

**APPRAISAL OF REAL PROPERTY**

**289 East 3rd Street  
New York, NY 10009  
Block: 373, Lot: 61**

**IN AN APPRAISAL REPORT  
May 3, 2017**

**Prepared Expressly For:  
Mr. Victor Crispin  
c/o Iglesia Monte Hermon Inc  
289 East 3rd Street  
New York, NY 10009**

**Prepared By:  
Normandy Group Inc  
P.O. Box 1008  
Bronx, NY 10465**

**Peter von Nessi, CSA-G  
NYS Certified General Appraiser  
Lic # 46-46508  
&  
Peter Bardis  
NYS Certified General Appraiser  
Lic # 46-46848  
Phone: 347-810-1760  
Fax: 347-810-1757**

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May 31, 2017

**Mr. Victor Crispin  
c/o Iglesia Monte Herman Inc  
289 East 3rd Street  
New York, NY 10009**

**RE: 289 East 3rd Street  
New York, NY 10009  
Block/Lot: 373 / 61**

Dear Mr. Crispin,

In fulfillment of our engagement agreement, we are pleased to transmit our appraisal of the *Fee Simple interest* in the above captioned property in a narrative appraisal report, which is intended to comply with the reporting requirements as set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice (USPAP).

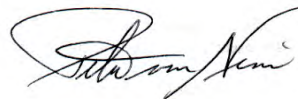
The report presents limited discussions of the data, reasoning, and analyses used in the appraisal process to develop the appraiser's opinion of value. It may not be understood without additional information in the appraiser's work file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated in the following pages. Tables in the report supply most, if not all, of the computational data used to derive the estimate of market value for the *Fee Simple estate*.

<b>CLIENT:</b>	<b>Mr. Victor Crispin c/o Iglesia Monte Herman Inc 289 East 3rd Street New York, NY 10009</b>
<b>INTENDED USER:</b>	The client and their designees are the sole intended users.
<b>INTENDED USE:</b>	Potential Sale by the Client
<b>PROPERTY IDENTIFICATION:</b>	NYC Building Classification: M1 – Church, Synagogue, Chapel
<b>BLOCK / LOT:</b>	<b>373 / 61</b>
<b>SITE AREA / TOPOGRAPHY:</b>	<b>+/- 1,988 SF / Level</b>
<b>GENERAL LOCATION:</b>	<b>Lower East Side (Alphabet City), New York County, NY</b>
<b>GROSS BUILDING AREA (GBA):</b>	<b>+/- 4,533 SF</b>

<p><b>CURRENT PROPERTY USE:</b></p>	<p>The subject improvement is a three (3) story attached, brick building that is classified as a M1, i.e., a church, synagogue or chapel. The improvement is being used as a church with the main worship area covering most of the grade level first floor. Entry to the main worship area is thorough the front vestibule with its double metal door leading in from the +/- 178 SF, front entry yard. The stairway to the mezzanine level lavatories and upper floors and basement are situated off to the side of this vestibule area. The main worship space contains nine (9) double rows of wooden pews separated by the main aisle leading up to a raised pulpit in the rear. To the right side of the pulpit area is the door leading to the +/- 612 SF rear yard.</p> <p>Between the main and 2<sup>nd</sup> floors is a mezzanine level containing the two (2) aforementioned lavatories. Continuing up the stairway leads to the 2<sup>nd</sup> floor landing. This floor contains three (3) distinct rooms, i.e., a larger rear meeting room with a rear door leading to a small terrace area in the back of the building, a middle office and a larger rear, pastor's office. There is also a storage room accessible from the 2<sup>nd</sup> floor stairway. The 3<sup>rd</sup> floor houses a 4½ room, three (3) bedroom, one (1) bath apartment. In the rear of the apartment is a kitchenette attached to a larger rear living room space. The three (3) bedrooms flank the main hallway with the bathroom at the end (front of the building).</p> <p>Given the fair interior condition, the limited size and functionality of the overall space, and, more importantly, the trend in the immediate neighborhood, the appraisal analysis indicates that the highest and best use (H&amp;BU) of the subject property would be as a residential or community facility development site. The zoning carries a residential F.A.R. (Floor Area Ratio) of 4.0 indicating that the subject lot's +/- 1,988 SF provides approximately +/- 7,952 SF of development potential. Given the age of neighboring buildings, it might be possible to create an assemblage for additional development potential.</p>
<p><b>ZONING &amp; CENSUS TRACT:</b></p>	<p>Zone: R8B, Residential &amp; Community Facility / F.A.R. = 4.0; Census Tract: 026.01</p>
<p><b>HIGHEST &amp; BEST USE (AS VACANT)</b></p>	<p>Based on the site's physical characteristics and location, it is our opinion that the subject building's highest and best use as vacant is continued use as a community facility or residential building.</p>
<p><b>TYPE OF VALUE:</b></p>	<p><b>Market value of the <i>Fee Simple Interest</i> as of the effective date of the appraisal, May 3, 2017.</b></p>
<p><b>REAL PROPERTY INTEREST:</b></p>	<p><b><i>Fee Simple Estate</i></b></p>
<p><b>SALES HISTORY:</b></p>	<p>According to public records, the subject property transferred from American Christian etal to Monte Herman Christian Church on 6/3/1977. The amount was undisclosed.</p>

<b>DATE OF INSPECTION:</b>	<b>May 3, 2017</b>
<b>EFFECTIVE DATE OF VALUE:</b>	<b>May 3, 2017</b>
<b>DATE OF REPORT:</b>	<b>May 31, 2017</b>
<b>EXTRAORDINARY ASSUMPTIONS:</b>	<i>The appraisal is completed under the extraordinary assumption that the site itself is free from any toxicity that would impact the opinion of value. In addition, while the appraisal attempts to determine the greatest FAR value attributable to the zoning controlling the subject lot, the actual available amount for development is contingent upon the planned use the property owner could have approved by the NYC Department of Buildings.</i>
<b>HYPOTHETICAL CONDITIONS:</b>	None noted.
<b>OPINION OF VALUE:</b>	<b>The reconciled Fee Simple estimate of value for the entire subject property is \$4,525,000.</b>
<b>EXPOSURE TIME:</b>	<b>Nine (9) months to one (1) year.</b>
<b>REAL ESTATE TAX:</b>	<b>The 2017-2018 annual real estate taxes for the entire subject property on a NON-EXEMPT basis are \$26,341.95. As a church classification, the subject is exempt from real estate taxes.</b>

Very truly yours,



Peter von Nessi, CSA-G  
 President, Normandy Group Inc  
 Certified General Appraiser  
 State Certification No. 46/46508

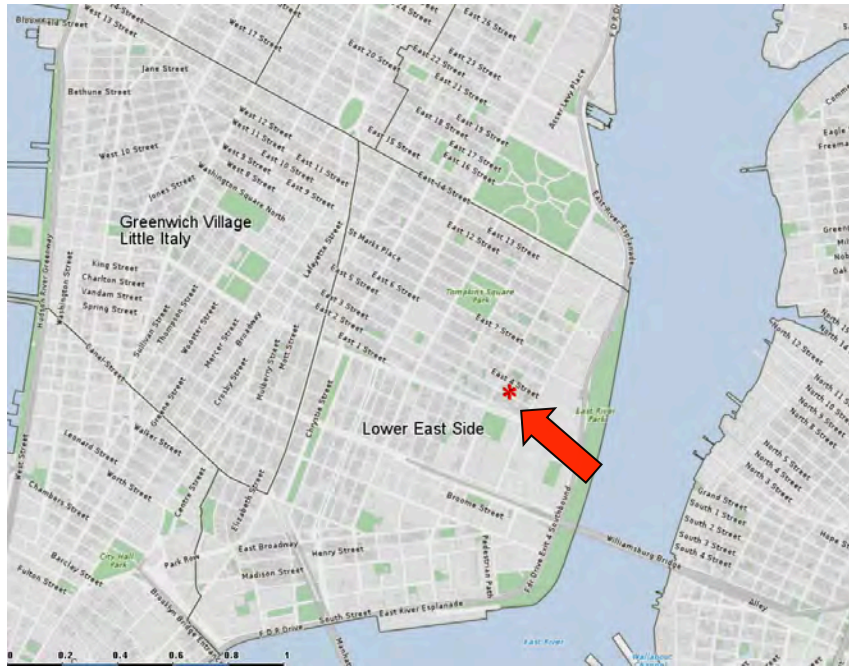


Peter Bardis  
 Certified General Appraiser  
 State Certification No. 46/46848  
**May 31, 2017**

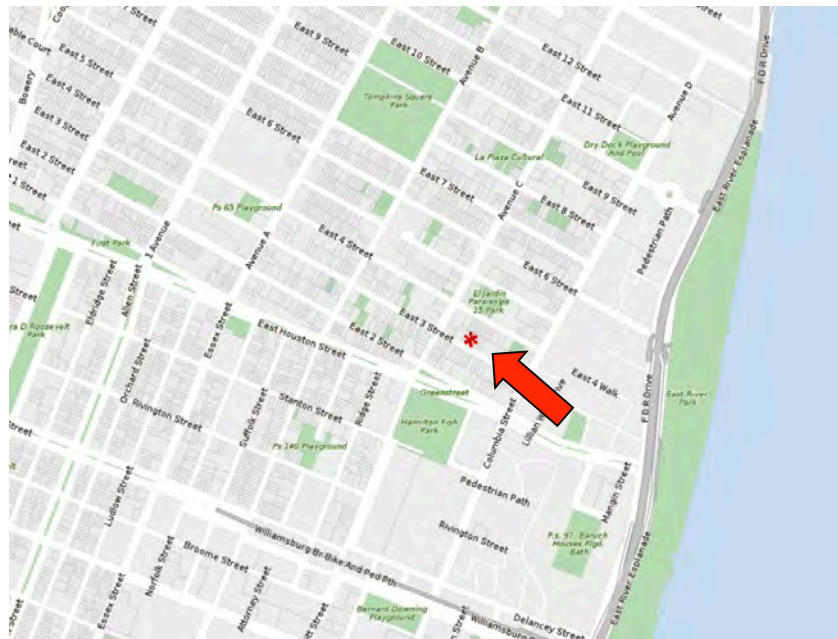
**RECAP TABLE OF SUBJECT ATTRIBUTES AND VALUE CONCLUSIONS**

<b>APPRAISAL SUMMARY 289 E 3RD SREET, NEW YORK, NY 10009</b>			
<b>LOCATION:</b>			
<b>COUNTY / STATE / ZIP:</b>	NEW YORK, NY 10009		
<b>BLOCK / LOT:</b>	373 / 61		
<b>CENSUS TRACT:</b>	0026.01		
<b>NEIGHBORHOOD:</b>	LOWER EAST SIDE (ALPHABET CITY)		
<b>ZONING / F.A.R.:</b>	R8B (RESIDENTIAL F.A.R. = 4.0)		
<b>GENERAL LOCATION:</b>	RESIDENTIAL		
<b>YEAR BUILT:</b>	1960		
<b>PROPERTY TYPE:</b>	CHURCH, SYNAGOGUE, CHAPEL (M1)		
<b>IMPROVEMENT TYPE:</b>	3-STORY, ATTACHED BRICK		
<b>OCCUPANCY:</b>	OCCUPIED		
<b>PROPERTY VALUES:</b>			
<b>INCREASING</b>	X		
<b>DECLINING</b>	-		
<b>STABLE</b>	-		
<b>NEIGHBORHOOD TREND:</b>			
<b>IMPROVING</b>	X		
<b>DECLINING</b>	-		
<b>STABLE</b>	-		
<b>CONDITION:</b>	FAIR		
<p><b>General Description:</b> The subject property is an attached, brick, 3-story, residential-type walkup with church, synagogue (M1) classification. There is a ground floor worship area, a mezzanine level dedicated to lavatories, a 2nd floor dedicated to pastor offices and a church meeting room, and a 3rd floor residential apartment. The basement is unfinished. Given the widespread upgrading and development in the immediate neighborhood in addition to the fair, interior condition of the subject, a H&amp;BU analysis would recommend conversion of the subject to a development site for residential use.</p>			
<b>VALUE RECAP 289 E 3RD STREET</b>			
<b>COST APPROACH (VALUES ARE ROUNDED)</b>			
	1	<b>COST APPROACH VALUE</b>	<b>\$4,525,000</b>
	2	<b>REPLACEMENT COST NEW</b>	<b>\$776,319</b>
	3	<b>SUBJECT SITE VALUE</b>	<b>\$4,025,000</b>
	4	<b>ABOVE GRADE BUILDING AREA +/-</b>	<b>3,373</b>
	5	<b>BASEMENT AREA +/-</b>	<b>1,160</b>
	6	<b>GROSS BUILDING AREA (GBA) +/-</b>	<b>4,533</b>
	7	<b>REPLACEMENT VALUE PER GBA</b>	<b>\$999.75</b>
	8	<b>VALUE PER FAR (7,952 SF)</b>	<b>\$506.67</b>
	9	<b>SITE AREA (SF) +/-</b>	<b>1,988</b>
<b>SALES COMPARISON APPROACH (DEVELOPMENT SITE ONLY)</b>			
	10	<b>SALES COMPARISON VALUE</b>	<b>\$4,025,000</b>
	11	<b>DEVELOPMENT AREA (FAR)</b>	<b>7,952</b>
	12	<b>VALUE PER FAR / SF</b>	<b>\$506.16</b>
<b>INCOME APPROACH</b>			
	13	<b>INCOME APPROACH VALUE</b>	<b>NA</b>
<b>RECONCILED VALUE ESTIMATE</b>			
	14	<b>FINAL ESTIMATE OF VALUE</b>	<b>\$4,525,000</b>
	15	<b>VALUE PER SF</b>	<b>\$998.24</b>
<b>INSURABLE VALUE (COST APPROACH)</b>			
	16	<b>REPLACEMENT COST (NEW)</b>	<b>\$776,319</b>
	17	<b>INSURABLE VALUE</b>	<b>\$700,000</b>
<b>REAL ESTATE TAXES</b>			
	18	<b>ANNUAL R.E. TAXES (EXEMPTED)</b>	<b>\$0.00</b>
	19	<b>ANNUAL R.E. TAXES (FULL)</b>	<b>\$26,341.95</b>
<b>DATE OF VALUE &amp; INSPECTION DATE</b>			
	20	<b>EFFECTIVE DATE</b>	<b>May 3, 2017</b>
	21	<b>INSPECTION DATE</b>	<b>May 3, 2017</b>

**AREA MAPS**



**CITY MAP**



**NEIGHBORHOOD MAP**



***AERIAL IMAGE OF SUBJECT PROPERTY***



***AERIAL IMAGE OF SUBJECT PROPERTY***



**SUBJECT EXTERIOR PHOTOS**



**289 EAST 3RD STREET FRONT**



**289 EAST 3RD STREET REAR**

**SUBJECT EXTERIOR PHOTOS**



**EAST 3<sup>RD</sup> STREET EAST**



**EAST 3<sup>RD</sup> STREET WEST**

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**TYPE OF APPRAISAL**

This report is considered a **narrative Appraisal Report**, according to the Uniform Standards of Appraisal Practice (USPAP) Standard 2.2(a). The type of report is also in accordance with the client's request. This report considers the **Sales Comparison Approach**, as far as site values are concerned, and the **Cost Approach**. Because of the Highest and Best Use (H&BU) emphasis of the appraisal and due to a dearth of 2-4 residential properties, the **Income Approach** was *not* utilized. As will be seen from both the **Sales Comparison** and **Cost Approach** methodologies, the value of the subject property resides in the development potential of the site. The subject property is currently occupied as a House of Worship. However, there is essentially no comparative market for church properties with the characteristics of the subject improvement. The neighborhood is undergoing a profound redevelopment phase where 2/3's of the 1-4 family sales researched for the appraisal were being purchased for demolition and subsequent redevelopment. Therefore, with no lease prospects for a church property of the subject's size and functionality, and conversion of the subject improvement to a 2-4 family contrary to neighborhood trends, the **Income Approach** was deemed to be unsuitable to provide a reasonable, capitalized value for the subject. The **Sales Comparison Approach** was employed to derive a market value based upon comparable development site sales. The value estimate from this process results in the value estimate of the subject's *fee simple interest*. The **Cost Approach** is also considered relevant to the type of value being sought because it establishes both a replacement value (new & depreciated) for the subject improvements and partitions the overall value of the property into its two (2) component parts, i.e., its land value and the existing value of the depreciated improvement.

**SCOPE OF WORK**

1. We viewed the improved site of the subject property on **May 3, 2017** as an interior-exterior inspection. The appraisal's primary purpose was to determine the market value of the *fee simple interest* in addition to consideration of the *Highest and Best Use (H&BU)* of the subject property.
2. We have extensively investigated available subject-area sales data for determination of comparable prices for similar types of residentially zoned properties that are candidates for redevelopment.
3. The appraiser's investigations included the collection of primary and secondary data and research of public records using commercial sources and relevant commercial cost manuals, such as Marshall & Swift, to determine independent, relevant costs for similar residential-commercial structures. At the appraiser's discretion, some data was used without personal verification, if, in the appraiser's opinion, that data appeared to be correct. The appraiser only utilized the data deemed pertinent to the valuation problem.
4. We did not investigate whether there were any pertinent easements or restrictions that might be operative regarding the *fee simple interest* of the subject property which may have existed in the public record as of the effective date of value. We suggest that a competent title company be employed to provide such a service.
5. The improvement is a three (3) story, attached brick building classified as (M1), i.e., a church, synagogue or chapel. The improvement interior is currently structured as a place of worship on the ground floor with church related offices and meeting rooms on the second floor and a single three (3) bedroom apartment on the third floor.
6. We have investigated the general trends in the regional economy and those conditions specific to the subject's marketing area.

7. We have prepared the appraisal in compliance with the Uniform Standards of Professional Appraisal Practice as promulgated by the Appraisal Foundation.
8. We will not be responsible for ascertaining the existence of any toxic waste or other contamination present on or off the site. The appraiser will, however, report any indications of toxic waste or contaminants that may affect value if they are readily apparent during the appraiser's investigations. The appraiser cautions the user of the report that the appraiser is not expert in such matters and that the appraiser may overlook contamination that might be readily apparent to parties who are experts in such matters. ***The appraisal is completed under the extraordinary assumption that the site itself is free from any toxicity that would impact the opinion of value.***
9. We have prepared a narrative **Appraisal Report** as defined in USPAP Standard 2.2(a). The report includes only the appraiser's conclusion and whatever data he alone deemed necessary to understand the basis for his valuation conclusions. The level of detail and depth of the analysis is considered commensurate with the complexity of the property type and market conditions. *The appraiser has chosen to include those data tables that might aid the client in understanding the source of some of the appraiser's conclusions.*
10. The report sets forth assumptions and limiting conditions that affect the analyses, opinions and conclusions as stated in the report. These are essential parts of the report, which cannot be fully understood without them.
11. A signed certification accompanies the appraisal in accordance with Standards Rule 2-3 of USPAP.
12. As part of the **Scope of Work** for the appraisal, both a *replacement* and *insurable* value was calculated for the subject improvement as part of the **Cost Approach** methodology.
13. The **Sales Comparison Approach** was also utilized to research and select comparable building site sales in the subject area. The selected sales were also subjected to the adjustment process in order to determine a substitute value for the subject property from a H&BU perspective. The **Sales Comparison** methodology is most often utilized to determine a *fee simple property interest*. The **Sales Comparison Approach** values a property based on the process of analyzing recent bona fide sales of similar properties in the area in order to derive a market value indication for the property being appraised. Typically, units of comparison are developed and applied to the subject property. The **Sales Comparison** process is based upon the premise that the market value of a property is related to the prices of comparable, competitive properties. It is also based upon the principle of **substitution** that holds that the value of a property tends to be set by the price that would be paid to acquire a substitute property of similar utility and desirability within a reasonable amount of time. This approach represents an interpretation of the actions of buyers, sellers, and investors in the market. Any dissimilarity to the subject property, such as size, location, condition and date of sale, is reconciled through the process of adjustments. The adjustments for the physical or financial differences in sales prices are made to make the sales cited as comparable to the subject as possible. Those sales requiring the least number of adjustments are usually the most similar to the subject and, therefore, provide the most meaningful indication of value.
14. Because the subject is classified as a M1 building and is being utilized as a house of worship, there was no income to analyze in order to determine a capitalized value via the **Income Approach**. Thus, an **Income Approach** was not utilized in the appraisal.
15. A table containing a **Cost Approach** analysis was provided. The depreciated replacement value contained in the table was derived from both the current Marshall & Swift national

costing manual and visual inspection. The **Cost Approach** estimate in addition to the values estimated by the **Sales Comparison and Income** methodologies was reconciled into one final estimate of value for the entire subject property. The **Cost Approach** value conforms to the following formula:

$$\text{Cost Approach Value} = (\text{Replacement Cost (New)} - \text{Depreciation}) + \text{Site Value}$$

16. Based on this formula the site value was estimated from a review of vacant land sales that had occurred in the subject area. These development land sales not only form the basis for the value of the subject's land component, but also are integral to the *fee simple* valuation via a H&BU analysis of the entire subject property. The subject neighborhood had little in the way of 2-4 family properties to compare to the subject via a conversion scenario. The majority of the 2-4 family properties that had sold recently were sold as development sites, i.e., with full demolition of the existing improvement scheduled via permit. It was this trend in the subject neighborhood that formed the basis for the *fee simple* analysis of the subject as a development site because it was this H&BU as a development site that afforded the greatest value to the subject property.

#### **EXPOSURE TIME**

Exposure time is the estimated length of time 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. It is also a retrospective estimate based upon an analysis of past events assuming a competitive and open market and reasonable availability of mortgage financing. We estimate that a reasonable exposure time for a sale in the subject neighborhood would be nine (9) months to one (1) year.

**DEFINITION OF INTEREST APPRAISED & GLOSSARY**

A **Fee Simple Estate**<sup>1</sup> is defined as an absolute fee - a fee without limitations to any particular class of heirs or restrictions, but subject to the four powers of government and taxation - an inheritable estate.

A **Leased Fee Estate**<sup>2</sup> is an ownership interest held by a landlord with the rights and of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the leased fee are specified by contract terms contained within the lease.

**Gross Building Area**<sup>3</sup> (**GBA**) is the total floor area of a building, including below-grade space but excluding unenclosed areas, measured from the exterior of the walls.

**Gross Living Area**<sup>4</sup> (**GLA**) is the total area of finished, above-grade residential space excluding unheated areas such as porches and balconies.

**Replacement Cost**<sup>5</sup> is the estimated cost to construct, at current prices as of the effective date of the appraisal, a building with utility equivalent to the building being appraised, using modern materials and current standards, design and layout. When this cost basis is used, some existing obsolescence in the property is assumed to be cured.

**Reproduction Cost**<sup>6</sup> is 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 the deficiencies, super-adequacies, and obsolescence of the subject building.

**Highest and Best Use as though vacant**<sup>7</sup> is the use among all reasonable alternative uses that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements.

**Highest and Best Use as improved**<sup>8</sup> is the use that should be made of a property as it exists. An existing property should be renovated or retained “as is” so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.

A **Hypothetical Condition** is that which is contrary to what exists but is supposed for the purpose of analysis.

An **Extraordinary Assumption** is an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser’s opinions or conclusions.

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<sup>1</sup> The Dictionary of Real Estate Appraisal, 3<sup>rd</sup> Edition, Appraisal Institute, pg. 140

<sup>2</sup> *ibid*, pg. 204

<sup>3</sup> *ibid*, pg. 164

<sup>4</sup> *ibid*, pg. 164

<sup>5</sup> *ibid*, pg. 303

<sup>6</sup> *ibid*, pg. 304

<sup>7</sup> *ibid*, pg. 171

<sup>8</sup> *ibid*, pg. 171

**DEFINITION OF MARKET VALUE<sup>9</sup>**

The Federal Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) of 1989 established the definition of market value. It is as follows:

"Market Value" means 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 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:

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their own best interests;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. 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.<sup>10</sup>

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<sup>9</sup> Federal Register, vol. 55, no. 163, August 22, 1990, pages 34228 and 34229; also quoted in the introduction to the Standards of Professional Appraisal Practice of the Appraisal Institute.



**APPRAISAL PROBLEM: METHODOLOGY**

The valuation techniques generally employed to estimate market value are the **Sales Comparison Approach**, the **Income Approach**, and the **Cost Approach**.

The appraisal assignment consists of valuing the *market value* of the *fee simple interest* from a Highest and Best Use (H&BU) perspective for the subject property as of a **May 3, 2017 effective date**.

The **Cost Approach** is based on the proposition that the informed purchaser would pay no more than the *cost* of producing a substitute property with the same utility as the subject property. The methodology behind this approach is to estimate the cost to replace the structure, less any accrued depreciation. Finally, the value of the land is added to this depreciated amount. This method of analysis is most useful in situations where comparable sales, as required in the **Sales Comparison Approach**, are minimal, and where the underlying property does not generate any income, which could be measured under an **Income Approach**. It is also useful in those situations where the subject may be a unique, one-of-a-kind structure or where depreciation is minimal, such as in new construction.

The **Sales Comparison Approach** also provides an estimate of value for the subject property, but from a different perspective. This approach is based on the process of analyzing bona fide sales of similar, recently sold properties in order to estimate the most probable sales price (market value) of the subject property. Typically, units of comparison are developed and applied to the subject property, adjustments are made to the sales prices of the comparable sales based upon these elements of comparison, and through this adjustment process a value estimate is produced. This approach is predicated upon the economic principle that when several similar or commensurate commodities, goods or services are available, the one with the lowest price will attract the greatest demand and widest distribution.

The **Income Approach** is based upon the capitalization of the net operating income (NOI) of the property and assumes ownership by an investor who would lease the property and benefit from its cash flow and capital appreciation. In the opinion of the appraiser, the subject improvement as a church does **not** represent an income and cash flow generator that can be duplicated with any degree of reliability. That in conjunction with the H&BU analysis indicating that the true value of the subject lies within its development potential as a residential or community facility property, renders the **Income Approach** unsuitable in the subject's analysis.

All of the above considerations manifest themselves throughout the data reviewed in connection with this appraisal report. As stated previously, in addition to some data provided in this report in tabular form, the totality of supporting data is contained in the work file of this narrative **appraisal report**. The appraisal ultimately reconciles the conclusions drawn from that data as an *individual* estimate of market value for the entire subject property.

**It should also be noted that the appraiser has not completed any appraisal work on the subject property within the past three (3) years or for that matter, ever.**

**PROPERTY INSPECTION**

<b>APPRAISERS</b>	<b>DATE</b>	<b>CONTACT</b>
<b>Peter Bardis</b>	<b>May 3, 2017</b>	<b>Pastor</b>
<b>Peter von Nessi, CSA-G</b>	<b>May 3, 2017</b>	<b>Victor Crispin</b>

**OCCUPANCY AND LEASES AFFECTING SUBJECT PROPERTY**

The subject property at **289 East 3rd Street, New York, New York 10009** is a building classified as a Church, Synagogue or Chapel with owner-user occupancy. To the appraiser's knowledge, there are no leases or rents involved with the subject property.

**TRANSFER OF PROPERTY WITHIN THE PAST 3 YEARS**

There has been no transfer of the subject property within the past three (3) years. According to public records, According to public records, the subject property transferred from American Christian etal to Monte Herman Christian Church on 6/3/1977. The amount was undisclosed.

### **AREA & NEIGHBORHOOD ANALYSIS**

The Lower East Side of Manhattan is bounded by Houston Street, the Bowery, the Manhattan Bridge, and the East river. The neighborhood's richest legacy is the influx of immigrants that settled in the area during the first half of the 20th century and the mark these groups left on the neighborhood. It was here that the New York garment industry began. The neighborhood's center was Orchard Street. Once a Jewish wholesale enclave, this street is a true multicultural blend, with trendy boutiques, French cafés, and velvet-roped nightspots sprinkled among dry-goods discounters, Spanish bodegas, and mom-and-pop shops selling everything from T-shirts to designer fashions to menorahs. The East Village was also traditionally considered part of the Lower East Side, but that neighborhood has developed its own identity.

The area has been known as one of New York's favorite bargain beats, where serious shoppers find fantastic bargains (especially along Orchard Street on a Sunday afternoon), but this is increasingly becoming a thing of the past as rents skyrocket and cutting-edge new designers and boutiques formerly seen in Soho flock to the area.

After years of neglect, the neighborhood has made a complete turnaround aided by investment and a renewed interest in the "downtown" lifestyle. Older buildings have been renovated and new ones have risen seemingly overnight. Pre-war walk-ups can now be found next to full-service luxury buildings and sleek, modern condominiums, high-end rentals and hotel towers. This cleaner, safer Lower East Side boasts a vibrant and diverse nightlife, with limitless options from hip bars to cabaret theaters and Indie rock venues, but it still retains a friendly downtown community atmosphere.

Apartment prices are somewhat cheaper here than in the neighboring East Village, but there are few subway stops—the F and J, M, Z, G lines stop along First Avenue and Delancey Street, respectively — in the area. The neighborhood's landmarks reflect its heritage: Eldridge Street Synagogue, the Louis Abrons Arts for Living Center and the Lower East Side Tenement Museum as well as the delightful Katz's deli, Yonah Shimmel Knish and Russ and Daughters food shops bring a taste of old New York to the hip fashion boutiques and restaurants that mark the area's recent metamorphosis.

### **AREA TRANSPORTATION**

Manhattan probably offers the most in subway service of all of New York's boroughs. It is the central hub for essentially all lines that ultimately lead to outer borough service. Surface bus transportation is plentiful as well. With metrocard usage, transfers between public surface transit and subway transit is both convenient and economical. Of course, the Manhattan also offers private surface transportation via ubiquitous cabs.

Alphabet City, where the subject is located, offers two-way Avenues and one-way side streets. The eastern border of the neighborhood is the FDR Drive that runs from the lower tip of Manhattan north to the Harlem River Drive around E 130<sup>th</sup> Street. Houston Street a couple of blocks below East 3<sup>rd</sup> Street, is a major boulevard type street extending from the FDR drive to the west side and the Holland Tunnel to NJ. The western boarder of the immediate neighborhood is Bowery Ave, also a boulevard type roadway running north-south from Cooper Square in the East Village to Canal Street and the Manhattan Bridge intersection.

**COMMUNITY DISTRICT #3 FACT SHEET**

**MANHATTAN COMMUNITY DISTRICT 3**

<b>TOTAL POPULATION</b>	1990	2000	2010
Number	161,617	164,407	163,277
% Change	—	1.7	-0.7



<b>VITAL STATISTICS</b>	2005	2012
Births: Number	2,254	1,743
Rate per 1000	13.7	10.7
Deaths: Number	1,205	1,156
Rate per 1000	7.3	7.1
Infant Mortality: Number	5	—
Rate per 1000	2.2	2.6



<b>INCOME SUPPORT</b>	2005	2014
Cash Assistance (TANF)	6,459	5,425
Supplemental Security Income	13,913	13,417
Medicaid Only	45,729	49,405
<b>Total Persons Assisted</b>	<b>66,101</b>	<b>68,247</b>
Percent of Population	40.2	41.8

<b>LAND USE, 2014</b>			
	Lots	Lot Area	
		Sq. Ft.(000)	%
1- 2 Family Residential	70	108.1	0.3
Multi-Family Residential	1,250	11,193.2	33.1
Mixed Resid. / Commercial	1,760	7,587.2	22.4
Commercial / Office	471	1,770.2	5.2
Industrial	122	458.4	1.4
Transportation / Utility	34	1,472.5	4.4
Institutions	287	3,574.4	10.6
Open Space / Recreation	70	5,364.2	15.9
Parking Facilities	60	308.7	0.9
Vacant Land	163	1,886.6	5.6
Miscellaneous	17	108.9	0.3
<b>Total</b>	<b>4,304</b>	<b>33,823.3</b>	<b>100.0</b>

<b>TOTAL LAND AREA</b>	
Acres:	1,077.1
Square Miles:	1.7

New York City Department of City Planning

**2016 CENSUS DEMOGRAPHIC DATA**



**2016 FFIEC Geocode Census Report**

Address: 289 E 3RD ST, NEW YORK, NY, 10009  
 MSA: 35614 - NEW YORK-JERSEY CITY-WHITE PLAINS, NY-NJ  
 State: 36 - NEW YORK  
 County: 061 - NEW YORK COUNTY  
 Tract Code: 0026.01

**Summary Census Demographic Information**

Tract Income Level	Low
Underserved or Distressed Tract	No
2016 FFIEC Estimated MSA/MD/non-MSA/MD Median Family Income	\$72,600
2016 Estimated Tract Median Family Income	\$35,944
2010 Tract Median Family Income	\$33,672
Tract Median Family Income %	49.51
Tract Population	3772
Tract Minority %	73.65
Tract Minority Population	2778
Owner-Occupied Units	178
1- to 4- Family Units	155

**Census Income Information**

Tract Income Level	Low
2010 MSA/MD/statewide non-MSA/MD Median Family Income	\$68,006
2016 FFIEC Estimated MSA/MD/non-MSA/MD Median Family Income	\$72,600
% below Poverty Line	37.74
Tract Median Family Income %	49.51
2010 Tract Median Family Income	\$33,672
2016 Estimated Tract Median Family Income	\$35,944
2010 Tract Median Household Income	\$38,468

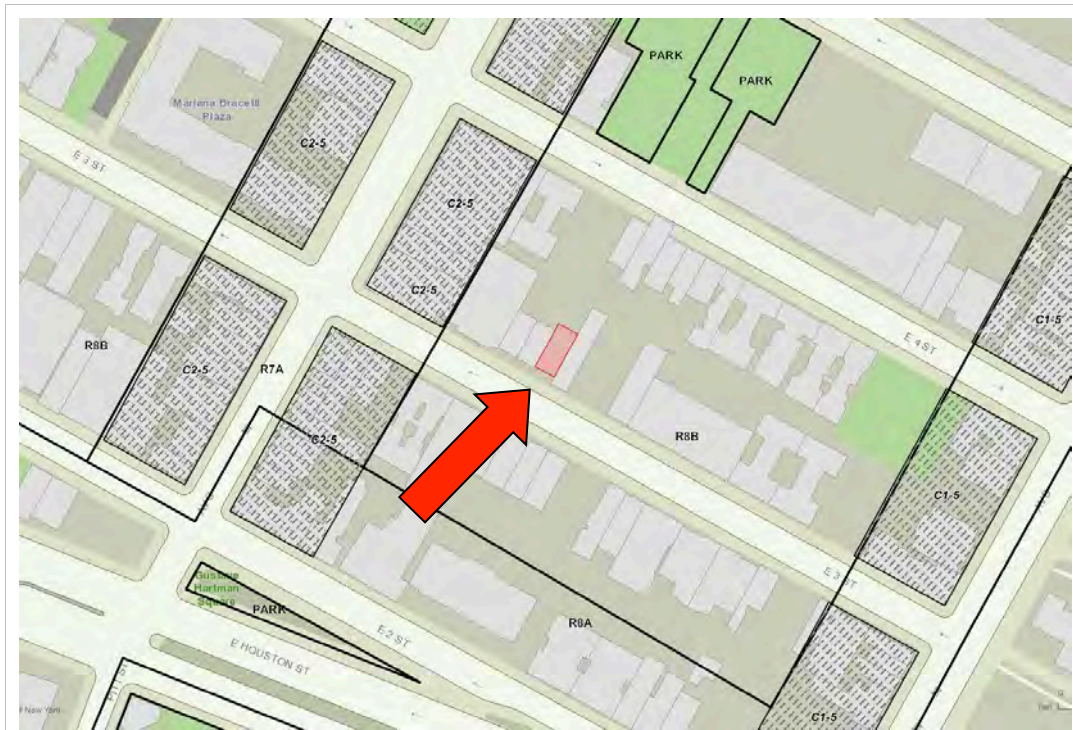
**Census Population Information**

Tract Population	3772
Tract Minority %	73.65
Number of Families	740
Number of Households	1424
Non-Hispanic White Population	994
Tract Minority Population	2778
American Indian Population	5
Asian/Hawaiian/Pacific Islander Population	516
Black Population	488
Hispanic Population	1678
Other/Two or More Races Population	91

**Census Housing Information**

Total Housing Units	1577
1- to 4- Family Units	155
Median House Age (Years)	71
Owner-Occupied Units	178
Renter Occupied Units	1246
Owner Occupied 1- to 4- Family Units	26
Inside Principal City?	YES
Vacant Units	153

**ZONING**



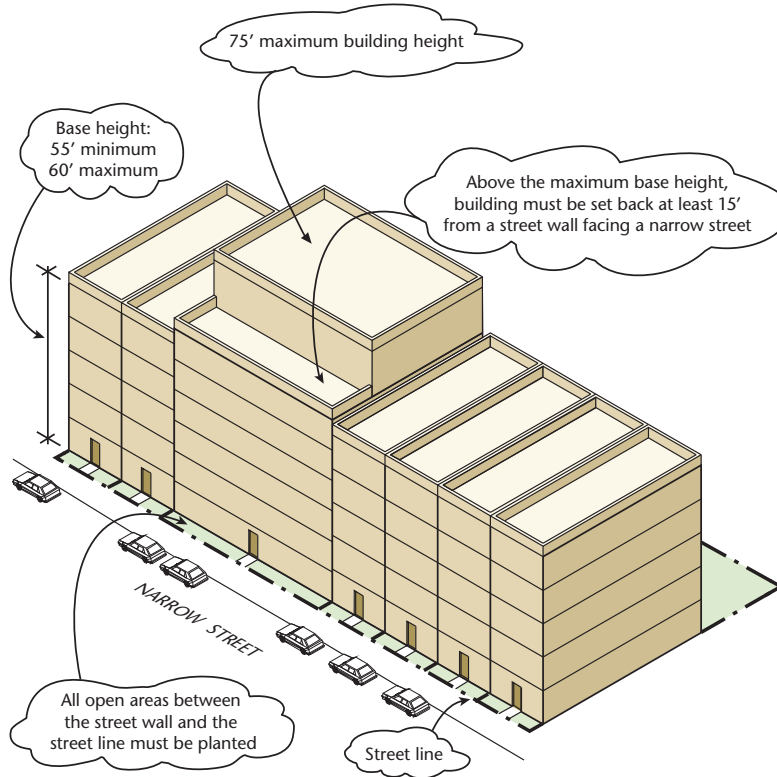
**ZONING MAP – SUBJECT CLASSIFICATION IS R8B**

R8B contextual districts usually present the same unified blocks of “brownstone” row houses as R5B and R6B districts but the higher floor area ratio (FAR) of 4.0 creates a taller building that is commonly found on the narrow side streets of the Upper West Side and the Upper East Side in Manhattan. The mandatory Quality Housing bulk regulations encourage new six-story apartment buildings, with a setback at the top story, which fit in well with the rows of 19th century houses.

The base height of a new building before a setback is 55 to 60 feet. The maximum building height is 75 feet. Many buildings are set back from the street with stoops in shallow front yards. To maintain the traditional streetscape, curb cuts are prohibited for zoning lot frontages less than 40 feet. The street wall of a new building, on any lot up to 50 feet wide, must be as deep as one adjacent street wall but no deeper than the other. On lots with at least 50 feet of frontage, the street wall must be no closer to the street line than the street wall of an adjacent building. Street walls need not be set back beyond 15 feet. Buildings must have interior amenities for residents pursuant to the Quality Housing Program.

Off-street parking is not allowed in front of a building and any open area between the street wall and the street line must be planted. Parking is required for 50% of dwelling units, and can be waived if 15 or fewer parking spaces are required or if the zoning lot is 10,000 square feet or less. In Brooklyn, however, parking is required for 40% of dwelling units, and parking waivers are not allowed.

**R8B ZONING DETAILS**



R8B General Residence District						
R8B	FAR (max)	Lot Coverage (max)		Base Height (min/max)	Building Height (max)	Required Parking (min)
		Corner Lot	Interior/Through Lot			
	4.0	80%	70%	55-60 ft	75 ft	50% of dwelling units <sup>1</sup>

<sup>1</sup> 40% in Brooklyn

**REAL ESTATE TAX DATA**

The subject property is identified on the New York City Tax Maps as follows:

Borough:	1
Block:	373
Lot:	61

RE TAXES 289 E 3RD STREET, BLK: 373 LOT: 61 TAX YEAR 2017-2018 (NON-EXEMPT)				
	TRANS	%	ACTUAL	%
LAND	\$116,460	NA	\$115,200	41.29%
BUILDING	\$132,660	NA	\$163,800	58.71%
<b>TOTAL</b>	<b>\$249,120</b>	<b>0.00%</b>	<b>\$279,000</b>	<b>100.00%</b>
		ASSESSED VALUE	TAX RATE	TAXES
TRANSITIONAL VALUE		\$249,120		
SCHOOL EXEMPTION		\$0.00		
<b>R.E. TAX BASED ON ASSESSED VALUATION</b>		<b>\$249,120</b>	<b>0.10574</b>	<b>\$26,341.95</b>

RE TAXES 289 E 3RD STREET, BLK: 373 LOT: 61 TAX YEAR 2017-2018				
	TRANS	%	ACTUAL	%
LAND	\$116,460	46.75%	\$115,200	41.29%
BUILDING	\$132,660	53.25%	\$163,800	58.71%
<b>TOTAL</b>	<b>\$249,120</b>	<b>100.00%</b>	<b>\$279,000</b>	<b>100.00%</b>
		ASSESSED VALUE	TAX RATE	TAXES
ACTUAL VALUE		\$279,000		
EXEMPTION		(\$279,000)		
<b>R.E. TAX BASED ON ASSESSED VALUATION</b>		<b>\$0</b>	<b>0.10574</b>	<b>\$0.00</b>

The top table indicates what the real estate taxes would be for the subject property without the benefit of the current tax exemption. The bottom table shows the assessment with the exemption in place.



**SITE ANALYSIS**

The subject site is a level, rectangular shaped lot fronting mid-block, East 3<sup>rd</sup> Street by +/- 20.67' with a depth of +/- 96.17'. The site's dimensions provide a lot area of +/- 1,988 SF. The site is improved with an attached, brick, three (3) story building, classified as (M1), a church, synagogue or chapel. The improvement contains a gross building area (GBA) of approximately +/- 4,533 SF.

All utilities, including water, gas, electric, telephone, and sewers are available and connected to the site. The topography of the site is level and at the grade level of the surrounding street and properties.

The site is not within a flood hazard area, according to the Federal Emergency Management Agency's Flood Insurance Map 360497-0201F Zone X, Dated September 5th, 2007.

**MSA: 5600**

**Census Tract: 0026.01**



**FLOOD MAP**



**FLOOD MAP #360497-0201F ZONE X, DATED SEPTEMBER 5TH, 2007**

**SUBJECT IMPROVEMENT AREA & SITE CALCULATIONS**

<b>AREA* CALCULATIONS 289 E 3RD STREET, NEW YORK, NY 10009</b>						
	<b>MULTIPLE</b>	<b>WIDTH</b>	<b>DEPTH</b>		<b>AREA</b>	
<b>BUILDING DIMENSIONS</b>						
BUILDING FOOTPRINT	1	20.67	56.16	+/-	1,160.00	SF
<b>1ST FLOOR NET AREA (BUILDING FOOTPRINT)</b>				+/-	<b>1,160.00</b>	<b>SF</b>
BASEMENT AREA	1	20.67	56.16	+/-	1,160.00	SF
<b>FLOOR AREA CALCULATIONS</b>						
1ST FLOOR GRADE LEVEL AREA	1	20.67	56.16	+/-	1,160.00	SF
1ST FLOOR CHAPEL AREA	1	20.67	47.32	-	978.00	SF
ENTRY FOYER AREA				=	182.00	SF
1ST FLOOR GALLERY LEVEL (LAVATORIES)	1	15.00	11.75	+/-	176.00	SF
<b>TOTAL 1ST FLOOR + GALLERY LEVEL</b>				=	<b>1,336.00</b>	<b>SF</b>
2ND FLOOR GROSS AREA	1	20.67	49.16	+/-	1,016.00	SF
<b>LESS 2ND FLOOR STAIRWELL</b>	1	6.90	17.12		<b>(118.00)</b>	<b>SF</b>
<b>2ND FLOOR NET AREA</b>				+/-	<b>898.00</b>	<b>SF</b>
3RD FLOOR GROSS AREA	1	20.67	49.42	+/-	1,021.00	SF
<b>LESS 3RD FLOOR STAIRWELL</b>	1	3.83	17.58		<b>(67.00)</b>	<b>SF</b>
<b>3RD FLOOR NET AREA</b>				+/-	<b>954.00</b>	<b>SF</b>
<b>TOTAL ABOVE GRADE BUILDING AREA</b>				+/-	<b>3,373.00</b>	<b>SF</b>
<b>TOTAL BUILDING GROSS AREA (GBA)</b>				=	<b>4,533.00</b>	<b>SF</b>
EXTERIOR BUILDING PERIMETER					153.66	SF
<b>SITE AREA*</b>						
LOT DIMENSIONS		20.67	96.17	+/-	1,988.00	SF
<b>TOTAL SITE AREA</b>					<b>1,988.00</b>	<b>SF</b>
<b>LESS BUILDING FOOTPRINT</b>				-	<b>(1,160.00)</b>	<b>SF</b>
<b>EXCESS SITE AREA (APPROXIMATE)</b>				=	<b>828.00</b>	<b>SF</b>
REAR YARD AREA		20.67	29.63	+/-	612.00	SF
FRONT SITE AREA		20.67	8.37	+/-	173.00	SF
<b>SUBJECT F.A.R. CALCULATIONS (Block: 373, Lot: 61)</b>						
<b>ZONING: R8B</b>						
RESIDENTIAL/COMMUNITY FACILITY F.A.R.	<b>4.00</b>					
PERMITTED BUILD AREA					7,952	SF
<b>LESS ACTUAL RESIDENTIAL F.A.R. AS BUILT</b>				-	<b>(3,373)</b>	<b>SF</b>
<b>(OVER)/UNDER FAR</b>				=	<b>4,579</b>	<b>SF</b>
RESIDENTIAL F.A.R. USED IN SUBJECT					1.70	
AVAILABLE F.A.R. (Over)/Under FAR					2.30	
LOT COVERAGE (1,160 SF / 1,988 SF)				=	58.4%	
<b>* AREA CALCULATIONS ARE APPROXIMATE VIA ACTUAL MEASUREMENT</b>						

### DESCRIPTION OF IMPROVEMENTS

The subject is an attached brick, 3-story walkup building. A heavy wrought iron fence cordons off the front entry to the building. Actual entry to the building is via a metal double door leading into the entry vestibule. The vestibule contains a stairway to the upper floors on the left as well as the stairway down to the basement level. In the middle of the vestibule is the entry to the main floor worship area, which is at the back of the main room. Aside from the front vestibule, the worship area occupies the balance of the first floor. There are nine (9), double rows of traditional, wooden church pews facing a raised pulpit area with lectern in the front of the worship area (actual rear of the building). To the right is a door leading to the +/- 612 SF rear yard. From the rear yard, it appears that the 1<sup>st</sup> floor of the subject was extended beyond the original dimensions as seen in the 2<sup>nd</sup> and 3<sup>rd</sup> floors. This grade level extension appears to accommodate the addition area used by the pulpit area in the interior. The subject building footprint indicates a first floor length of approximately +/- 56 FT whereas the 2<sup>nd</sup> and 3<sup>rd</sup> floors only measure +/- 49 FT in overall depth. From the appearance of blocked windows between the first and now second floor, it appears that the original building may have been four (4) stories, but the original second story was converted into a higher ceiling first floor and mezzanine. There is a fire escape from the third floor down to the second and a ladder leading to the final steel staircase to the ground level in the rear yard.

The interior of the first floor is covered with industrial type carpeting. The pulpit area is two (2) steps higher than the main floor. It is built on a wooden frame with a parquet floor surface. The room itself has a vaulted ceiling (part of the 1<sup>st</sup>-2<sup>nd</sup> floor conversion mentioned previously) that ends with the mezzanine wall in the rear. It is on the mezzanine level, accessible from the main rear stairway, where the two (2) lavatories are located.

After the mezzanine level and lavatories is the 2<sup>nd</sup> floor. It consists of a large meeting room (rear of the building), and two (2) additional offices in the middle and front of the building. There is a door at the rear of the meeting room that opens onto a narrow terrace formed by the previously mentioned first floor extension.

The 3<sup>rd</sup> floor contains a three (3) bedroom, one (1) bath apartment. There is a combined kitchenette living room dining area in the rear of the apartment with the bedrooms located off the main hallway running from the rear to the front of the building. Most of the rear living area and hallway are tile covered. The ceiling consists of acoustic tiles. Heating is via steam and individual radiators in each room. There is a washing machine in the bathroom and other appliances consist of a range and refrigerator.

**CONDITION OF THE BUILDING**

The subject improvement appears to be in average to good condition and appears to be maintained.

**EXTERIOR & SUPERSTRUCTURE**

Foundation:	Stone (Presumed)
Exterior Walls:	Brick
Exterior Doors:	Exterior Wood & Metal / Interior Doors Wood & Metal
Roof:	Rubberized Material
Windows:	Double-hung vinyl

**INTERIOR**

Floors:	Tile (bathrooms), veneer hardwood, carpeted
Ceiling & Lighting:	Wallboard with incandescent lighting
Wall Cover:	Wallboard
Interior Doors:	Wood

**MECHANICAL SYSTEMS**

Heat:	Gas-fired Weil-McLain, steam with radiators
Hot Water:	Rheem gas HW Heater
Plumbing:	standard copper and metal (brass) pipe
Electrical:	200 Amps
Air Conditioning:	NA

**ACCESS**

Street:	East 3rd Street
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**SUBJECT EXTERIOR PHOTOS**



**289 EAST 3RD STREET FRONT**



**289 EAST 3RD STREET REAR**

**INTERIOR SUBJECT PHOTOS**



**1<sup>ST</sup> FLOOR MAIN ENTRY FOYER**



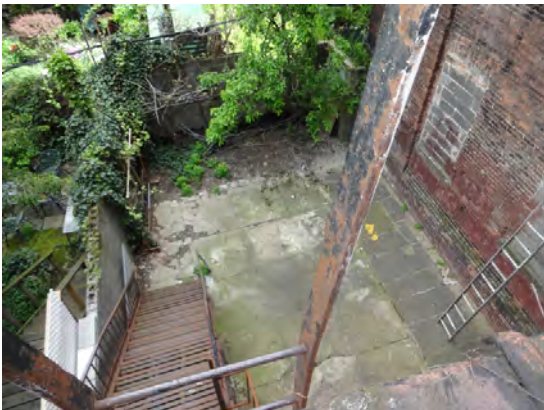
**1<sup>ST</sup> FLOOR MAIN WORSHIP ROOM**



**1<sup>ST</sup> FLOOR OPPOSITE VIEW OF WORSHIP AREA**



**1<sup>ST</sup> FLOOR PULPIT AREA**



**REAR YARD FROM 2<sup>ND</sup> FLOOR**

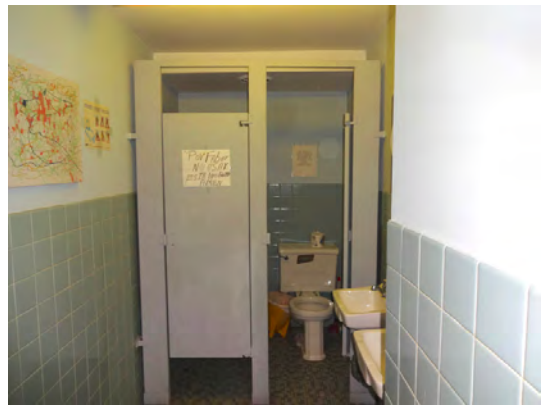


**REAR YARD FROM 1<sup>ST</sup> FLOOR**

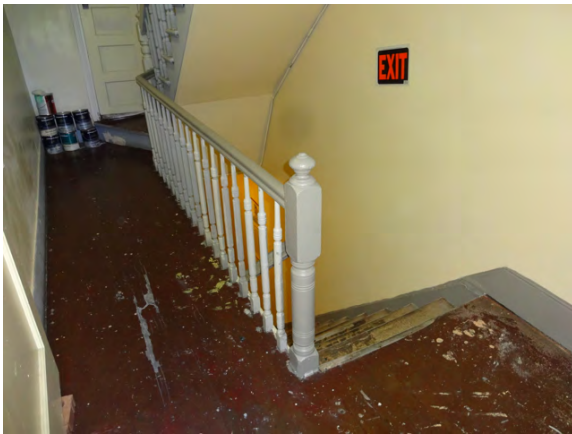
**SUBJECT PHOTOS**



**MEZZANINE LEVEL LAVATORY #1**



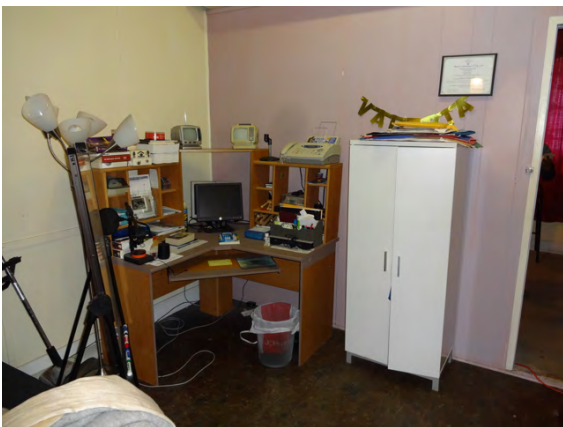
**MEZZANINE LEVEL LAVATORY #2**



**2<sup>ND</sup> FLOOR STAIRWELL**



**2<sup>ND</sup> FLOOR MAIN MEETING ROOM**



**2<sup>ND</sup> FLOOR MIDDLE OFFICE**



**2<sup>ND</sup> FLOOR PASTOR OFFICE (FRONT)**



**SUBJECT PHOTOS**



**2<sup>ND</sup> FLOOR REAR TERRACE**



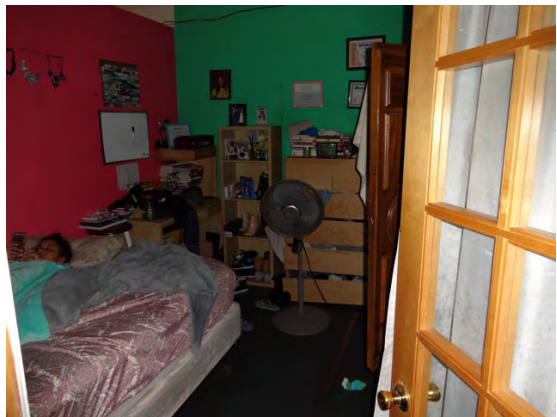
**3<sup>RD</sup> FLOOR LIVING ROOM**



**3<sup>RD</sup> FLOOR KITCHEN AREA**



**3<sup>RD</sup> FLOOR BR #1**



**3<sup>RD</sup> FLOOR BR #2**



**3<sup>RD</sup> FLOOR BR #3**

**SUBJECT PHOTOS**



**3<sup>RD</sup> FLOOR MAIN HALLWAY**



**3<sup>RD</sup> FLOOR BATHROOM**



**BASEMENT GAS BOILER & HW HEATER**



**OPPOSITE VIEW OF BASEMENT**



**289 E 3<sup>RD</sup> STREET GAS BOILER**



**RHEEM HW HEATER**

**HIGHEST AND BEST USE OF SITE AS THOUGH VACANT**

According to the *Dictionary of Real Estate Appraisal, Third Edition*, a publication of the Appraisal Institute, the highest and best use of the site **as though vacant** is defined as<sup>11</sup>:

*Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements.*

**In addition:** *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 productivity.*

Based on an analysis of the properties in the subject market we have concluded that the highest and best use of the subject building, as vacant, is as a residential, or community use building to take full advantage of the F.A.R. available by virtue of the R8B zoning for the subject site.

**HIGHEST AND BEST USE OF PROPERTY AS IMPROVED**

According to the *Dictionary of Real Estate Appraisal*, highest and best use of the property **as improved** is defined as<sup>12</sup>:

*The use that should be made of a property as it exists. An existing property should be renovated or retained so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.*

Based on our analyses of the subject building and its competitive position in the market, we have concluded that the highest and best use of the subject building **as improved** is for conversion to completely residential multi-family use or community facility use maximizing the FAR available to demolish and construct a more profitable facility.

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<sup>11</sup> Dictionary of Real Estate Appraisal, 3<sup>rd</sup> Edition, pg. 171

<sup>12</sup> *ibid*

**APPRAISAL PROCESS**

The valuation set forth in this report is the market value of the *fee simple estate*. The *fee simple* value is 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; specifically, that the buyer and seller each act prudently and knowledgeably, and that the price is not affected by under 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 each acting in what he considers his own best interest;

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;

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

In order to develop a market value estimate, consideration is usually given to the three basic approaches to value: the **Cost Approach**, **Sales Comparison Approach**, and the **Income Approach**.

The **Cost Approach** is based on the proposition that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility as the subject property. The methodology behind this approach is to estimate the cost to replace the structure, less any accrued depreciation. The value of the land is added to the depreciated replacement cost new. In the process of developing a **Cost Approach**, we have provided a calculation of the subject's replacement and insurable value based upon the Marshall Swift Valuation Services utilized in developing our cost estimate.

The **Income Approach** is essentially a procedure that converts anticipated cash flows into a total value estimate. **Direct Capitalization** is the method or process of converting those cash flows into a present value. This approach to value is most applicable to income-producing properties that are purchased for investment purposes, as such, it does **not** reasonably apply to the existing improvement.

The **Sales Comparison Approach** is based on the process of analyzing bona fide sales of similar, recently sold properties in order to estimate the most probable sales price of the subject property. Typically, units of comparison are developed and applied to the subject property, producing a value estimate.

A Reconciliation and final value estimate will be made after a review of each approach to reach a final value estimate.

According to the Uniform Standards of Professional Appraisal Practices (USPAP), the enclosed report is considered a Narrative Appraisal Report. Also in accordance with USPAP requirements, the appraiser has not valued the subject property within the last three (3) years.

**COST APPROACH**

The value conclusion reached by this approach is the combination of the estimated value of the land, as if unencumbered and its highest and best use, and the estimated depreciated replacement cost of the building.

Depreciation is measured from the time the property is completed and put into service. Since the basis of the cost approach is the current value of the land under its highest and best use, plus the current depreciated replacement cost of the improvements, the depreciation inherent in the improvement has to be measured so that it can be deducted from the replacement cost new in order for an accurate estimate of the value to be made as of the date of the appraisal. (It is customary to add a percentage (15%-20%) as an estimate of developer's profit to the replacement cost new). Algebraically, the **Cost Approach** formula looks as follows:

$$\text{Cost Approach Value} = (\text{Replacement Cost (New)} - \text{Depreciation}) + \text{Site Value}$$

Accrued depreciation is the loss in value that has occurred from the improvement's inception until the date of the appraisal.

The three main classification of accrued depreciation are:

1. Physical, curable and incurable
2. Functional, curable and incurable due to deficiency excess.
3. Economic or external, incurable.

The following method of calculating depreciation is excerpted from the Marshall & Swift National Costing Manual:

*The simplest and, in past years, a widely used accounting-type concept of depreciation, particularly with individual short-lived components, is the straight-line (age/life) approach. A life expectancy is estimated and a constant annual percentage (equal wear or service-ability each year) is taken for depreciation so that at the end of that life the depreciation equals 100% of the initial cost. This linear approach is simple and easy to use but does **not** represent reality in most cases since time is not the only factor affecting depreciation and it fails to recognize any value in-use. The passage of time may not in itself create additional depreciation if the property or component is well maintained and functionally sound.*

*Another approach to depreciation was called the mid-life theory. This takes into account that most buildings depreciate little during the first few years. When it becomes evident that the buildings are no longer new, even though they are adequately maintained, the maintenance expenses rise, rentals tend to decrease and the building depreciates faster. After a number of years, they reach the period called mid-life, at which time, if the buildings are structurally sound and properly maintained, the depreciation remains constant. The mid-life theory suffers from the fact that maintenance expenses on the average building continue to go up in order to maintain the same appearance and utility, and at any age, certain building features may suffer from obsolescence.*

*These concepts lead to a third theory, the extended life concept, which starts with the hypothesis that buildings age in much the same manner as people and that the older they get, the greater is their total life expectancy. This concept recognizes that a building is in the prime of life before mid-life and that the road is downhill after that, but that correction of deficiencies may lower the effective age and lengthen the remaining life. This recurring revitalization process periodically reverses a continuous progression down the effective age scale, reducing the indicated depreciation percentage as components are renewed throughout the lifespan of the building. This nonlinear approach accounts for a greater present value or slower depreciation rate in the early years as compared to the later years when diminishing serviceability and higher maintenance can accelerate depreciation.<sup>13</sup>*

Based upon the depreciation tables in Marshall & Swift via the extended life concept explained above, with an effective age of 30 years and a total useful life of 55 years, the depreciation percentage to be applied to the replacement cost new is **-36%**. The table on the following page details the calculation of the **Cost Approach** for the subject improvement.

Following the table mentioned above is an additional table providing an estimate of the insurable value and the total insurance premium at different rate levels that would cover the insurable value.

Finally, a grid detailing the comparable land sales that were used to estimate the subject's site value for the **Cost Approach** and the value of the development rights associated with the zoning of the subject lot is provided.

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<sup>13</sup> Marshall & Swift Valuation Service, December 2016, Section 97, pg. 3.

**COST APPROACH CALCULATION – 289 EAST 3RD STREET**

<b>289 E 3RD STREET REPLACEMENT COST VALUATION</b>	
<b>DESCRIPTION</b>	<b>PRICE PSF</b>
<b>ABOVE GRADE AREA</b>	
MULTIPLE RESIDENTIAL COST/SF (MARSHALL & SWIFT, SECT 12, PG. 16, CLASS C GOOD)	\$100.60 SF
STORY MULTIPLIER (.5% > 3 FLOORS)	+ 0.000
NET COST PSF	= \$100.60 SF
AREA MULTIPLIER (PG. 18)	x 1.076
NET COST PSF	= \$108.25
COMPLEX/CONGESTION FACTOR	x 1.05
COST MULTIPLIER	x 1.03
LOCAL MULTIPLIER	x 1.47
TOTAL REPLACEMENT COST PSF	= \$172.09
ABOVE GRADE AREA	x 3,373 SF
GLA REPLACEMENT COST NEW	= \$580,458
<b>BASEMENT</b>	
BASEMENT COST/SF (MARSHALL & SWIFT, SECT 12, PG. 16, CLASS CDS)	\$33.50 SF
STORY MULTIPLIER (.5% > 3 FLOORS)	+ 0.000
SUBTOTAL	= \$33.50 SF
AREA MULTIPLIER (PG. 18)	x 1.076
NET COST PSF	= \$36.05
COMPLEX/CONGESTION FACTOR	x 1.05
COST MULTIPLIER	x 1.03
LOCAL MULTIPLIER	x 1.47
TOTAL REPLACEMENT COST PSF	x \$57.31 SF
BELOW GRADE AREA	x 1,160 SF
BELOW GRADE REPLACEMENT COST NEW	= \$66,475
ABOVE GRADE REPLACEMENT COST NEW	\$580,458
BELOW GRADE REPLACEMENT COST NEW	+ \$66,475
<b>TOTAL REPLACEMENT COST NEW</b>	<b>= \$646,933</b>
<b>TOTAL REPLACEMENT COST</b>	
REPLACEMENT COST NEW	\$646,933
<b>PLUS DEVELOPER'S PROFIT (20%)</b>	<b>+ \$129,386</b>
TOTAL REPLACEMENT COST NEW	= \$776,319
TOTAL GROSS BUILDING AREA (GBA)	/ 4,533 SF
<b>REPLACEMENT COST PSF (GBA)</b>	<b>= \$171.26 SF</b>
<b>LESS DEPRECIATION (36% - 55 YR USEFUL LIFE)</b>	<b>(\$279,474)</b>
DEPRECIATED COST NEW	\$496,845
LAND VALUE ESTIMATE	\$4,025,000
SUBTOTAL VALUE	\$4,521,845
"AS-IS" VALUE OF SITE IMPROVEMENTS	\$10,000
<b>COST APPROACH VALUE</b>	<b>\$4,531,845</b>
<b>SAY</b>	<b>\$4,525,000</b>
GROSS BUILDING AREA	/ 4,533 SF
<b>COST APPROACH VALUE PSF</b>	<b>\$999.75 SF</b>

**ESTIMATED INSURABLE VALUE &  
INSURANCE COST BASED UPON REPLACEMENT VALUES**

<b>INSURABLE VALUE</b>		
REPLACEMENT COST NEW		<b>\$776,319</b>
LESS: NON-INSURABLE ITEMS	-10%	<u>(\$77,632)</u>
<b>INSURABLE VALUE</b>		<b>\$698,687</b>
	<b>SAY</b>	<b>\$700,000</b>
<b>SAMPLE PREMIUM CALCULATION</b>		
	<b>RATE</b>	<b>PREMIUM</b>
INSURANCE @ 35¢ per \$100 of Insurable Value (LOW)	<b>\$0.35</b>	<b>\$2,450</b>
INSURANCE @ 50¢ per \$100 of Insurable Value (AVG)	<b>\$0.50</b>	<b>\$3,500</b>
INSURANCE @ 75¢ per \$100 of Insurable Value (HIGH)	<b>\$0.75</b>	<b>\$5,250</b>

The table on the previous page details the calculation of the replacement cost of the subject building. The table on the following page indicates the calculation of the estimate for the subject's site value. This is an essential component of the **Cost Approach** as previously explained.

Based upon all of the data presented, our estimate of the **Cost Approach** value of the subject as of the **effective date** of the appraisal on **May 3, 2017** is:

**FOUR MILLION FIVE HUNDRED TWENTY-FIVE THOUSAND DOLLARS**

**\$4,525,000.00**



**SALES COMPARISON LAND ANALYSIS**

289 EAST 3RD STREET COMPARABLE LAND-DEVELOPMENT SALES						
DESCRIPTION	SUBJECT	SALE #1	SALE #2	SALE #3	SALE #4	SALE #5
<b>ADDRESS</b>	289 E 3rd St, New York, NY 10009	253 E 7th St, New York, NY 10009	223-229 Avenue C, New York, NY 10009	123 2nd Ave, New York, NY 10003	193 Henry St, New York, NY 10002	3 E 3rd St, New York, NY 10003
BLOCK/LOT	373 / 61	377 / 61	396 / 29	463 / 33	285 / 8	459 / 48
YEAR BUILT	1960	NA	NA	NA	NA	1900
BLDG CLASS	M1	V1	V1	V1	V1	C3
ZONING	R8B	R8B	R7-2, C1-5, C2-5	R7A, C1-5	R7-2, C1-5	R8B, C6-1
F.A.R.	4	4	3.44	4	3.44	4
LOT AREA (SF)	1,988	2,413	10,098	2,500	2,188	3,847
F.A.R. AREA	7,952	9,652	34,737	10,000	7,527	15,388
SALES PRICE	-	\$5,400,000	\$23,000,000	\$6,000,000	\$4,150,000	\$11,500,000
DATE OF SALE	NA	8/3/2016	6/27/2016	9/23/2016	8/11/2015	8/12/2016
GBA	-	-	-	-	-	-
PRICE PSF	-	\$2,237.88	\$2,277.68	\$2,400.00	\$1,896.71	\$2,989.34
PRICE PER F.A.R.	-	\$559.47	\$662.12	\$600.00	\$551.37	\$747.34
TIME ADJUSTMENT	-	0.0%	0.0%	0.0%	0.0%	0.0%
TIME ADJUSTED PRICE Per F.A.R.	-	\$559.47	\$662.12	\$600.00	\$551.37	\$747.34
<b>ADJUSTMENTS:</b>						
LOCATION	-	0.0%	-20.0%	-15.0%	-5.0%	-25.0%
SIZE	-	0.4%	6.7%	0.5%	-0.1%	1.9%
DEMOLITION	-	0.0%	-1.5%	-6.0%	-3.0%	0.0%
CORNER (ACCESS)	-	0.0%	-15.0%	0.0%	0.0%	0.0%
TOTAL	-	0.4%	-29.8%	-20.5%	-8.1%	-23.1%
ADJUSTED PRICE PER F.A.R.	-	\$561.85	\$464.78	\$477.07	\$506.67	\$574.39
SALE #1 per FAR	\$561.85	SUBJECT FAR VALUE	7,952	Stats	Adjusted	Unadjusted
SALE #2 per FAR	\$464.78	x COMP VALUE*	\$506.67	Min	\$464.78	\$551.37
SALE #3 per FAR	\$477.07	VALUE ->	\$4,029,066	Max	\$574.39	\$747.34
SALE #4 per FAR	\$506.67	SAY	\$4,025,000	Average	\$516.95	\$624.06
SALE #4 per FAR	\$574.39	ACTUAL VALUE P/FAR	\$506.16	Median	\$506.67	\$600.00
ADJUSTED MEAN	\$516.95					
Value Est PSF	\$517.00					

**NOTES ON LAND SALES:**

1. All of the land sales were in the vicinity of the subject lot.
2. Adjustments for size and demolition (Sale #2) were minimal and did not affect the Price per FAR significantly.
3. The average of all five (5) sales was +/- \$517/FAR. The median was +/- \$506.67/FAR. When multiplied by the subject's 7,952 FAR area, the resultant land value for the subject as itemized in the Cost Approach table is +/- \$4,025,000. The addition of the land value to the depreciated improvement value of \$496,845 yielded a **Cost Approach** estimate of value of +/- **\$4,525,000 (rounded)**.

**DEVELOPMENT RIGHTS (FAR & AIR RIGHTS)**

Due to the redevelopment trend so readily observable in the subject neighborhood, and due to the classification of the subject as a church (M1) and its depreciated improvement condition (\$496,845), the appraiser is of the opinion that the Highest and Best Use (H&BU) of the subject property is for a demolition and conversion to either a residential or community facility use that utilizes the full benefit of the subject's zoning F.A.R. of +/- 7,952 SF emanating from its +/- 1,988 SF site area. The valuation presented in the table above is based upon the subject's development potential. The appraiser's search included review of existing 2-4 family dwellings that sold in the neighborhood over the last 12-18 months.

If a buyer was purchasing the subject property for development, the subject as it is now constructed does not utilize its fully available development area. The above grade area now comprises +/- 3,373 SF. Under a 4.0 FAR, the lot can support +/- 7,952 SF of building leaving unused area of +/- 4,579 SF, or more than the existing structure now contains above grade. This +/- 4,579 SF could be transferred to the owner of an adjacent building, if they were so inclined to want to purchase the air rights to further develop their own lot. However, air rights can only be transferred to adjacent properties in the subject block; hence, the dearth of potential buyers results in a situation where the excess air rights usually sell for a discount to the calculated value of the development value per SF. We have observed discounts ranging from 25% to well over 50% depending on the motivational interest of the potential buyer. The actual value becomes whatever price the buyer and seller can agree upon. Thus, the development rights value per SF only serves as a baseline number from which an ultimate sale price would be negotiated.

It should also be born in mind that once a property sells its excess development rights, the ability to expand the subject in the future from the area it currently occupies is essentially eliminated.

Under the circumstances of the trends in the subject neighborhood and the condition of the subject, especially with its configuration as a church, it is the appraiser's opinion that the true value of the subject property would be unlocked with new development of its full building area capacity. Because of the subject improvement's condition, it does not make economic sense to make the additional investment that would be required to convert the *existing* structure into residential or community facility use. In the opinion of the appraiser, funds would be better invested in purchasing the property, demolishing the improvement and building an entirely new structure.

**COMPARABLE SALES**



**SALE #1: 253 E 7<sup>TH</sup> ST - \$5,400,000**



**SALE #2: 223-229 AVE C - \$23,000,000**



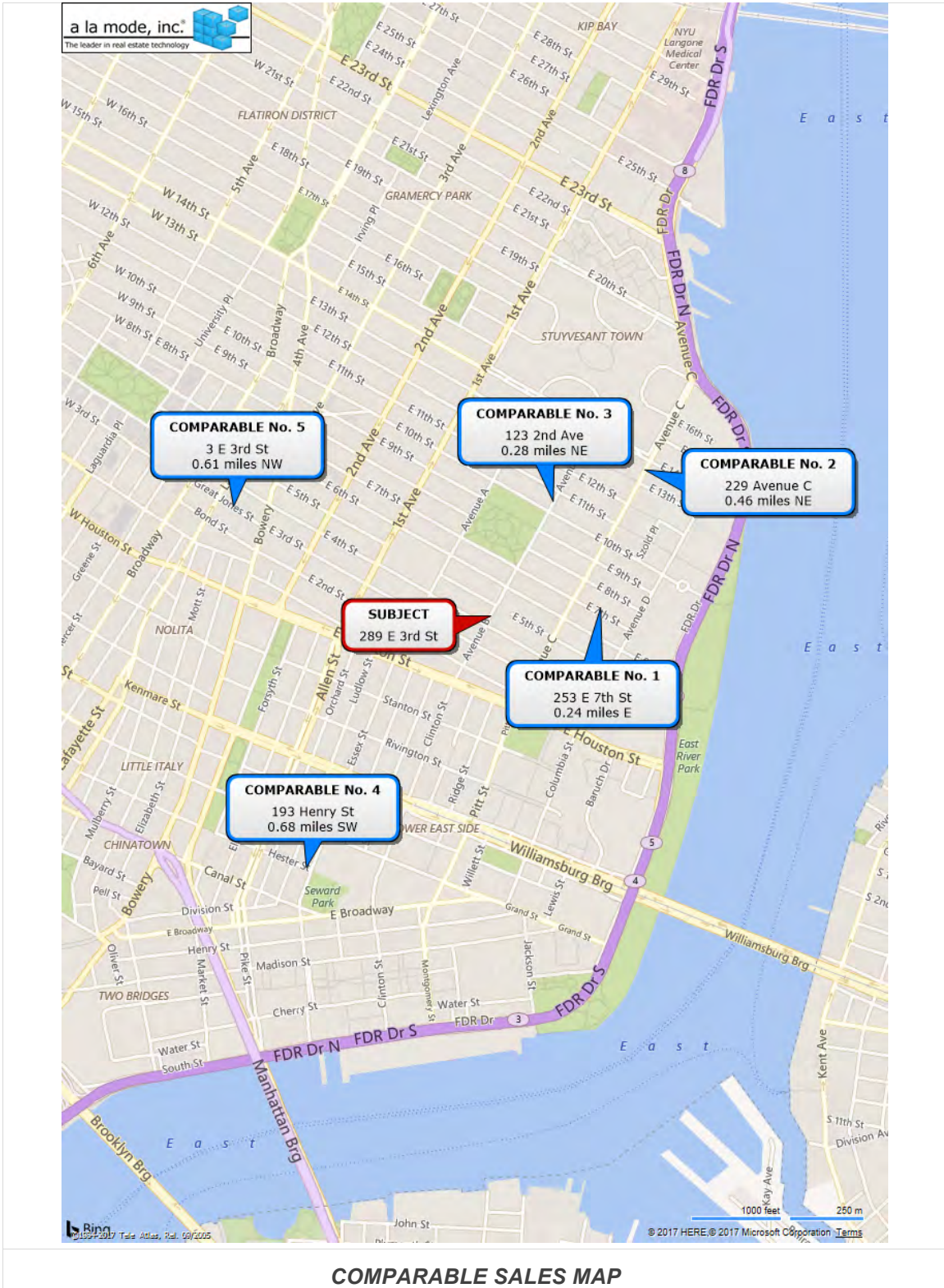
**SALE #3: 123 2<sup>ND</sup> AVE - \$6,000,000**



**SALE #4: 193 HENRY ST - \$4,150,000**



**SALE #5: 3 E 3<sup>RD</sup> ST - \$11,500,000**



**SALES COMPARISON APPROACH**

The **Sales Comparison Approach** values a property based on the process of analyzing recent bona fide sales of similar properties in the area in order to derive a market value indication for the property being appraised. Typically, units of comparison are developed and applied to the subject property.

The **Sales Comparison** process is based upon the premise that the market value of a property is related to the prices of comparable, competitive properties. It is also based upon the principle of **substitution** that holds that the value of a property tends to be set by the price that would be paid to acquire a substitute property of similar utility and desirability within a reasonable amount of time. This approach represents an interpretation of the actions of buyers, sellers, and investors in the market. Any dissimilarity to the subject property, such as size, location, condition and date of sale, is reconciled through the process of adjustments. The adjustments for the physical or financial differences in sales prices are made to make the sales cited as comparable to the subject as possible. Those sales requiring the least number of adjustments are usually the most similar to the subject and therefore provide the most meaningful indication of value.

Although we previously declared that the H&BU was redevelopment of the subject property, we did investigate 2-4 family sales in the subject area even though the subject improvement is classified (M1) as a church. We engaged in our residential research in support of our H&BU opinion. Interestingly enough, there were only three (3) 2-4 family sales within ¾'s of a mile radius of the subject in the last eighteen (18) months. Furthermore, of those three (3) sales, one sale (3 E 3<sup>rd</sup> Street) actually is slated for full demolition and is included as a land sale on our previous land sale table.

The sales we discovered are not comparable to the subject due to the configuration of the subject improvement as a church and not as a residential property. Given the existing condition of the subject's interior and its underutilization of the site's development area, the expense of capital needed to convert the improvement into a strictly residential dwelling would be better invested in a new structure that would fully utilize the development area allotted to it.

#	Address	Block & lot	Building class	Date closed	Sale price	Distance	Bldg Gross SF	Price per SF	Lot AREA	Year built	Residential Units	Stories	Zip code	Zoning	Current tax bill
SUBJ	289 E 3 St	373-61	Church (M1)	1/16/1978	NA	0	3,611	NA	1,988	1960	0	3	10009	R8B	\$0
1	264 E 7 St	376-24	3-Family (C0)	12/22/2016	\$7,738,700	0.17	3,696	\$2,093	2,059	1900	3	3	10009	R8B	\$5,043
2	319 E 6 St	448-46	3-Family (C0)	5/31/2016	\$7,920,400	0.56	4,748	\$1,668	1,635	1900	3	4	10003	R8B	\$20,814
3	3 E 3 St	459-48	4-Family (C3)	8/12/2016	\$11,500,000	0.69	3,140	\$3,662	3,847	1900	4	3	10003	R8B, C6-1	\$22,728

We included the table above listing the three (3) sales and some of the features they exhibit. There were no two (2) family (B) classification sales that occurred in the subject neighborhood. Some two (2) family sales did emerge when the search radius was widened, but these occurred in the Gramercy Park area and would not be subject to the same redevelopment trends being experienced in the subject area of Alphabet City.

With the exception of previously mentioned sale #3, the other two (2) properties apparently are involved with major interior renovation as per permits issued with the NYC Department of Buildings. The sale values lend further support to the H&BU conclusion stated above.

**RECONCILIATION AND FINAL VALUE ESTIMATE**

In arriving at our final estimate of value, we have considered the three basic approaches to value: the **Cost Approach**, the **Sales Comparison Approach** and the **Income Approach**.

The **Cost Approach** provided a value of **\$4,525,000** and a replacement value new of **\$776,319**. The **Cost Approach** value often tends to be the highest value estimate of the three (3) methodologies. This is especially true in markets where recent building sales may be subdued due to general economic conditions. Consequently, if **Sales Comparison** values were substantially lower, it would be an indication that buyers may find more cost effective value for their investment dollars in existing structures versus building new. On the other hand, residential comparative sales that are higher may indicate that, like the subject, the land component of the property is being valued particularly high.

The **Sales Comparison Approach** is based upon what comparable properties are selling for in the marketplace. In this appraisal, the comparison is between similar sites that sold for development purposes in accordance with a H&BU trends that are operative in the subject neighborhood. The **market value estimate of \$4,025,000** results from comparing the subject site and F.A.R. development potential to other development sites in the area.

The **Income Approach** was deemed unsuitable for this appraisal as was mentioned elsewhere.

After consideration of such factors as the location, size, shape, and accessibility of the land; the type, size, use, design, and quality of the improvements; zoning restrictions, legal restrictions, and all other factors of which we have knowledge, it is our opinion that the reconciled estimated *market value* of the subject property located at **289 East 3rd Street, New York, NY 10009** and its reconciled *fee simple interest*, as of **May 3, 2017, the appraisal's effective date**, is:

**RECONCILED H&BU MARKET VALUE OF THE SUBJECT**

**FOUR MILLION FIVE HUNDRED TWENTY-FIVE THOUSAND DOLLARS**

**\$4,525,000.00**

**EXPOSURE TIME**

Exposure time is the estimated length of time 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. It is also a retrospective estimate based upon an analysis of past events assuming a competitive and open market and reasonable availability of mortgage financing. We estimate that a reasonable exposure time for a sale in the subject neighborhood would be nine (9) months to one (1) year.

**ASSUMPTIONS AND LIMITING CONDITIONS**

The certification of the Appraiser appearing in the appraisal report is subject to the following conditions and to such other specific and limiting conditions as are set forth by the Appraiser in the report.

1. No opinion is intended or expressed and no responsibility is assumed for the legal description or for any matters that are legal in nature or require legal expertise or specialized knowledge beyond that of a real estate appraiser. Title to the Property is assumed good and marketable and the Property is assumed free and clear of all liens unless otherwise stated. No survey of the Property was undertaken.
2. The information contained in the Report or upon which the Report is based has been gathered from sources the Appraiser assumes to be reliable and accurate. The client may have provided some of such information. Neither the Appraiser nor Normandy Group Inc shall be responsible for the accuracy or completeness of such information, including the correctness of estimates, opinions, dimensions, sketches, exhibits and factual matters. Any authorized user of the Report is obligated to bring to the attention of Normandy Group Inc. any inaccuracies or errors that it believes are contained in the Report.
3. The opinions are only as of the date stated in the Report. Changes since that date in external and market factors or in the Property itself can significantly affect the conclusions in the Report.
4. The Report is to be used in whole and not in part. No part of the Report shall be used in conjunction with any other analyses. Publication of the Report or any portion thereof without the prior written consent of Normandy Group Inc is prohibited.
5. Except as may be otherwise stated in the letter of engagement (*if issued*), the Report may not be used by any person(s) other than the party(ies) to whom it is addressed or for purposes other than that for which it was prepared. No part of the Report shall be conveyed to the public through advertising, or used in any sales, promotion, offering or SEC material without Normandy Group Inc.'s prior written consent. Any authorized user(s) of this Report who provides a copy to, or permits reliance thereon by, any person or entity not authorized by Normandy Group Inc. in writing to use or rely thereon, hereby agrees to indemnify and hold Normandy Group Inc, its affiliates and their respective shareholders, directors, officers and employees, harmless from and against all damages, expenses, claims and costs, including attorneys' fees, incurred in investigating and defending any claim arising from or in any way connected to the use of, or reliance upon, the Report by any such unauthorized person(s) or entity(ies).
6. Except as may be otherwise stated in any verbal or letter of engagement, the Appraiser shall not be required to give testimony in any court or administrative proceeding relating to the Property or the Appraisal.
7. The Report assumes (a) responsible ownership and competent management of the Property; (b) there are no hidden or unapparent conditions of the Property (*except as stated*), sub-soil or structures that render the Property more or less valuable (no responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them); (c) full compliance with all applicable federal, state and local zoning and environmental regulations and laws, unless noncompliance is stated, defined and considered in the Report; and (d) all required licenses, certificates of occupancy and other governmental consents have been or can be obtained and renewed for any use on which the value opinion contained in the Report is based.

8. The **interior** physical condition (*if applicable*) of the improvements considered in the Report is predicated upon the visual inspection by the Appraiser or other persons identified in the Report **as of the appraisal inspection date of May 3, 2017**. Neither Normandy Group Inc., nor the appraiser(s) assumes responsibility for the soundness of structural components or for the condition of mechanical equipment, plumbing or electrical components.
9. *If applicable*, the forecasted potential gross income referred to in the Report may be based on lease summaries provided by the owner or third parties. The Report assumes no responsibility for the authenticity or completeness of lease information provided by others. Normandy Group Inc. recommends that legal advice be obtained regarding the interpretation of lease provisions and the contractual rights of parties.
10. Any forecasts (*if applicable*) of income and expenses are not predictions of the future. Rather, they are the Appraiser's best opinions of current market thinking on future income and expenses. The appraiser and Normandy Group Inc. make no warranty or representation that these forecasts will materialize. The real estate market is constantly fluctuating and changing. It is not the appraiser's task to predict or in any way warrant the conditions of a future real estate market; the appraiser can only reflect what the investment community, as of the date of the Report, envisages for the future in terms of rental rates, expenses, and supply and demand.
11. Unless otherwise stated in the Report, the existence of potentially hazardous or toxic materials that may have been used in the construction or maintenance of the improvements or may be located at or about the Property was not considered in arriving at the opinion of value. These materials (such as formaldehyde foam insulation, asbestos insulation, and other potentially hazardous materials) may adversely affect the value of the Property. The Appraisers are not qualified to detect such substances. Normandy Group Inc. recommends that an environmental expert be employed to determine the impact of these matters on the opinion of value.
12. Unless otherwise stated in the Report, compliance with the requirements of the Americans with Disabilities Act of 1990 (ADA) has not been considered in arriving at the opinion of value. Failure to comply with the requirements of the ADA may adversely affect the value of the Property. Normandy Group Inc. recommends that an expert in this field be employed to determine the compliance of the Property with the requirements of the ADA and the impact of these matters on the opinion of value.
13. If the Report is submitted to a lender or investor with the prior approval of Normandy Group Inc., such party should consider this Report as only one factor, together with its independent investment considerations and underwriting criteria, in its overall investment decision. Such lender or investor is specifically cautioned to understand all Extraordinary Assumptions and Hypothetical Conditions and the Assumptions and Limiting Conditions incorporated in this Report.
14. In the event of a claim against Normandy Group Inc. or its affiliates or their respective officers or employees or the Appraisers in connection with or in any way relating to this Report or this engagement, the maximum damages recoverable shall be the amount of the monies actually collected by Normandy Group Inc. or its affiliates as a fee for this Report and under no circumstances shall any claim for consequential damages be made.
15. If the Report is referred to or included in any offering material or prospectus, the Report shall be deemed referred to or included for informational purposes only and Normandy Group Inc, its employees and the Appraiser have no liability to such recipients. Normandy Group Inc.



disclaims all liability to any party other than the party that retained Normandy Group Inc. to prepare the Report. In the event of a claim against Normandy Group Inc. or their respective officers or employees or the Appraisers in connection with or in any way relating to this Report or this engagement, the maximum damages recoverable shall be the amount of the monies actually collected by Normandy Group Inc. for this Report and under no circumstances shall any claim for consequential damages be made.

16. Any estimate of insurable value, *if included within the agreed upon scope of work and presented within this report*, is based upon figures derived from a national cost estimating service (Marshall & Swift) and is 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 for replacing any structure. This analysis should not be relied upon to determine insurance coverage. Furthermore, we make no warranties regarding the accuracy of this estimate.
17. **By use of this Report each party that uses this Report agrees to be bound by all of the Assumptions and Limiting Conditions, Hypothetical Conditions and Extraordinary Assumptions stated herein. These terms are conditioned upon severability. Should any portion of these terms be found to be legally unenforceable, the remaining provisions shall remain in force.**
18. The terms and conditions governing the issuance of this appraisal report are superior to any and all ancillary conditions promulgated by the client or anyone acting in an agency capacity on the client's behalf. Should any provision in these conditions be in conflict with any other such provision, regardless of how introduced, the terms as presented herein shall take precedence. The existence of these terms and conditions was stipulated in the original letter of engagement (LOE) signed by the client.

**CERTIFICATION OF THE APPRAISER**

We certify that, to the best of our knowledge and belief:

- Normandy Group Inc was employed to appraise the *fee simple interest* currently held by the owner of the subject property located at **289 East 3rd Street, New York, NY 10009**.
- The statements of fact contained in this report are true and correct.
- **Peter von Nessi, CSA-G and Peter Bardis inspected both the interior and exterior of the subject property on May 3, 2017.**
- The report analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial and unbiased professional analyses, opinions, and conclusions.
- We 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.
- This appraisal report sets forth all of the limiting conditions (imposed by the terms of our assignment or by the undersigned) affecting the analyses, opinions and conclusions contained in this report.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our 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 the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The report 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 Columbia Society, which included the *Uniform Standards of Professional Appraisal Practice*.
- The use of this report is subject the requirements of the Columbia Society relating to review by its duly authorized representatives.
- This appraisal complies with FDIC requirements and the Office of Thrift Supervision of the Department of Treasury's Regulations 12 CFR 34.44.
- In accordance with USPAP reporting requirements, the appraiser has not performed any appraisal, consulting or valuation services for the subject property within the past three (3) years.
- As of the date of this report, we have completed the continuing education program of the State of New York.

After consideration of such factors as the location, size, shape, and accessibility of the land; the type, size, use, design, and quality of the improvements; zoning restrictions, legal restrictions, and all other factors of which we have knowledge, it is our opinion that the reconciled estimated *market value* of the subject property located at **289 East 3rd Street, New York, NY 10009** and its reconciled *fee simple interest*, as of **May 3, 2017**, the appraisal's effective date, is:

**RECONCILED H&BU MARKET VALUE OF THE SUBJECT**  
**FOUR MILLION FIVE HUNDRED TWENTY-FIVE THOUSAND DOLLARS**  
**\$4,525,000.00**

**EXPOSURE TIME**

Exposure time is the estimated length of time 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. It is also a retrospective estimate based upon an analysis of past events assuming a competitive and open market and reasonable availability of mortgage financing. We estimate that a reasonable exposure time for a sale in the subject neighborhood would be nine (9) months to one (1) year.



Peter von Nessi, CSA-G  
President, Normandy Group Inc  
Certified General Appraiser  
State Certification No. 46/46508  
Phone: 347-810-1760  
Fax: 347-810-1757



Certified General Appraiser  
State Certification No. 46/46848  
**May 31, 2017**

**ADDENDA**

***ADDENDUM A: LETTER OF ENGAGEMENT***

***ADDENDUM B: APPRAISER'S LICENSES***

**ADDENDUM A**  
**LETTER OF ENGAGEMENT**

**NORMANDY GROUP INC.** ®

Tuesday, March 28, 2017

Iglesia Monte Hermon Inc  
289 East 3rd Street  
New York, NY 10009

**RE: 289 East 3<sup>rd</sup> Street  
New York, NY 10009  
Block: 373, Lot: 61**

Iglesia Monte Hermon Inc,

We have been in contact with Mr. Rafael Gonzalez of the firm Continental Investments International Network Co., who has requested an appraisal of the above captioned property. This correspondence will highlight the anticipated scope of work required for the appraisal of the three (3) story building classified with NYC as a Church, Synagogue or Chapel (M1) located at **289 East 3<sup>rd</sup> Street, New York, NY 10009, AKA: Block: 373, Lot: 61**. This correspondence will serve as a letter of engagement (LOE).

Based on our earlier contact with Mr. Gonzalez, it is our understanding that the appraisal being sought is for potential sale and/or development purposes. The intended users are appropriate representatives of your organization, your representative, Mr. Gonzalez, and anyone designated by you. Given the building's M1 classification, the appraisal will *not* be based upon that usage because the valuation will determine an estimate of the "AS-IS" value for the *fee simple estate* interest under a *hypothetical highest and best use condition* with an *effective date the same as the date of inspection*. It is our understanding that appraising the subject property comparatively as a M1 class property will *not* maximize its value to a typical buyer. Therefore, it is expected that the valuation will be comparatively along the lines of residential use with the thought of determining the maximum value of the property from a (*Highest & Best Use – H&BU*) perspective.

Our valuation will be in the form of a *narrative appraisal report*, which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice (USPAP). The appraisal reports also meet all IRS reporting requirements under Real Property Reporting Guidelines 4.48.6. It is expected that the report will be used as justification for a sales value because the subject property is owned by a non-profit entity where such justification is required.

The report will present summary discussions of the data, reasoning, and analyses used in the appraisal process to develop the appraiser's opinion of value. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated specifically in the report's scope of work.

There are three (3) methodologies typically employed to determine an estimate of value for a real estate property. They are the **Cost Approach**, the **Sales Comparison Approach** and the **Income Approach**. Each method approaches a given appraisal problem from a unique perspective. The **Cost Approach** is based upon the replacement cost of the improvements, less depreciation, *plus the value of the land*. The **Sales Comparison Approach** is based upon the concept of *substitution* whereby recent sales activity (prices) of similar properties in the area is analyzed, so that after adjustments for salient differences, the adjusted prices could be substituted for the subject. The **Income Approach** is based upon the income producing characteristics of the subject property and the resulting value that accrues from capitalizing at market rates any net operating income stream from the building.

In our opinion, the **Sales Comparison** and possibly the **Income Approach** can be performed, resulting in a market value estimate for the property. The feasibility of an **Income Approach** methodology will depend on whether after the physical inspection, the appraiser determines through a highest and best use analysis what the optimum functionality of the interior is and what appeal that use might have for the typical rental market in the area.

At this point, we believe that the **Cost Approach** may only be employed to measure the value of interior accommodations designed for the religious observances for which the building is used and for which comparable sales may be non-existent or in very short supply. The **Cost Approach** strictly concentrates only on the relevant costs to erect the building (or replace it). We will present a modified cost analysis in order to determine the subject's replacement (or reproduction) cost and insurable value. While a vacant land analysis is not deemed necessary for the "AS-IS" *fee simple* value estimate being sought or even the subject's replacement value, it is required for the H&BU valuation perspective sought by the appraisal.

In addition to these approaches to value, our report will address in summary the following:

- Property Identification
- Purpose and Date of the Appraisal
- Definition of the Real Estate interest (*Fee Simple*)
- Definition of Market Value
- Statement of any Hypothetical Conditions or Extraordinary Assumptions
- Scope of Work
- Neighborhood & Local Maps
- Zoning & FAR Calculation
- Highest and Best Use
- Real Estate Tax Data (*Despite any religious exemption*)
- Detailed Description of the Improvements
- Interior & Exterior photos
- Comparable Sales analysis including photos and location map of sales
- Detailed Replacement Cost Breakdown utilizing Marshall & Swift cost estimator, including an estimate of insurable value
- Analysis of any leases encumbering the subject property (*if applicable*)
- Pro Forma Income & Expense Analysis and Capitalized Value (*if applicable*)
- Reconciliation of value estimates to determine an "AS-IS" market value
- Terms & Conditions
- Appraiser Certification
- Valuation to be reported on an all cash basis

Our fee for this assignment is **\$2,500.00 for the main appraisal**. The fee is due and payable with the signed return of one of the copies of this letter or at the time of inspection. We anticipate that the report will be delivered to you within approximately ten (10) to fifteen (15) business days from the time of our inspection **and** receipt of any requested supporting information and documents, such as existing leases (*in the event that any exist*), and the last year of expenses (*or any relevant operating ex-*

Normandy Group, Inc ♦ NYS Certified General Appraiser ♦ Licensed Real Estate Broker ♦ P.O. Box 1008 ♦ Bronx, NY 10465  
Phone (347) 810-1760 ♦ Fax (347) 810-1757 ♦ Email: normandygroup@optonline.net

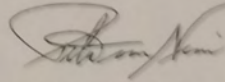
*penses if they prove applicable to the appraisal). We will contact you or whomever you designate to schedule a mutually agreeable inspection date as soon as possible after receipt of this executed agreement.*

*Our limitation of liability for the appraisal report is the amount of the fee received as engagement for this assignment. Furthermore the appraisal(s) performed under this Agreement will be subject to all statements, assumptions, limiting conditions and other conditions (collectively, "Assumptions, Terms & Conditions") set forth in the appraisal report(s). The client agrees that the client will review the Appraisal Conditions upon receipt of the report(s) and that client's use of the appraisal(s) will constitute acceptance of the Appraisal Conditions. 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.*

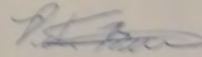
If the services outlined herein are acceptable to you, please sign a copy of this letter and return it with a check for the fee (payable to **Normandy Group Inc.**).

We look forward to being of service to you.

NORMANDY GROUP, INC.



Peter von Nessi, CSA-G  
President, Certified General Appraiser  
Lic. #46000046508  
March 10, 2017



Peter Bardis  
Managing Director  
NYS Certified General Appraiser  
Lic. #46/46848

AGREED:  
DATE:

*Victor Capria*  
04/12/2017

Normandy Group, Inc ♦ NYS Certified General Appraiser ♦ Licensed Real Estate Broker ♦ P.O. Box 1008 ♦ Bronx, NY 10465  
Phone (347) 810-1760 ♦ Fax (347) 810-1757 ♦ Email: normandygroup@optonline.net



**ADDENDUM B**  
**APPRAISER'S LICENSES**

UNIQUE ID NUMBER <b>46000046508</b>	FOR OFFICE USE ONLY Control No. <b>91075</b>
<i>State of New York</i> <i>Department of State</i> <b>DIVISION OF LICENSING SERVICES</b>	
PURSUANT TO THE PROVISIONS OF ARTICLE 6E OF THE EXECUTIVE LAW AS IT RELATES TO R. E. APPRAISERS.	
	
VON NESSI PETER C/O NORMANDY GROUP INC THROGS NECK STA POB 1008 BRONX, NY 10465	
HAS BEEN DULY CERTIFIED TO TRANSACT BUSINESS AS A <b>R. E. GENERAL APPRAISER</b>	
EFFECTIVE DATE MO. DAY YR. <b>03 27 16</b>	
EXPIRATION DATE MO. DAY YR. <b>03 26 18</b>	
In Witness Whereof, The Department of State has caused its official seal to be hereunto affixed. <b>ROSSANA ROSADO</b> <b>ACTING SECRETARY OF STATE</b>	
DOS-1098 (Rev. 3/01)	

UNIQUE ID NUMBER <b>46000046848</b>	FOR OFFICE USE ONLY Control No. <b>93386</b>
State of New York Department of State DIVISION OF LICENSING SERVICES	
PURSUANT TO THE PROVISIONS OF ARTICLE 6E OF THE EXECUTIVE LAW AS IT RELATES TO R. E. APPRAISERS.	
<input checked="" type="checkbox"/> BARDIS PETER C/O PJB ENTERPRISES 68 86TH ST BROOKLYN, NY 11209	
HAS BEEN DULY CERTIFIED TO TRANSACT BUSINESS AS A R. E. GENERAL APPRAISER	
In Witness Whereof, The Department of State has caused its official seal to be hereunto affixed <b>ROSSANA ROSADO</b> SECRETARY OF STATE	
EFFECTIVE DATE MO.   DAY   YR. 07   10   16	
EXPIRATION DATE MO.   DAY   YR. 07   09   18	

