

City Council

October 19, 2026

Updates on Agreements

Tax Abatement Agreement

Development Agreement

Adaptive Reuse and Decommissioning Agreement

Hermantown Data Center



Google No Longer Pursuing Abatement

- Public Infrastructure Valued at \$130 million
 - Developer pays cost to construct with no repayment through abatement
 - Unlocks potential of high-hundreds of millions in additional annual economic impact
- Full Property Tax Collection
 - The City of Hermantown will Collect all Increased Property Taxes Generated by the Project

Google No Longer Pursuing Abatement

City Property Tax Estimate Comparison at Construction Completion

With Abatement

- \$448,000 Annually
- Higher than 5 of the largest commercial tax payers

Without Abatement

- \$3,000,000 Annually
- 18% higher than all commercial tax payers combined

Calculations Assume No Change in Tax Rate
Data Show Year One of Full Buildout

Hermantown Data Center - Property Tax Profile Forecast

Forecasted Project City Property Tax Profile at Full Buildout

Annual City Tax Revenues for the Project Property.

Current:
\$28,000

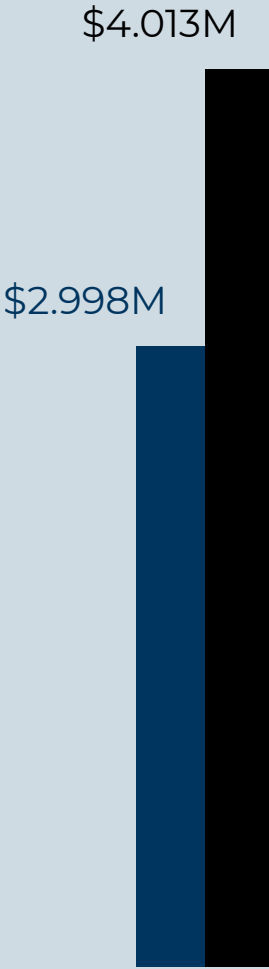
New:
\$2,998,000

**Total County/City
Property Tax
Collected over 20
Years:
~\$210,000,000**

Forecasted Project Annual City and County Property Tax Profile Year One of Full Buildout

Project Property Tax Values

County
City

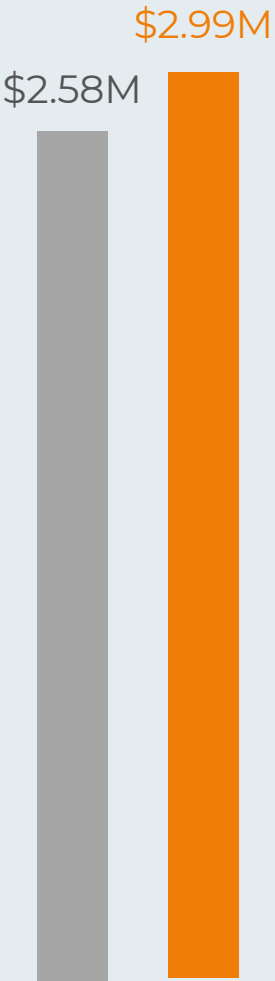


Comparison Commercial City Property Tax Revenues

Entire
Commercial/Industrial
Tax Payers Combined



Data Center
Campus



Calculations Assume No Change in Tax Rate
Data Show Year One of Full Buildout

Development Agreement

Key Changes

Provisions Removed

Tax Abatement

Alternative Water and Sewer
Source

Industrial Water and Wastewater
Service

Provisions Added/Enhanced

Right-of-Way and Easement
Acquisition

On-Site Well Monitoring

Neighbor Wells Program

Provisions Removed

- Tax Abatement
 - Google No Longer Pursuing Abatement
- Alternative Water and Sewer Source
 - Allowed the Project to seek implementation of alternative water sources (such as raw water, gray water, etc.) and alternative wastewater services (such as direct discharge)
- Industrial Water and Wastewater Service
 - Allowed the Project to explore the need for industrial water and wastewater service

Provisions Added/Enhanced

Right-of-Way and Easement Acquisition

- Enhancements remove the need for a separate Reimbursement Agreement
- Requires all costs, including real property costs, incurred by the City in connection with all right-of-way and easement acquisitions be paid by Developer
- Establishes an escrow of \$225,000 to be managed by the City and a replenishment to \$225,000 within 10 days of the balance falling below \$50,000.00

Provisions Added/Enhanced

On-Site Well Monitoring

- Before the issuance of the first building permit, Developer will complete a pre-construction survey of groundwater table elevation, conducted by a licensed professional geologist or hydrogeologist to establish baseline static water levels and water quality
- Initial results will be filed with the City prior to the issuance of the first building permit
- Continuous groundwater monitoring for the duration of construction activities

Provisions Added/Enhanced

Neighbor Wells Program

- A voluntary opt-in program for property owners with private water wells located within one half (0.5) mile of the Project's property boundary
- Property owners can elect to participate in the Neighbor Wells Program by providing written notice to the Developer within the sixty (60) days following **the later of**
 - Special Use Permit issuance; or
 - December 31, 2026
- The Developer is required to inform eligible property owners of their eligibility
 - Developer will provide a web form for enrollment
- Prior to starting site grading, the Developer will pay for an environmental consultant to conduct a baseline assessment of the current condition of the property owner's private water well(s), including
 - water quality testing
 - evaluation of well functionality
- Results will be provided to the property owner with 30 days of assessment completion

Adaptive Reuse & Decommissioning Agreement

Prevents blight and ensures a plan is in place to decommission the Project in the event it is no longer being used for its intended purpose, ceases operations, or is otherwise unable to be converted to a use acceptable to the City.

Adaptive Reuse & Decommissioning Agreement

- A decommissioning plan will be presented to the City within ninety (90) days of:
 - A Cessation Event
 - Defined as
 - Not used for intended purpose for 18 consecutive months
 - Property taxes remain delinquent for more than 12 months
 - Expiration or Termination of the Agreement
- The decommissioning plan must provide for:
 - Removal of physical material related to the Project
 - Restoration of the Property's surface to substantially the same or better condition as of the Effective Date
- The agreement allows the plan to include the retention of buildings, provided that the buildings are maintained according to the standard defined in the agreement:
 - weathertight and secured against unauthorized entry
 - no broken, missing, or boarded windows or doors
 - kept free of graffiti
 - its grounds are kept free of junk, debris, and overgrown vegetation

Adaptive Reuse & Decommissioning Agreement

- Adaptive Reuse in Lieu of Decommissioning
 - In lieu of performing all or any portion of those obligations, an adaptive reuse plan can be presented to the City for approval
 - The company or developer must **complete** the Adaptive Reuse Proposal approved by the City to satisfy the requirements of the Agreement.

Adaptive Reuse is in the best interest of the City as it provides economic activity, reinvestment in the facility, and continued use of the project site.

Adaptive Reuse & Decommissioning Agreement

- Should the company or developer fail to begin and/or complete the conditions of the agreement:
 - The company does indemnify, defend, and hold harmless the City from and against any and all costs, expenses, losses, damages, claims, and liabilities arising out of or related to any failure to complete the decommissioning and restoration
 - Effectively a Parent Company Guaranty
 - Google is signatory to the Agreement and is obligating **\$210,000,000**
 - Obligation will increase annually based on the Consumer Price Index published by the US Bureau of Labor Statistics.
- The term of the agreement is 50 years from final completion of the project

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