

Community Benefits Subcommittee

Recommendations

The Community Benefits Subcommittee was tasked with identifying the ways in which the incorporation of data centers into the local economy would benefit the residents of Frederick County. Neighboring jurisdictions in Northern Virginia have realized large amounts of tax revenue and other non-monetary forms of benefit from data center development. With the understanding that the tax systems and land development processes differ between Maryland and Virginia, two different tax revenue sources were identified, and they are included in these recommendations.

The current Frederick County CDI Ordinance (22-05) is a zoning regulation which adds Critical Data Infrastructure as an approved land use in GI (General Industrial) and (Limited Industrial) zoned areas. 22-05 does not address taxation or other community benefit issues. These issues should be addressed separately from potential updates to 22-05. These recommendations are being submitted to County staff for further examination and development.

The Maryland Tech Council report estimated Frederick County receiving approximately \$41 million annually in real property taxes when the operating phase is complete, assuming a rate of \$2.00 per \$100 of Assessed Value (AV). This revenue is projected to be realized with no additional taxes or fees imposed, so it is not included in the recommendations.

In 2020, the State of Maryland established a Sales and Use Tax Exemption Incentive Program. To understand the potential additional revenue generated by imposing a county personal property tax, Municap presented 4 scenarios with personal property tax rates of \$1.80 per \$100 of AV and \$2.00 per \$100 of AV with sample facility sizes of 300,000 to 800,000 square feet. Detailed revenue projections can be found in the Municap report. This tax revenue would expand the commercial tax base and provide a possible new revenue stream for urgently required school construction and renovation capital projects.

A High-Energy Surcharge was discussed to encourage the employment of energy efficient building standards and cooling technologies. No revenue projections were available or evaluated. More research beyond the workgroup's efforts would be required by the County to understand the implications of this fee.

Additionally, the subcommittee evaluated Community Benefit Agreements (CBA) as another tool to formalize agreements between data center companies and Frederick County. The CBA between MGM Resorts International and Prince George's County was used as a model. This agreement ensured 50% of the jobs created would go to the local workforce.

Recommendations

1. The County should establish a Personal Property Tax with a regionally competitive rate. To the extent possible, this tax should be data center focused.

2. The County should require Community Benefit Agreements to be included in the Site Plan approval process. Area to be addresses include-
 - a. Education and Workforce Development
 - b. Scholarship Programs
 - c. Internship Opportunities
 - d. Workforce Training Programs
 - e. Job Creation
 - f. Local Hiring Initiatives
 - g. Job Fairs
 - h. Non-Profit Contributions
 - i. Financial Contributions
 - j. In-Kind Support
3. The County should establish a High-Energy surcharge to encourage efficient building standards, and to offset environmental costs to the County.