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## **Draft Pre-Annexation Agreement Establishes Significant Benefits, Eliminates Risks to Village**

**DEFOREST, WIS.** – At the direction of the DeForest Village Board, ongoing negotiations with QTS have produced a draft Pre-Annexation Agreement that begins to establish strong protections and community benefits related to the proposed data center development.

In line with its commitment to transparency, the Village is making a near-final draft of the Pre-Annexation Agreement public. This draft may be further refined in ways that produce the most benefits possible for DeForest should Annexation move forward.

"We are negotiating an incredibly protective, legally binding agreement with QTS such that, if the Village opts to move forward with annexation and subsequent considerations necessary for the development of a data center, the DeForest community faces minimal risks financially, environmentally, or in terms of our quality of life," said Village Administrator Bill Chang. "I am confident that this draft Pre-Annexation Agreement can ensure a data center development would actually *benefit* our community."

### **Significant property tax savings for residents, additional funding for local investments**

As part of the Agreement, the Village would require the company to guarantee a minimum valuation of \$1.2 billion for the development – obligating the company to pay property taxes based on at least a \$1.2 billion assessed valuation, even if the actual valuation is lower.

At that minimal level, initial financial analyses show the company would pay approximately \$12 million in annual property taxes to local jurisdictions by 2031, offsetting the burden on residents. Over 15 years, that represents an average reduction in mill rate of \$3.10, which would represent a total property tax savings of about \$1,772 per year for a home with an assessed value of \$400,000.

"This is why it is responsible for DeForest to carefully consider the proposed data center development. This scale of resources could pave the way for generational investments in local priorities and services," said Village Administrator Bill Chang. "The DeForest community has outlined an ambitious Strategic Plan that requires thoughtful investment for sustained growth. With a stable influx of property tax revenue, we would be able to continue to provide high levels of service, adequate facilities, and grow community amenities, while reducing the tax burden for decades to come."

Relative to QTS's commitment of \$50 million for investments in the community, the draft agreement requires that investments the company makes to address challenges and impacts be funded through separate dollars – preserving the \$50 million for truly community-benefiting investments.

### **No approvals promised**

Producing a Pre-Annexation Agreement does not obligate the Village to approve Annexation or any other request related to development. In the event the Village Board does approve Annexation in

the future, commitments referenced in a final Pre-Annexation Agreement would be further refined and reflected in a Development Agreement.

**Key protections outlined**

The draft Pre-Annexation Agreement outlines several key protections and commitments from the company, specifically related to topics raised by community members. For example, the draft agreement underscores:

**Protections for water use, wastewater, and stormwater management**

The agreement outlines a comprehensive set of protections regarding water resources and the environment.

- A “closed-loop” liquid cooling system that does not rely on evaporation would be required.
- Any water used in cooling systems must be treated and disposed of according to regulations and restrictions recommended by the Madison Metropolitan Sewerage District (MMSD).
- The development would be prohibited from using water from the DeForest Water Utility, except for the initial charging of the system and for domestic uses only (e.g., sinks, bathrooms, drinking fountains).
- The developer must further reduce demand on the potable water supply by implementing a “gray water system” to collect and reuse domestic wastewater for landscape irrigation.
- The developer must consent to the public disclosure of its water usage data.
- The developer must install a wastewater monitoring station to measure effluent discharge, and the Village must be guaranteed access to this station at all times.
- The stormwater management system must be designed to return more water to the ground than it sheds as runoff.
- The developer must contribute a minimum of \$1,500,000 to the Yahara River Watershed Conservation Fund.
- To prevent groundwater contamination, facility operators must receive training from the “Salt Wise” coalition and minimize salt usage for snow and ice control.
- To protect the local aquifer, the developer is prohibited from installing new private wells on the property or adjacent properties.

**Expectations for energy usage and ratepayer protections**

The agreement outlines an energy strategy that imposes renewable targets, protects ratepayers from infrastructure costs, and mandates the developer to provide community support.

- The developer must fund all costs associated with relevant improvements to new or existing electric infrastructure that may be necessary.
- The developer must partner with the local utility to provide a community solar project to assist local homeowners with the cost of adding residential electric generating capacity and local energy storage to supplement residents' own energy demands and reduce their overall energy costs.
- The use of fossil-fueled backup power equipment is prohibited except during power outages, fluctuations, or necessary testing.
  - To reduce noise and disturbance, non-emergency maintenance and testing of backup generators are restricted to the hours of 9:00 a.m. to 4:30 p.m.

**Company funding for all public infrastructure improvements**

The agreement outlines how the Village and residents would be insulated from costs associated with the project.

- The developer must construct and install all public infrastructure determined necessary by the Village to serve the development, including water systems, sewer systems, and roadway repairs and improvements.
- The developer must provide \$1,064,163 to the Village for the previously constructed Hickory Lane sanitary sewer extension, representing a proportionate share of the cost.
- The developer must make a contribution of \$1,500,000 toward the CTH V and I-39/90/94 interchange project.
- The developer must pay the full initial cost for planning and designing a new transit route from Madison to the development.

**Guardrails for construction and operations, particularly as it relates to noise and light**

In addition to confirming the expectation that operations comply with existing ordinances related to noise level restrictions, the agreement outlines a multi-layered approach to noise and light control.

- The developer is required to retain a Noise Control Engineer certified by the Institute of Noise Control to determine pre-existing sound levels, conduct modeling of sound levels at all residences within ¼ mile of the property, and recommend sound mitigation measures to the “maximum extent practicable.”
- The developer must comply with “dark sky” lighting design requirements, including by directing light downward to minimize glare and skyglow.
- As a safety net for neighbors, if a resident living within ¼ mile of the property is adversely affected by noise from the operation and seeks to move, the developer commits to purchasing their property at 110% of the assessed value.

**Anticipated next steps**

The Village and QTS will continue to finalize negotiations. During an upcoming public meeting, an updated version of the agreement will be provided to the community. It is anticipated that the Village Board will consider approving the Pre-Annexation Agreement in February.

Due diligence is ongoing related to the proposed development. An overview of each anticipated step in the public consideration processes, submitted materials, fact sheets, a tentative timeline for public meetings, and an opportunity to sign up for alerts from the Village are available at [www.EngageDeForest.com/QTS](http://www.EngageDeForest.com/QTS)

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