Mecklenburg County Board of Supervisors

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Alex Gottschalk
County Administrator
Director of Emergency Management

Mecklenburg County is a rural county of 30,000 people located halfway between Richmond and Raleigh. For most of the twentieth century, Mecklenburg's dominant industries were tobacco, textiles, and recreational lake-based tourism. Accordingly, the initial years of the twenty-first century brought economic hardship as those traditional industries eroded. In 2007, a new opportunity beckoned: data centers. Mecklenburg's first exposure to the data center industry came through adaptive reuse: the conversion of a former Russell Stover candy manufacturing facility into a one building data center. In the summer of 2010, the Commonwealth of Virginia and Mecklenburg County announced what was then the largest economic investment in the history of Southern Virginia: a data center campus. In the sixteen years that have since elapsed, Mecklenburg County has witnessed this industry flourish. It took over a decade for that first campus to build out. In 2019, additional campuses were acquired and announced; by the end of the pandemic, even more. Today, depending on how you count, at least a dozen data center campuses now exist in Mecklenburg County. Importantly, several sites were pre-existing industrial development sites/parks that the County had established around the turn of the century, sites that had sat stagnant, with limited interest from any other user. Thus, the fairest comparison point for that land was not data center versus some other industry, it was data center or zero industry, revenue, and employment.

What has the siting of a data center cluster meant for our County? Let's examine this from a very simple input-output ratio. Thus far, we have permitted an allocation of approximately three-fourths of one percent of our land acres to this industry. That same three-fourths of one percent is now valued at 45% of our over $10 billion real estate portfolio in the County. And this is only with a portion of the total buildout online. Perhaps the starkest example of this increase comes from the site of a former correctional facility of the Commonwealth of Virginia. When shuttered in 2011, it was viewed as an immense blow to the local economy. Today, that formerly tax-exempt parcel is now a data center campus with a valuation that exceeds $1 billion. What once generated no direct revenue, now annually provides the County with millions of ongoing resources.

When the revenue started to flow, Mecklenburg County set out twin goals: reduce the contribution that we ask of our citizens and transform our educational facilities.

Five years ago, our real estate tax rate was 42 cents. This was already one of the lowest rates in the Commonwealth of Virginia. Since then, we've reduced real estate tax rates three times, by two cents, then by four, and this year by five. <u>Today, our 31 cent rate is the lowest of any county or city in Virginia.</u> The next lowest is 20% higher. In Virginia, there is a dreaded, infamous, car tax, a personal property rate applied to vehicles that is much higher than the real estate rate. This year,

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we were able to cut that rate by a third, an 80 cent reduction in one year alone. Additionally, we've employed other tax reduction tools, such as abolishing the local vehicle registration fee, a $25 per vehicle savings, which accrues to nearly every household in the County. We've centered affordability in our decision making, a luxury unlocked for us by data center revenue, which allowed for choices that would not have existed otherwise.

If you surveyed our educational facilities a decade ago, you would have found a high school from 1955, a middle school from 1952, three elementary schools with origins in the early 1960s, and one built in the mid 2000s. Today, we have a high school – middle school complex that opened in 2022, an elementary school that opened in 2025, an elementary school under construction now, and the land acquired for the last before all of our schools will be built in this century. Thus, over a dozen years, we will have invested $300 million into school capital projects! While the initial schools did require borrowing, the current construction will entirely be paid for from cash, a testament to the revenues derived from the data center industry.

That revenue has also allowed us to provide additional services, such as helping transition from an all volunteer emergency medical services system, to a predominantly County funded, career professional model. We were able to create a department of 30 FTEs at once, which was a 15% increase in our County workforce, without having to worry about where the money would come from.

In total, as the second wave of data centers came online, our General Fund revenue has increased from a forecast of $72 million prepared for the Adopted Fiscal Year 2023-24 Budget to $134 million for the adopted Fiscal Year 2026-27 Budget.

Additionally, the data center industry has made substantial investments in the public water and wastewater infrastructure in the County. These investments ensure that no upgrades developed at the behest of the industry cause harm to our ability to provide utilities to other customers or result in any cost increases for our utility ratepayers. For example, the industry recently absorbed the $25 million cost of a water treatment plant expansion. Most recently, at our July Board meeting, we approved the award of a contract to replace and upsize a 1952 raw water main line, a 1986 finished water main line, and a 1986 sewer main line that all run across a bridge in our County, at cost to the industry, and not the ratepayer. These are critical *public* assets that the industry will rehabilitate, even when we've perhaps been at fault for deferring their replacement across the generations.

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Not only is the data center industry our largest revenue source, but it also has a considerable economic impact for the community. Industry direct employees are, in the aggregate, our second largest employer, after only the hospital system. We have found that individual building employment does typically run from 30 to 50 jobs, as is commonly cited in studies. In a community wherein 88% of our business establishments have less than 19 employees, a 30-50 job enterprise alone would be considered an employer of significance; the aggregate impact all the more consequential. From taxable year 2021 to taxable year 2023, the total adjusted gross residential income of Mecklenburg County increased by $55 million. Although that was not exclusive to the data center industry, there is no question this industry is a key contributor to this increase. In 2019, our American Community Survey median income was $43,000. Five years later, that number was at $57,000. Similarly, our County GDP, according to the U.S. Bureau of Economic Analysis increased over that same five-year period from $1 billion to $1.6 billion.

What is the tradeoff for hosting this industry? Two paragraphs ago, I noted a water infrastructure project. The facility was expanded because the industry made a commitment to replace any water allocation it needed at full buildout on the worst days. It is important to note that due to our longer history with the industry, many data centers in Mecklenburg were developed with a more water intensive cooling system than would likely be present in a new build today. Once the water treatment plant construction finished, we turned to the Virginia Department of Environmental Quality to obtain an increase in our water withdrawal permit. When it comes to economic development, the County operates in the world of allocations: what is theoretically possible. DEQ operates in the world of actuality. In examining our actual, average and peak daily water use, DEQ rejected the water withdrawal increase. Despite over a decade and a half of actual campus operation, our average water use still not only does not justify a permit increase, but we still retain a gap between our existing permit and average daily use. Indeed, even on the super hot Fourth of July weekend, we did not even reach our currently permitted average, much less peak withdrawal, much less the expanded plant's new capacity level.

When it comes to electricity, substantial electric infrastructure has been built out locally, as evidenced by the sturdy new transmission poles that have arisen throughout the County. Therefore, we know intuitively that consumption has increased. However, since the County is not in the electric business, I cannot provide much detail towards how any individual usage, or any other variable, may interplay with rates. I would make two points. First, in Virginia, rates are not assessed or assigned by county within a regulated utility's service territory. As such, our citizens have the same rates as someone in a county without any data centers. Second, in reviewing the annual reports of our local cooperative, the revenue mix has shifted considerably. From 2019 to

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2024, large commercial customers, which includes but is not exclusive to data centers, increased from 10% to 50%. This provides additional stability for the cooperative and diffuses the prior overwhelming dependence on the residential member to support all operational costs.

The typical data center campus in Mecklenburg ranges from 150 acres to 600 acres. As a result, the buildings are able to be located far from property lines. Ensuring that centers are placed appropriately is vital. Tell them where you want them to go. In my tenure, we have never received a noise complaint on the operations side. That said, more can always be done. For example, our vegetative screening and buffering standards were less stringent in the past than should have been in place.

We have experienced some growing pains around construction. Much like any project of large disturbance, the sounds of construction, artificial light, intensive truck traffic during a site's land disturbance activities, and sizable dirt piles from off-site spoils or disposal sites can be issues. These all can be regulated but is incumbent upon the community to set the rules early on.

Thank you for the invitation to share our story. Overall, the presence of the data center industry has been financially and economically beneficial for Mecklenburg County. We have endeavored to use these newly present resources to achieve additional outcomes desired by our populace. I hope to continue down this path in the years to come.