

## AGREEMENT FOR FEDERAL LAND APPRAISALS

This agreement for federal land appraisals (“Agreement”) is entered into by and between the Idaho Legislature, Committee on Federalism, care of the Legislative Services Office, Research and Legislation Division, Room W133, Idaho State Capitol, Boise, Idaho 83720 (the “Client”), and AEON AI, INC., 13334 ALPINE CV DR, Alpine, Utah 84004 (the “Independent Contractor”).

### RECITALS

A. Client issued a Request for Proposals (“RFP”) to establish and implement a process for appraisals of federal lands within Idaho.

B. Due to budget limitations, the Request for Proposal permitted performance of a pilot project, limiting the amount of federal land to be appraised.

C. Client selected Independent Contractor to perform the services desired by the Client for three (3) counties within Idaho, specified in this Agreement.

D. Independent Contractor is willing to perform appraisals for Client under the terms of this Agreement.

NOW THEREFORE, in consideration of the foregoing and the mutual promises and covenants herein contained, the parties agree as follows:

1. *Scope of Work.* The Client desires that the Independent Contractor perform, and the Independent Contractor agrees to perform the work set forth in Exhibit A, which is attached hereto and incorporated by this reference.

2. *Terms of Payment.* Client shall pay the Independent Contractor as set forth on Exhibit B for all work it performs pursuant to this Agreement. Exhibit B is attached hereto and incorporated by this reference.

3. *Reimbursement of Expenses.* Client shall not be liable to the Independent Contractor for any expenses it pays or incurs unless otherwise agreed to in writing by the Client.

4. *Equipment, Tools, Materials, or Supplies.* The Independent Contractor shall supply, at its sole expense, all equipment, tools, materials or supplies to accomplish the work to be performed.

5. *Work Product and Ownership of Materials and Information.*

5.1 *Ownership of State Materials and Information.* Except as specifically provided otherwise in the Agreement, the State of Idaho (“State”) shall own and retain all rights to hardware and other goods purchased by the State and to information, materials, procedures, software, techniques, know-how, processes and data furnished to the Independent Contractor under this Agreement.

5.2 *Property of the State.* Except as set forth in section 5.3, all deliverables, information, documents, materials, instruments, manuals, procedures, processes, data analyses, evaluations, and reports, including appraisal reports created or compiled by the Independent Contractor in accordance with section 1 of this Agreement (“State Property”) shall be the property of the State. Independent Contractor grants to the State a royalty-free, nonexclusive, transferable, sub-licensable, and irrevocable license to any and all patented or copyrighted or patentable or copyrightable works not conceived or first produced by Independent Contractor in the performance of this Agreement, but which are incorporated in any materials furnished under this Agreement to the State by Independent Contractor. To the extent that any State Property constitutes a “work” within the meaning of United States patent and copyright laws, it shall be a “work made for hire.” The Independent Contractor shall acquire releases or establish contract provisions in its dealings with employees and subcontractors in order to secure the State’s rights. Copyright and patent notices shall be included on State Property, which may include acknowledgments of the Independent Contractor’s efforts. In the event that a court or tribunal of competent jurisdiction determines that any State Property is not a work for hire as a matter of law, the Independent Contractor hereby assigns and conveys to the State all right, title, and interest in the State Property and require its employees and subcontractors to do the same. Independent Contractor further agrees to assist the State in every proper way to protect the Client’s interest in the State Property, including, but not limited to, signing patent and copyright applications, oaths or declarations, and assignments in favor of the State relating to the State Property, as well as such ancillary and confirmatory documents as may be required or appropriate to insure that such title is clearly and exclusively vested in the State.

5.3. *Ownership of Software.* During the term of this Agreement, the Client may access and use the Independent Contractor’s federal land appraisal system (“Data Tool”) in accordance with this Agreement. The license granted to the State in section 5.2 includes unrestricted access to any update, upgrade, enhancement, repair, patch, or fix (collectively referred to as “updates”) to the Data Tool. All updates shall be provided at no additional charge during the term of this Agreement. The Independent Contractor retains all right, title, and interest in and to the Data Tool, including without limitation all software, underlying code, and data used to provide the Data Tool and all logos and trademarks reproduced through the Data Tool. This Agreement does not grant the Client (a) any right to reproduce, modify, or transfer the Data Tool or (b) any other right to the Data Tool not specifically set forth herein.

6. *Federal, State and Local Payroll Taxes.* Neither federal nor state, nor any other payroll tax of any kind, shall be withheld or paid by the Client on behalf of the Independent Contractor or its employees. In accordance with the terms of this Agreement and the understanding of the parties, the Independent Contractor shall not be treated for tax purposes as an employee with respect to the services performed.

7. *Fringe Benefits.* Because the Independent Contractor is engaged in its own independent contract business, it is not eligible for, nor entitled to, and shall not participate in, any of the Client’s or the State of Idaho’s pension, health or other fringe benefit plans.

8. *Notice to the Independent Contractor Regarding its Tax Duties and Liabilities.* The Independent Contractor understands that it is responsible to pay its income tax in accordance with

federal and state law. The Independent Contractor further understands that it may be liable for Social Security taxes, to be paid in accordance with all applicable laws.

9. *Insurance.* The Independent Contractor shall maintain insurance of the types and in the amounts reasonably satisfactory to Client, including, but not limited to, comprehensive general liability insurance in the minimum amount of \$1,000,000 per occurrence, and professional malpractice insurance, all with insurance companies properly licensed to do business in Idaho and reasonably satisfactory to the Client.

10. *Indemnification.*

10.1 Independent Contractor shall indemnify, defend, and save harmless the State, its officers, agents, employees, and volunteers from and against any and all liability, claims, damages, losses, expenses, actions, settlements, attorneys' fees, and suits whatsoever caused by, arising out of, or in connection with Independent Contractor's acts or omissions under this Agreement or Independent Contractor's failure to comply with any state or federal statute, law, regulation, or rule.

10.2 Upon receipt of the State's tender of indemnity and defense, Independent Contractor shall immediately take all reasonable actions necessary, including, but not limited to, providing a legal defense for the State, to begin fulfilling its obligation to indemnify, defend, and save harmless the State. Independent Contractor's indemnification and defense liabilities described herein shall apply regardless of any allegations that a claim or suit is attributable in whole or in part to any act or omission of the State under this Agreement. However, if it is determined by a final judgment that the State's negligent act or omission is the sole proximate cause of a suit or claim, the State shall not be entitled to indemnification from Independent Contractor with respect to such suit or claim, and the State, in its discretion, may reimburse Independent Contractor for reasonable defense costs attributable to the defense provided by any Special Deputy Attorney General appointed pursuant to section 10.3.

10.3 Any legal defense provided by Independent Contractor to the State under this section must be free of any conflicts of interest, even if retention of separate legal counsel for the State is necessary. Any attorney appointed to represent the State must first qualify as and be appointed by the Attorney General of the State of Idaho as a Special Deputy Attorney General pursuant to Idaho Code sections 67-1401(13) and 67-1409(1).

11. *Client Not Responsible for Worker's Compensation.* Because the Independent Contractor is engaged in its own independent contracting business and is not an employee of the Client, Client will not obtain worker's compensation insurance for the Independent Contractor or its employees. The Independent Contractor agrees to obtain worker's compensation coverage as required by law its employees and to obtain coverage for itself. Independent Contractor shall furnish a copy of its certificate of worker's compensation insurance to the Client upon Client's demand.

12. *Term.* This Agreement's term shall begin on the date hereof and shall remain in force until May 31, 2027.

13. *Termination.* Either party may terminate this Agreement immediately upon written notice if at any time the other party is in material breach of any warranty, term, condition, covenant or obligation under this Agreement and fails to cure that breach within ten (10) days written notice thereof. Upon termination of this Agreement by either party, the Independent Contractor shall produce and deliver all work performed under this Agreement that the Client has issued payment for. Notwithstanding a termination, the Independent Contractor's obligations to provide follow-up services on work currently in progress shall remain in effect until such services are completed.

14. *Notices.* Any notice given in connection with this Agreement shall be in writing and shall be delivered either by hand to the other party, by certified mail, postage prepaid, return receipt requested, to the address provided above. Notice shall be deemed delivered immediately upon personal service or facsimile transmission or forty-eight (48) hours after depositing notice or demand in the United States mail. Either party may change its address by giving written notice of the change to the other party.

15. *No Authority to Bind Client.* The Independent Contractor has no authority to enter into contracts or agreements on behalf of the Client. This Agreement does not create a partnership between the parties and nothing contained in this Agreement shall be interpreted to create an employer-employee, master-servant, or principal-agent relationship between the Client and Independent Contractor in any respect.

16. *Confidentiality.* Any and all reports, analyses and data, whether statistical or otherwise, transmitted to the Client by Independent Contractor shall become the property of the Client for such uses as it shall deem appropriate and shall not be disclosed to any person without prior written consent of the Client. In addition, except as may be required by applicable law or in any governmental or judicial proceeding or inquiry, and then only upon timely notice to the Client, Independent Contractor shall maintain strict confidence with respect to the Client and all of its services under this Agreement. The Client may require that Independent Contractor's officers, employees, agents or subcontractors agree in writing to the obligations contained in this section. This obligation shall survive termination of this Agreement.

17. *Assignment.* Neither party may assign its rights or delegate its duties, in whole or in part, without the prior written consent of the other.

18. *Waiver.* The waiver by either party of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach.

19. *Modification.* No change, modification, or waiver of any term of this Agreement shall be valid unless it is in writing and signed by both the Client and the Independent Contractor.

20. *Entire Agreement.* This Agreement constitutes the entire agreement between the parties and supersedes all prior agreements or understandings between the Client and the Independent Contractor.

21. *Attorneys' Fees.* In the event a lawsuit of any kind is instituted under this Agreement or to obtain performance of any kind under this Agreement, the prevailing party shall be entitled to additional sums as the court may adjudge for reasonable attorneys' fees, subject to the other party's right to appeal.

22. *Applicable law.* This Agreement shall be governed by, construed, and enforced in accordance with, the laws of Idaho without regard to its conflicts of law principles.

23. *Jurisdiction and Venue.* The parties consent to the jurisdiction of the state courts of Ada County in the State of Idaho in the event of any dispute with respect to this Agreement.

24. *Legal Compliance.* Independent Contractor agrees to comply with all applicable requirements of federal and state statutes, rules, and regulations.

25. *Force Majeure.* Neither party shall be liable for or deemed to be in default for any delay or failure to perform under this Agreement if such delay or failure to perform results from an act of God, civil or military authority, act of war, riot, insurrection, escalation of hostilities, or other occurrence beyond that party's control. In such case, the intervening cause must not be caused by the party asserting it and the excused party is obligated to promptly perform in accordance with the terms of this Agreement after the intervening cause ceases.

26. *Fiscal Necessity and Non-Appropriation.* The Client is a government entity and it is understood and agreed that the Client's payments herein provided for shall be paid from Idaho State Legislative appropriations. The Legislature is under no legal obligation to make appropriations to fulfill this Agreement. This Agreement shall in no way or manner be construed so as to bind or obligate the State of Idaho beyond the term of any particular appropriation of funds by the State's Legislature as may exist from time to time.

The Client reserves the right to terminate this Agreement in whole or in part (or any order placed under it) if, in its sole judgment, the Legislature of the State of Idaho fails, neglects, or refuses to appropriate sufficient funds as may be required for the State to continue such payments, or requires any return or "give-back" of funds required for the Client to continue payments, or if the Executive Branch mandates any cuts or holdbacks in spending, or if funds are not budgeted or otherwise available, or if the Client discontinues or makes a material alteration of the program under which funds were provided. The Client shall not be required to transfer funds between accounts in the event that funds are reduced or unavailable.

All affected future rights and liabilities of the parties shall thereupon cease within ten (10) calendar days after notice to the Independent Contractor. Further, in the event of non-appropriation, the Client shall not be liable for any penalty, expense, or liability, or for general, special, incidental, consequential or other damages resulting therefrom.

27. *Officials, Agents and Employees of Client Not Personally Liable.* It is agreed by and between the parties hereto that in no event shall any official, officer, employee or agent of the State of Idaho be in any way liable or responsible for any covenant or agreement, whether expressed or implied, nor for any statement, representation or warranty made in or in connection with this Agreement. In particular, and without limitation of the foregoing, no full-time or part-time agent or employee of the Client shall have any personal liability or responsibility under this Agreement, and the sole responsibility and liability for the performance of this Agreement and all of the provisions and covenants contained in this Agreement shall rest in and be vested with the State of Idaho.

28. *Headings.* The headings have been inserted for convenience solely and are not to be considered when interpreting the provisions of this Agreement.

39. *Counterparts.* This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

30. *Sovereign Immunity.* Nothing in this Agreement shall be construed as a waiver of the Client's or State's sovereign immunity, which immunity is hereby expressly reserved.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective representatives duly authorized so to do on the last date and year written below.

IDAHO LEGISLATURE, COMMITTEE ON  
FEDERALISM:

Date: 05/09/2022

By: Steve Vick  
Senator Steve Vick, Co-Chair

Date: May 9, 2022

By:   
Representative Sage G. Dixon, Co-Chair

AEON AI, INC.:

Date: May 9, 2022

By: 

Printed: Ryan L. Freeman

Its: CEO

## EXHIBIT A – Scope of Work

A. *Services and Deliverables.* The services and deliverables described below include the following: (i) gathering of data; (ii) delivery of the Data Tool, where the Data Tool encompasses a land valuation and planning tool and a visualization dashboard; and (iii) delivery of the written report.

(1) *Data.* As the pilot project, the Independent Contractor shall compile data for the following three counties: Boundary, Canyon, and Clearwater (“Counties”). For every parcel within the Counties, the data shall include, but not be limited to: boundary lines; neighboring zoning; market comparable values; proximity to infrastructure, including roads and utilities; topography; construction and grading costs; soil suitability; absorption rates; sale and lease rates on commercial property; landowner designations; and underlying natural resources (“Data”). The Independent Contractor shall upload the Data into the Data Tool.

(2) *Data Tool.* The Independent Contractor shall deliver the Data Tool containing the Data in accordance with the time period provided in section E of this Exhibit A. The Data Tool shall: (i) allow the Client to value every parcel within the Counties at the parcel level and evaluate each parcel based on its unique property characteristics; (ii) allow the Client to customize search distances from city boundaries; (iii) allow the incorporation and overlay of additional data collected by or belonging to the State; (iv) allow the Client to view the key performance indicators for each individual federal parcel, as defined and described in the Independent Contractor’s Response to the RFP, dated January 14, 2022; and (v) display the following information for the Counties, both individually and collectively: total acres of federal land; PILT payments by year; tax equivalent value of federal lands; amount of discrepancy between PILT payments and tax equivalent values; and any other information as requested by the Client at any point during the term of the pilot project.

(3) *Report.* The Independent Contractor shall provide to the Client a comprehensive written report (“Report”) detailing the findings and the methods of determining such findings. Unless otherwise agreed to by the parties in writing, the Report shall be substantially similar to the example report attached hereto as Exhibit C.

B. *Update of Data.* The Independent Contractor shall update the data for the Counties in the Data Tool at least one (1) time per month over the term of this Agreement.

C. *Maintenance and Support.* The Independent Contractor shall maintain the Data Tool, which shall include the resolution, repair, patch, or fix of any error or malfunction that causes the Data Tool to fail to perform as required under this Agreement. The Independent Contractor shall perform all maintenance within the time period requested by the Client at no additional cost. If no time period is requested by the Client, the Independent Contractor shall perform maintenance within a commercially reasonable time.

D. *Consulting Services.* Upon the written request of the Legislative Services Office, Research and Legislation Division, the Independent Contractor shall provide consulting services to the Client. The Independent Contractor shall provide twenty (20) hours of consulting services at no additional charge. For each consulting service the Independent Contractor performs for the Client, the Independent Contractor shall provide to the Client, at the address provided above, a written description of the specific service performed and the time period associated with the performance.

E. *Client Approval of Data Tool and Report.* The Independent Contractor shall seek and receive Client approval of the Data Tool and Report prior to concluding its performance under this Agreement. Upon delivery of the Data Tool and Report, the Client shall have one (1) week to review each to ensure conformity with this Agreement. In the event of nonconformity, the Independent Contractor shall use reasonable efforts to supply a conforming Data Tool or Report as soon as reasonably possible. The Independent Contractor shall be solely responsible for any additional costs in providing a conforming Data Tool or Report.

F. *Pilot Project Timeline.* Unless otherwise agreed to by the parties in writing, the pilot project shall be completed in accordance with this timeline beginning on May 31, 2022.

Stage 1: Gathering and compiling Data for the Counties – **6 weeks**

Stage 2: Standardizing and preparing Data to load into the Data Tool – **3 weeks**

Stage 3: Generate and present preliminary results – **3 weeks**

Stage 4: Refinements or additions to Data Tool based on preliminary results – **2 weeks**

Stage 5: Delivery of Data Tool, including land valuation and planning tool and visualization dashboard, and delivery of written report – **2 weeks**



## EXHIBIT B – Terms of Payment

A. *Payment.* In accordance with the terms set forth herein, the Client will provide the Independent Contractor with the following payments: (i) one initial payment of twenty-thousand dollars (\$20,000.00); (ii) three separate reimbursement payments of thirty-five thousand dollars (\$35,000.00); and (iii) one payment of one-hundred and twenty-five thousand dollars (\$125,000.00)

B. *Invoicing.* To receive payments for work completed under this Agreement, in accordance with section C below, the Independent Contractor shall submit to the Client invoices detailing the work completed.

C. *Payment Schedule.* Upon receipt of corresponding invoices, the Client will reimburse the Independent Contractor for work completed in accordance with the following payment schedule:

**Payment 1:** Initial payment of twenty-thousand dollars (\$20,000.00) at the start of the pilot project.

**Payment 2:** Payment of thirty-five thousand dollars (\$35,000.00) after three weeks of work performed, halfway through Stage 1 of the pilot project timeline detailed in Exhibit A, section F.

**Payment 3:** Payment of thirty-five thousand dollars (\$35,000.00) after six weeks of work performed, completing Stage 1 of the pilot project timeline detailed in Exhibit A, section F.

**Payment 4:** Payment of thirty-five thousand dollars (\$35,000.00) after nine weeks of work performed, completing Stage 2 of the pilot project timeline detailed in Exhibit A, section F.

**Payment 5:** Final payment of one-hundred and twenty-five thousand dollars (\$125,000.00) upon completion of Stage 5 of the pilot project timeline detailed in Exhibit A, section F.

**EXHIBIT C – Example Report**

## Executive Summary

In 1976, Congress committed to hold states, counties, and communities harmless from the lost property tax revenue due to the presence of non-taxable federally controlled public lands. This property tax replacement program is known as PILT, or Payment In Lieu of Taxes. Numerous federal reports indicate PILT was supposed to be paid on a “tax equivalent” basis, meaning the “[property] taxes that would have been received by these jurisdictions if the federal lands were privately owned.” (Land Management Agencies Revenue Sharing Payments to States and Counties, U.S. Government Accountability Office, September 1998, page 1).

For nearly five decades however, this has not been the case. In 2019, Utah received slightly more than \$40 million in PILT for more than 32 million acres of federally controlled public land in the state. As you will see in our report, the **PILT received equates to a miniscule fraction of the tax equivalent amount, despite any number of varying assumptions or scenarios.**

Until now, neither the federal government, nor the state had the technological capabilities of valuing the millions of acres of land in a timely manner. This necessitated a PILT formula that surprisingly, doesn’t even take into account the value of the lands.

However, recent advances in information technology have enabled Aeon AI’s proprietary software to process, gather, normalize, aggregate, and analyze terabytes of data from hundreds of distinct data sources. This enables the software to instantly value each unique parcel of federally controlled public land, under a wide variety of policy maker assumptions and scenarios.

### **A. In-Held Federally Controlled Public Lands (lands entirely within Utah city boundaries)**

Entirely contained within Utah city boundaries are more than **217,000 acres** of U.S. Forest Service (USFS) and Bureau of Land Management (BLM) **in-held lands**. This amounts to **less than 7/10<sup>ths</sup> of 1% (.0066) of all federally controlled public lands in Utah.**

For the purposes of this particular analysis of PILT, compared to the equivalent property tax for similar property, the federally controlled public lands inside city limits (in-held) include only Bureau of Land Management (BLM) and U.S. Forest Service (USFS) lands, and exclude military, national parks, and other federally controlled lands with congressionally designated protections.

- The federal **PILT payment** for these 217,000 in-held acres is **\$505,000**.
- The **equivalent property tax** for these 217,000 acres of **raw, undeveloped federal in-held land**, under the current city zone or general plan, exceeds **\$131 million a year**.
- The **potential property tax equivalent** for these 217,000 acres, **assuming** their built-out use as **low density residential**, under the current city zone and general plan, exceeds **\$361 million a year**.  
(We conservatively assumed the lowest built out tax rate for low density housing. The Commission and policy makers can alter this assumption to the actual neighboring use and tax rate as they deem necessary).
- The **fair market value** of the 217,000 raw, undeveloped, in held federal acres **exceeds \$21 billion dollars**.

- If the federal government decided to apply these in-held lands to community planning and recovery, as it did for more than 70,000 acres in and around Las Vegas, Nevada over the past two decades (pursuant to [the Southern Nevada Public Lands Management Act](#)), the **five percent (5%) attributable to the support of Utah schools** under our Statehood Enabling Act, **exceeds \$1 billion**.

#### **B. Federally Controlled Lands Within One (1) Mile of City Boundaries (including the preceding In-Held Lands)**

USFS and BLM land **within one (1) mile of city boundaries**, including the above-referenced in-held federally controlled public lands within city boundaries, **exceeds 650,000 acres**. This amounts to **less than 2% (.0197) of all federally controlled public lands in Utah**.

For purposes of this analysis of the federal PILT payments compared to the equivalent property tax for similar property, the in-held federally controlled lands include only Bureau of Land Management (BLM) and U.S. Forest Service (USFS) lands, and exclude military, national parks and other federally controlled lands with congressionally designated protections.

- The federal **PILT payment** for these 650,000 acres of federally controlled land within 1 mile of Utah city boundaries is **\$1.4 million**.
- The **equivalent property tax** for these 650,000 acres of **raw, undeveloped federally controlled lands** inside of 1 mile of city boundaries, under the current city zone or general plan, **exceeds \$358 million a year**.
- The **potential property tax equivalent** for these 650,000 acres, **assuming** their built-out use as **low density residential**, under the current city zone and general plan, is **nearly \$1.7 billion a year**.  
(We conservatively assumed the lowest built out tax rate for low density housing. The Commission and policy makers can alter this assumption to the actual neighboring use and tax rate as they deem necessary).
- The **fair market value** of the 650,000 undeveloped federal acres is **more than \$56 billion** dollars.
- If the federal government decided to apply these in-held lands inside of one (1) mile of city limits to community planning and recovery, as it did for more than 70,000 acres in and around Las Vegas, Nevada over the past two decades (pursuant to [the Southern Nevada Public Lands Management Act](#)), the **five percent (5%) attributable to the support of Utah schools**, under our statehood enabling act, **exceeds \$2.8 billion**.

### C. Lowest Taxable Value

The lowest tax rate for private lands throughout the state is unimproved recreational use.

- The **equivalent property tax amount** for the 32 million acres of federally controlled public lands in the state of Utah, based on unimproved recreational use, **exceeds \$180 million**.
- This is four and a half times (4.5x) the 2019 federal **PILT payment**, which was just over \$40 million, for all federally controlled public lands in the state.
- The tax equivalent amount for **federally controlled public lands, that are “in held”** within municipal boundaries, **and the balance at recreational use** is:
  - **\$309 million** for raw lands in-held within municipalities plus the recreational value.
  - **\$540 million** for low density residential entirely within municipalities plus the recreational value.
- Tax equivalent for **federally controlled lands inside one (1) mile of municipal boundaries** (including in-held federally controlled public lands) **and the balance recreational use** is:
  - **\$534 million** for raw lands in and around municipalities plus the recreational value.
  - **\$1.8 billion** for low density residential in and around municipalities plus the recreational value.

We assembled and analyzed hundreds of comparable sales examples of unimproved recreational lands from distinct data sources. The lowest statewide tax equivalent amount is a conservative estimate, based on comparable sales of recreational use properties statewide. With this conservative per acre value as a foundation, we extrapolated this analysis, to generate the lowest taxable value for federally controlled public lands statewide.

### D. Resource Management Plan Values

The FEDERAL LAND VALUATION MODEL incorporates the Resource Management Plans for each of Utah’s 29 counties. Inasmuch as any particular parcel of federal controlled public land may have a variety of natural resources on that parcel, there are hundreds of thousands of possible Resource Management Plan valuation scenarios. The Commission, Commission staff, and policy makers can run valuation proforma scenarios for each parcel of federally controlled public land for the various corresponding natural resource uses, identified in the County Resource Management Plans.

While this functionality was not originally contemplated in our agreement, we believe this dynamic resource management plan valuation ability will greatly assist you in analyzing and valuing every unique parcel of federally controlled public lands, under any variety of policymaker driven assumptions.

#### **E. Tax Equivalent Amount for PILT**

Attached hereto as **Appendix A** is a spreadsheet breakdown by county and by the valuation matrix categories set forth by the Commission chairs.

As set forth above and with the capability of adjusting any number of policy maker driven assumptions and scenarios, PILT amounts to a miniscule fraction of the tax equivalent amount, committed by Congress. A commitment which has always been intended, to offset the impact to Utah's children and communities, due to the abundance of non-taxable federally controlled public lands throughout the state.

## **Federal Land Valuation Model Expanded Analysis and Report**

Our agreement specified the following deliverables for the Federal Land Valuation Model:

- a. accurately calculate, in real time, the market value of every acre of FEDERAL LAND within a designated county in the state of Utah;
- b. enable a user to manually modify VALUATION FACTORS to calculate in real time, the market value of FEDERAL LAND based on different assumptions about the presence of various VALUATION FACTORS relating to that land, that affect its market value;
- c. provide technical anchors to market data to ensure the ongoing integrity of the modeling tool and to ensure that land values determined by the modeling tool are defensible and based on sound and generally accepted valuation methodologies;
- d. assimilate market data and visualization of GIS data related to all FEDERAL LAND in the state of Utah and tie to land lease and commodities level market data for mineral extraction, energy production, water management, and timber management and for recreational and agricultural uses;
- e. provide land valuation estimates that compare FEDERAL LAND to all available private lands and School and Institutional Trust Lands in the state of Utah;
- f. allow the finished product to be tied to actual market sources and is sufficiently robust to enable valuation estimates to adjust automatically to current market conditions so that the modeling tool can be relied upon year after year on an ongoing basis; and
- g. allow a user to estimate the value of FEDERAL LAND as it is currently used and to estimate changes in value due to future uses under various scenarios under private or public ownership.

As demonstrated herein, the fully functioning capability of the Federal Land Valuation Model meets and exceeds the aforementioned deliverable requirements of our agreement.

### **1. Background**

#### **a. Congress Agreed to Pay PILT on a Tax Equivalency Basis**

The Legislature's initiative to determine the tax equivalent amount for federal Payments in Lieu of Taxes (PILT) is consistent with numerous federal analyses. Some examples include the following:

- According to the Congressional Research Service, when the federal public lands policy shifted in 1976 from one of disposal to one of retention, "Congress agreed with recommendations of the [Public Land Law Review] Commission that if these federal lands were never to become part of the local tax base, some compensation should be offered to local governments (generally counties) to make up for the presence of nontaxable land within their jurisdictions." (Congressional Research Service (CRS), PILT Somewhat Simplified, October 5, 2017, page 1).

- In a report commissioned by the BLM, the United States Forest Service concluded that “PILT held the promise of both stabilizing Federal payments to counties and improving prospects for tax equivalency.” (An Analysis of PILT-Related Payments and Likely Property Tax Liability of Federal Resource Management Lands, USDA General Technical Report RMRS-GTR-36WWW, September 1999, page 1).
- The U.S. Government Accountability Office confirms that PILT was meant to “compensate counties by providing payments in lieu of taxes that would have been received by these jurisdictions if the federal lands were privately owned.” (Land Management Agencies Revenue Sharing Payments to States and Counties, U.S. Government Accountability Office, September 1998, page 1).
- “[I]t is the obligation of the United States to make certain that the burden of that [federal land retention] policy is spread among all the people of the United States and is not borne only by those states and governments in whose area the lands are located. Therefore, the Federal Government should make payments to compensate state and local governments for the tax immunity of Federal lands.” (A Report to the President and to the Congress by the Public Land Law Review Commission, June 1970).
- “A new statutory framework should be enacted to make public lands available for the expansion of existing communities and for the development of new cities and towns.... We believe such a measure would facilitate planning and more orderly urban growth, get public lands needed for development onto the tax rolls more quickly, return a fair value to the U.S. Treasury, and reduce the administrative cost of disposal to the Federal Government.” (A Report to the President and to the Congress by the Public Land Law Review Commission, June 1970).

#### **b. A New Era for PILT**

The federal standard for tax equivalency for PILT is clear. It is also clear that, until recently, neither the federal government nor the state of Utah had the technological capabilities to assess the value of millions of acres of unique land, in a timely manner. The development of this FEDERAL LAND VALUATION MODEL ushers in a new era of data-driven determinations and discussions for tax equivalent PILT.

#### **c. Utah Legislative History**

HB 357 (2018), which was unanimously cosponsored in the House and unanimously passed in both chambers, gave rise to the Federal Land Valuation Model. The legislation provided in pertinent part:

“The [federalism] commission shall hold a hearing regarding the impact on the state from the failure of the federal government to make payments in lieu of tax that are equivalent to the property tax revenue that the state would generate but for federally controlled land.”



The enormity and complexity of this undertaking resulted in the issuance of a Request for Proposals (RFP) by the Commission, from which this Federal Land Valuation Model came to fruition.

#### **d. Washington County Prototype**

Pursuant to the RFP, we initially performed an analysis of the tax equivalent amounts for PILT for Washington County. Based on the results of this analysis, the Commission sought a valuation model for the entire state.

### **2. Statewide Tax Equivalent PILT Determination**

#### **a. Data Assessment, Development and Automation**

Because the value of land is a function of its use, coupled with what people are able to generate on that land over time, we first researched, compiled, validated, and digitized the land use, the zoning, and general plan data for every city in Utah. This was necessary to provide the foundational use and value of neighboring federally controlled public lands. This was the most time and labor-intensive aspect of this project.

There are still a number of Utah cities and communities that do not have digitized parcel data stored in the State Geographic Information Database (SGID). This is key to anchoring use and resource data to detached parcels. We have been working closely with the Utah Automated Geographic Reference Center (AGRC) and School and Institutional Trust Lands Administration (SITLA) to resolve discrepancies or inconsistencies in parcel data and related information. They have both been very helpful. Given the sheer number of parcels and data, there will continue to be discrepancies, requiring our coordination with these organizations.

AGRC is engaged with a working group of legislators and local government leaders to help all Utah cities and communities have access to digitized and consistently updated zone and general plan data. This will help the Commission have access to regularly updated data as we maintain the FEDERAL LAND VALUATION MODEL over the maintenance period.

#### **b. Interactive Resource Management Plan**

We have also formatted and uploaded all of the county resource management plans. As an enhancement and addition to the contract requirements, we felt this added effort would be extremely helpful for the Commission and policy makers in general.

The RMP Overlay enables the Commission to analyze the resource value of distinct parcels of federally controlled public land throughout the state. This functionality opens the door for a dynamic economic impact analysis, in the event federal land use laws, regulations, or declarations jeopardize the use, value, and corresponding compensation to the state and its subdivisions.

### c. Unique Federal Parcels vs. 32 Million Amorphous Acres

The Land Owner and Land Owner Type Overlays, combined with the other overlays, features, and proforma capabilities of the FEDERAL LAND VALUATION MODEL, enable the Commission to not only identify the location of federal parcels in a timely manner, but also to analyze the unique soils, flood, topography, resource characteristics, and valuation of these federal lands.

With the FEDERAL LAND VALUATION MODEL, the otherwise unfocused conversations about 32 million amorphous acres of federally controlled public land, gives way to much more deliberate and data driven discussions about the unique characteristics and specific valuation of distinct and identifiable parcels.

## 3. Statewide Federally Controlled Public Land Valuation Matrix

### a. Matrix – Locations

In order to distill the valuation analysis for more than 32 million acres of federally controlled public land, the Commission chairs outlined a valuation matrix as a meaningful and actionable starting point. The chairs' matrix called on us, to assess the tax equivalent amounts for the following locations of federally controlled public land:

- (A) all USFS and BLM in-held lands (i.e., USFS/BLM lands entirely within city boundaries). These in-held, federally controlled public lands do not include military, national parks or other federally controlled lands with congressionally designated protections).
- (B) all USFS/BLM lands, described above, within 1 mile, inclusive of lands within the city boundaries;
- (C) all federally controlled public lands not including military, national parks, or other federally controlled lands with congressionally designated protections.

### b. Matrix - Uses

For each of these locations of federally controlled public land, the chairs' matrix called on us to assess the tax equivalent amounts compared to current PILT payments for the following use types:

- (i) the lowest real property tax rate in each of the respective counties;
- (ii) land having similarly situated resource characteristics for the resources identified in the County Resource Management Plans;
- (iii) raw (undeveloped) lands under the current city zone or general plan; and
- (iv) **(the potential tax equivalent amount for)** land and improvements similar to adjacent properties under the current city zone or general plan.

### c. Assumptions

Because land value is a direct function of land use, and because for most of the federally controlled public lands, there are any number of potential uses, we have made certain use and output assumptions. These assumptions should be reviewed by the policy makers, in order to make final determinations on assumptions and priorities, in generating final tax equivalent amounts for desired locations and desired/prioritized uses of lands.

The input and feedback of the Commission and policy makers is essential for determining and fine-tuning location and use assumptions, from which the tax equivalent amounts are derived.

- (i) For lands within 1 mile of city boundaries, we made the assumption to only include USFS and BLM lands, excluding all other federally controlled public lands (military, of course, and national parks and all other federally controlled public lands with congressionally designated protections). The Commission and policy makers can adjust this assumption as they may determine.
- (ii) For lands within 1 mile of city boundaries, we did not exclude any USFS/BLM lands based on the slope of the land. The Commission and policy makers may choose to adjust this assumption.
- (iii) For tax equivalent amounts based on land and improvements, we made the assumption that the improvements are the lowest land and improvement tax amounts, which is low density residential, subject to tax on only 55% of the taxable value. Many of the federal in-held lands fall within commercial and industrial zones, producing in general, much higher taxable values not subject to the residential reduction. The Commission and policy makers may choose to employ any number of variations on the spectrum of "highest and best use."
- (iv) For Resource Management Plan uses, there are generally several different resources associated with any given location. Before generating tax equivalent amounts for Resource Management Plan uses and locations, and thereby generating tax equivalent amounts for all federally controlled public lands, the Commission and policy makers' input on the assumptions and priorities for resource use is essential.

### d. Matrix – Results

#### i. In-Held Federally Controlled Public Lands (lands entirely within Utah city boundaries)

Entirely contained within Utah city boundaries, are more than **217,000 acres** of U.S. Forest Service (USFS) and Bureau of Land Management (BLM) **in-held lands**. This amounts to **less than 7/10<sup>ths</sup> of 1% (.0066) of all federally controlled public lands in Utah**.

For purposes of this analysis of the federal PILT payments compared to the equivalent property tax for similar property, the in-held federally controlled lands include only Bureau of Land

Management (BLM) and U.S. Forest Service (USFS) lands, and exclude military, national parks and other federally controlled lands with congressionally designated protections.

- The federal **PILT payment** for these 217,000 in held acres is **\$505,000**.
- The **equivalent property tax** for these 217,000 acres of **raw, undeveloped federal in-held land**, under the current city zone or general plan, exceeds **\$131 million a year**.
- The **potential property tax equivalent** for these 217,000 acres, **assuming** their built-out use as **low density residential**, under the current city zone and general plan, exceeds **\$361 million a year**.  
(We conservatively assumed this lowest built out tax rate for low density housing. The commission and policy makers can alter this assumption to the actual neighboring use and tax rate as they may chose).
- The **fair market value** of the 217,000 raw, undeveloped, in-held federally controlled acres **exceeds \$21 billion dollars**.
- If the federal government decided to apply these in-held lands to community planning and recovery, as it did for more than 70,000 acres in and around Las Vegas, Nevada over the past two decades (pursuant to [the Southern Nevada Public Lands Management Act](#)), the **five percent (5%) attributable to the support of Utah schools**, under our statehood enabling act, **exceeds \$1 billion**.

**ii. Federally Controlled Public Lands Within One (1) Mile of City Boundaries (inclusive of the preceding In-Held Federally Controlled Lands)**

USFS and BLM land **within one (1) mile of city boundaries**, including the above-referenced In-Held Federally Controlled Lands within city boundaries, **exceeds 650,000 acres**. This amounts to **less than 2% (.0197) of all federally controlled public lands in Utah**.

For purposes of this analysis of the federal PILT payments compared to the equivalent property tax for similar property, federally controlled public lands in-held within city boundaries and within 1 mile thereof, include only BLM and USFS lands, and exclude military, national parks and other federally controlled lands with congressionally designated protections.

- The federal **PILT payment** for these 650,000 acres of federally controlled land within 1 mile of Utah city boundaries is **\$1.4 million**.
- The **equivalent property tax** for these 650,000 acres of **raw, undeveloped federally controlled lands** inside of 1 mile of city boundaries, under the current city zone or general plan, **exceeds \$358 million a year**.
- The **potential property tax equivalent** for these 650,000 acres, **assuming** their built-out use as **low density residential**, under the current city zone and general plan, is **nearly \$1.7 billion a year**.  
(We conservatively assumed this lowest built out tax rate for low density housing. The commission and policy makers can alter this assumption to the actual neighboring use and tax rate as they may chose).

- The **fair market value** of the 650,000 undeveloped federal acres is **more than \$56 billion** dollars.

If the federal government decided to apply these in-held lands to community planning and recovery, as it did for more than 70,000 acres in and around Las Vegas, Nevada over the past two decades (pursuant to [the Southern Nevada Public Lands Management Act](#)), the **five percent (5%) attributable to the support of Utah schools**, under our statehood enabling act, **exceeds \$2.8 billion**.

**Appendix A** contains a spreadsheet breakdown of the tax equivalent valuation results for PILT, pursuant to the matrix set forth by the Commission chairs.

#### **e. In-Held Federally Controlled Public Land Examples**

Of the 217,000 acres of federally controlled public lands in-held within Utah city boundaries, many of these lands fall within commercial or industrial zones in their respective cities. **Appendix B** to this letter, provides just three of the many examples of in-held federally controlled public lands, which depict the potential for these in-held lands:

- Beaver City** - 40.74 acres of BLM land on I-15 in the Central Development Zone (C-D) in Beaver City. The PILT for this land is \$33.41. The raw land tax equivalent is \$24,835. The built-out tax equivalent under the current zone is \$1,752,420.
- Cedar City** - 35.26 acres of federally controlled public land next to the Cedar City Airport, in the Industrial and Manufacturing 2 Zone (I&M2). The PILT for this land is \$97.68. The raw land tax equivalent is \$19,483. The built-out tax equivalent under the current zone is \$1,371,366.
- Saratoga Springs** - 20.31 acres of federally controlled public land, half a mile from the Mountain View Bypass Road in the Single Family (R-1-10) zone. The PILT for this land is \$55.27. The raw land tax equivalent is \$24,256. The built-out tax equivalent under the current zone is \$142,116.

#### **f. Resource Management Plan Values**

**Appendix B** provides an example of the **Resource Management Plan Overlay** for Utah County. The resource items come from the county RMPs. Each resource can be isolated and applied to the resource efficiency, to derive the value for any particular parcel of federally controlled public land. Due to the number of resources for any particular parcel, the Commission and policy makers can determine the resource(s) they wish to emphasize in the valuation of lands for each county. This interactive overlay will serve the Commission, the Legislature, and the State in determining resources to optimize, as well as the value of lands where laws, regulations or policies restrict the use of available resources.

**g. Overlays - Land Ownership, Site Suitability, Demographic Utilities, Traffic, Etc.**

These overlays aid in isolating unique parcels of federally controlled public land by ownership type; site suitability data (soils from USGS, flood from FEMA, and topography from USDA); demographic data from the American Census Survey; traffic and highway data from UDOT and the local road plans, as available; and Opportunity Zone data.

**h. Market Data**

Utah is a non-disclosure state for real estate transactions. This means that buyers and sellers of real property do not have to publicly disclose the sale price of their transactions. This makes market analysis on real estate extremely difficult. However, through a strategic relationship with Colliers International, we are able include in the algorithm (although not specifically disclose) current sales, lease, and vacancy data for each market segment available through the state, in addition to such market data as may be public available.

**i. Economic Data**

General economic data included but not limited to inflation rates, sales price, home price appreciation, and build costs, are uploaded on a weekly, monthly, or quarterly basis. The frequency of the updates is based on the particular data source. Data sources include the United States Bureau of Labor Statistics, RS Means, LoopNet, and others.

**j. Demographic Data**

Demographic overlays within the software, provide additional insight into specific geographic areas or individual parcels. Some of the demographic data collected and visualized in the application include household size, median income, in labor force, total population, income per capita, etc. These overlays are dynamic and can be turned on or off according to the policy makers' needs and preferences. These overlays are also additional features beyond the contract specifications.

**k. Data Dashboards**

Though not required under the contract, we have provided a number of data dashboards. These dashboards provide readily actionable data regarding the status of PILT payments broken down by county, as compared to the tax equivalent values. They also provide information pertaining to the matrix valuation assumptions requested by the Commission chairs.

**Validation**

The terms of the agreement called for an independent validation of the model's results by a "competent, reputable professional engaged in the profession of valuing land." To this end, we have engaged Howard Layton, who is the former President of the Utah Appraisal Institute and the

current President of the Utah CCIM (Certified Commercial Investment Member) chapter. You will note from Mr. Layton's attached resume that his qualifications more than exceed the professional standard for providing the independent validation called for in the agreement. Mr. Layton will forward his validation letter to the Commission in the coming days.

Please note that Mr. Layton will be available for further validation, in conjunction with any additional services the Commission desires beyond the scope of this engagement.

### **Recommendations**

The unanimous, bipartisan nature of this PILT tax equivalency initiative creates, as Senator Lee noted, "a generational opportunity." Governor Gary Herbert noted, in regard to public lands initiatives, that they require competent coordination in the areas of education, negotiation, legislation, and potentially litigation, to move such issues forward.

Success in this initiative will require the development of broad, bipartisan, intrastate, interstate, and national coalitions.

To optimize the utility of this FEDERAL LAND VALUATION MODEL, including the intricacies associated with the sheer volume of data, it will likely require additional data enhancements, digitization, and automation for underserved data communities in Utah. Beyond the maintenance obligations under the agreement, education, negotiation, legislation and litigation (should that path be considered necessary), will likely require further modifications and enhancements to keep pace with the ever-changing nature of the data values and sources, and the Commission's dynamic strategy and messaging needs for such an initiative.

Beyond the five-year FEDERAL LAND VALUATION MODEL maintenance specified under the agreement, we are uniquely qualified with the technical expertise and local, regional, and national coalition-building experience to help the Commission and the Legislature shepherd this vital initiative to fruition.

We believe we can greatly magnify the effectiveness of this project in providing the State of Utah with expeditious and favorable outcomes.

### **Conclusion**

As this project has developed, every member of our team has become deeply invested as Utahns in the successful outcome of your mission. It has been our distinct privilege to play a role in this awe-inspiring work.

The Congressional Research Service, the U.S. Forest Service, the GAO, and other federal analyses, affirmed in 1976, that "Congress agreed" to pay PILT on a "tax equivalent" basis in order to compensate our children and communities for the property tax revenue denied them due to the presence of substantial amounts of non-taxable federally controlled public lands.

We have been in contact with leaders across the political spectrum in several other states, who express interest in following Utah's lead in this effort. Beyond our duties spelled out in the agreement to maintain the FEDERAL LAND VALUATION MODEL for the next five years, we believe we can add significant value to your efforts to educate, negotiate, legislate, and to provide critical litigation support, should that become necessary, in order to secure the promises made to Utah's children and communities.

We would be honored to continue to contribute our years of expertise and the unique skillsets of our team members, to this vitally important endeavor.

We look forward to learning more about your longer-term strategy for this initiative and discussing the various ways we can help you accomplish your objectives in this great work.

With Kindest Regards,

Ryan Freeman  
CEO

cc: Stuart Adams, Utah Senate President  
Brad Wilson, Speaker of the Utah House of Representatives  
Robert Rees  
Jonathan Ball

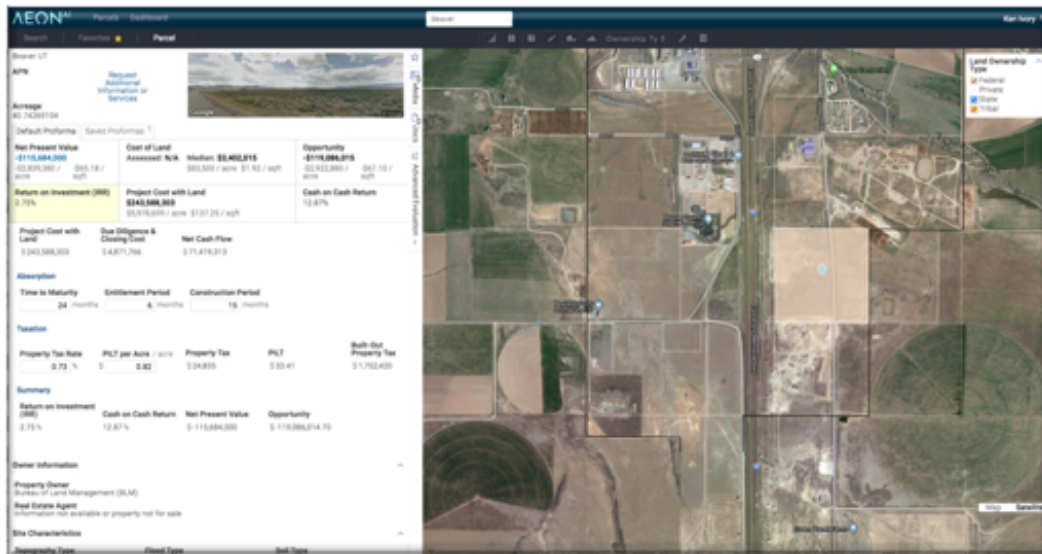


## **Appendix A**

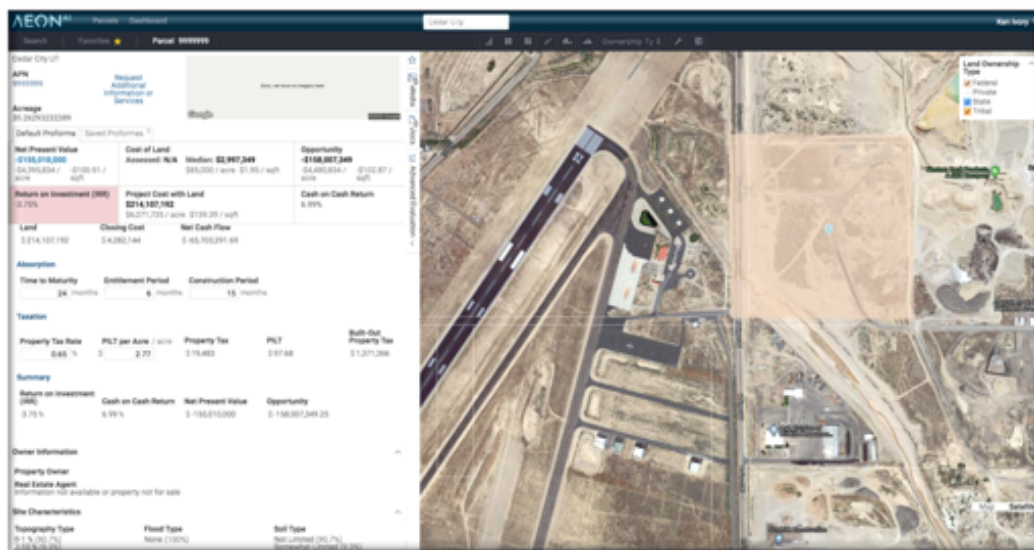
### **PILT v. Property Tax Equivalent Valuation Matrix**

## Appendix B

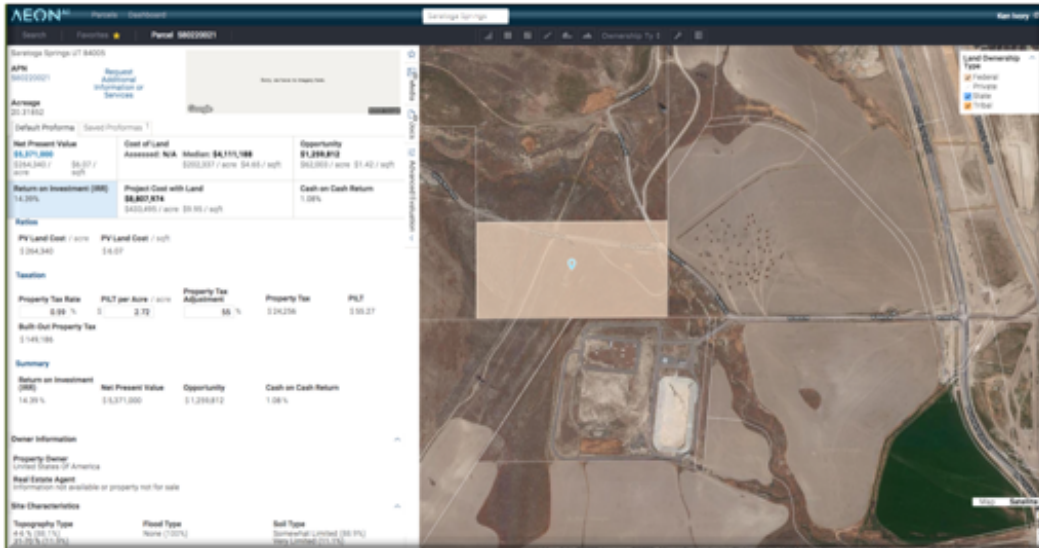
1. **In-Held Examples** (Federally controlled public land wholly within Utah city boundaries):
  - a. **Beaver City** – 40.74 acres of BLM land sits adjacent to I-15 within the Central Development Zone (C-D) in Beaver City. The PILT attributable to this land amounts to \$33.41. The tax equivalent for this raw land would be \$24,835. The tax equivalent value if built out in accordance with adjacent property zoning would be \$1,752,420.



- b. **Cedar City** – 35.26 acres of federally controlled public land sits across the road from the Cedar City Airport and is surrounded by industrial buildings within the Industrial and Manufacturing 2 Zone (I&M2) in Cedar City. The PILT attributable to this land amounts to \$97.68. The tax equivalent for this raw land would be \$19,483. The tax equivalent value if built out in accordance with adjacent property zoning would be \$1,371,366.

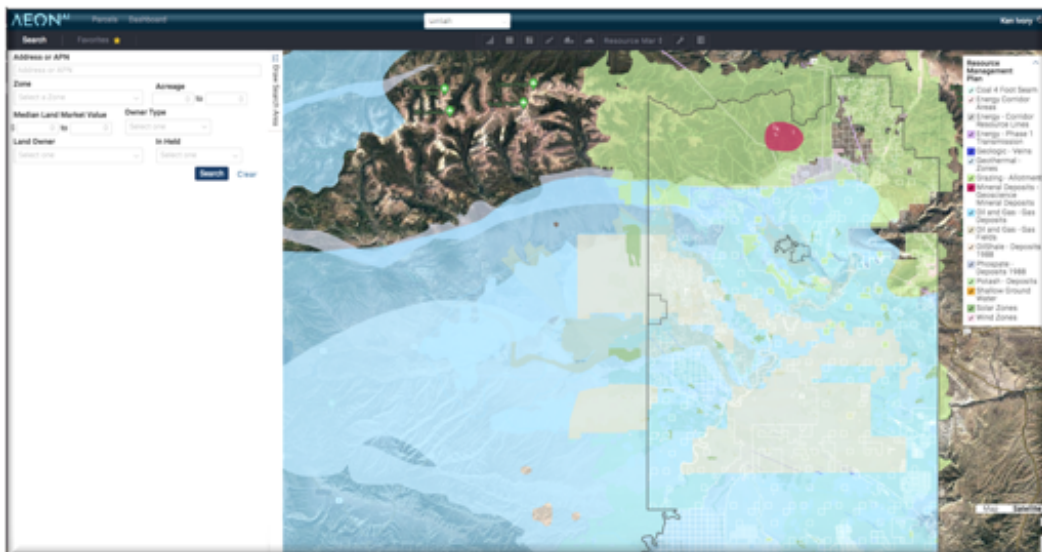


- c. **Saratoga Springs** – 20.31 acres of federally controlled public land sits ½ mile from the Mountain View Bypass Road and is surrounded by newly built houses within the Single Family (R-1-10) zone in Saratoga Springs. The PILT attributable to this land amounts to \$55.27. The tax equivalent for this raw land would be \$24,256. The tax equivalent value, if built out in accordance with adjacent property zoning would be \$142,116.



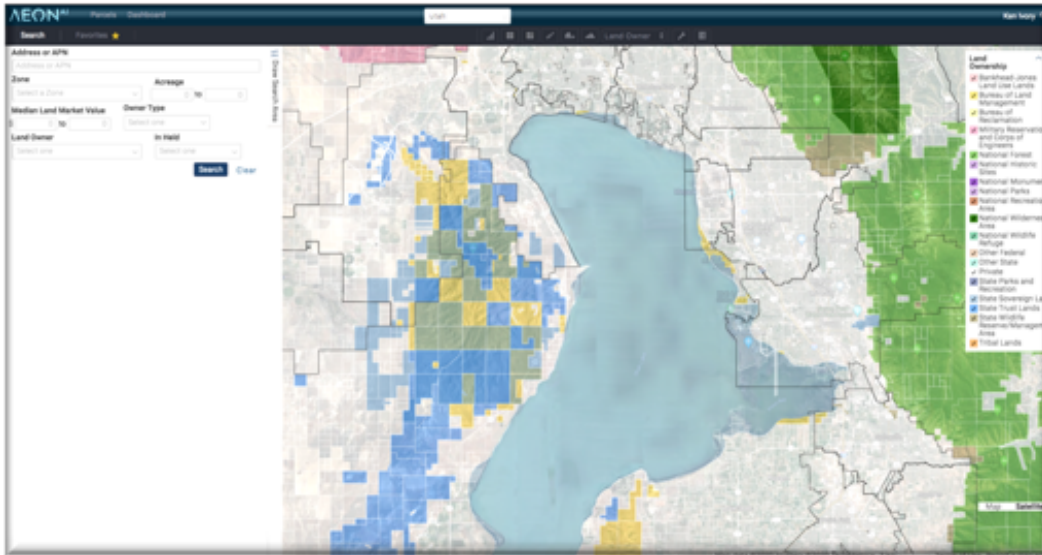
## 2. Resource Management Plan

- a. **Utah County** – This is an example of the **Resource Management Plan Overlay**, which interactively displays the resources for any particular parcel of federally controlled public land. Each resource item comes from the various county RMPs and can be isolated and applied to the resource efficiency to derive the value of the corresponding land. It could also be used to determine the economic impact analysis of federally controlled parcels where use is restricted or denied.



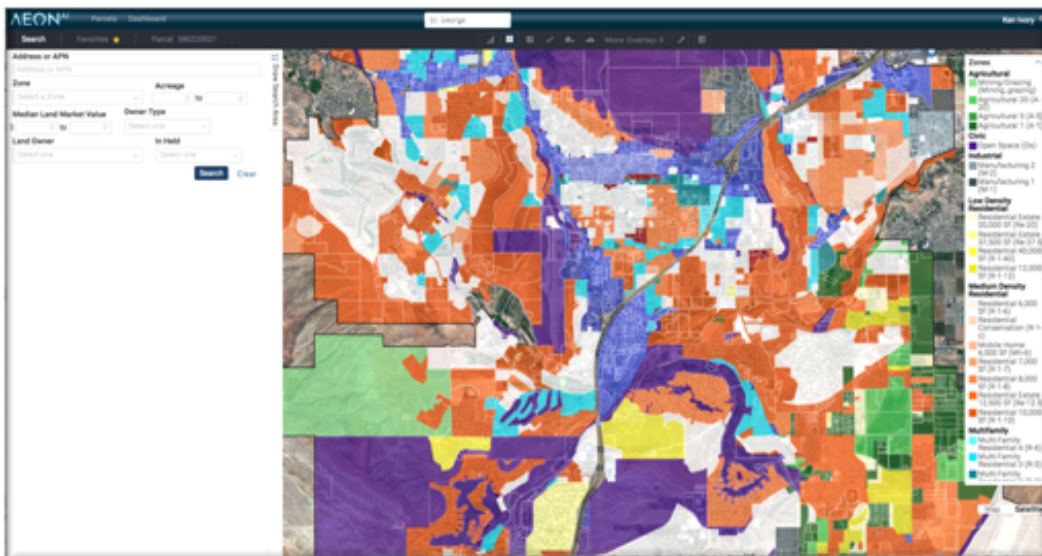
### 3. Land Ownership

- a. **Utah County** – The **Land Ownership Type and Land Ownership Overlays** will help the Commission and the State locate and analyze characteristics, relating to the value of federal, state, and private lands county by county, statewide. Note the various pockets of federally controlled land surrounding Utah Lake, for example.

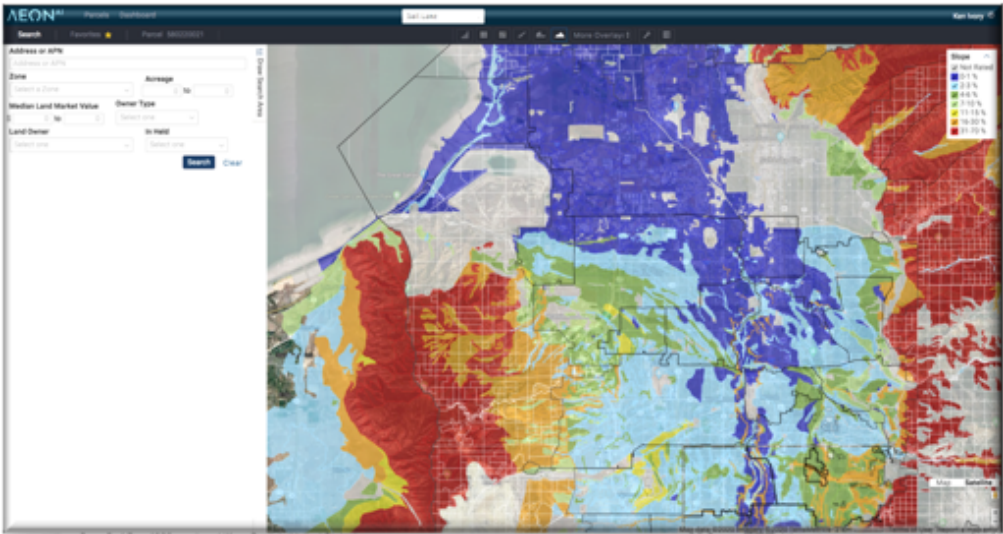


### 4. Additional Overlays: Zoning, General Plan, Site Suitability, Demographics, Transportation, Utilities, and Opportunity Zones

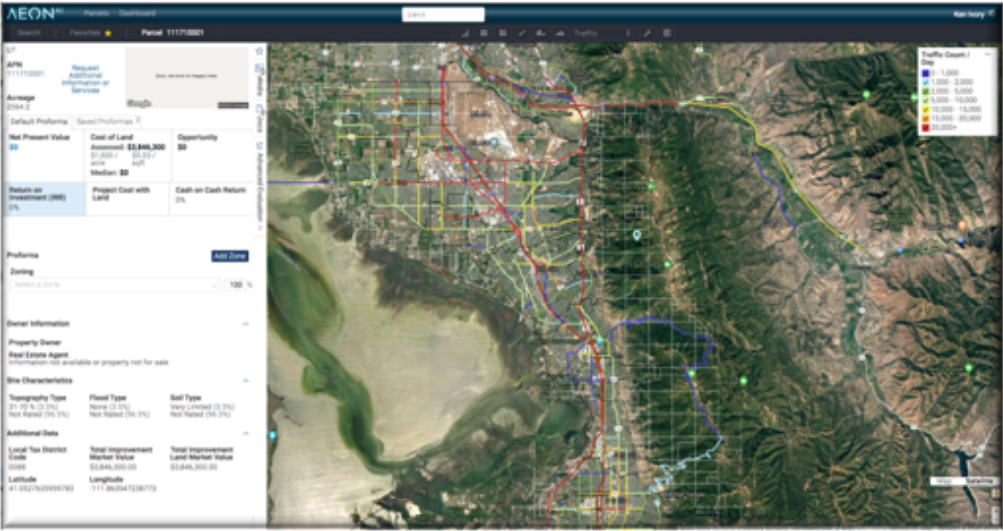
- a. **St. George** – **Zoning Overlay** shows the allowed uses within each community and populates the algorithm with the various associated, unique characteristics of each zone, within every city in Utah.



b. Salt Lake County – The Soil, Flood, and Topography Overlays (shown here) not only graphically depict the suitability of any given site, but they also populate the algorithm fields to reflect the costs of remediating any soil, flood, or topography issues. These are then instantly incorporated into the proforma analysis for every distinct property.



c. Davis County – Highway and Traffic (shown here) Overlays provide context for valuation.



- d. **Ogden** – Among the dozens of Overlays from the **American Census Survey, Median Income (shown here)** can be helpful in Area Median Income determinations for affordable housing plans and determinations.

