

STATE BOARD OF LAND COMMISSIONERS

July 18, 2023
Regular Agenda

Subject

Ohio Gulch Commercial Ground Lease in Blaine County, Idaho

Question Presented

Shall the Land Board direct the Department to enter into negotiations for a commercial ground lease, and subsequent advertisement and potential auction process, with CZ LLC, an Idaho limited liability company?

Background

On December 8, 2022, under the authority of Idaho Code § 58-101, a Request For Proposals (RFP) was issued for the ground leasing opportunity of approximately 28.3 acres of state endowment trust land located on Ohio Gulch Road in Blaine County, Idaho (Ohio Gulch).

The Ohio Gulch land includes three parcels of Public School endowment land (Attachment 1). Parcel 1 (3.5 acres) was operated under fill permits allowing the dumping of clean dirt and rock fill material only, from approximately 1998-2011. Parcel 2 (12.8 acres) was historically used as grazing land. Parcel 3 was operated as a county landfill from 1967-1978 and was capped in 1980. Currently, all three parcels remain fallow, yet are well positioned for commercial development and income generation. The aggregate value of all three parcels is \$718,000. Through the RFP process it became apparent that a ground lease of these endowment lands would produce value well in excess of a near term disposition, creating a sustainable stream of income to the endowment beneficiaries.

The RFP opportunity was well received, with five (5) total respondents submitting viable proposals. Respondents were required to submit proposals to the Idaho Department of Lands (Department) by 5:00 pm (MT) on March 1, 2023. Responses were required to contain various specific information including proponent qualifications, development plan, proposed lease revenue, along with a nonrefundable application fee.

Over the last four months, the Real Estate Services Bureau (Bureau), with the assistance of CenturyPacific, the Land Board's commercial real estate advisor (Advisor), completed two rounds of evaluations eliminating candidates in stages. The first stage was an evaluation of use acceptability, revenues proposed, and development and financial feasibility. The second round, which included a narrowed field of proponents, consisted of a "final and best" proposal to increase the competition and accuracy of the submissions. Respondents were advised that the revenue component would be heavily weighted with guaranteed revenues (base rent) favored over variable (percentage rent) (Attachments 2 and 3). Finally, interviews were conducted with the top two proponents on May 30, 2023. Following the interviews, the Bureau, area office staff members, and the Advisor conducted a vote to choose the prevailing respondent.

Discussion

While all respondents presented interesting, viable, and worthwhile endeavors, the Department narrowed down the respondents to a single prevailing party. Predicated on project feasibility, strength of financial proposal and income to the endowment beneficiaries, and intensiveness of development, the Department recommends proceeding to the lease negotiations stage with CZ LLC (formally proposed as Wood River Investors, LLC) for the development of self-storage, contractor yard storage, and vehicle storage facilities on Ohio Gulch. CZ LLC is a commercial real estate investment special purpose entity owned and managed by two key principals. The key principals have a diverse real estate background spanning over two decades, with involvement in residential brokerage, residential development, commercial development, and commercial investment management. The managing members of the firm indicated they have the financial capital to perform such a development.

Proposal Summary

The proposed use is a low impact, minimal development for each parcel. Parcel 1 would house portable storage containers that would serve as self-storage, additionally there would be allocated space for RV and vehicle lot storage. Parcels 2 and 3 would be divided into large, fenced lots that would serve as yard, laydown, fleet, or vehicle storage aimed towards contractors in the area. Market research indicated that considerable demand exists for each of the proposed uses. The development of improvements, estimated at \$2,500,000, is to be capitalized on an all-cash basis leaving said improvements free of any encumbrances.

The proposed base rent for the term of the lease is \$120,000 per year beginning in year two (escalating 3% annually), with a commencement fee of \$56,600 due at the mutual execution of the lease. In total, the guaranteed revenue to the State holds a net present value of \$6,629,926 – well in excess of a near term disposition. In addition to the guaranteed revenue, percentage rent of 5% of effective gross income exceeding \$10,000 per month has been proposed. Though gross receipts cannot be guaranteed, conservative estimates suggest significant financial incentive in addition to the committed lease revenue, as indicated in the financial analysis provided by the Advisor (Attachment 4).

The conditional acceptance (Attachment 5) will be based on the satisfactory completion of the next phases of the process including, but not limited to, the following:

1. A review of professionally prepared financial statements
2. Successful negotiation of lease terms and conditions subject to advertisement, potential auction, and subsequent Land Board approval
3. The commitment to lease the entire premises, as proposed
4. Agreement of the use of the premises based on submitted proposal
5. Agreement of the proposed Lease Term
6. Agreement of the proposed commencement date of base rent
7. Agreement of the proposed annual base rent

8. Agreement of the proposed percentage rent
9. The proposed Commencement Fee payment
10. Satisfactory completion of two hard cost milestones in Tenant Improvements

Should the Land Board direct the Department to move on to the next steps, the process would follow the below:

1. Enter negotiations with the potential lessee regarding lease terms, addendums, and/or exhibits, and memorializing the proposed rate. This will be through redlining the Department's lease template with regular input from the deputy attorneys general (DAGs) advising the Department.
2. Once a final lease product is created, advertise said lease for a period of time, no less than 4 weeks.
3. If there is not a conflict, CZ LLC would be awarded the lease, if approved by the Land Board. If there is a conflict, a conflict auction for the lease would be held. The successful bidder would be awarded the lease, subject to approval by the Land Board. If there is an auction, the results will be presented to the Land Board in the following Land Board meeting, for finalization and approval.

Recommendation

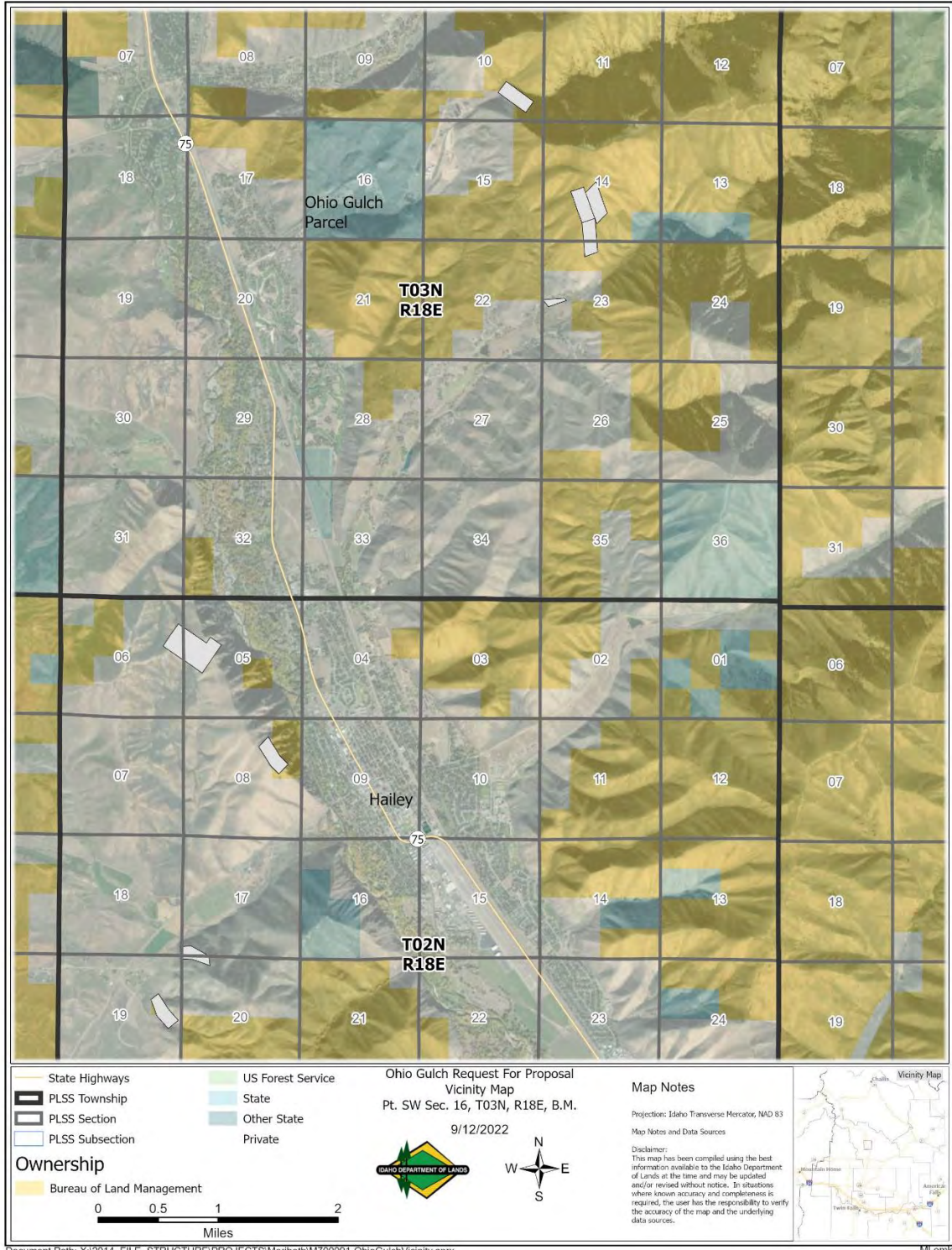
Direct the Department to enter into negotiations for a ground lease of the Ohio Gulch property with CZ LLC, followed by the Department's Conflict Auction Process.

Board Action

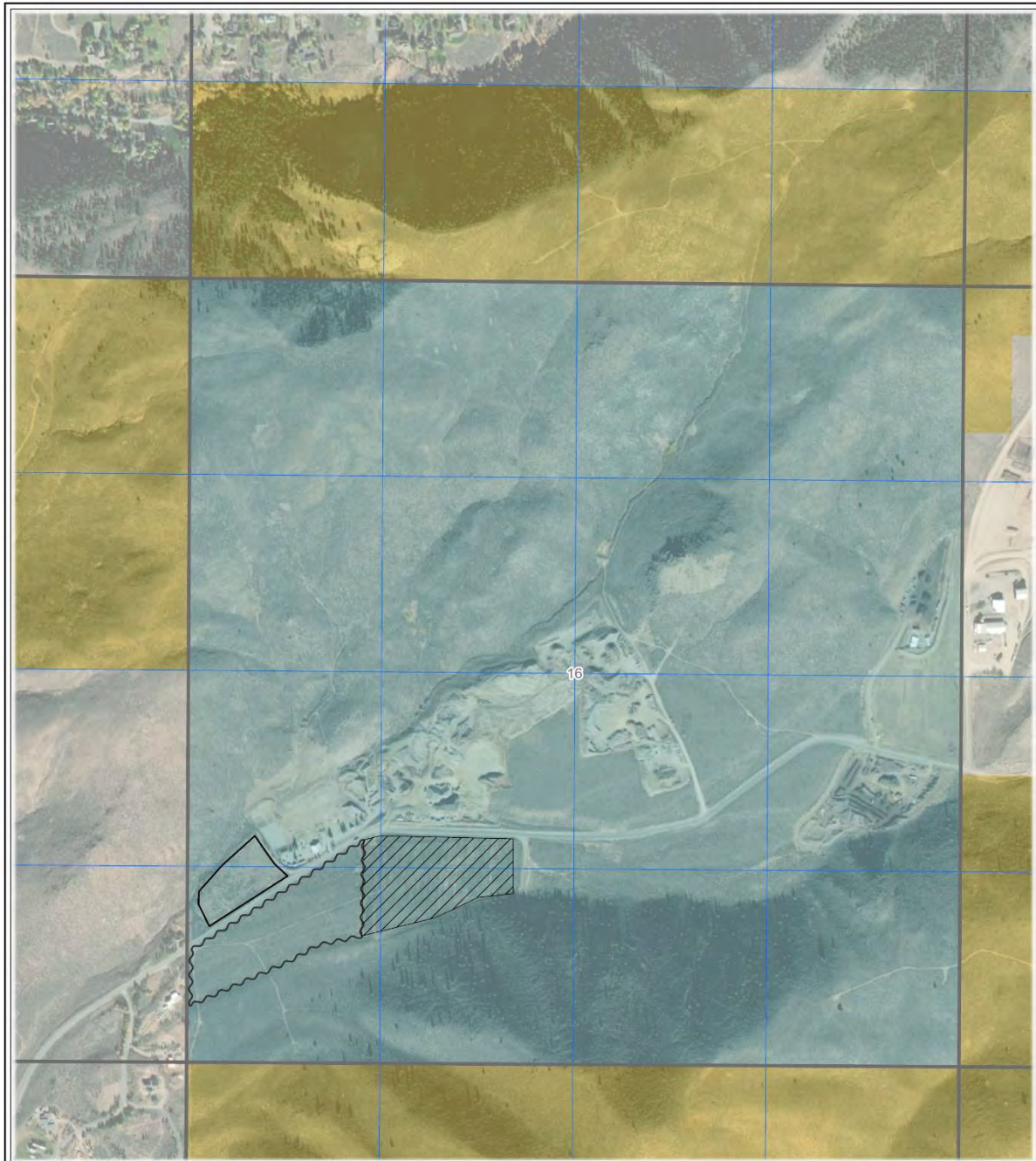
Attachments



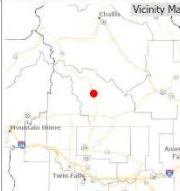
1. Site maps
2. Scoring Matrix
3. Respondent Review Highlights
4. CenturyPacific Recommendation
5. Conditional Acceptance Letter

ATTACHMENT 3 Map of Leased Premises - Overview



Map of Leased Premises - Detail



<p>PLSS</p> <ul style="list-style-type: none"> PLSS Section PLSS Subsection <p>Ownership</p> <ul style="list-style-type: none"> Bureau of Land Management State Private 	<p>RFP Parcels</p> <ul style="list-style-type: none"> RFP-Parcel_1 RFP-Parcel_2 RFP-Parcel_3 	<p>Ohio Gulch Request for Proposal Map Pt. SW Sec. 16, T03N, R18E, B.M.</p> <p>6/21/2022</p>  	<p>Map Notes</p> <p>Projection: Idaho Transverse Mercator, NAD 83</p> <p>Map Notes and Data Sources</p> <p>Disclaimer: This map has been compiled using the best information available to the Idaho Department of Lands at the time and may be updated and/or revised without notice. In situations where known accuracy and completeness is required, the user has the responsibility to verify the accuracy of the map and the underlying data sources.</p>	
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Ohio Gulch RFP - Proposal Evaluation Matrix

Scoring Category	Defined Criteria	Scoring Value
Qualifications		
Proposal Submitted On-Time	[0 = Proposer did not submit on time] [1 = Proposer submitted on time]	
Submitted with All Requirements	[0 = Proposer did not complete all requirements] [1 = Proposer completed all requirements]	
Overall CRE Experience	[1 = Proposer's CRE experience did not meet expectations for proposed development] [2 = Proposer's CRE experience meets expectations for proposed development] [3 = Proposer's CRE experience exceeds expectations for proposed development]	
Development Experience	[1 = Proposer's development experience did not meet expectations for proposed development] [2 = Proposer's development experience meets expectations for proposed development] [3 = Proposer's development experience exceeds expectations for proposed development]	
Financial Strength of Proposer	[1 = Proposer's financial strength did not meet expectations for proposed development] [2 = Proposer's financial strength meets expectations for proposed development] [3 = Proposer's financial strength exceeds expectations for proposed development]	
	Category Total	0
Proposed Development Plan		
Consistent with Zoning	[0 = Proposed development is generally inconsistent with zoning requirements] [1 = Proposed development is generally consistent with zoning requirements]	
Constructability	[0 = Constructability of proposer's intended development is not feasible] [1 = Constructability of proposer's intended development is feasible] [2 = Constructability of proposer's intended development is easily feasible]	
Financial Feasibility - (Dev. Costs, accuracy of financial assumptions)	[0 = Proposer's intended development is not financially feasible] [1 = Proposer's intended development is financially feasible] [2 = Proposer's intended development is easily financially feasible]	
Feasibility of Total Dev. Timeline (Entitlements - substantial completion)	[0 = Proposer's intended development timeline is not feasible] [1 = Proposer's intended development timeline is feasible] [2 = Proposer's intended development timeline is easily feasible]	
	Category Total	0
Proposed Lease Revenue to IDL		
Anticipated Revenue to IDL	[7 = Anticipated revenue to IDL achieves no more than 200% of designated hurdle rate] [8 = Anticipated revenue to IDL achieves between 200.01% and 225% of designated hurdle rate] [9 = Anticipated revenue to IDL achieves between 225.01% and 250% of designated hurdle rate] [10 = Anticipated revenue to IDL achieves between 250.01% and 275% of designated hurdle rate] [11 = Anticipated revenue to IDL achieves between 275.01% and 300% of designated hurdle rate] [12 = Anticipated revenue to IDL achieves between 300.01% and 325% of designated hurdle rate] [13 = Anticipated revenue to IDL achieves between 325.01% and 350% of designated hurdle rate] [14 = Anticipated revenue to IDL achieves between 350.01% and 375% of designated hurdle rate] [15 = Anticipated revenue to IDL achieves at least 375.01% of designated hurdle rate] *Allocation subject to revision based upon final and best proposals received.	
Overall Confidence/Feasibility to Perform	[1 = Low confidence in ability to perform proposed revenue structure] [2 = Moderate confidence in ability to perform proposed revenue structure] [3 = High confidence in ability to perform proposed revenue structure]	
	Category Total	0
	Subtotal	0
Appraised Fair Market Value - Qualifying Multiplier	[0 = Anticipated compensation to IDL does not achieve the appraised fair market value lease revenue] [1 = Anticipated compensation to IDL does meets/exceeds the appraised fair market value lease revenue]	
	Grand Total	0

Ohio Gulch

RFP Respondents

RESPONDENT NAME	PROPOSED DEVELOPMENT	PARCELS USED	INCOME TO ENDOWMENTS (NPV)	ANNUALIZED RETURN	COMMENCEMENT FEE	NOTES
Axxcess Realty Advisors, LLC & Trail Creek Real Estate Partners, LLC	Outdoor Storage Facility	1,2	\$ 4,900,719.00	23%	\$ 20,000.00	Parcels 1 & 2 used for RV and boat storage with some fleet and contractor equipment storage. Parcel 3 left for grazing.
Charter Equities, Inc.	Storage Facility/Leased Residential	1,2,3	\$ 10,498,055.00	49%	\$ 20,000.00	Problematic proposal, unsure of project timeline. Workforce Housing on Parcel 2.
Elevate Investments	Light Industrial/Self Storage	2	\$ 5,459,263.00	25%	\$ -	Proposal allows for the development of a 2nd and 3rd phase at the sole discretion of the leaseholder.
Philo Development Group, LLC	Multi-family Residential	2	\$ 2,786,396.00	13%	\$ 50,000.00	Selling Condominiums. After 49yrs + 49yr extension, offering IDL assumption of buildings, not included in returns calculation. Proposal may further activate surrounding area providing potential land appreciation.
CZ, LLC	Self Storage/Outdoor Storage	1,2,3	\$ 10,996,347.00	51%	\$ 56,600.00	Parcel 1 will be shipping container and RV Storage. Parcels 2 & 3 are light industrial contractor/yard storage. Proposal offers high flat rate plus percentage rent.
Appraised Value of Land			\$ 718,000.00			

CENTURYPACIFIC, LLLP

REAL ESTATE INVESTMENT BROKERS ▪ ADVISORS ▪ ASSET MANAGERS

MEMORANDUM

DATE: June 6th, 2023
TO: Mr. Roger Hall, Real Estate Bureau Chief
FROM: Michael A. Odegard
RE: Ground Lessee Selection Process
Ohio Gulch Property, Blaine County, Idaho

SUMMARY

Thank you for the opportunity to participate in the selection process for a long-term ground lessee of the Ohio Gulch property – a three parcel, 28.3-acre endowment holding in Blaine County, Idaho (Endowment Lands). A request for proposals (RFP) was issued by Idaho Department of Lands (IDL) to screen and select one or more tenants for the project that would promote the mission of the Idaho State Board of Land Commissioners (Land Board) to maximize long-term financial returns to the endowment beneficiaries.

Based on CenturyPacific's review of the project information provided by IDL, evaluation of the five (5) proposals submitted, cooperation with IDL related to the development of a proposal scoring matrix, and candidate interviews – assuming the recommended additional conditions are satisfied – CenturyPacific supports pursuing the negotiation and finalizing of a ground lease to CZ, LLC (Wood River Investors, LLC) for development of self-storage, contractor yard storage, and vehicle storage facilities. The proposed development, consistent with the highest and best use of the property, creates a diverse income stream that maximizes the long-term financial returns with the anticipated lowest risk to the endowment beneficiaries. CZ, LLC appears to be adequately capable to complete the project as proposed and has provided a rent structure that affords both guaranteed income in excess of IDL's stated return requirements as well as the potential for speculative rent in the form of percentage rent (participation in gross receipts). Of the candidate proposals received, CZ, LLC's proposal best directly addresses IDL's stated leasehold requirements and proposes the highest committed rent over the proposed 49-year term.

SUPPORTING INFORMATION

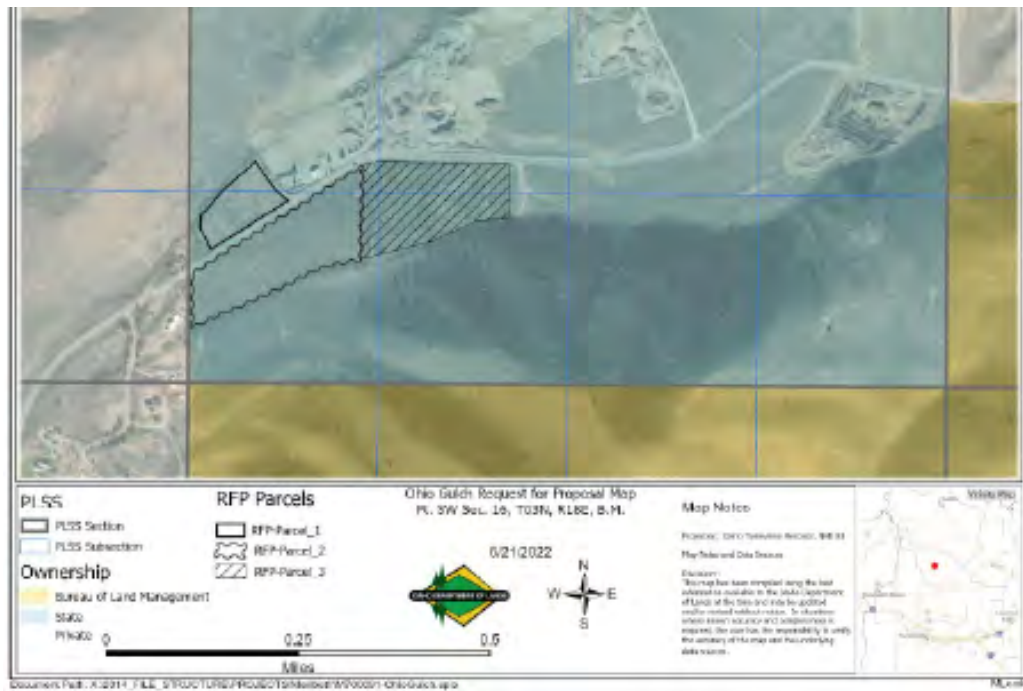
CenturyPacific's evaluation of the proposals and resulting recommendation is informed by the following:

- Ohio Gulch Project - Request for Proposal for Commercial Ground Lease (12/8/2022): The RFP document, produced and distributed by IDL, provides a history of the Endowment Lands, outlines the expectations and qualifications of candidates and

proposals, and identifies parameters for evaluation of proposals received.

- Ground Lease Proposals: CenturyPacific reviewed proposals received by IDL. The following five (5) candidates provided initial round ground lease proposals:
 - Charter Equities, Inc (Ketchum, ID)
 - Philo Development Group, LLC (Lehi, UT)
 - Elevate Investments, LLC (Boise, ID)
 - Wood River Investors, LLC (Hailey, ID)
 - Axxcess Realty Advisors, LLC (San Juan Capistrano, CA)
- Ohio Gulch RFP – Second Round Evaluation and Information Request (May 12, 2023): The “Best and Final” RFP document distributed by IDL to the three (3) candidates with the strongest round one proposals.
- “Best and Final” Proposals: CenturyPacific conducted a thorough review of each of the final round proposals received by IDL in collaboration with IDL. Final round proposals were received by:
 - Axxcess Realty Advisors, LLC (San Juan Capistrano, CA)
 - CZ, LLC (Formerly proposed as Wood River Investors, LLC) (Hailey, ID)
 - Elevate Investments, LLC (Boise, ID)
- IDL Proposal Scoring Matrix: IDL and CenturyPacific developed a scoring matrix in order to allow for a level comparison of proposals with differing qualifications, qualities, uses, intensiveness of development and proposed revenue structures.
- Financial Analysis: A financial analysis was completed for each proposal (see Exhibit B).
- IDL Internal, Restrictive Appraisal of the Ohio Gulch Project (January 30, 2023): An internal appraisal conducted by IDL to determine the as-is land value for the evaluation of financial proposals received and the necessary hurdle rate thresholds.
- IDL Internal Fair Market Rent Analysis (May 10, 2023): An internal evaluation of fair market rent, based on available submarket data, for the evaluation of financial proposals received.

OHIO GULCH PROJECT OVERVIEW



The Endowment Lands are located on Ohio Gulch Road, approximately one mile east of Idaho State Highway 75 between the towns of Hailey and Ketchum, Blaine County, Idaho. The property consists of 3 parcels totaling 28.3 acres within the 640 Acre Section (Sec 16 3N 18E) managed by the Idaho Department of Lands.¹ This 640 acre section is currently encumbered by a livestock grazing lease, of which the Endowment Lands being considered constitute 4.4% of the leased area. Parcel 1, comprised of 3.5 acres, has seen permitted site work including dumping and grading of fill material to create a relatively level parcel. The parcel is currently well-positioned for a number of development endeavors. Parcel 2, consisting of 12.8 acres, is also relatively flat with natural vegetation (grass and brush), and seems to be the parcel of most interest to proposers – presumably due to the lot area and site characteristics. Parcel 3, consisting of an additional 12 acres, also possesses relatively flat topography and amenable physical characteristics for development. Parcel 3, however, is the site of a former Blaine county landfill for at least the period of 1967 – 1976. According to IDL records, the site was leveled with a soil cap of unknown depth over the trash deposits in 1980. Parcel 3 site is relatively flat and well vegetated, however the environmental profile of the site limits the perceived value and utility of the parcel.

The immediate vicinity of the project contains a variety of property uses including single family homes, townhomes/duplexes, and various commercial services. Commercial neighbors include the Hurtig Shooting Center & Gun Club, Winn’s Compost and the Ohio Gulch Transfer Station (Blaine County). The surrounding municipalities of Sun Valley, Ketchum, Hailey and Bellevue, commonly referred to as the greater Sun Valley area, have seen considerable growth in the preceding decade, but notably so since the COVID 19 pandemic. An influx of residents and

¹ [Blaine County Assessors](#)

vacationers alike have placed strain on multiple industries and services creating significant demand for housing (workforce and otherwise), commercial and industrial services (specifically storage solutions), industrial/flex, and secure outdoor storage space (e.g. contractor laydown space).

The subject properties present significant opportunity to develop both residential and commercial assets, presently in high demand, which would allow IDL to realize and maximize long-term financial returns to the endowment beneficiaries. Given the existing uses in the immediate area, the market demand for self-storage and light industrial leased space, the available lease term (49-years) and the goals of the Land Board, the perceived highest and best use of the Ohio Gulch Property is the development of light industrial (storage and/or industrial flex) that will maximize income to the Land Board while minimizing the capital investment of a potential ground lessee.

REQUEST FOR PROPOSAL ROUND 1 - OHIO GULCH GROUND LEASE

Congruent with Land Board directives to maximize income produced by endowment holdings, a request for proposal to solicit ground lessees for the property was issued by IDL on December 8, 2022 (RFP-1). The RFP process provides opportunity for private investors to vie for investment opportunities on endowment lands while maintaining the necessary competitive nature to maximize returns to the endowments.

The Ohio Gulch Project RFP-1 document outlined the requirements for a valid proposal as well as the criteria on which the proposals were to be scored. Among other criteria, proposers must submit statements of qualifications, financial ability, a proposed development plan, a competitive compensation structure for a long-term ground lease and cashflow analysis. This initial round of the RFP process received five (5) responses from seemingly qualified proposers, each of these proposals was carefully evaluated based on the following criteria.

1. Qualifications

- Overall Real Estate Experience of Proposer
- Development Experience of Proposer
- Financial Strength of Proposer

2. Proposed Development Plan

- General Project Feasibility
- Perceived Demand for Product
- Time to Activate

3. Proposed Lease Revenue

- Guaranteed Revenue (Base Rent)
- Variable Revenue - Gross Receipts
- Commencement Fee
- Confidence in Proposed Revenue Structure

In addition to the above, a comprehensive financial expression for each proposal was created to compare revenue structures, accuracy of financial assumptions, and expected income to the State of Idaho.

Evaluation of Proposals

Following an intensive review of each proposal, it became evident that two candidates could be eliminated due to the intended land uses and general proposal feasibility. Details of these proposals are included below:

Charter Equities

Proposer Overview: Charter Equities, an Idaho Limited Liability Company, is a commercial real estate investment firm owned and operated by a single key principal. The key principal has a history of commercial real estate experience, though in what capacity and how much development is unclear. The proposer's statement of net worth appears to present considerable personal net worth (unconfirmed, no balance sheet submitted).

Proposed Premises: Proposal to lease 100% of the Endowment Lands offered (parcels 1-3).

Proposed Use: Parcel 1 developed for self-storage, parcel 2 developed for multifamily (workforce housing) and parcel 3 would serve as waste-water treatment for multifamily development and yard/lot storage.

Proposed Rent Structure: IDL would receive a flat base rent equal to 5% capitalization of current appraised value. IDL would further participate in 5% of effective gross income from operations.

Overall, Charter Equities provided a creative proposal to activate all three parcels. However, the proposed land use of Parcel 2 for multifamily housing would seem incompatible with goals and directives established by the Land Board (and the likely availability of basic infrastructure to support such uses). The perceived lack of feasibility, errors and omissions found in the proposal, and the materially insufficient financial statements submitted led to the elimination for consideration.

Philo Development Group

Proposer Overview: Philo Development Group is an entity owned by several entities with considerable real estate development experience. The principals and advisors appear to be organized, capitalized, and capable of completing a commercial development project at the subject site.

Proposed Premises: Proposal to lease parcel 2 (only), or 45% of the Endowment Lands offered.

Proposed Use: Development of 48 luxury townhomes (medium-density residential). Proposer would sell 80% of the townhomes and lease the remaining 20%.

Proposed Rent Structure: IDL would share 7.5% of the gross sales realized. IDL would further receive 7.5% of the gross revenue produced through rental operations of the leased units.

In review, Philo Development Group appears to be one of the strongest proposers to submit for this RFP in terms of financial strength, relative experience, depth of talent and ability to perform. Additionally, the improvements to the land would revert to the State of Idaho following the 49 year term (plus a desired 49 year extension option), creating additional potential value for the State. That said, proposed land use of residential units for individual sale

would seem incongruous with Land Board initiatives, as the Land Board seems to be moving away from residential uses (e.g. Cottage Site leases).

SECOND ROUND EVALUATION AND INFORMATION REQUEST - BEST AND FINAL

Second Round Evaluation and Information Request (“RFP-2”) was issued to the three (3) finalists to further clarify and expand on previously requested information, refine the scoring criteria and methodology, and to allow the proposers to submit their “Best and Final” financial proposal to the State. RFP-2 further sought to standardize proposals by establishing uniform lease terms, financial assumptions, and scoring criteria allowing for additional accuracy and comparative attributes of each proposal. The considerable similarities in proposed uses, rent structures, and proposed revenue to the State necessitated this “Best and Final” round of evaluation.

IDL RFP-2 Scoring Methodology

Exhibit A to this memorandum details the scoring criteria on which the proposals were evaluated. A weighted point system was created to adequately delineate the three proposals utilizing a combination of binary and “good, better, best” method of analysis. This methodology eliminates to the greatest extent any subjective review of individual proposal and promotes accuracy of the evaluation. As appropriate, the guaranteed lease revenue proposed was given more weight than other categories. A categorical breakdown of the scoring criteria and their weights is included below.

1. Qualifications	(0/11)
Proposal Submitted on Time	(0/1)
Proposal Submitted with all Requirements	(0/1)
Overall Real Estate Experience	(0/3)
Development Experience	(0/3)
Financial Strength	(0/3)
2. Proposed Development Plan	(0/7)
Consistent with Zoning	(0/1)
Constructability	(0/2)
Financial Feasibility	(0/2)
Feasibility of Dev. Timeline	(0/2)
3. Proposed Lease Revenue	(0/18)
Anticipated Guaranteed Revenue to IDL	(0/15)
Overall Confidence/Feasibility to Perform	(0/3)
Appraised Fair Market Value Multiplier	(0/1)
Total Possible	(0/36)

The method of evaluation provided above seems to be adequate for the evaluation of the proposing entities and the proposals submitted. As mentioned, the further elaborated on in

Exhibit A provides a defensible methodology of evaluation that is well substantiated through a simplified and applicable defined criteria.

Financial Analysis

In addition to qualitative analysis of RFP-2 responses, CenturyPacific developed financial models of each proposal to evaluate the strength of economic gain to the Endowment Beneficiaries. This financial analysis took into consideration the total anticipated rental income received by IDL, net present value of the anticipated rental income, and the average minimum hurdle rate coverage. Financial assumptions used in the financial analysis included:

Hurdle Rate: Per IDL, a return hurdle rate of 3% net of assumed, long-term inflation must be met for a ground lease to be viable. As given by IDL, this rate amounted to 5.25% of appraised land value.

IDL Appraised Land Value: An internal, restrictive appraisal of the endowment lands was conducted by IDL for the purpose of establishing the assumed hurdle threshold.

IDL Appraised Fair Market Rent: An additional appraisal of the perceived fair market rent of the endowment lands was conducted by IDL to ensure, at a minimum, the proposals met this threshold.

Assumed Land Appreciation: An assumed annual land appreciation was implemented relative to the hurdle rate.

Discount Rate – Guaranteed Revenue: In conjunction with IDL directive, a discount rate of 2.25% was applied to guaranteed revenue over the 49 year lease term.²

Discount Rate – Variable Revenue: As the variable revenue submitted by the proposers is speculative, a 300 basis point risk premium was attributed to all income not guaranteed. Variable revenue was discounted at 5.25% over the 49 year lease term.

Hurdle Rate Coverage: As variable revenue to the state is speculative, the hurdle rate coverage ratio was determined using guaranteed revenue.

Appraised Fair Market Value Multiplier: A final hurdle gate was implemented utilizing the internal fair market rent appraisal provided by IDL. Should proposal not meet or exceed the appraised fair market rent, the proposal would not be viable and would receive a multiplier of zero.

Evaluation of Proposals

Axxcess Realty Advisors, LLC

Proposer Overview: Axxcess Realty Advisors, LLC is a real estate investment and management firm as well as a holding company for additional ventures, largely real estate related. Though Axxcess is proposing, a special purpose entity would be created between Axxcess and Trail Creek Real Estate Partners, LLC for the purpose of this project. Axxcess has seemingly adequate financial strength.

Proposed Premises: Proposal to lease parcels 1 and 2, or 58% of the endowment lands offered.

Proposed Use: Parcel 1 developed for self-storage, drive up structures to house RV's, boats and other vehicles as well as exterior covered parking. Parcel 2 would be developed in two phases to expand on the uses of parcel 1 as well as implement contractor lot/yard storage.

Proposed Project Capitalization: Combination of debt and equity. Axxcess would seek investors to provide the majority of the needed equity.

² CenturyPacific has advised IDL that a discount rate that more closely aligns with the 30-year treasury yield be utilized as a "Risk-Free" rate for establishing an appropriate discount rate of anticipated revenue.

Proposed Commencement Fee: \$20,000 commencement fee offered at the consummation of a ground lease with IDL.

Proposed Rent Structure: Two separate rent structures were proposed. Scenario one consisted of an annual base rent structure of \$3,000 per net acre, escalating 2% year-over-year. An additional IDL participation in 5% of gross income was also proposed. Scenario two would involve a full participation in the ground lease where IDL would receive 20% of net income once the proposer recovered their full development costs. The second rent structure involved excessive risk to IDL as well as an overly prolonged activation period of revenue to the State and thus was not considered in this evaluation.

1. Qualifications	(10/11)
Proposal Submitted on Time	(1/1)
Proposal Submitted with all Requirements	(1/1)
Overall Real Estate Experience	(3/3)
Development Experience	(3/3)
Financial Strength	(2/3)
2. Proposed Development Plan	(4/7)
Consistent with Zoning	(0/1)
Constructability	(2/2)
Financial Feasibility	(1/2)
Feasibility of Dev. Timeline	(1/2)
3. Proposed Lease Revenue	(9/18)
Anticipated Guaranteed Revenue to IDL	(7/15)
Overall Confidence/Feasibility to Perform	(2/3)
Appraised Fair Market Value Multiplier	(1/1)
Total	(23/36)

Total Consideration to IDL	15,860,486
Total Guaranteed Income to IDL	3,877,475
Total Variable Income to IDL	11,983,011
Average Hurdle Rate Coverage	169%
NPV of Guaranteed Income (2.25%)	2,112,462
NPV of Variable Income (5.25%)	2,788,257
Combined NPV of IDL Income	4,900,719

Elevate Investments

Proposer Overview: Elevate Investments, LLC is a commercial real estate development and management company specializing in self-storage and light industrial properties. Elevate

operates out of Boise, ID, is well-capitalized and has a proven track record in the asset development proposed.

Proposed Premises: Proposal to lease parcel 2, or 45% of the Endowment Lands offered.

Proposed Use: Development of a state of the art self-storage facility. Proposer has stated that, pending assessed demand following initial development, additional phases of building would be undertaken to increase the intensity of use of the leased parcel.

Proposed Project Capitalization: Combination of debt and equity at an assumed 70% loan to cost. Elevate would directly provide the needed equity.

Proposed Commencement Fee: No commencement fee was offered.

Proposed Rent Structure: IDL would receive a flat, guaranteed base rent of \$75,000 annually. IDL would also participate in a graduated gross receipts structure receiving 5% of gross receipts over \$1,000,000 and 10% of gross income in excess of \$2,000,000.

1. Qualifications	(11/11)
Proposal Submitted on Time	(1/1)
Proposal Submitted with all Requirements	(1/1)
Overall Real Estate Experience	(3/3)
Development Experience	(3/3)
Financial Strength	(3/3)
2. Proposed Development Plan	(5/7)
Consistent with Zoning	(0/1)
Constructability	(2/2)
Financial Feasibility	(1/2)
Feasibility of Dev. Timeline	(2/2)
3. Proposed Lease Revenue	(11/18)
Anticipated Guaranteed Revenue to IDL	(9/15)
Overall Confidence/Feasibility to Perform	(2/3)
 Appraised Fair Market Value Multiplier	 (1/1)
 Total	 (27/36)

Total Consideration to IDL	\$18,717,675
Total Guaranteed Income to IDL	\$3,675,000
Total Variable Income to IDL	\$15,042,675
Average Threshold Coverage	239%
 NPV of Guaranteed Revenue (2.25%)	 \$2,212,925
NPV of Variable Revenue (5.25%)	\$3,246,337
NPV of Total IDL Revenue	\$5,459,263

CZ, LLC (Wood River Investors, LLC)

Proposer Overview: CZ, LLC (formerly proposed as Wood River Investors, LLC) is a commercial real estate investment special purpose entity that would be owned and managed by two key principals. The key principals seem to have a diverse real estate background, being involved in residential brokerage, residential development, commercial development and commercial investment management. The proposer has a considerable net worth and ability to perform under the terms of their proposal.

Proposed Premises: Proposal to lease parcels 1, 2 and 3 or 100% of Endowment Lands offered.

Proposed Use: Low impact, minimal development proposed for each parcel. Parcel 1 would house portable storage containers that would serve as self-storage, additionally there would be allocated space for RV and vehicle lot storage. Parcels 2 and 3 would be divided into large, fenced lots that would serve as yard, laydown, fleet or vehicle storage aimed towards contractors in the area.

Proposed Project Capitalization: CZ, LLC would internally fund all proposed improvements.

Proposed Commencement Fee: \$56,600 commencement fee offered on the consummation of a ground lease with IDL.

Proposed Rent Structure: IDL would enjoy \$120,000 base annual rent (guaranteed) which would escalate 3% year over year. IDL would further participate in 5% of effective gross income in excess of the base rent paid annually.

1. Qualifications	(9/11)
Proposal Submitted on Time	(1/1)
Proposal Submitted with all Requirements	(1/1)
Overall Real Estate Experience	(2/3)
Development Experience	(2/3)
Financial Strength	(3/3)
2. Proposed Development Plan	(5/7)
Consistent with Zoning	(0/1)
Constructability	(2/2)
Financial Feasibility	(2/2)
Feasibility of Dev. Timeline	(1/2)
3. Proposed Lease Revenue	(14/18)
Anticipated Guaranteed Revenue to IDL	(12/15)
Overall Confidence/Feasibility to Perform	(2/3)
Appraised Fair Market Value Multiplier	(1/1)
Total	(28/36)

Total Consideration to IDL	\$21,022,716
Total Guaranteed Revenue to IDL	\$12,585,008
Total Variable Revenue to IDL	\$8,437,708
Average Hurdle Rate Coverage	306%
NPV of Guaranteed Income (2.25%)	\$6,629,926
NPV of Variable Income (5.50%)	\$4,366,421

CONCLUSION

After a thorough review process of the proposed development plans, a robust financial analysis, and subsequent interviews with candidates, CenturyPacific recommends pursuing the negotiation of a long-term ground lease, with the conditions herein, to CZ, LLC. The CZ, LLC proposal appears to be feasible to perform, offered the most guaranteed revenue to the State, activated the entirety of the offering, and employed the lowest intensiveness of improvements to the Endowment Lands.

Conditions of Award

- | | |
|--|--|
| 1. Review of Financial Statements | Proposer shall submit professionally prepared financial statements and proof of liquidity showing available capital in excess of the anticipated requirements necessary for the execution of the development plan. |
| 2. Premises Commitment | Proposer shall commit to leasing the entirety of the 28.3 acres offered for lease. |
| 3. Use of Premises | The Premises shall be used in a capacity consistent with Light Industrial land use, specifically for self-storage, contractor lay down yard, container storage, and other storage capacities that provide low risk of environmental impact. |
| 4. Commencement Fee | A Lease Commencement Fee of \$56,600 shall be due upon mutual execution of a lease agreement. |
| 5. Term | Proposer shall commit to a lease term of 49 years. |
| 6. Tenant Improvements | Proposer shall invest a minimum of \$1,000,000 towards hard-cost improvements to the leased premises within the first twenty-four months (24) of the lease term - consistent with the proposal and reasonably necessary for the timely activation of the property. Similarly, proposer shall expend not less than a total of \$2,000,000 towards improvements of the leased premises within the first thirty-six (36) months of the lease term. Should these thresholds not be met, IDL reserves the right to terminate the lease agreement. |
| 7. Annual Base Rent Commencement | Annual Base Rent shall commence on the first anniversary of lease execution. |

- | | |
|--|--|
| 8. Annual Base Rent | Annual Base Rent shall begin at \$120,000 and shall escalate by 3% annually. |
| 9. Variable Rent – Gross Receipts | As set forth in the proposal, IDL shall receive 5% of gross receipts in excess of the guaranteed base rent. This variable rental amount from gross receipts shall not be capped. |

DOCUMENTATION REVIEWED

This memorandum, and CenturyPacific’s support for the proposed ground lease, is informed by the following:

- Idaho Department of Lands. “Ohio Gulch Project, Blaine County, Idaho: Request for Proposals for Commercial Ground Lease of State Endowment Trust Lands.” December 8, 2022.
- Charter Equities, Inc. “Ohio Gulch Project: RFP Submission.” March 1, 2023.
- Philo Development Group. “Commercial Permit Solicitation: Sun Valley Alpine Flats.” February 24, 2023.
- Elevate Investments, LLC. “Ohio Gulch Request for Proposal.” March 1, 2023.
- Wood River Investors, LLC. “Request for Proposal for Commercial Ground Lease of State Endowment Trust Land: Ohio Gulch Project, Blaine County, Idaho.”
- Axxcess Realty Advisors, LLC. “Axxcess Realty Advisors, LLC & Trail Creek Real Estate Partners, LLC’s Response to Idaho Department of Lands Request for Proposals for Commercial Ground Lease of State Endowment Trust Land for Ohio Gulch Project (Blaine County, Idaho).” February 27, 2023.
- Idaho Department of Lands. “Restricted Appraisal Report: Idaho Department of Lands (Ohio Gulch, aka RFP Leased Parcels).” January 30, 2023
- Idaho Department of Lands. “Ohio Gulch Evaluation Matrix”. March 27, 2023.
- CenturyPacific. “Idaho Department of Lands: Ohio Gulch Ground Lease: Evaluation Matrix.” March 27, 2023.
- CenturyPacific. “Idaho Department of Lands: Ohio Gulch Financial Analysis of Proposals.” March 31, 2023.
- Idaho Department of Lands. “Ohio Gulch RFP – Second Round Evaluation and Information Request.” May 12, 2023

- Axxcess Realty Advisors. "Ohio Gulch RFP - ARA and TCREP Response Final" and attachments thereto. May 23, 2023.
- Elevate Investments. "Response to Second Round - signed" and attachments thereto. May 23, 2023.
- CZ LLC. "Second Round Evaluation and Information Request" and attachments thereto. May 22, 2023.
- Idaho Department of Lands. "Supplement of Restricted Study Land Lease Rate to the Restricted Appraisal of property owned by the Idaho Department of Lands." May 10, 2023.
- CenturyPacific. "Ohio Gulch RFP - Proposal Evaluation Matrix." May 26, 2023.
- CenturyPacific. "Ohio Gulch - Ground Lease Financial Analysis." May 26, 2023.
- Idaho Department of Lands, CenturyPacific. Various Correspondence, March -April 2023.

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STATE BOARD OF LAND COMMISSIONERS
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Phil McGrane, Secretary of State
Raúl R. Labrador, Attorney General
Brandon D Woolf, State Controller
Debbie Critchfield, Sup't of Public Instruction

Month Day, Year

DRAFT

Name via e-mail: xxx@xxx.com
Address
City, ST ZIP

Re: Ohio Gulch RFP – Acceptance with Conditions

Dear []:

The Idaho Department of Lands (“IDL”) has reviewed your company’s proposal to ground lease the property known as the “Ohio Gulch Project” (the “Project”) and is pleased to announce your company’s proposal has been selected for conditional acceptance. The acceptance of the RFP and subsequent ground lease is conditioned on the following, and subject to the advertisement and potential auction process, as well as Land Board approval:

CONDITIONS OF ACCEPTANCE

- 1. Review of Financial Statements** Proposer shall submit financial statements showing available capital in excess of the anticipated capital requirements necessary for the execution of the development plan.

- 2. Premises Commitment** Proposer shall commit to leasing the entirety of the 28.3 acres offered for lease.

- 3. Use of Premises** The Premises shall be used in a capacity consistent with Light Industrial land use, specifically for self-storage, contractor lay down yard, container storage, and other storage capacities that provide low risk of environmental impact, and are consistent with the lease, applicable state, federal and local laws and rules, including local land use laws and county ordinances.

- 4. Commencement Fee** A Lease Commencement Fee of \$56,600 shall be due upon mutual execution of a lease agreement.

- 5. Term** Proposer shall commit to a lease term of 49 years.

6. **Tenant Improvements** Proposer shall invest a minimum of \$1,000,000 towards improvements to the leased premises within the first twenty-four months (24) of the lease term – consistent with the proposal and reasonably necessary for the timely activation of the property. Similarly, proposer shall expend not less than a total of \$2,000,000 towards improvements of the leased premises within the first thirty-six (36) months of the lease term. Should these thresholds not be met, IDL reserves the right to terminate the lease agreement.
7. **Annual Base Rent Commencement** Annual Base Rent shall commence on the first anniversary of lease execution.
8. **Annual Base Rent** Annual Base Rent shall begin at \$120,000 and shall escalate by 3% annually.
9. **Variable Rent – Gross Receipts** As set forth in the proposal, IDL shall receive 5% of gross receipts in excess of the guaranteed base rent. This variable rental amount from gross receipts shall not be capped.

IDL continues to appreciate the relationship established with CZ LLC and we look forward to the consummation of a ground lease at the Ohio Gulch Project.

Sincerely or Respectfully,

Sender's Name
Sender's Title

cc: John Doe, Title (list all copy recipients/titles)

ec: John Doe, Title, johndoe@idl.idaho.gov

Sent Certified Mail – Return Receipt Requested