

DATA CENTERS AND LOCAL GOVERNMENT

An Executive Summary for Newly Elected Ohio Local Officials

The Central Question: Not “Are Data Centers Good or Bad?” — But “How Should We Manage Them?”

Data centers are rapidly becoming one of the most consequential economic-development and land-use issues facing Ohio communities. Driven by cloud computing, artificial intelligence and the continuing digitization of the economy, demand for large-scale computing infrastructure is growing rapidly.

For newly elected city council members and township trustees, the challenge is not simply deciding whether to welcome or reject data centers. The more important question is:

If a data center wants to locate in your community, have you done your homework—and have you established the policies, standards and negotiating position necessary to ensure that the community receives an appropriate share of the benefits while protecting residents from unacceptable costs?

That decision should be based upon facts, not either promotional material from developers or unverified claims circulating on social media.

1. Public opposition is real—and elected officials cannot ignore it

Across the country, public opposition to data centers has become a significant political issue. The concern is understandable: residents hear about enormous electricity consumption, water use, noise, land consumption, backup generators, limited permanent employment and possible impacts on utility rates.

The political environment is particularly important for local elected officials.

A March 2026 Gallup survey found that **71% of Americans opposed construction of AI data centers in their local area, while only 27% favored them.** ([Gallup.com](https://www.gallup.com))

Consequently, an elected official who supports a data center proposal may face substantial political pressure—even when the project could produce significant economic benefits.

There is also evidence that foreign influence operations have attempted to exploit the controversy. OpenAI reported in 2026 that a suspected China-linked influence operation used AI-generated posts, comments and cartoons to amplify opposition to U.S. data centers. However, claims that a majority of anti-data-center information originates from foreign bots have not been independently substantiated and should not be treated as established fact. ([Axios](https://www.axios.com))

The practical lesson is simple: elected officials should independently verify both the claims made by developers and the claims made by opponents.

2. Data-center developers increasingly recognize that they have a community-relations problem

The industry understands that public acceptance has become a major issue.

Microsoft's January 2026 "Community-First AI Infrastructure" initiative is particularly instructive. Microsoft identified five commitments to communities where it builds and operates data centers:

1. Pay its way so data centers do not increase local electricity prices.
2. Minimize water use and replenish more water than it consumes.
3. Create jobs for local residents.
4. Add to the local tax base supporting hospitals, schools, parks and libraries.
5. Invest in local AI training and nonprofit organizations. ([The Official Microsoft Blog](#))

Even more significantly, Microsoft subsequently announced that it would **end the use of nondisclosure agreements with local governments** in connection with data-center development, explicitly citing the importance of greater transparency and community trust. ([Microsoft Local](#))

For local officials, these developments are important.

Communities should not assume that they must give away substantial local tax incentives simply to obtain a data center.

Instead, elected officials should first determine what benefits the project already produces under existing Ohio law and then determine what additional community benefits are necessary to compensate for project-specific impacts.

3. Understand the difference between construction cost and taxable value

One of the most important issues for local officials is understanding how a data center's enormous construction cost translates into the local tax base.

A developer may describe a facility costing hundreds of millions or even billions of dollars. That does not necessarily mean the community will receive property tax revenue based upon the project's full construction cost.

Ohio's property-tax system, appraisal methodology and available exemptions or abatements must be analyzed carefully.

Do not confuse:

Project investment

with

Taxable/appraised value

A community should conduct its own independent financial analysis before agreeing to abatements, exemptions or other incentives.

4. Ohio's sales-tax treatment is a major economic-development advantage for data centers

Ohio has a particularly important incentive built directly into state law.

Ohio Revised Code §122.175 permits the Tax Credit Authority to completely or partially exempt qualifying data-center equipment from state sales and use taxes. The definition of eligible equipment is broad and includes computer equipment, cooling systems, electrical infrastructure and certain building and construction materials. ([Ohio Laws](#))

The law also establishes eligibility requirements, including minimum capital investment and employment-compensation requirements. ([Ohio Laws](#))

This matters because data centers are not simply constructed once and left unchanged.

The computing equipment inside a facility is continually upgraded as technology changes. Consequently, the economic value of Ohio's sales-tax treatment can extend well beyond the initial construction project. Note- Microsoft has publicly stated in writing in their 5 community commitments (Jan 2026) that they no longer will seek tax abatements/incentives from local governments. Why not hold all data center developers to the same standard and protect the local tax base?

I believe that local officials should therefore calculate the complete tax picture before offering local incentives on top of what the state is already providing.

5. Low permanent employment is both a criticism—and potentially a benefit

Critics are correct about one important characteristic of hyperscale data centers:

They can represent enormous capital investment without creating a proportionate number of permanent jobs.

A large facility may employ far fewer people than a similarly valued manufacturing operation.

But the same characteristic can produce important fiscal advantages.

A facility with relatively few permanent employees generally creates:

- Less daily commuter traffic;
- Less demand for road improvements caused by employee commuting;
- Less demand for residential development;
- Less pressure on schools;
- Less demand for municipal and county social services; and
- Less demand for other population-driven public services.

The economic-development equation therefore should not be limited to **“How many jobs will you create?”**

The better question is:

What will the project contribute to the tax base compared with the public services and infrastructure it will require?

A capital-intensive project with a relatively small permanent workforce can potentially produce a favorable fiscal balance thru materially higher tax revenues and very little additional cost to schools, social services ,etc.—but only if the community retains a meaningful portion of the tax base and does not give some or all of it away.

6. Ohio has several characteristics that make it attractive to data-center developers

Ohio has emerged as a significant data-center market for several reasons.

Tax policy

Ohio’s treatment of qualifying data-center equipment can significantly reduce development and equipment costs. ([Ohio Laws](#))

Climate

Ohio generally avoids the extreme weather risks associated with hurricanes and coastal flooding while also avoiding some of the extreme summer temperatures experienced in the Southwest and Southeast.

Available land

Ohio still has significant acreage available for large industrial developments at prices that are generally far below those found in established data-center markets such as Northern Virginia.

Water resources

Ohio has substantial surface-water and groundwater resources, including access to Lake Erie and extensive aquifers. However, water availability must be evaluated on a site-

specific basis; abundant statewide resources do not mean every proposed site has unlimited water capacity.

Electric infrastructure

Ohio's location within the PJM electricity market and its substantial existing generation and transmission infrastructure are important advantages. At the same time, the potential impact of large new loads on grid capacity, transmission investment and electricity rates must be independently evaluated.

7. Ohio's lack of a broad tangible personal-property tax changes the economics

Another important difference between Ohio and some competing data-center states is the treatment of business personal property.

Loudoun County, Virginia provides an instructive comparison. Because Virginia taxes business tangible personal property, the county receives substantial revenue from the computer equipment inside data centers. Loudoun County itself explains that personal-property taxes have become an unusually significant component of its revenue structure as the data-center industry has expanded. ([Loudoun County](#))

This illustrates an important point for Ohio communities:

Do not assume that the economic-development package used in another state can simply be copied in Ohio.

The tax structures are different, and the value of an Ohio data-center project must be calculated under Ohio's own tax system.

8. Before a community negotiates, it should have its land-use policies in place

Perhaps the most important recommendation for newly elected officials is this:

Do your homework before the developer arrives.

A community should review its:

- Comprehensive plan;
- Future land-use map;
- Zoning regulations is data centers are already a permitted use.
- Industrial zoning districts;

- Conditional-use provisions;
- Site-plan standards;
- Noise regulations;
- Water and wastewater capacity;
- Electric infrastructure;
- Road network;
- Emergency response capabilities;
- Environmental regulations; and
- Development-agreement policies.

If the zoning code allows a data center **by right because it is already a permitted use**, the community may have limited leverage to negotiate project-specific conditions. A community should carefully consider whether large-scale data centers belong in a **conditional-use or special-use approval process** that permits local officials to evaluate issues such as:

- Noise;
- Water consumption;
- Electrical infrastructure & Backup generators;
- Short term battery storage – lithium batteries offer less storage duration and should be discouraged in favor of batteries which can provide power for a longer period
- Air emissions;
- Cooling systems;
- Traffic;
- Setbacks;
- Landscaping;
- Lighting;
- Building appearance including adding faux windows and design features consistent with surrounding structures
- Emergency response and readiness . Have a plan how EMS/Fire can respond to a highly secure facility when needed;
- Fire protection and potential specific risks posed by the technology installed;
- Construction impacts;
- Environmental effects; and
- Cumulative impacts from multiple data centers.

The goal is not to create arbitrary barriers to development.

The goal is to establish **clear, predictable standards before the applicant arrives**.

9. Regulate the entire campus—not simply the first building

One of the most important lessons from the current data-center boom is the importance of thinking beyond the initial building.

A proposed “data center” may ultimately become a campus consisting of multiple buildings, substations, generators, cooling systems, transmission infrastructure and other supporting facilities.

Local governments should therefore evaluate:

The entire foreseeable campus—not merely Phase I.

A community should understand the maximum potential:

- Acreage;
- Building square footage;
- Electrical demand;
- Water demand;
- Number of buildings;
- Generator capacity;
- Transmission facilities;
- Road improvements;
- Construction duration; and
- Ultimate taxable value.

Cumulative impacts matter.

10. Infrastructure costs should be assigned to the party creating them

One of the clearest principles for local negotiations should be:

The community should not subsidize infrastructure costs created primarily by the data center.

This is particularly important for:

- Electric transmission and distribution;
- Water treatment and supply;
- Wastewater;
- Roads;
- Turn lanes;
- Emergency services;
- Fire protection;

- Drainage;
- Telecommunications infrastructure; and
- Other project-specific improvements.

The community should determine which costs are ordinary public infrastructure investments and which costs are directly attributable to the project.

The developer should be expected to bear an appropriate share of the latter.

11. Be extremely cautious about nondisclosure agreements

Local elected officials should carefully consider the political and public-policy consequences before signing an NDA with a data-center developer.

Historically, developers have sometimes sought confidentiality during early-stage negotiations. Microsoft itself acknowledged that it had used NDAs for commercial, security and regulatory reasons before announcing in 2026 that it would stop using them with local governments. ([Microsoft Local](#))

In today's political environment, secrecy can easily become a liability.

When residents discover that officials have been discussing a major development behind closed doors, the absence of information can encourage speculation and mistrust.

Transparency is not merely a public-relations strategy. It is an economic-development strategy.

Communities should establish clear rules regarding:

- What information is public;
- What information can legitimately remain confidential;
- When elected officials will brief the public;
- How public meetings will be conducted;
- How fiscal analyses will be disclosed; and
- How the community will evaluate costs and benefits.

12. Communicate the economics before the controversy begins

The public should not have to learn about a proposed data center exclusively through opponents, developers or social media.

Local government should proactively explain:

What the community receives

- New taxable value and potential guaranteed annual payments based on a community benefit agreement
- Construction employment;
- Permanent employment;
- Income-tax effects where applicable;
- Infrastructure investment that will benefit the whole community examples:(extensions of water, sewer or the purchase of a firetruck)
- Utility investment;
- Community contributions;
- Potential economic-development opportunities.
- How the common objections will be mitigated

What the community gives

- Land;
- Water;
- Electricity;
- Infrastructure capacity;
- Public services;
- Potential tax incentives;
- Environmental and quality-of-life impacts.

What the community may require:

- Appropriate setbacks;
- Noise limits;
- Water protections;
- Utility protections;
- Infrastructure contributions;
- Emergency-response plans;
- Financial guarantees where appropriate;
- Transparent development agreements.
- Detailed plans including performance bond for converting the structure to another use if the data center becomes obsolete or is abandoned.

The public does not necessarily need to be convinced that data centers are “good.”

They need to understand **whether a particular project is a good deal for their community.**

13. The most important negotiating principle

A local government should never begin negotiations with the assumption that it must provide incentives.

Instead, first establish the project's **baseline economics**:

What does the developer receive under existing federal, state and local law?

Then calculate:

What additional costs will the project impose on the community?

Then calculate:

What additional benefits will the project provide?

Only after those three questions are answered should officials discuss additional incentives or community benefits.

The negotiating question should therefore become:

“What does this project need from us, and what are we receiving in return?”

rather than:

“What incentives do we need to offer to win this project?”

14. The bottom line for newly elected officials

Data centers are neither automatically a community windfall nor automatically a community liability.

They are an unusually capital-intensive form of economic development whose benefits and costs can be very different from those of traditional manufacturing, retail or residential development.

For local officials, the most important lessons are:

1. Do your homework.

Understand the tax structure, infrastructure requirements and economics before negotiating.

2. Update your comprehensive plan and zoning code.

Do not allow yesterday's zoning regulations to dictate tomorrow's development.

3. Establish standards before the developer arrives.

Noise, water, electricity, setbacks, generators, appearance, emergency response and infrastructure should be addressed in advance.

4. Understand the baseline tax benefits.

Especially in Ohio, determine what the developer already receives under state law before considering additional incentives. ([Ohio Laws](#)). As a result of tax court precedents and department of tax rulings, your local tax will also likely discount the appraised value from the construction costs for large industrial properties including data centers. They will site the unique use and character of the construction which future non-data centers would not pay for. Ask your county auditor property appraisal firm to calculate what the likely value of the project will be for tax purposes- note it may likely be up to 60%-70% LESS than the construction cost even before any abatement is applied! A billion dollar construction project does not translate into a billion dollar expansion of your tax base!

5. Make the developer pay for project-specific infrastructure.

Improvements required by the data center development should be paid by the data center, not pushed onto residents and existing taxpayers. Do not “socialize” costs that are created primarily by the project.

6. Think about the entire campus.

Evaluate ultimate buildout—not merely the first building.

7. Avoid unnecessary secrecy.

Transparency builds public confidence. Microsoft's 2026 decision to end NDAs with local governments reinforces the direction in which the industry is moving. ([Microsoft Local](#))

8. Communicate both sides of the equation.

Credibility comes from acknowledging legitimate concerns as well as legitimate benefits.

9. Develop emergency response protocols between your local fire/ems and the data center for the specific project. These are highly secure facilities with multiple layers of security which can impede responses times.

Amazon suffered significant losses at their data center in Jerome Township because there wasn't a clear written plan on how to respond to their large building where doors were not numbered for “security reasons” and there wasn't a clear communication plan in place. Don't assume its business as usual.

10. Remember who holds the public trust.

The elected official's job is not to be pro-data-center or anti-datacenter.

The job is to determine whether a specific project, under specific terms and conditions, represents a good long-term deal for the community.

That requires facts, preparation, transparency and disciplined negotiation.

Disclaimer:

These are my personal observations and opinions based on the conversations I've had with other communities over the past several years. I don't consider myself an expert. Please consult your attorney and development officials for the correct approach in your community.

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