing in this appraisal report is subject to the following conditions and to such other specific and limiting conditions as are set forth within the report:

1. I assume no responsibility for matters of a legal nature affecting the property appraised or the title thereto, nor do I render any opinion as to the title, which is assumed to be good and marketable.
2. The property is appraised as though under responsible ownership and/or competent management.
3. The property is appraised as though free of liens and encumbrances, except as described hereinafter.
4. The property is appraised and it is assumed that the utilization of the land and/or improvements are within the boundaries of the real estate described; and that there are no encroachments or trespasses unless otherwise stated hereinafter.
5. The property is appraised and it is assumed that it is in full compliance with applicable federal, state, and local regulations and laws, as well as compliance with all applicable zoning, use and occupancy regulations and restrictions as considered in this report.
6. I assume that all required licenses, consents or other legislative or administrative authority from any federal, state or local government or private entity or organization have been or can be obtained or renewed for any use considered by this report.
7. I assume that there are no hidden or unapparent conditions of the property, subsoil, or structures, which would render it more or less valuable. Examples of such items would include, but are not limited to: asbestos, urea-formaldehyde foam insulation, radon, underground storage tanks or their contents, carbonate geology, toxic waste, or any other such condition not ordinarily observable, but such as might be discovered by a soil analysis, geological study, environmental impact study, or building or building component inspection or engineering study. I am not an expert in such fields, and assume no responsibility for such conditions, or for engineering which might be required to discover such factors. The client may wish to retain an expert in these fields if desired.
8. I assume that the subject property has never been utilized as a waste disposal site for toxic or other hazardous waste materials as defined by the appropriate governmental agencies.
9. No consideration has been given to the value for mineral deposits (oil, gas, coal, gravel, etc.) or timber, if any.
10. Information, estimates, and opinions furnished to me, and contained in the report, were obtained from sources considered reliable and believed to be true and correct. However, I assume no responsibility for the accuracy of such items furnished to me.
11. Any map or sketch in the report may show approximate dimensions and is included to assist the client in visualizing the property.
12. The *Bylaws and Regulations of the Appraisal Institute* govern the disclosure of the contents of this report.
13. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to the property value, my identity, professional designations, reference to any professional appraisal organizations, or my firm, shall be used for any purposes by anyone but the client specified in the report, without my previous written consent; nor shall it be conveyed by anyone to the public through advertising, public relations, news, sales, or other media, without my written consent and approval.
14. I am not required to give testimony or appear in court because of having made the appraisal with reference to the property in question, unless arrangements have been previously made therefore. The fee charged for this appraisal does not include payment for court testimony or for further consultations.
15. Acceptance and/or use of this appraisal report constitutes acceptance of all the conditions set forth herein.

Re: 726 Shields Street, Bethlehem, PA-City of Bethlehem Redevelopment Authority

EXTRAORDINARY ASSUMPTIONS AND LIMITING CONDITIONS

- The property owner Gloria M Brown were notified in writing via Certified Mail/return receipt request as of 24 November 2017, in a letter that informed her to contact this appraiser in regards to setting up a date and time for an interior inspection of the subject property. As of the date of completion of the appraisal this appraiser has not received notice in the form of the return receipt/post card that she was in possession of the letter. Therefore, only an exterior street inspection was performed. (Postage receipt is in the addendum)
- The subject property has been certified as "blighted" by the Blighted Property Review Committee under Article 149 and under the terms of the Pennsylvania "Urban Redevelopment Law" by the City of Bethlehem as of 3 August 2017.
- As of 28 November 2017, Craig Hynes, Code Enforcement Officer for the City of Bethlehem, reported that the City of Bethlehem Water and Sewer Department reports that the property is connected to services.
- The building description is based on an exterior inspection and the available public records from the county assessment office.
- If an interior inspection becomes available for this property, the appraiser reserves the right to amend this appraisal.
- As of 13 January 2018, the subject has not appeared in the local GLVAR MLS.

PROPERTY IDENTIFICATION

The subject has an address of 726 Shields Street, in Northampton County with a mailing address of Bethlehem, PA. This is a rectangular interior lot 80' x 140' containing 11,200 SF located on the east side of Shields Street on the north face of South Mountain. This lot is improved with a part 2.5-story and part 2-story masonry and frame building with an addition at the rear/east side that appeared to be 1-story. The building appeared to be vacant at the time of the exterior inspections.

MARKET VALUE DEFINITION

Market Value shall be defined as: "The most probable price which 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 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 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" *.

*The Dictionary of Real Estate Appraisal-5th Edition Appraisal Institute 2010

PROPERTY RIGHTS APPRAISED

The market valuation set forth herein includes all of the rights of ownership in a fee simple title, free and clear of all other encumbrances except normal utility and access easements, zoning and restrictive ordinances, and other easements of record. These property rights are commonly referred to as "fee simple".

APPRAISAL PROCESS AND SCOPE OF WORK

The valuation of real property considers a precise seven-step process:

1. Define appraisal problem, identifying the subject property and the value question to be answered.
2. Collect, select, and analyze appropriate market, subject, and comparative data.

Re: 726 Shields Street, Bethlehem, PA-City of Bethlehem Redevelopment Authority

3. Estimate the highest and best use of the land as if vacant, and the property as improved, if any.
4. Estimate the land value, if appropriate/applicable.
5. Estimate the improved property value, if any, via the applicable approaches; Cost, Income and Sales Comparison and chose the Sales Comparison Approach.
6. Reconcile the value indications, and conclude on the value estimate.
7. Write a report.

I have personally inspected the subject property and the neighborhood surrounding it. On-going appraisal work, in eastern Pennsylvania and residing in the Lehigh Valley provides a strong knowledge of regional and neighborhood market conditions. The three traditional and accepted approaches to value, namely: Cost Approach, Direct Sales Comparison or Market Data Approach, and the Income Capitalization Approach have been considered in this analysis. They have been utilized and reported herein based on their reliability and meaningfulness for the appraisal problem at hand. The analysis includes an overview of economic, governmental, environmental, and social factors with emphasis on their impact on the subject property.

Christie M. Davies maintains an abundant and ever-growing bank of pertinent data via public records, multiple-listing service information, governmental and real estate-related private-sector documents and reports, and interactions with buyers, sellers, brokers, and other appraisers and related professionals. Wherever possible, data are verified independently and confirmed via multiple sources. It is not practical to include every detail and item which I considered, because the amount of information is simply too voluminous. Also, frequently confidentially obtained data cannot be included, but has been given due consideration in the final conclusions ascribed. Nevertheless, the salient elements are described hereinafter, and this is an "Appraisal Report" in accordance with the *Uniform Standards of Professional Appraisal Practice*.

LEHIGH VALLEY REGIONAL BACKGROUND AND ANALYSIS

The Lehigh Valley has historically benefited by its mid-scale size; a diverse economy; the skill and size of the work force; developing infrastructures; and a record of favorable real estate costs. During the past three decades, population has increased modestly, while housing has increased more abundantly. Meanwhile, manufacturing employment has declined and warehouse-distribution facilities, various service industries and retail services have developed substantially through 2006.

The development path has generally been north and west of the cities, though the southern portion of the Valley has seen substantial growth since the later 1990's. Following a rapid rise during the second half of the 1980's, real estate prices declined and stabilized in the early 1990's, and then rose modestly in the late 1990's, and especially rapidly from 2002 through the first half of 2006 fostered by in-migration from New Jersey and New York for lower priced real estate and better schools.

The 2010 Census Data lists the Lehigh Valley (Lehigh and Northampton Counties) as having a population of 647,232 reflecting an upward population change of 11.8% above the 2000 Census Data. The growth rates for both counties were similar with Lehigh reflecting a slightly greater share. In-migration in this decade has been the driving growth factor, and therefore the rapidity of future growth is uncertain.

From the start of 2000 most property types and locations exhibited better-than-average appreciation and marketability while the oldest urban areas fared less well. Overall, competitively priced properties had generally few impediments to ready marketability from 2002 through the first half of 2006 labeled as a "seller's market". After the latter half of 2006 the tide slowly changed dropping the double-digit inflation rates in a downward spiral to September 2008 when the national economy crashed and all lending ceased. From that point forward, it has been a "buyer's market" with some areas experiencing a drop-in value of 30% and higher through 2010 when it appeared that the worst had past. However, problems with balancing the national budget, accelerating oil prices and a presidential election resulted in another surge of declining values in an already unstable marketplace through 2012.

Since 2013 major metropolitan areas have experienced minimal levels of appreciation for most property types but for the Lehigh Valley it is location and property type specific such as detached single-family dwellings located in specific school districts or warehouse facilities along east-west corridors, etc. However, this does not affect all locations or types of properties of which many continue to struggle. There are very little speculative ventures and those that occur generally involve some type of subsidy.

Re: 726 Shields Street, Bethlehem, PA-City of Bethlehem Redevelopment Authority

BETHLEHEM

The city is best known as the home of Bethlehem Steel Company located along the south side of the Lehigh River. The company began steel operations in the end of the 19th century and closed the operation in the 1990's. The company encompassed approximately 1,500 acres that is now in the process of redevelopment of those Brownfields areas for commercial, retail, residential and industrial uses. Norfolk and Southern Railroad is operating an inter-modal freight facility; Lehigh Valley Industrial Park (LVIP) is in the process of developing approximately 1,000 acres, with the first phase known as LVIP VII currently available offering sites for distribution facilities; construction has been completed on the first phase of a combined cycle electric generating facility and a gaming license was awarded to the Sands Corporation who constructed a casino and hotel complex. There are no estimates on how long it may take to develop all of the 1,500 acres and complete the infrastructure, but progress is continual.

This large redevelopment project is attracting other businesses to the area promoting Bethlehem as an interesting and attractive place to reside and work combining a historical area with progressive redevelopment that now includes a casino with entertainment venues, hotel, discount retail complex, greenway-rails to trails, etc.

NEIGHBORHOOD ANALYSIS

The subject is located on the "south side" of Bethlehem in Northampton County divided from the downtown, northeast and west sections in Lehigh and Northampton Counties by the Monocacy Creek and the Lehigh River. Yasko Park is within one-two blocks and commercial development is three blocks north along 4th Street where is some neighborhood commercial uses such as hardware store, bar/restaurant/clubs, churches, day care intermixed with residential properties. The Steel Stacks development is north of 3rd Street and the Lehigh University campus is roughly 3 blocks to the west.

Hayes Street is a commuter corridor in this area and it is one block to the west extending north connecting with Route 412 a. k. a. 3rd Street or south becoming Mountain Drive North that continues over South Mountain into Lower Saucon Township. Traveling east on 3rd Street/Route 412 is the intersection with I-78 roughly 1-2 miles from the subject.

Uses in the immediate neighborhood are predominately residential consisting of the single-family dwellings \pm 100 years as detached, semi-detached and row houses and their conversions to multi-family/alternate uses and the community park with swimming pool, basketball courts and playground/jungle gym-type equipment.

Exposure Time

For Market Value, the value opinion presumes that "a reasonable time is allowed for exposure in the open market". Exposure time is defined as the length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at the market value on the effective date of the appraisal. Exposure time is presumed to precede the effective date of the appraisal.

The reasonable exposure period is a function of price, time and use. It is not an isolated opinion of time alone. Exposure time is different for various types of real estate and under various market conditions. As noted above, exposure time is always presumed to precede the effective date of the appraisal. It is the length of time the property would have been offered "for sale" before a bona fide offer to purchase could have been obtained for a hypothetical market value sale as of the effective date of the appraisal. It is a retrospective opinion based on an analysis of recent past events, assuming a competitive and open market. It assumes not only adequate, sufficient and reasonable time but adequate, sufficient and a reasonable marketing effort.

Based on a review of local data from surveys, discussions with market participants and information gathered during the sales verification process, a reasonable exposure time for the subject property would have been approximately 1-12 month with the most probable time frame from six (6) to twelve (12) months due to the condition.

SUBJECT PROPERTY DESCRIPTION

Legal Description and Sales History

A full legal description of the subject can be found in the Recorder of Deeds Office for Northampton County in Deed Book Volume 19951 Page 110899, dated 16th November 1995 for the consideration of \$75,000. The grantors were Fred R. and Sheila V. Rice and the grantee was Gloria M. Brown.

Re: 726 Shields Street, Bethlehem, PA-City of Bethlehem Redevelopment Authority

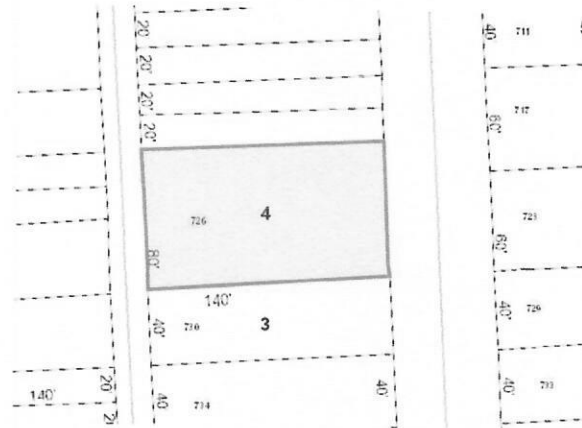
The property can be further identified on the GIS as 4763-09-2506-1676 and Parcel ID P6SE2D-24-4.

Assessment and Taxes

Northampton County utilizes a 50% ratio of assessed value to market value. The market value for assessment purposes was \$86,200 therefore the assessment was \$43,100. Current millage is 83.4 indicating total taxes of \$3,594.54.

Typically, the CLR (common level ratio) is applied to determine if the current assessment is in line with the market value. Since the City of Bethlehem is acquiring the property for redevelopment purposes this determination would not provide any valuable information and therefore was not developed, since any renovations/conversions of the space will trigger a new assessment.

SITE ANALYSIS



Site Description-General

The subject consists of two adjoining interior parcels each 40' x 140' totaling a single tax parcel 80' x 140' or 11,200 SF with 80' of frontage along Shields Street a narrow 20' wide alley. In addition, there is 80' of frontage on Ridge Street, but this is unusable due to topography with the lot roughly 10'-15' below street grade due to the hillside topography. The site has been graded to accommodate the building and site improvements.

Topography

This site is on the north face of South Mountain and has been graded to accommodate the building and site improvements. The frontage on Shields Street is at grade with the street but the frontage along Ridge Street is approximately 10'-15' below street grade due to the hillside contour. Within the site there is another terrace at the mid-point with an upward elevation change of approximately 8' and then is fairly level to the rear or east side of the site. This is an open site except for some scrub brush and or sapling type trees on the upward slope to that of Ridge Street frontage.

Site Improvements

There was concrete curbing, sidewalk and aprons for the off-street parking pad. There was a two-car macadam parking pad (that appears to have formerly been a building) on the north side of the dwelling and a covered patio area that had a flat roof.

Access

Shields Street is a narrow 20' wide macadam one-way north bound street with no street parking. 8th Street to the south, 7th Street to the north and Ridge Street to the east are two-way two-lane macadam streets that provide parallel parking. Both 7th and 8th Streets connect to commuter corridor Hayes Street that accesses 3rd Street/Route 412 with an I-78 interchange within roughly 1-2 miles.

Utilities

The subject has available municipal water, sewer and storm services as well as gas, electric, telephone and cable services.

Easements and Rights of Way

There were no easements and or rights of way except those typically associated with zoning e.g. streets, utilities, etc.

Re: 726 Shields Street, Bethlehem, PA-City of Bethlehem Redevelopment Authority

Environmental-Underground Storage Tanks

This was an exterior inspection only. It has been assumed that there were no buried oil tanks, etc. that would render the property as contaminated other than those interior finishes typically associated with a house of this age. And that this property would pass an Environmental Audit-Ph. I. If it is found that this is not the case the appraiser reserves the right to amend this appraisal.

Flood Zone

The subject can be identified on a FIRM map 42095C0326E located in White Zone X outside the 500-year flood.

Zoning

The subject can be identified in RT high density residential zone. The purpose of this district is to provide for high density residential neighborhoods with a mix of housing types. Permitted uses include: single family detached, single family semi-detached, single family attached, two family detached, two family semi-detached, townhouses, multi-family conversion into 2+ units, and non-residential uses such as community recreation center, school, city government use, public park, day care, etc.

The minimum lot size for a single family detached dwelling is 4,000 SF having no more than 3.5 stories. The minimum width varied with the number of units from 40' for a detached to 30' per unit for a semi-detached, etc. A front yard setback of 10' was only applicable for multi-family dwelling and the rear yard setback was 20' for all uses. The maximum building coverage ratio was 35% except for multi-family that was 30% and single family attached that was 40%.

The subject appears to conform to zoning except for possibly the side yards where the attached two-car garage on the south side of the building adjoined the other property like a townhouse.

BUILDING DESCRIPTION

Only an exterior inspection was completed. The property owner, Gloria Brown, never picked up the certified letter because the return receipt was not received. From a discussion with Heather Bambu-Weiss at the Redevelopment Authority this was viewed as typical for this property owner regarding other certified letters they had sent.

This has a part 2.5 story main section adjoined by a part 2-story addition and several 1-story additions at the rear circa 1900. The main section is 18' x 44' with a gable roof with either slate or asphalt shingle and all additions have shed roofs covered by rolled asphalt. The 2-story addition is 14' x 44' but the first floor does not appear to be living space with only the second floor contributing to useable area. There is a 1-story addition at the rear of the main section that is 15' x 8' and on the south side is another addition that is 10' x 20'. Some gutters and downspouts are in place while other sections are missing or dislodged. There is also a one car attached garage (assessment record) with a flat roof that was 9' x 20' but it was not visible at the time of the inspection due to the structure attached to its west side had collapsed. To the north side of the 2-story addition was a 2-car on-site parking area.

The exterior was a combination of painted concrete block, stone or stucco/sculpted stone veneer (1st floor of main section) and aluminum siding with aluminum covered soffits and fascia with single glazed fixed metal sash industrial windows and either single-hung or double-hung wood or vinyl replacements windows including sliders. There was a covered concrete porch at the front with a shed roof at the end of its useful life.

From the front of the building facing Shields Street both the first and second floors are exposed, but from the east side only the second/upper floor is on grade with the site. Therefore, the one addition on the east side of the building has windows but it is unknown if the one-story addition on the south side has any windows since the east side is below grade of the site; the south side adjoins the garage wall; the north wall adjoins the main section and the west side was encumbered by the collapsed structure. It therefore appears that the interior layout could be somewhat unconventional since not all elevations may have windows to provide natural illumination.

The county PRC (property record card) identifies that there is 2,400 SF of living space, a full basement and gas fired hot water boiler supplied heat. The layout contains 6 rooms, 4 bedrooms and 1.5 baths.

The exterior condition was poor to fair and showed signs of neglect with missing roof shingles, downspouts and gutters; debris on the flat roofs, debris from a collapsed building blocking the garage; dislodged rolled asphalt covering exposing the underlayment; etc.

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HIGHEST AND BEST USE

This is the reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

An equally descriptive definition suggests: the most profitable, likely and available use to which a property can be put. It must be a use: (1) which is or will be permitted under existing or proposed zoning and/or other regulations; (2) for which there is an economic and/or social demand; (3) for which the property is physically suitable or adaptable; (4) which is harmonious with the nature and condition of existing neighborhood development.

As if vacant

This is an interior lot having a hillside location fronting on a narrow one-way city street that does not permit any parking. The lot is basically open and has been graded to accommodate a structure. The zoning is for high density residential use that dominates the neighborhood with single family detached, semi-detached and attached houses and the conversion of some to alternate multi-tenant use/apartments. The lot has adequate width that it could be developed with a single detached, or (2) semi-detached dwellings and provide on-site parking.

Based on the surrounding neighborhood uses and zoning the highest and best use of the lot as vacant would be for residential purposes.

As improved

The subject as improved includes the "as vacant" information regarding the site. It has been owner occupied and is a single family detached dwelling with on-site parking. It appears to have a somewhat unconventional layout due to topography of the site that may preclude natural illumination to all of the first-floor rooms and some on the second level due to the two-story addition.

The courthouse documents indicate that there is adequate area of approximately 2,400 SF accommodating the six rooms and one and one-half bathrooms. From the exterior inspection combined with the "blighted" status it does have deferred maintenance relative to condition and based on current market trends it may have a challenging layout.

After careful consideration of the factors affecting the subject it is the opinion of the appraiser that the highest and best use of the subject is for a continuation of the existing residential use.

Re 726 Shields Street, Bethlehem, PA - City of Bethlehem Redevelopment Authority

SALES COMPARISON APPROACH

The sales comparison approach is the process in which a market value estimate is derived by analyzing the market for similar properties and comparing these properties to the subject property. In the approach, market value is estimated by comparing the subject property to similar properties that have recently sold, are listed for sale, or are under contract (i.e., recently drawn up purchase offers accompanied by a cash or equivalent deposit).

The comparative analysis performed in the approach focuses on similarities and differences among properties and transactions that affect value. These may include differences in the property rights appraised, the motivations of buyers and sellers, financing terms, market conditions at the time of sale, size, location, physical features, and, if the properties produce income, economic characteristics. Elements of comparison are tested against market evidence to determine which elements are sensitive to change and how they affect value.

I have reviewed sales and offerings of similar use properties from September 2011 to the present date in Northampton County for detached dwellings in urban locations with public water and sewer that are in need of updating/renovations. Due to the limited number of sales for this type property, the search was expanded to include semi-detached units. Emphasis has been placed on those sales because they are believed to be the most representative of the subject's market and do not require an adjustment for this particular property type. While a larger group of sales were collected and reviewed those summarized below were considered to be the most meaningful for analysis with the subject. The most meaningful unit rate of comparison is considered to be the "price paid per SF GBA including the land".

Comparable Property Summary

#	Address	Grantor/ Grantee	Deed	Date	Sales Price	Cncssn	Size (SF)	Description	\$/SF	CDOM
1	318 N 9th St, Easton	Shoemaker/ GRS RE Invstmnts LLC	2017-1/ 270133	Dec-17	\$53,500	no	1,434	2.5 sty det c. 1900. Needs work. Bsmnt Layout: 6-3-1 Lot: 34' x 79' Znd: WW	\$37.31	365
2	451 New St, Freemansburg	Richenderfer/ Elite Invstng Grp LLC	2016-1/ 45092	Mar-16	\$50,000	no	1,868	2-sty det c. 1870. Short Sale "as is". Layout: 8-3-1, 2-car gar. Lot: 122' x 190' Znd: R-4 med dnsty	\$26.77	398
3	911 Main St, Bethlehem	Bk of Am. NA/ Duarte	2016-1/ 42532	Mar-16	\$56,050	no	1,957	2-sty semi-det c. 1900. Layout: 7-3-1. Poor cndtn. Needs updating. Lot: 23' x 184' Znd: RT-high dnsty	\$28.64	92
4	103-5 Main St, Freemansburg	LSF8 Master Prcptn Trst/ Lei Thunan The	2016-1/ 81921	Dec-15	\$31,000	no	2,392	2-sty det fr c. 1900 Layout: 6-4-1.5. Poor cndtn. Lot: 40' x 180' Znd: R-4 med dnsty	\$12.96	268

Subject

726 Shields St,
Bethlehem
2,400 2.5 + 2-sty det c. 1900 Layout: 6-4-1.5. Bsmnt. On-site
pk. Lot: 40' x 140'. Znd: RT high dnsty

Re: 726 Shields Street, Bethlehem, PA - City of Bethlehem Redevelopment Authority

Sale 1

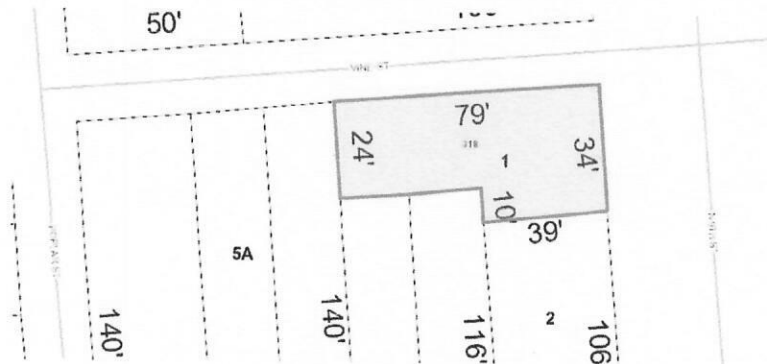
318 N 9th Street, Easton, PA



This is a 2.5 story 1,434 SF detached dwelling on a corner lot with an alley. The topography is sloping and the shape irregular having 34' of frontage on N 9th Street and 79' of frontage on the alley, Vine Street containing 0.0525 acres. The building improvement was circa 1900 that was remodeled 1971. It had frame construction with aluminum siding, gable roof with slate and asphalt shingles and a flat section that would be either built-up or rolled asphalt and a covered frame front porch. The first-floor windows had been replaced but the others were original. A rear facing attic window was missing covered by plywood. The layout was 7 rooms, 3 bedrooms and one bath with a full basement. The heating system was gas hot water and was newer than the remodeling with a 200-amp electric service. The kitchen and bath were roughly 46 years old but the stove was new. The agent indicated that the attic was not heated and did not pass the City inspection for occupancy and that there was deferred maintenance that showed in the neglected condition that overall was fair: floors needed to be refinished or replaced; the washer was in the kitchen and the dryer was on a porch; it had junk throughout that required removal and there was pet damage.

The neighborhood consists predominately of similar aged and constructed single family detached and semi-detached dwellings and the conversion of some to multi-family use, and a cemetery and a church within one block. Access to a major transportation corridor Rte. 22 was within four blocks with a shopping center at 25th Street within 2 miles.

This was an arm's length transaction with no concessions that sold after 365 days on the market through the local MLS. The sale occurred as of 8th December 2017 for the consideration of \$53,500. The grantor was Alan J. Shoemaker and the grantee was GRS Real Estate Investments LLC recorded in deed book volume 20017-1 page 270133. Confirmed by listing agent Jacky Morgan with Teel Realty 570-897-7325.



Re: 726 Shields Street, Bethlehem, PA - City of Bethlehem Redevelopment Authority

Sale 2

451 New Street, Freemansburg, PA



This is a 2.5 story 1,868 SF detached dwelling on a corner lot with an alley. The lot is level at the frontage and slopes downward to the east boundary where was a creek placing it partially in a flood zone. It was rectangle having 122' of frontage on a narrow one-way north bound New Street with parallel street parking on one side and 190' frontage along the alley containing 0.542 acres. The building had a brick exterior, gable roof and covered concrete front porch circa 1870. The layout contained 9 rooms, 4 bedrooms and one bath with a full basement. The attic was unfinished used for storage. There was an oil fired hot water boiler that needed to be replaced, electric water heater and circuit breaker electric service. The detached 2-car garage faced the street but did not have the aluminum siding at the time of sale with only exposed Tyvex underlayment. The agent indicated that the house needed to be gutted and remodeled, but the selling points were the garage and the large lot.

The neighborhood consists of similar aged and constructed single family detached and some semi-detached units and the conversion of some to multi-family use. Parallel street parking was only on the east side of this narrow street. Access to a commuter corridor was within 0.5 miles and roughly 2-3 miles to Rte. 33, a limited access highway.

This was a "short sale" that sold "as is" after 398 days on the market through the local MLS. The sale occurred as of 11th March 2016 with no concessions for the consideration of \$50,000 and required bank approval. The grantor was Darlene A. Richenderfer and the grantee was Elite Investing Group (there has been another sale as of October 2017 but this was to an REO for \$1,457 that was not utilized). This sale is recorded in deed book volume 2016-1 page 45092. A "short sale" is typical for a property that is at the bottom of the market due to condition/neglect. Confirmed by listing agent Tom Kolesnik with BHHS Fox & Roach-Bethlehem 610-865-0033



Re: 726 Shields Street, Bethlehem, PA - City of Bethlehem Redevelopment Authority

Sale 3

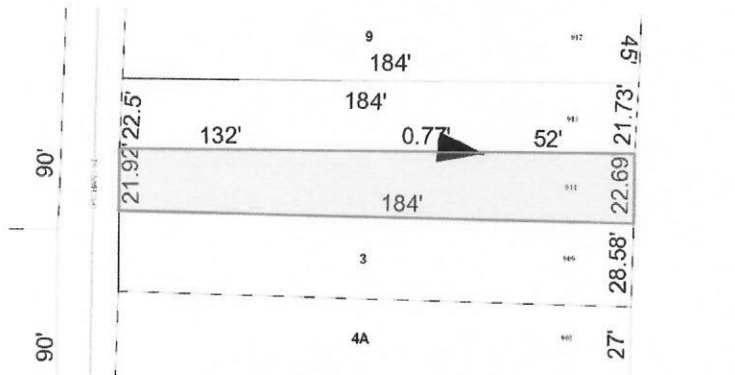
911 Main Street, Bethlehem, PA



This is a 2.5 story semi-detached dwelling containing 1,957 SF constructed on an interior lot with rear alley access. The lot was 23' x 184' containing 0.093 acres with level topography from east to west but there was a downward slope from north to south along the frontage. The building improvement was circa 1900 having frame construction with an aluminum exterior, gabled asphalt shingle and possibly a flat built-up roof with aluminum soffits, fascia, downspouts and gutters. One of the exterior walls at the rear was missing the siding exposing the plywood underlayment. The front porch was frame with a shed roof covered by asphalt shingles. The layout had 6 rooms and 3 bedrooms and one bath. The heating system was gas fired boiler approximately 10-15 years old with radiator distribution and there was an oil-fired water heater.

The neighborhood consisted of detached and semi-detached intermixed with a few attached units and the conversion of some to multi-family. An elementary school was directly across the street and Moravian College campus was about 2 blocks to the north, downtown Bethlehem was roughly 5 blocks to the south and within one mile was an interchange onto limited access highway Rte. 378.

The agent reported that the house was in bad shape and needed remodeling. The windows and bathroom were original and had not been maintained over time. There was a roof leak that dripped onto the second floor when it rained. The kitchen needed to be gutted, the floors needed to be refinished and/or replace the coverings. The basement floor had a 1' hole and the rear stone foundation wall was deteriorating and needed work to secure the loose stones. He also indicated that the property had had multiple showings during the 92 days prior to the sale through the local MLS but that it had been listed previously at \$79,000 by another office. This was a bank owned property with no concessions. The agent indicated that he felt that market value was achieved when it was purchased by an individual investor as of March 2016 for the consideration of \$56,050. The grantor was Bank of America NA and the grantee was Christian Durante. This sale is recorded in deed book volume 2016-1 page 142532. The sale was confirmed with listing agent Larry Dugan with Emerald Realty Group 610-332-7320.



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Sale 4

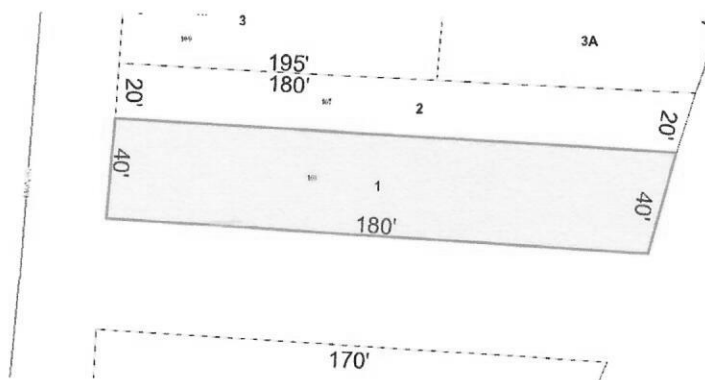
103 Main Street, Freemansburg, PA



This is a 2.5-story detached dwelling c. 1900 containing 2,392 SF. This is a rectangular corner lot with an alley having 40' of frontage at grade with Main Street and 180' along a dirt alley. The lot slopes downward from west to east and is located in a flood zone for the Lehigh River. The dwelling is frame construction with aluminum siding, soffits, fascia, downspouts and gutters; a slate covered gable roof; and windows were either original wood or replacement units. The layout had 8 rooms, 4 bedrooms and 1.5 baths.

The neighborhood was Freemansburg adjacent to the Lehigh River and Lehigh Canal consisting of detached and semi-detached dwellings, a few old industrial buildings and some of each type were converted to alternate multi-family uses. Access to a commuter corridor was within one mile and access to a limited access highway was within 1-2 miles.

The agent indicated that the building was bank owned from a foreclosure and that it had been vandalized having had the plumbing pipes and heating system removed. The building was a shell without a kitchen or bath in very poor condition. He also said it was an arm's length transaction having been listed for 268 days and he felt that the bank received market value for the condition of the property. The listing agent who confirmed the sale was Cliff Lewis with Coldwell Banker Hearthsides 610-465-5600.



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Adjustment Analysis

Factors such as motivation of the parties to the transaction and financing do not require any adjustments. Conditions of Sale included: (1) arm's length, (1) short sale in lieu of foreclosure requiring bank approval and (2) bank owned properties. These conditions would be the typical market for the subject; extreme neglect enters into the picture when the homeowner no longer can afford to make repairs letting the property fall into disrepair and eventually foreclosure/ownership by the lender. Market Conditions/Time was considered similar for all of the comparable sales as is currently available to the subject. None of the sales had any reported/known concessions. Additional adjustments are indicated that reflect the differences in the sales and market reaction. Specifically, these adjustments are for location & access, age and condition, building size, building amenities/layout including detached structures, site size/amenities that include characteristics such as; land to building ratio, shape, frontage, zoning etc.

The unique characteristics of the subject property preclude ready direct comparisons with textbook-like adjustments for differences. Imperfections in the market and market reactions further constrain the data. Instead reliance must be given on a qualitative basis. The adjustments are for Superior, Similar, and inferior and are ranked from the highest unit rate per square foot to the lowest in each category. Similar is the base or neutral category.

Adjustment Grid

	Subject	1	2	3	4
	726 Shields	318 N 9th St	451 New St	911 Main St	103-105 Main St
Municipality	Bethlehem	Easton	Freemansburg	Bethlehem	Freemansburg
Consideration		\$53,500	\$50,000	\$56,050	\$31,000
Financing		Cash/Conv	Cash/Conv	Cash/Conv	Cash/Conv
Conditions of Sale		Arms Length	Short Sale	Bank Owned	Bank Owned
Date		Dec-17	Mar-16	Mar-16	Dec-15
Year Built	1900	1900	1870	1900	1900
Building Size SF	2,400	1,434	1,868	1,957	2,392
Rate/SF GBA		\$37.31	\$26.77	\$28.64	\$12.96
Lot (AC)	80 x 140	34' x 79 irreg	122 x 190	23 x 184	40 x 180
Bldg Condition	Fair-Poor	Fair	Poor	Poor	Poor
ADJUSTMENTS					
Property Rights	Fee Simple	Similar	Similar	Similar	Similar
Financing	Cash/Conv	Similar	Similar	Similar	Similar
Conditions of Sale		Similar	Similar	Similar	Similar
Market Conditions: Time		Similar	Similar	Similar	Similar
Location & Access		Similar	Similar	Superior	Similar
Age & Condition		Superior	Similar	Inferior	Inferior
Bldg Size		Superior	Superior	Superior	Similar
Bldg layout/amenities		Superior	Superior	Similar	Inferior
Site-size/amenities		Similar	Similar	Similar	Similar
Total Adjustments		Superior	Superior	Superior	Inferior
# of Adjustments		3	2	3	2
Indicated Rate/SF GBA		\$37.31	\$26.77	\$28.64	\$12.96
		Sale 1	Superior	\$37.31	
		Sale 3	Superior	\$28.64	
		Sale 2	Superior	\$26.77	
		Sale 4	Inferior	\$12.96	

Sale 1 was an arm's length transaction; however, it is not known at this point what will be the conditions of the sale for the subject therefore no adjustment was indicated. Location in an urban neighborhood and access to commuter corridor and highway was comparable. The age was similar but condition was Superior. The condition was that of neglect that included pet damage but was livable and structurally sound. The size was Superior since smaller buildings sell at a higher unit rate. The layout was similar but amenities were Superior having had some upgrades and modernization that included the kitchen, bath and electric service. This was a corner site on a two-way street, but this was offset by it being small and irregular and did not provide any on-site parking. Overall this sale was Superior to the subject.

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Sale 2 was a "short sale" that basically was a deed in lieu of foreclosure. It was on the market for 398 days prior to the signing of the agreement and the agent felt that it achieved market value based on the overall condition of the property. The location and access were Similar in a residential neighborhood that was easily accessible to commuter and highway corridors. The age and condition were also Similar having been neglected and would need to be gutted in order for the house to be livable and the garage that was incomplete not having had the finished siding on the structure. The size was Superior being 22% or 532 SF smaller than the subject, since smaller building sell at a higher unit rate. The building layout was similar and the house did not have any known amenities except for the Dutch style 2-car detached garage which the agent said was a selling point along with the large lot. Both the sale and the subject fronted on on-way street and provided off-street parking. Overall this sale was Superior to the subject.

Sale 3 was a bank sale that had had many showing prior to the signing of the agreement of sale to an investor. The access to commuter and highway access was similar but was offset by the Superior location in a less intensely developed neighborhood. The age was Similar but the condition was Inferior with known structural issues that at this point did not seem to be present at the subject's dwelling and would require gutting. The size was Superior being 18% or 443 SF smaller than the subject. The layout and amenities were Similar. The interior lot was off-set by it being located on a two-way street with parallel street parking on both sides. Overall this sale was Superior to the subject.

Sale 4 was bank owned. It had Similar location in an urban type community and access to transportation corridors. The age was Similar but the condition was Inferior having been vandalized with some components having been stripped such as the boiler and the pipes. The size was Similar. The building layout was acceptable but needed to be gutted. The site was on a two-way street with parallel parking but that was offset due to it being located in a flood plain with the Lehigh River and Canal in the backyard. Overall this sale was Inferior to the subject.

Valuation

The Total Adjustment was determined for each sale by the dominance of the adjustment categories namely: Superior, Similar, and Inferior. **Sale 1** had (3) Superior, (6) Similar and (0) Inferior indicating an overall Superior Net Adjustment. **Sale 2** had (2) Superior and (7) Similar and (0) Inferior indicating an overall Superior Net adjustment. **Sale 3** had (2) Superior, (6) Similar and (1) Inferior indicating an overall Superior Net Adjustment. **Sale 4** had (0) Superior, (7) Similar and (2) Inferior indicating an overall Inferior Net Adjustment.

The subject is in an urban neighborhood of similar sized small detached dwellings of similar age mixed with some newer construction, but the access on a narrow one-way street makes it necessary to provide off-street parking which this site can provide. There is however, visible signs of neglect with missing shingles, a porch roof at the end of its useful life with curly of the shingles and a collapsed building blocking both view and access to part of the dwelling and an attached garage.

Without and interior inspection it is difficult if not impossible to analyze how this property stacks up to the neighborhood, comparable sales and the market regarding its desirability based on layout and condition. But since it has been sighted as "blighted" it has been assumed that there are undoubtedly problems associated with neglect/deferred maintenance or else it would have been sold instead of abandoned. And for these reasons it at best has been viewed as having fair to poor condition.

The four comparable properties are all similar to the subject having been neglected and/or having deferred maintenance placing them at the bottom of the market regarding desirability without doing major remodeling.

These sales have an overall range of \$37.31 per SF for a property that was located on a two-way street that provided street parking and had had modernization that was roughly 30 years old but reflected a level of neglect to a low of \$12.96 per SF for detached dwelling that had been vandalized and stripped of major components and located in a flood zone. While the sales prices vary somewhat by the unit rate for Sales 1, 2, and 3 the overall sales prices are fairly constant ranging from \$50,000-\$56,050. It was the vandalized property that actually fell out of the range based both on location and condition.

In analyzing these four comparable sales with the subject few adjustments were necessary being either two or three, but none were or adjusted to Similar. In many ways Sale 2 is probably the most comparable to the subject, but would undoubtedly overstate the value due to the size of the building that was 22% smaller. Therefore, in an effort not to overstate or understate the value of the subject consideration was given to the lowest Superior Sale 2 at \$26.77 per

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SF and the only Inferior Sale 4 at \$12.96 per SF. The mean of these two sales was at a rate of \$19.86 per SF that the market would round to \$20.00 per SF. When applied to the subject's 2,400 SF indicates a value of \$48,000. This is in line with the majority of the other sales prices considering that the subject is substantially larger.

Therefore, after careful consideration of the factors affecting the subject, it is the opinion of the appraiser that as of 11 January 2018 the sales support a fee simple "as is" value of \$48,000.

CONCLUSION

Based on all the factors involved, and as a result thereof, I am of the opinion that the fee simple market value of the subject property, in its "as is" condition, as of 11 January 2018, was:

Forty-Eight Thousand (\$48,000) Dollars,

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LOCATION MAP

