Data Centre Investments Understood

An overview of the opportunity and evaluation of risks and considerations for elected councils

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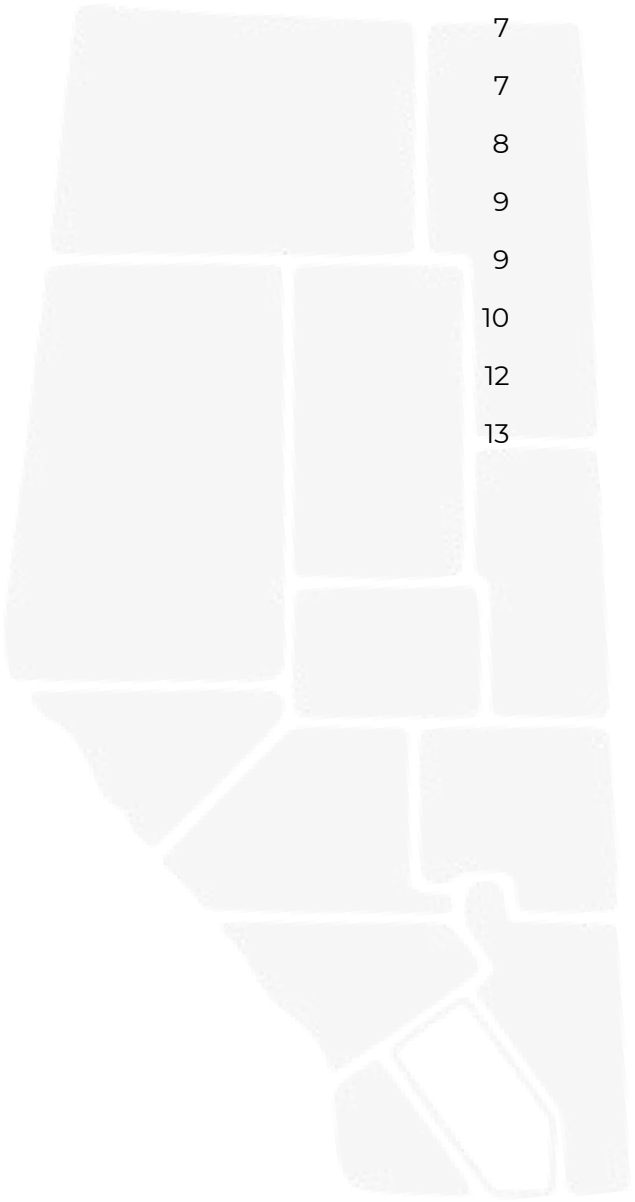

Introduction

Why is this brief in front of you?

Interest in data centres is growing quickly. This is because more people and businesses are using artificial intelligence, cloud services, and online data. Companies are now looking for places to build these facilities, and Alberta, including rural areas, is getting attention. As a result, more communities in Southern Alberta are getting questions and proposals.

This is a real opportunity, but it also comes with risks. Not every company is the same, and many are still in early stages or just testing the market. Some are serious and experienced, but others may be looking for cheap land, tax breaks, or special deals without a clear plan to build.

For Council, this means being both open and careful. Data centres can bring large investments, but they also come with long-term impacts on land, power, and finances. It is important to ask clear questions, set firm expectations, and make careful decisions so the community gets real and lasting benefits.

What is a Data Centre?

A data centre is a secure building full of computing equipment (servers). These store, process, and move digital information. They support things like streaming, online banking, business systems, and artificial intelligence. In simple terms, they are the physical backbone of the digital world.

Data centres do not need many workers. Building them can create short-term construction jobs, but once they are running, they are mostly automated. Most data centres only employ about 20 to 100 people long-term, depending on their size. This is very different from factories or other projects that create many local jobs.

For Council, it is important to understand that data centres act more like infrastructure than a typical business. Their main value is not jobs, but their role in supporting digital services and generating tax revenue, if they are set up properly.

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Why Southern Alberta Is Being Considered

Southern Alberta is getting attention for data centres for a few key reasons. There is available land that is often lower cost than big cities. The region is also in a good location, close to Calgary and not far from the U.S. There are also some climate benefits, as cooler weather can help reduce cooling costs. In addition, the region has excellent opportunities for behind the fence generation of electricity, either from wind, solar, or gas.

However, there are important limits. Power and fibre are not always available where and when they are needed. Data centres require very large amounts of electricity and strong internet connections. Without these, a project cannot move forward.

For Council, the key point is simple. We are being looked at, but we are not guaranteed to win these projects. Communities that can offer the right mix of power, connectivity, and ready-to-use land will be the ones that succeed.

What Data Centres Require

Requirement	What It Means	Why It Matters to Council
Power (Critical)	Very large, constant electricity demand	May require major grid upgrades and can compete with other local and regional power uses
Fibre Connectivity	High-speed, redundant internet infrastructure	Essential for operations. Without sufficient connectivity, the project cannot proceed
Land	Large, flat sites (10–100+ acres). Often includes on-site gas or solar systems	Represents a long-term, single-use land commitment with limited alternative use
Water (Varies)	Cooling systems may require water. Newer systems often recycle or minimize use	Potential local supply impacts depending on system design
Cooling Systems	Specialized infrastructure to manage heat from computing equipment	Drives both energy demand and overall equipment value
Permitting Speed	Fast, predictable municipal approvals	A key factor in whether investment proceeds or shifts to another jurisdiction
Security & Access	Controlled site access with proximity to transportation routes	Can limit site flexibility and influence land use compatibility decisions

What a Typical Project Looks Like

Data centre projects are very large. They often involve hundreds of millions to billions of dollars in investment. Construction can take several years, and many projects are built in stages over time.

These projects create many jobs during construction, such as trades workers, equipment operators, electricians, and project managers. Once the facility is running, long-term employment is modest relative to capital cost and land use and the literature warns that job creation is often overstated.

Permanent jobs are usually a mix of technicians (servers and systems), electrical and mechanical staff (power and cooling), security, and a small number of management roles. To support this access to a regional labour pool within a short drive is usually necessary. Smaller towns can still compete if they are well connected to nearby centres.

The Opportunity for the Region

Data centres can add to the non-residential tax base, which can help support local services if the project is set up properly. They can also bring short-term economic activity during construction, including spending on labour, materials, and local services.

These projects may also help drive infrastructure upgrades, such as improved power systems and fibre internet, which can benefit other businesses in the region. In some cases, this can support future growth beyond the data centre itself.

For Council, there is also a broader benefit. Attracting a data centre can help position the region as “investment-ready”, showing that it can support large and complex projects.

Key Takeaways

- Power is the primary project constraint
- Alberta has unique regulatory and renewable advantages for self-supply.
- An excellent Fibre backbone is a non-negotiable requirement
- Land and infrastructure are long-term commitments
- Taxation is the real payoff, not jobs.

Data Centre Motivations in Municipal Negotiations

Data centre developers are focused on securing a low-risk, cost-efficient environment for long-term operations. They are actively evaluating multiple jurisdictions to find a location that gives them the outcomes they need to maximize the profitability of their operation. Their primary objective is long-term operational profitability. To achieve this, their key objectives are:

Cost Certainty: Predictable taxes and utility costs to protect long-term margins.

Reliable Power: Guaranteed access to large-scale, scalable electricity supply.

Speed to Approval: Fast, streamlined permitting to avoid costly delays.

Reduced Upfront Costs: Incentives or support to lower initial capital investment.

Regulatory Stability: Confidence that policies and political support will remain consistent.

Room to Expand: Flexibility to grow operations over time without re-negotiation.

Bottom Line: They are seeking certainty, speed, and flexibility to minimize risk and maximize long-term

How Data Centres Are Taxed (Simplified)

Data centres in Alberta are taxed in two main ways. First, the land and building are taxed locally as non-residential property. For large projects, these may be treated as industrial property and assessed by the Province, but municipalities still collect the tax.

Second, Alberta has introduced a new approach for the equipment inside data centres. Because the province does not normally tax machinery and equipment, most of the compute (servers) are not included in regular property tax.

To address this, Alberta recently added a new levy (in effect as of January 1, 2026) on computing equipment for large data centres (75 MW or more). This applies at rates of up to 2% of the value of the equipment. However, this levy can be credited against corporate income tax, meaning it may not result in a long-term net tax for the operator. This is a provincial levy.

For Council, the key point is simple. **Most of the value in a data centre is inside the building, but much of it is not taxed in the usual way and cant be captured by you.** The final tax outcome depends on how the project is structured and assessed, and what portion of value is actually captured.

Key message: How the project is assessed and structured will determine how much the community benefits.

What Can Go Wrong (Tax and Structure Risks)

There are several ways a project can look large but deliver less tax value than expected. In some cases, only the land and building are taxed, while much of the value inside is not captured. Equipment may also be classified in ways that reduce or avoid taxation, such as being treated as temporary or non-permanent improvements.

Project structure can also reduce value. Different parts of the project may be owned by separate companies, making it harder to assess the full value. On top of this, requests for tax breaks or incentives can further reduce what the municipality receives. Some early-stage proponents are testing communities to see who will offer the most favourable terms.

For Council, this creates real risk. A race to the bottom between communities can lead to deals that use large amounts of land and power, but provide limited long-term benefit. Municipalities must be careful to protect against loopholes and set clear expectations from the start.

Key message: Without discipline, a large investment can result in low (or even negative) value for the community.

Taxation of Data Centres in Alberta

Data centre taxation in Alberta is split between municipal property taxation and a new provincial levy introduced under the Financial Statutes Amendment Act, 2025 (No. 2). While municipalities continue to tax property under the Municipal Government Act, their authority is limited to land, buildings, and certain fixed improvements. Most high-value data centre assets, including servers and core computing infrastructure, do not qualify as assessable property and therefore fall outside the municipal tax base.

To address this gap, the Province has established a separate levy on operators of designated large-scale data centres. This levy is not part of the property tax system and is collected directly by the Province. It is designed to capture value associated with computing equipment and high-load digital operations **that municipalities cannot tax.**

In practice, municipalities retain property tax revenue from the physical footprint of a data centre, while also collecting education tax on behalf of the Province. The Province, in turn, receives both the education tax and 100% of the data centre levy. **The result is a structural imbalance in which municipalities capture only the value of land and buildings, while a significant portion of total project value is captured through provincial taxation mechanisms.**

Who Gets What?

Tax Type	**Collected By**
Property Tax	Municipality
Education Tax	Municipality → Province
Levy	Province

Example Breakdown on $500 million facility. (Illustrative example)

Component	Value	Tax Treatment
Land	$10M	Municipal
Building & Structure	$90M	Municipal
Power & Cooling Infrastructure	$50M	Partial Municipal
Servers & Computing Equipment	**$350M**	**Provincial (Levy)**
Total	**$500M**	—

Example: $500M Data Centre Investment (Illustrative)

Broader Risks and Tradeoffs

Data centres require very large amounts of power, often running all day, every day. This can limit how much power is available for other businesses or future growth. In some designs, they may also require water for cooling, which can affect local supply.

These projects also have low long-term job creation, and they use large areas of land for a single purpose over many years. Many projects are built in phases, which means full build-out may take a long time, or may not happen at all.

For Council, this means thinking beyond the initial investment. These projects can shape how land, power, and infrastructure are used for decades.

> This is a long-term infrastructure decision with tradeoffs, not just a new development opportunity.

What Makes a Community Competitive

To attract a data centre, a community must have the right infrastructure in place. The most important factor is available and scalable power, or the space and regulatory approval to self-generate behind the fence, as these facilities need large amounts of electricity at all times. They also require strong, reliable fibre connections to ensure constant data flow.

Communities must also have serviced industrial land that is ready for development, with access to roads and utilities. In addition, a clear and efficient approvals process is important, as companies want certainty and speed when making decisions.

Projects will go where the infrastructure is ready and reliable.

Key Questions Council Should Ask

Council should focus on clear, direct questions. These help confirm whether a project is real, well-planned, and a good fit for the community.

Power and Infrastructure

- Where will the power come from?
- Is the power already available, or are upgrades needed, or is new generation required?
- Who pays for power and infrastructure upgrades?
- Will power system changes require transmission upgrades?
- How much power will the project use at full build-out?
- How will that affect the power capacity and resiliency of the region?

Project Readiness and Timeline

- What stage is the project at today?
- Is the proponent speculating for a deal or seriously interested?
- Who else is the proponent talking too (are we simply being used as leverage?)
- What is the realistic construction timeline?
- Is the project phased, and what happens if later phases are not built?

Tax and Financial Return

- What is the expected tax revenue from land, building, and equipment?
- How will equipment be assessed?
- Do we have safeguards against tax dodging or loophole exploitation?
- Are any tax breaks or incentives being requested?
- What is the tax revenue compared to power use?

Land and Site Use

- How much land is required, and for how long?
- Will the land be fully developed, or held for future phases?
- What happens to the land if the project does not proceed?
- If the data centre is vacated, can the building be meaningfully repurposed?

Water and Servicing

- Will the project require water for cooling?
- What is the expected daily and yearly water use?
- What other services are required (roads, sewer, etc.)?

Jobs and Workforce

- How many construction jobs will be created?
- How many permanent jobs, and what types?
- Will workers be local, regional, or brought in?

Proponent Strength and Structure

- Who is the actual owner and operator?
- Do they have a track record of building and operating data centres?
- How is the project structured across companies?

Risk and Exit

- What happens if the project is delayed or cancelled?
- Are there guarantees or commitments in place?
- Who is responsible for site cleanup or unused land?

Conclusion

Data centres can bring very large investment, but this does not always lead to strong local benefits. Their main value is potential tax revenue, not long-term job creation. At the same time, they place heavy demand on infrastructure, especially power, which is a limited resource.

The final outcome depends on how the project is handled. Proper taxation, clear expectations, and strong decision-making are critical to ensuring the community benefits.

This is a long-term infrastructure decision that must be structured carefully from the start so that it is a net benefit to the community instead of a net burden.

Appendix A: Additional Reading

1. **Brookings Institution. (2026). Local Implications of Data Centers for Rural Communities in the United States.**

Available at: https://www.brookings.edu/articles/local-implications-data-centers-rural-communities-us/

This policy-focused analysis examines the growing concentration of data centre development in rural regions. It highlights both fiscal opportunities, including increased tax revenues, and significant risks such as pressure on local power grids and water systems. The report emphasizes asymmetrical negotiation dynamics, noting that rural municipalities may lack the capacity or leverage to secure optimal long-term outcomes.

2. **World Resources Institute. (2026). U.S. Data Center Growth and Its Impact on Communities.**

Available at: https://www.wri.org/insights/us-data-center-growth-impacts
This article explores the environmental and land-use implications of rapid data centre expansion. It identifies key tensions between economic development and sustainability, particularly in rural and agricultural areas. The analysis highlights risks such as farmland conversion, increased energy demand, and community resistance where land use priorities conflict.

3. **National Community Reinvestment Coalition. (2026). The Local Costs of the AI Boom: Ensuring Data Centers Deliver Community Benefits.**

Available at: https://ncrc.org/the-local-costs-of-the-ai-boom-ensuring-data-centers-deliver-community-benefits-in-the-midst-of-hypergrowth/

This report critically evaluates whether data centre investments deliver on promised community benefits. It finds that while job creation and tax revenues are often emphasized, actual outcomes can be uneven or overstated. The report underscores the importance of strong local negotiation and accountability mechanisms to ensure equitable value distribution.

4. **National Academies of Sciences, Engineering, and Medicine. (2025). Societal Considerations of Data Center Expansion.**

Available at: https://www.nationalacademies.org/read/29101/chapter/8

This chapter provides a comprehensive overview of the societal impacts of data centre growth, including energy consumption, workforce implications, and environmental effects. It frames data centres as critical infrastructure with system-wide implications, particularly for regional energy planning and sustainability.

Appendix A: Additional R

5. **Wacuka Ngata, Noman Bashir, Michelle Westerlaken, Laurent Liote, Yasra Chandio, Elsa Olivetti. (2025). The Cloud Next Door: Local Impacts of Data Centers.**

Available at: https://arxiv.org/abs/2506.03367

This academic preprint examines localized impacts of data centres, focusing on community-level externalities. It identifies issues such as noise pollution, water usage, and infrastructure strain, and highlights disparities between who benefits economically and who bears the costs. The study contributes to a growing body of literature emphasizing the need for localized impact assessment.

6. **University of Virginia Cooper Center. (2026). The Economic, Fiscal, and Energy Impacts of Data Centers.**

Available at: https://www.coopercenter.org/research/GLDC

This research initiative analyzes the economic and fiscal contributions of data centres alongside their energy demands. It finds that while data centres can generate significant tax revenues, they also impose considerable pressure on regional energy systems. The study is particularly relevant for jurisdictions evaluating long-term infrastructure trade-offs.

7. **Lincoln Institute of Land Policy. (2025). Data Drain: The Land and Water Impacts of Data Centers.**

Available at: https://www.lincolninst.edu/publications/land-lines-magazine/articles/land-water-impacts-data-centers/

This article focuses on the resource intensity of data centres, particularly land and water use. It highlights the rapid growth in electricity demand and raises concerns about sustainability and infrastructure capacity. The analysis is especially relevant for rural communities managing competing land-use priorities.

8. **Ed Atkins. (2022). Tracing the Cloud: Emergent Political Geographies of Global Data Centres.**

Available at: https://pmc.ncbi.nlm.nih.gov/articles/PMC9759424/

This academic paper explores how data centres reshape geographic and political relationships between regions. It introduces the concept of “infrastructure geography,” examining how digital infrastructure influences land use, energy systems, and regional development patterns. The work provides a theoretical lens for understanding spatial impacts.

Appendix A: Additional R

9. **International Economic Development Council (IEDC). (2025). Data Centers: The New Economic Development Gold Rush?**

Available at: https://www.iedconline.org/news/2025/10/06/iedc-updates/data-centers-the-new-economic-development-gold-rush/

This article evaluates data centres from an economic development perspective. It highlights the disparity between high capital investment and relatively low long-term job creation. The piece provides a grounded assessment of how data centres fit within traditional economic development frameworks.

10. **Dhanabalan Thangam and others . (2024). Impact of Data Centers on Power Consumption, Climate Change, and Sustainability.**

Available at:https://www.researchgate.net/publication/378597789_Impact_of_Data_Centers_on_Power_Consumption_Climate_Change_and_Sustainability

This research paper examines the environmental footprint of data centres, including their contribution to global electricity consumption and emissions. It emphasizes the rapid growth trajectory of the sector and its implications for climate and energy systems, particularly in the context of increasing AI demand.