



## **City of Hermantown, MN**

Hermantown Data Center Tax Abatement

May 4, 2026

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# Tax Abatement Background

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- More flexible than tax increment & simpler to establish
  - ✓ Requires approval from each participating jurisdiction
  - ✓ Maximum term is 20 years
- Notice & public hearing required
  - ✓ Adopted by resolution
    - Includes terms
    - states benefits at least equal costs
    - findings are in the public interest
- Hermantown's total annual abatements may not exceed greater of:
  - ✓ 10% of Net Tax Capacity - OR - \$200,000

# Data Center Terms

## City Abatement

- 1<sup>st</sup> \$100k not abated
- Lesser of:
  - ✓ 85% new City taxes or,
  - ✓ 70% City's abatement capacity
- Not to exceed \$80M

## Project

- Up to 3 phases
- At least \$650M investment per phase
- Phase 1 will employ at least 40 new FTE's at 120% of St. Louis County weekly wages
  - ✓ +\$75k/year in 2026
- Future phases employ at least 30 new FTE's each

## Business Subsidy

- Annual reporting required for each Phase
- Job & wage goals achieved within 3 years of construction
- All FTE's sustained for 5 years

# Data Center Assumptions by Phase

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## Phase 1

- Projected additional NTC of \$2,028,248 in Pay 2029
- 85% City Abatement = \$11.5M over 20 years at present value

## Phase 2

- Projected additional NTC of \$1,867,974 in Pay 2031
- 85% City Abatement = \$10.6M over 20 years at present value

## Phase 3

- Projected additional NTC of \$2,017,858 in Pay 2033
- 85% City Abatement = \$11.4M over 20 years at present value

# Tax Abatement Limit Test

Tax Abatement Limit Calculation	Pay 2026	Pay 2027	Pay 2028	Pay 2029	Pay 2030	Pay 2031	Pay 2032	Pay 2033
Net Tax Capacity *	21,899,792	22,986,793	24,141,768	25,340,867	28,729,582	30,158,072	33,619,359	35,292,338
Phase 1 - Pay 2029	-	-	-	2,028,248	2,110,427	2,195,894	2,284,779	2,377,220
Phase 2 - Pay 2031	-	-	-	-	-	1,867,974	1,943,743	2,022,542
Phase 3 - Pay 2033	-	-	-	-	-	-	-	2,017,858
<b>10% Limit</b>	<b>2,189,979</b>	<b>2,298,679</b>	<b>2,414,177</b>	<b>2,736,912</b>	<b>3,084,001</b>	<b>3,422,194</b>	<b>3,784,788</b>	<b>4,170,996</b>
Less: Existing Tax Abatements								
Fleet Farm	130,975	93,450	-	-	-	-	-	-
Pillars	106,546	106,546	106,546	106,546	75,626	-	-	-
<b>Remaining Tax Capacity</b>	<b>1,952,458</b>	<b>2,098,683</b>	<b>2,307,631</b>	<b>2,630,366</b>	<b>3,008,375</b>	<b>3,422,194</b>	<b>3,784,788</b>	<b>4,170,996</b>
Phase 1 - 85% City Abatement	-	-	-	801,924	834,416	868,208	903,350	939,900
Phase 2 - 85% City Abatement	-	-	-	-	-	738,554	768,512	799,668
Phase 3 - 85% City Abatement	-	-	-	-	-	-	-	797,816
<b>Under (Over) 10% Limit</b>	<b>1,952,458</b>	<b>2,098,683</b>	<b>2,307,631</b>	<b>1,828,442</b>	<b>2,173,959</b>	<b>1,815,432</b>	<b>2,112,926</b>	<b>1,633,612</b>

Note: \*Assumes 5% increase in existing tax base annually

# Additional Tax Levy

	Pay 2026	Pay 2027	Pay 2028	Pay 2029	Pay 2030	Pay 2031	Pay 2032	Pay 2033
Phase 1	-	-	-	2,028,248	2,110,427	2,195,894	2,284,779	2,377,220
Phase 2	-	-	-	-	-	1,867,974	1,943,743	2,022,542
Phase 3	-	-	-	-	-	-	-	2,017,858
<b>Additional Net Tax Capacity</b>	-	-	-	<b>2,028,248</b>	<b>2,110,427</b>	<b>4,063,868</b>	<b>4,228,522</b>	<b>6,417,620</b>

City Tax Rate for Pay 2026 46.515%

<b>Estimated Additional Tax Levy Available</b>	<b>\$ 943,444</b>	<b>\$ 981,669</b>	<b>\$ 1,890,316</b>	<b>\$ 1,966,905</b>	<b>\$ 2,985,169</b>
<b>Less: 85% Tax Abatement</b>					
Phase 1	(801,924)	(834,416)	(868,208)	(903,350)	(939,900)
Phase 2	-	-	(738,554)	(768,512)	(799,668)
Phase 3	-	-	-	-	(797,816)
<b>Remaining Tax Levy Available</b>	<b>\$ 141,520</b>	<b>\$ 147,253</b>	<b>\$ 283,554</b>	<b>\$ 295,043</b>	<b>\$ 447,785</b>

- Assumes 85% Tax Abatement for each Phase
- Remaining Tax Levy Available is the 15% not abated
  - ✓ Available to levy for other City needs and maintain Pay 2026 City Tax Rate



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