

Local Implications: Data Centers in Rural Communities

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Data Centers: Key Considerations

Data center inherently neither good nor bad. Key question: Do benefits outweigh risks?

- Specific to a particular project and a particular place
 - Site: land/water/power resources
 - Environmental impacts
 - Disruption of infrastructure and quality of life: boom & bust
 - Deal itself
- Industry interests
 - Scale
 - Speed
 - Confidentiality
 - Financing
- Fundamentals
 - Community support: What is necessary for residents to trust that the benefits outweigh the risks, and the integrity of their town will be protected?
 - Community benefits: Asymmetry at the negotiating table. How to adequately protect and advance local interests?

Data Centers: Potential Benefits

- Employment
 - Construction:
 - Short-term increase, but often shifting skilled labor vs filling w/newly skilled labor
 - Pressures from outside labor can create boom/bust effects on housing, other services
 - Permanent:
 - Lower levels of long-term employment in proportion to the physical footprint vs manufacturing
 - Job quality – hyperscale some evidence of slight increases in data/telecom positions
- Revenue or additional benefits
 - Municipal/county revenue (i.e., property & sales taxes)
 - Long-term, on-budget investment is biggest win.
 - Offset by abatements/incentives
 - Community Benefits
 - Community Benefits Agreement (CBA) can be negotiated in exchange for project approval
 - Can direct specific monetary payments to benefit affected populations or to address specific issues: housing, edu
 - Can include requirements that taxes can't compel: e.g. local hiring quotas

Data Centers: Potential Benefit

- Adjacent economic benefit
 - Larger economic development strategy
 - Possible catalyst for local businesses/downtowns
 - BUT – can be offset by adjacent economic risks
 - Disruption to infrastructure: e.g., stress on roads
 - Stranded assets
- Community support – How to trust in the benefits?
 - Transparency
 - Independent, data-driven analysis
 - Direct involvement in fashioning benefits
 - Access to the expertise necessary to advance interests; confidence that negotiators have what they need
 - Compliance

Possible steps for communities

- Transparency
 - Limit non-disclosure agreements (NDAs)
 - Procure independent studies of expected energy/water use, infrastructure needs, public-service costs
 - Immediate community outreach: notify affected local govts, public meetings, public disclosure
- Capacity:
 - Access legal, technical, and financial expertise: SWAT teams
 - Protect proportional on-budget tax revenue
 - Community benefits agreement: Think of 1% of capital expenditures as floor
 - Involve community residents to shape/agree upon potential benefits (separate from approval process)
 - Community development: housing, schools, parks, child/elder care, etc.
 - Local hiring floors and training/pathways into jobs created
 - Community ownership: community-led investment fund
- Even out “boom/bust”
 - Guard against unintended tax consequences for existing residents
 - Address instability in housing market; ensure developer pay for infrastructure disruption
 - Avoid stranded assets; decommissioning agreements