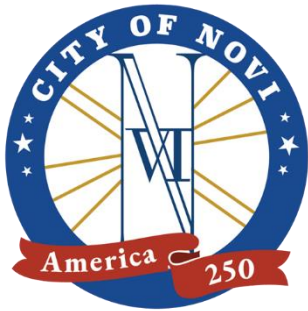


MEMORANDUM



TO: VICTOR CARDENAS, CITY MANAGER
FROM: BARBARA MCBETH, AICP, CITY PLANNER
SUBJECT: DATA CENTERS – POSSIBLE ORDINANCE AMENDMENT
DATE: MARCH 25, 2026

Mayor and Council –
Please see a follow-up
to the initial
evaluation of changes
to the ordinance to
address future data
center requests.
- Victor

Following up on the memo the Planning Department presented earlier this year on Data Centers, it was noted that the City of Novi's ordinance would benefit from an update to the definition of the land use described as *Data Processing and Computer Centers*, along with identification of the appropriate zoning district(s) where Data Centers would best fit. Clear ordinance standards need to be identified for consideration during the review of the required submittal documents from applicants. While ordinance language has not yet been drafted, below are some considerations for an upcoming ordinance amendment.

Types of Data Centers and Definition.

Planning staff and the City Attorney's office have researched various descriptions of Data Centers. The following information regarding the **size and scale** of Data Centers was shared in *Zoning Practice | American Planning Association | October 2025*:

Data centers themselves fall into several distinct categories. **Edge or micro facilities** are the smallest, often modular, container-sized enclosures, ranging from a few hundred to a few thousand square feet. **Enterprise data centers**, typically operated by corporations or universities, can range from about 5,000 to 50,000 square feet, sometimes larger. **Colocation facilities** lease space to multiple tenants and often fall between 50,000 and 600,000 square feet, with many averaging around 150,000 square feet. At the largest scale are **hyperscale data centers**, typically built by major cloud or AI providers, which can easily reach hundreds of thousands of square feet per building and exceed one million square feet across a campus (Zhang 2023).

To prepare for the different scales and types of Data Centers, a **clear definition should be provided in the ordinance**. Other communities are considering definitions similar to this:

Data Center. A facility or group of buildings whose primary function is the housing, operation, and maintenance of computer servers, data storage systems, telecommunications equipment, and associated infrastructure used for the processing, storage, or transmission of digital information. Such facilities may include backup power generation, battery energy storage systems, water cooling and storage systems, fuel storage, utility substations, and security infrastructure. This term does not include server rooms or data-processing facilities that are accessory and incidental to a primary permitted use.

While this definition is fairly broad, the recommended guidance from a few of the available resources indicates that the **server rooms** in many larger office buildings, or data processing functions that are part of an otherwise permitted use **would be excluded from the Data Center definition**, and would not need to be reviewed through the same process to be established for Data Centers (but might otherwise require site plan approval). All other types and scale of Data Centers meeting the definition would need to be evaluated through the site plan review process that will be described in a draft text amendment.

One model ordinance provides the following additional definition that may be included:

Data Center Accessory Use: Ancillary uses or structures secondary and incidental to a Data Center use, including but not limited to: administrative, logistical, fiber optic, storage, and security buildings or structures; sources of electrical power such as generators used to provide temporary power when the main source of power is interrupted; electrical substations; domestic and non-contact cooling water and water discharge treatment facilities; water holding facilities; pump stations; water towers; environmental controls (air conditioning or cooling towers; fire suppression, and related equipment), and security features, provided such Data Center Accessory Uses/structures are located on the same tract of land. The use shall not include energy generation systems used or intended to be used to supply power to the Data Center during normal operations. (*Livingston County Model Ordinance*).

Zoning Districts

As with any Zoning Ordinance amendment, all land uses should be provided for in the Zoning Ordinance, and consideration for the appropriate locations for that use should be evaluated. Due to the nature of Data Centers as described in the suggested definition, it seems that the best location for the use in Novi is the **I-2, General Industrial District** (Novi's most intense industrial district). The following is the description of the I-2 Zoning district:

The I-2, General Industrial district is designed primarily for manufacturing, assembling, and fabrication activities, including large-scale or specialized industrial operations, whose external physical effects will be felt to some degree by surrounding districts. The I-2 district is so structured as to permit the manufacturing, processing and compounding of semi-finished or finished products from raw materials.

Uses similar to Data Centers that are permitted in the I-2 District include the following:

- Heating and electric power generating plants.
- Public utility buildings, telephone exchange buildings, electrical transformer stations and substations, and gas regulator stations, other than outside storage and service yards.

All standards for building height, setback, parking, landscaping, engineering, and façade in the I-2 District would govern the submitted site plan if this district is approved for Data Centers. Due to the possible external effects of Data Centers, it is staff's opinion that the ordinance should clearly state that Data Centers **shall not be permitted within a certain distance of existing or planned residential uses, and shall be subject to the standards in the ordinance for Special Land Use consideration.**

An **alternative** to designating a single or multiple zoning districts would be the possibility that the new ordinance language could establish an **overlay district**, meaning that the Data Center use would be permitted (or allowed subject to certain standards) anywhere that that overlay district is designated in the City. Areas that may be recommended to be included in an overlay district have not yet been determined.

Land Use Considerations and Required Submittals

Land use and other considerations related to Data Centers to be evaluated as a part of the Site Plan and Special Land Use consideration (in addition to other standards as provided in the ordinance) could require the following submittals from the applicant:

- A narrative describing the project in detail and the **compatibility of the proposed development with surrounding land uses.**
- Analysis of **environmental impacts**, including woodland or wetland impacts.
- A **Community Impact Statement** and **Environmental Impact Statement.**
- A **Noise and Vibration Impact Statement** prepared by the applicant for review based on the site plan, including noise association with the main facility and any supporting equipment. Information provided would include existing background noise (for a "before and after" analysis) and discussion of noise attenuation options (these are 24-7 operations, which is more intensive than even most industrial operations).
- A **Traffic Study** including the quantity of truck traffic anticipated at the site and on what basis.
- A report prepared by the applicant to ensure the **capacity of water and sewer** services for the site and adequate infrastructure to support the Data Center as it is built, and into the future.
- Written verification from the **electric utility provider confirming available capacity** and identifying any required system upgrades.
- **An estimate of average and peak electrical demand** expressed in kilowatts (kW) and megavolt-amperes (MVA), including a description of redundancy and resiliency systems.
- **A description of cooling methods** to be used, estimated average and peak daily water usage, and identification of potable versus non-potable water sources.
- **Phasing plans** or potential for expansion should also be addressed by the applicant at the time of the initial site plan submittal.
- **Other measurable performance thresholds** such as requirements for renewable-energy procurement, and water-recycling targets.

- **Depending on the form of approval, conditions or other arrangements could be imposed or agreed to** as to such things as utility bill protections, infrastructure upgrades including fiber internet capacity improvements to residential areas around data centers, heat reuse system, and noise controls.
- Collection of escrow fees for City's review of technical documents, as needed.

Monitoring and Reporting

Staff's reviews of various recommended guidelines for Data Centers include standards that require confirmation of compliance with noise requirements prior to the initial certificate of occupancy of the project, along with ongoing evidence from the operator of actual water/sewer use, energy use, compliance with the sound level restrictions, and copies of EGLE or other outside agency reports for review by the City and members of the public.

Decommissioning

Some communities are requiring decommissioning once the facility's useful life has passed. Decommissioning of industrial sites generally includes ensuring that there is a planned process of taking the facility out of operation in compliance with all state and local laws. Standards to be included in the ordinance language could include triggers and deadlines for decommissioning and financial assurance that the decommissioning will take place by the city requiring a letter of credit, bond or escrow prior to the start of construction.

More Information

The attached information from the Urban Land Institute called ***Local Guidelines for Data Center Development is attached*** in case additional information is desired.

Next Steps

This memo is intended to provide the general direction that the staff and the City Attorney's office are taking, with the draft ordinance amendment to be provided in a few weeks for consideration by the City Manager's office and City Council's Ordinance Review Committee.