

**Brainerd, MN
May 8, 2025**

Pursuant to due call and notice thereof, the special meeting of the Brainerd City Council, Public Utilities Commission, and EDA was called to order at 5:30 P.M. by Council President O'Day.

Upon roll call, the following members were noted as present: Czeczok, Johnson, Stunek, Yeager, Bevans, Mike O'Day, Angland, Matten, Mark O'Day, Grecula, Kirsch (5:35), and Sandy.

Staff present were BPU Operations Manager Hawkinson, Finance Director Hillman, Community Development Director Kramvik, and BPU Finance Manager Loch.

Discuss BlockMetrix Purchased Power Agreement Extension

Community Development Director Kramvik stated that Blockmetrix has kept in contact with the Community Development Department throughout the design process. However, the roof over the air coolers is creating a challenge for the mechanical plans to ensure the coolers run according to specifications. Staff did not require a roof over the coolers, but did ask Blockmetrix to mitigate sound coming from the facility. Blockmetrix has potentially proposed removing the roof if they cannot make the mechanical plans work as presented. A change in scope would require EDA approval and a Conditional Use Permit after City Council approved Ordinance 1581, which regulates future Data Centers. As Blockmetrix has made significant progress on the design of the proposed data center, staff recommend continuing to work with Blockmetrix through a power agreement extension and revised purchase and development agreement with the EDA. However, staff recommend that provisions should be added to the power agreement. Potential provisions include executing the power agreement and development agreement by an agreed upon date, construction commencement deadline, primary building construction deadline, and potential non-refundable downpayment if the power agreement is not met.

Member Bevans asked about the current agreement for power. He also asked about the EDA contract having a commencement deadline. Finally, he asked what the Public Utilities Commission decision or request was at their meeting and what the loss is to the utility for not having a signed agreement.

BPU Finance Manager Loch stated that there is not a current power agreement with BlockMetrix. There was an agreement sent to them in October of 2024 that was never executed. Said agreement would have expired December 31st of 2024.

Community Development Director Kramvik stated that the commencement deadline for the EDA agreement was April 30th of 2025. The contract with the EDA has not been executed, as they need to acquire the land from VCV.

Commissioner Angland stated that there was not a decision made at the Public Utilities Commission meeting. The Commissioners took the opportunity to ask questions of the company at the Commission meeting. The opportunity cost to the utility is \$55,000 monthly. The Commission requested to hold a joint meeting to get all boards involved on the same page and provide a consistent message.

Member Johnson restated that the company does not have a current purchase power agreement and never signed the development agreement. He questioned what BlockMetrix is looking to extend, the offer or the City's patience.

Community Development Director Kramvik stated that the agreement from the EDA cannot be signed until BlockMetrix purchases the property from VCV. If the agreement is amended there will need to be an amended purchase and development agreement.

Member Johnson questioned why the City would continue to extend its patience without BlockMetrix taking the initiative to move forward.

Community Development Director Kramvik stated that he assumes that they are not wanting to purchase the property without approvals first.

Chair O'Day stated that that's a risk that comes with business. The City is just risking time that it could be selling power. He asked whether this process would be faster than selling the power to others.

Commissioner Mark O'Day stated that he has been contacted by Just for Krypto to see if there was any opportunity to get more power. He felt the questions they asked BlockMetrix were met with unsatisfying excuses. There is over \$275,000 for infrastructure that would be under contract when they make a power agreement. He would like to see this amount in a non-refundable surety bond.

Chair O'Day stated that the status of the property is becoming clearer. The excuses are not reading well considering the timeline. If there is an opportunity for someone to make this happen, the City should be able to look into it.

Member Czczok asked about logistics and each of the boards making decisions independently.

Community Development Director Kramvik stated that the building permits were submitted ahead of the ordinance. If those permits are substantially changed, they would be subject to a Conditional Use Permit.

Member Yeager stated that as a member of the EDA the expectation of agreements like this is that there is a return on investment of time and energy. When that isn't met, there are new challenges. The construction industry is fraught with peril of construction costs, when you're in the industry, part of the risk is escalated costs. This is not a viable excuse of why not to build. He asked Attorney Langel about contract hold compensation structure.

Attorney Langel stated that the City could put a hold compensation structure out there in an agreement for negotiation.

Commissioner Matten asked about throttling back the other crypto facility for energy capacity. She stated that bitcoin is up. When this all began, from a Commission standpoint she was surprised that VCV hadn't come to the City first. She does not understand why the power contract is not signed, and why they don't own the property yet. It comes back to what the desire of the company is to move forward.

Operations Manager Hawkinson stated that MISO has had to curtail other facilities at the same average pace.

Member Johnson stated that if the commission wants to move forward with working with these people, he'll support it. He will not stand here today and demand that we walk away, but there should be financial penalties. We don't have a contract in place to hold them accountable at this point.

Member Bevans stated that if there is going to be a contract signed, it will need to take place quickly. Anything after that, the opportunity cost needs to be covered and he expects a surety bond. As far as the EDA contract is concerned, people buy land all the time to have it sit empty. However, he does not support changing the roof structure.

Member Stunek stated that if BlockMetrix were aggressive enough, and wanted to do this, they'd be doing it.

Member Czeczok stated that he agrees on an escrow payment. He asked about the permitting and ownership.

Community Development Director Kramvik stated that until the land is transferred, they cannot execute the EDA agreement. As far as permitting, it's probably something on their end that they want to make sure that they don't have issues with the City before they purchase the property.

Commissioner Mark O'Day asked how long until the EDA can sell the property.

Chair O'Day stated that the transfer could be done immediately, but the company is trying to get rid of all of their risk prior to purchasing the property. If BlockMetrix does not want to sign this contract, BPU should be open to hearing offers from other entities.

Member Johnson asked the benefit to the EDA to continue with the purchase and development agreement. Removing the PDA may make less of a barrier.

Community Development Director Kramvik stated that if the PDA was eliminated, BlockMetrix would be subject to the zoning code. There is significant investment in the property, and there would be no site control if the PDA was to be eliminated.

Operations Manager Hawkinson stated that there was no cost to BPU for the infrastructure. He also stated that if the project dies, the infrastructure could still be used for another feeder out of our system.

Commissioner Mark O'Day asked about drafting a new contract. He stated that this is the only site that has been prepared for a substantial amount of power. If the contract could be drafted with a \$275,000 in escrow to show that BlockMetrix is committed, and a \$30,000 per month penalty.

Finance Manager Loch stated that the attorney is ready to draft the agreement.

Chair O'Day stated that the contract should include hard stop dates. As far as the EDA, he stated that the EDA could open the site to fill the void. The land is sold, but is peanuts compared to the power contract.

Member Yeager questioned why the City should continue to work with the developer who has proven to be a nonperformer.

Commissioner Mark O'Day stated that someone else would have to buy the property and power.

Chair O'Day stated that by extending this agreement, it is starting over again, this is one last shot at getting this done as fast as possible.

Commissioner Matten stated that all parties have a lot invested. She stated that if there are no changes in the roof plan, the Boards can move forward with contracts with specific deadlines. She feels that the meeting was effective in determining how to move forward with the power agreement.

Member Czeczok stated that he would be supportive of denying changing the plans for the roof.

Member Johnson stated that the building plans that they proposed have been approved by the EDA that do not include a roof. There is a legal process in changing the plans, that could drag this out even longer.

Attorney Langel stated that under the law, you are entitled to a Conditional Use Permit if you meet the conditions. He would not advise stating anything at this meeting that would give rise to a claim of not following the process. The company can make the request.

Commissioner Angland stated that the Public Utilities Commission will move forward with putting together a contract to respond to BlockMetrix regardless of the roof as quickly as possible.

Adjourn

MOVED AND SECONDED BY COUNCIL MEMBERS BEVANS AND STUNEK , DULY CARRIED, TO ADJOURN THE MEETING.

The Chair adjourned the meeting at 6:25 p.m.



Nicholas W. Broyles
City Administrator