

City Council Work Session

Development Agreement & Tax Abatement Agreement
Hermantown Data Center

April 27, 2026

What Hermantown Taxpayers Receive

- Infrastructure Project at \$130 million
 - Unlocks additional potential of hundreds of millions in annual economic impact
- School Funding at \$40 million
 - Unrestricted payments over 28 years
- City Funding at \$4.5 million
 - Unrestricted payments over 20 years

What Google Pays For

- Infrastructure Project at \$130 million
 - Unlocks additional potential of hundreds of millions in annual economic impact
- School Funding at \$40 million
 - Unrestricted payments over 28 years
- City Funding at \$4.5 million
 - Unrestricted payments over 20 years

What Happens with Google's Tax Abatement

- They pay **100 percent** of their property taxes
 - These go to the school, the City, and the County
- The following tax abatement proposal is **ONLY THE CITY'S PORTION OF THE PROPERTY TAX PAYMENT**
 - The City keeps the first **\$100,000** in annual property taxes
 - The City sends 85% of the remaining property taxes back to Google each year after they pay their annual property taxes until 2052 **OR** until the payments reach a cap of \$80 million in total
 - After that point, the City receives 100% of the property taxes paid by Google
- **Even after the 85% abatement, Google will be a larger taxpayer than Walmart, Fleet Farm, Sam's Club, Menards, and Bass Pro Shop combined**

What Happens with Google's Tax Abatement

- If these agreements are approved:
 - No residential or commercial taxes that are currently paid are returned to Google
 - No current commercial or residential tax monies paid are lost in this potential arrangement
 - The school and city payments, as well as the infrastructure project, will be paid by Google regardless of the abatement amount generated

Hermantown Data Center - Tax Profile Forecast

Forecasted Project City Property Tax Profile at Full Buildout (assumed 2033)

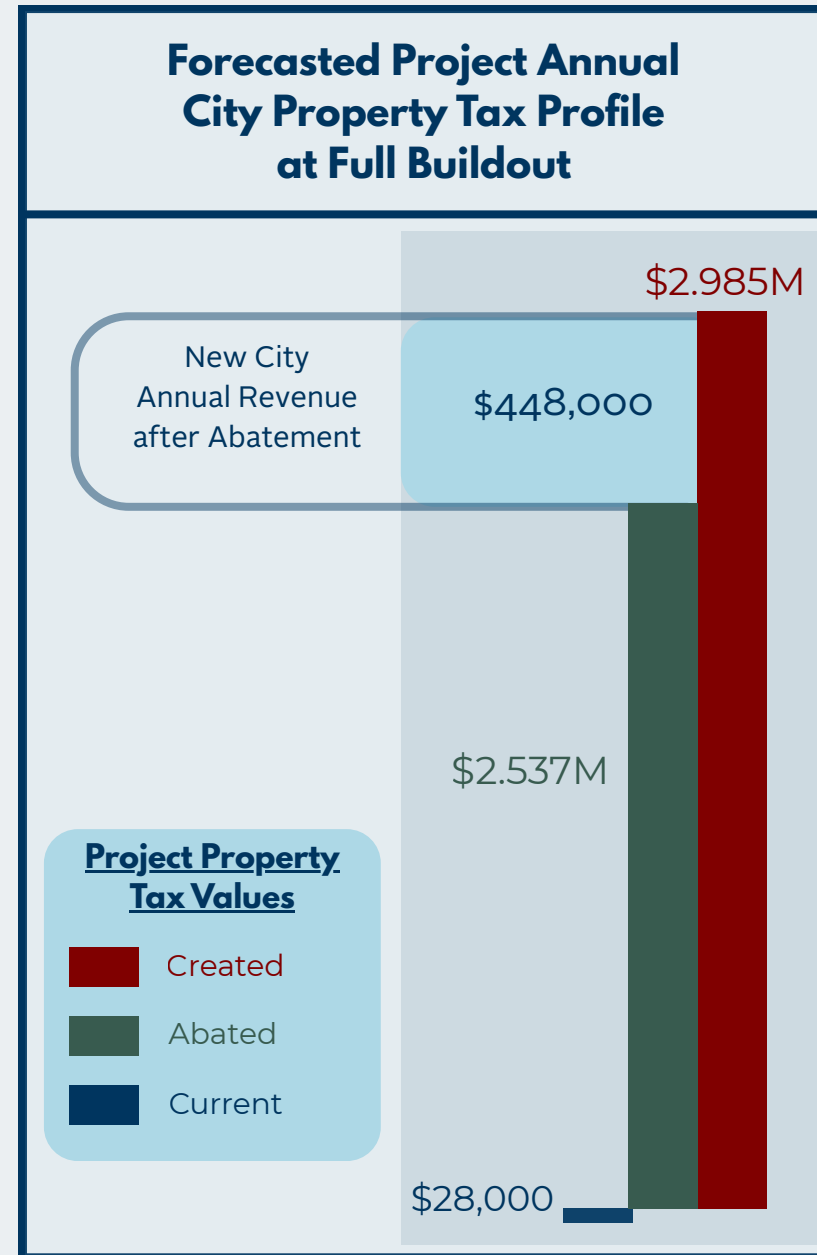
Annual City Tax Revenues for the Project Property.

Current:
\$28,000

New:
\$448,000

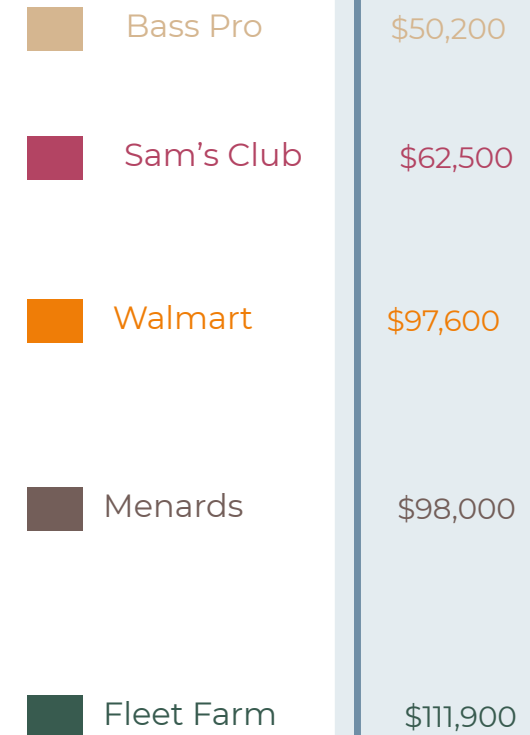
**Total Tax Collected
over 28 Years:
\$12,000,000**

Forecasted Project Annual City Property Tax Profile at Full Buildout



Comparison Commercial City Property Tax Revenues

Existing Large Commercial Tax Payers



Calculations Assume No Change in Tax Rate
Data Show Year One of Full Buildout (assumed 2033)

Hermantown Data Center - Annual Taxes Collected After Abatement

Forecasts Assume No Change In Tax Rate

City

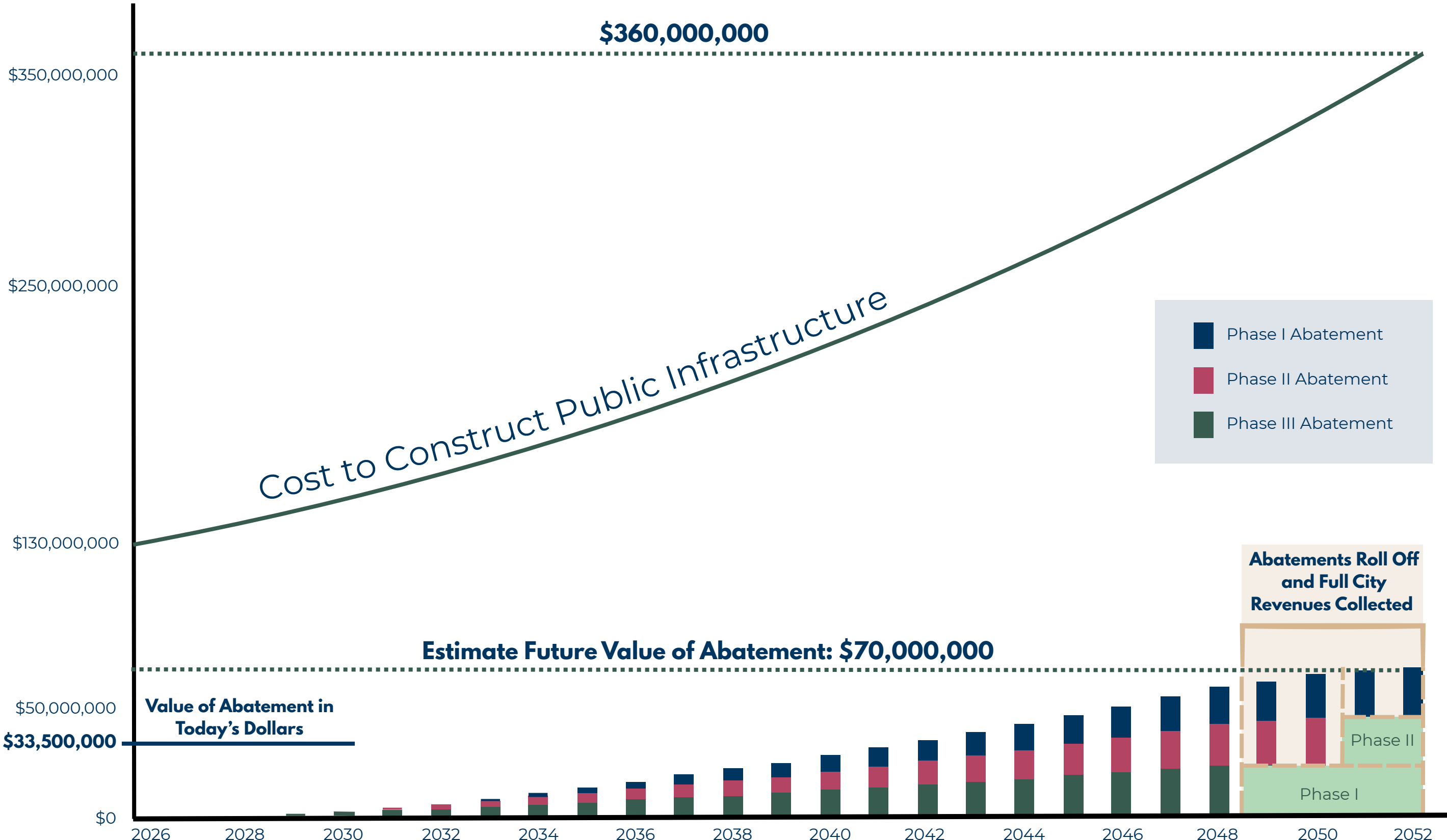
\$448,000
Every Year

School

\$1,075,000
Every Year

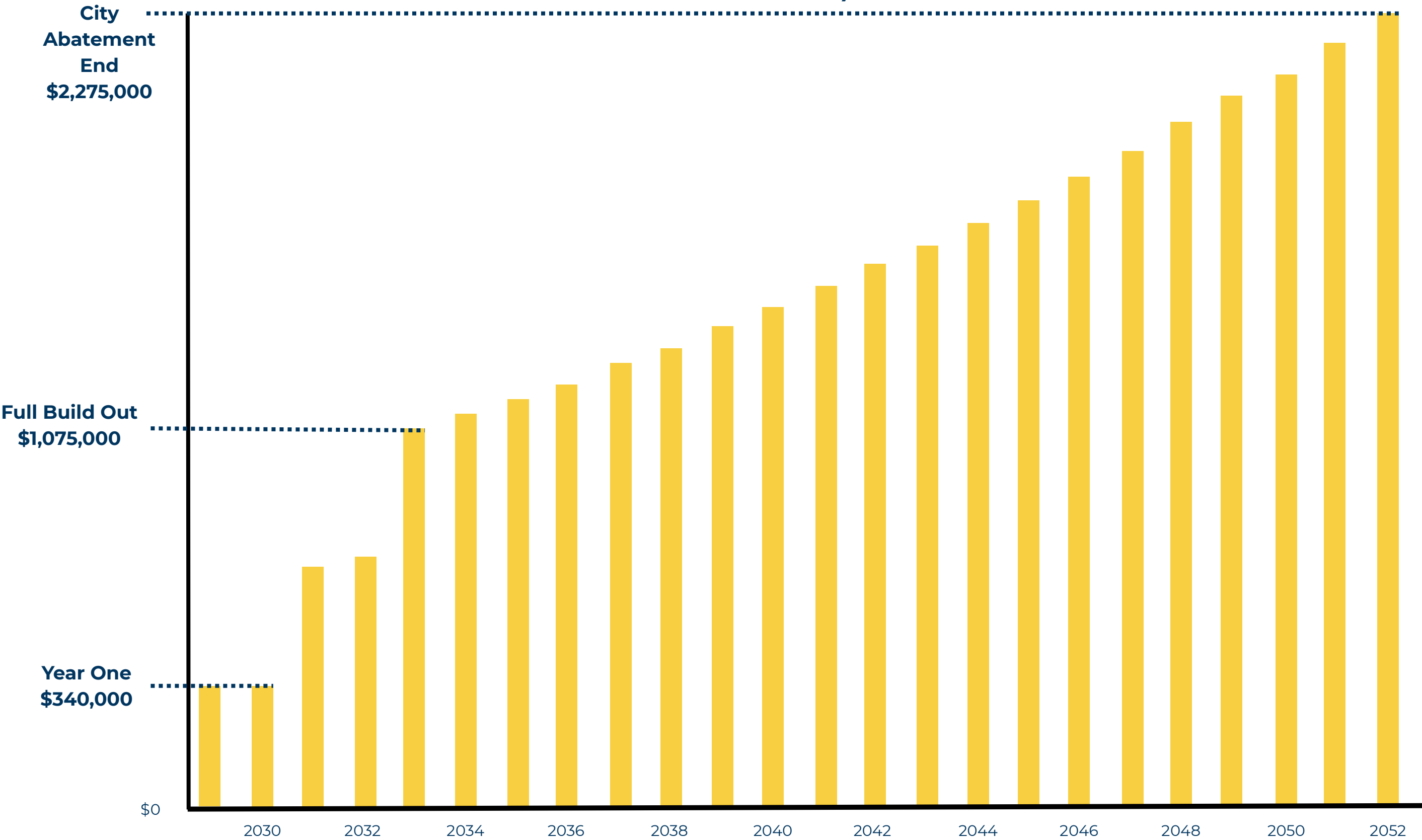
Hermantown Data Center - Infrastructure Cost vs. Abatement Value

Forecasted Effects of Inflation



Hermantown Data Center - Annual School Project Property Tax Revenues

Forecasts Assume No Change In Tax Rate
Does Not Include Cash Payments



Hermantown Data Center - Abatement Conclusion

Forecasts Assume No Change In Tax Rate

2052 - Final Abatement

Google - \$1,700,000
School & City - \$13,550,000

2053 - Abatement Concludes

Google - \$0
School & City - \$17,600,000

2056 - Final School Payment

Google - \$0
School & City - \$19,600,000

Today's Dollars

\$130M

Public Infrastructure

+ \$19.2M

Annual Cash Payments

\$149.2M

Total Value Gained
Directly From
Abatement Package



\$33.5M

Abatement
(Returned Taxes
They Create
Though Investment

Today's Dollars

\$33.5M

Abatement

- \$19.2M

School/City Payments

\$14.3M

Abatement Less
School/City Payments

.....

\$130M

Public Infrastructure

- \$14.3M

Abatement Less
School/City Payments

\$115.7M

Net Public Position

2052 Dollars

\$360M

Public Infrastructure

+ 47.2M

Annual Cash Payments

\$407.2M

Total Value Gained
Directly From
Abatement Package

\$30M

School Taxes Collected

+ \$12M

City Taxes Collected

\$42M

Total Taxes Collected
After Abatement

\$70M

Abatement
(Returned Taxes They Create Through Investment)

City Council Work Session

Questions?

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