

Date: May 4, 2026

To: Mayor Boucher

CC: Hermantown City Council and St. Louis County Board of Commissioners

RE: Google Tax Abatement and Development Agreements

Dear Mayor Boucher,

We are writing to convey grave concern regarding the Tax Abatement Agreement and the Development Agreement between Harmony Group LLC (“Google”) and the City of Hermantown (the “Agreements”), which the City Council will consider at the public hearing on May 4, 2026. We would have written about our concerns sooner if the community had been given more than 7 business days to consider the Agreements. We’re asking the City Council to address our concerns during the City Council meeting on May 4, 2026. If the City Council cannot factually and adequately address these concerns, we urge the City Council to vote no or table the decision on the Agreements, particularly given that Stop the Hermantown Data Center (SHDC) alleged in its Complaint served April 29, 2026 that the City has violated spot-zoning restrictions and has otherwise improperly changed the zoning in the Adolph neighborhood. We maintain that the location is inappropriate for this massive industrial project.

If the City approves the Tax Abatement Agreement or Development Agreement before the environmental review for the hyperscale data center is complete, that would fail to comply with Minnesota Rules 4410.3100 Subparts 1 and 2. These Rules apply to the AUAR process in progress for the data center, per Minnesota Rules 4410.3610 Subpart 2.B. Approval of these Agreements would prejudice the ultimate decision on the proposed data center, along with the water utility and road improvements described in the Development Agreement, because it would pre-determine the location and other project design aspects of the data center, and the specific location and project design of the water utility and road improvements. The environmental review process is supposed to allow for alternative sitings, alternative technologies, and alternative project designs to be considered, along with the option of no action. Note also that the water utility and road improvement projects are connected actions to the data center project under the Minnesota Environmental Policy Act and the environmental review needs to address all of these together (See Development Agreement p. 1, “...in order to develop the Project, the Company will need to construct roadways, sewer line extensions, and water main extensions as outlined in Exhibit I and Exhibit G;”).

The facts as we understand them are that Google agrees to pay up front for the \$130M in municipal infrastructure. The City will rebate to \$70-80M in property tax payments to offset those infrastructure costs at least 20 years, at an average of \$4M per year. We understand that, per Minnesota State Statute, cities can abate up to 15 years. But if either the school board or the county decline (in writing) to grant an abatement, the city's duration limit of the abatement can be increased to 20 years.

To the best of our knowledge, neither Hermantown School Board nor the St. Louis County Board of Commissioners has voted to approve or decline an abatement via resolution during a regularly scheduled meeting or public hearing. If the School Board or County *has* done so, the City should provide such written proof to residents prior to the May 4, 2026 City Council meeting. Any abatements agreed to by the School Board or County will also affect the citizens of Hermantown. Understanding the total value of abatements to Google should be known and considered. The Hermantown City Council should be making informed decisions in totality, not in a vacuum. The goal of the City should be the best terms for Hermantown and to do that, the City and constituents need all the pieces of information.

We understand that the City revenue from the project, \$150K + \$100K + 15% of tax revenue, is estimated to be \$448K per year at full buildout. By the City's analysis, this equates to a \$2.5M per year discount on city property taxes alone. According to the Minnesota Office of the State Auditor, the net tax capacity of Hermantown in 2024 is \$20,208,334. Describe in detail the tax base projections (real numbers) that would allow tax abatement of \$4M per year for a single company. With public opinion decidedly in favor of tech giants paying their own way for infrastructure, how do you justify this to the constituents?

During the City Council's Work Session on March 23, 2026, the projected 10-year financial plan discussed was a "wish list" beginning in 2027. Included in the presentation by Ehler's was the addition of 7 new positions valued at \$150k each hired over ten years. This would add over \$1M in wages and benefits to the City's budget and result in a 17% levy increase. This is greater than the additional property taxes being paid by Google exceeding \$500M. The City Councilors did push back and stated they wanted the levy limited to a zero percent increase. The needs of the City to hire an additional 7 positions, and the subsequent shortfall of the additional property taxes that will be collected due to the abatement, indicates that better terms must be negotiated.

Please provide additional information about how the project is going to "unlock potential value". We understand the \$130M municipal infrastructure extension. However, we question if, and how, the project is really going to generate an estimated \$4M per year (\$80M/20 years) in potential added value. To do so, at 0.5% city tax rate, there would need to be \$800M of new development, equivalent to 177 Bass Pro Shops! We don't believe that

there is sufficient available real estate in the City of Hermantown to build the equivalent of 177 new Bass Pro Shops, particularly along the location near the new municipal infrastructure extension, nor do we think the residents want to change the city to that degree even if we could. If the justification for the tax abatement is future economic growth, then residents urge that this be studied, modeled, and shared for public comment, prior to approving the Agreements.

Concerning future economic development, it is misleading to state that hyperscale data centers attract other businesses. However, they *do* attract additional data center developments, lots of them. Residents deserve a real and true response concerning the long-term development plan for the southwest corner of Hermantown that borders Solway and Midway Townships. Hermantown residents have not expressed a desire to sacrifice rural Hermantown in favor of hyperscale data centers or other industrial projects. The lives and homes of residents in Solway and Midway Township would also be affected, and they are without voting representation for the City of Hermantown project that is going to upend their lives and homes.

To the best of our knowledge, the \$130M in municipal infrastructure extension is *exclusively* for the purpose of Google building its proposed hyperscale data center in a rural area of the City that is surrounded by residential dwellings that are well and septic. Are residents expected to pay for the infrastructure extension via stormwater assessment (like the very expensive road assessments in the City of Hermantown for which residents are already paying) for the maintenance of infrastructure that residents oppose?

It's misguided to use the tax abatement cap to devote 7% of the state-allowed 10% to one company. Such a decision constrains future economic development and limits the City's options to attract businesses that employ more than 2.5 individuals per acre. The only other sector that employs fewer individuals per acre is farming. How does the City intend to attract additional economic development, considering that 7% is devoted to one large company for 20+ years? At a minimum, it's financially risky, if not irresponsible, to place "all one's eggs in one basket", particularly for a small community. What financial risk mitigation strategies has the City studied or modeled, that focus on the disappearance of the end user, a real and true risk given the continual reinventing of the market, in particular, the newly released Google Gemma?

Finally, the terms of the Agreements are outdated, and the City should negotiate with Google for more favorable terms. For comparison, see Microsoft's "Building Community-First AI Infrastructure Plan" from January 2026 in which Microsoft announced it will set a high bar by not requiring tax abatement agreements, among other points detailed in its Plan. Will

Google follow Microsoft's lead and decline abatements and do more for communities it chooses to impact?

In another example, Oppidan (a Minnesota data center company) signed a deal with Beaver Dam, Wisconsin, that not only refuses tax abatement but pays the city \$6.5M for infrastructure.

Given these trends, why doesn't the City of Hermantown strike a better deal and at least require Google to install and pay for infrastructure absent of tax abatements? The exemption from sales tax, on its own, is ridiculously generous to a \$3-4T tech giant. Perhaps it's time for Google to stop taking advantage of small cities and towns.

We'd like to be able to attract *actual* economic development through a transparent process, to the proposed technology park (not rural residential zone), with *actual* employment, and *actual* benefit to the community. Again, if the City Council cannot factually and adequately address these concerns, we urge the City Council to vote no or table the decision on the Agreements.

The public has a right to know.

Stop the Hermantown Data Center

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