

## Cryptocurrency Mining and Data Center Text Amendment

<b>Property Information</b>		City M-2, General Manufacturing Districts	
Address			
Tax Map, Group, Parcel			
Civil District			
Overlay District			
Land Use Designation			
Acres			
Existing Use		<b>Existing Zoning</b>	
Proposed Use		<b>Proposed Zoning</b>	
<b>Owner /Applicant Information</b>			
Name: City staff initiated		Intent: To amend Chapter 114, Zoning, as it pertains to cryptocurrency mining and data centers.	
Address:			
City:			
State: Zip Code:			
Email:			
Phone Number:			
<b>Planning Department Recommendation</b>			
(Approve, Deny, or Defer)			
The Kingsport Planning Division recommends APPROVAL			
Planner:	Ken Weems	Date:	11/1/2025
<b>Planning Commission Action</b>		<b>Meeting Date:</b>	<b>12/18/2025</b>
Approval:			
Denial:		Reason for Denial:	
Deferred:		Reason for Deferral:	

## INTENT

To amend Chapter 114, Zoning, as it pertains to cryptocurrency mining and data centers.

Introduction:

Staff seeks to update the City's zoning code to properly address the possibility of future cryptocurrency mining and data center development within the City. The City's industrial district zoning code text was created without the anticipation of mass digitization. Staff expects to see new digital data-based industries looking for locations to develop. This text amendment allows for the City to appropriately locate and permit these uses.

Presentation:

To accommodate possible development of cryptocurrency mining and data center development, staff proposes to define *Data Center* and *Cryptocurrency Mining* within Chapter 114- Zoning. Additionally, staff proposed an update Sec. 114-199(d), M-2 General Manufacturing District, to add *Data Centers* as a special exception to only be allowed with approval of the Kingsport Board of Zoning Appeals, if additional criteria are met. These criteria include specific requirements for setbacks, vibration, and sound mitigation. Permitting these operations as special exceptions in the City's M-2, General Manufacturing District will allow for facilities housing digital data operations to develop, while minimizing the possible adverse impacts on surrounding land uses. To prevent confusion with code interpretation, the existing zoning uses of *computer or data processing centers* in the P-1, Professional Offices District, and *computers, data processing* in the MX, Mixed-Use District are proposed to be omitted from the code. Last, data centers without a cryptocurrency mining element as accessory uses are addressed for the City's commercial zones.

Text Amendment:**1. Added definitions to Sec 114-1. - Definitions:**

*Data Center* means a facility consisting of buildings or structures specifically designed or modified for storage, management, processing, and/or transmission of digital data. This includes *Cryptocurrency Mining*. Such facilities may include high-density computer and/or network equipment, systems, servers, appliances, air handlers, power generators, water cooling and storage facilities, utility substations, and other associated utility infrastructure to support sustained operations. Administrative areas and offices for the purpose of supporting the primary activity may be located within the buildings.

*Cryptocurrency Mining* means the process by which cryptocurrency transactions are verified and added to the public ledger, known as the block chain, and also the means through which new units of crypto are released, through the use of data centers. This definition does not include use of not more than five computers from which cryptocurrency is mined in an enclosed structure, provided the cryptocurrency is not mined for commercial purposes.

## **2. Omission of existing data processing related uses in the P-1, Professional Offices and MX, Mixed Use Zoning districts:**

### **Sec. 114-191. - P-1, Professional Offices District.**

(a) *Principal uses.* Principal uses permitted in the P-1, Professional Offices District are as follows:

- (1) Offices for business, professional, governmental, civic, insurance or other groups.
- (2) Credit agencies, brokers, travel agencies, ~~computer or data processing centers~~, real estate offices, finance, photography studios, law offices.

### **DIVISION 8. - MIXED-USE DISTRICT (MX)**

#### **Sec. 114-352. - Intent.**

The intent of the MX, Mixed-Use District is to allow flexibility in the development of compatible mixed-use areas of light manufacturing, professional office and limited commercial uses and to do so by developing a self-contained, campus-like atmosphere which protects the adjacent land uses.

(Code 1981, app. A, art. X, § 1; Code 1998, § 114-426)

#### **Sec. 114-353. - Permitted uses.**

Uses permitted in the MX, Mixed-Use District are as follows:

- (1) Offices for brokers, businesses, ~~computers, data processing~~, credit agencies, finance, government, law, medical, photography, real estate and travel agencies.

## **3. Deletion of an outdated section #2 item and replacement with special exception and related criteria for cryptocurrency mining and data center operations:**

### **Sec. 114-199. - M-2, General Manufacturing District.**

(d) *Special exceptions.* Special exceptions are permitted only with the approval of the board of zoning appeals and are allowed in the M-2 district as follows:

(1) Any use, except as set forth in subsection (c) of this section, in the opinion of the board of zoning appeals.

~~(2) The same as for subsection (a)(2) of this section.~~

**(2) Cryptocurrency Mining and Data Centers, provided that upon findings of fact that all of the following criteria are met:**

- a. A perimeter minimum yard of 100 feet;
- b. All digital data operations use shall be conducted in a completely enclosed building;
- c. All facilities shall not be located within 500 feet of any residential use or district. This includes any zoning district that permits single-family residences or dwellings. The measurement shall be made from the nearest property line or zoning line of the residential use or district, whichever is closer, to the nearest property line of the property that contains the data center use;
- d. The applicant shall demonstrate through a sound study conducted by a professional acoustical expert that the sound generated by a data center shall be limited to a maximum decibel level of 60 (dBA) as measured from the property line of the use. Such sound study shall be conducted using generally accepted methodology. A sound study shall be conducted at the following phases:
  1. A preliminary study shall be conducted and supplied as part of the special exception application process. The preliminary sound study shall include recommended sound reducing materials or systems as needed to meet the required sound limit.
  2. An interim sound study shall be conducted during the building permit approval process based upon the proposed user or users of the data center uses depicted on the building plans. Any sound reducing materials or systems recommended by interim sound study shall be incorporated into the construction plans for the use.
  3. An as-built sound study shall be conducted six months after issuance of the certificate of occupancy. If it is determined by the as-built sound study that there is a violation of the aforesaid noise limits, it shall be considered a violation of this ordinance.
- e. The applicant shall provide a vibration study prepared by a qualified professional that demonstrates that no vibration from the data center or associated equipment will be perceptible to the human sense of feeling beyond the property line.

#### **4. Addition of a minimum parking requirement for data centers**

Sec. 114-564. – Minimum required parking spaces

(5) *Manufacturing, industry and related uses.* Manufacturing, industry and related uses shall be as follows:

- a. Manufacturing establishment or establishment for production, processing, assembly, compounding, preparation, cleaning, servicing, testing, repair or storage of materials, goods or products, and business offices accessory thereto: one space per 1.5 employees on major shift, plus one space per company vehicle and piece of mobile equipment.
- b. Scientific research and development establishment: one space per 500 square feet of gross floor area.
- c. Warehousing, heavy equipment storage yard, lumberyard and building material yard, motor freight terminal or junkyard: one space per 1.5 employees on major shift plus one per company vehicle, plus sufficient space to accommodate the largest number of visitors that may be expected at any one time, but with a minimum of one space per 1,000 square feet of gross floor area.
- d. Manufacturing, industry, and related uses: Within these districts the board of zoning appeals may waive the requirements for on-site or contiguous parking and loading providing it finds that sufficient space is provided in the immediate area, under public or private ownership, or other compelling reasons exist.
- e. Data Center: one parking space per 8,000 square feet of floor area designed and intended to be accessible regularly by employees, or one parking space for every one employee, based upon the maximum number of employees on site during the largest shift, whichever is lesser.

## 5. Addition via special exception of accessory data center use in commercial zones of B-2, B-2E, B-3, B-4P, BC, TA/C, P-1, and MX.

Sec. 114-194. - B-2, Central Business District

(c) *Special exceptions.* Special exceptions are permitted only with the approval of the board of zoning appeals and are allowed in the B-2 district as follows: communication facilities and facilities with drive-throughs with a weekday peak hour volume of 30 vehicles or greater per 1000 square feet (per the 8<sup>th</sup> edition ITE Traffic Generation Manual), as measured for the entire site; data centers no larger than a total accumulative allotment of 2,000 sq. ft. net floor area in size as an accessory use strictly operated in support of the primary business on the same property. When data centers as accessory uses are considered, cryptocurrency mining must not be an element of the accessory data center proposal.

Sec. 114-203. - B-2E, Central Business Edge District.

(c) *Special exceptions.* Special exceptions are permitted only with the approval of the board of zoning appeals and are allowed in the B-2E district as follows: communication facilities and facilities with drive-throughs with a weekday peak hour volume of 30 vehicles or greater per 1000 square feet (per the 8<sup>th</sup> edition ITE Traffic Generation Manual), as measured for the entire site; data centers no larger than a

total accumulative allotment of 2,000 sq. ft. net floor area in size as an accessory use strictly operated in support of the primary business on the same property. When data centers as accessory uses are considered, cryptocurrency mining must not be an element of the accessory data center proposal.

**Sec. 114-195. - B-3, Highway Oriented Business District.**

(c) Special exceptions. Special exceptions are permitted only with approval of board of zoning appeals and are as follows:

(1) Automobile storage; automobile impoundment yards.

(2) Lumberyards.

(3). Data centers no larger than a total accumulative allotment of 2,000 sq. ft. net floor area in size as an accessory use strictly operated in support of the primary business on the same property. When data centers as accessory uses are considered, cryptocurrency mining must not be an element of the accessory data center proposal.

**DIVISION 3. - PLANNED BUSINESS DISTRICT (B-4P)****Sec. 114-227. - Special exceptions.**

Permitted only with approval of board of zoning appeals: Helistops; institution for human care; open-air businesses such as plant sales, lawn furniture, playground equipment, and garden supplies; minor automobile repair centers; and parking lots and structures; data centers no larger than a total accumulative allotment of 2,000 sq. ft. net floor area in size as an accessory use strictly operated in support of the primary business on the same property. When data centers as accessory uses are considered, cryptocurrency mining must not be an element of the accessory data center proposal.

**DIVISION 9. - BUSINESS CONFERENCE CENTER DISTRICT (BC)****Sec. 114-382. - Special exceptions.**

Certain uses may be permitted in the Business Conference Center District upon the granting of a special exception by the board of zoning appeals:

(1) Elderly and child day care, nursery schools and kindergartens, elderly day care.

(2) Helistops and pay parking lots, when not objectionable due to noise, odor, dust, smoke, vibration or other reasons.

(3) Recreational facilities, health clubs, golf courses, golf driving ranges, stadiums and civic fairs.

(4) Telecommunication facilities such as cell towers.

(5) Outside storage yards; storage yards for vehicles exceeding a gross vehicle weight rating of 15,000 pounds and construction equipment are prohibited.

(6) Hospital and health care centers.

(7) Parking structures.

(8) **data centers no larger than a total accumulative allotment of 2,000 sq. ft. net floor area in size as an accessory use strictly operated in support of the primary business on the same property. When data centers as accessory uses are considered, cryptocurrency mining must not be an element of the accessory data center proposal.**

Sec. 114-192. - TA/C Tourist Accommodation/Commerce District.

(d) *Special Exceptions.* Special exceptions are permitted only with the approval of the board of zoning appeals and are as follows:

(1) Franchised Auto dealership.

(2) **data centers no larger than a total accumulative allotment of 2,000 sq. ft. net floor area in size as an accessory use strictly operated in support of the primary business on the same property. When data centers as accessory uses are considered, cryptocurrency mining must not be an element of the accessory data center proposal.**

Sec. 114-191. - P-1, Professional Offices District.

(c) *Special exceptions.* Special exceptions are permitted only with the approval of the board of zoning appeals and are allowed in the P-1 district as follows:

(1) Offices of veterinarians, animal hospitals.

(2) Hospitals, rest or convalescent homes.

(3) Group homes.

(4) Communication facilities.

(5) Golf courses.

(6) Medical or dental offices, clinics provided that upon findings of fact that all of the following criteria are met:

a. The use will not be located within 1,000 feet of a public or private school, day care facility, park, any area devoted to public recreation activity or a residential dwelling. Measurements shall be made in a

straight line on the city zoning map from the nearest property line of the lot on which the facility is situated to the nearest property line of any of the uses set forth in this subsection;

- b.The use will be designed, located, and proposed to be operated so that the health, safety and welfare will be protected;
- c.The use will not be detrimental to and will not injure, damage or adversely affect the use, value or enjoyment of the properties in the surrounding neighborhood;
- d.The use will not have an adverse impact on land use compatibility;
- e.The use will not materially or adversely affect adjacent land uses and the physical character of uses in the immediate vicinity of the proposed use;
- f.Adequate public facilities are available to accommodate the use;
- g.The traffic generated by the use will be safely accommodated along major streets without traversing minor streets;
- h.The use will maintain appropriate traffic patterns and parking as to not strain existing facilities with substantial increases in traffic and projected trip generations;
- i.The use will conform to all applicable provisions of the district and will not require any variances.

7. **data centers no larger than a total accumulative allotment of 2,000 sq. ft. net floor area in size as an accessory use strictly operated in support of the primary business on the same property. When data centers as accessory uses are considered, cryptocurrency mining must not be an element of the accessory data center proposal.**

**DIVISION 8. - MIXED-USE DISTRICT (MX)****Sec. 114-355. – Special Exceptions**

**Data centers no larger than a total accumulative allotment of 2,000 sq. ft. net floor area in size as an accessory use strictly operated in support of the primary business on the same property. When data centers as accessory uses are considered, cryptocurrency mining must not be an element of the accessory data center proposal.**

Staff recommends sending a positive recommendation to the Board of Mayor and Aldermen in support of approving the proposed text amendment.