



TOWN OF GROTON PUBLIC INFORMATION

Groton Data Center Host Municipality Fee Agreement

Background

Public Act No. 21-1 was recently signed by the Governor provides tax benefits for qualified data centers. The Act provides exemptions to Qualified Data Centers for property taxes (both real and personal), sales taxes, and use taxes for periods of either 20 or 30 years terms based on the size and location of the data center investment.

The Act requires certain approvals by the State of Connecticut as well as a requirement to enter into Host Municipality Fee Agreement prior to data center facility construction, rehabilitation, renovation, or repair. The Act also requires certain criteria to be included in these agreements.

GotSpace Data Center Proposal

The Town has been approached by GotSpace Data Partners, LLC (GotSpace) to enter into a fee agreement in relation to locations within the Town of Groton (see map further below).

This agreement does not guarantee a data center(s) will locate in Groton, but it does allow for that possibility on certain properties located in two areas and still requiring all required permits to be obtained.

Proposed Municipal Host Fee Agreement Highlights

You can go to the Town's website at www.groton-ct.gov to view Act 21-1; a summary of Act 21-1; and the proposed fee agreement.

Much of the agreement terms are required by Act 21-1 (Act).

Highlights:

- Term (terms are required by the Act)
 - 20 year term if the investment is more than \$200 million and less than \$400 million.
 - 30 year term with an investment of at least \$400 million
- GotSpace will have 5 years to make full investment following commencement of construction. This is also required by the Act.
- GotSpace will have thirty-six months to make an application for a building permit to construct a building on each parcel involved.

- Payments
 - Upon the earlier of acquiring the properties to be used for any data centers or when application is approved by the DECD Commissioner, GotSpace will make preliminary payments in the amount of last year's property taxes until a building permit is issued.
 - Upon issuance of the building permit GotSpace will make preliminary payments in the amount of 150% of last year's property taxes until a certificate of occupancy is received at which time the host municipality fee begins.
 - The host municipality fee for each building, subject to annual increases, is based on its designated data storage plus all other electricity utilized in connection with operation of the building, collectively called 'capacity'.
 - For each building within the qualified data center with a capacity of less than 16 MW, the host municipality fee will be \$500,000 annually.
 - For each building within the qualified data center with a capacity from 16 MW up to and including 32 MW, the host municipality fee will be \$1,000,000 annually.
 - For each building within the qualified data center with a capacity greater than 32 MW, the host municipality fee shall be \$1,500,000.
 - There is an escalation clause that increased the annual payments by the Northeast Region, All Urban Consumers published by the Bureau of Labor Statistics of the United States Department of Labor ("CPI Index") with the increasing being the greater of 2% over the preceding year's host municipality fee payment and is capped at 3%. So the annual increase will be between 2% and 3%.

- The agreement additionally includes all the language typical of agreements including items like what would constitute a default by either party and the process for termination of the agreement.

- Should the operation of any building(s) in a qualified data center, the property (ies) will go back on to the Town Tax Rolls with the assessment of facilities included.

- GotSpace is also required to enter into a power purchase agreement with the utility provider.

Next Steps

- The Town Council will review the agreement at their March 30, 2021 Committee of the Whole meeting.
- The Town Council will discuss a resolution to approve the agreement at their April 6, 2021 regular meeting.