



Data Center Zoning Considerations

How to Handle Michigan's Newest Zoning Frontier

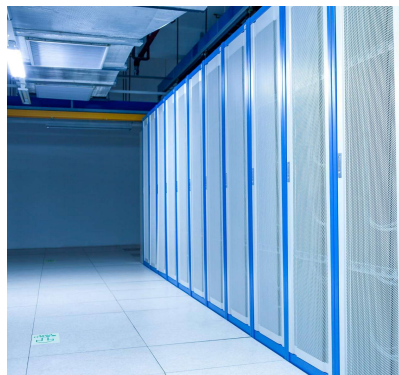
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Michigan's Data Center Boom



Efficient Cooling Resources

Michigan's affordable energy and plentiful water enable highly efficient and cost-effective data center cooling solutions. As of now, the 8 Great Lakes states have 368 active data centers, and an additional 738 announced/planned.

Strategic Central Location

Michigan's central position offers quick access to major markets and helps reduce data transmission latency.

Business-Friendly Environment

Supportive policies and tax incentives make Michigan attractive for tech companies investing in data centers.

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Michigan Data Center Exemptions



Tax Incentives for Data Centers

Michigan offers tax exemptions on sales and use taxes for data center equipment, reducing operational costs and encouraging investment.

Boosting Technology Investment

These exemptions aim to attract technology companies, fostering growth and job creation within Michigan's technology sector.

Competitive Edge for Michigan

Michigan's legislative moves position the state as a top location for large-scale data infrastructure and innovation projects.

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Michigan Data Center Tax Exemptions



Tax Exemption Overview

Michigan grants sales and use tax exemptions (PA 181 and 182 of 2024) for qualifying data centers under specific state statutes, facilitating significant savings.

Qualification Requirements

Data centers must invest \$250 million, provide 30 jobs at 150% the "prosperity region" median wage (as identified by the State), and meet certain clean energy requirements.

Equipment and Certification

If these criteria are met, data centers are exempt from sales and use tax. Exemptions sunset in 2050.

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Understanding Data Centers

Core Infrastructure Components

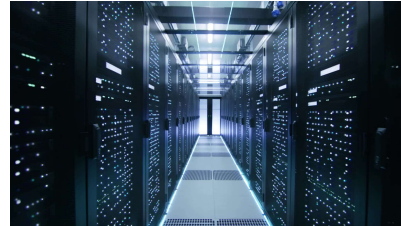
Data centers contain servers, storage devices, and networking equipment for data management and processing.

Data Management

Data centers provide infrastructure to store, process, and manage vast amounts of information.

Business and Cloud Support

Data centers are for artificial intelligence, business operations, cloud services, and to maintain internet connectivity worldwide.



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Understanding Data Centers

Switch Data Center – Gaines Township

~700,000+ square foot data center; designed for up to 1.8 million square feet and 320 megawatts.

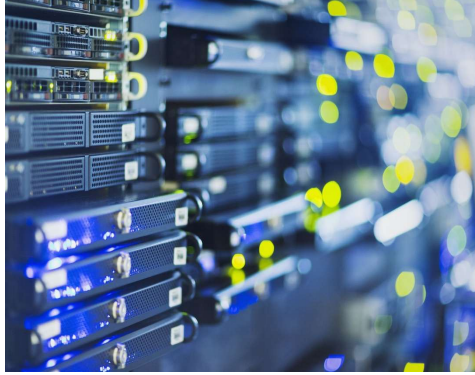
Employment Lower than Expected

Promised 103 jobs by December of 2021, but only reported 43 as of December of 2021. As of June of 2025, 46 people were employed in the building.



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Key Data Center Land Use Issues



Infrastructure Requirements

Data centers need robust power supply and advanced water-cooling systems to operate, so protecting resident access to those same resources is important.

Environmental Impact

Assess noise, emissions, and water usage to minimize environmental impact and promote sustainable operation of data centers.

Regulatory Compliance and Community Engagement

Ensure adherence to zoning laws and involve local communities to address concerns and foster positive relationships.

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Electricity and Water Use

High Power Consumption

Data centers require substantial electricity to run servers, cooling systems, and networking equipment, driving up overall energy use. Wattage reflects the constant load on the system.

Saline's data center will be a 1.4 gigawatt facility (1,400 megawatts), which is equivalent to powering 280,000 – 900,000 homes.

High Water Use

Data centers use significant amounts of water to cool servers, not to mention the water usage for increased power generation.

Saline's data center will reportedly consume 10,000–20,000 gallons per day, which is over 7 million gallons per year.

Nationally, data centers consume 48 million gallons daily just from cooling, and 579 million in the water for power generation.

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Michigan's Zoning Approaches

Permitted Uses

Uses that, provided they meet the set standard, are allowed as of right within the zoning district.

Special Land Uses

Uses that, upon meeting the standards and receiving approval for the local government, are allowed within the zoning district.

Hybrid

Can address these data center uses by a mixture of special and permitted uses.



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Special Land Use Advantages



Tailored and Efficient Regulations

Can require all sorts of protections for the community and allow the special use in different zoning districts.

Direct Review of the Use

Local government can review the new use against the standard, requiring in depth review of whether the proposed data center meets the standards.

Exemption from Referendum

Special land use decisions bypass referendum requirements.

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Data Center Regulation Overview

Category	Municipal Actions	
Permitted Actions		Exclusionary Zoning
Zoning Districts	Establish zoning districts where data centers allowed	Data Centers are a valid use of land, and to prohibit them outright simply because you do not want them is generally a violation of the MZEA.
Special Use Permits	Require special use permits with conditions	
Performance Standards	Set performance standards for noise, setbacks, and infrastructure	Exclusionary Zoning via Excessive Regulation
Public Hearings	Mandate public hearings and community input	Though we have not seen this yet in Michigan, it is possible that hyper stringent data center regulations may be considered exclusionary.
Prohibited Actions		Public Pushback
Complete Bans	Complete bans on data centers with valid use	Residents do not always understand that the MZEA prevents an outright ban.
Exclusionary Denial	Exclusionary denial without legal basis	
Arbitrary Blocking	Arbitrary blocking of compliant applications	

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The Cautionary Tale of Saline Township



Site and Zoning context

575 acres of farmland in Saline Township, zoned Agricultural, master plan designated the area as agricultural/rural preservation.

Proposed Use

Hyperscale AI data center campus to support Oracle Cloud Infrastructure and OpenAI workloads; 1+ gigawatt facility; roughly 2.2 million square feet of data center buildings.

Lack of Regulation

No ordinance addressing data centers in Saline at the time, though Industrial/Research district would have allowed it.

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The Cautionary Tale of Saline Township

Developer Request

Rezone the area to Industrial/Research, hoping the data center could fit as an industrial use.

Municipal/Community Response

After tremendous community pushback, both Planning Commission and Township Board voted against rezoning, saying it conflicted with the master plan.

Developer Response

Related Digital filed a lawsuit alleging exclusionary zoning.



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The Cautionary Tale of Saline Township



Result

The Township settled the case and, pursuant to the consent judgment, the data center is being built.

Lesson

Having an ordinance to address data centers is important, as "rural character" and the master plan will not save you.

Conclusion

Draft and implement an ordinance, and consider a temporary moratorium while you do so.

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Development Moratorium

What are they?

A temporary hold on applications for data centers that municipalities may put in place.

Why are they helpful?

They allow municipalities to “buy time” to draft ordinances to address data centers.

How strong are they?

Michigan law does not expressly authorize development moratoria, but courts have recognized them in limited circumstances as a temporary planning tool.

How should they be implemented?

Moratoria should be:

1. Time-limited (6 months is common)
2. Supported by written findings
3. Tied to ordinance or master-plan updates
4. Grounded in health, safety, and welfare concerns

Conclusion

Not a long-term strategy, but helps a municipality avoid ending up like Saline.

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Advice for Drafting Effective Ordinances

Balancing Local and Industry Needs

Ordinances should address environmental impacts and infrastructure requirements while considering both local community needs and industry standards.

Clear Definitions and Guidelines

Precise definitions and compliance guidelines are essential in ordinances to avoid confusion and ensure clarity for all stakeholders.



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Advice for Drafting Effective Ordinances

Do not wait for an application to arrive!

Even if your community hopes to never see one, an ordinance is necessary.

Allow data centers somewhere, but not everywhere.

Data centers cannot be totally prohibited, but they need not be universally allowed.

Use special land use approval.

Special land use approval, as opposed to rezoning, is a much better way to regulate.

Draft objective, measurable special land use standards.

This includes noise, cooling, lighting, traffic, and security requirements.

Avoid “de facto” bans disguised as standards.

A developer should be able to meet the standards.

Pushback should be centered on infrastructure limits.

Not “rural character” and the master plan, but infrastructure limitations are real concerns.

Remember who you are dealing with.

AI industry is very rich in capital and will aggressively fight against municipalities.

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Data centers cannot be ignored or banned under Michigan law—but they can be carefully channeled and regulated.

Permissive zoning cuts both ways: if a use is not allowed anywhere, exclusionary-zoning risk increases.

Proactive ordinance drafting beats reactive decision-making; Saline shows the cost of waiting.

Special land use frameworks + objective standards provide the best balance of control, flexibility, and legal defensibility.

Moratoria are a short-term tool, not a solution—they buy time, but they do not eliminate risk.

The goal is not to stop data centers, but to decide where, how, and under what conditions they may occur.

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