



City of Denton

City Hall
215 E. McKinney Street
Denton, Texas
www.cityofdenton.com

AGENDA INFORMATION SHEET

DEPARTMENT: Denton Municipal Electric

DME General Manager: Antonio Puente, Jr.

DATE: November 19, 2024

SUBJECT

Consider adoption of an ordinance of the City of Denton, a Texas Home-Rule Municipal Corporation ("The City"), authorizing the City Manager to execute a Third Amendment to the Lease Agreement between the City and Core Scientific Inc., a Delaware Corporation; providing for an effective date.

Background

The City entered into a seven (7) year Lease Agreement (Lease) with Core Scientific (Core) on September 3, 2021, under which Denton Municipal Electric (DME) leases approximately 31 acres adjacent to the Denton Energy Center for the development of the data center. On August 20, 2024, the City approved amendment number two (2) to the Lease adding an additional 5.56 acres required to convert Phase III of the project from cryptocurrency operation to High Performance Computing (HPC) to support artificial intelligence application.

Core Scientific now intends to convert Phases I and II of the original Lease agreement to HPC and to add Phase IV for same. All told, the total leased property from the City will be 70.13 acres and no cryptocurrency operations will be continued at the project. The Lease Amendment No. 3 is complex as it involves the leasing of both DEC property and additional property purchased by the City in 2022 for a future solid waste transfer station just South of the DEC. This amendment to the Lease provide the option for the City to remedy potential private use concerns through either defeasement, repayment or refunding of the leased property. The amendment specifies the cost to be paid by Core Scientific in the event that the City opt to remedy private use concerns.

The new Lease rental rate will be a sufficient to provide greater than the commercial value of the leased priority from the DEC and sufficient to cover the annual debt payment associated with the land for the future solid waste transfer station. Core Scientific will be hosting a major hyperscaler at the project with the total real property investment associated with the project anticipated to be close to \$4 billion.

In addition to the investment made in the facilities and computing equipment, Core will be constructing an onsite office building to house an estimated 130 full time employees required for the operation and maintenance of the HPC data center.

RECOMMENDATION

Approve the ordinance enabling the City Manager to enter into the third amendment to the Lease Agreement.

EXHIBITS

Exhibit 1: Agenda Information Sheet

Exhibit 2: Ordinance

Exhibit 3: Presentation

Respectfully submitted:
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Denton Municipal Electric
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