

MINUTES
LEAGUE OF ARIZONA CITIES AND TOWNS
EXECUTIVE COMMITTEE MEETING

Monday, January 9, 2026 at 10:00 a.m.
Via Zoom Video/Audio Conferencing

MEMBERS

President

Kevin Hartke, Mayor, Chandler

Vice President

Mila Besich, Mayor, Superior

Treasurer

Jerry Weiers, Mayor, Glendale

Ken Budge, Mayor, Bisbee
Eric Orsborn, Mayor, Buckeye
Lisa Fitzgibbons, Mayor, Casa Grande
Robyn Prud'homme-Bauer, Mayor, Clarkdale
Alexis Hermosillo, Mayor, El Mirage
Becky Daggett, Mayor, Flagstaff
Al Gameros, Mayor, Globe
Joe Pizzillo, Mayor, Goodyear
Cal Sheehey, Mayor, Lake Havasu City
Tom Schoaf, Mayor, Litchfield Park
Nancy Smith, Mayor, Maricopa

Mark Freeman, Mayor, Mesa
Mark Stanton, Mayor, Paradise Valley
Jason Beck, Mayor, Peoria *
Kate Gallego, Mayor, Phoenix
Stephanie Irwin, Mayor, Pinetop-Lakeside
Julia Wheatley, Mayor, Queen Creek
Tom Murphy, Mayor, Sahuarita
Corey Woods, Mayor, Tempe
Regina Romero, Mayor, Tucson *
Roberta Cano, Mayor, Winslow
Douglas Nicholls, Mayor, Yuma

*Not in attendance

President Kevin Hartke called the meeting to order at 10:00 a.m.

Discussion and Possible Action Regarding the League's Position on Potential Data Center Legislation

League Executive Director Rene Guillen opened the discussion by explaining that data centers have ignited conversations at local, state, and national levels. Due to the importance of the issue, he felt it was necessary to bring the issue to the Executive Committee for direction. He then introduced Tom Savage for further detail.

Tom Savage, Legislative Director, provided detailed background on the issue. He noted that significant activity was expected related to data centers in the coming session, including potential legislation that may preempt or modify the role that cities and towns have in land use and planning for data centers. While no concrete proposal has been introduced yet, conversations amongst lawmakers suggest that measures would be forthcoming that could significantly modify municipal authority over land use and planning of data centers.

Mr. Savage reported that House Bill 2119, sponsored by Representative Neal Carter, had already been pre-filed, proposing to sunset the data center tax incentive at the end of 2026. He indicated that the Governor would likely highlight data centers as a matter of statewide concern in her State of the State address on Monday and would propose eliminating the data center tax incentive in her executive budget.

League staff had coordinated with many cities to form a data center work group to prepare for potential legislation. Through these conversations, staff found that all cities were aligned on opposing preemption of local authority over zoning, planning, or permitting data center construction. However, cities had a broad range of opinions regarding the data center tax incentive itself. Some cities questioned whether the incentive should exist, believing the industry could thrive without it, while other cities viewed the incentive as a tool to attract data centers that might not otherwise locate in their communities.

Mr. Savage presented three options for the Executive Committee's consideration. Option 1 was for the League to take no position, leaving individual cities and towns to take positions as they saw fit. Option 2 was to advocate for the phase-out or elimination of the tax credit. Option 3, referred to as the "local control option," would condition approval of the tax credit on local government consent, giving cities the decision whether the incentive could be used for a particular data center project in their community.

Mr. Savage also sought the Executive Committee's input on whether the League should coordinate a meeting with utility CEOs to discuss issues related to scaling energy needs to support data center growth, seek their input on bills affecting cities' roles in data center zoning and local decision-making, and explore areas of potential alignment with utilities on issues like behind-the-meter energy generation and storage.

Mayor Kate Gallego provided extensive context on Phoenix's experience with 39 data centers. She explained the historical rationale for the tax incentive, which originated after the 2008 downturn when utilities had excess capacity. She noted that data centers now represented significant demand, with utility pipelines requesting 17 gigawatts compared to 9 gigawatts of peak summer demand. She supported Representative Neal Carter's bill to eliminate the TPT exemption, noting these were among the world's wealthiest companies. She detailed numerous challenges including firefighter safety concerns, property value impacts, transmission line issues, noise complaints, and difficulties enforcing landscape requirements. She emphasized the McMicken battery fire incident in Surprise that resulted in severe injuries to firefighters, highlighting the importance of updated fire codes and hazmat preparedness.

Mayor Joe Pizzillo reported that Goodyear required all new data centers to be air-cooled to avoid water usage and provided no local incentives, believing data centers could succeed without subsidies.

Mayor Jerry Weiers expressed support for Option 3, noting that while Glendale had one large data center under construction, the city didn't want more and preferred local control to allow cities flexibility based on their individual circumstances.

Mayor Tom Murphy inquired whether Option 3 would allow cities to negotiate partial incentives with individual data centers. Tom Savage indicated this would need further examination but suggested it might require modifying the existing incentive criteria.

Mayor Thomas Schoaf emphasized that while supporting local control, data centers created impacts beyond individual jurisdictions, particularly regarding power generation costs that enter utility rate bases affecting all ratepayers statewide. He noted residents don't benefit from data center location since internet services work regardless of physical placement, and suggested the League should support statewide standards alongside local control.

Multiple mayors expressed support for Option 3 through comments and chat, including mayors from Mesa, Tempe, Casa Grande, Bisbee, Winslow, Pinetop-Lakeside, Maricopa, Clarkdale, Chandler, and others.

Mayor Mark Freeman noted Mesa's ordinance requiring data centers to pay for growth through capacity fees and emphasized the importance of municipalities choosing their own direction. He cautioned about trading future growth neighborhoods and commercial developments that generate general fund dollars for data centers that currently do not, noting Mesa has 15 grandfathered data centers but now has robust guidelines including fees.

Mayor Julia Wheatley noted the TPT incentive grew 370% in 2023 and 256% in 2024, doubling to \$38 million, creating budget unpredictability. She supported Carter's bill while acknowledging Arizona would continue attracting data centers due to its business environment, other incentives, and low natural disaster risk. She suggested better uses for those funds, such as Title 42 programs that generate more jobs and sales tax.

Mayor Douglas Nicholls expressed preference for Option 2 (eliminating the incentive) given the lack of significant long-term job creation, but supported Option 3 from a local control perspective. He reported a year of conversations with utility CEOs, warning that utilities were struggling to manage the problem and lacked a cohesive solution. He highlighted difficulties getting power allocations in rural areas, noting everything was "very Phoenix centric."

Mayor Roberta Cano emphasized rural Arizona's need for economic development opportunities and requested that cities with existing data center ordinances share what has and hasn't worked to help rural communities prepare.

Mayor Eric Orsborn strongly supported Option 3 and local control, opposing anything weakening the tax incentive. He described a potential \$130 billion data center development in Buckeye that would build infrastructure in areas currently lacking it and provide substantial property tax revenue—tens of millions annually when built out—plus significant construction sales tax for capital improvements. He emphasized the nuanced nature of impacts across different communities and requested comprehensive data on both costs and projected revenues. He suggested consulting with reputable data center operators to understand the full impact of repealing incentives.

Mayor Gallego additionally requested local control or input on transmission lines for data centers, noting Phoenix had lost 80 residential units to a transmission line for a data center and experienced property impacts including a church playground removal and residential property value concerns. Multiple mayors also expressed support for meeting with utility CEOs to discuss energy scaling, behind-the-meter generation and storage, and transmission policy impacts on existing neighborhoods.

The Executive Committee reached consensus supporting Option 3—conditioning approval of the data center tax credit on local government consent—while also supporting coordination of meetings with utility CEOs to discuss data center-related energy and transmission issues.

The League staff was directed to gather additional information including model ordinances, lessons learned from cities with existing data centers, comprehensive revenue and cost data, and information about transmission line local control options.

President Hartke adjourned the Executive Committee meeting at 2:04 p.m. thanking all participants for their input and wishing everyone a happy New Year.



EXECUTIVE DIRECTOR



PRESIDENT