Prescott Balch
7337 Foley Rd
Caledonia WI 53402
(262) 880-7248
prescott.balch@gmail.com

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Mayor Whipple and City Council Members
201 West Ash Street
Mason, MI 48854

Dear Mayor Whipple and City Council members,

My name is Prescott Balch and I am writing to you at the request of members of your community. I am a recently retired technology executive. I spent almost 40 years in the technology business, the last 18 as a senior technology executive with the Minneapolis headquartered U.S. Bank. I describe myself as the least likely person on paper to have concerns with building data centers. We need more of them, and we need them somewhere. The real question should be where, not whether, we build them.

Since a data center proposal showed up in my small village in Wisconsin I have been trying to share my career experience with any and all communities that want it, explaining as objectively as possible the pros and cons, and articulating the unique risks that the technology industry and hyperscale data centers bring to a community. While I thought the proposal in my community was ill-advised, I understand every community and proposal is unique. My goal with this letter is to inform, not persuade. The best decisions are made with full information, weighing pros and cons on behalf of the residents. Each community will have different priorities and different risk appetites that they must apply to that information.

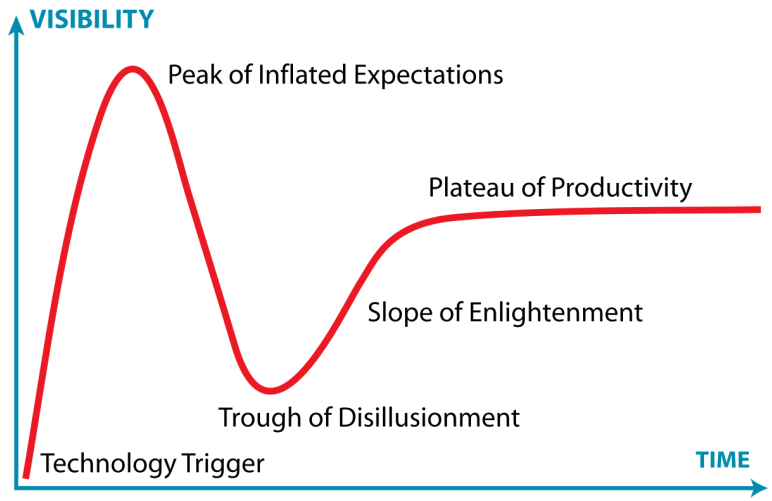
If I can be of any help clarifying any of the information below, please feel free to contact me at the above email address or phone number.

Below are the major risks, myths, and benefits of hyperscale data centers, with a particular focus on small towns.

The Hype Cycle and the AI bubble

Every major new technology has triggered an exuberance in the industry marked by wild business speculation. Most will remember the dotcom bubble of the late 90s that burst in early 2000: hundreds of speculative companies with no business model, overbuilding telecom and data center infrastructure,

promises of the Internet infecting every aspect of our lives. While that last part eventually proved true, it didn't quite happen before there was a major correction in the industry resulting in the failure of many of those companies chasing the next big thing.



AI as a technology looks eerily similar. New and exciting, great promise, and a mad gold rush to beat the competition to the riches. Will it eventually infect every aspect of our lives? Probably. Are we overbuilding data centers in the mad chase to be first to market? Absolutely.

The current data center market is $350B in valuation. Total valuation of *proposed* data centers is $2.5T. No business grows that fast, or even half that fast.

Where will your community's project be when that bubble bursts? Half built? Fully built but empty? How would a major reset of value of the buildings affect the projected revenue from the data centers? Would you regret having approved the project?

AI is expensive, but for how long?

A standard Google search is a very technologically inexpensive operation. An AI search query is 10 times as expensive. The industry panic to build capacity is driven by a simple calculation:

> Expensive operation X every product = massive data center needs

When a company is faced with accommodating a new technology, they can't rely on speculative future improvements to the technology. So they begin building based on forecasts using the current technology costs of an operation. But technology never stands still, especially when it's burning big holes in the income statements of large corporations.

AI is not currently a technology many customers are willing to pay for, not unlike the Internet in 2000. Perhaps they eventually will, but in the meantime, companies wanting to add it to every product will be under incredible pressure to manage their expenses.

And where there's a technical implementation causing a large expense problem, there will be enterprising software developers working diligently trying to innovate and solve that problem. The newer the technology, the faster and bigger the improvements.

As an interesting example, in the early 2000s, one new technology product resulted in an 80% reduction in the need for physical servers. AI as a technology is on the verge of that same magnitude of innovation: we are one software improvement away from a massive reduction in the need for hyperscale data centers.

Where will your community's project be when that happens? Will you regret having embarked upon the project? Is it perhaps wiser to let the industry find its steady state before embarking on such a large, community-altering project?

Lifespan of a data center

For the last 40 years, the average lifespan of a data center has been between 15 and 25 years. The building's concrete and steel lasts much longer, but on average it is between 15 and 25 years when the cost of upgrading a building to accommodate new technology or new scale requirements finally exceeds the cost of building new. 6% of today's active data centers are older than 25 years. The industry moves on quickly.

There is no lifespan data on hyperscale data centers; they are too new. Will this time be different, will they last longer this time? Nobody knows, but the technology industry is one of relentless innovation and of zero reverence for its past. The instant old assets are yesterday's solution they are discarded.

Before dismissing that as the building owner's problem, ask yourself what reuse opportunities might exist in your community for a million or more square feet of purpose-built data center space. Low ceilings, no windows, over-powered building. Will it sit vacant for years? Will it depress the price of other commercial real estate in your community? Does the community even have that much commercial real estate today? Will the inability to rent the building as a data center or even as anything else result in a massive reduction in tax revenue that the community is now used to?

One very interesting protection implemented by Saline Township MI in their reluctant agreement with their data center developer was to require a $10M

bond to destroy the building if left vacant for 5 years. Clearly someone else is thinking about this same long-term risk.

Legal and financial risks

Most small towns with data center proposals are failing to adequately research the real cost of managing such a big project and big taxpayer both before and after the construction period. Legal expenses are the primary example of their naivete. One small town in Wisconsin projected their total administrative expenses, legal and other, at $10K per year. Another estimated $100K per year. In Mount Pleasant, WI, a town with an active Microsoft data center construction project, the village spent $1M on legal fees on the project in 2025 and forecasted another $625K in legal fees for 2026. Will your town be higher or lower than that? Nobody knows, but there's homework to be done to estimate it.

When a large corporation transitions from suitor to taxpayer, they ***will*** use the courts to get their way. Small towns need to have the budget and the stomach to fight back against such deep pocketed companies. The tax revenue from the forecasted data center build may still exceed the legal expenses by quite a bit, but in analyzing the net benefit to the community, understand the cost of chasing such large pots of tax revenue.

Financial concentration risk

Your FAQ calls out a benefit of broadening the tax base with data centers, identifying the automotive industry as 7% of tax revenue and residential as 65%. The MI Community Financial Dashboard shows a total valuation in Mason of $300M and total tax revenues of $4M. A hyperscale data center campus will dwarf that. Microsoft's most recent data center in Mount Pleasant, for example, was valued at $1B. Instead of broadening your tax base, there is a serious risk of concentrating the tax base into a single taxpayer in a single volatile industry.

Of all the states in the US, Michigan should be well aware of the risk of such concentration. Only this time, the concentration also comes without the benefit of an employer connected to the community through employees.

From your own FAQ:

> **Why Would Mason Consider Allowing Data Centers?**
>
> • **Expanded Tax Base & Financial Resilience**

A hyperscale data center in a town the size of Mason will do exactly the opposite of those two things.

Assessing the benefits

Admittedly, construction work will be plentiful. If the campus is multi-building, the construction will also last for several years as data center builders manage their risk of technology change by building consecutively rather than concurrently.

And if the full campus is built, the tax revenue will be healthy.

Other projected benefits of data centers, however, often prove over-promised. Employment will be low. Northern Virginia (aka Data Center Alley) averages 20 employees per data center across 549 buildings. Only a subset of those 20 are high-tech.

Data centers do not generate either direct or indirect economic benefit after construction. 20 new employees can easily be absorbed by even a small community, thus making indirect economic benefit zero.

Visual inspection of maps of the areas neighboring large data center campuses also reveals a near absence of economic development near those campuses. Prineville OR and West Des Moines IA have both had large scale data center development for 15 years and the immediate vicinities are still largely devoid of residential or commercial development nearby.

The abundant and long-running construction also has another side to it: upward pressure on rental prices. Using active construction sites in Mount Pleasant WI (Microsoft) and Port Washington WI (Vantage) as a proxy, construction jobs will range from 2000 and 4000. Every small community which has started a data center construction project has seen rental vacancy go to zero and has watched rental prices rise: good for the landlords, less so for the residents. The temporary nature of construction jobs, even for a 10-year long construction project, will discourage permanent new housing.

Construction burden

Technology companies building data centers will manage their own risk of technology change by building multiple buildings consecutively vs concurrently. They know how fast the technology changes and don’t want to retrofit change on all buildings if they don’t have to.

While that is good for their costs and good for managing obsolescence risk, it presents a large burden to local residents who will have to suffer through construction schedules that could be as long as a decade. And their suffering will come in the form of industrial scale construction noise and in the form of

financial hardship. Who will buy a house next to a 10-year long industrial scale construction site?

Data centers are unique in that their construction is a heavy industrial use of a property and in that it lasts for years on end. That use would never be tolerated as a permanent use of the property. Unlike a house or even a commercial building, which are constructed on much shorter timelines, the heavy industrial nuisance of data center construction will make life miserable and harm real estate values of nearby residents for as long as 10 years.

Do your proposed zoning regulations take the unique nature of this construction into account? Do they require sufficient setbacks to protect nearby residents from the construction nuisance? Or do the setbacks only accommodate protection for the still worrisome but comparatively benign post-construction use as a data center? Will you require a certain construction maximum decibel level at the nearest residence? Will you require the developer to buy out property within a certain radius of the construction site or compensate people for lost real estate value?

Where do data centers work?

Our society does need data centers, but where? Based on the financial risks, the legal risks, and the technology risks listed above, patterns emerge when looking across the country at where data centers are working for a community. Perhaps the most important pattern is they work where the community commits to doing many of them. Continuously building data centers allows for smoothing of the obsolescence risk, allows for persistence of the construction's economic benefit, and creates a large enough tax base to absorb the periodic problem with a single taxpayer's data center.

Sometimes these places that do a lot of them are larger metropolitan areas like Phoenix, Dallas, and Silicon Valley. Sometimes they are small to medium-sized communities like Prineville OR, West Des Moines IA, and Omaha NE. All of them, though, commit to doing more and more.

Do you envision your community being once and done? Or will it be just the first of several? Either way, that should be part of the discussion with your residents.

Sincerely,

Prescott Balch

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