MEMORANDUM

Date: September 29, 2025

To: Plan Commission
Village Board

From: Todd Willis
Village Administrator

Re: Fiscal Estimates of Proposed Data Center

Background Information

The Village Planning Department received a Land Use Map Amendment and Rezoning request for changes to multiple parcels located along Douglas Avenue and Botting Road and west of the WE Energies power plant, encompassing approximately 244 acres. **(Attachment 1)** The request from the applicant to change the current land use map and zoning designation from its current zoning category creates an opportunity for the consideration of the financial impacts on the future development as they relate to the Village. The fiscal estimates of this proposed project is detailed in this memorandum as follows:

1. Overview of Assumptions/Methodology
2. Zoning Change Estimates
   a. Current Tax Base vs. Zoning Change Estimates
3. Village Infrastructure Cost Estimates
4. Local & regional Economic Impact Estimates
5. Build-Out Scenario Estimates
6. Comparable development Scenarios
   a. vs. Residential (including acres required to meet value/taxes)
   b. vs. Commercial (including acres required to meet value/taxes)
7. Effects of Build-Out Scenarios if located in TID
8. Summary of Findings

1. Overview of Assumptions/Methodology

To create some fiscal estimates based on the proposed data center, several assumptions need to be outlined.

a) When determining the value of a project based on the revenue or cost of services to the Village in the future or post development, one must take a snapshot in time within the current environment to best try and measure them in the future. In this

memorandum, I have chosen to take January 1, 2026, as that date for a couple of reasons:

1) January 1, 2026, is the date that is used to determine the assessed value of a property in the State of Wisconsin. While the property could be rezoned in 2025, potential rezoning would occur after the property assessment has already taken place, and would be after January 1, 2025.
2) Using the 2026 Village Mill Rate ($5.39/per $1,000 value) allows for more conservative reflection of potential future taxes that would be received in 2027. In comparison the Village's Mill Rate in 2025 was $5.51/per $1,000 value.

b) The 2026 Mill Rates for the County, School District, Technical Collage, and State have not been compiled to date, so I have elected to use the 2025 rates:
   County - $2.59/$1,000
   School District - $7.39/$1,000
   Tech Collage - $0.55/$1,000
   State of WI - $0.00/$1,000
c) Sanitary Sewer Utility District Boundary and Urban Service Boundary have been extended and annexed into the current Village of Caledonia District. The reasoning for this assumption is to understand the costs associated with the Village Infrastructure costs in **section 4**.
d) The 2026 Village Budget is $20,009,609, so I used $20,000,000 as the basis for Village operations funded through property tax.
e) Apportionment of the Village's current tax base is:
   Residential – 88%
   Commercial – 10%
   Industrial – 2%
f) There are many different measures that can be used to determine the value of a data center based on construction (price/per – SF, Megawatt, lead time, etc.), for a conservative estimate I used $300-$350 per square foot to determine the value of the proposed buildings.
g) Price per square foot should be considered as a national average rather than specific to the project because as the market for building materials, lead times, labor costs, and interest rates fluctuate over time.

Estimates on value or their effect over time on the overall composition of the proposed data center or the Village's tax base that are **NOT** assumed:

h) Escalation of present value dollar analysis. While the value of property or its improvements increase over time, to maintain a conservative estimate for the purpose of this report, it maintains the proposed project as it relates to present dollar value (estimated).
i) This report does not take into consideration other projects currently proposed, approved, or under construction. While there are other projects that will influence

the equalized and/or assessed value of the Village, but those value changes would not be realized until after January 1, 2026 (see above).

j) Construction happens over time, so based on determination of assessed value date of January 1, 2026, the report does not look at the incremental value of construction from one year to the next. It looks at the present value estimations of the proposed data center upon completion of a singular building and multiple buildings.

k) Based on the requirements of the Performance Standards as applied to the proposed project, the report does not consider additional areas of improvement to the property (i.e. landscaping, berm's, stormwater management, etc.), only improvements as it relates to the fully constructed buildings.

2. Zoning Change Estimates

With the potential changing of the zoning for the proposed development from A2 (Agriculture) to M1 (Light Manufacturing) it would also change the assessed value of the property. Along with any changes in zoning for the property, there is also the requirement for a Deed Restriction to be placed on the property for the specific use of a data center. When properties are assessed it is based on its "highest and best" use with 4 criteria: 1) legal permissibility, 2) physical possibility, 3) financial feasibility, and 4) maximum productivity forms the basis for land value.

The estimation for the total site, being 244 acres, would be approximately $6,100,000 or approximately $25,000/ acre. This is assuming that approximately 60 acres is for the primary building site, with the remaining 184 acres as industrial secondary/residual land. The estimate accounts for land to support the proposed structures but not used to support the primary use (i.e. storm water management, landscaping, etc.) as stated previously under **Section 1(K)**.

Land Value Tax Estimate

$6,100,000/1,000 = $6,100
$6,100 x $5.39 = **$32,879 (Village of Caledonia)**
$6,100 x $2.59 = $15,999 Racine County
$6,100 x $7.39 = $45,079 Racine Unified School District
$6,100 x $.55 = $3,355 Gateway Technical Collage
Total Taxes = $97,312

Current Tax Base vs. Zoning Change Estimates
Estimated taxes in 2026 for 2025 - $97,312
Net taxes paid in 2024 for 2025 - $1,066

Estimated net property tax increase - $96,246

3. **Village Infrastructure Cost Estimates** *(See Attachment 2 for Current Map)*
   For the proposed development to become operational, the sewer needs to be brought to the area. Water is already serviced in the area along Douglas Ave./HWY 32 from Oak Creek. To understand the cost estimations of extending service to the area it could be expected to cost about $400-$425/per linear foot to install the force main, and roughly $4 million to construct a lift station. Based on the distance from a connecting point for the required force main, it would require about 1 mile (5,280 ft).
   Estimated Force Main Extension Cost
   $425 x 5,280 = $2,244,000

   Estimated Force Main Extension & Lift Station Cost
   $2,244,000 + $4,000,000 = $6,244,000

   At the beginning of the discussion with the Village about the project, Village staff expressed to the applicant that this infrastructure would be specifically for their project. Based on the cost and being the sole beneficiary of the applicant, it would be expected that this cost would be paid for by the end user and would not be paid for with Village taxpayer dollars. Any further details related to ensuring Village taxpayer dollars would not be used in relation to the force main and lift station future costs would need to be discussed during a future phase of the project's approval process (i.e. Development Agreement).

   ***Note:** It has been expressed that the extension of the force main to this area will lead to development to the west of the proposed development site. In discussions with staff, it has been expressed that extending beyond this point would require further review by the Utility Commission and extension/annexation of the Sanitary Sewer Utility District Boundary and Urban Service Boundary. To ensure this, staff has expressed to the applicant that any extension/annexation of the Sanitary Sewer Utility District Boundary and Urban Service Boundary for the proposed project would be limited to just the proposed properties included in the application.

4. **Local & Regional Economic Impact Estimates**
   To understand the economic benefits to the local and regional economies, some common principles based on other data center projects needed to be considered. Based on economic reporting provided to staff, the average number of construction jobs (i.e. Electricians, carpenters, and other specialists) averaged between 300-400 at any one time depending on the scale of the proposed data center project. While these jobs are considered temporary, the construction phase of a project can range from 18-32 months. The construction related jobs can provide a ripple effect within the community and surrounding areas. This is because the crews spend money on restaurants and other local services, in part that support local and regional small businesses. Unrelated to specific spending in the local or regional economy is training opportunities due to the demand for advanced electrical and mechanical skills encouraging apprenticeships and on-the-job learning for local workers.

The RIMS II Model multipliers are widely used by economists, planners, and state/local governments including the U.S. Department of Commerce and the Bureau of Economic Analysis (BEA) to measure the ripple effects of large projects (construction, infrastructure, energy, etc.). For nonresidential construction, BEA estimates output multipliers typically fall in the 1.7 – 2.0 range, depending on the region and type of project. This means that for each $1 of direct construction spending, an additional $0.70–$1.00 of indirect and induced spending occurs in the local/regional economy. *(Regional Multipliers from the RIMS II Model)* In many state-level studies (e.g., Virginia, Iowa, Oklahoma), researchers applying RIMS II to data center projects have confirmed multipliers in the ~1.8 range for construction.

The median for construction cost per Megawatt (MW) for the Chicago market based on recent reporting from Cushman & Wakefield was $12.7 million per MW. For estimation purposes of the MW for the proposed data center I used the range of 50-150 MW.

<u>50 MW</u>
Based on these assumptions, it can then be estimated that the proposed project consisting of construction and professional service workers could result in up to $508 million indirect and induced spending.

<u>100 MW</u>
Based on these assumptions, it can then be estimated that the proposed project consisting of construction and professional service workers could result in up to $1.0 billion indirect and induced spending.

<u>150 MW</u>
Based on these assumptions, it can then be estimated that the proposed project consisting of construction and professional service workers could result in up to $1.5 billion indirect and induced spending.

5. **Build-Out Scenario Estimates** *(See Attachment 3-4 for Calculations)*
As mentioned earlier in the report there are assumptions made to determine the build-out value of the proposed project in **Section 1(g)**. To maintain a conservative estimate of the value, I chose to use $300 per/sf (below the avg. value/sf) and $400 per/sf (median of avg. value/sf) to estimate the build-out scenario. For comparison the price per sf for industrial property is $150-250/SF.

<u>Attachment 2 Estimates ($300/SF)</u>
   a) If/when 1 building is operational that could generate $420,959 in Village taxes. That would shift the residential tax burden to 85% of the current general fund.
   b) If/when 2 buildings are operational that could generate $809,039 in Village taxes. That would shift the residential tax burden to 83% of the current general fund.

c) If/when 3 buildings are operational that could generate $1,197,119 in Village taxes. That would shift the residential tax burden to 82% of the current general fund.

Attachment 3 Estimates ($400/SF)

a) If/when 1 building is operational that could generate $550,319 in Village taxes. That would shift the residential tax burden to 85% of the current general fund.
b) If/when 2 buildings are operational that could generate $1,067,759 in Village taxes. That would shift the residential tax burden to 82% of the current general fund.
c) If/when 3 buildings are operational that could generate $1,585,199 in Village taxes. That would shift the residential tax burden to 80% of the current general fund.

These are not precise calculations on what the value of the buildings or the tax benefit from the proposed project, but more of creating a range of possible outcomes during the construction period or when operational. As the project continues through the process a more concise evaluation of all valuation factors related to the project with the finalization of civil site design submittals can be completed by the Village Assessor.

6. Comparable development Scenarios

Since I used two varying ways to determine cost of construction (price/per MW) and valuation (price/ per SF), to come up with estimates, it would be necessary to compare both versus other forms of development. To determine the cost of construction for residential and commercial development I used price/per SF. To determine the value of residential and commercial development I attempted to use the Sales Approach described as "the typical buyer will pay no more for a property than it would cost to buy a reasonably comparable property".

vs. Residential (including acres required to meet value/taxes)

The national average for the cost per SF for residential home construction is $162/SF **(Cost Approach)**. According to the Racine County Housing Study completed in November 2024, a range between 1,500 SF and 2,400 SF establishes the most practical and marketable market rate housing **(Sales Approach)**. To create the most value for comparison, a 2,400 SF home would cost $388,000, trying to use both the cost and sales approach together. To maintain the conservative nature of the number of acres to achieve the value of the proposed data center based on the valuation and taxes above, I used the Villages R-5 Single Family District zoning requirements for land acres required (10,890).

The number of acres to create that same amount of construction cost in comparison to that of the data center is roughly 1,636 acres of land.

$222,100,000 /$388,000 = 572 homes
572 x .25 acres = 143 acres

vs. Commercial (including acres required to meet value/taxes)

The high end of commercial retail construction cost is $500/SF **(Cost Approach)**. To identify the number of acres to achieve the value of the proposed data center based on the valuation and taxes above, I used the Villages B-3 Highway Business District minimum zoning requirements for land acres required (40,000). While it may not be the most conservative on land preservation, the district was used as that most in line with the uses required to meet the cost approach used. To maximize the **Sales Approach,** I used the Fair Market Value of the Green Tree Shopping Center. The property is an estimated 74,000 SF.

74,000 SF x $500 = $37,000,000

$222,100,000/$37,000,000 = 6 buildings

The Green Tree Shopping Center that the 74,000 SF building is located on is 7 acres total.

6 buildings x 7 acres = 42 acres

7. Effects of Build-Out Scenarios if located in TID

Several public comments have questioned why the proposed project could not be in any of the Village's Business Parks or Tax Incremental Districts (TID's). While the purpose of this report is not to justify the location requested for the proposed project, but the benefits or effects it could have on the Village. So, to explain the benefit and/or effect on the Village some assumptions need to be understood:

a) TID's capture all the tax revenue generated or "increment" beyond what the approved Project Plan determines to be the "base value" of the district when it was created.
b) The "increment" generated in a TID by freezing the taxes from all the remaining taxing authorities (State, County, School District, and Technical Collages) based on the "base value" established. Example: if a property has a "base value" of $1,000 at the time a TID was created the four (4) remaining taxing authorities would have their mill rate (**Section 1(b)**) applied to only the $1,000 "base value". Any added "increment" from development on that property beyond the "base value" of $1,000 would be applied at the same mill rates (**Section 1(b)**) is captured by the TID.
c) While the Village through the creation of the TID receives the money for any "increment" created greater than the amount generated with the "base value", these funds are not available in the Village's General Fund. Monies generated within the TID may only be used for expenditures identified in the TID Project Plan.

To understand the potential benefits of the proposed project being located in a TID, I identified as TID 4 as the only appropriate active TID based on its size, nature (industrial/business), and available space for a data center. Within the TID District there is available property that is equal to 150 acres. Even though this land assembled would be smaller than that of the current proposal, as mentioned in **Section 2**, the conceptual site plan as part of the submittal is only using roughly 60

acres for site development. Based on the location of this TID, the amount of buffers required or needed would allow for the properties to be adequate.

Tax Key	Acres	Base Value
104-04-22-31-025-000	70	$13,000
104-04-22-31-024-000	40	$9,000
104-04-22-31-008-000	40	$7,600
TOTAL	150	$29,600

Increment Created at $300/SF Minus Base Value
Assuming Full Buildout of 3 buildings
$222,081,000/1000 = $222,081

Village	$222,081 x $5.39 =	$1,197,016
County	$222,081 x $2.59 =	$575,189
School	$222,081 x $7.39 =	$1,641,178
Tech	$222,081 x $.55 =	$122,144
TOTAL		$3,535,527

Increment Created at $400/SF Minus Base Value
Assuming Full Buildout of 3 buildings
$294,081,000/1000 = $294,081

Village	$294,081 x $5.39 =	$1,585,096
County	$294,081 x $2.59 =	$761,669
School	$294,081 x $7.39 =	$2,173,258
Tech	$294,081 x $.55 =	$161,744
TOTAL		$4,681,767

TID 4 currently still has $74,345,360* in development incentives that need to be covered by future development based on active Development Agreements. It also still has $ $38,255,000 in outstanding debt obligations. The total outstanding obligations remaining in TID 4 is $112,600,360. Using basic assumptions (3 buildings and build-out completed in 7 years) and the increment produced within the TID based on the Annual JRB Report for TID 4 is as follows *(See Attachment 5 for calculations)*:

$300/SF
With $112,600,360 the TID would be debt free in 2040**

$400/SF
With $112,600,360 the TID would be debt free in 2039**

***Assumes added increment is going to be prepaid incentive obligations prior to actual development occurring.**

****Timeframes vary based on actual construction and assessment value during construction phase. All remaining increment above the outstanding obligations would be apportioned to each taxing authority after the closing of the TID.**

There is a benefit to the proposed project happening within TID 4 to get the district closed prior to the currently projected closure date of 2044.

A negative that should be understood with a project of this magnitude going into a TID would be the amount of taxes that would be received by the other taxing authorities not being allocated to them until the closure of that TID. In the current proposal, the project would not be in a TID, and the other taxing authorities would receive those allocations year after year.

8. Summary of Findings

There was a lot of information provided in this report, and here is a summary of findings related to the review of the proposed project:

a) If the property is approved for the rezoning as requested for this project, there is a net benefit in property taxes to the Village. While this benefit does not change the current breakdown property tax apportionment, it does have a net positive benefit.

b) While there is a cost for bringing needed infrastructure to the site, the Village has already discussed and explained to the applicant that this would be a burden they would have to cover based on the single end user. Anything related to long term maintenance related to the infrastructure would be discussed and detailed in a development agreement if the rezoning is approved.

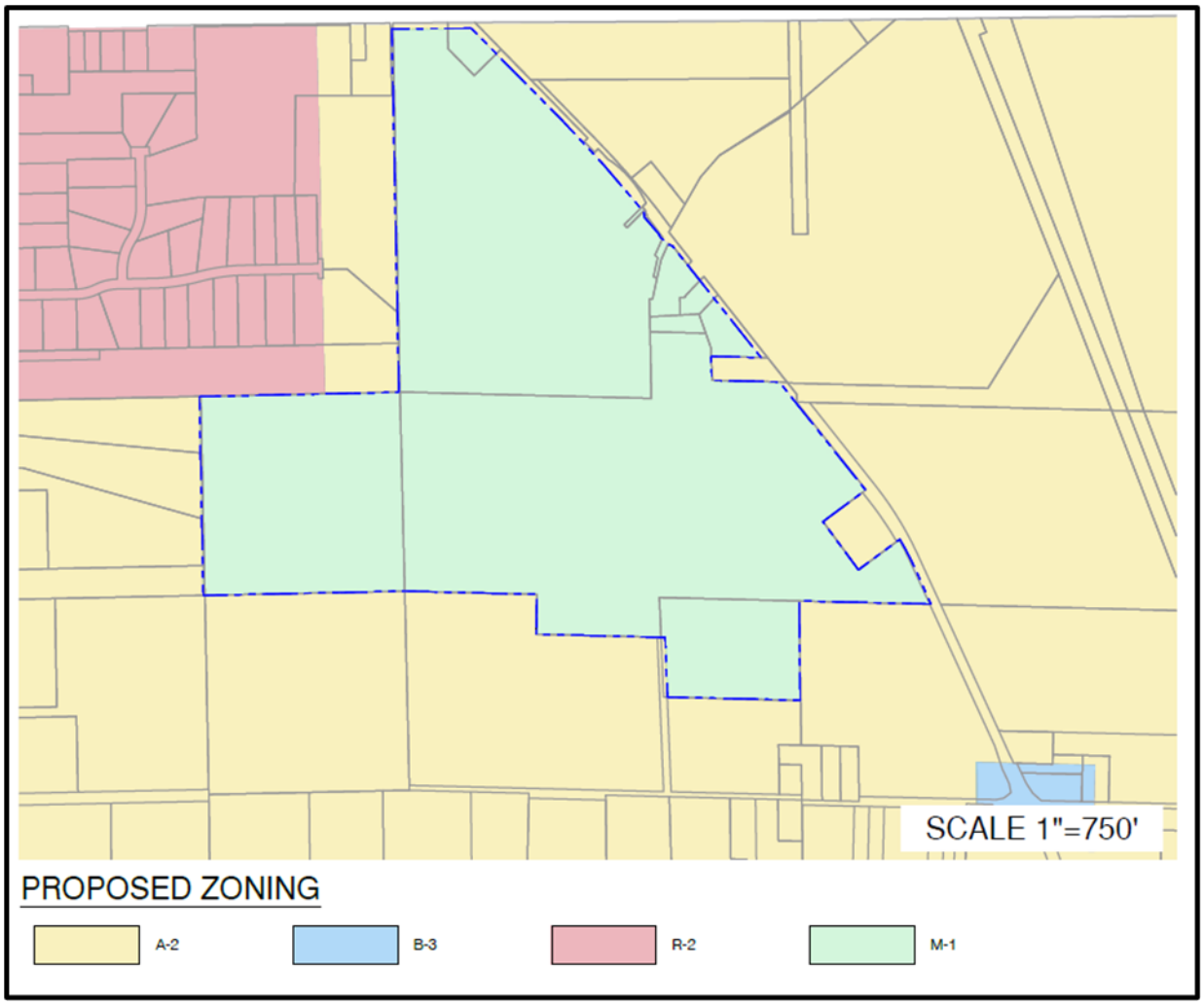
c) There is a range of local and regional economic benefits to the Village, surrounding communities, and Racine County. While the ability to model out those full impacts is primarily a range, there is a benefit to the businesses in the area based on the number of jobs and the length of time of construction for these types of development.

d) The Village apportionment for property taxes can be a benefit to residents if approved. While using conservative estimates to estimate the value of the proposed project, even during a phased construction approach, the property tax burden to fund the Village's General Fund operations would shift from residential properties to commercial and industrial properties.

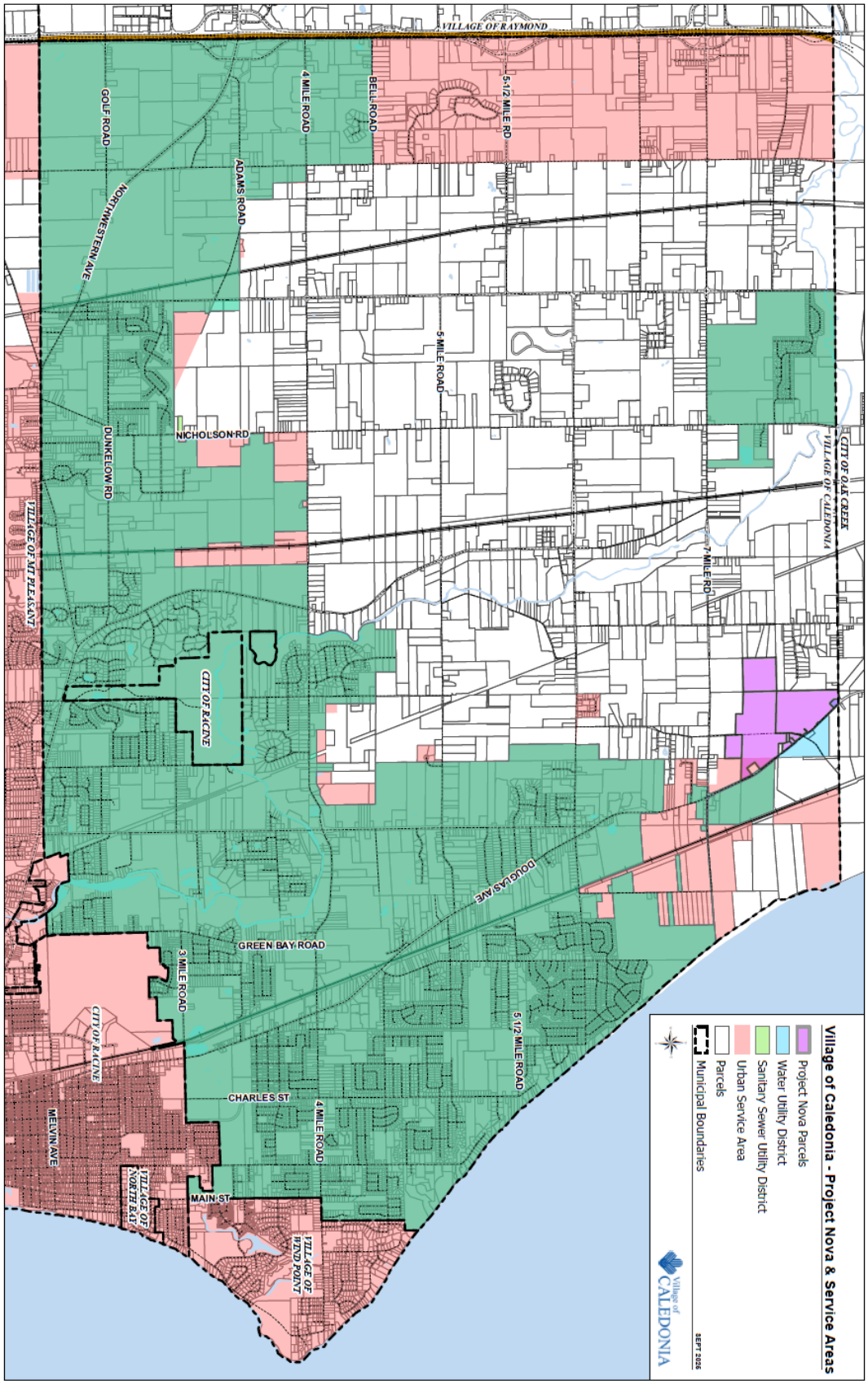
e) When looking at the amount of land needed to create a similar amount, if the approaches described were used, it would be possible for a similar value to be produced on a smaller acreage of land. But it should be noted that to accomplish that it would require a higher density of housing in existing urban areas (landlocked) or relaxation of subdivision rules in the rural area to accommodate such housing. For the commercial space it would take significantly less acreage, but the current environment in metrics (rooftops, traffic counts, and disposable income) do not favor rapid development of commercial/retail buildings at this time.

f) The proposed project has requested is not in TID, has not requested to be in a TID, and the Village is not proposing or offering any TID assistance. This was provided to simply map out any benefit if it had been based on comments made by Village Board members.

Attachment 1 – Proposed Data Center Site



Attachment 2 – Current Urban Service Boundary Map



Attachment 3 – Data Center Value Estimations

Constants
Village Mill Rate - $5.39/$1,000 value
Land Value Estimation - $6,100,000

2025 Village General Fund - $20,000,000
Residential 88% - $17,600,000
Industrial 2% - $400,000
Commercial 10% - $2,000,000

Value Estimation for $300/sq. ft.

1 building
$300 x 240,000 sq. ft. = $72,000,000 (building value)
$72,000,000 +$6,100,000 = $78,100,000 (building & Land Value)

$78,100,000/$1,000 = $78,100
$78,100 x $5.39 = $420,959 (total municipal taxes)

$420,959 would shift the residential tax burden to $17,197,041or 85% of the general fund.

2 buildings
$300 x 240,000 sq. ft. = $72,000,000 (building value)
$72,000,000 x 2 = $144,000,000
$144,000,000 + $6,100,000 = $150,100,000 (building & Land Value)

$150,100,000/$1,000 = $150,100
$150,100 x $5.39 = $809,039 (total municipal taxes)

$809,039 would shift the residential tax burden to $16,790,961 or 83% of the general fund.

3 buildings
$300 x 240,000 sq. ft. = $72,000,000 (building value)
$72,000,000 x 3 = $216,000,000
$216,000,000 + $6,100,000 = $222,100,000 (building & Land Value)

$222,100,000/$1,000 = $222,100
$222,100 x $5.39 = $1,197,119 (total municipal taxes)

$1,197,119 would shift the residential tax burden to $16,402,881 or 82% of the general fund

Attachment 4 - Data Center Value Estimations

Constants
Village Mill Rate - $5.39/$1,000 value
Land Value Estimation - $6,100,000

2025 Village General Fund - $20,000,000
Residential 88% - $17,600,000
Industrial 2% - $400,000
Commercial 10% - $2,000,000

Value Estimation for $400/sq. ft.

1 building
$400 x 240,000 sq. ft. = $96,000,000 (building value)
$96,000,000 +$6,100,000 = $102,100,000 (building & Land Value)

$102,100,000/$1,000 = $102,100
$102,100 x $5.39 = $550,319 (total municipal taxes)

$550,319 would shift the residential tax burden to $17,049,681 or 85% of the general fund.

2 buildings
$400 x 240,000 sq. ft. = $96,000,000 (building value)
$96,000,000 x 2 = $192,000,000
$192,000,000 + $6,100,000 = $198,100,000 (building & Land Value)

$198,100,000/$1,000 = $198,100
$198,100 x $5.39 = $1,067,759 (total municipal taxes)

$1,067,759 would shift the residential tax burden to $16,532,241 or 82% of the general fund.

3 buildings
$400 x 240,000 sq. ft. = $96,000,000 (building value)
$96,000,000 x 3 = $288,000,000
$288,000,000 + $6,100,000 = $294,100,000 (building & Land Value)

$294,100,000/$1,000 = $294,100
$294,100 x $5.39 = $1,585,199 (total municipal taxes)

$1,585,199 would shift the residential tax burden to $16,014,801 or 80% of the general fund.

Attachment 5 – TID 4 Increment Estimates

300/SF

2026	2,587,565			2,587,565
2027	3,139,735	246,823		3,386,558
2028	3,578,488	246,823		3,825,311
2029	3,578,488	1,302,988		4,881,476
2030	3,578,488	1,302,988		4,881,476
2031	3,578,488	2,310,188		5,888,676
2032	3,578,488	2,310,188		5,888,676
2033	3,578,488	3,052,242	3,535,527	10,166,257
2034	3,578,488	3,052,242	3,535,527	10,166,257
2035	3,578,488	4,229,239	3,535,527	11,343,254
2036	3,578,488	4,229,239	3,535,527	11,343,254
2037	3,578,488	5,245,916	3,535,527	12,359,931
2038	3,578,488	5,245,916	3,535,527	12,359,931
2039	3,578,488	5,245,916	3,535,527	12,359,931
2040	3,578,488	5,245,916	3,535,527	12,359,931
				123,798,484

400/SF

2026	2,587,565			2,587,565
2027	3,139,735	246,823		3,386,558
2028	3,578,488	246,823		3,825,311
2029	3,578,488	1,302,988		4,881,476
2030	3,578,488	1,302,988		4,881,476
2031	3,578,488	2,310,188		5,888,676
2032	3,578,488	2,310,188		5,888,676
2033	3,578,488	3,052,242	4,681,767	11,312,497
2034	3,578,488	3,052,242	4,681,767	11,312,497
2035	3,578,488	4,229,239	4,681,767	12,489,494
2036	3,578,488	4,229,239	4,681,767	12,489,494
2037	3,578,488	5,245,916	4,681,767	13,506,171
2038	3,578,488	5,245,916	4,681,767	13,506,171
2039	3,578,488	5,245,916	4,681,767	13,506,171
				119,462,233