STAFF REPORT ON PETITION FOR ZONING ORDINANCE TEXT AMENDMENT

PLN-ZOTA-26-00008: DATA CENTER REGULATIONS

APPLICANT: URBAN COUNTY COUNCIL

PROPOSED TEXT: See attachment: Text underlined indicates an addition to the proposed text; text ~~stricken through~~ indicates a deletion.)

INTRODUCTION

Since 2020, there have been significant trends emerging nationwide regarding transformations to the data center industry and their respective impacts on the communities they locate within. The primary purpose of these data center uses is to store, manage, process, and transmit digital data. Data processing can operate at a variety of scopes, ranging from small accessory facilities that support the function of a single business, to dedicated facilities that span hundreds of acres and provide vast amount of computing power for external users from anywhere in the world. The emergence of hyper-scale data centers is a newer phenomenon, arising from demand to supply the necessary infrastructure to support growth relating to artificial intelligence (AI). As a result of this growth, the demand for data centers is projected to rise significantly. Projections by the Electric Power Research Institute anticipate that data center uses will account for 9% to 17% of the energy demand in the US by 2030.

While the specific technology and processes involved in the operation of each data center may vary, there are several aspects that are typical of these uses that can have significant impacts on the communities where they operate. Data centers require significant amounts of electricity in order to run the servers that store and process data, often requiring dedicated electrical and water infrastructure to meet the necessary utility demand. The running of these servers generates immense amounts of heat, which requires significant, industrial-scale cooling technology to keep the systems from becoming damaged. In the case of evaporative cooling methods, significant amounts of water are utilized and discharged to keep the devices functioning. Based on the scale of the use and the cooling methods used, the sound generated within these uses can approach a constant level of up to 90 dBA within the structure. Industrial-scale generators are installed to provide backup power to avoid any interruptions to the data center's service, and are tested regularly, generating additional external noise during those timeframes. While support staff, including security and IT personnel, are employed within these uses, the employment generated by data center uses is typically lower than the employment generated by other industrial uses of similar sizes.

These practices create the potential for significant land use impacts including noise, emissions, energy and water consumption that can negatively impact the community if they are not sufficiently regulated. In June 2026, the Urban County Council initiated a moratorium on data center uses within Fayette County to allow time to study the land use and to draft regulations that place appropriate controls on the operation of such uses.

EXISTING LANGUAGE

The existing Zoning Ordinance language that pertains to computer and data processing centers predates the new trend of resource-intensive, large-scale facilities. Currently, data and computer processing centers are allowable principally permitted uses in the Professional Office (P-1), Lexington Center Business (B-2B), University Research Campus (P-2), and Commercial Center (B-6P) zones. Historically, these uses were able to generally operate harmoniously in buildings that were similar in character to other professional office uses, and did not generate nuisances relating to sound, energy, or emissions. The increase in the technical demands and applications for data center uses has spurred a transformation to a use that is much more industrial in character. Due to the disconnect between the existing regulations and the impact of these new industries, revisions to the Zoning Ordinance are necessary.

STAFF TEXT PROPOSAL

Nationwide best practices, technical reports generated by State and Federal agencies, as well as recommendations that were generated through the Blue Sky Small Area Plan master planning process have been researched and evaluated. Staff has prepared a text amendment that further defines and clarifies data center uses.

The proposed amendment establishes the general framework for evaluating data centers through the creation of four new definitions for (1) data center, (2) major data center, (3) minor data center and (4) server room. Consistent with the industrial update recommendations of the recently adopted Blue Sky Area Master Plan, the threshold between major and minor data center facilities was set at 50,000 square feet. Some municipalities examined regulate these uses based on the power demand associated with the use; however, an approach tied to the size of the facility is more appropriate as it is a static metric and is enforceable through the development plan process, while power demand may fluctuate from day to day or year to year. The addition of the server room definition was intended to ensure that accessory facilities that operate in conjunction with an existing business were not legislated the same way as dedicated computing facilities.

Within the proposed text amendment, Articles 8, 22C, and 23 establish in which zoning categories data center uses can operate, and the conditions associated within their operation. All previous notations of “computer and data processing” uses were removed in order to update to the various types of data center uses. Under the proposed framework, major data centers are not permitted within any zone. The proposed text adds minor data centers as a conditional use in the Wholesale and Warehouse Business (B-4) and Light Industrial (I-1) zones, with a number of criteria that set strict requirements on aspects of the use including noise, generator location and operation, energy and utility demand, and separation from sensitive uses. The criteria were derived from industry best practices, consultant recommendations, as well as proposed language from other municipalities in Kentucky that have already initiated efforts to further regulate data centers. Lastly, server rooms were added as accessory uses within a selection of business and professional office zones, and are designed to capture instances where an existing principal use has need of dedicated processing areas and are limited based on the definition to either ten percent (10%) or 2,500 square feet, whichever is greater. For clarity, data centers were added as prohibited uses in the agricultural and residential zones.

The following table summarizes the proposed use regulations:

ZONES	**Agricultural Zones** (A-R, A-B, A-N and A-U)	**Residential Zones** (R-1A to R-1T, R-2, R-3, R-4, R-5, EAR-1, EAR-2, EAR-3)	**Business & Mixed Use Zones** (P-1, B-1, B-2, B-2A, B-2B, B-3, CC, MU-1, MU-2, MU-3, B-5P, B-6P) **Industrial Development PUD** (PUD-3) **Zone** **Economic Development** (ED) **Zone**	**Warehouse and Wholesale Business & Light Industrial Zones** (B-4 and I-1)	**Heavy Industrial & University Research Campus Zones** (I-2 and P-2)
Server room		X	A	A	
Minor data center	X	X	X	CUP	X
Major data center	X	X	X	X	X

P = Principal permitted use
A = Accessory use
CUP = Conditional use permit
X = Prohibited use

EVALUATION

The intent of the proposed text amendment is to provide a viable path for the operation of small scale data center (termed minor by the definition) uses that contain comprehensive safeguards to ensure such uses do not negatively impact the community. The designation of minor data centers as a conditional use allows opportunities for public participation in the approval process and allows each prospective site and operation to be evaluated individually. In this way, the proposed language meets Goals from the 2045 Comprehensive Plan relating to providing and safeguarding existing communities (Theme E, Goal #1.c), and ensuring that any development that occurs is context sensitive (Theme A, Goal #2.b).

The decision to recommend that major data centers not be permitted within any zone is driven by the significant land use impacts associated with these uses, as well as incompatibility with the Comprehensive Plan. Major data centers do not meaningfully support job creation (Theme C, Goal #2.f), utilize land that would otherwise be utilized for other office, business, or industrial users (Livability Policy #9), and detract from the community's environmental and social sustainability efforts (Stewardship Policy #9).

The Staff Recommends: **Approval**, for the following reasons:

1. The proposed text amendment clearly defines data centers and removes outdated language related to “data processing centers” from the Zoning Ordinance, which provides clarity for the land use regulations of Lexington-Fayette County.
2. The proposed language protects local communities by prohibiting major data centers, which are the largest and most impactful type. Such data centers have a high likelihood of noise, emissions, energy and water consumption that can negatively impact the community.
3. The proposed text amendment creates strict, enforceable criteria for evaluating minor data centers, and ensures that there are opportunities for public input and participation in the planning process and focuses such uses in industrial areas which minimizes the external impacts on the community.
4. Lastly, the proposed text amendment allows for accessory server rooms to operate without requiring additional review or approval. Such uses provide on-site support for existing business and industrial uses within Lexington-Fayette County and are proportional to the square footage of the existing principal permitted use.

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