



359 N Main Street
Kalispell, MT 59901
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May 26, 2017

Abigail Nase
Glacier Bank
202 Main Street
Kalispell, MT 59901

Re: Northwest Montana Human Resource Inc.
214 S Main St.
Kalispell, MT 59901

Dear Ms. Nase:

At your request we have prepared the attached complete appraisal and summary report of the above referenced property, more particularly described in the accompanying report.

The purpose of the appraisal is to form an opinion the *market value* of the property *as is* in fee simple estate, for lending purposes.

I personally viewed the property on May 19, 2017, and have gathered the all of the data considered necessary to arrive at the value conclusions.

The results of my investigation and analysis forming my opinion of market value of the property are contained within the accompanying report of 51 pages (including introduction and addenda).

Respectfully submitted,

Travis Steindorf
Montana Certified General Appraiser
License #: REA-RAG-LIC-739

**APPRAISAL
REPORT**

**Northwest Montana Human Resource Inc.
214 S Main St.
Kalispell, MT 59901**

Prepared For:

Glacier Bank
202 Main Street
Kalispell, Montana 59901

Prepared By:

Glacier Appraisal, LLC
359 North Main Street
Kalispell, MT 59901

As Of:

May 19, 2017

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Summary of Important Facts and Conclusions

- **Property/Location:** 214 South Main Street, Kalispell, Montana. On the west side of South Main Street in the central business district of Kalispell.
- **Identification of the Property:** Lots 5, 4, 3, and the southerly 5 feet of Lot 2 of Block 55 of Original Townsite of Kalispell, according to the map or plat thereof on file and of record in the office of the Clerk and Recorder of Flathead County, Montana. Assessor #0981865.
- **Property Rights Appraised:** Fee Simple Estate
- **Dates of Valuation:** May 19, 2017
- **Description of the Site:** 80 x 140 ft level downtown business site totaling 11,200 sf. The site is entirely covered by the subject building. Served by city storm sewer system. Not in floodplain. Underground power, phone, natural gas, all city services.
- **Description of the Improvements:** Single-story concrete block and brick construction. Metal-frame front windows and entrance door. The main level consists of an entry area with reception and waiting room, then an open cubicle office area, private offices and meeting rooms, then another open office area with built in partitions, along with restrooms, stairways, and a break room. The basement consists of private and open offices on one side of the building, unfinished storage and mechanical area in the middle and leased office space to Glacier Bank on the other side. Forced-air heat and roof-mounted air conditioning.
- **Zoning:** B-4 (Central Business).
- **Property Taxes and Fees:** \$1,958.02 (2016) Note only city services on the taxes due to non-profit status of the owning entity.
- **Highest and Best Use:** As Vacant: Commercial. As Improved: Existing commercial.
- **Indicated Value from Cost Approach:** NA
- **Indicated Value from Sales Comparison Approach:** \$896,000
- **Indicated Value from Income Approach:** \$912,000
- **Final Opinion of Market Value:** \$900,000

Assumptions and Limiting Conditions

This appraisal has been made with the following general assumptions:

- No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
- The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
- Responsible ownership and competent property management are assumed.
- Information furnished by others is believed to be reliable, but no warranty is given for its accuracy.
- All engineering studies are assumed to be correct. The plot plans and illustrative material in this report are included only to help the reader visualize the property.
- It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.
- It is assumed that the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated in the appraisal report.
- It is assumed that the property conforms to all applicable zoning and use regulations and restrictions unless a nonconformity has been described in the appraisal report.
- It is assumed that all required licenses, certificates of occupancy, consents, and other legislative and administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the opinion of value contained in this report is based.
- It is assumed that the use of the land and improvements is confined within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.
- Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, and other potentially hazardous materials may affect the value

of the property. The value estimated is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The intended user is urged to retain an expert in this field, if desired.

- The appraiser has examined the available flood maps that are provided by the Federal Emergency Management Agency (or other data sources) and has noted in the appraisal report whether the subject site is located in an identified Special Flood Hazard Area. Because the appraiser is not a surveyor, no guarantees, express or implied, are made regarding this determination.
- If the appraiser has based the appraisal report and valuation conclusion subject to satisfactory completion, repairs, or alterations, it is assumed that completion of the improvements will be performed in a competent and workmanlike manner.
- The forecasts, projections, or operating estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to change with future considerations.

This appraisal has been made with the following general limiting conditions:

- Any allocation of the total value estimated in this report between the land and the improvements applies only under the stated program of utilization. The separate values allocated to the land and improvements must not be used in conjunction with any other appraisal and invalid if they are.
- The appraiser will not give testimony or appear in court because he or she made an appraisal of the property in question, unless specific arrangements to do so have been made beforehand.
- The appraiser will not disclose the contents of the appraisal report except as provided for in the *Uniform Standards of Professional Appraisal Practice* (USPAP).

Certification of the Appraisal

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have not performed services as an appraiser regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of 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.
- I have made a personal viewing of the property that is the subject of this report.
- No one provided significant real property appraisal assistance to the persons signing this certification.
- The analyses, opinions, and conclusions were developed, and the report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice* and the *Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute*.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.



Travis Steindorf
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Scope and Description of the Appraisal Process

The appraisal process consisted of data collection, description, analysis, and valuation of the property. This process included a physical, on-site viewing of the site and improvements. Data was gathered relative to the general area, neighborhood, history of the property, legal identification of the property, physical description of the property, taxes and zoning.

An analysis of the highest and best use was made relative to the property as vacant and as currently developed and occupied.

Due to the age of the building and the built up nature of the downtown central business district, a Cost Approach was not performed.

The Sales Comparison Approach analyzed three sales and one listing of Kalispell properties having similar characteristics as the subject, using overall price per square foot of gross building area as the unit of measurement.

An Income Approach was used to analyze a projected net income relative to overall capitalization rates. Within this approach, lease data from similar properties was analyzed. Gross rental income was estimated, an occupancy rate applied and a net income projected. Capitalization rates were extracted from four sales of office properties.

Finally, a reconciliation of the two approaches was made and a final opinion of market value was determined for the subject.

Objective of the Appraisal, Date of Valuation and Definition of Market Value

The objective of this appraisal is to form an opinion of the market value of the subject property in fee simple estate, for lending purposes, as of **May 19, 2017**.

Market value, as used in this report, is defined as:

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 that 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.

(Source: Title 12 - Code of Federal Regulations (CFR) - Subpart C - 34.42 (g); date 1 Jan 2005)

The opinion of market value estimate was developed based upon the property in “as is” condition, as of the date of the viewing.

The appraisal includes the real property only. Furniture, fixtures and personal property items (FF&E), and business intangibles were not included in the appraisal.

The market value estimate is based upon a cash equivalent sale. All non-cash equivalent sales and listings analyzed were discounted to a cash equivalency, based on the market rate at the time of the transaction.

Exposure Time Analysis

The opinion of market value in this appraisal is based upon a projected exposure time of seven to eight months. Exposure time is the estimated length of time the property interest 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.

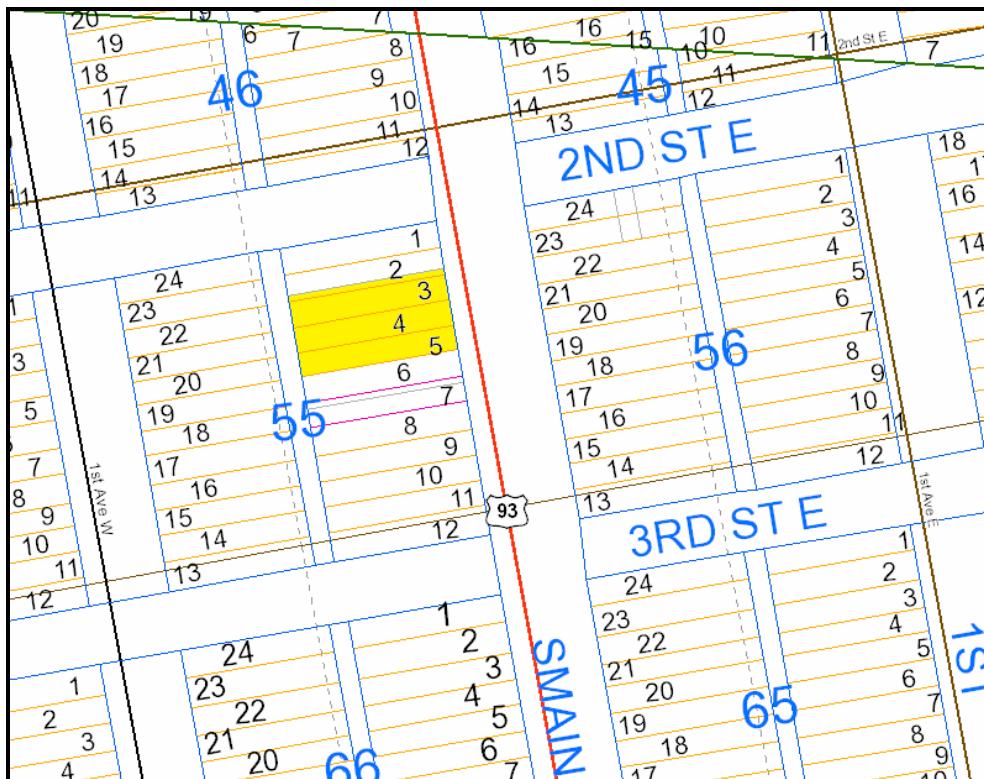
The exposure time is based on statistics from the Montana Regional MLS site. For commercial property sold in Flathead County in 2016, the Days on Market median was 201 days. For the period 2014-2016, the median was 213 days. Days on Market is the period from when the property is actively listed to the date when the sale is closed and the deed recorded.

Use and User of the Appraisal

The intended use of the appraisal report is to determine market value. The intended users of the appraisal report are the officers and staff of Glacier Bank, Kalispell. This report may not be relied upon by other individuals or third parties.

Identification of the Property

The property address is 214 South Main Street, Kalispell, Montana. It is legally identified as Lots 5, 4, 3, and the southerly 5 feet of Lot 2 of Block 55 of Original Townsite of Kalispell, according to the map or plat thereof on file and of record in the office of the Clerk and Recorder of Flathead County, Montana. The assessor number is 0263900.



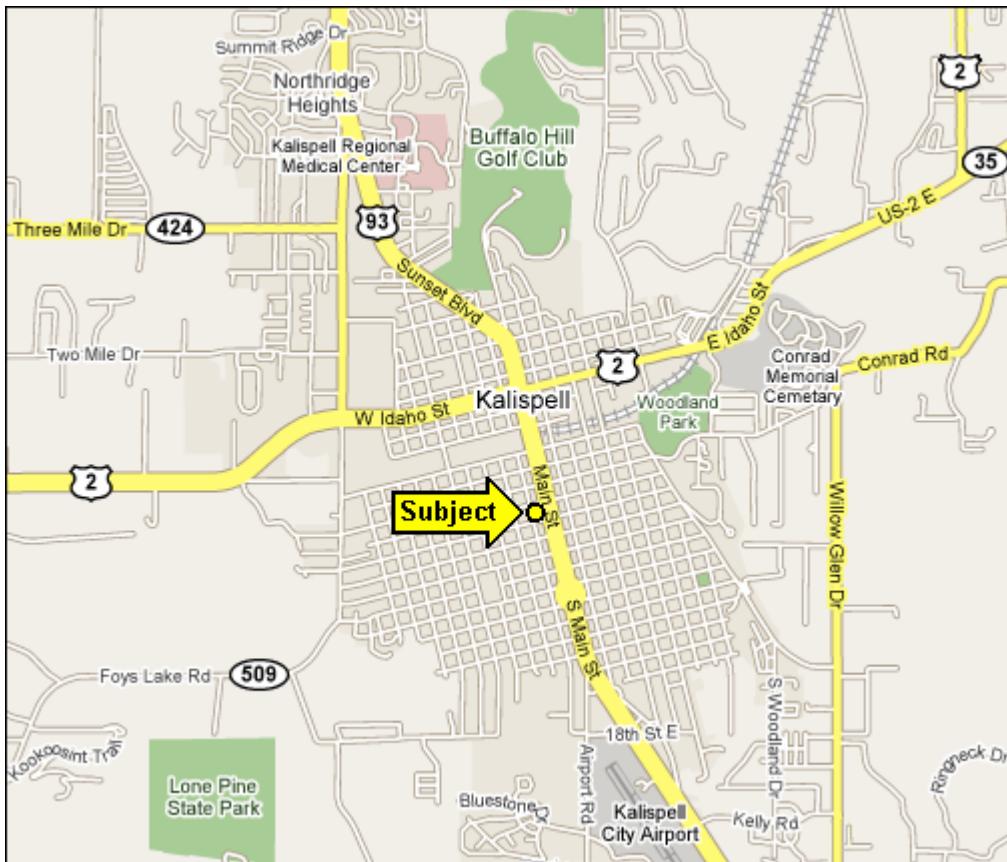
History of the Property

The subject property was occupied as a retail Wolworths store from 1962 to 1994. The building has been occupied by Northwest Montana Human Resources since 1994.

Most recently the property was purchased by Northwest Montana Human Resources, Inc. from 214 Main LLC on August 25, 2008 (Warranty Deed – 200800023909) for the reported price of \$900,000.

The property is fully occupied as offices for Northwest Montana Human Resources also known as Community Action Partnership of Northwest Montana except for 3,740 sf of the basement that is leased to Glacier Bank.

Vicinity Map



Neighborhood Data

The subject neighborhood is the central business district of downtown Kalispell. The district is approximately two blocks wide on both sides of Main Street, and about eight blocks long.

Main Street is also Highway 93. The highway goes through downtown Kalispell, and extends from Arizona to Canada. It intersects with Highway 2 (Idaho Street) on the north edge of the business district.

The neighborhood suffers from the same problems that have affected city centers elsewhere. Much of Kalispell's commercial growth has moved to the north edge of town, and to Evergreen, an unincorporated community on the northeast side of town. These areas have the space for modern box stores.

A railroad yard once ran east-west through the center of the city, two blocks north of the subject. That rail line has been reduced to a single track, and the excess property extensively

developed. In particular, Kalispell Center Mall was built in 1985 northwest of the subject on the former railroad property . The mall survived the change in shopping habits that resulted in the closure of the city's other mall, and remains viable. Its construction did bring a moderate revival to the core of the central business district. On other portions of the former railroad property are a supermarket, a paint store, two banks and a restaurant.

Downtown Kalispell is in transition away from general retail. Businesses in the central business district include consignment stores, martial-arts studios and store-front churches. But there are also art galleries, jewelry stores and high-end home-accessory outlets. Offices have increased their downtown presence, and some restaurants have responded by offering lunch only. However the lack of parking and a two-hour parking limit are a problem.

The city government invested in a "streetscape" project along First Avenues East and West with new street lamps and sidewalks, to revitalize downtown. Another city project converted a historic former school east of the subject into a museum.

A large Main Street building that had been vacant for a decade was renovated into a boutique clothing store called the Toggery. A historic brick building on Center Street was remodeled as a restaurant and bar and other businesses. Also, an engineering office was built on a former light-industrial tract just off Center Street. Another large Main Street building was turned into a brewery.

A big change in central Kalispell is the growing impact of multi-family units. The first half of an 80-unit low-income apartment complex was built three blocks northeast of the subject. There are four senior apartment complexes on the west side of the business district. A neighborhood store/restaurant next to the senior apartments was recently rebuilt from the ground up, with luxury living units on the second floor.

The immediate neighborhood surrounding the subject consists of Glacier Bank's main branch offices adjacent north. Adjacent south of the subject is a vacant tenancy and a spa boutique. Other businesses on the subject block include a real estate office, and various retail occupancies. Across the alley west of the subject is a parking lot for Glacier Bank.

The future holds most likely some changes for the subject area. There may be some replacement or remodeling of marginal buildings by developers seeking bargains. Retail tenants are beginning to return to downtown as evidenced by Montana Coffee Traders moving to downtown as well as a new brewery. Although parking has always been an issue for downtown, the bypass has alleviated some of the traffic problems that plagued Main Street.

Description of the Site

The subject property consists of three 25-foot-wide downtown lots along with 5 feet of the northernmost lot. The lot is 140 feet deep, and totals 11,200 sf or about 0.257 acre.

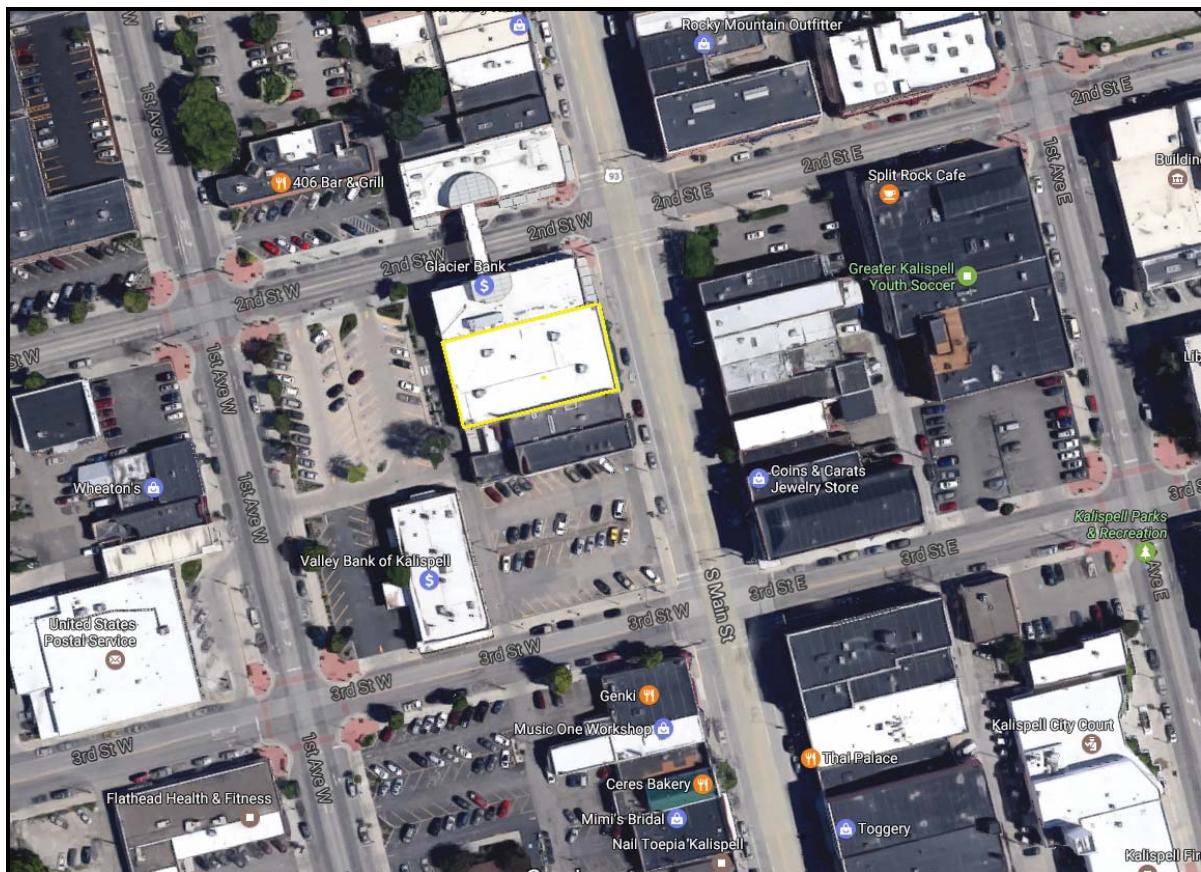
The property is level. The entire site is covered by the subject building. Main Street has four lanes, with parallel parking on both sides. The alley is asphalt paved.

The area is served by city storm sewers and is not in the floodplain. (See the detail from *FEMA Map Panel 30029C1805J*, revised 11/4/15, in the Addenda.)

The site is in the city limits and has municipal water and sewer service, natural gas, underground power, phone and cable. The sidewalks have decorative streetlamps and flower boxes on the corners. No adverse easements or encroachments were noted. There were no obvious signs of environmental problems or contamination.

In conclusion, the site appears adequate in size, services and access for the present improvements and most commercial occupancies.

Aerial View of Property



Google Maps

Description of the Improvements

The subject building appears to be an original concrete block and brick structure, measuring 80 ft x 140 ft. overall gross building area (GBA) 11,200 sf. The main level consists of an entry area with reception and waiting room, then an open cubicle office area, private offices and meeting rooms, then another open office area with built in partitions, along with restrooms, stairways, and a break room. The basement consists of private and open offices on one side of the building, unfinished storage and mechanical area in the middle and leased office space to Glacier Bank on the other side. There are two front entrance from the street and three rear entrances from the alleyway. See Floor Plan in the Addenda.

The front exterior has a stucco and brick veneer finish; the rear exterior is stucco. The side walls appear to be brick and concrete block and appear to abut the buildings to the north and south. The roof is a flat roof assumed to be either asphalt built up or rubber membrane. There are fixed double-pane windows along the entire front of the building. The front entry doors are commercial glass and aluminum sash; two of the rear doors are steel insulated and one is commercial glass and aluminum sash.

Interior finish consists of commercial grade carpeting, painted gypsum board or plaster walls, suspended ceiling panels with recessed fluorescent lighting. The restrooms and break room have vinyl flooring. The basement has commercial grade carpet in the office areas and unfinished concrete in the storage areas. A 50 gallon water heater is located in the basement.

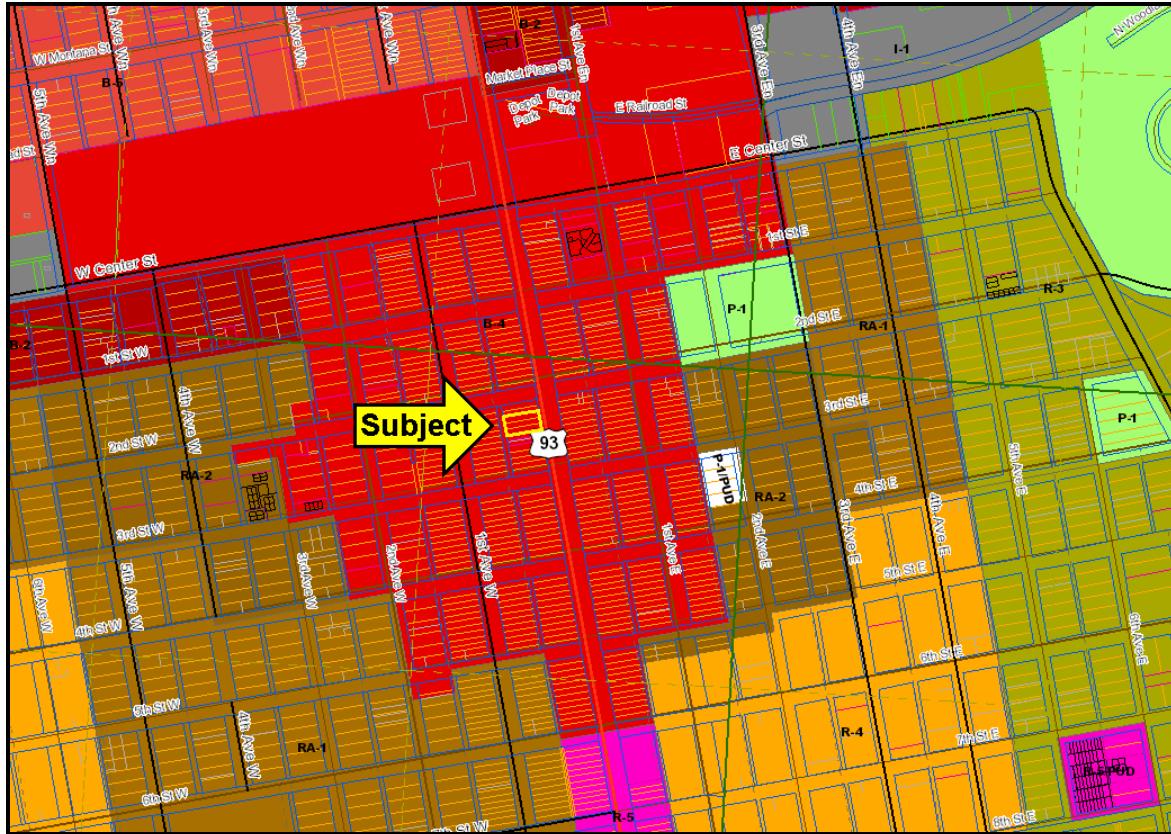
Heat is from an electric forced air system with air-conditioning system mounted on the roof. The electrical system appears to be of adequate amperage, with breakers and rigid conduit wiring. The building does not have a fire sprinkler system.

The building is older, but has been remodeled over the years. The condition of the roof cover was not able to be ascertained. Based on the observed condition, the building was given an effective age of 20 years out of an economic life of 40 years.

See *Photographs of the Property* in the Addenda.

Zoning Data

The subject is located within Kalispell's B-4 (Central Business) zone. According to the zoning regulations, this is, "A business district intended to set apart that portion of the city which forms the center for financial, commercial, governmental, professional and cultural activities. This district is not intended for general application throughout the planning area. This zoning district would typically be found in areas designated as commercial on the Kalispell Growth Policy Future Land Use Map"

Zoning Map

There is no minimum lot area, minimum lot width, or minimum setback. The maximum building height is 40 feet, but can be higher with conditional-use permit. Permitted uses, including churches, offices, retail, theaters, restaurants and funeral homes. All forms of dwellings are allowed, from single family to multi-family. Multi-family is allowed on the second or higher floors. Conditional uses include assembly halls, service stations, repair shops, townhouses, group homes, and bars and casinos. Property in the bulk of the B-4 district is not required to provide any off-street parking.

The subject improvements, as constructed and presently configured and occupied, appear to meet the zoning requirements as a permitted use.

Property Tax Data

The total property taxes and fees for the subject for the 2016 tax year, under Assessor Number 0263900, are \$1,958.02. Note that due to the non-profit status of the owning entity, no property taxes are paid the above fees are for county and city services (i.e. county landfill, Kalispell garbage, storm water, and urban forest). There are no delinquent taxes noted.

Highest and Best Use Analysis

Highest and best use may be defined as:

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

(*The Dictionary of Real Estate Appraisal*, Sixth Edition, Appraisal Institute, 2015, pg 109)

Highest and Best Use – As Vacant

The subject property is in a B-4 zone, which allows most commercial and residential uses. The zoning requires no off-street parking, and buildings can be constructed to the property line. It has access to all city services in the area.

Financial feasibility and maximum productivity are the main issues. Like many towns, Kalispell's central business district is facing competition from commercial areas with more parking and room for larger stores. There are several downtown lots that have not been developed, and are currently used for parking. However, the Main Street exposure would assume development of retail commercial or office improvements that need traffic exposure.

Therefore the highest and best use, as vacant, is as commercially developed.

Highest and Best Use as Improved

The building is zoned for most commercial and residential uses, and has all city services. It is a large space for a downtown building. A single business could operate in the building but most likely it would take several tenants to fill the building. The building is only single level, so second-level apartments or condominiums are largely ruled out.

The building has operated in the past as offices and retail. The building could easily be split into several occupancies with the design of the building. The largest obstacle is parking. Without onsite parking office employees are forced to park blocks away. Most likely if the current tenant was not in place the building would be occupied by a mix of office and retail.

Therefore, the highest and best use, as improved, is virtually any downtown commercial use, from retail to office, with two to three occupancies possible.

Cost Approach

The Cost Approach was not considered applicable due to the built up nature of the downtown central business district. Also the Cost Approach has limited applicability to properties with older improvements, requiring the estimating of large amounts of depreciation. Additionally, under the highest and best use, buyers are not looking at replacing the improvements as they are presently configured.

Sales Comparison Approach

The Sales Comparison Approach directly compared the subject property to sales and a listing of similar Kalispell office properties. Three sales and one pending listing were located. The sales and listing all single-level buildings with basements of comparable quality to the subject. The sales and listing are summarized below. For detailed descriptions see *Improved Sales Data* in the Addenda.

Office Sales

Sales	Location	Sale Date	Overall Sale Price	Building Size (SF)	Price/SF	Year Built Or Updated
1	214 S Main St., Kalispell (Subject Sale)	Aug-08	\$900,000	11,200	\$80.36	1951
2	431 1st Ave. W., Kalispell (Flathead Valley Brokers)	Jun-16	\$1,025,000	8,139	\$125.94	1989
3	44 2nd Ave. W., Kalispell (Jobs Now, Inc.)	Jul-14	\$425,000	2,627	\$161.78	1979
4	290 N Main St., Kalispell (Centurylink Building)	Pending	\$1,025,000	14,023	\$73.09	1976
Overall Average:						\$110.29

Improved Sale 1 is the older sale of the subject property.

Improved Sale 2 is the sale of a office building located two blocks southwest of the subject. The sale reflected a newer building with finished office space in the basement.

Improved Sale 3 is the sale of a office building located two blocks northwest of the subject. The sale reflected a newer building with finished office space in the basement.

Improved Listing 1 is an older commercial building on the north end of the CBD. The listing reflects a larger site, with on-site parking. The building is slightly larger, and has a partial basement.

Analysis of the Sales and Listing

The sales and listing were analyzed on a basis of overall price per square foot. Further adjustments, based on the comparison to the subject, were then applied.

The sales and listing were organized in the grid below. The individual adjustments are explained below.

Improved Sales Adjustment Grid

Sale	1	2	3	4
Address	214 S Main St., Kalispell	431 1st Ave. W., Kalispell	44 2nd Ave. W., Kalispell	290 N Main St., Kalispell
Identifier	(Subject Sale)	(Flathead Valley Brokers)	(Jobs Now, Inc.)	(Centurylink Building)
Sale Price	\$900,000	\$1,025,000	\$425,000	\$1,025,000
Market Conditions Adjustment	1.000	1.000	1.000	0.880
Adjusted Price	\$900,000	\$1,025,000	\$425,000	\$902,000
Sale Conditions	Arms length	Arms length	Arms length	Arms length
Financing	Cash	Cash	Cash	Cash
Date of Sale	Aug-08	Jun-16	Jul-14	Pending
Square Feet. (GBA)	11,200	8,139	2,627	14,023
Price per Square Foot	\$80.36	\$125.94	\$161.78	\$64.32
Quantitative Adjustments				
Parking Spaces	0	32	32	64
Parking Adj.	\$0.00	-\$11.61	-\$35.96	-\$13.47
Basement sf less than main level	0	525	0	9,790
Basement Adj.	\$0.00	\$1.29	\$0.00	\$13.96
Condition (Effective Age)	20/40	10/40	15/40	25/40
Condition Adj. (As Is)	\$0.00	-\$31.48	-\$20.22	\$8.04
Adjusted Price/SF	\$80.36	\$84.14	\$105.60	\$72.85

Sale Conditions and Financing: The sales were all considered to be arms-length transactions, at cash or cash equivalent sale prices. As a result, no adjustments were made for conditions of sale or financing.

Market Conditions: All of the sales except the subject sale have taken place recently. Additionally data was not available to determine an adjustment to the subject sale. Therefore no adjustment was made for current market conditions on the sales.

Listing Discount: Real estate typically sells for less than the list price. To determine this discount, a report was run of all the Montana Association of Realtor's MLS sales of commercial properties. The statistics show the following for 2016.

Listing Price to Sale Price Discount 2016

	List Price	Sale Price	Discount
Average	\$527,856	\$469,881	10.98%
Median	\$327,450	\$284,500	13.12%
Average:			12.05%

Therefore the listings were adjusted by -12%

Parking Adjustment: The subject building occupies all of its site, and relies on the surrounding city streets for parking. All of the Sales (except the subject sale) and Listing had parking included. In order to determine an adjustment, a 2014 sale (MLS #329098) of a parking lot in downtown Kalispell to an adjacent owner was looked at. The sale indicated a price of approximately \$2,952/space (\$129,900 / 44 spaces) for paved parking. This number was then taken times the amount of parking of each of the comparables and then divided by the comparables total building square feet to get a price/sf adjustment.

Condition Adjustment: The comparables differed in age and condition at the time of their sales. To compensate, the sales were adjusted by comparing their effective age to the subject's effective age of 20 years, out of an economic life of 40 years.

Basements: Two of the comparables had basement area of less than the main level. These comparables were adjusted using the estimated contributing value of approximately \$20.00/sf (based on subject estimated depreciated basement area). For example, multiplying this price/sf by the basement area of IS 2 produces an adjustment of \$10,500 (525 sf x \$20.00/sf). Dividing this by the GBA of IS 2 produces an upward adjustment of \$1.29/sf (\$10,500 / 8,139 sf).

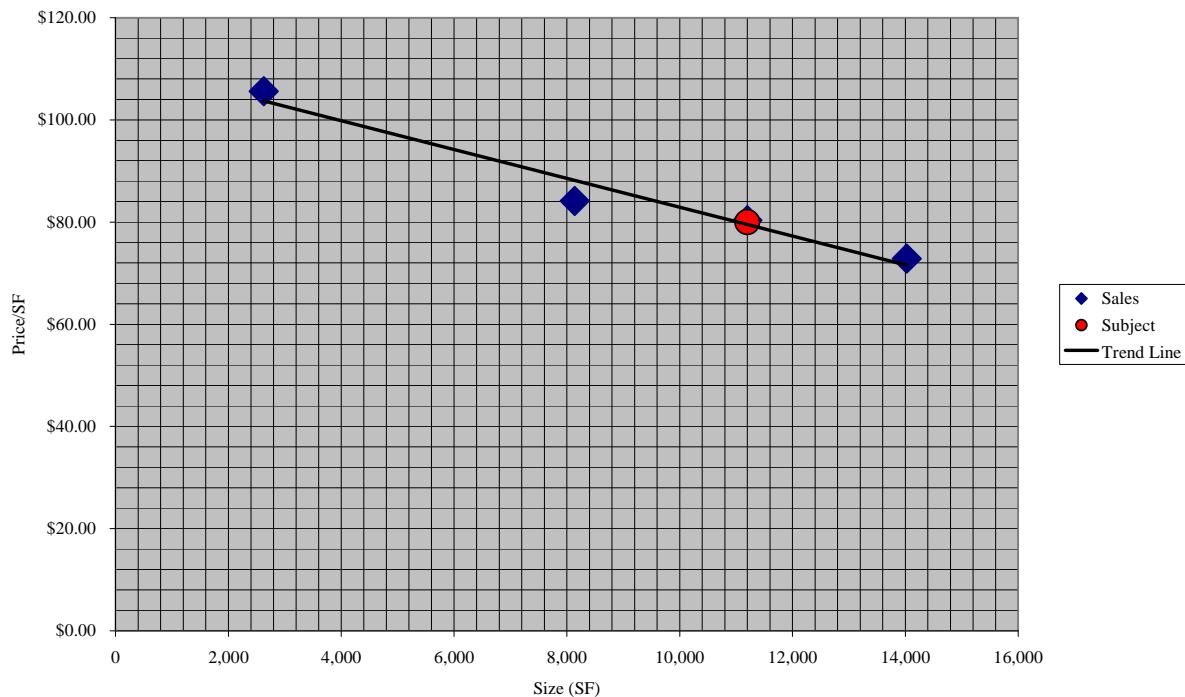
Valuation Analysis

After adjustment, the sales and listing ranged from \$72.85/sf to \$105.60/sf and averaged \$85.74/sf. The price per square foot showed a tendency to decrease as the size of the building increased. To account for this factor, the sales and listings were plotted on the graph shown on the next page.

When the subject's size of 11,200 sf is plotted on the graph (red dot), it crosses the trend line at \$80.00/sf. Using this as the best indicator of value produces the following rounded result:

$$11,200 \text{ sf.} \times \$80.00 = \$896,000 \text{ (rounded)}$$

Improved Sales Chart



Income Approach

The Income Approach is based upon the theory that value is the present worth of future benefits (i.e. a net income stream). The potential gross income for the property is estimated, with fixed and variable operating expenses deducted to arrive at an indication of net operating income (NOI). The NOI is capitalized into value by a rate that accounts for the quality and durability of the income stream.

Market Leases

The first step in the Income Approach is to determine a reasonable lease rate on the open market. Below is a summary of leases for comparable properties in Kalispell. (Lease listings are preceded with "LL".)

Commercial Lease Summary

Lease	Address/Lessee	Lease Date	Source (MLS)	Size (SF)	Lease/SF/Yr	Lessor Expenses	NNN/SF/Yr
L 1	6 Sunset Plaza	Aug-16	331247	1,960	\$7.00	T.I.M.	\$5.60
L 2	445 South Main St	Nov-16	21608842	780	\$9.23	T.I.M.	\$7.38
L 3	445 South Main St	Apr-17	21702399	780	\$9.60	T.I.M.	\$7.68
L 4	285 2nd Ave WN	Nov-11	303371	1,884	\$5.76	NNN	\$5.76
L 5	1327 Highway 2 W	Apr-13	303451	5,006	\$3.00	NNN	\$3.00
L 6	248 3rd Avenue E	Jan-13	300610	3,860	\$5.50	NNN	\$5.50
LL 1	128 2nd Street E	Active	217005380	4,924	\$7.31	NNN	\$7.31
Averages:				2,742	\$6.77		\$6.03

T - Taxes, I - Insurance, M - Maintenance, U - Utilities

NNN - No lessor expenses

Since typical operating expenses for the building (market taxes, insurance, and maintenance) could not be easily determined, lease rates were adjusted to triple-net (NNN), in which the tenant pays for property taxes, building insurance, and maintenance. Gross rents were adjusted down 20% for these expenses, and down another 10% if the owner pays for utilities.

The adjusted leases ranged from \$3.00/sf/yr to \$7.68/sf/yr (smaller space), with an average of \$6.03/sf/yr. The four leases that are larger spaces L1, L4 - L6 are the most comparable to the subject. These four leases average \$4.97/sf/yr. Given these considerations a market rent of \$5.00/sf/yr was the best indication for the subject main level.

A portion of the basement level is leased to Glacier Bank at a rate of \$4.74/sf. The lessor pays all expenses so to adjust to triple-net the lease was adjusted down by 30%. This creates an indication of \$3.32/sf/yr for the subject basement space ($\$4.74 \times 0.70 = \$3.32/\text{sf/yr}$).

The next step is to apply an adjustment for vacancies and credit loss. The subject is a large building and would most likely be leased to several tenants that could have somewhat frequent turnover. With this in mind, a 10% adjustment for vacancy and credit loss appears reasonable.

Applying these calculations results in the following Effective Gross Income:

	Size	Price/SF
Upper Level	\$56,000	11,200
Basement	\$37,184	11,200
Potential Gross Income:	\$93,184	
Less Vacancy Rate (10%):	-\$9,318	
Effective Gross Income:	\$83,866	

Since these rates are triple-net and the OARs in the table below are based off the same income calculations, no other deductions were applied. The result is a Net Operating Income (NOI) of **\$83,866**.

Income Capitalization (OAR) Analysis

The next step in the Income Approach is to divide the NOI by an overall capitalization rate (OAR) to derive an overall value. Sales of Kalispell office properties that reflected overall capitalization rates (OARs) were analyzed relative to the subject. These sales are summarized below.

OAR Sales						
Sales	Location	Date	Sale Price	Building Size (SF)	OAR	
1	248 3rd Ave. East, Kalispell (Back to Health)	Aug-14	\$275,000	2,985	8.6%	
2	125 Schoolhouse Loop, Kalispell (Morrison Maierle)	Sep-16	\$2,825,000	12,934	9.3%	
3	1205 South Main St, Kalispell (Public Defenders)	Feb-12	\$604,720	6,569	10.8%	
4	1667 Whitefish Stage, Kalispell (Benevidas Building)	Mar-13	\$970,000	6,453	7.9%	
Overall Average:						9.2%

The sales indicated a range of OARs from 7.9 % to 10.8%; and an average of 9.2%. Based on these indications, an OAR of 9.2% was chosen for the subject.

Applying this OAR to the subject's Net Operating Income results in the following value indication:

$$\$83,866 \text{ (NOI)} / 0.092 = \$911,587$$

Therefore, the rounded value indication from the Income Approach is: **\$912,000**.

Reconciliation and Final Opinion of Value

The two approaches to value in this report produced the following value indications for the property:

Sales Comparison Approach:	\$896,000
Income Approach:	\$912,000

The Sales Comparison Approach valued the subject by analyzing sales and a listing of similar office properties in Kalispell, in relation to the subject. This approach produced a strong indication of the value to an owner-occupant.

The Income Approach analyzed the subject using comparable leases and capitalization rates. The capitalization rate was determined based on sales of local office buildings. Since the subject is owner occupied the income approach was given less weight in the final analysis.

Therefore, based on the Sales Comparison Approach, and after rounding, the final opinion of market value for the subject "as is", as of May 19, 2017, is:

NINE HUNDRED THOUSAND DOLLARS

(\$900,000)



Travis Steindorf
Montana Certified General Appraiser
License #: REA-RAG-LIC-739

Photographs of the Property



1) Front of the building.



2) View of the northeast corner of building.

Photographs of the Property



3) Southeast corner of the building.



4) Southwest corner of the building.

Photographs of the Property



5) Back of the building.



6) Southeast corner of the building.

Photographs of the Property



7) Reception area.



8) Waiting area.

Photographs of the Property



9) Open office area in the front of the building.



10) Open office area in the back of the building.

Photographs of the Property



11) Break room.



12) Typical restroom.

Photographs of the Property



13) Typical main floor private office.



14) Main level hallway.

Photographs of the Property



15) Main level conference room.



16) Class room.

Photographs of the Property



17) Basement conference room.



18) Typical basement office.

Photographs of the Property



19) Basement open office area.

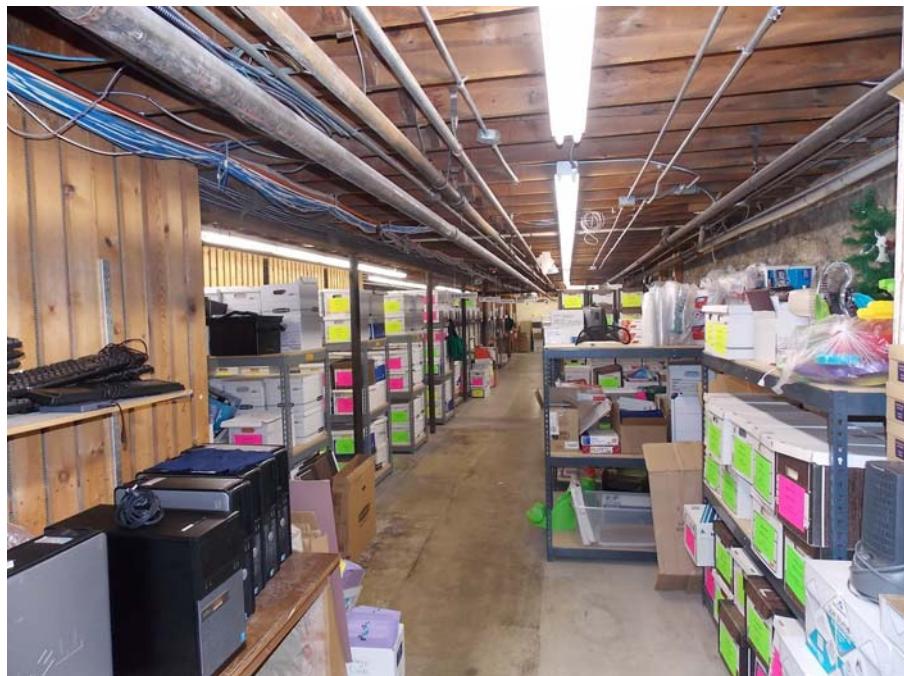


20) Basement IT area.

Photographs of the Property



21) Basement storage area.



22) Basement file storage area.

Photographs of the Property



23) Glacier Bank basement open office area.



24) Typical Glacier Bank basement private office.

Photographs of the Property



25) Main Street looking north.



26) Main Street looking north.

Improved Sale 1

- **Address:** 214 South Main Street, Kalispell, Montana.
- **Location:** West side of Main Street, in the central business district of Kalispell.
- **Legal Description:** Lots 5, 4, 3, and the southerly 5 feet of Lot 2 of Block 55 of Original Townsite of Kalispell of Flathead County, Montana
- **Sale Price/Terms:** \$900,000 (Cash through conventional financing)
- **Date of Sale (Days on Market):** August 25, 2008 (N/A)
- **Grantor:** 214 Main, LLC
- **Grantee:** Northwest Montana Human Resources, Inc.
- **Recording Information:** Warranty Deed - 20800023909
- **Verification:** Grantee; county records. Assessor # 0263900
- **Description of Site:** Size of 80 x 140 ft, or 11,200 sf. Site is at street grades; city storm sewer, not in FEMA flood zone.
- **Description of Improvements:** One-story block building – 11,200 sf along with an 11,200 sf basement. Built-up or membrane roof, metal-frame front windows and door. main level consists of an entry area with reception and waiting room, then an open cubicle office area, private offices and meeting rooms, then another open office area with built in partitions, along with restrooms, stairways, and a break room. The basement consists of private and open offices on one side of the building, unfinished storage and mechanical area in the middle and leased office space to Glacier Bank on the other side. Forced-air heat and roof-mounted air conditioning. Built about 1951, remodeled numerous times. Effective age of 20 years.
- **Zoning:** B-4 (Central Business)
- **Utilities/Off-Site Improvements:** Power, city Sewer, city Water, telephone, gas, city Street Road Frontage, paved Road Surface.
- **Use:** Purchased by tenant for continued occupancy as Community Action Partnership of Northwest Montana.

(Continued on following page)

Improved Sale 1

- **Analysis of the Sale:**

Overall Price/SF: \$900,000 / 11,200 sf = \$80.36/sf



Improved Sale 2

- **Address:** 431 1st Avenue W, Kalispell, Montana.
- **Location:** East side of 1st Avenue West, in the southwest end of the central business district.
- **Legal Description:** Lots 13-20, Block 75, Kalispell Original Townsite
- **Sale Price/Terms:** \$1,025,000 (Cash through conventional financing)
- **Date of Sale (Days on Market):** June 8, 2016 (260)
- **Grantor:** SPDD Properties, LLC
- **Grantee:** 431 1st Avenue West, LLC
- **Recording Information:** Warranty Deed – 201600011130
- **Verification:** Broker (Linda Pistorese, Flathead Valley Brokers); MLS 337446; county records. Assessor # 0975925.
- **Description of Site:** Size 0.643 acre or 28,000 sf; dimensions of 140 ft x 200 ft. Site is at or near street grade; sidewalk and city storm sewer adjacent. Site is not in FEMA flood zone. Paved parking lot with approximately 32 spaces.
- **Description of Improvements:** One story brick/wood frame office building 8,139 sf on the main level and 7,614 sf in the basement. Typical office finish; forced air heat with AC. Effective age of 10 years, based on 40 year economic life.
- **Zoning:** B-4 (Central Business)
- **Utilities/Off-Site Improvements:** Overhead power and phone, natural gas, all city services. Two-lane city street and paved alley.
- **Use:** Vacant at time of sale.
- **Analysis of the Sale:**

Overall Price/SF: \$1,025,000 / 8,139 sf = \$125.94/sf

(Continued on following page)

Improved Sale 2



Improved Sale 3

- **Address:** 44 2nd Avenue W, Kalispell, Montana.
- **Location:** West side of 2nd Avenue West, in the northwest end of the central business district.
- **Legal Description:** Lots 5 & 6 and a 1/2 interest in Lot 4, Block 33, Kalispell Original Townsite
- **Sale Price/Terms:** \$425,000 (Cash through conventional financing)
- **Date of Sale (Days on Market):** July 16, 2014 (905)
- **Grantor:** HEM Properties
- **Grantee:** Jobs Now, Inc.
- **Recording Information:** Warranty Deed – 201400012791
- **Verification:** Broker (Cindy Stein, RE/MAX of Whitefish); MLS 310600; county records. Assessor # 0580960.
- **Description of Site:** Size 0.407 acre or 17,750 sf; Site is at or near street grade; sidewalk and city storm sewer adjacent. Site is not in FEMA flood zone. Paved parking lot with approximately 32 spaces.
- **Description of Improvements:** One story brick/wood frame office building 2,627 sf on the main level and 2,627 sf in the basement. Typical office finish; forced air heat with AC. Effective age of 15 years, based on 40 year economic life.
- **Zoning:** B-4 (Central Business)
- **Utilities/Off-Site Improvements:** Overhead power and phone, natural gas, all city services. Two-lane city street and paved alley.
- **Use:** Vacant at time of sale.
- **Analysis of the Sale:**

Overall Price/SF: \$425,000 / 2,627 sf = \$161.78/sf

(Continued on following page)

Improved Sale 3



Improved Listing 1

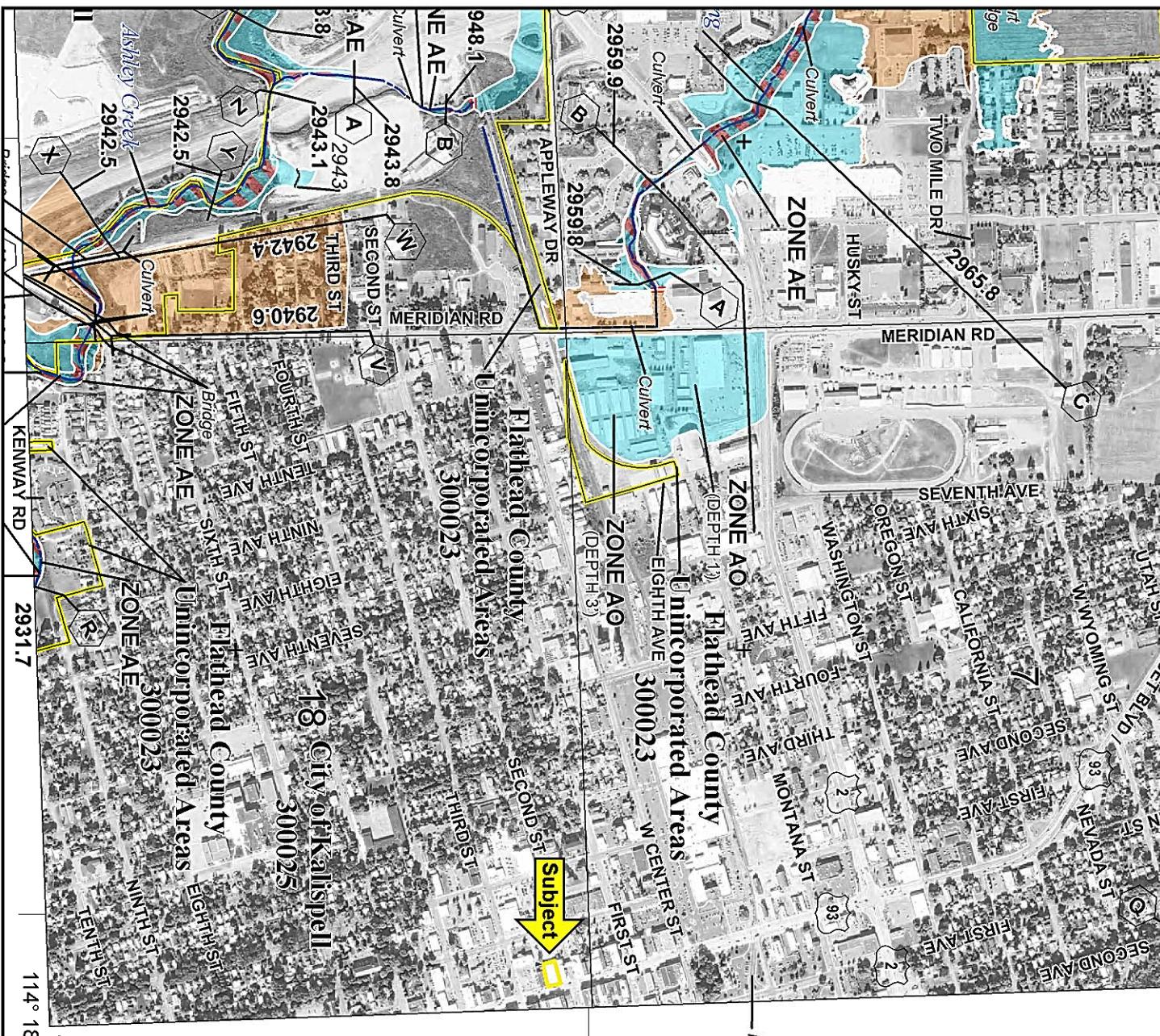
- **Address:** 290 North Main Street, Kalispell, Montana
- **Location:** West side of North Main Street, Just outside the north end of the central business district.
- **Legal Description:** Lots 1-6, 21, 22, and south 24 feet Lot 23, Block 6, Kalispell Original Townsite
- **Listing Price/Terms:** \$1,025,000 (Cash)
- **Date of Listing (Days on Market):** November 7, 2016 (197)
- **Grantor:** Northwestern Telephone Systems, Inc.
- **Grantee:** NA
- **Recording Information:** NA
- **Verification:** Broker (Cecil Waatti/LandStar Group), MLS #21611996, appraisal files, county records; assessor #S003715.
- **Description of Site:** Irregular shaped site approximately 0.65 acre. Site is at street and alley grades; level; no apparent drainage problems. Site is not in FEMA flood zone. Paved parking lot with approximately 64 spaces.
- **Description of Improvements:** One story concrete block office building 14,023 sf on the main level and 4,233 sf in the basement. Typical office finish; forced air heat with AC. Effective age of 25 years, based on 40 year economic life.
- **Zoning:** B-4 (Central Business)
- **Utilities/Off-Site Improvements:** Overhead power/phone, natural gas; city water and sewer; paved two-lane street with sidewalk, curb and gutter.
- **Use:** Centurylink offices.
- **Analysis of the Listing:**

Overall List Price/SF: \$1,025,000 / 14,023 sf = \$73.09

(Continued on following page)

Improved Listing 1 (continued)



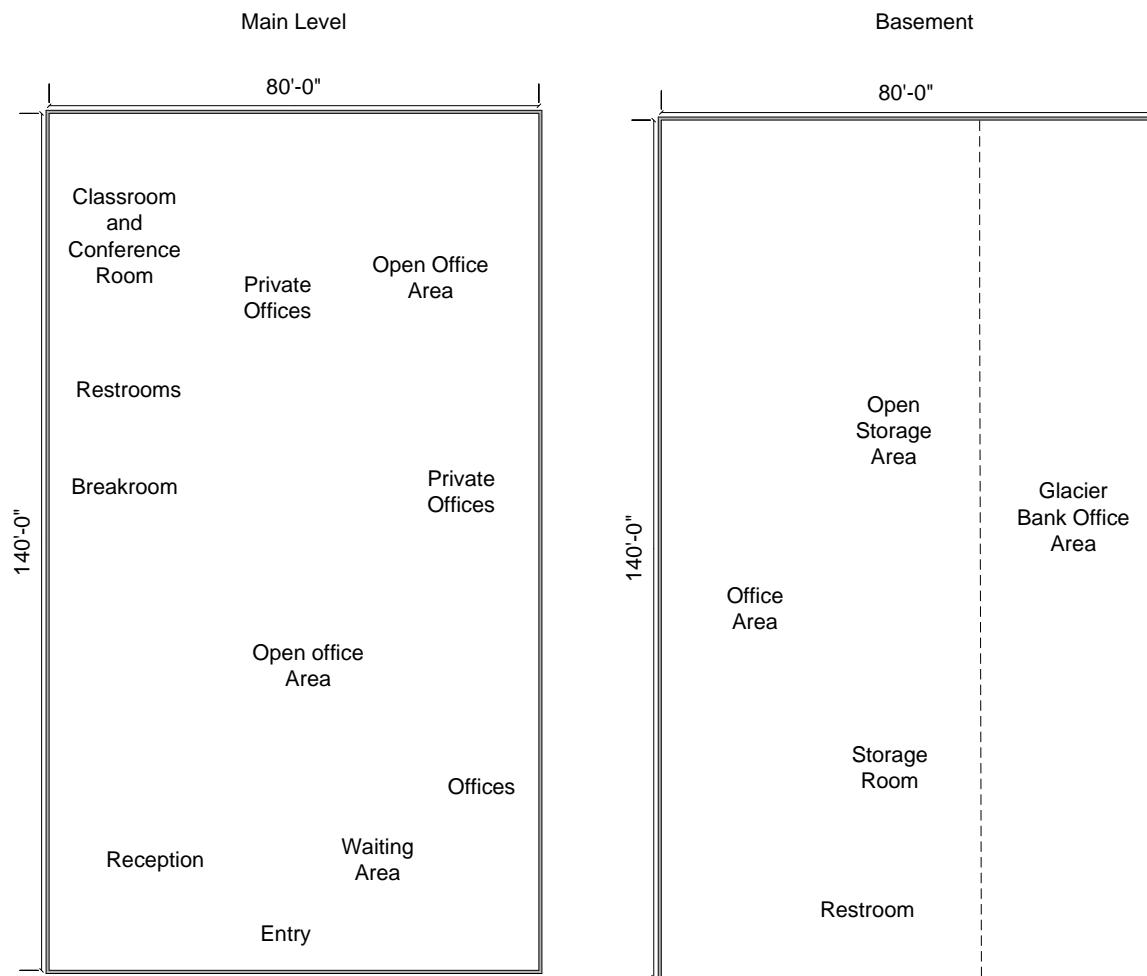


This is an official copy of a portion of the above referenced flood map. It was extracted using F-MIT On-Line. This map does not reflect changes or amendments which may have been made subsequent to the date on the title block. For the latest product information about National Flood Insurance Program flood maps check the FEMA Flood Map Store at www.msic.fema.gov.

VERSION NUMBER
2.2.2.1
MAP NUMBER
30029C1805J
EFFECTIVE DATE
November 04, 2015

**ONAL FLOOD INSURANCE PROGRAM
ID INSURANCE RATE MAP**

Floor Plan





May 2, 2017

202 Main St, Kalispell, MT 59901

Travis Steindorf
Glacier Appraisal, LLC
359 N Main St
Kalispell, MT 59901

RE: Appraisal Engagement Letter

Dear Mr. Steindorf:

This is to confirm Glacier Bank's request for you to prepare an **Appraisal Report** on the following commercial property:

Property Identification: **Northwest Montana Human Resource Inc.**
214 S Main St.
Kalispell, MT 59901

Assessor Number: **0000263900**
Geocode: **07-3966-18-1-47-02-0000**

Your contact for additional information and inspection will be Becky Sago 406-752-6565.

The Bank agrees to pay the sum of no more than **\$3,850.00** to the appraiser, as total compensation, for the professional services required to be performed. The date of completion shall be **on or before 5/26/17**. This engagement letter is intended to engage the appraiser for initial assignment and any subsequent related service, such as, completion certificate for required updates and/or repairs or new construction completion. Your fee will be paid by Glacier Bank no later than thirty (30) business days after delivery of the report.

The deadline mentioned may be extended should circumstances beyond the Appraiser's or Bank's control preclude delivery, providing you seek prior approval from the Bank in a timely manner. As you know, time is of the essence on all Real Estate transactions. If the report will be delayed for any reason it is important that you communicate the status with our office.

Please send your PDF, including your signed engagement letter & Excel Spreadsheet, & invoice through Mercury.

Property Type: Office Building

The property rights to be appraised are as follows:

Fee Simple Leased Fee Leasehold Other

Intended User(s):

The intended user is the client, Glacier Bank.

Note: No other users are intended by Appraiser. Appraiser shall consider the intended user when determining the level of detail to be provided in the Appraisal Report.

Intended Use:

The intended use is to determine market value.

Anticipated Scope of Work:

The scope of work will be ‘as appropriate’, based on the purpose, intended use, intended user, property type, and in communication with the appraiser, and in compliance with Standard 1 USPAP.

1. Site Visit
 - An interior and exterior observation, on-site.
2. Use and/or Address the following Valuation Approaches:
 - Sales Comparison
 - Cost
 - Income
3. Incorporate listing data in the Sales & Income Approaches to support current market activity.

Date and Type of Value:

As Is Market Value as defined by the appraisal requirements pursuant to USPAP & FIRREA

- **Assignment Conditions**

No Anticipated Hypothetical Condition and/or Extraordinary Assumption

Additional Property to be Valued:

None

Applicable Requirements other than the Uniform Standards of Professional Appraisal Practice (USPAP):**Dodd-Frank Act and Truth-in-Lending Act (“TILA”) Section 129E:**

This Appraisal Engagement and subsequent client/appraiser relationship is intended to comply in every way with provisions of the Dodd-Frank Act, Subtitle F – Appraisal Activities, including but not limited to Appraisal Requirements (Section 1471), Appraisal Independence Requirements (Section 1472 and added amendment to Section 129E of the federal Truth-in-Lending Act [“TILA”]), and additional Sections 1473, 1474, 1475 and 1476.

In addition, the report must include the following:

1. The content of the report and the report itself will conform to the **2016 - 2017** Uniform Standard of Professional Appraisal Practice as promulgated by the Appraisal Standards of the Appraisal Foundation.
2. The bank requires you to personally inspect the subject property and each of the comparable properties.
3. Current Photos – Representative of Site, Views, Access, Adverse Conditions, etc.
 - a. Typical Front, Back, and Street. Also, photographs are to be provided of any structure(s) or areas on the subject property that have contributory or depreciating value, including, but not limited to, areas in need of repair or perhaps a knock out view.
 - b. Interior photos
4. Appropriate Exhibits:
 - a. Legal description of the subject property.
 - b. Description of property by specific site dimensions.
 - c. Property plat map.
 - d. Floor plan – showing exterior dimensions & room location of the improvements
 - e. A vicinity map and a comparable sales map
 - f. Flood zone map with approximate location of the improvements, identifying the flood zone, flood map community number, panel number and map date
 - g. Census tract number.

5. Individual Comparable Sales data should include, among other data; the address or legal description; verification source, **MLS numbers, days on the market (DOM)**, and Analysis of the Property.
6. In developing a real property appraisal report, an appraiser must identify any extraordinary or hypothetical conditions necessary in the assignment, i.e., new construction, proposed development, etc.
7. Please state whether the property is a special use or limited market property and address any functional obsolescence inherent in the improvements and any potential economic obsolescence which may affect the subject property.
8. Please make note of any evidence of possible hazardous waste contamination. The bank recognizes that as an appraiser, you are not an expert on the existence of hazardous waste. However, if physical signs are evident, a notation of such should be incorporated in the letter of transmittal.
9. License or certificate – a copy of your license is to be provided in the appraisal.

The bank agrees to make every reasonable effort to provide the appraiser with information pertinent to the property that is necessary to complete the assignment.

All documents furnished to the appraiser from the bank are to be considered confidential information to the appraiser pursuant to the disclosure requirements in the Confidentiality section of the Ethics Rule.

This engagement letter and all appropriate exhibits will be included in the appraisal report.

Please acknowledge your understanding and agreement of the foregoing by returning a signed copy of this letter to Glacier Bank upon your receipt and review. Engagement includes the understanding that appraiser holds the appropriate state license and has E & O insurance in place.

Sincerely,

Abigail Nase
Appraisal Assistant

The undersigned appraiser accepts the terms and conditions of the engagement letter. [Please return signed copy of engagement letter or include in your appraisal.](#)

By: 

Qualifications of the Appraiser

Travis Steindorf

- **Education:**

Charlo High School, Charlo, Montana; graduated in 1996.

University of Montana, Missoula, Montana; Bachelor of Science, Business Administration; graduated in 2000.

Appraisal Institute Courses and Seminars

Course 110 - Appraisal Principles, 39-Hour Course

Course 120 - Appraisal Procedures, 39-Hour Course

Course 310 - Basic Income Capitalization, 39-Hour Course

Course 410 - National Uniform Standards of Professional Appraisal Practice (USPAP), 15-Hour Course

Course 420 - Business Practices and Ethics (formerly Standards of Professional Practice, Part B) 8-Hour Course

Course 520 - Highest and Best Use and Market Analysis, 40-Hour Course

Course 540 - Report Writing and Valuation Analysis, 40-Hour Course

Seminars – Evaluating Commercial Construction, 16-Hour Course; Appraising from Blueprints and Specifications, 7-Hour Course; Subdivision Valuation, 7-Hour Course; Forecasting Revenue, 7-Hour Course; Advanced Internet Search Strategies, 7-Hour Course; Data Verification Methods, 5-hr Course

AI/ASFMRA/ASA: Valuation of Conservation Easements

Northwest Montana Association of Realtors: Real Estate Investment Analyst

- **Employment:**

2000 to 2002 – Systems Engineer: Nortel Networks, Richardson, TX.

2003 to 2014 – Owner & Fee Appraiser, Barrie Appraisal & Consulting, LLC, Kalispell, MT.

2014 to Present – Owner & Fee Appraiser, Glacier Appraisal, LLC, Kalispell, Montana.

- **Organizations:**

Appraisal Institute (Affiliate Member #446538)

National Association of Realtors

Kalispell Chamber of Commerce

- **Certifications:**

State of Montana Real Estate Appraiser (General Certification): REA-RAG-LIC-739

State of Montana Real Estate Salesperson: RRE-RBS-LIC-17771

- **Partial List of Major Clients:**

USDA-Rural Development, Glacier Bank, First Interstate Bank, Whitefish Credit Union, First Montana Bank, Rocky Mountain Bank, Trail West Bank, First Security Bank of Missoula, Wells Fargo Bank, Community Bank of Polson & Ronan, Harvard University, BNSF Railroad, U.S. Department of the Interior, U.S. Forest Service, U.S. Postal Service, National Park Service-Intermountain Region; Montana Department of Natural Resources, Flathead County Solid Waste Dept., Flathead Regional Development Office, City of Kalispell, City of Whitefish, City of Polson, Flathead Municipal Airport Authority, Kalispell City Airport, Northwest Health Care, Clark Fork Valley Hospital, Whitefish Community Aquatic & Health Center, Hutton Ranch Plaza, Hugh Black St. Mary Enterprises, Inc., CBRE, Fidelity National Title Company, Lincoln County Port Authority.

