# Data Center Community Conversation

Minneapolis City Council — Wards 3 & 7

**June 25, 2025**

CM Shaffer & CM Rainville

## OVERVIEW

Council Members Shaffer (Ward 7) and Rainville (Ward 3) hosted a public forum for the community as Minneapolis begins its data center zoning and regulation process. An informational panel of four experts — spanning construction, environmental advocacy, utility infrastructure, and organized labor — offered perspectives ahead of a 60-day community engagement period this summer, with a target ordinance by mid-November 2026.

## PANELISTS

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| **Don Kohlenberger** | President, Hightower Initiatives — construction industry consultant, 35+ years downtown Minneapolis; currently consulting on urban data center projects |
| **Katherine Hoffman** | CEO, Minnesota Center for Environmental Advocacy (MCEA) — environmental law nonprofit; active in statewide data center litigation focused on transparency |
| **John Marshall** | Regional VP, Xcel Energy — 25+ years utility experience; president, Minneapolis Downtown Council & Improvement District |
| **Dan McConnell** | Business Manager, Minneapolis Building & Construction Trades Council; President, MN State Building and Construction Trades Council |

## KEY THEMES FROM PANELISTS

### Urban vs. Hyperscale Data Centers

- Downtown Minneapolis data centers would be small (10–50 MW), not hyperscale (100–500+ MW) — a fundamentally different category from facilities that have excited statewide concerns.
- Modern urban facilities can be located in building basements, can be air-cooled, largely invisible from the street, and significantly quieter than older designs.
- Data centers can stabilize struggling downtown buildings financially, freeing capital for street-level retail and residential conversion.

### Downtown Fiscal Context

- Downtown commercial property values have fallen 45% from 2021 to 2026, shifting a larger share of the tax burden onto residential — now 55.6% of the tax base.
- The city faces a $53M annual commercial property tax shortfall (this year alone), plus the expiration of $265M in federal COVID relief.
- Data centers are taxed at the commercial rate — roughly 2.5x the residential rate — making them among the highest-value additions to the tax rolls.

### Environmental & Transparency Concerns (MCEA)

- Non-disclosure agreements (NDAs) during environmental review undermine the quality of those studies — courts are beginning to strike them down statewide.
- Minneapolis City Attorney confirmed: any NDA would require City Council approval, and there is no current contemplation of their use.
- Key questions for every proposal: air-cooled or water-cooled? What are low-frequency noise impacts? Are clean energy commitments enforceable, not merely voluntary?

- "Voluntary" commitments are unenforceable. Require conditions to appear in permits or binding contracts.

### Grid Capacity & Rate Protection (Xcel Energy)

- Downtown Minneapolis distribution system has existing excess capacity — urban data centers can be added without backtracking on Minnesota's 100%-carbon-free-by-2040 goal.
- Xcel's current energy mix is 69% carbon-free; plan is 88% by 2030. New data center load would use existing clean generation.
- The PUC's recently adopted "super large load tariff" applies to loads over 100 MW — above the scale under discussion here. Existing rate structures protect other customers from cost shifting.
- Franchise fee revenues flow to the city based on gross Xcel sales — increased commercial load produces additional city revenue.

### Labor Perspective (Building Trades)

- AFL-CIO Resolution 7 (passed unanimously at the national convention, held in Minneapolis two weeks prior): supports responsible data center development — not a blanket moratorium.
- Construction at scale generates significant local union employment; ongoing maintenance creates continuing skilled-trades work.
- Building in Minnesota under Xcel's clean energy grid is preferable to losing projects to states powered by coal (e.g., North Dakota). "Where would we rather have these things?"

## REGULATORY PROCESS UPDATE

- A temporary moratorium passed the Council earlier the same day (close vote); a downtown exemption is included now goes to the mayor for his signature of veto.
- CM Shaffer is leading the permanent ordinance process, working with former CM Chowdhury and city staff. Two working meetings have already occurred with early consensus emerging around multi-use and climate-incentive frameworks.
- Timeline: 60 days of community engagement over the summer → target ordinance adoption by mid-November 2026.

## QUESTIONS RAISED BY ATTENDEES

- Can data centers be powered by new renewables without backtracking on clean energy goals? (Xcel: yes, at this scale — existing clean capacity is available.)
- How can the city prohibit NDAs and ensure transparency? (City Attorney: requires Council approval; not currently used, no plans to use them.)
- Will data centers make downtown less vibrant? (Don K.: basement placement, district energy integration, and financial stabilization of buildings actually enables more retail/residential above.)
- What is the right size threshold? (Don K.: 350,000 sq ft is too broad — 175,000 sq ft of "white space" is a more meaningful metric; basement footprints of 25–30K sq ft are realistic for 10 MW facilities.)
- What about job security after construction? (Dan M.: ongoing maintenance, upgrades, and equipment refreshes sustain skilled-trades employment.)
- Will data center tax revenue reduce homeowner and renter property taxes? (CM Shaffer: won't eliminate increases, but will relieve downward pressure as commercial valuations recover.)
- What about exhaust venting and street-level noise? (Panel: exhaust routed through rooftops; generators enclosed; low-frequency noise standards should be codified in permits, not left voluntary.)