

DATA CENTER LEGISLATION

Presented by The Prince George's County Economic Development Corporation



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County Executive



ANALYSIS OF DATA
CENTERS IN VIRGINIA

DATA CENTER
LEGISLATION/CASE STUDY

AGENDA

MARYLAND
DATA CENTERS
INCENTIVE/IMPACT

RECOMMENDATION



DATA CENTERS IN PRINCE GEORGE'S COUNTY, MARYLAND AND VIRGINIA

MARYLAND

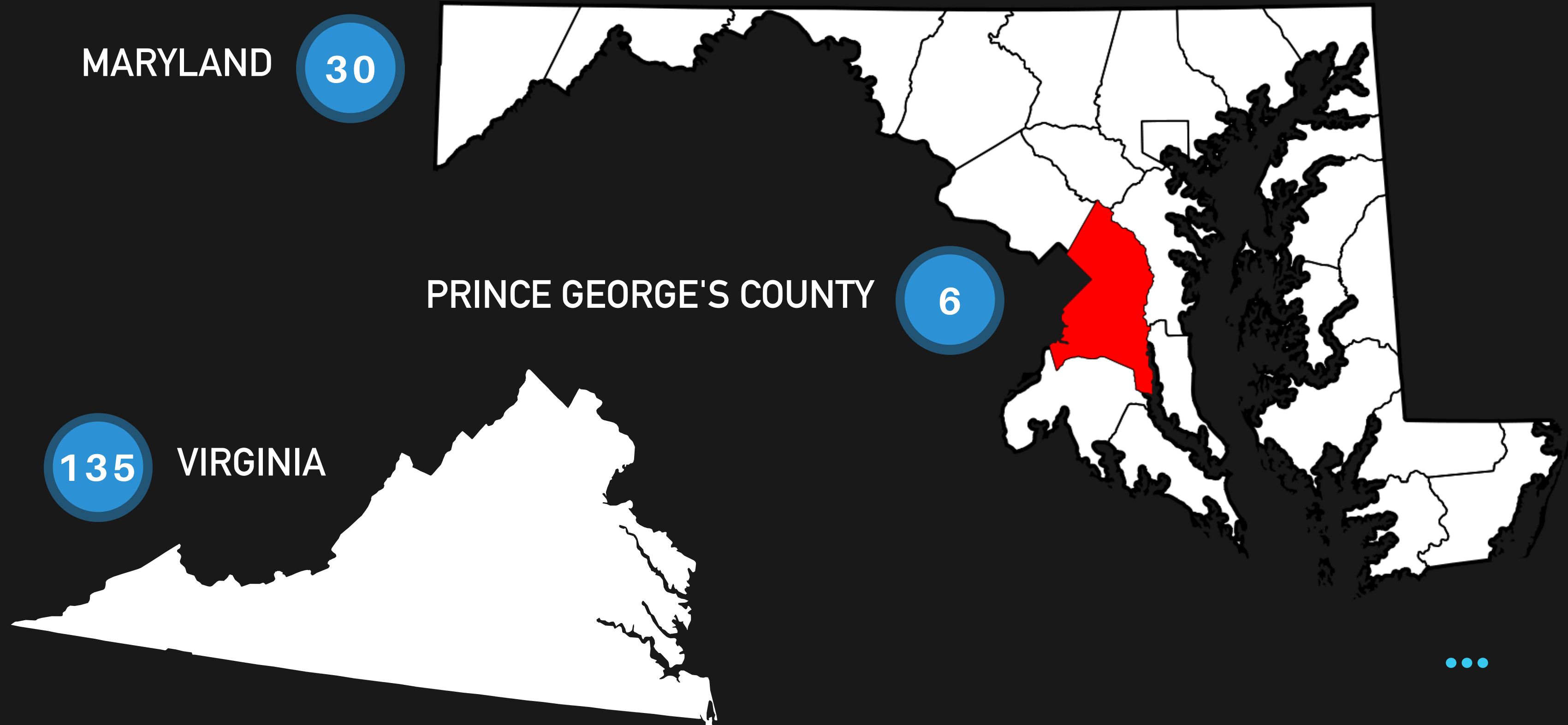
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PRINCE GEORGE'S COUNTY

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VIRGINIA



ECONOMIC IMPACTS OF A TYPICAL LARGE DATA CENTER TO LOCAL COMMUNITIES

Construction Phase

1,688 Local Jobs
\$77.7 Million in Wages
\$243.5 Million in Local Activities

Construction Phase Annually

157 Local Jobs
\$7.8 Million in Wages
\$32.5 Million in Local Economic Activities
\$1.1 Million in State and Local Taxes

Data Center Outputs

	Economic Multipliers	Impact
Direct construction jobs and indirect and induced jobs within the State	13,666	1,688
Wages of Direct Construction jobs and indirect and induced jobs	0.629	\$777 M
Direct construction outputs and indirect and induced output	1.97	\$2435 M
State and Local Taxes		\$99 M
Income taxes of direct, indirect, and induced jobs	5%	\$39 M
Sales taxes from indirect and induced outputs	5%	\$60 M

Descriptions

	Economic Multipliers Power Data Center	Total Impact
Direct, indirect and induced jobs within the State	5,342 10,659	157
Wages of direct, indirect, and induced jobs	0.311 0.503	\$78 M
Direct, indirect, and induced output	1,574 1,890	\$32.5 M
State and Local Taxes		\$11 M
Income taxes of direct, indirect, and induced jobs	5%	\$0.4M
Sales taxes from indirect and induced outputs	5%	\$0.7 M

DATA CENTER GROWTH IN VIRGINIA



Tax Exemption

- A sales and use tax exemption for Data Center purchases of computer equipment went into effect in 2009
- Has since been extended through 2035

Qualification

- Must spend at least \$150 million
- Must create between 25-50 new jobs in the area

Tax Revenue in 2014

- The ROI is
 - 9.5 in Loudoun County
 - 4.3 in Prince William County
- \$298.9 million in State and Local tax revenue

Other Economic Impacts in 2014

- 36,043 Jobs
- \$2.7 billion in Wages
- \$8.6 billion in Economic Output

NORTHERN VIRGINIA DATA CENTER TAX INCENTIVE

For every dollar in county expenditures, the Data Center sector provided approximately \$9.50 in tax revenue to Loudoun County, and approximately \$4.30 in tax revenue to Prince William County.

In 2018, Data Centers were directly and indirectly responsible for generating \$600.1 million in state and local tax revenue in Virginia.

Source: Maryland Data Center Impact : Mangum Economics

VIRGINIA COUNTY LEVEL IMPACT

At the local level, Data Centers provide far more in county or city tax revenue than they and their employees demand in local government services. For example, it's estimated that for every dollar in county expenditures that the data center industry caused in 2018, it generated:

- \$8.60 in local tax revenue in Henrico County and property taxes there would have had to rise by 1 percent without the data center induced tax revenue.
- \$15.10 in local tax revenue in Loudoun County and property taxes there would have had to rise by 21 percent without the data center induced tax revenue.
- \$17.80 in tax revenue in Prince William County and property taxes there would have had to rise by 7 percent without the data center induced tax revenue.



SENATE BILL

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397SALES AND USE TAX AND
PERSONAL PROPERTY TAX - EXEMPTIONS -
DATA CENTERS

This bill provides a sales and use tax exemption for the sale of qualified data center personal property for use at a qualified data center. The buyer must provide the vendor with evidence of eligibility for the exemption issued by the Comptroller. An individual or a corporation is eligible for the exemption if the individual or corporation owns a qualified data center at which the individual or corporation has invested at least \$5.0 million in qualified data center personal property and filled at least five qualified positions, within three years after submitting an application for a sales and use tax exemption. The minimum investment only needs to total \$2.0 million in a Tier I area. The bill also authorizes local governments to reduce or eliminate the percentage of the assessment of any data center personal property used in a qualified data center.

As of January 2020, 38 other states had enacted similar legislation.

MARYLAND COUNTIES IMPACT

A large Data Center would provide a very high benefit to cost ratio for the counties below in terms of the tax revenue it would generate relative to the government services that it and its employees would require. Local benefit to cost ratio would be approximately:

Table 1: Estimated Benefit to Cost Ratio Associated with a Hypothetical Large Data Center for Select Maryland Counties

LOCALITY	EST. ANNUAL TAX REVENUE BENEFIT	EST. ANNUAL BUDGETARY COST	BENEFIT/COST RATIO
BALTIMORE COUNTY	\$5,628,000	\$193,000	32.9
HOWARD COUNTY	\$4,715,000	\$223,000	21.2
KENT COUNTY	\$2,197,000	\$165,000	13.3
PRINCE GEORGE'S COUNTY	\$5,587,000	\$193,000	29.0

[Source: Maryland Data Center Impact : Mangum Economics

MARYLAND COUNTIES IMPACT

A large Data Center would have a significant one-time economic and fiscal impact on the counties below during its construction phase.

Table 2: Summary of One-Time Economic and Fiscal Impacts from Construction of a Hypothetical Large Data Center in Select Maryland Counties

LOCALITY	JOB	PAY & BENEFITS	ECONOMIC OUTPUT	COUNTY TAX REVENUE
BALTIMORE COUNTY	1,359	\$102,200,000	\$227,900,000	\$3,200,000
HOWARD COUNTY	1,210	\$111,000,000	\$229,400,000	\$3,600,000
KENT COUNTY	1,432	\$93,300,000	\$218,400,000	\$3,500,000
PRINCE GEORGE'S COUNTY	1,330	\$97,300,000	\$218,800,000	\$3,000,000

[Source: Maryland Data Center Impact : Mangum Economics

MARYLAND COUNTIES IMPACT

A large Data Center would have a significant annual economic and fiscal impact on these counties during its on-going operational phase.

Table 3: Summary of Annual Economic and Fiscal Impacts from the On-going Operation of a Hypothetical Large Data Center in Select Maryland Counties

LOCALITY	JOBS	PAY & BENEFITS	ECONOMIC OUTPUT	COUNTY TAX REVENUE
BALTIMORE COUNTY	121	\$8,000,000	\$38,500,000	\$5,628,000
HOWARD COUNTY	103	\$7,500,000	\$33,900,000	\$4,715,000
KENT COUNTY	105	\$6,100,000	\$32,300,000	\$2,197,700
PRINCE GEORGE'S COUNTY	107	\$6,200,000	\$32,700,000	\$5,587,000

[Source: Maryland Data Center Impact : Mangum Economics

County Council Legislation

This bill seeks the approval of the County Council in order to reduce or eliminate the percentage of the assessment of a qualified Data Center that is subject to the Prince George's County personal property tax.

Growing the commercial tax base with the addition of data center complexes in Prince George's County offers a tremendous potential for significant growth in non-residential real and personal property tax revenues, while demanding minimal public services in support. This legislation will allow the County to compete for data complexes that could exceed \$1 billion in private investments and create new local jobs.

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CB-55- 2020

IMPACT - MODEL A

UP TO 50% EXEMPTION | REAL PROPERTY

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Data Center - Project Assumptions	
Assumptions:	
Total Investment - Phase 1	\$500,000,000
Real Property	\$150,000,000
Personal Property	
Servers	\$300,000,000
Other	\$50,000,000
Subtotal	\$350,000,000
Total Square Feet	100,000
PGC Real Property Tax Rate - TRIM	\$0.960
PGC Real Property Tax Rate - Education	\$0.040
PGC Personal Property Tax Rate - Regular (**)	\$2.400
PGC Personal Property Tax Rate - Education	\$0.100
Depreciation Schedule - Personal Property	
Servers	
Other	
Replacement Cycle - Servers (years)	30.0%
Real Property AV - % of RP Investment (Year 1)	10.0%
	3
	75.0%

IMPACT - MODEL A

UP TO 50% EXEMPTION | REAL PROPERTY



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Year	RP Inflation	Projected Real Property AV	Projected RPT - TRIM	Projected RPT – Education	Projected RPT - Total
1	100.0%	\$112,500,000	\$1,080,000	\$45,000	\$1,125,000
2	103.0%	\$115,875,000	\$1,112,400	\$46,350	\$1,158,750
3	106.1%	\$119,351,250	\$1,145,772	\$47,741	\$1,193,513
4	109.3%	\$122,931,788	\$1,180,145	\$49,173	\$1,229,318
5	112.6%	\$126,619,741	\$1,215,550	\$50,648	\$1,266,197
6	115.9%	\$130,418,333	\$1,252,016	\$52,167	\$1,304,183
7	119.4%	\$134,330,883	\$1,289,576	\$53,732	\$1,343,309
8	123.0%	\$138,360,810	\$1,328,264	\$55,344	\$1,383,608
9	126.7%	\$142,511,634	\$1,368,112	\$57,005	\$1,425,116
10	130.5%	\$146,786,983	\$1,409,155	\$58,715	\$1,467,870
			\$12,380,990	\$515,875	\$12,896,864

IMPACT - MODEL A

UP TO 50% EXEMPTION | PERSONAL PROPERTY

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Year		PP Depreciation - Servers	PP Depreciation - Other	Personal Property AV - Server	PPT Rate – Education	Projected PPT - Regular	Projected PPT - Education	Projected PPT - Total
1	0.00%	0.00%	\$300,000,000	\$50,000,000	\$7,200,000	\$50,000	\$7,250,000	\$7,300,000
2	30.00%	10.00%	\$210,000,000	\$45,000,000	\$5,040,000	\$45,000	\$5,085,000	\$5,130,000
3	30.00%	10.00%	\$120,000,000	\$40,000,000	\$2,880,000	\$40,000	\$2,920,000	\$2,960,000
4	0.00%	10.00%	\$300,000,000	\$35,000,000	\$7,200,000	\$35,000	\$7,235,000	\$7,270,000
5	30.00%	10.00%	\$210,000,000	\$30,000,000	\$5,040,000	\$30,000	\$5,070,000	\$5,100,000
6	30.00%	10.00%	\$120,000,000	\$25,000,000	\$2,880,000	\$25,000	\$2,905,000	\$2,930,000
7	0.00%	10.00%	\$300,000,000	\$20,000,000	\$7,200,000	\$20,000	\$7,220,000	\$7,240,000
8	30.00%	10.00%	\$210,000,000	\$15,000,000	\$5,040,000	\$15,000	\$5,055,000	\$5,070,000
9	30.00%	10.00%	\$120,000,000	\$10,000,000	\$2,880,000	\$10,000	\$2,890,000	\$2,900,000
10	0.00%	10.00%	\$300,000,000	\$5,000,000	\$7,200,000	\$5,000	\$7,205,000	\$7,210,000
					\$52,560,000	\$275,000	\$52,835,000	\$53,110,000

TAX REVENUES

UP TO 50% REDUCTION IN PERSONAL PROPERTY TAXES

Year	Regular Exemption %	PPT Regular- Exemption	PPT Paid- Total	PPT Paid - Equivalent Rate
1	50.00%	\$3,600,000	\$3,650,000	\$1.04
2	50.00%	\$2,520,000	\$2,565,000	\$1.01
3	50.00%	\$1,440,000	\$1,480,000	\$0.93
4	50.00%	\$3,600,000	\$3,635,000	\$1.09
5	50.00%	\$2,520,000	\$2,550,000	\$1.06
6	50.00%	\$1,440,000	\$1,465,000	\$1.01
7	50.00%	\$3,600,000	\$3,620,000	\$1.13
8	50.00%	\$2,520,000	\$2,535,000	\$1.13
9	50.00%	\$1,440,000	\$1,450,000	\$1.12
10	50.00%	\$3,600,000	\$3,605,000	\$1.18
		\$26,280,000	\$26,555,000	



CONCLUSION

CONSTRUCTION OF A
LARGE DATA CENTER
WOULD SUPPORT
OVER 100 JOBS
ANNUALLY

PROVIDE MILLIONS
OF DOLLARS IN
LOCAL PAY AND
BENEFITS

GENERATE SIGNIFICANT
LOCAL TAX REVENUE

HIGH LOCAL BENEFIT-
TO-COST RATIO:
13:1 TO ALMOST 33:1

ROI \$13 TO \$33 IN LOCAL
TAX REVENUE FOR
EVERY \$1 IT OR ITS
EMPLOYEES CONSUMED
IN SERVICES.(ESTIMATE)

EMERSON
Network Power

EMULEX



Schneider
Electric



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