P&Z Data Center Legislation Discussions: Community Benefits and Outstanding Questions

October 29, 2026 | Session Four

Discussion recap

The October 29th P&Z Committee discussion examined utility safeguards, accountability for the proposed water recycling facility, and approaches to securing community benefits from data center development. Councilman Spinosa chaired the session, with participation from TVA, MLGW, the Greater Memphis Chamber, and Mayor Young's Administration. Division of Planning and Development representatives were also present.

Key discussion points

Utility representatives explained how large projects are evaluated before receiving service. TVA and MLGW described coordinated engineering studies to evaluate electricity demand, system capacity, reliability, and necessary infrastructure improvements. Representatives said data centers must cover the costs of infrastructure needed to serve them and described protections incorporated into service agreements, including requirements to reduce electricity use during periods of grid stress, financial penalties, and potential disconnection for noncompliance.

Members explored cleaner power options and the limits of utility authority. Questions addressed solar generation, battery storage, nuclear energy, and facilities generating their own electricity "behind the meter." MLGW distinguished its responsibility for grid connections from DPD's oversight of on-site generation. MLGW also described a residential battery pilot and expressed willingness to work with Council on options for compensating residents who generate electricity.

Accountability for the water recycling facility remained a significant concern. Council members asked how construction commitments would be monitored and enforced. SpaceXAI has committed to resume work by January 2027. MLGW clarified that it does not have a contract requiring SpaceXAI to build the water recycling facility. MLGW also described separate arrangements involving the City's ability to reclaim the land if the project is not built and TVA's purchase of recycled water. Members requested further discussion of available safeguards and recourse.

The discussion distinguished three approaches to community benefits. Members discussed the existing community benefits ordinance directing 25% of SpaceXAI's City tax revenue toward communities within five miles of its sites, voluntary company contributions, and a proposed community benefit agency. Councilwoman Walker emphasized that these are separate mechanisms and requested clearer public information about contributions already made.

A community benefit agency remains a proposal requiring further development. Councilman Warren outlined an independent nonprofit entity that could negotiate benefit arrangements and support community needs. Potential uses discussed included road improvements, home repairs, youth programs, and housing. Board appointments, contribution levels, spending oversight, and the state authorization needed to establish the entity remained

subjects for further work. The Greater Memphis Chamber emphasized legal review, collaboration, and the development of an approach that could gain support beyond Memphis.

The Administration described work responding to community priorities. Chief Operating Officer Chris Winton reported that the Administration had assembled information from previous presentations and community feedback to support the Mayor's study process. He described construction-related traffic changes near John P. Freeman School, including rerouting truck exits toward Stateline Road, and work to advance home repairs in Boxtown. He also discussed plans for community engagement and information about jobs and career pathways.

Members requested stronger communication and additional protections. Councilmembers raised the need for earlier coordination among development partners, clearer information about workforce opportunities, additional neighborhood air-quality monitoring, and consideration of emergency preparedness needs. The Chamber expressed willingness to attend community forums and answer questions about its work.

Follow-ups raised during the discussion

Issue	Follow-up identified
Utility documentation	MLGW indicated it could provide confirmation that service requirements have been satisfied to support Council's development-review process. Spinosa requested explanatory materials from TVA for public access.
Water recycling accountability	McGowen agreed to discuss Councilwoman Logan's questions about possible recourse further, with a public follow-up anticipated.
Residential power generation	MLGW expressed willingness to work with Council on potential legislation and further examination of residential electricity compensation and aggregated battery resources.
Community benefit agency	Continue developing the proposed structure, governance, funding approach, and legal pathway. Members requested review of prior state legislation concerning community benefits and state incentives.
Community priorities and participation	Continue examining home repairs, traffic concerns, workforce access, air monitoring, emergency preparedness, and participation by economic development partners.

What comes next?

The fifth session is scheduled for **Monday, November 9**, and will be held from 1- 3 p.m. in the 5th Floor Committee Room. Residents can review meeting recordings and supporting materials on the P&Z Data Center Legislation Hearings webpage here: Planning & Zoning Committee Hearings on Data Center Legislation - The City of Memphis