



Memorandum

TO: RULES AND OPEN
GOVERNMENT COMMITTEE

FROM: Mayor Mahan
Councilmember Candelas
Councilmember Cohen
Councilmember Ortiz

SUBJECT:Data Center Uniform Standards

DATE: May 27, 2026

Approved  Date: May 19, 2026

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RECOMMENDATION

Direct the City Manager to:

1. Establish a set of uniform standards and best practices for data center projects in the City of San José. These standards should build upon existing local and state environmental regulations and help mitigate potential impacts related to:
 - a. Energy consumption and energy sourcing;
 - b. Water usage, including strategies to reduce reliance on potable water through recycled water infrastructure, closed-loop systems, or other efficient technologies;
 - c. Air quality, backup power generators and
 - d. Other environmental factors, including greenhouse gas emissions, noise, and water quality protections.
 - e. The standards should also outline a clear and consistent process for community notification and engagement for new data center projects, building upon existing City outreach policies and processes (Council Policy 6-30).
2. Support statewide legislation like Senate Bill 887 that supports local jurisdictions in creating cleaner infrastructure for data center development, including but not limited to recycled water/purple pipe infrastructure, cleaner energy, transmission infrastructure, with the goals of lowering environmental impacts, protecting ratepayers, and expanding access to economic opportunities.

BACKGROUND

As communities across the country grapple with the rapid expansion of data center development, cities are being forced to confront a new generation of infrastructure challenges tied to the digital economy. The explosive growth of cloud computing, artificial intelligence (AI), and digital services has dramatically increased demand for large scale data centers that store, process, and

transmit the data powering modern life. The United States now hosts more than 3,000 operational data centers, with roughly 1,500 additional facilities proposed or under construction. This unprecedented growth is reshaping local land use, utility planning, environmental policy, and economic development strategies nationwide.

At the same time, communities are increasingly raising concerns about the local impacts associated with large scale data center development. Across the country, residents and policymakers have voiced concerns related to escalating energy demand, water consumption, greenhouse gas emissions, air quality, noise, diesel backup generators, transmission infrastructure, and the long-term strain on local utilities and public resources.

In Northern Virginia, now home to the world's largest concentration of data centers, officials have debated extending fossil fuel generation capacity to meet surging electricity demand tied to new facilities. In Memphis, Tennessee, community concerns intensified after backup turbine operations associated with a data center emitted elevated levels of nitrogen oxides, raising questions about cumulative air quality and public health impacts. In addition to potential public health and environmental harms, the trend nationally shows that most data centers are being built in underserved communities that compound these harms. These examples underscore the growing need for clear, enforceable, and locally responsive standards that ensure data center growth occurs responsibly and transparently.

San José sits at the center of this national conversation. As the Capital of Silicon Valley and one of the world's leading technology hubs, the city is uniquely positioned to shape how the next generation of digital infrastructure is planned and integrated into urban communities. Data centers can provide substantial economic benefits to cities. In nearby Santa Clara, approximately 60 data centers generated an estimated \$45 million in General Fund revenue during Fiscal Year 2025 through utility taxes, property taxes, and sales taxes. In San José, a single new data center can generate up to \$7 million annually in General Fund revenue that can help fund parks, libraries, public safety services, infrastructure improvements, and neighborhood investments. These facilities also support the digital services residents and businesses rely on every day, including telehealth, remote work, online education, cloud computing, banking, and communications infrastructure.

However, San José residents have also raised legitimate concerns about how data centers fit into the city's broader environmental, land use, and sustainability goals. Community members have expressed concerns regarding noise from cooling systems and backup generators, energy demand placed on the electrical grid, visual impacts, industrialization of employment lands, air quality impacts from diesel generator testing, and the cumulative effects of clustering facilities in certain neighborhoods. Residents also want assurance that data center development will not come at the expense of housing, neighborhood quality of life, climate goals, or long term resiliency planning. The City recognizes these concerns and believes they must be addressed proactively through thoughtful standards, transparency, and ongoing public engagement.

Unlike many jurisdictions across the country, California already maintains some of the nation's strongest environmental and clean energy regulations. New development projects are subject to

review under the California Environmental Quality Act (CEQA), which requires analysis and mitigation of environmental impacts, including air quality, noise, traffic, and utilities. California also maintains aggressive clean energy mandates requiring 50% renewable electricity by 2026, 60% by 2030, and 100% clean electricity by 2045. These state level protections provide an important regulatory foundation for responsible data center development, protections often not found in national examples sited.

Even with these safeguards in place, San José has an opportunity and responsibility to establish a clearer local framework that addresses the unique challenges associated with data center growth while providing greater predictability for residents, applicants, and decision makers. The City already applies robust environmental review, development standards, and public outreach requirements to new projects, including through Council Policy 6-30 governing community engagement for pending land use proposals. Building on these existing tools, San José should formalize and consolidate standards related to water use, energy demand, greenhouse gas emissions, noise, backup generation, sustainability, and equitable community impacts so that expectations are clear and consistently applied.

Importantly, the City also recognizes that both technology and community expectations are evolving rapidly. AI infrastructure, cooling technologies, energy systems, and utility demands are changing at a pace that will require ongoing evaluation and adaptation. At the same time, residents are asking for a stronger voice in how this infrastructure is integrated into their neighborhoods. The City hears those concerns and intends for this process to evolve over time through continued community engagement, periodic policy updates, and evaluation of emerging technologies and best practices. The goal is not simply to regulate today's data centers, but to create a flexible framework that can adapt to future innovations, changing environmental conditions, and evolving community priorities while continuing to support economic growth and responsible development in San José.

The signers of this memorandum have not had, and will not have, any private conversation with any other member of the City Council, or that member's staff, concerning any action discussed in the memorandum, and that each signer's staff members have not had, and have been instructed not to have, any such conversation with any other member of the City Council or that member's staff