

Agenda Item

DATE: MARCH 5, 2024

TO: DOUGLAS COUNTY BOARD OF COUNTY COMMISSIONERS

THROUGH: DOUGLAS J. DEBORD, COUNTY MANAGER

FROM: TERENCE T. QUINN, AICP, DIRECTOR OF COMMUNITY DEVELOPMENT *TCW / TA*

CC: CLASSIC WAGNER, PRINCIPAL PLANNER
LAUREN PULVER, PLANNING SUPERVISOR
KATI CARTER, AICP, ASSISTANT DIRECTOR OF PLANNING RESOURCES
CASEY BROWN, SENIOR ASSISTANT COUNTY ATTORNEY

SUBJECT: INCENTIVE REQUEST: EDGECONNEX

SUMMARY

In support of the Board of County Commissioners' (Board) Economic Foundation Core Priority, the Board can provide tax rebates, fee waivers, and infrastructure assistance as forms of business incentives.

Staff recently received a request from EdgeConneX to extend its existing business personal property tax (BPPT) rebate agreement associated with property at 8451 Highfield Parkway by 25-years. This extension would enable the company to benefit from the full 35-year of BPPT rebate term enabled by statute. Additionally, the company is requesting letters of support to incentivize two prospective businesses with Douglas County's BPPT rebate. The prospective customers would be investing in the site's new operations with an estimated \$1.2 billion in infrastructure investments. These businesses will need to apply for the BPPT when they are prepared to locate in the County.

BACKGROUND

EdgeConneX is an international data center solution company. They were founded in 2009 and provide data center and management services to their clients. The company has over 50 locations with operations across the world. Due to current and ongoing negotiations, the applicant has not shared the identities of the two prospective lease customers for the site at 8451 Highfield Parkway.

REQUESTS

BPPT Agreement Term Extension

EdgeConneX entered in to a BPPT rebate agreement with Douglas County on October 30, 2014 and has received \$129,845 in BPPT tax rebate through 2023. EdgeConneX plans to bring additional infrastructure investments totaling \$170 million to the existing facility beginning in

2025. The company is requesting to amend the current agreement to provide for the maximum available tax rebate benefit for these additional investments. The current agreement expires on November 12, 2029, and an extension could be provided up to October 2049. The requested extension could reflect a yearly average of \$195,676 and a total of \$6.8 million. An amendment would require approval by the Board at a business meeting.

Letters of Support

Two prospective businesses are contemplating selecting a Colorado location and leasing space at the EdgeConneX location. One (Business A) is expected to have about \$800 million worth of business equipment, and the other (Business B) is expected to have \$200 million in computer and related equipment. The businesses are anticipating the creation of a total of 6-8 new jobs at this location.

If these businesses select to move to the EdgeConneX location, they will be required to return to the Board for approval of a BPPT agreement at a business meeting. The estimated yearly value for Business A's BPPT rebate over the maximum 35-year total could reflect an average of \$1.8 million a year for a total of \$65.2 million. The estimated yearly value for Business B's BPPT rebate over the maximum 35-year total could reflect an average of \$465,000 a year for a total of \$16.3 million.

The Board has historically considered incentive requests based on C.R.S Sections 30-11-123 and 39-30-105.1, which provide general defining characteristics of facilities eligible for BPPT rebate. C.R.S. Section 30-11-123 provides that the "health, safety, and welfare of the people of this state are dependent upon the attraction, creation and retention of jobs." Eligible businesses are those locating or expanding in Douglas County undertaking job creation or capital improvement projects.

NEXT STEPS

Staff is prepared to discuss the incentive requests in greater detail with the Board.

ATTACHMENTS

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January 2, 2024

Ms. Lauren Pulver
Planning Supervisor
Douglas County Department of Community Development
Planning Resources
100 Third St.
Castle Rock, CO 80104

Dear Ms. Pulver -

Thank you for the helpful guidance that you have provided in our recent discussions concerning the currently vacant data center at 8451 Highfield Parkway (the Site).

The Site is owned by EdgeConneX. Founded in 2009, EdgeConneX has built over 50 data centers across North America, Europe, Asia Pacific, and South America. EdgeConneX continues to move the Internet to where it is needed – into local markets across the country and around the globe.

The project under consideration would result in investment by EdgeConneX in infrastructure improvements in the range of \$170 million that would enable the Site to be transformed from its current shell state into a functional data center. This investment is dependent on customer commitments to the Site.

EdgeConneX is currently in discussions with two prospective customers that have interest in the Site. One prospective customer would bring investment in computer and related equipment to the Site that is expected to be in the range of \$800 million. The other customer would bring investment in computer equipment to the site in the range of \$200 million. Together with the above-mentioned building infrastructure improvements, total investment at the site would be in the range of \$1.2 billion.

Both prospective customers are giving consideration to sites outside of Douglas County and Colorado and are carefully evaluating the property tax and sales tax environments associated with their options. A personal property tax exemption would be very important to the financial viability of the EdgeConneX infrastructure investment and to the decision of the prospective Customers on whether or not to locate their computer equipment at the Site.

EdgeConneX and the County entered into a ten-year, 100% personal property tax rebate agreement on November 12, 2019. EdgeConneX respectfully requests either an amendment to the November 12, 2019 agreement or a revised agreement that would allow for all of its above referenced personal property investment would be eligible for the 100% rebate for the maximum available benefit period.

EdgeConneX also requests a commitment from the County that it will be willing to enter into similar rebate agreements related to customer equipment at the Site for the maximum available amount and duration allowable by the County, understanding that customers would be required to enter into their own rebate

agreements with the County. These commitments are critical to the decisions being made by the prospective customers and, hence, competitive and economic viability of the Project.

This matter is time sensitive, as we need to set reliable expectations with our prospective customers on this issue as soon as possible. I would be happy to engage in further discussions with you and your County Board of Commissioners to answer questions about the Project. I can be reached at 443-386-8328 or at todd.workman@altusgroup.com.

Thank you,
On behalf of EdgeConneX, Inc.

Todd Workman

Todd Workman
Authorized Representative

February XX, 2024

EdgeConneX Holdings, LLC
c/o Todd Workman
2201 Cooperative Way, Suite 400
Herndon, VA 20171

Dear Mr. Todd Workman,

As you may know, Douglas County has a growing and desirable reputation for being intentional and responsive in its commitment to effectively partner with the public and private sectors, keenly focused on our goal to create, and sustain a strong local and state economy. Consistent with our reputation, the Board of Douglas County Commissioners is committed to strategically investing in the foundation for a strong economy and ultimately establishing an environment in which businesses can succeed.

To that end, subject to final approval by the Board of County Commissioners, Douglas County is pleased to support the addition of two prospective businesses at the EdgeConneX site in our business community. Douglas County is willing to offer the incentives needed for successful expansion. Upon final approval by the Board of County Commissioners, those incentives may include:

- Business Personal Property Tax Rebate of 100% for up to 35 years on the new personal property at the company's facility (county's portion only).
- Waiver of development review, permit and inspection fees associated with tenant finish (use tax not included). Company or applicant should ensure they are the recipient of this incentive through arrangements with project management or construction representatives.

It is my pleasure to work with EdgeConneX. Douglas County looks forward to supporting the project through timely and efficient transition as your business expands in our County.

Sincerely,

George Teal, Chair
Douglas County Board of County Commissioners