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In a changing Prince William County, leaders wrestle with how to manage a data center boom

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The data center industry is either ruining Prince William County or saving it, depending on who you ask.

The massive facilities have rapidly become one of the Northern Virginia suburb's top economic drivers, but their development has stoked old fears about the impacts of new construction on Prince William's rural western end. And that tension has brought the county to a crossroads, as local leaders are trying to strike a balance between hiking taxes on the industry to see the benefits of that new investment, opening up more land for data center development and preserving some open space.

Data centers have provided an economic windfall for Prince William County. But what does their future look like in the suburb?

The county is positioned to take advantage of its proximity to Ashburn's robust internet infrastructure to turn the data center industry into the sort of reliable cash cow it's become in Loudoun, particularly if it raises taxes on the facilities. But allowing new development could require changes to decades-old zoning standards protecting the county's rural crescent, a long overdue shift to some leaders and a bit of political heresy to others.

It's a debate that has officials stuck between the county's rural, residential past and a more development-heavy future. How, exactly, county officials manage that delicate dance will determine a good deal about Prince William's economic future.

"We can't just take things off the table because it's in an undeveloped rural area," said Board of Supervisors Chair Ann Wheeler, D-At large. "Is it the third rail in Prince William County? I guess we'll find out."

Taxing the 'golden goose'?

First, the county will need to decide whether a tax hike on the industry is worth the potential consequences.

Just a year ago, supervisors bumped up the tax rate on computers and other tech products as a way to get more revenue out of the industry and begin to match the county's peers. The board agreed to a 10-cent tax hike up to $1.35 per $100 of assessed value (still quite a ways short of Loudoun's $4.20 rate) and rolled out a plan that would see the rate rise to $2 over the next three years.

But County Executive Christopher Martino has already abandoned that incremental approach and pitched a 25-cent hike to $1.60 for the new fiscal 2022 budget, a move that would raise about $4.72 million in annual revenue as the county manages its recovery from the pandemic.

For some supervisors, the hike makes sense, considering the industry has boomed during the pandemic while just about every other sector of the economy has struggled. Supervisor Yesli Vega, R-Coles District, said she'd even be willing to see the rate increased to $2.10 right away, as it would give the county another $40 million in revenue and help it reduce the residential tax rate.

But others are more wary, arguing it would send a bad message if the county deviated from its plan and raised taxes so quickly. Supervisor Victor Angry, D-Neabsco District, fears it would amount to killing the county's "golden goose."

"You've got to provide some certainty and predictability for these huge companies," said Josh Levi, president of the Data Center Coalition, a trade association lobbying against the tax hike. "And think about any other industry watching from the sidelines, what does this say to them?"

Levi argues the county needs to stay competitive with other communities that have been dropping their tax rates to court data centers, or else risk scaring away an industry that accounted for 94% of the new commercial investment in Prince William last year. But Supervisor Pete Candland, R-Gainesville District, and some of his colleagues believe that sort of warning is simply a scare tactic.

"No matter what their well-dressed lobbyists say, these companies are coming here because of our proximity to Loudoun," Candland said. "I don't think it's fair to put out a 25-cent increase right away and throw our plan out the window ... but these companies aren't coming here because of our tax rate."

A rural crescent clash

Plainly, there's some negotiating left to do over the tax rate — and federal stimulus funds could make the county's revenue needs a bit less acute, making an aggressive tax hike a bit less necessary. The budget process won't wrap up until April 27.

The bigger and more bruising fight will likely come over where the county allows new data center development, especially if it involves a push into the "rural crescent," an 80,000-acre section of the county's western end protected from most new construction.

Supervisors have already begun to consider an expansion of some data center-friendly zoning standards, and that could include rural crescent land. It's a debate that's grown more intense after a group of landowners unveiled a proposal for an 800-acre data center campus adjacent to Manassas National Battlefield Park.

Even supervisors representing western Prince William like Candland and Vega support some expansion of the county's "data center opportunity zone overlay district," concentrated just west of Manassas, in order to allow some new data center development. Christina Winn, the county's economic development director, says "we're running out of viable land" in that district, which is specially zoned to speed data center construction, and officials have taken that warning to heart.

The difference is the board's Republican representatives see any effort to develop the rural crescent, specifically, as a betrayal of their communities. While the limits on development in the rural area are mainly targeted at preventing residential projects, they see the spread of data centers as a serious threat to the crescent's character.

"It's just an assault on the available land and open space that we have left," Vega said. "They take up a lot of power, a lot of water. ... I just don't think people are considering the unintended consequences here."

More than just data centers?

But Angry and some of his Democratic colleagues believe the restrictions, created back in 1998, have essentially put the burden of growing the economy on the county's eastern end. And they believe it's no longer sustainable to restrict development in the rural crescent to 10-acre, single-family home lots if there's soaring demand for data centers.

"The needs of the many have to outweigh the needs of the few," Angry said.

County Democrats, who assumed control of the board for the first time in a generation last year, also hope data centers are but the first step in allowing new development in the rural area. The rural crescent limits have pushed most development to the east, especially multifamily construction, which Wheeler believes has foreclosed the possibility of transformational mixed-use projects along Interstate 66 or near the western end's bus and rail hubs.

And Angry believes those projects could also deliver proffered amenities like schools and fire stations in a way data centers can't, making it essential to think beyond just those facilities for the future.

"We need to be honest that right now we don't have a balance between east and west in Prince William County," said Supervisor Margaret Angela Franklin, D-Woodbridge. "We need to provide a fairness in land-use policies that we just haven't seen here."

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