

DATA CENTER TOOLKIT



Strategies for Local Government

Municipalities should recognize data centers as an emerging land use pressure. Communities that want to stay ahead of data center development can proactively update their regulatory frameworks (zoning codes and municipal ordinances) to address the unique environmental and economic impacts these facilities bring.

Zoning Code Updates

Zoning changes give municipalities control over where data centers can be located and the standards they must meet. This is critical because data centers often cluster near existing fiber networks and reliable energy sources. Proactive zoning enables planners to factor in water availability and demand when shaping economic development, ensuring resources aren't over-allocated to data centers at the expense of other growth. Additionally, the sheer scale and resource intensity of hyperscale data centers—those most associated with AI and large language models—may exceed what current commercial or industrial zones can effectively regulate.

Data Center Ordinances

Municipal ordinances provide the legal framework and guidance for developers. Through ordinances, communities can require measures such as transparency, efficiency standards, and mitigation strategies. These requirements align with recommendations like those adopted by the Washtenaw County Board of Commissioners and are essential for clarifying and managing the significant energy and water demands of data centers.

Planned Unit Developments (PUDs)

A PUD is a flexible zoning tool that allows municipalities to review and approve projects through a negotiated process rather than rigid zoning rules. PUDs are often used for large or complex developments requiring customized standards. They enable communities to tailor land use, site design, and benefits to specific proposals while staying consistent with comprehensive plans. For data centers, PUDs can address specialized considerations such as water and energy use, noise, setbacks, decommissioning, workforce development, and waste heat reuse. This flexibility is especially valuable given the rapid evolution of data center technology.

Community Benefits Agreements (CBAs)

A Community Benefits Agreement is a legally binding contract negotiated between a developer—such as a data center operator—and a coalition of local organizations. These agreements are particularly valuable when tax incentives are offered or when developers use non-disclosure agreements (NDAs) that restrict public transparency. CBAs ensure that projects deliver measurable benefits aligned with community priorities while mitigating potential negative impacts.

As smaller rural communities face developments representing billions of dollars in investment—both locally and within global portfolios—CBAs present an opportunity to secure meaningful benefits for local governments, organizations, and residents

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Key provisions a CBA might include for data center projects:

- **Environmental Protection:** Mandating advanced conservation and efficiency practices to reduce water consumption (e.g., closed-loop cooling systems or use of non-potable water sources).
- **Clean Energy:** Requiring developments to conform to local and regional sustainability goals, including all-electric, zero emission facilities.
- **Workforce Development:** Enforcing local or targeted hiring practices, wage and benefit agreements, and funding for workforce training.
- **Infrastructure Investment:** Requiring developers to fund necessary infrastructure improvements, such as water and wastewater treatment upgrades.

