VML ANNUAL CONFERENCE

What's the deal with Data Centers?

CAVALRY
REAL ESTATE ADVISORS

Agenda

What is a data center?

Types of data centers

The controversy…

How to attract data centers

What makes for a good site

Calculating their fiscal impact

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COMPANY OVERVIEW

Cavalry is a leading commercial real estate consulting firm. Our team of appraisers, attorneys, analysts, and consultants utilize a deep bench of expertise to provide insights and solutions for our clients across a broad range of industries and asset types.

Perhaps most importantly, our commitment to service and strong relationships with stakeholders in both the public and private sectors gives Cavalry the inside track on better understanding market nuances and what that means for our clients' needs – providing better results and a better experience.

Headquartered in the national capital region, Cavalry serves a portfolio of clients spanning the country and property types. Our team is uniquely positioned to assist municipalities across Virginia as they navigate complex decisions related to economic and commercial development.

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SERVICES

- Economic Development Strategies
- Economic Impact Studies
- Fiscal Impact Studies and Financial Analysis

ROSS
LITKENHOUS
Founder/Managing Partner

I've spent the better part of my life immersed in commercial real estate, specializing in property tax advisory. For two decades my focus has been creating value for owners, developers and investors of commercial real estate by reducing, forecasting and managing property taxes – saving my clients hundreds of millions of dollars in the process.

I have worked at numerous local, regional and global property tax firms, leading highly successful consulting and advisory teams. I've written dozens of white papers, articles and studies on innovative state and local tax strategies. All of that passion for and experience in commercial real estate and property tax is engrained and visible in everything we do at Cavalry.

I served as an elected member of the Falls Church City Council and currently serve on the Falls Church City Economic Development Authority. I have also held numerous positions on a variety of boards and commissions, including the city's Board of Zoning Appeals, as well as other regional elected bodies like the Metropolitan Washington Council of Governments and the Northern Virginia Regional Commission.

EDUCATION

Birmingham-Southern College, B.A., Political Science and History

Kogod School of Business at American University, MBA

ASSOCIATIONS & MEMBERSHIPS

City of Falls Church, Va.
Chair – Economic Development Authority

WILLIAM RICH, CRE

Managing Director, Advisory Services

I have more than two decades of experience providing real estate consulting and advisory services, covering all aspects of commercial real estate across the country. My clients have included real estate developers and investors, financial institutions, nonprofits, and government agencies.

I began my real estate career at Delta Associates, starting as an associate and ultimately becoming president of the firm. Delta offered consulting, research and advisory services for all property types throughout the United States, including market feasibility, highest and best use, market entry strategies, asset performance enhancement, market due diligence, white papers on special topics, RFP negotiation, valuation analysis, and litigation support.

I am active in my community, serving on the Board of Directors of the Southwest DC Community Center in addition to other volunteer work. I have also previously served on a variety of boards including the Washington DC Economic Partnership, the Golden Triangle Business Improvement District, and the Near SE/SW Community Benefits Coordinating Council. In addition, I am a Counselor of Real Estate (CRE), a member of the National Association of Realtors, and a member of the Urban Land Institute (ULI).

EDUCATION

American University, B.S., Business Administration

ASSOCIATION MEMBERSHIPS

Member - Counselors of Real Estate (CRE)

Member – National Association of Realtors (NAR)

Member - Urban Land Institute (ULI)

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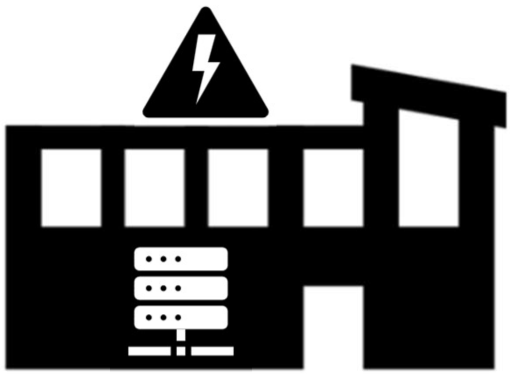
WHAT IS A DATA CENTER? Actually…

What's it made of? Concrete and steel

What's the average size? 100,000 – 300,000 SF



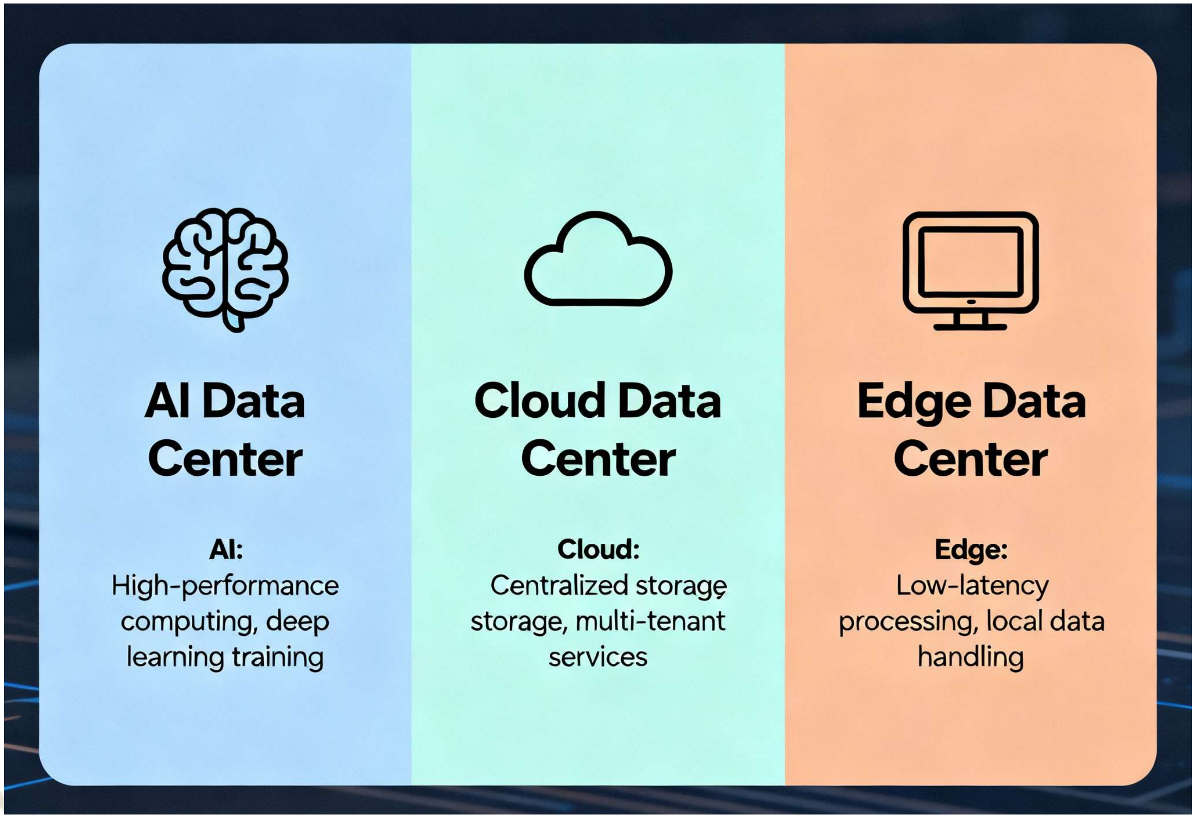
What's in it? Equipment

What kind of equipment? Servers, racks, HVAC

How much power does one use? 20 – 50+ MWs per average-sized building

How long does it take to construct a single building? +/- 2 years

TYPES OF DATA CENTERS



WHAT IS A DATA CENTER?
The Controversy...

Do they use a lot of power? Yes

Do they increase energy costs for everyone? Sometimes

Do they use a lot of water? Certain types, but not all. Trending away from water use

Are they noisy? No. They fall below typical local noise ordinance levels

Do they create jobs? Yes. 30-50 FTE per building (avg. 250,000 square feet)

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HOW TO ATTRACT DATA CENTER DEVELOPMENT

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What are the lessons learned from other jurisdictions?

1) Identify where they should be in your Comprehensive Plan
2) Establish overlay districts that only require an SUP
3) Establish a specific Tangible Personal Property Tax category for data center equipment
4) Look for P3 opportunities and pick the right partner

WHAT MAKES FOR A GOOD DATA CENTER SITE

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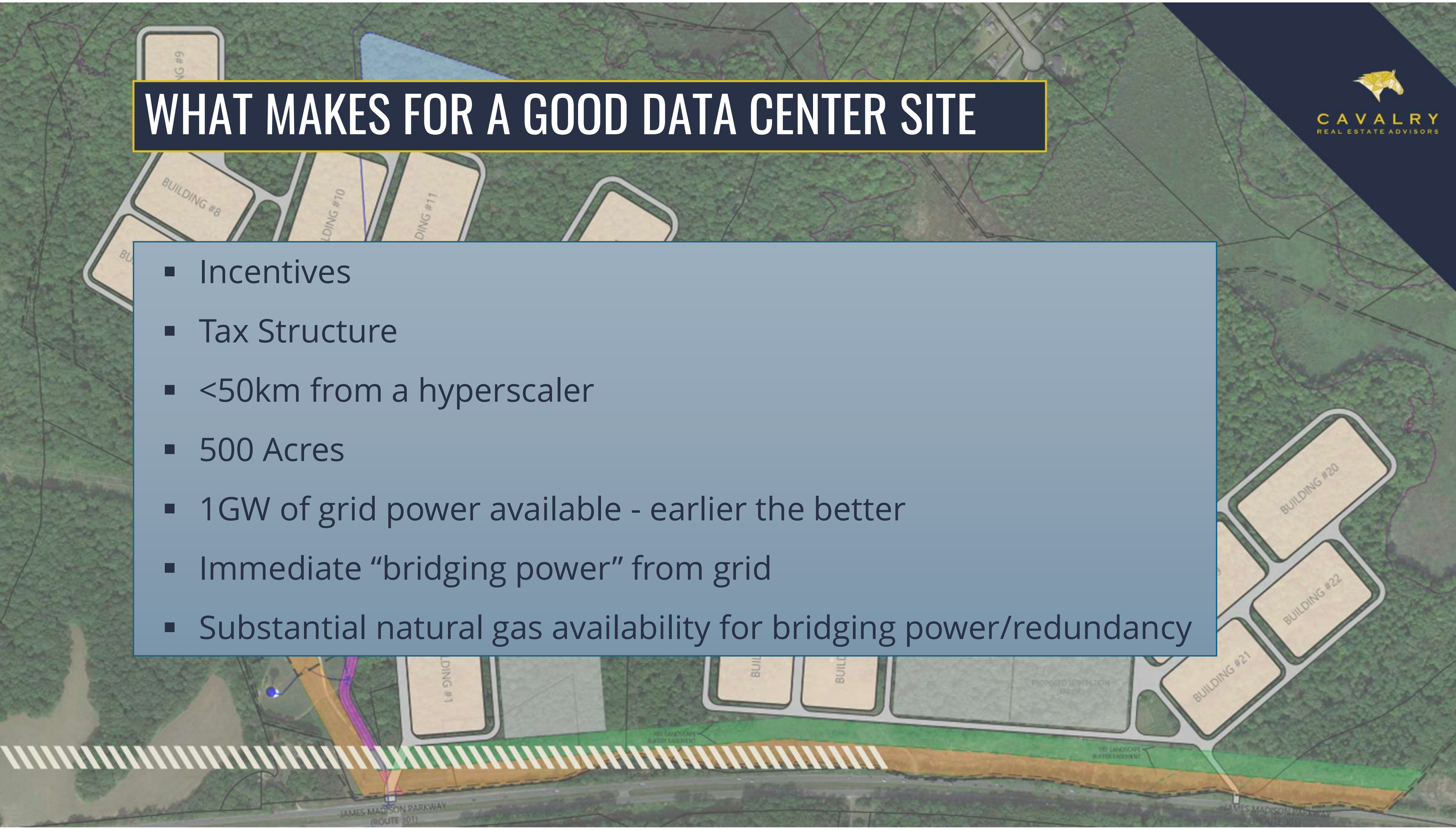
- Incentives
- Tax Structure
- <50km from a hyperscaler
- 500 Acres
- 1GW of grid power available - earlier the better
- Immediate “bridging power” from grid
- Substantial natural gas availability for bridging power/redundancy



HOW DO I CALCULATE FISCAL IMPACT

Real Estate Tax Impact

Land (Pre-entitlement, Post-entitlement)

Improvements (During construction, after C.O.)

Tangible Personal Property

CPU/GPU + Racks

  Refresh/Replaced every 3-5 years

Additional Local Tax Revenue (BPOL, Indirect economic impact to local businesses)

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Client: Example Client
Project: 123 Main Street
Date: 8/16/2021

Length of Analysis: 20 Years

Net Fiscal Impact Summary

Estimated Revenues
Real Property Tax
Personal Property Tax
Sales Tax
Meals Tax
BPOL Tax
Licenses & Permits
Miscellaneous Revenues
Total Estimated Revenues

Estimated Expenditures

Net Fiscal Impact

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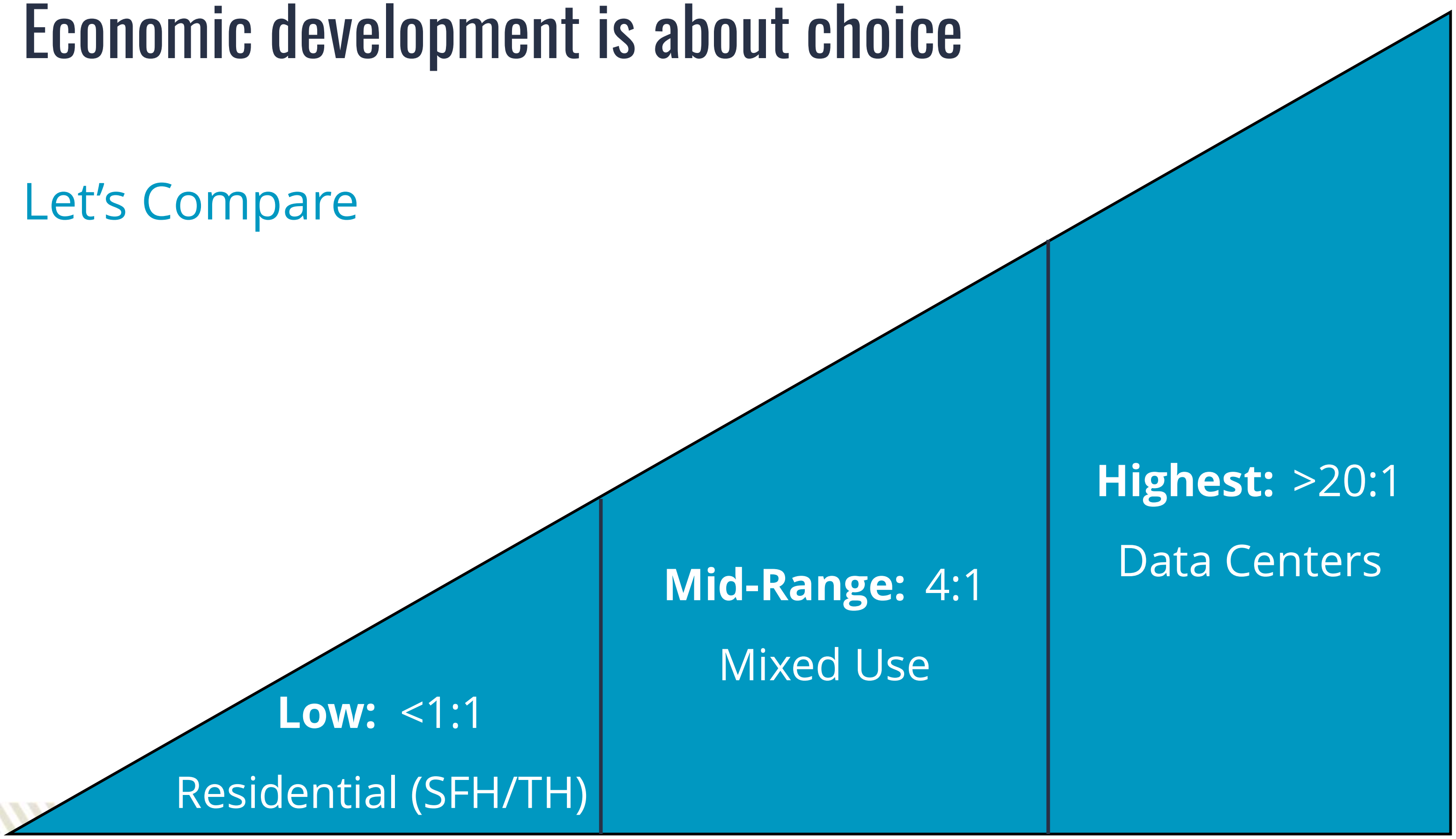
Client: Example Client
Project: 123 Main Street
Date: 8/16/2021

Year	Revenue	Expenditures	Net Fiscal Impact	Cumulative
2022	$ 107,830	$ -	$ 107,830	$ 107,830
2023	$ 217,526	$ -	$ 217,526	$ 325,356
2024	$ 420,289	$ -	$ 420,289	$ 745,645
2025	$ 880,116	$ 302,165	$ 577,951	$ 1,323,595
2026	$ 1,373,886	$ 381,639	$ 992,247	$ 2,315,843
2027	$ 1,469,211	$ 435,864	$ 1,033,346	$ 3,349,189
2028	$ 1,568,443	$ 492,563	$ 1,075,880	$ 4,425,069
2029	$ 1,671,718	$ 551,823	$ 1,119,895	$ 5,544,964
2030	$ 1,779,177	$ 613,739	$ 1,165,438	$ 6,710,402
2031	$ 1,823,656	$ 629,083	$ 1,194,574	$ 7,904,976
2032	$ 1,869,248	$ 644,810	$ 1,224,438	$ 9,129,414
2033	$ 1,915,979	$ 660,930	$ 1,255,049	$ 10,384,463
2034	$ 1,963,878	$ 677,453	$ 1,286,425	$ 11,670,888
2035	$ 2,012,975	$ 694,389	$ 1,318,586	$ 12,989,474
2036	$ 2,063,300	$ 711,749	$ 1,351,550	$ 14,341,024
2037	$ 2,114,882	$ 729,543	$ 1,385,339	$ 15,726,363
2038	$ 2,167,754	$ 747,781	$ 1,419,973	$ 17,146,336
2039	$ 2,221,948	$ 766,476	$ 1,455,472	$ 18,601,808
2040	$ 2,277,497	$ 785,638	$ 1,491,859	$ 20,093,667
2041	$ 2,334,434	$ 805,279	$ 1,529,155	$ 21,622,822
Totals	**$ 32,253,746**	**$ 10,630,924**	**$ 21,622,822**	**$ 21,622,822**

ARE DATA CENTERS RIGHT FOR MY MUNICIPALITY
Economic development is about choice

Let’s Compare



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