

Proposal to rezone WEC parcel to M-1

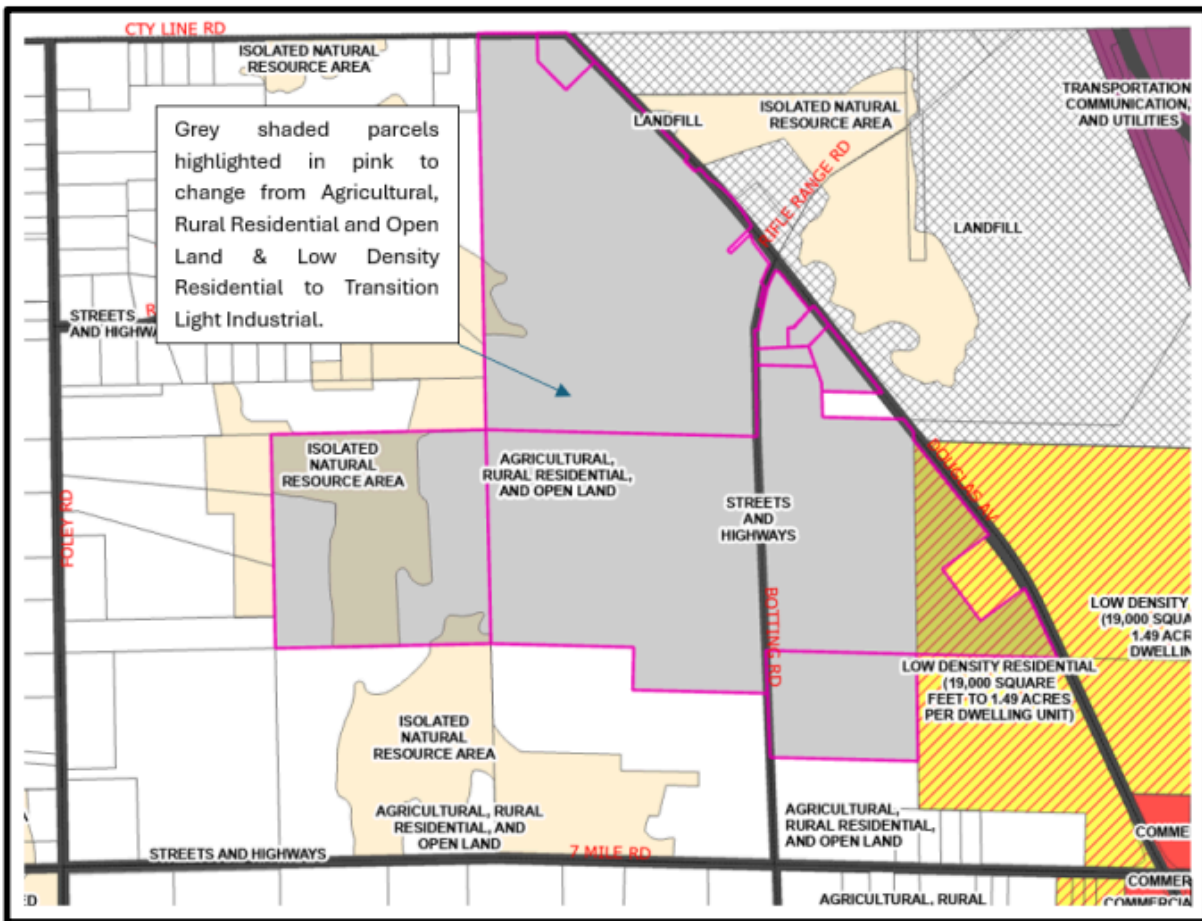
Summary

We are a group of over 100 Caledonia residents opposed to the approval of the rezoning. We are both recent and very long-term residents concerned about this no-turning-back decision being made without all the necessary details, without understanding probable future scenarios, and without an understanding of likely costs or benefits.

Headline Concerns

- Once the decision is made and the deal signed, the change is irreversible. Full identification of risks and full acceptance of those risks by Village officials must occur prior to approval.
 - The technology industry disrupts itself often. The timeline on the project is long. This project will change often, likely before construction even begins, and certainly after. Will we like the scenarios that change creates?
 - The village does not have any technology industry expertise advising them on the possible short and long-term risks.
 - The costs and benefits to village taxpayers are vague or intangible. Village required to extend water/sewer. Tax revenue unknown and uncommitted.
 - The developer has released almost no information about the project which would allow an expert to analyze risk to the Village.
 - The rezoning is a large financial gift to the property owner with only hope of, not commitment to, an increase in tax revenue over time.
 - The land use plan we committed to until 2035 needs to be updated to accommodate this change, questioning our commitment to that document.
 - Universal disdain for the proposal by residents of NE Caledonia.
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Introduction



Proposal rezones the gray 244-acre parcels to M-1 with the following conditions:

- Village formally amends comprehensive plan and land use map to M-1 for the shown property
- Applicant must acquire all identified property by 12-31-2025.
- Building plans must be submitted by 12-31-2030.
- Construction must start by 6-30-2030 and be completed by 1-1-2033.
- "Resolution to include language giving Village authorization to revert the land use category to Agriculture, Rural Residential, and Open Lands and Low-Density Residential if datacenter development does not occur" within prescribed time period.

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- “Additional conditions applied to the rezoning to further protect the Village from having anything else, but a datacenter development [must] occur in the area. ”

Why the Plan Commission thinks M-1 is a good idea (not specific to this proposal):

“providing opportunities for low-traffic industrial and employment uses including data centers within the Village for the following reasons:

1. This Land Use category can provide a buffer between heavy industrial areas and less intense land use categories.
2. This land use category provides opportunities for light industrial uses with minimal noise, pollution, and/or traffic impacts without the environmental impacts of more intense industrial uses and can help maintain the Village’s character. ”

Why the Plan Commission thinks this proposal should be approved:

“The proposed conditional rezoning to M-1 will provide the applicant with the correct zoning district to proceed with the development of a datacenter. The location is on the Village’s northern border and **isolated from highly populated neighborhoods**.

Furthermore, its location will be bordering the WE Energies power plant **providing a transitional industrial use from heavy manufacturing to light manufacturing**. This requested zoning district **aligns with the Land Use Plan’s objectives** and state law requirements. Approval of the M-1 zoning change would enable the applicant to proceed with a datacenter development.

Why we are concerned

“Ball rolling downhill”

Decisions we make today create the context in which tomorrow's decisions will be made. Making a decision today without understanding the constraints and influences it will have in the future invites bad decisions.

To understand what this decision potentially does to NE Caledonia, we need to look forward and assess possible future scenarios. As with all large projects, what is originally proposed falls victim to the usual prey:

- Failed execution
- Change in market conditions
- Overzealous schedule
- Overzealous projections of revenue
- Underestimated costs
- Partners backing out or changing mid-project

We don't need to look far in SE Wisconsin to find a high profile case of a project with grandiose visions that changed substantially after work started. Nor do we need to look far to see numerous but much smaller scale projects that never quite hit their projected benefits. To be good stewards of the Village's character and finances, a full what-if analysis is good practice to avoid buyers' remorse, where the buyers are the taxpayers of the Village.

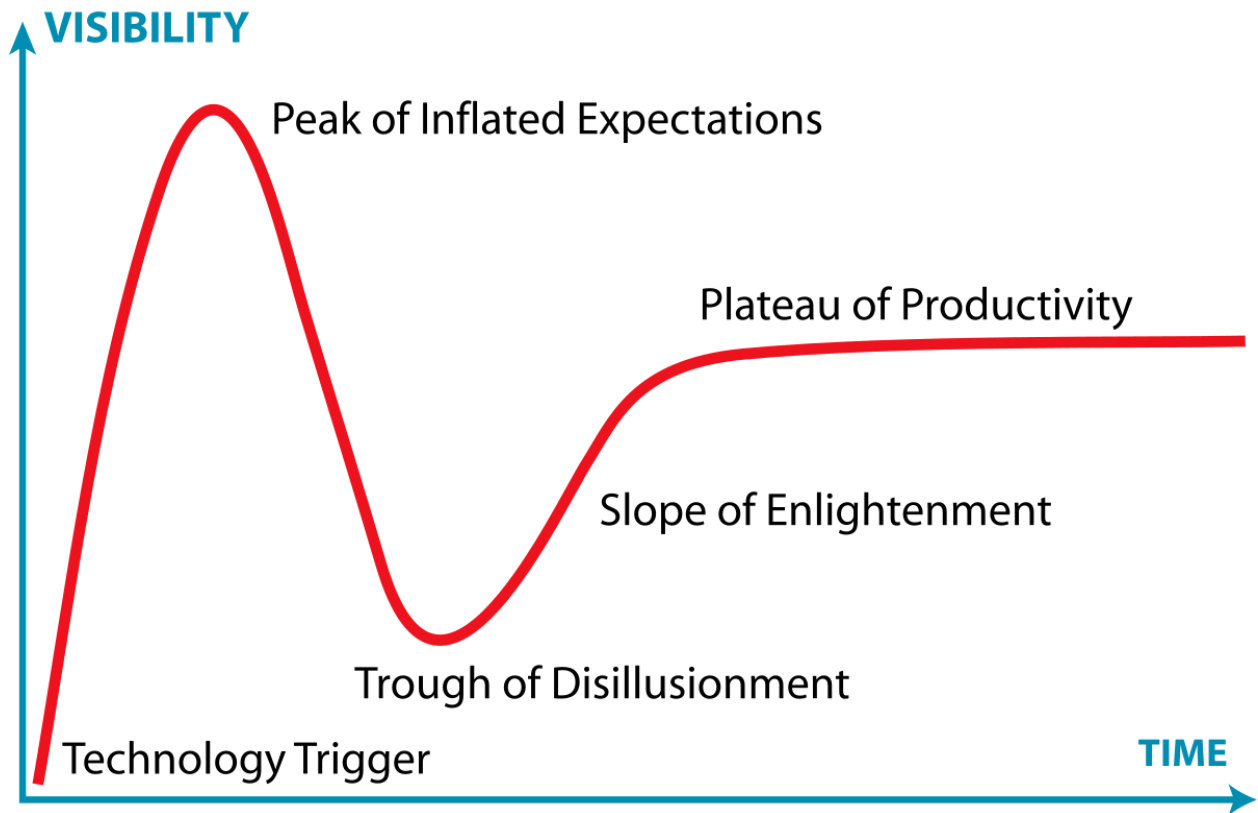
Introducing the “Hype Cycle”

The property owner's proposal constructs 3 data center buildings driven by demand in the technology industry for the computing power and storage needed to support artificial intelligence at scale.

Technology's most salient feature, however, is its relentless redefinition of itself. In the last 40 years, for example, the industry has moved from large mainframes to desktop & server to Internet technologies to cloud computing and now to artificial intelligence. All of those

changes had major impact to both software and hardware, and as a result to the data centers supporting it.

It is well accepted in the industry that all the major changes in technology follow the “hype cycle” shown in the graph below from the leading technology advisory firm Gartner.



This is important background to understand the market these data centers are reacting to, and it is important to know that AI is at the beginning of that time axis. It is impossible to tell when we hit the peak of inflated expectations until after we are past it, but it is well accepted by all in the industry that AI is just start the climb toward the peak.

Technology changes often have considerable impact on data centers, and sometimes even catastrophic business impact. Two examples just in the 21st century are:

- Dotcom bubble bursting (2000-2002) – substantial number of data center providers went bankrupt because their customers went bankrupt. 10-15 major providers in the US and 17 of 27 providers in Europe went bankrupt. All of them were under 10 years old.

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- Virtualization (2002-2010) – a software technology improvement was introduced and rapidly adopted that reduced need for physical servers by 80%, thus dramatically reducing the need for physical data center space

All of that to say the technology business is fast-paced, change is a feature, and the industry isn't wedded to the past. It will destroy its old self to redefine how software and hardware are built and operated. And it has done it at least 4 times in the last 40 years to give you some indication of the lifespan of major technology shifts. AI is the 5th such shift, or so its proponents claim.

Predicting the future for this proposal

Scenario 1 - Wild success

Assume the data center is built, the local residents are happy that it's not a burden, and the village is getting a lot of steady, low-maintenance tax revenue from the property, and it looks to be safe for many years, even decades. All parties involved would like to do more of that. ***Fundamental to the business case of this data center is its proximity to Oak Creek Power Plant (OCPP).*** Data centers require large amounts of power and running high voltage wires over to the highway for example destroys the business case if the property owner has to bear that cost. If doing more data center development is desired, the only place to do it would be on adjacent properties. The proposed plan calls for 3 data center buildings and a substation and offers no additional space on which to build more.

If the village is eager to collect more tax revenue, if this developer or another wants to build more, they are going to have to push west or south but not so far as to make the cost of extending electrical power too high. The homes and farms adjacent to the M-1 zone may benefit as developers bid up prices to buy the property in anticipation of rezoning, but the area now begins to be dominated by M-1 zoning and those people enticed to sell must relocate from long-held homes.

If you are a developer, this likely looks great.

If you are a resident, this likely does not look great.

If you are on the village council, you tell us. Would you call that success? If so, please say that out loud so that voters know what they are voting for in the next election.

The locale that best embodies the wild success result is Loudoun County, referred to as a model for data center development in the proposal. Here is how Loudoun County brags about their success on its own web page:

“Farmland until the early 1980s, Ashburn [in Loudoun County] is now a major tech, residential and nightlife hub”

We think it’s safe to call that contrary to Caledonia’s vision in the land use plan. Current residents of NE Caledonia would likely call that horrifying. Ashburn’s population density is 5x Caledonia’s. The roads are wide, the houses are packed tightly on small lots, the noise and traffic are typical of a bustling suburban area.

This “wild success” model is ironically a total failure. It destroys Caledonia.

Scenario 2 - Failure

The permutations of failure here are endless, but for the sake of scenario planning assume simply that a major disruption to plans has occurred during or after the construction has completed.

Imagine the AI hype wears off mid-construction and only 1 of 3 buildings is complete. Imagine the hype wears off after the 3rd building. Imagine a better solution to an AI data center or powering an AI data center is created in the next several years and our iteration is no longer competitive. Our single largest taxpayer, representing potentially a significant percentage of the total budget has a business problem, and by corollary so does the village. The pressure to accommodate them to keep them (or perhaps who they’ve sold the business to) viable will be intense.

The terms of the original agreement will absolutely get re-opened for discussion. And because ***the decisions we make today create the context for the decisions we make tomorrow***, we likely will have to agree to something that makes us wish we had never done the deal. Loss for the property owner, loss for the village, loss for the residents. Loss for the taxpayers.

The failure scenario lives up to its name.

Scenario 3 - The Happy Path

In this scenario, what is proposed (a benign neighbor of a data center) is delivered, the residents aren't bothered by it, the tax revenue flows in without a problem, the data center market doesn't change much, and the village looks out over a couple of decades and sees nothing but a large amount of tax revenue. However, perhaps because property is too expensive, no one wishes to do any more of it and the community of NE Caledonia keeps what remains of its rural character.

For this scenario to happen, everything has to go right, most everyone (village, residents, developer, land owner) have to agree it went right, and the built data centers have to stay viable for multiple decades. That latter part has never happened in the technology industry's history.

This is the least likely scenario, yet it is the one that seems to be the only scenario being considered.

Irreversibility

Using the metaphor of a ball rolling downhill, approving this proposal starts the ball rolling. Will you like where it lands? We can't predict the future, but we can model the scenarios and their probability and decide whether a proposal is too risky. **This decision is irrevocable, meaning once structures are built, the land cannot revert to open space. We have to like the scenarios that it makes possible. We should challenge ourselves to model those scenarios and ask if we would regret our decision to approve should any of those scenarios occur.**

What the deal looks like to a taxpayer

A resident's interaction with the Village on all matters zoning regularly leaves the impression of an inflexible, nit-picking government authority. Then a proposal like this comes along:

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- WE Energies causes environmental harm to properties across the street from its ash heap. Some believe the damage rendered the property uninhabitable.
 - WE Energies buys the properties and clears the homes on it, leaving open space.
 - Those properties come off the tax rolls because of WEC's ownership.
 - If uninhabitable, the property is worth only what it would bear as pure agricultural land.
 - WEC, who damaged the land, then proposes both a land use plan update and a rezoning.
 - If approved, the village is gifting WEC multiple millions of dollars in increased property value and a perpetual revenue stream for the improvements it can make to the property. Ironical that the land owner ruined the property in the first place.
 - And the village council gets what in return? Maybe some tax revenue, maybe even a lot of tax revenue, but no commitment. They could stop after 1 building, take years longer than promised to build, change their minds and ask to renegotiate.
 - The village residents get to fund water/sewer extension to the property and to pay for it over a long duration with a bond. If the development is scaled back, there's no refund on that money.
 - Even if all the tax revenue resulted in a reduction to village property taxes, the per resident reduction is likely to be minimal.

All risk to the village. Huge reward to WEC. And all they had to do was destroy property, then ask permission to build on it, and promise lavish tax revenue without commitment. For anyone who has had zoning business with the village (or any village), this is what makes people so jaded about government. The deep pockets always win. Taxpayers never see any benefit and even sometimes pay to line the deep pockets further.

There is no upside to the taxpayers on this deal. Immediate neighbors get dislocated wildlife, night lighting, construction noise for years, A/C noise. And they get whatever it will become when the data centers built are no longer viable. There are no community benefits to a data center. They do not employ many people. They are not attractive. You can't shop in them. You can't visit them. It's just vague promises of future revenue in exchange for guaranteed costs of extending water/sewer and losing open space and a natural buffer against the encroachment of development to the north.

Who is the Village advocating for if not for the taxpayers?

All growth is not good

Growth is only good if it delivers what was promised. Projected impacts need to be quantified, results need to be measured, all with the transparency due the taxpayers. How else do we get better at delivering growth if we aren't trying to keep ourselves accountable to results?

Oak Creek provides a perfect case study for Caledonia. It's right next door, they have aggressively developed, we have done less so. They have destroyed all village open space and charm, we have retained ours. The common justifications for growth are always diversifying the tax base, attracting investment, creating jobs, and lowering taxes for normal people. Surely since Oak Creek has been at it aggressively for a couple of decades, their residents enjoy lower taxes than Caledonia, right?

Village	Median Home Price	Median Tax Rate	Median Property Tax
Caledonia	\$332k	1.5%	\$5009
Oak Creek	\$321k	1.7%	\$5485

How about Oak Creek expenses per capita vs Caledonia's?

Oak Creek: \$2095/person/year

Caledonia: \$842/person/year

Vague promises of benefits to taxpayers have not materialized in Oak Creek. Yet they persist in trying. They are on a Tax Incremental District treadmill that they can't get off.

Caledonia's performance on its own TIDs ought to be a warning to the village council that perhaps promises don't always lead to results. And when they don't, the taxpayer pays.

Because the taxpayer always pays.

It is not lost on the group opposing this decision that village expenses are growing faster than the rate of inflation. Maybe the returns on that investment are right around the corner. Or maybe we're making bad decisions that are costing taxpayers money.

You ran for office or volunteered to work on the planning commission because you wanted to be a good steward for the village, to do the right thing for the residents now and for the future. All the signs around you shout to beware of promises, especially the vague kind that come with no commitment.

The decision in front of you starts a ball rolling downhill that you can't push back up the hill. Minimally, do the right amount of diligence before you make a decision. Get the right amount of protections for the taxpayers that protect against things not quite working out as planned. Downside risks to the taxpayer should be minimized if not eliminated. The Village has all the leverage with this deal and it is getting maneuvered to a place of guaranteed costs and vague uncommitted benefits with a worst case scenario of it being a net financial loss to the taxpayer.

2035 Land Use Plan

From the 2035 Land Use Plan:

- The Village of Caledonia's adopted Comprehensive Plan (2035) identifies the preservation of rural character, agricultural lands, and environmental corridors as core land use priorities
- Chapter IX of the Racine County Comprehensive Plan emphasizes the importance of maintaining agricultural, rural residential, and open land uses in designated areas, including Caledonia
- Chapter X further outlines the ecological significance of environmental corridors and isolated natural resource areas, which are threatened by industrial encroachment

The proposed rezoning request would convert land currently designated for agricultural or rural residential use into industrial zoning, directly conflicting with the Comprehensive Plan's goals and objectives

Industrial development in this area poses risks to groundwater recharge zones, stormwater drainage systems, and critical habitat areas identified in the plan

Public input gathered during the planning process (of the 2035 Land Use Plan) strongly favored limiting industrial expansion in rural sectors to protect community identity and environmental integrity.