

Data Centers

What Communities Need to Know

Data centers (DCs) are quickly expanding across Minnesota, driven by the growing demand for data storage and AI processing. While DC developers promise benefits—such as job creation and investment in renewable energy—these outcomes depend on voluntary corporate action and currently lack enforceable regulation. Proposed hyperscaler projects like the \$5 billion Farmington Technology Park raise serious environmental justice concerns, including increased energy and water use, noise pollution, and strain on local ecosystems. Without clear state policies on energy use, labor, and environmental protection, data centers risk deepening inequalities in the communities they occupy, especially in Greater Minnesota.

What are Data Centers?

A data center is a physical site that centralizes IT infrastructure to process and store data.

Data centers have become integral to everyday life, making tasks such as email, streaming video, and transferring money possible.

Data centers were already common before the AI boom. Companies in any sector requiring IT infrastructure have long relied on data centers to process and store their data. Over the last decade, however, demand for data processing and storage has increased. The advance of artificial intelligence (AI) is a major driver in this increased demand because AI requires larger datasets and frequent complex computations.



Types of Data Centers

There are several different types of data centers. Here are two important types in Minnesota's context right now:

Colocation

Colocation data centers (also known as Multi-Tenant Data Centers) work as rental spaces for data processing and storage. They can host the data of many different businesses in one place. Colocation data centers are common among technology companies.



Hyperscaler

Hyperscalers are the largest data centers and are operated mainly by technology giants like Amazon, Microsoft, Google, and Meta. They are a relatively new type of data center (only 700 existed in 2022), but they are growing exponentially. Hyperscalers have the strongest capacity to store and process data and are preferred by AI-related projects. They also consume the most energy, having the most significant impact on local communities. Hyperscalers are also expected to host the largest share of data centers' AI workloads by the end of the decade.



Data centers consume a lot of energy, produce a lot of heat, and require a lot of water for cooling.

The Midwest is home to about 22% of the nation's data centers, and **Minnesota has been positioning itself as an ideal location for such facilities.** Minnesota has a low incidence of natural disasters and a climate that provides cooling for intensive heat-generating computing processes nine months out of the year.

Data centers are already being promoted and built in Minnesota

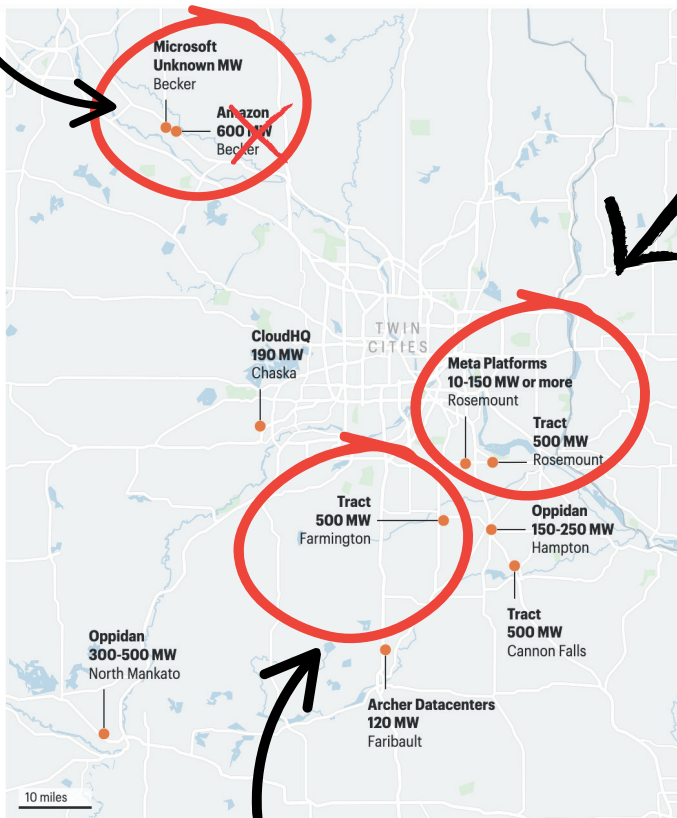
Becker

Becker is emerging as a data center hotspot, with both Microsoft and Amazon planning major facilities near the retiring Sherco coal plant in recent years. Microsoft has purchased land for a new data center campus, part of a broader effort to repurpose the area's existing energy infrastructure. Meanwhile, Amazon acquired a 348-acre parcel with plans to invest up to \$1 billion in a hyperscaler data center. However, they decided suddenly in 2025 to stop development of this center, though they have not sold the land.

Amazon's proposal included installing **250 diesel generators** capable of producing up to 600 megawatts—comparable to a nuclear power plant. The company sought to bypass Minnesota's "Certificate of Need" process, arguing the generators would only serve the facility during outages. The Public Utilities Commission unanimously denied the exemption, citing environmental concerns and the precedent it could set.

Rosemount

Meta is developing a 715,000-square-foot data center in Rosemount (approximately the size of seven Target stores), committing to running it on 100% renewable energy through a combination of energy provided by Xcel Energy and by purchasing renewable energy credits (RECs) on the market. While it estimates the generation of 1,000 construction jobs and 100 permanent roles, the project still poses questions about transparency, utility impacts, and how energy demand will be balanced with clean energy goals.



Farmington

In Farmington, Tract is proposing a data center campus spanning 340 acres, which would include up to 12 buildings. The project has faced significant opposition from residents concerned about noise pollution, water consumption, and the alteration of the community's rural character. A lawsuit has been filed against the city, alleging insufficient environmental studies and lack of public notice. Built next to a neighborhood, it would be the size of **25 Target stores**.



Legislative Landscape

Because data centers are such a hot topic in Minnesota, there has been a lot of legislation proposed in recent years. Some bills support data center development while others seek to regulate them. The most recent legislation is from June 2025:

- Promotes DC development by extending tax breaks on computer servers and other equipment
- Requires DCs to...
 - Connect with MN Department of Natural Resources earlier in the development process
 - Share more info about how much water they use
 - Large DCs are required to pay \$2-5 million/year to help low-income Minnesotans weatherize their homes and conserve energy
- Stops utility companies from...
 - Passing on higher costs from increased electricity demand to other customers
 - Using DCs as an excuse to avoid meeting MN's goal to achieve carbon-free electricity by 2040
- Does NOT require...
 - A full environmental review of new DCs
 - Setback requirements, height limits, or other protections for people living near large DCs
 - Water conservation technology (Large DCs just have to "consider" these options)
- Includes barriers to transparency - under this law, cities are still allowed to sign NDAs with developers, preventing them from sharing info about DC projects with their residents



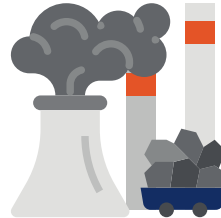
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Environmental Justice Considerations

High Energy Demand Risks Locking in Fossil Fuel Use

Hyperscale data centers require massive electricity loads. Their rapid expansion is currently outpacing renewable energy development, prompting utilities to rely more heavily on fossil fuels in the short term. This can lead to delays in the shut down of existing coal and gas plants, and utilities proposing new gas power plants to meet energy needs. Without clean energy mandates, data centers can become a long-term barrier to grid decarbonization.



Increased Pollution from Diesel Generators

Data center owners often want to have large banks of diesel backup generators onsite, in case of grid failure. These generators contribute to air pollution and greenhouse gas emissions, disproportionately impacting nearby communities—often low-income or rural areas.

Extractive Mineral Demand



Data centers require frequent hardware replacements—often every three years—leading to steady demand for metals like copper, iron, silver, and platinum. This drives global extraction that can have social and environmental consequences, often affecting communities far from Minnesota.

Data Centers pose strains on local Water Resources

Many new facilities—like the proposed Tract project in Farmington—use single-pass cooling systems, a cheap but highly water-intensive method. These systems double local water use, drawing from the same aquifers relied on by nearby communities. This threatens water security and aquatic ecosystems, especially in drought-prone areas.



Limited Local Benefits and Lost Tax Revenue

Though data centers consume public resources (electricity, water, infrastructure), proposed tax breaks for large-scale facilities could reduce one of the few local benefits: municipal tax revenue. These incentives often result in minimal job creation while burdening communities with long-term costs.



Disproportionate Siting in Rural Areas

Driven by cheap land and electricity, data centers are increasingly concentrated in rural towns. While this may create some short-term investment, it also increases infrastructure stress and raises questions about environmental equity and the long-term resilience of rural power grids.

Data center developers say that their projects will bring local benefits such as increased local tax revenue and community programs. However, regulations don't exist yet to make sure that happens. **Communities and environmental groups have a lot of valid concerns about the impact of unchecked data center development.**



Noise Pollution and Community Disruption

Data centers generate constant low-frequency noise from cooling systems and backup equipment, which can disturb nearby residential areas and reduce quality of life—especially in rural communities not equipped with sound-buffering infrastructure.

This fact sheet was developed as part of the **Emerging Climate Technologies in Greater Minnesota Pilot Project**.

For more information, visit waxwingllc.com/ruralejproject

For a list of resources that contributed to this brief, scan this QR code:

