

CASE STUDY



Microsoft Corporation

REDMOND, WASHINGTON OVERVIEW

In November 2017, the state of Wisconsin approved an agreement with Taiwan-based manufacturer Foxconn to build a large plant in Racine County; however, after many revisions and setbacks, the original project never materialized, and ultimately, by 2021, Foxconn and local governments sought to sell a substantial portion of the site. At that time, Microsoft was assessing dozens of properties across the U.S. for the location of a new center and determined that a portion of the Foxconn Racine County site would be an excellent choice. Microsoft’s global director of community research and engagement called it “kind of a perfect parcel of land.”

Challenges

To be sure, there was much to recommend the site, but it was not without its challenges. On the one hand, the parcel was within a tax-increment financing district, enabling Microsoft to potentially recoup a significant portion of property taxes paid on new construction. The parcel was also the locus of multiple complex agreements with state and local governments concerning a variety of incentives, including expedited procedures for environmental review, tax breaks and abatements, and even favorable rates for electricity—not a small consideration for data center operations. However, the status of these incentives post-transaction was something of a gray area that needed to be addressed and resolved.

Industries

Real Estate, Development, & Construction
Technology

Services

Data Centers
Development Incentives & Tax Credits
Land Use

Legal Team

Rodney W. Carter
Smitha Chintamaneni
Brad Dallet
James C. Remington

Solution

When our team was brought on board to assist, we immediately needed to clear up the status of the development incentives. The state of Wisconsin indicated that many of the prior concessions made to Foxconn did not attach to the parcel post-transaction and that Microsoft's planned development would require new rounds of regulatory review. We immediately set about qualifying the parcel for all the incentives allowed by law and set up a process to put the environmental review on a fast track. As we worked through the various land use and tax incentive issues, our team also assisted Microsoft on the purchase and sale agreement for the parcel, a \$50 million transaction with the village of Mount Pleasant, Wisconsin, which agreed to refund a share of the data center's property taxes back to Microsoft.

Result

In April 2023, after the village board of Mount Pleasant, Wisconsin, voted to allow Microsoft to build a \$1 billion data center on the 315-acre parcel, the Racine County Board of Supervisors approved the project in an 18-to-1 vote, all with the support of the Wisconsin Economic Development Corporation and the governor.

Construction on the data center—Microsoft's first in the state of Wisconsin—began in August 2023. The facility is expected to provide roughly 300 jobs and will serve as a magnet, attracting suppliers and other businesses to the region.