

Commission on Local Government

Estimate of Local Fiscal Impact

2025 General Assembly Session | 1/22/25

In accordance with the provisions of 30-19.03 of the Code of Virginia, the staff of the Commission on Local Government offers the following analysis of legislation impacting local governments.

HB2026: Data centers; industrial zoning. (Joshua E. Thomas:)

Bill Summary: Data centers; industrial zoning. Requires a locality to review and amend its zoning ordinance to (i) designate data centers as industrial uses for zoning purposes; (ii) review the locations of zones allowing data centers by right, and adjust the zoning map, if needed, considering proximity to residential areas; (iii) review the minimum requirements in the zoning ordinance, such as setbacks and building heights, for the purpose of mitigating negative impacts on residential or other sensitive areas and consider adding requirements specific to data centers as needed; (iv) identify optimal areas for data center development in the locality, including locations that are suitable from the locality's perspective as well as the industry's perspective; (v) consider zoning ordinance changes to reduce the likelihood of noisy data centers, including through limiting allowable locations and requiring sound modeling, and prohibit the constant low-frequency noise of data centers from reaching residential areas; and (vi) require commitments from data centers making zoning requests to sufficiently mitigate negative impacts on any nearby residential areas. The provisions of the bill shall only apply to localities where data centers are already addressed in the locality's zoning ordinance and where a locality is revising its zoning ordinance to include data centers.

Local Fiscal Impact: Net Additional Expenditure: X Net Reduction of Revenues:

Summary Analysis:

Number of Localities Responding: 4 Cities, 10 Counties, 3 Towns, 1 Other

Localities estimated a negative fiscal impact ranging from \$ 0 to \$ 150,000 over the biennium.

Localities identified the bill's fiscal impact as non-recurring operating and personnel expense and localities indicated there is no recurring expenses. Some localities indicated no impact.

Net Increase in Expenditures: Itemized Estimates by Responding Localities									
Locality	Nonrecurring Expense - Operating		Nonrecurring Expense - Capital		Nonrecurring Expense - Other		Total Increase in Expenses (Biennium Total)	Response Totals	
	FY26	FY27	FY26	FY27	FY26	FY27			
Albemarle County	1000	1000					2,000	Cities:	4
Alleghany County							0	Counties:	10
Augusta County							0	Towns:	3
Bedford County							0	Other:	1
Chesterfield County	10000	10000					20,000	Total:	18
City of Alexandria							0		
City of Norfolk							0		
City of Richmond							0		
City of Winchester							0		
Fauquier County							0		
Mecklenburg County	60000	60000					120,000		
Montgomery County	4479						4,479		
Northern Neck PDC							0		
Prince George County	100000	50000					150,000		
Rappahannock County							0		
Town of Chincoteague	4000						4,000		
Town of Christiansburg	30000	30000					60,000		
Town of Victoria							0		

Locality	Expenditure Narrative by Responding Localities
Albemarle County	The bill does not necessarily require the County to increase expenditures; however, the County could spend significant resources implementing the legislation if it wanted to do so. The bill defines data centers as industrial, which, if interpreted in the narrowest way possible, may limit where data centers could be sited. Potentially, this bill could prevent data centers from being located in commercial districts, leading to more pressure on limited industrially zoned land. Estimated costs stem from costs associated with reviewing the legislation if it becomes law. The County opposes this bill as it places an additional requirement upon the County and because the County already has the legal authority to do what this bill seeks to require.
Alleghany County	
Augusta County	We would suggest removing the word "requires."
Bedford County	The County does not address data centers in its zoning ordinance.
Chesterfield County	This legislation may require the locality to invest in additional 3rd party studies for analysis related to sound modeling. While the exact cost will depend on the scope and frequency of data center site developments, sound modeling analysis is estimated at \$20,000 based on current industry standards.
City of Alexandria	This bill would not apply to Alexandria because we are not a locality where "data centers are already addressed in the locality's zoning ordinance and [or] where a locality is revising its zoning ordinance to include data centers."
City of Norfolk	The legislation will require changes to existing processes, which can be absorbed by current staff. No significant fiscal impact is expected.
City of Richmond	No anticipated fiscal impact.
City of Winchester	
Fauquier County	<p>This one would involve a pretty significant and controversial text amendment. Some of the parts we have covered, but reaching consensus amongst the community, PC and BOS will likely be a long and difficult process.</p> <p>There are strong concerns over: (iv) identify optimal areas for data center development in the locality, including locations that are suitable from the locality's perspective as well as the industry's perspective.</p>

Locality	Expenditure Narrative by Responding Localities
Mecklenburg County	<p>The cost for this particular bill is dependent on who would perform the review called for in the proposed Section 15.2 - 2295.3(A). If the locality has sufficient planning or legal staff on board, then the costs may be lower as the work may be done in-house (although there would be staff time opportunity cost involved as this is likely to be a long process), but there would still be the costs of public engagement. If, as in our case, the locality does not have these level of staffing, there there could be sizable costs with the proposal. It is possible that costs could be several hundred hours of an outside on-call contract or external counsel's time. If that were the case, assuming an entire month work was dedicated to this project, 160 hours of work at \$350 per hour with no overhead or direct expenses, the project may be roughly \$56,000 and there would be some additional costs related to advertising and public notice of any ordinance amendments. If, however, there was a comprehensive review as intended by the bill, this would be a significant lift, and may require more amendments than just data centers. I would anticipate that the cost of a project of this scope to rival the cost of our Comprehensive Plan (~\$120,000) or a Comprehensive Zoning Ordinance revision, which will be more than that. Therefore, I am using the Comp Plan as the estimate for this work, although I expect it would cost more. I also expect this project would be lengthy in time duration, likely a year or more. All of these burdens would be placed upon the locality by this proposed legislation.</p> <p>Additionally, not all localities in Virginia are empowered by current law to demand proffers when rezoning, so I am unconvinced that some aspects envisioned by the proposed Section 15.2 - 2295.3(B)(vi) could be executed.</p>
Montgomery County	<p>The cost to the County is based on the efforts of the Zoning Administrator, Assistant Planning Director, and County Attorney to amend the Zoning Ordinance. Note that the inclusion of data centers in the County would require substantially more regulation and regular site inspections than traditional uses. This would likely place an additional burden on code enforcement and planning staff to perform these inspections. These facilities also consume a great deal of water, placing additional needs on the PSA to provide water to these properties, potentially increasing the need for additional maintenance of infrastructure.</p>
Northern Neck PDC	<p>Planning districts have no land use jurisdiction.</p>
Prince George County	<p>The language of applicability of the bill is challenging – Section 15.2-2296.3 C seems to imply that it only applies to localities who already have data centers in their zoning ordinances but then lists standards and requirements as if they are new. Very confusing language. However, if it is deemed that it would apply, there is an impact of around \$100,000 to assess existing industrial areas as well as any assessment for potential new industrial area that might host a data center. Another \$50,000 has been included to amend the comprehensive plan.</p>

Locality	Expenditure Narrative by Responding Localities
Rappahannock County	Rappahannock County does not already include (and does not plan to include in the near future) data centers in its zoning ordinance therefore the bill will have no effect.
Town of Chincoteague	Cost of attorney fees to assist planning commission to include required sections of comp plan and zoning ordinance.
Town of Christiansburg	The Town of Christiansburg currently defines "data centers" in our Zoning Ordinance and we are updating our Comprehensive Plan, so I believe the review would be required. I would estimate it to cost a total of approximately \$60,000 over the next couple of years during the rewrite. This would be largely staff time and associated overhead but would include Planning Commission pay and attorney fees as well as printing and advertising.
Town of Victoria	This bill would not have an impact on the Town of Victoria since datacenters are not addressed in the current zoning ordinance.