

ITEM #:	28
DATE:	07-28-26
DEPT:	ADMIN

COUNCIL ACTION FORM

SUBJECT: TEMPORARY DELAY IN ALLOWING DATA CENTER DEVELOPMENTS

BACKGROUND:

At the City Council meeting on July 14, staff presented a memo outlining the legal means that the City Council has available to limit the construction of data centers. The memo contained options that relate to zoning, noise, and utility service.

The memo also offered the Council the option to impose a temporary delay on allowing data center developments while the Council researched and adopted regulations, or an option to impose a "permanent" ban on data center developments altogether.

The list of options presented on July 14 is provided below:

1. Distinguish data centers as a use in the current Zoning Ordinance separately from the existing data processing use definition.
2. Restrict data centers based on building size, the use of on-site power generation, and the type of cooling system used.
3. Restrict data centers to only certain zoning districts or implement separation distances from certain uses.
4. Require more specific information to be provided in an Industrial Zoning Use Analysis Report required for new industrial developments.
5. Strengthen Site Development Plan Requirements for Industrial projects in order to provide a clearer basis to deny projects that are not able to mitigate their impacts.
6. Revise Site Development Plan Requirements to incorporate impacts to the utilities rather than related only to the utility lines which is the current requirement.
7. Change the development approval process for data centers to one of several options ranging from:
 - i) Staff approval for projects up to a certain size,
 - ii) City Council approval,
 - iii) Special Use Permit through the Zoning Board of Adjustment, or
 - iv) A Rezoning process with either a Master Plan or Overlay that allows for a contract

rezoning with a high degree of City Council discretion.

8. Changing noise regulations to more adequately capture noise from low-frequency sources.
9. Making penalties for noise regulation more effective to produce compliance.
10. Eliminating the discrepancies between the Electric tariff and the Utilities chapter. Data centers could be considered only on a contract rate basis, which allows for a negotiation of the upfront costs for infrastructure to be charged to the data centers.
11. Incorporating an excess facilities threshold and criteria into the Water Utility regulations to obligate "large" water customers to pay upfront for the infrastructure to serve them.
12. An excess facilities threshold and criteria should be incorporated into the Wastewater Utility regulations to obligate large sanitary sewer customers to pay upfront for the infrastructure to serve them.
13. A moratorium on data center developments could be adopted for a fixed period of time (subject to extension).
14. A "permanent" ban on data centers could be adopted through the Zoning Ordinance.

In response to the July 14 report, the City Council directed that staff prepare a temporary delay for data center permits to be presented for consideration on July 28. The City Council members were asked to bring to this meeting lists of the questions and topics they would like to see addressed during a delay.

Staff also was tasked to prepare a plan that illustrates the anticipated timing for the delay in the event that all the tasks identified in the memo (excluding the temporary delay itself or a permanent ban on data centers) were assigned to be completed.

TASKS TO BE COMPLETED:

Staff has prepared the table below to illustrate the anticipated timing for the completion of the 12 previously identified tasks. Some of the tasks are dependent upon decisions made by the City Council in earlier tasks. **For example, the decision made about the type of approval process that is used may make some of the site development plan requirement modifications, (Items 5 and 6 above) moot.** Therefore, the tasks have been arranged to reflect the order in which staff believes they should be addressed.

There are generally two types of ordinance changes needed to address the tasks. The majority of changes about the various design aspects of data centers are related to zoning standards which have a different approval process under state law compared to regular ordinances by requiring a Planning and Zoning Commission recommendation prior to a hearing before the City Council.

Some of the tasks that related to defining the use and establishing the use and its standards within industrial zones were already reviewed by the Commission on June 3 and do not need an additional review. However, newer issues related to Site Plan Review criteria or noise

have not been discussed in detail with the Commission.

The table below includes the required P&Z recommendation steps as applicable for new issues that were not previously reviewed by the Commission.

The Council should note that the table does not include any specific pauses the Council may desire to obtain additional information, make final decisions, or gather public feedback (e.g., workshop or listening session) about certain topics prior to making a decision:

	August	September	October	November	December	January
Zoning-Define Data Center use	1st Reading of Ordinance					
Zoning-Identify preferred approval process, i.e. changes to site plan criteria, overlay district		Staff Report	P&Z	1st Reading of Ordinance		
Zoning-Restrictions on use -building size	1st Reading of Ordinance					
Zoning-Restriction on use based upon other attributes, on-site power, cooling systems, etc.	Staff Report	P&Z	1st Reading of Ordinance			
Zoning-Allowed zoning districts and siting/separation	1st Reading of Ordinance					
Zoning-Industrial Use Report Requirements	1st Reading of Ordinance					
Water excess facilities language		Staff Report		1st Reading of Ordinance		
Sewer excess facilities language		Staff Report		1st Reading of Ordinance		

Noise Ordinance changes			Staff Report	(Potential P&Z)	1st Reading of Ordinance	
Noise Penalties			Staff Report		1st Reading of 1st Reading of Ordinance	
Site Plan Requirements			Staff Report		1st Reading of Ordinance	
Site Plan - Utility Lines			Staff Report		1st Reading of Ordinance	
Electric Tariff/Chap. 28				Staff Report		1st Reading of Ordinance

TEMPORARY DELAY IN DATA CENTER PROJECTS:

Based on the list of tasks above, staff believes a six-month delay in approving new data center projects could be sufficient time to complete the work. This would result in a temporary pause in data center developments through January 2027. However, should the proposed delay period prove to be inadequate to complete all of the assigned tasks from the City Council, the delay would have to be extended.

For the purpose of the delay, staff is proposing to define "data center" using the language being separately presented to City Council at this July 28 meeting for a data center text amendment:

"Data center means a facility whose primary service is data processing or data storage, and is used to house computer systems and associated components, such as central processing units, graphical processing units, neural networks, quantum bits, quantum processors, memory, data routing, data storage, server farm, crypto currency mining or processing, virtual private networks, virtual servers, artificial intelligence (AI) training or processing, image processing, cloud computing, email servicing, or any other term applicable to facilities which are used for such purposes shall be deemed to be a data center. Data processing as an accessory use to a principal use in the same building is limited to a maximum of 10,000 square feet in order to not be considered a primary use."

The City Attorney has prepared a draft resolution for a temporary delay for six months indicating that no new development or expansion of an existing development meeting the above definition will be allowed during the term of the delay (see Attachment A).

ALTERNATIVES:

1. Approve the list of topics to be further studied related to data centers as described in this report, and adopt a six-month temporary delay on allowing any data center development or expansion of any existing data center use.
2. Modify the list of topics and adopt a temporary delay on data center developments or expansions in a time length commensurate with the topics to be further studied.
3. Do not adopt a temporary delay on data center development or redevelopment, and allow data center developments to be regulated in accordance with existing adopted development requirements.

CITY MANAGER'S RECOMMENDED ACTION:

The City requested that Staff estimate the time needed for a temporary delay in approving any new data centers or expansion of any other data center. Therefore, a best effort has been made to predict the amount of time needed to complete the necessary research for the list of topics previously presented to the Council regarding data center developments. Based on this information, Staff is optimistically estimating that the delay should be in place until, at least, the end of January.

It should be emphasized, however, that this timeframe may have to be lengthened depending on whether:

- 1) The Council members have additional requests for information not previously discussed,
- 2) The information provided to Council results in a request to study additional topics or questions, or
- 3) The City Council wishes to adjust the delay to accommodate additional time for City Council deliberation/decision making regarding proposed ordinance and regulation changes as well as public input opportunities.

Assuming the City Council does not identify any additional topics to be evaluated during the pause in data center development, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, as described above.

However, if it becomes apparent that additional time is needed 1) for staff to complete its research, 2) for the Council to make decisions regarding regulations for each category selected for consideration, and/or 3) for the Council to decide if additional time is needed to allow for public input into the various regulations that are being proposed, then Alternative 2 should be pursued which could extend the delay by one to two additional months.

ATTACHMENT(S):

[Resolution Data Center Delay.docx](#)