CITY COUNCIL WORK SESSION

Telecommunications and Data Storage Facilities (Data Centers)

April 6, 2026

FAYETTEVILLE NC

Relationship to Strategic Plan

- Modern data centers support economic diversity, innovation, and data-driven governance.
- They can expand the nonresidential tax base, attract private investment, and require coordinated planning for land use, utilities, broadband, and long-term infrastructure capacity.
- They also create potential conflicts if not carefully assessed because hyperscale facilities are land- and power-intensive and can strain utilities, stormwater systems, review capacity, and growth management.
- Data centers are most consistent with the Strategic Plan when treated as major infrastructure uses subject to comprehensive review, fiscal discipline, utility coordination, and transparent public engagement.

Executive Summary

- Data centers have evolved from internal computer rooms to large standalone facilities supporting cloud computing, digital communications, and artificial intelligence.
- Because they function as major physical infrastructure, they should be regulated as a distinct land use rather than treated as generic office or warehouse space.
- TA26-01 addresses the current UDO gap by distinguishing incidental server rooms from principal-use data centers and by tying review standards to operational intensity.
- The proposed standards focus on the external effects most relevant to surrounding properties and City systems, including exterior equipment, generator activity, noise, utility coordination, screening, and airport compatibility.
- The overall need is a balanced framework that captures economic opportunity while improving predictability, enforceability, and long-term compatibility.

Background

- In late summer 2025, Development Services began receiving inquiries regarding where data centers could be located and what standards would apply.
- Staff determined the current Use Table did not adequately classify or regulate this use and began researching approaches from North Carolina jurisdictions and other states.
- Interested parties were advised they could either wait for new standards to be developed legislatively or seek a formal interpretation under the current UDO.
- The applicant group chose to wait for ordinance revisions, and staff presented an initial draft to the Planning Commission in October 2025.
- A January 2026 working group—including PWC, economic development, City departments, and Planning Commission members—helped refine the proposal presented in February 2026.

Issues/Analysis

The Evolution of Data Centers

- Data centers did not originate with artificial intelligence; they represent a long evolution from dedicated machine rooms to centralized computer centers, commercial facilities, cloud campuses, and AI-supporting infrastructure.
- Each phase increased dependence on specialized buildings, power, cooling, networking, redundancy, and physical security.
- Over time, the “cloud” became a visible land-use issue because modern data centers are large, utility-intensive, and shaped by land, fiber, tax policy, and infrastructure readiness.
- North Carolina is now part of this national pattern, with major investments showing that data centers are no longer a niche land use but a significant infrastructure sector.

Issues/Analysis

Regulatory Response

- Older zoning codes could absorb small server rooms under office, institutional, or industrial categories because off-site effects were limited.
- Modern data centers raise different planning issues, including exterior equipment yards, generator testing, noise, screening, airport compatibility, campus phasing, and utility demand.
- TA26-01 responds by drawing a clearer distinction between minor internal IT functions and principal-use data centers with dedicated exterior plant and infrastructure.
- The draft also recognizes operational differences by distinguishing a baseline principal facility from a more intensive variant with an Energy Center.
- Because these projects affect zoning, utilities, the Airport, fire review, development review, and long-term enforcement, the amendments aim to provide a predictable and measurable review framework.

Proposed Ordinance Framework

The proposed framework aligns regulatory measures with real-world impacts by identifying four primary use types:

(1) internal-only accessory facilities, defined as minor server rooms located within another principal use;

(2) accessory facilities with dedicated exterior plant, where support equipment generates external land-use effects;

(3) principal data centers, in which data storage and processing constitute the primary site use; and

(4) principal data centers with an Energy Center, where on-site power generation results in a more intensive operational profile.

This categorization enables the UDO to distinguish between minor server rooms and hyperscale campuses, while establishing clearer standards as facility scale, equipment, and operations begin to impact adjacent properties and municipal systems.

Budget Impact

- Modern data centers can strengthen the tax base through high-value land, buildings, and equipment, while also generating significant construction-related activity.
- Their long-term employment footprint is typically much smaller than their capital investment, so fiscal benefits do not come primarily from ongoing job creation.
- Revenue outcomes vary widely depending on local tax structure and whether the City and County effectively capture taxable value associated with equipment and facilities.
- As facilities become larger and more infrastructure-intensive, they also create indirect public costs tied to planning, permitting, utility coordination, and long-range service capacity.
- Overall, the budget impact is potentially significant but depends on revenue capture, infrastructure readiness, and alignment with long-term public-service capacity.

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