

Coleman: some things to consider about the proposed data center

Jack Coleman
Op-Ed

There is currently a potential opportunity to consider a development project—a data center valued at \$7 billion to \$8 billion (or more based upon the amount of power that LG&E/KU can secure/deliver) in Mercer County. This situation has come about because a private landowner elected to work with an industrial real estate broker to market the site for this use. Regardless of whether you are “opposed to” or “in favor of” development in the area in question, let’s take time to review the facts, just as we have done with all previous Industrial Development opportunities.

WHY ARE WE HERE?

There are several key reasons why Kentucky is an appealing location for data centers.

In 2025, the state legislature passed HB 775, with the intent of attracting data centers to Kentucky. This legislation offers “sales and use tax exemptions on data center equipment” across all 120 counties in Kentucky. Since data center equipment can cost anywhere from \$10 million to \$20 million per megawatt of IT load, that amounts to a total investment of \$7 BILLION to \$8 BILLION—translating into cost savings for a data center of between \$240 million and \$480 million! Please note that this is the only sig-

nificant incentive for data center development available in Kentucky. These State incentives have nothing to do with local property, net profits, occupational, or gross utility tax receipts. All local taxes would apply to any data center development in the county.

Kentucky Utilities provides exactly what data centers require, making Mercer County a highly desirable location.

Mercer County has excelled in promoting its community to attract new investments, industry and job growth on a national level.

WHAT IS THE CURRENT STATUS?

This potential opportunity is a planning and zoning issue. Understanding the seriousness of this issue, the Fiscal Court and the Harrodsburg-Mercer County Joint Planning and Zoning Commission has “proactively” hired a Data Center Consultant to help set rules in place, “should an application be submitted”; scheduled a Public Hearing for the citizens of Mercer County to become informed/ask questions, offer suggestions, but more importantly, to establish an open dialog between local officials, Planning and Zoning Commission, Harrodsburg Mercer County Industrial Development Authority (HMCIDA), developers and

the community. These are all positive things.

The Harrodsburg/Mercer County Planning And Zoning Commission permits uses IN A-1 districts, which are “allowed” by simply applying for a permit.

a. Land used exclusively for agricultural uses, farming, dairying, stock raising on a farm consisting of five or more contiguous acres of land.

b. Horticultural services, nurseries and greenhouses on a farm consisting of five or more contiguous acres of land.

c. Hunting, trapping, game preserves, forestry on a farm consisting of five or more contiguous acres of land.

d. Single family detached dwellings.

e. Churches and cemeteries.

f. Recreational facilities including playgrounds, golf courses, country clubs, sportsman’s farms, riding stables and pay fishing lakes on a farm consisting of five or more contiguous acres of land.

Conditional uses IN A-1 districts are “allowed” but require a “conditional use change” through the Board of Adjustment before it returns to Planning and Zoning for final approval. Only then would they apply for a permit.

a. Hospitals, clinics and similar medical facilities, mental health facilities,

nursing homes, convalescent homes, rest homes, orphanages, rehabilitation homes, assisted living homes, family care centers/providers, day care centers/providers and shelters for the homeless.

b. Sewage disposal plants and water treatment plants.

c. Extraction of crude petroleum or natural gas. Extraction, storing and processing of minerals or raw materials. The Board of Adjustment and Appeals may attach special conditions necessary to protect neighboring premises from undesirable effects of such operations.

d. Veterinarian clinics.

e. Home occupations as permitted according to Article XV, number 15.

f. Rural occupations as permitted in Article XV, number 29.

g. Private clubs and restaurants for private clubs.

Under the current Planning and Zoning Regulations, there is no definition for “Data Center” as a conditional use in A-1 Districts.

h. Any use similar to those set forth in Subsections “a” through “f” of this Section 630(A)(iii) but which is not specifically listed, may be determined to be a conditional use by the Board of Adjustment and Appeals.

Additionally, research by Planning and Zoning and HMCIDA shows conditional

use permits are not suitable for data center projects, as they do not transfer with ownership and cannot support lease-to-own arrangements.

Mr. Graddy, attorney for “We Are Mercer County,” recommends a new zoning classification (I-3, Data Center). Other areas are considering overlay districts, extremely heavy industrial zones, or technology zones.

At this point, all options should be on the table, as negotiations, discussions, and recommendations are considered.

WHERE DO WE GO FROM HERE?

• The Fiscal Court/Planning and Zoning should do their due diligence by hiring a data center consultant, which is being done.

• The Planning and Zoning Committee should begin to research data center effects on local communities, which is being done.

• The Planning and Zoning Committee should have public hearings to take input from the community and affected players, which is ongoing.

• The Industrial Development Authority, where legally permissible and free of conflict, should continue to be involved with the Planning and Zoning Committee and the data center consultant in the development of ordinances defining future land development and estab-

lishing regulations for this new form of industry that make practical sense for our county.

• The Industrial Development Authority should continue to be in communication with the State Economic Development Cabinet.

In conclusion, the purpose of this article is to share knowledge and encourage honest dialogue grounded in factual information. Whether you are “in favor of” or “opposed to” this project, it is essential for the community to approach this opportunity with honesty, seriousness and transparency through its entirety. This will enable us to reach a well-informed decision that serves the long-term interests of all residents of Mercer County.

There’s no doubt: A Data Center is coming soon to Kentucky. While we might have the initial opportunity, another center will be located near Kentucky Utilities in the foreseeable future, and they will draw megawatts from KU’s utility grid, regardless.

Jack Coleman is a Harrodsburg City Commissioner who represented the 55th District—which includes Mercer County—in the Kentucky House of Representatives from 1991 to 2004 and served as deputy commissioner of the Kentucky Department of Housing, Buildings and Construction.

Citizens

from 1A

County Planning and Zoning are preparing for the eventuality.

Last Wednesday’s forum began with a PowerPoint presentation by Curry outlining the role data centers play in modern infrastructure and their potential economic impact on a community. The presentation described data centers as the “physical foundation of the internet,” supporting everyday services such as streaming, online banking and GPS navigation.

According to the presentation, facilities function as secure, climate-controlled buildings housing computer servers and storage systems, operating continuously to power digital services. Streaming platforms like Netflix alone account for about 15% of global downstream internet traffic, illustrating the scale of demand.

Economic data highlighted during the briefing emphasized the industry’s financial impact. In Virginia, data centers generated \$31.4 billion in economic output in 2023, and in one county, local revenue from the sector rose from \$70.4 million in 2020 to more than \$875 million in 2024.

Officials in Virginia reported the revenue helped reduce residential tax rates and funded major public projects, including a \$152 million school complex.

A case study involving Microsoft showed how a rural Virginia county that lost more than 2,000 manufacturing jobs transitioned to hosting one of the company’s largest campuses, boosting tax revenue and stabilizing the local economy.

Another example from Loudoun County showed

that home values rose sharply despite proximity to data centers, suggesting property values can remain strong when projects are properly planned and noise is mitigated.

The presentation also addressed common concerns about infrastructure demands. It stated that modern cooling systems often recycle water or use reclaimed supplies and that a medium-sized data center typically uses about half as much water annually as a 150-acre golf course.

Traffic impacts are also comparatively low, with significantly fewer daily vehicle trips than office parks or warehouses.

Planners were told that careful site selection is critical. Recommended practices include placing facilities near existing transmission infrastructure, coordinating early with utilities to ensure grid capacity, and using sites of at least 150 acres that are naturally separated from residential areas.

The presentation concluded that Kentucky’s comparatively low electricity rates could make the state attractive for data-center investment, positioning regions with reliable, low-cost power as potential hubs for future digital infrastructure development.

The floor was then open to public comment, with the majority of speakers opposed to data centers.

Chairman Bobby Upchurch told the crowd, “We are here to take concerns and hear questions that need to be answered in the community about the data center and give you an idea of what planning and zoning is. We’re in the plan-

ning stages for our community, and that’s why it’s so important for everyone to be involved.”

Upchurch introduced Attorney Hank Graddy as the first speaker. Graddy has been retained by the newly formed citizen group, We Are Mercer County, Inc., to represent the group’s concerns about developing a data center on what they consider prime farmland.

Graddy is also involved with the zoning efforts in Oldham and Mason Counties on text amendments for data centers.

“We are particularly concerned about a potential site near U.S. 68. An area of active farming that is prime farmland, an area with historical significance. The area on route to Shaker Village.”

“What I’m presenting to you tonight is not an attack on data centers. It is not pro data centers,” said Graddy. “It is suggestions on what the Planning Commission for Mercer County should put in place to address the issue of data centers.”

Graddy emphasized that it is the responsibility of the Planning and Zoning Commission and the Mercer County Fiscal Court to structure data center ordinances, not the Kentucky Public Service Commission (PSC) or any other federal agencies.

“Currently, Mercer County is not prepared for data centers,” he said. He noted that data centers are not mentioned in the zoning ordinances or the comprehensive plan. He said Oldham County has begun researching ordinances and is about 9 months ahead of Mercer County, and that it put a moratorium in place

to allow time to study what a data center would mean to their community. He also said Mason County’s Fiscal Court has given first reading to its text amendments for a data center.

Graddy presented documents to the commission that included the Oldham County moratorium, which gave its planning and zoning sufficient time to research, and a model ordinance based on best practices provided by the Kentucky Resource Council.

Graddy said the common concerns around data centers include noise and localized pollution, energy and water consumption, pollution of water sources and impact on utility bills.

Graddy said that, along with the Kentucky Resource Council, he recommended developing a new industrial facility zone for data centers requiring a conditional use permit and setting requirements such as noise pollution, etc., so it could be monitored and enforced. His additional recommendations included not developing data centers near slopes and restricting their placement on prime farmland. The crowd responded with applause.

Graddy called attention to the recently adopted new comprehensive plan, stating, “That new plan is clear. You made a commitment to preserve prime farmland.”

He noted that in the comprehensive plan, on the map, there are areas in white that show prime farmland to be kept as farmland, and the proposed data center site falls within that white zone. He called attention to US Highway 68, which is designated the Shaker Village

Corridor, and noted that the comprehensive plan calls for protecting that corridor and the tourism base that is part of this community.

Graddy said he thought that Curry Roberts was a cheerleader for the data centers and that the community would have greater confidence in planning and zoning’s decision-making if they retained a data center skeptic.

Commissioner Jonathan Elliott asked for a copy of the ordinance Oldham County was drafting, and Graddy agreed to provide one.

“Ultimately, we have to make a decision and draft a plan,” said Elliott. “We can’t pretend this isn’t going to happen.”

Before the floor was opened to speakers, Upchurch explained that the comprehensive plan was due to be updated in 2020, but the COVID-19 pandemic prevented that, and that the last big revision to the comprehensive plan was in 2013 for the bypass.

Later in the evening, Brian Luftman of Lexington, who owns farmland in several counties, including Mercer County, spoke in favor of the data center. He has been approached by a developer to purchase his property for a data center.

“I live in Fayette County, and my children attend Fayette County Schools, and I am generally jealous that Fayette County does not have this opportunity (referring to the data center) that Mercer County has, and I mean that,” said Luftman, who was met with jeers from the crowd.

Upchurch reminded the crowd that each person

would be allowed to speak, that questions were not to be directed toward the speaker, and that the speaker would address only the commission.

“If this were an obvious choice,” said Luftman, “then why would we have to have a meeting?”

He said he farms in Mercer County, is not a developer, and that over the years, he has been approached to sell his farm. After turning down multiple offers, including solar energy developers, he felt that a data center development was a good option.

“I think there is one thing that we can all agree on, which is that county workers, city employees and teachers are all underpaid,” said Luftman. “I also think we can all agree that prime farmland is an incredible, precious resource. So that’s why this is a very difficult conversation, and some of the numbers that have been uncovered by Burgin School District, the Burgin Superintendent and Mercer County economic development are pretty incredible numbers.”

Luftman noted that the data center’s potential increase in the tax base would provide additional funds for local government and the school system, including pay increases for staff.

“And how can that just be ignored?” he said. “We need to make a decision that’s good for Mercer County as a whole.”

Luftman asked the commission to consider all the research before making a decision. Noting that if every development were voted against because it had

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