

Tract Management Company, LP

Data centers future tax generation analysis

Hanover County, Virginia

September 2025 (Updated Report)



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Assumptions: Projected site and data center CAPEX

Based on discussions with Tract, we assumed the following for our analysis:

Location	Address	Projected Capital Expenditures (over 20-years)		Job Creation	
		Real Property	Personal Property (including refresh)	Est. construction jobs (peak)	Est. new permanent jobs
Hanover County, VA	13074 Mountain Rd	\$9 billion	\$56.25 billion	1,100	320

Construction & Equipment	
\$ / MW	\$10 million
Power Usage Effectiveness (PUE)	1.2
kW / cabinet	10
Cabinet server price	\$250,000
Number of buildings	6
Total building area (sq. ft.)	2,600,000

Real Property CAPEX Breakout			
Categories	% of real prop.	labor	materials
Land & Building Shell	20%	10%	10%
Electrical Systems	35%	17.5%	17.5%
HVAC / Mechanical / Cooling systems	25%	12.5%	12.5%
Building Fit-out	20%	10%	10%
Totals	100%	50%	50%

Property tax assumptions and limitations

Location	Address	Projected Capital Expenditures		Job Creation		Lot Size (Developable acres)
		Real Property	Personal Property (including refresh)	Est. construction jobs (peak)	Est. new permanent jobs	
Hanover County, VA	13074 Mountain Rd	\$9 billion	\$56.25 billion	1,100	320	254

Parcel IDs		Current Zoning	2025 Base Assessment Value (land use value)	Assessment Ratio	Est. Market Value / sq.ft.	Est. 2024 Effective Tax Rate	Building Area (sq. ft.)
7757-98-4106, 7767-08-0569, 7767-17-2423,	7757-96-5577, 7757-96-1157, 7768-00-5491, 7757-97-5013	A1 - Agriculture	\$1,060,134	100%	\$1,300	0.81%	2,600,000

Real Property notes and assumptions:

- 1) The estimated Market Values (MV) used in the calculations assume no reduction via appeal or litigation.
- 2) This analysis is based on construction costs and percentage of completion information provided by the Client. EY researched current market data and Hanover County assessment information.
- 3) In Virginia, Assessors must estimate the market value of each property as of every January 1. Industrial property assessments have been increasing from 2024 to 2025. After construction is complete, this analysis assumes 2% year over year growth in value of improvements, however it could increase more depending on market conditions.
- 4) The process of calculating, imposing, and collecting Virginia taxes for a year is paid within the same calendar year. The real property assessment ratio in Virginia is 100%.
- 5) Additional rezoning may be required as the Subject parcels are currently classified as A-1 and assumes only the developable lot is developed for data center. There will remain residual undeveloped land that is not part of the analysis.
- 6) Land value assumes that developable land is reclassified to commercial/industrial upon completion. The assessor tracks two values; land use and market land value. The total 2025 land use value is \$700K and the market value is \$3.43M. All parcels have land use values. The taxable assessment and tax are based on these lower values. Improved land assessed values range from \$59K to \$90K per acre. This analysis assumes an average of \$68K per acre for the buildable lot size as of 2025, with a 20% increase in 2030 to account for market factors and reassessment based on substantial improvements over the 5 years.
- 7) After 2030, the land value is assumed to appreciate by 2% per year. There will be additional value placed on the non-buildable land that was not considered in this projection.
- 8) All values and tax rates that are included in this projection are estimates (unless noted otherwise).
- 9) Estimated taxes are based on total tax due without any discounts or abatements. It is assumed that the Subject will be in the I-64 InnoVAtion Corridor and will receive a special real property tax rate of \$0.81 per \$100. Reclassification may trigger rollback taxes, which have not been considered.
- 10) This analysis estimates an annual tax and assumes that all subject parcels' prior year(s) property taxes are paid in full, no back taxes, penalties, or interest have accrued as a result of failure to make a payment in full or partial, and/or late payment.
- 11) There are limited comparable properties to review in this area. Most are in Henrico County, VA, and the new data center buildings in the Henrico County area are valued at \$738 to \$1,929 per square foot. This analysis assumes \$1,300 per square foot.

Property tax assumptions and limitations (*continued*)

Real Property notes and assumptions (continued):

- 12) Virginia will assess improvements as construction is in progress and, as such, supplemental assessments may be issued during construction. This has not been considered in this analysis. There are existing improvements on two of the parcels.
- 13) This analysis assumes two datacenters will be constructed and assessed starting in 2030, with another one building added each year from 2031 to 2034. The development assumptions provided by the Client model six buildings with a total square footage of 2,600,000.
- 14) Laws, Regulations, practices and customs can change. This guidance is current as of September 24, 2025. EY is not responsible for any subsequent changes to these projections.
- 15) Facts and figures within the estimates are not to be taken as predictions or promises of performance and does not consider any future changes in legislation or property taxes.
- 16) Any US Tax Advice contained in this Property Tax Projection was not intended to be written or to be used, and cannot be used, by the recipient for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code or applicable state regulations.
- 17) Further analysis can be completed to refine these estimated taxes once additional project details are known and provided by the Client.

Business Personal Property (BPP) notes and assumptions:

- 1) This analysis assumes there will be a refresh of personal property every 5 years after the initial spend of personal property once each building has been placed in service.
- 2) The personal property assessment year is the first tax year for reporting data center assets in 2030.
- 3) The model doesn't account for reductions in assessed value based on appeal.
- 4) Current costs relied upon in the model are based on a BPP ratio assumption provided by Client. All values and tax rates that are included in this projection are estimates. Estimated taxes were derived without an actual asset listing; estimates could change based on a review of the actual assets. Once actual BPP asset classes and costs are known, the estimate should be further refined.
- 5) The model assumes that all BPP will be computer equipment and does not account for Furniture and Fixtures.
- 6) Hanover County's published Data Center Depreciation Table is a 6-year life. Assets are assumed to be disposed of in their 7th year of life.
- 7) The personal property assessment ratio in Virginia is 100%.
- 8) The tax rate used is the 2024 Hanover County rate for the prospective location provided by Client. Estimated taxes are based on total tax due without any discounts or abatements. Hanover County has a preferential business personal property tax rate for data center equipment (computer equipment and peripherals only) of \$0.45 per \$100 of assessed value.
- 9) The Hanover County standard business personal property would be at a 6-year depreciation schedule and a tax rate of 3.57%.
- 10) The SUT percentages applied to the personal property's tax base were referenced from the State of Virginia's official website and take into account the State's Data Center SUT exemption program until the initial program sunsets in June 2035. Following that, eligibility for the Data Center SUT exemption requires creating at least 1,000 new jobs.

Property tax assumptions and limitations *(continued)*

Real Property tax breakout assumptions:

- 1) Property taxes in Hanover County, Virginia flow directly into the County's general fund, along with all other revenue streams, which are then distributed to fund different entities/initiatives (see expenditure categories in the table below) based on its budget for that fiscal year, as confirmed by the Hanover County Commissioner's Office.
- 2) Given that property tax represents the largest source of the County's revenue (~43%), we assume that the percentage of each FY26 budget category (shown below) can be used to estimate the extent of new tax revenue by each expenditure category. To simplify this assumption, the table has combined like expenditure categories into five different funding groups.
- 3) This analysis remains an estimation and results may vary as the County's annual budget and percentage allocated to each expenditure category fluctuates year-to-year.

Expenditure Categories	Allocation of FY26 Budget	Funding Groups (EY analysis)	
School Operations	34%	School	40%
School Capital Improvements Program (CIP)	2%		
School Debt Service	3%		
School Nutrition	1%		
General Fund - Public Safety & Judicial	14%	General Fund	29%
General Fund - Human Services	6%		
General Fund - Other	9%		
County Capital Improvements Program (CIP)	16%	County CIP	16%
County Debt Service	1%	Other	8%
Self-Insurance	7%		
Public Utilities	7%	Public Utilities	7%

Source: [Hanover County FY26 Adopted Budget](#)

Estimated 20-yr property tax projections*

Values below are expressed in millions of USD

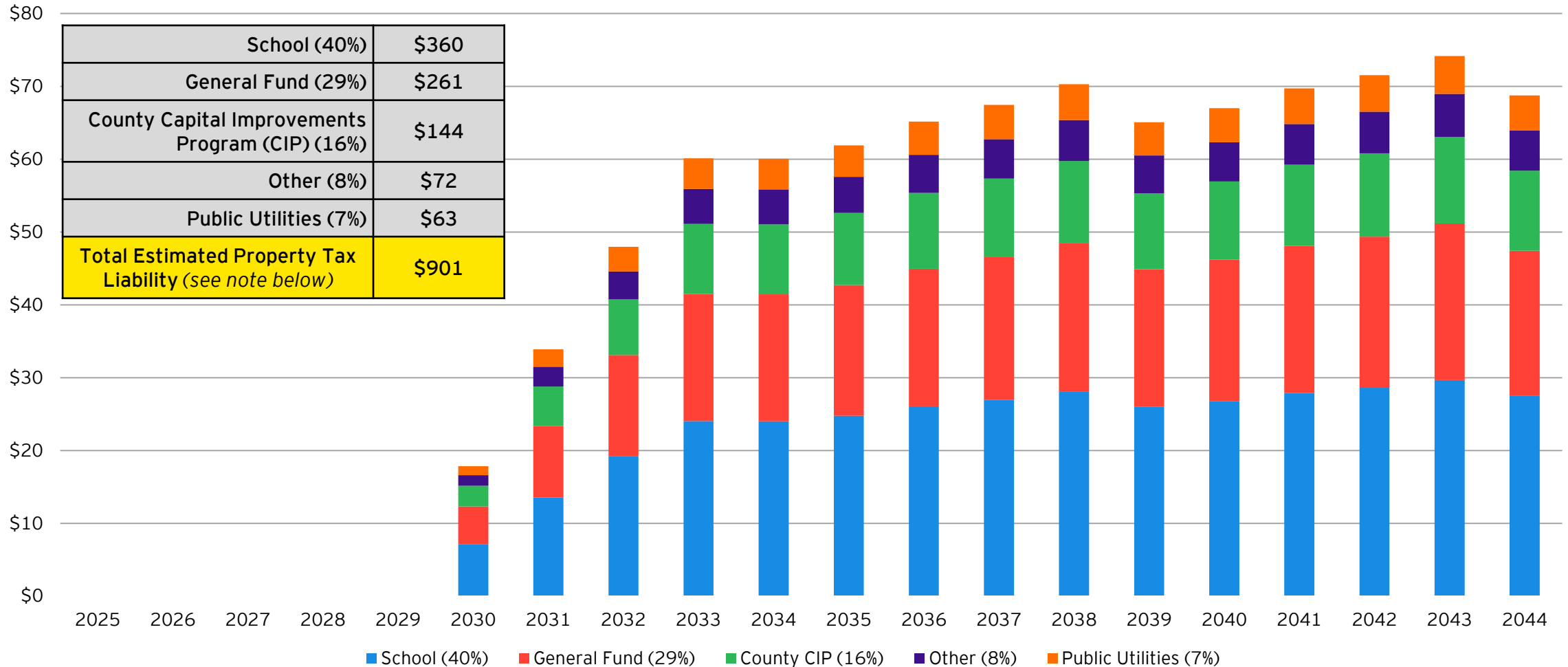
Year	2026 - 2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	Totals
New Buildings completed		2	1	1	1	1											6
Total Real Property Spend		2,000	2,000	2,000	2,000	1,000											9,000
Taxable Market Value (Real Property)		675	1,380	2,307	3,253	3,892	3,970	4,050	4,131	4,213	4,297	4,383	4,471	4,560	4,652	4,745	
Initial Personal Property Spend		4,166	4,166	4,166	4,166	2,083											18,750
First Personal Property Replacement Cycle							4,167	4,166	4,166	4,166	2,083						18,750
Second Personal Property Replacement Cycle												4,166	4,166	4,166	4,166	2,083	18,750
Real Property Tax (0.81%)		5.5	11.2	18.7	26.3	31.5	32.2	32.8	33.5	34.1	34.8	35.5	36.2	36.9	37.7	38.4	445
Business Personal Property Tax (0.45%)		12.4	22.7	29.3	33.8	28.5	29.7	32.3	34.0	36.2	30.2	31.5	33.5	34.6	36.5	30.3	456
Total Estimated Property Tax Liability		17.9	33.9	48.0	60.1	60.0	61.9	65.1	67.4	70.3	65.1	67.0	69.7	71.5	74.1	68.7	901
Hanover County collects all property taxes into the general fund and then distributes funding for different expenditures on an annual basis. The estimated allocation of property taxes below is based on the County's FY 2026 adopted budget and the percent of general funds each expenditure category below will receive for FY 2026 (see page 6 for assumptions and more details).																	
School (40%)		7.1	13.6	19.2	24.0	24.0	24.8	26.1	27.0	28.1	26.0	26.8	27.9	28.6	29.7	27.5	360
General Fund (29%)		5.2	9.8	13.9	17.4	17.4	17.9	18.9	19.6	20.4	18.9	19.4	20.2	20.7	21.5	19.9	261
County Capital Improvements Program (16%)		2.9	5.4	7.7	9.6	9.6	9.9	10.4	10.8	11.2	10.4	10.7	11.2	11.4	11.9	11.0	144
Other (8%)		1.4	2.7	3.8	4.8	4.8	5.0	5.2	5.4	5.6	5.2	5.4	5.6	5.7	5.9	5.5	72.1
Public Utilities (7%)		1.2	2.4	3.4	4.2	4.2	4.3	4.6	4.7	4.9	4.6	4.7	4.9	5.0	5.2	4.8	63.1

Note: Business personal property tax projections only account for servers and do not include furniture & fixtures or other machinery & equipment. Hanover County's depreciation schedule for Data Center Business Personal Property is as follows: year 1 - 66%, year 2 - 55%, year 3 - 35%, year 4 - 24%, year 5 - 5%, year 6 - 1%.

* Facts and figures within the estimates are not to be taken as predictions or promises of performance and doesn't contemplate any future changes in legislation or property taxes. (see page 4 & 5 for property tax assumptions & limitations)

Estimated 20-yr property tax projections*

Values below are expressed in millions of USD



Note: Hanover County collects all property taxes into the general fund and then distributes funding for different expenditures on an annual basis. The estimated allocation of property taxes above is based on the County's [FY 2026 adopted budget](#) and the percent of general funds each expenditure category below will receive for FY 2026 (see page 6 for assumptions and more details).

* Facts and figures within the estimates are not to be taken as predictions or promises of performance and doesn't contemplate any future changes in legislation or property taxes. (see page 4 & 5 for property tax assumptions & limitations)

Estimated sales & use tax projections

Values below are expressed in millions of USD

*VA Data Center Sales Tax Exemption program ends

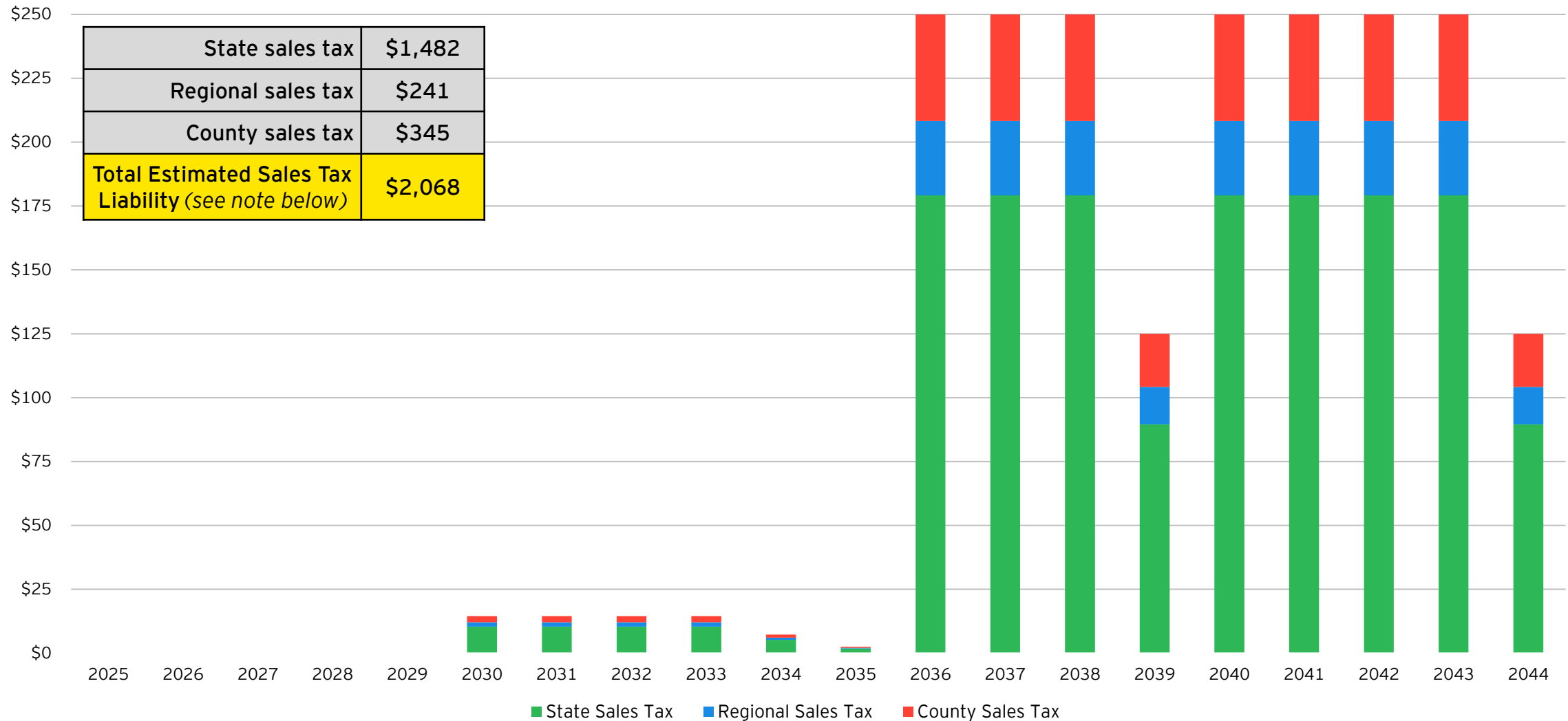
Sales Tax Implications	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035*	2036	2037	2038	2039	2040	2041	2042	2043	2044	Totals
Total Real Property Spend						2,000	2,000	2,000	2,000	1,000											9,000
Total Personal Property Spend						4,167	4,167	4,167	4,167	2,083	4,167	4,167	4,167	4,167	2,083	4,167	4,167	4,167	4,167	2,083	56,250
Taxable Real Property Spend (25% of some <i>build materials</i>) ^{4,6}						200	200	200	200	100											900
Taxable Personal Property Spend (1% of spend until 2035) ^{4,5}						41.7	41.7	41.7	41.7	20.8	41.7	4,167	4,167	4,167	2,083	4,167	4,167	4,167	4,167	2,083	33,563
Applicable Sales Tax Paid On Building Materials ^{4,6}						12.0	12.0	12.0	12.0	6.0											54.0
Sales Tax Paid On Personal Property ^{4,5}						2.5	2.5	2.5	2.5	1.3	2.5	250	250	250	125	250	250	250	250	125	2,014
State Sales Tax (4.3%)						10.4	10.4	10.4	10.4	5.2	1.8	179	179	179	90	179	179	179	179	90	1,482
Regional Sales Tax (0.7%)						1.7	1.7	1.7	1.7	0.8	0.3	29.2	29.2	29.2	14.6	29.2	29.2	29.2	29.2	14.6	241
County Sales Tax (1.0%)						2.4	2.4	2.4	2.4	1.2	0.4	41.7	41.7	41.7	20.8	41.7	41.7	41.7	41.7	20.8	345
Total Sales Tax Liability						14.5	14.5	14.5	14.5	7.3	2.5	250	250	250	125	250	250	250	250	125	2,068

Notes and assumptions:

- 1) This analysis is based on construction costs and percentage of completion information modeled by the Client and are subject to change based on final project details.
- 2) All values and tax rates that are included in this projection are estimates (unless noted otherwise).
- 3) Total sales tax rate for this location = 6%; 4.3% goes to the state Virginia, 0.7% to the Central Virginia Region, and 1% goes to Hanover County.
- 4) Virginia has a Data Center Sales and Use Tax Exemption program that exempts from sales tax 1) personal property used for data centers and 2) electrical and HVAC real property necessary for the operations of a data center. The exemption sunsets in June 2035 as per Va. Code § 58.1-609.3 and will be replaced by another program after June 2035. The CAPEX and job requirements under the new program are significantly higher (see next page for details), so it is assumed that the project's CAPEX post-existing program sunset will not apply.
- 5) To account for potential gaps in the exemptions and in lieu of more detailed project facts, these estimates assume a conservative 1% of applicable project costs may be taxable for sales and use tax purposes until June 2035, whereafter it is assumed that all personal property will be 100% taxable. This analysis assumes all personal property purchased in 2035 will occur before the sunset date.
- 6) Virginia's Tax Code regarding new construction projects does not charge sales and use taxes on all construction labor and some categories of building materials that become permanently affixed to real property as per Va. Admin. Code 10-210-410. Therefore, this conservative estimate assumes that only 25% of the project's building shell & fit-out building materials costs (i.e., 10% of the total real property CAPEX) will generate sales tax that would be captured in Hanover County from contractors purchasing materials to build the facility. Sales tax is not generated from any construction labor or building materials necessary to construct the data centers electrical systems and HVAC/Mechanical/Cooling systems.

Estimated sales & use tax projections*

Values below are expressed in millions of USD



* Facts and figures within the estimates are not to be taken as predictions or promises of performance and doesn't contemplate any future changes in legislation or sales and use taxes. (see page 10 for sales and use tax assumptions & limitations)

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