

THE IMPORTANCE OF COMMUNITY TRUST IN DATA CENTER DEVELOPMENT



Ben Mann
Senior Director, Capital Markets



Ross Litkenhous
Partner | Co-Founder, Oasis Digital

This discussion focused on the growing political and community challenges facing data center development across the United States. Ross Litkenhous, Oasis Digital, argued that the industry can no longer rely on "by-right" development and must embrace proactive community engagement, transparent communication, and consensus-building to secure approvals.

Oasis Digital's approach has been to identify emerging data center markets outside Northern Virginia and invest heavily in stakeholder outreach before entitlement applications are submitted. According to Litkenhous, successful projects are increasingly determined not only by power availability, but by community acceptance and zoning approvals.

Q&A

Q: Many communities are concerned about water use, power consumption, and other environmental impacts. How should the industry respond?

Ross Litkenhous: The industry needs to address those concerns directly rather than dismissing them.

There is a great deal of misinformation circulating around data centers. While it would be inaccurate to claim data centers have no impact, many concerns are based on outdated assumptions or experiences with older facilities.

Modern data centers are significantly different from legacy facilities. Many new developments:

- Utilize closed-loop cooling systems
- Minimize or eliminate municipal water usage
- Fund their own utility infrastructure upgrades
- Incorporate advanced noise mitigation measures

When developers explain these realities and provide factual information, communities are often more receptive to discussions about development.

Q: Why has misinformation about data centers become such a significant challenge?

Ross Litkenhous: When there is a vacuum of information, people fill it with their own conclusions.

If developers are unwilling to answer questions, community members will seek information elsewhere, often through social media or informal channels where misinformation spreads quickly.

The best way to address this is through direct engagement, transparency, and consistent communication throughout the approval process.

Q: You frequently speak about the financial benefits of data centers. Why are they unique from an economic development perspective?

Ross Litkenhous: Data centers are arguably the most fiscally productive real estate asset class available to local governments.

On average, they can generate approximately \$25 or more in local tax revenue for every \$1 in public service costs.

Unlike many forms of development that require substantial ongoing municipal expenditures, data centers provide significant tax revenue while placing relatively limited demands on public services.

That's why they can be transformational for communities looking to strengthen their tax base while funding schools, public safety, and infrastructure.

Q: How should local officials evaluate data centers compared to other forms of development?

Ross Litkenhous: Economic development is about creating balance and diversification.

No community should rely entirely on one asset class. At the same time, municipalities need to understand the fiscal realities of different development types.

Housing is essential, but residential development often creates more service demands than tax revenue. Data centers can help offset those costs by generating significant local revenue.

The goal isn't choosing between housing and data centers. It's creating a balanced economic development strategy that allows communities to support both.

Q: What role do incentives play in attracting data center investment?

Ross Litkenhous: Incentives are often misunderstood.

In Virginia, much of the debate has centered around the sales and use tax exemption for data center equipment. Some critics characterize that as a direct subsidy, but that's not really an accurate portrayal.

The incentive exists to attract investment that otherwise might be located elsewhere. Without the investment, the associated jobs, tax revenue, and broader economic benefits don't materialize.

It's ultimately a question of whether communities want to compete for these opportunities.

Q: Is data center demand still strong despite concerns about AI overinvestment?

Ross Litkenhous: Absolutely.

One misconception is that all new data center development is tied exclusively to artificial intelligence. While AI is certainly driving significant investment, traditional cloud demand remains incredibly strong.

Every day, billions of photos, videos, emails, documents, and digital transactions are stored in data centers. The modern economy depends on digital infrastructure.

Even without AI, demand for cloud storage and computing services continues to grow at a remarkable pace.

Q: Could an AI slowdown leave the market with excess data center capacity?

Ross Litkenhous: We don't believe so.

If AI demand moderates, traditional cloud storage and compute requirements are likely to absorb much of that capacity over time.

The reality is that data creation continues to accelerate globally. The need for storage, processing, and connectivity is not going away.

The long-term fundamentals supporting data center growth remain very strong.

Q: How have site selection priorities changed in recent years?

Ross Litkenhous: A few years ago, almost every conversation started and ended with power availability.

Today, power is still critical, but zoning and community support have become equally important.

You can identify a site with power, fiber, water, and excellent infrastructure, but if you cannot secure approvals from local officials and residents, you don't have a viable project.

Community acceptance is now one of the most important components of successful site selection.

Q: Why do you believe data centers are important from a national perspective?

Ross Litkenhous: Data centers are foundational infrastructure for the digital economy.

Cloud computing, artificial intelligence, communications, business operations, government functions, and countless everyday activities depend on these facilities.

The United States must continue investing in domestic digital infrastructure to remain competitive and ensure critical data remains housed in secure environments.

This isn't simply about supporting one industry. It's about supporting the broader economy and maintaining long-term technological leadership.

Q: What should the industry do differently moving forward?

Ross Litkenhous: The industry needs to spend more time in communities.

Developers cannot assume that large capital investments automatically justify a project. Communities deserve answers to their questions and a seat at the table.

The most successful projects will be led by organizations willing to engage transparently, build trust, incorporate feedback, and demonstrate tangible benefits for local residents.

The path forward is not through dictating outcomes. It's through collaboration, communication, and consensus-building.