

[THEME MUSIC]

**NINA MOINI:** In the last 10 minutes, the Minneapolis City Council voted 7 to 5 to put a new data centers on hold for most of the city until November. Council Member Aurin Chowdhury introduced the ordinance.

**AURIN CHOWDHURY:** This is not a ban on data centers, y'all. It's a five-month moratorium ahead of us. It's not anti-technology. It's future-proofing our city. It's a temporary pause that gives Minneapolis the opportunity to do what good government should do, gather information, engage the public, and establish clear rules before major decisions are made.

**NINA MOINI:** The moratorium exempts downtown data centers that take up 350,000 square feet or less. Supporters of that carve-out say data centers could be the answer for declining property values and shrinking tax base downtown.

Joining me now with the view from the Minneapolis Downtown Council is Adam Duininck, the group's President and CEO. Thanks for your time this afternoon, Adam.

**ADAM DUININCK:** Thanks for having me, Nina. Appreciate it.

**NINA MOINI:** So we heard there from council member Chowdhury saying this isn't anything to be referred to as a ban. It's a moratorium, giving the city time to sit down and figure out how to proceed in this area, making a carve-out there for downtown where your focus is.

With that in mind, what is your reaction to this decision this morning by the Council?

**ADAM DUININCK:** Yeah, well, thank you for having me to talk about this important subject, Nina.

**NINA MOINI:** Sure.

**ADAM DUININCK:** I think a couple things I'd say. I mean, one, I want to commend Council Member Chowdhury, Council Member Osman, a handful of other council members that helped to try to find some bit of middle ground.

We have historically been pretty opposed to approaching policy issues with the word, moratorium. And so generally, we're not excited about that that way. But both the process by which it moves the discussion forward, as well as the engagement that happens between when a moratorium is announced and then when it's passed by the Council, which goes into effect immediately.

And so it's a bit of a blunt instrument in terms of approaching data centers. And we thought that either a legislative directive or an ordinance change, a different process could have been a better approach. But nonetheless, we're here today dealing with the reality that we have.

I'll again commend, we brought eight council members through the Sleep Number building in the course of about two or three weeks, and hats off to the developer there that made time to do that. And we tried to make sure we talked with everybody about their concerns.

A lot of concerns get raised around the environment, around water usage, around noise. Are they a good neighbor, those sorts of questions. I think many of those questions, frankly, all of them, can be answered in a positive way.

And then I'd also just want to come back to a point you said about it being an answer to the commercial real estate challenges downtown. We believe strongly it could be one of the tools in a toolbox, or one of the pieces of a puzzle to solve this issue.

It's not going to be a silver bullet. And frankly, the Downtown Council wouldn't support putting data centers in all kinds of vacant spaces. But in a few specific instances, either a couple specific buildings where it makes sense, or some of the larger towers--

--if one floor of data center, maybe a floor or two of data center investment could help them repurpose the building, then the value proposition we're actually asking about is, do we have a bunch of vacant space where there's nothing happening? Or can data center investments help us rethink or reimagine some of these buildings?

**NINA MOINI:** OK, so I want to take a step back. You mentioned the Sleep Number building, which it's been reported on, that basically, the upgraded data center inside of one of these buildings in downtown basically allowed the property to sell for eight times more than it would have otherwise.

So you're seeing that as an example of success. I don't know if you heard our reporting from our colleague Dan Crocker up in Hermantown. It's interesting to see all of these ideas about data centers popping up across the state and in different areas.

And in more rural areas, people are saying this will really drastically change the quality of life for the worse. What do you think about data centers in downtown? I mean, I'm hearing you say that it's something that's really viable and helpful financially, but it's not the first thing people think of when they think about a really dynamic, mixed use building.

Oh, I live on top of this data center. It's just not what people are envisioning. Is this the best that is possible for downtown?

**ADAM DUININCK:** Sure, I think I'd answer that question a couple ways. I think one, generally, data centers are being conflated with a transition in the economy to investments in AI and changing technology that's going to impact our world, the business community, and all kinds of people in big ways for the next generation.

And so that gives heightened emotion. It also, frankly, has created an atmosphere where a lot of information is just factually inaccurate. And I'll just talk about that for a second.

The difference between a smaller data center that is about 10 or 20 megawatts in the city of Minneapolis versus a hyperscale project, which is very different, we're talking about building all new infrastructure, new transmission line, new water usage, is way different than a smaller scale data center that we're proponents of in the downtown core.

And those projects use similar amounts of water as other buildings in downtown. They are, frankly, potentially a net benefit to the electrical system, because we have available megawatts and available electricity to sell within the core that doesn't require building more infrastructure.

And so it could actually, I'm not going to say with certainty that it will drive rates down. It might slow the rate of increase for other ratepayers who have to pay for that electricity. And so there's some benefits to these being in the downtown core.

And to your point about vibrancy. That's where I think from an organizational standpoint, we want to see people downtown. Downtown should be about people gathering. So you ask, why should we support data centers?

And again, I think it's because if the trade-off is a tower sitting vacant for 10 or 20 years until we can grow jobs or figure out other uses for the property or whether that's housing or whether that's a different kind of either retail or experiential use or higher ed, you name it, we're trying to think creatively about how to use this space.

If in the meantime, there's revenue from a tenant that's investing in AI and data centers that are going to also be an economic development driver, too, latency and proximity could end up mattering in the near term. And so that's one thing I think it's hard for people to get their arms around.

Right now, when you are on your phone or on your device looking up something through AI, sometimes your answer takes a minute or two minutes or five minutes for it to generate. And the more that we have data center infrastructure in place that's close to people, some of these different services are going to provide quicker service.

And having it in the downtown core could be a net advantage for the city of Minneapolis or for our region and so forth. And so there's economic development benefits. There's also the tax base benefits.

But when it comes to people and vibrancy, we will never, as an organization, take our eye off the ball that we want more workers downtown. We want more people to live downtown, too. So trying to balance between those different questions, plus what data center investments look like, I think is really what's at the heart of this discussion.

**NINA MOINI:** Could you give our listeners an idea of as it relates to downtown, how many data centers there currently are, what it could look like, and what you take into consideration when you're deciding what type of building would make a good candidate.

**ADAM DUININCK:** Yeah, it's a great question. And I've heard Council Member Palmisano speak eloquently about how a job with IBM brought her to our city many, many years ago because of data centers that are in our downtown.

And the Sleep Number building is one that's enjoyable for us to walk people through and show them, because in 1979 or '80 when the building was built, the goal was for it to be a data center. And so we've had data centers in our downtown core for a while. I don't the exact number, but it's probably between a dozen and two dozen of them that are in operation right now.

In terms of the buildings that make the most sense, you need to have high ceilings, you need to have floor and infrastructure that can hold heavier weights. And you need to frankly, be I think in a place where the noise constraints are managed.

And that's where Sleep Number still has two stories of corporate offices and a showroom on the main floor, coexisting and cohabitating with a data center. So they make good neighbors. There's noise mitigation that goes into effect. There's questions about generators and those sorts of things, backup power.

But one of the reasons that data center developers are excited about downtown, is you need to be running all the time. So that consistent, reliable power source is something that we have. And that's because there's not going to be a couple trees down knocking down a power line that's going to knock out power so you have to run the generators and so forth.

So in terms of where they'll be, the sites that I know are publicly being talked about, there's a building on Washington Avenue, there's been some speculation in recent weeks about the Dayton's Project, looking at putting a small data center in it to help rethink the building.

And I think that's the example of OK, if we could put a small data center in the basement of the Dayton's Project, for example, and then we can rethink the other seven or eight floors or the 13, 14 floors of the building, what could go there, then we can have a good discussion about what the future of that building means and what Nicollet Mall looks like.

**NINA MOINI:** And just one more question, Adam. So the council wants to take this time, they say, to come up with guardrails, regulations. From your standpoint, what would you be happy with if the council came back and said, what would you like them to say as it relates to downtown? And any types of regulations as it relates to water, energy use or anything else?

**ADAM  
DUININCK:** Yeah, I think that that's an important part the next step in this process, which is the siting of the projects, the where. Which buildings make the most sense, I think is going to drive a lot of the discussion. And there's concerns about that, about either limiting or being thoughtful about which sites make most sense.

And then I think some transparency in the water and electricity usage, which there's only so far that certain companies can go. At some point, that's actually regulated either by the PUC when it comes to at least power.

But the water usage and understanding the impacts of what happens now, a better understanding of all that, the economic impacts of the jobs and those things, just being candid about where that is and where that's going to take our city, I think that's an important part of this process.

But that's also, I think, why the moratorium for us didn't make a lot of sense. It would have been, I think, a better move to do an ordinance change or a different next step, because we could still do all of that without the moratorium.

I understand the pressure the council's in to do a moratorium. There's a lot of cities around our state and around the country doing them. And that's a response to the public. And I think that's where I do agree with some of the council members.

We need to bring people along with this discussion so that people are supportive of it. That's just an important part of civic leadership and public leadership and accountability.

**NINA MOINI:** All right, Adam, thanks so much for coming by and sharing your perspective. Really appreciate it.

**ADAM** Thanks for having me.

**DUININCK:**

**NINA MOINI:** Adam Duinick is President and CEO of the Minneapolis Downtown Council.