

## Remarks by Loren Hill for DC Blox project public hearings

*October 5, 2020*

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I'm Loren Hill, president of the High Point Economic Development Corporation.

High Point EDC Executive Vice President Sandy Dunbeck, Vice President Marshall Yandle, and I are pleased to present an important project that is considering a new facility in High Point.

DC Blox – which is headquartered in Atlanta – operates multi-tenant data centers.

- The company is considering building and operating its next data center on the 14-acre tract at 4131 Sheraton Court.
- That site is at the corner of Piedmont Parkway and Sheraton Court in the Piedmont Centre business park, adjacent to the Bicentennial Greenway.

The company's data centers have all the infrastructure needed by their clients – such as wiring, uninterruptible power supply systems, climate control systems, staffing, and security measures.

- The company's multiple clients will put data processing equipment such as servers and affiliated equipment in the data center.

Sandy first met with DC Blox officials more than a year ago as the company looked at Piedmont Triad locations. She helped them zero in on this High Point location.

When six “data halls” are completed in the building, capital investment could be more than **\$305 million**.

- Yes, High Point's tax base would increase by up to **\$305 million** -- if DC Blox chooses this location.
- The total investment of DC Blox – in both real and personal property – is expected to top \$50 million.
- In addition, the company expects more than \$255 million of “induced customer investment” from the equipment of the client businesses of DC Blox.

If DC Blox chooses High Point for this data center project, the \$305 million that the company would add to the tax base will be the largest capital investment of any High Point project in the 20 years I've been in this job.

- The previous largest project that Sandy and I worked in High Point was Ralph Lauren Corporation's \$163 million expansion – announced in two phases – six months apart back in 2012.

As is typical with data centers, capital investment is impressively large but job creation is minimal – in this case, up to nine employees.

- The wages of those jobs would be \$83,000-93,000 per year, significantly above the Guilford County average annual wage of \$49,000.
- There would also be 3 contracted security jobs.

According to Assistant City Manager Eric Olmedo, the property tax paid to the City of High Point on \$305 million would be more than **\$1.9 million** per year, at the current city tax rate of 64.75 cents per \$100 of value.

High Point is being asked to consider authorizing performance-based incentives equal to up to 50% of the property taxes paid each year by DC Blox and its client businesses.

Here's how it would work.

- DC Blox and the businesses with equipment in the data center would pay their City taxes.
  - DC Blox would total those numbers and submit to the City the total dollar amount of those taxes already paid.
  - The City would have the Guilford County Tax Department verify that number.
  - And then the City would give the company a grant equal to half of that amount.
- So High Point would get the revenue first, before making the grant for that year.

As usual, any such city incentives would be subject to the company meeting benchmarks spelled out in a performance agreement.

If this Sheraton Court location is chosen, the initial grant year will be designated by DC Blox – and would be no later than 2024.

- Grants would be paid to DC Blox for a ten-year period for each property taxpayer in the building which receives an initial grant payment in any year – within the first seven years of incentive grants being paid.
- Thus, the incentive would be in effect for at least 10 years and could be up to 17 years, depending on how quickly the data center fills its data halls with its clients' equipment.
- Of course, the equipment in a data center depreciates, but with technology changing quickly, the equipment would need to be replaced every 3-5 years. This type of incentive arrangement encourages companies with servers in this data center to continue to invest in the latest equipment – and that means there would continue to be additions to our tax base.

Performance-based incentives for the data center industry are necessarily different than incentives for other types of projects, so I want to be clear that if you authorize an incentive like this, we aren't setting a precedent for other economic development projects, only for future data center projects.

- An incentive like the one I've just described is new to High Point – but that's because we haven't had a data center project before.
- While such incentives are new to High Point, this kind of incentive is in effect elsewhere in North Carolina and in other states.
- In those other locations, the number of years involved in data center project incentive agreements are often considerably longer than what is being asked by DC Blox for High Point to consider.

On October 1st, the Guilford County Board of Commissioners held its public hearing for a similar incentive proposal. They will hold their vote on October 15.

Other locations in competition for this project are in other Southeastern states.

I'm pleased now to turn the presentation over to our clients.

- CEO **Jeff Uphues** and Chief Operating Officer **Mark Masi** are participating remotely.
- Attorney **Margaret Burnham** from Greensboro is with us in person.
- Mr. Masi will describe his company, its multi-tenant data centers, and this project, and he will show a slide presentation.

Mayor and City Council members, I'm pleased to introduce you to COO Mark Masi.

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*--Mark Masi makes his presentation--*

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*(Loren returns to podium)*

The company expects to make its location decision on whether to choose the Sheraton Court location either just before or just after January 1.

Mayor and Council, the High Point EDC staff recommends that the City Council:

- authorize performance-based incentives for this DC Blox project; and
- authorize the City Manager to execute a performance agreement with the company containing benchmarks for the company to achieve and a schedule for the payment of such financial incentives.

CEO Jeff Uphues and Attorney Margaret Burnham are standing by with Mr. Masi to answer any questions you many have.