



STAFF REPORT
8/12/2026

TO: Honorable Mayor and City Council Members

FROM: Gustavo Romo, City Manager

PREPARED BY: Kendra Reif, Community Development Director

SUBJECT: Introduction and First Reading of Ordinance No. 1231 Adding Chapter 17.92 to Title XVII of the Coachella Municipal Code to Prohibit Data Center Uses Within the City of Coachella

STAFF RECOMMENDATION:

Staff recommends that the City Council:

1. Conduct a public hearing;
2. Introduce for first reading, by title only, and waive further reading of Ordinance No. 1231, adding Chapter 17.92 to Title XVII of the Coachella Municipal Code to prohibit Data Center Uses within the City; and
3. Direct staff to return for second reading and adoption.

EXECUTIVE SUMMARY:

The City Council has adopted, and extended, a temporary moratorium on the acceptance, processing, and approval of applications for Data Center development within the City of Coachella until June 3, 2027. The moratorium was adopted due to concerns regarding the potential impacts of Data Centers on electrical infrastructure, water resources, air quality, public health, public safety, and land use compatibility.

The moratorium was intended to provide the City with sufficient time to evaluate the impacts associated with Data Center development, review regulatory approaches adopted by other California jurisdictions, and determine whether Data Centers should be regulated, restricted, or prohibited within the City.

Since adoption of the moratorium, staff has researched the operational characteristics of Data Centers, the resource demands of such facilities, and the actions taken by local jurisdictions throughout California to mitigate the impact of Data Centers. Based upon this review, staff has determined that Data Centers are incompatible with the City's long-term planning objectives, infrastructure planning assumptions, environmental goals, and economic development priorities.

Accordingly, staff recommends adoption of Ordinance No. 1231, which would add Chapter 17.92 to Title XVII of the Coachella Municipal Code to prohibit Data Center Uses within all zoning districts citywide.

BACKGROUND:

Advances in cloud computing, artificial intelligence, machine learning, digital storage, and cryptocurrency processing have resulted in increased demand for large-scale Data Centers throughout California and the western United States. These facilities typically operate on a continuous twenty-four-hour basis and require significant electrical infrastructure, cooling systems, backup power generation equipment, and other supporting infrastructure.

In early 2026, the City began evaluating a proposed large-scale technology campus that included Data Center components and was anticipated to serve as a primary electrical customer for the proposed Coachella Municipal Utility. During the preliminary review process, City staff identified significant concerns regarding infrastructure demand, utility capacity, environmental impacts, water consumption, emergency response capabilities, and overall land use compatibility.

On May 27, 2026, the City Council received extensive public testimony regarding the potential impacts of Data Centers on the Coachella Valley. Community concerns focused on electrical demand, water consumption, air quality impacts, noise generation, environmental sustainability, and economic benefits associated with Data Center development.

On June 4, 2026, the City Council adopted Urgency Ordinance No. 1229, pursuant to Government Code Section 65858, establishing a temporary moratorium on Data Center development. The urgency ordinance was adopted to preserve the status quo while the City evaluated appropriate long-term regulatory actions.

On July 8, 2026, the City Council adopted Urgency Ordinance No. 1230, pursuant to Government Code Section 65858, to extend the moratorium on Data Center development for an additional 10 months and 15 days. This urgency ordinance was adopted to continue preserving the status quo while the City implemented what it has determined is the appropriate long-term regulatory action.

On July 15, 2026, the Planning Commission held a public hearing regarding a proposed City-wide prohibition on Data Center Uses. Following the public hearing, the Planning Commission unanimously voted to recommend that City Council adopt a City-wide prohibition on Data Center Uses. The Planning Commission also requested (1) that any exemptions to such prohibition be clearly defined, and (2) that City Council also consider implementing a prohibition on Data Center Uses through a ballot measure to ensure that such a prohibition cannot be subsequently amended or rescinded without voter approval.

DISCUSSION/ANALYSIS:

Water Resource Protection

One of the primary concerns associated with Data Center development is water consumption. Modern Data Centers frequently rely upon water-intensive cooling systems to maintain operational temperatures and support continuous computing functions. The Coachella Valley faces ongoing water supply challenges associated with drought conditions on both the State Water Project and Colorado River, groundwater sustainability requirements, imported water limitations, and long-term climate uncertainty.

Staff believes preservation of available water resources for residential, commercial, agricultural, recreational, educational, public safety, and future community-serving uses constitutes a significant public purpose and supports adoption of the proposed ordinance.

Electrical Infrastructure and Utility Planning

Data Centers are among the most electricity-intensive forms of development currently being proposed throughout California. Large-scale facilities may require substantial electrical infrastructure investments, including substations, transmission facilities, distribution infrastructure, backup generation systems, and battery storage systems.

Staff has determined that permitting Data Centers could significantly affect future electrical infrastructure planning, utility capacity allocation decisions, municipal utility planning assumptions, and long-term growth management objectives.

Public Health and Environmental Protection

Data Centers commonly utilize cooling systems, ventilation equipment, transformers, battery storage systems, fuel storage systems, and backup generators. These facilities may generate noise, vibration, heat, emissions, and other operational impacts that differ substantially from traditional commercial and industrial development.

The City has determined that protecting air quality, environmental quality, drinking water resources, and public health constitutes an important governmental interest supporting adoption of the proposed ordinance.

Emergency Response Considerations

Large-scale Data Centers may contain substantial electrical infrastructure, battery storage systems, fuel storage facilities, cooling systems, and hazardous materials. Such facilities may present specialized fire protection and emergency response challenges requiring additional public resources and operational considerations.

Economic Development and Land Use Compatibility

Industrial and employment-designated land within the City represents a limited public resource. Data Centers generally generate fewer permanent jobs than many commercial, industrial, manufacturing, and research-oriented uses while consuming substantial infrastructure capacity and utility resources.

The City Council has expressed a desire to preserve available industrial land and utility capacity for development that generates greater employment opportunities, economic diversification, workforce development, and community benefits.

Proposed Prohibition

Based upon these considerations, staff has determined that Data Center Uses are incompatible with the City's long-term planning objectives.

Since adoption of the moratorium, staff has been reviewing the various regulatory approaches being considered and adopted by other California jurisdictions to regulate Data Center Uses. Several cities have adopted temporary moratoria on Data Center development, while at least one California jurisdiction has adopted a permanent prohibition on Data Centers based on similar concerns regarding utility demand, environmental impacts, and land use compatibility.

Notably, the City of Monterey Park adopted its permanent prohibition on Data Centers through a ballot measure. Since the prohibition was approved by voters, the prohibition would require a further ballot measure approved by the voters for any future amendments or repeal. Staff weighed this approach, instead of directly amending the City's Municipal Code after it was discussed at the public hearing on July 15, 2026. However, by proceeding with a zoning ordinance, the City will be able to implement a permanent City-wide prohibition on Data Center Uses much sooner since the City will not need to wait for a future general election, or call and pay for a special election. Moreover, while a permanent prohibition implemented through a ballot measure would make it more difficult to repeal, since voter-approval would be necessary, there is a benefit to being able amend such a prohibition without voter-approval. For example, should a new form of technology come out that does not quite fit within the parameters of this proposed prohibition, the City thinks it would be beneficial for City Council to be able to amend this prohibition to cover any such new technology without waiting for an amendment to be placed on the ballot, voted on, and subsequently adopted. Any changes to the proposed prohibition would still have to go through both Planning Commission and City Council, so there would still be opportunity for the public to voice the support or disapproval of any changes to the prohibition.

As a result, staff recommends the adoption of this Ordinance, which would add a new chapter to Title XVII of the Coachella Municipal Code, prohibiting data center uses within the City

ENVIRONMENTAL REVIEW:

The proposed Ordinance is exempt from the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines Sections 15060(c)(2), 15060(c)(3), and 15061(b)(3) because the Ordinance prohibits a category of development and can be seen with certainty that the action will not result in a direct or reasonably foreseeable physical change in the environment.

FISCAL IMPACT:

Adoption of the proposed Ordinance is not anticipated to have a direct fiscal impact on the City. Staff time associated with implementation and enforcement of the Ordinance will be absorbed within existing departmental budgets.

RECOMMENDED ALTERNATIVE(S):

Staff recommends that the City Council:

1. Conduct a public hearing;
2. Introduce for first reading, by title only, and waive further reading of Ordinance No. 1231, adding Chapter 17.92 to Title XVII of the Coachella Municipal Code to prohibit Data Center Uses within the City; and
3. Direct staff to return for second reading and adoption of the Ordinance.

ATTACHMENTS:

1. Ordinance No. 1231 Adding Chapter 17.92 to Title XVII of the Coachella Municipal Code to Prohibit Data Center Uses Within the City of Coachella