Project Blue: Frequently Asked Questions (FAQ)

July 2025

Executive Summary: *Project Blue is a proposed data center project under current development. The Initial Phase alone represents $3.6B+ in economic development opportunity for the City of Tucson. Project Blue includes a major reclaimed water infrastructure expansion that is funded, designed, and constructed by the Project in partnership with Tucson Water. Project Blue will be water positive and match 100% of all water consumed – including the reclaimed water – with additional water replenishment projects. Project Blue models how public-private partnerships can support responsible development of critical digital infrastructure by prioritizing community needs.*

This document responds to requests for additional information by City Council and directly answers all questions posed by Ward 4 Councilwoman - Nikki Lee on June 26, 2025 in Councilwoman Lee's Update on Project Blue.

WATER USAGE AND SECURITY

1. How many total sites and phases are planned for this project?

- Project Blue's Primary Project site is located within the Pima County Southeast Employment and Logistics Center (SELC), North of the Pima County Fairgrounds. The Primary Project has two phases. The Initial Phase of the Primary Project could be operational as soon as 2027.
- A Secondary Project is under exploration within the Tucson City limits and would also utilize the reclaimed water infrastructure outlined below. Exact location is still being determined.
- Feasibility studies are under way for a third site in the metro area, outside of Tucson city limits. Only the Primary and Secondary Projects are contemplated in this FAQ document and in the draft Development Agreement with the City of Tucson.

2. What is the estimated total water demand at full build-out across all sites and phases?

- Water supplied to the Primary Project (full build) would be comparable to the annual water use of two typical Pima County 18-hole golf courses. If the Secondary Project moves forward, the water supplied would be equivalent to slightly more than two additional golf courses.

Metric	Primary Project		Secondary Project
	Initial Phase	Full Build	Full Build
Average Annual Reclaimed Water Allocation	*440 AFY*	**870 AFY**	**1040 AFY**

AFY: Acre-Feet per Year

- Water use is closely tied to climate and weather conditions. Estimated average annual allocation volumes are shown in the table above, although actual usage may vary higher or lower on any given year. The allocation volumes shown are based on the projected average water usage due to the climate conditions of many years.
- At full buildout of both the Primary and Secondary Projects water use won't exceed 6% of the reclaimed water portfolio, or 1% of the entirety of Tucson Water's portfolio. Per Tucson Water, the reclaimed water supply for this project has been allocated for economic development projects, like Project Blue, and will not adversely affect other existing reclaimed water customers and uses, including the water currently supplying the Santa Cruz River Heritage Project, the Sweetwater Wetlands, or the Shirley C. Scott SHARP facility.
    - In 2026, the City will have access to about 32,000 AFY of supply to the reclaimed water system for city uses, made up of 22,000 AFY of treated effluent and 10,000 AFY from TARP.

- The city also uses its reclaimed distribution system to convey effluent owned by other agencies to their sites or system , which is not derived from the city's water portfolio. This is often referred to as "wheeling".
- Currently, the Reclaimed Water System delivers approximately 11,000 to 14,000 AFY to city customers, using about 40% of the available supply. The remaining supply volume is either recharged at city facilities such as SHARP or discharged to the Santa Cruz River, where the city does receive some recharge credits, but also loses a significant volume from the region annually.

3. How much potable water will be required before the reclaimed system is operational?

- A limited potable water allocation will be used for industrial purposes on an interim basis at the Primary Project until the reclaimed water infrastructure is completed. However, since the project will be ramping up from zero, it is expected to use less than 440 acre-feet per year (AFY) during this time.
- All potable water consumed will be replenished via the Water Positivity requirements in the Development Agreement.

4. What is the actual timeline for transitioning the site to reclaimed water, and what commitments or enforcement mechanisms will ensure that this transition happens as planned?

- The Initial Phase of the Primary Project must switch to reclaimed water within two years of operation. If the project does not meet the deadline, the Developer will face punitive financial penalties that are outlined in the Development Agreement.
- The Secondary Project cannot use any potable water for industrial purposes.

5. What assumptions were used in the water usage modeling for this project, including how climate change impacts were factored into the estimates?

- Water usage modeling used local Tucson climate information and decades of data to forecast water consumption. The modeling process includes conservative operational and climate assumptions to be durable even in the face of climate change impacts.

6. What mechanisms exist to hold the project accountable if water usage exceeds projections?

- All water used will be replenished. In addition, the Development Agreement establishes water usage allocations and enforces significant financial penalties if the transition to reclaimed water is delayed or if water usage exceeds contractual allocations at any stage of the project.

7. How does the reclaimed water system work?

- The developer will design and construct new reclaimed infrastructure to convey reclaimed water to the Primary Project and Secondary Project. This will include approximately 18 miles of reclaimed transmission main, a reservoir, a booster station, and a new aquifer recharge facility.
- Reclaimed water will be conveyed through a new pipe from Mission Manor pump station to a new aquifer recharge facility where it will percolate into the ground and be stored in the aquifer for future use.
- During periods of high demand (summer), recovery wells will pump stored water from the underground storage facility to the project site and to other existing and future customers. These recovery wells are not for pumping local groundwater, they only pump water added to the aquifer by the project through the recharge facility.
- This recharge facility will store and recover water similar to existing Tucson Water facilities where the majority of Tucson's Central Arizona Project allocation is stored. It will also become a public amenity and offer recreation benefits similar to the Shirley C. Scott SHARP facility.
- The aquifer recharge facility will be permitted by the Arizona Department of Environmental Quality and will require routine monitoring and sampling of the groundwater to protect the aquifer.

- Any water that is not recovered will remain in the aquifer and become a long-term storage credit, adding to Tucson Water's water resource portfolio . Over the duration of the project, more water is expected to be recharged than withdrawn by Project Blue, resulting in a net increase in groundwater.
- Reclaimed water delivered to the data center sites will be treated onsite by Project Blue to remove scaling materials (like calcium and magnesium) and increase water usage efficiency. Treating the water allows it to be recycled many times within the cooling system before being sent to the Pima County Regional Wastewater Reclamation Department's sewer system. No pollutants or toxic chemicals are added to the water prior to discharge to the sewer system.
- All reclaimed water infrastructure described will be funded, designed, and constructed by Project Blue, in partnership with Tucson Water, then transferred to Tucson Water to own and operate.
- Project Blue will replenish 100% of the reclaimed water used so there will be no impact to Tucson Water's water resources portfolio.
- Detailed background and information on the general operations of Tucson's Reclaimed Water System is available from Tucson Water. The utility is prepared to provide this information to help explain how Project Blue's investments tie-in and build on the system.

8. What other customers would benefit from the reclaimed water system?

- Project Blue enables significant potable water conservation and community benefit by supporting existing and future users in replacing potable water with reclaimed water:
    - The reclaimed water pipe extension was purposefully routed past two potential users of reclaimed water, the Los Reales Sustainability Campus (primarily for compaction and dust control of the landfill), which is currently projected to use up to 306 acre-feet per year (AFY) of potable water, and the future Los Reales Park (a Master Planned multi-purpose sports park). This alignment provides an opportunity to convert large scale potable water consumption to reclaimed water at these locations.
    - The route will also facilitate future industrial and commercial customers in the southeastern Tucson region and SELC to utilize reclaimed water.

ENVIRONMENTAL AND PUBLIC HEALTH PROTECTIONS

9. Will chemicals or cooling agents be added to the water as part of the process, and how could those substances affect our groundwater, surrounding wells, or broader environmental systems?

- Water used in cooling processes is treated on site to increase operational efficiency. No pollutants or toxic chemicals are added to the water during this treatment. All of the wastewater from the cooling systems is sent to the Pima County sewer system, which eventually supplies the reclaimed system. Project Blue will hold an industrial discharge permit from the Pima County Regional Wastewater Reclamation Department (RWRD) and must comply with strict wastewater limitations and monitoring in order to operate.

10. How will water discharge be handled? What safeguards will be in place to ensure there is no contamination of our groundwater, nearby wells, or the surrounding environment?

- No wastewater from the site will be released to the environment. All of the wastewater from the cooling systems is sent to the Pima County sewer system, which eventually supplies the reclaimed system. Project Blue will hold an industrial discharge permit from the Pima County Regional Wastewater Reclamation Department (RWRD) and must comply with strict wastewater limitations and monitoring in order to operate.
- Under this industrial permit, only certain, approved, water treatment additives are allowed, and a detailed water quality report must be submitted for approval. The wastewater discharge will be monitored for compliance with the permit at regular intervals.

- Project Blue pays the full cost of service for Pima County to collect and treat the wastewater discharge. For industrial customers, the County collects additional fees based on the quality (or "strength") of the wastewater, to assure that other customers do not subsidize the treatment cost.

11. What is the potential impact on local air quality, particularly from backup diesel generators or other emissions sources?

- Emergency back-up diesel generators, much like those used at hospitals and airports, are the only source of particulate emissions. Generators are only used during electric grid failures, aside from periodic testing and maintenance. All project emissions will fully comply with state and federal permit requirements, remaining within regionally defined legal limits that help protect local air quality.

12. Have we thoroughly reviewed challenges faced by other cities with similar data center developments, including issues related to water usage, energy demand, air and water pollution, and community health impacts, to ensure we are not repeating mistakes that have been made elsewhere?

- The Project Blue team brings decades of collective experience developing and delivering data center projects across the U.S and the world. Project Blue has assembled a specialized team with deep expertise in renewable energy, water management, and site selection and is committed to responsible development and to learning from the lessons of the industry to deliver world leading infrastructure. This focus enables the company to deliver sustainable projects that prioritize community investment, health, and safety.
- Project Blue's investment in local public infrastructure and its pledge to replenish 100% of the water it consumes go beyond the typical commitments made by data center projects in other cities. The Project's funding of all electrical grid upgrades completed for its direct benefit improves local and overall electric system reliability while ensuring that these costs are not paid by other customers. Its compliance with strict state and federal air permitting requirements help protect local air quality.
- One specific lesson learned in the Phoenix metropolitan area relates to where to site data center uses. Many data centers in the Phoenix area were sited as light industrial uses within and adjacent to master-planned residential communities. Here, the Primary Project location is in an area of the region identified for future industrial/economic growth and not residential uses.
- These initiatives and site decisions reflect Project Blue's dedication to responsible and forward-thinking development and sets an example for sustainability-focused data center development. Project Blue models how public-private partnerships can support responsible development of critical digital infrastructure by prioritizing community needs.

ENERGY INFRASTRUCTURE & PUBLIC COST EXPOSURE

13. What is the energy demand of this project at full scale?

Metric	Primary Project		Secondary Project
	Initial Phase	Full Build	Full Build
Potential Power Capacity	*250 - 350 MW*	**400 - 600 MW**	**500 - 700 MW**

MW: Megawatt

- The capacity values shown are estimates of potential power capacity that may be required to support future Project Blue developments.
- The Initial Phase of Project Blue is enabled by local clean energy generation and storage resources that are either operating or under advanced development. Project Blue envisions additional cost-competitive clean energy resources to support future phases of the project, driven by Southern

Arizona's unique access to solar, wind, and energy storage. Energy sourcing for future phases of Project Blue will be subject to TEP's ongoing efforts to transition to clean energy sources by 2050.

- Project Blue will evaluate an installation of solar panels above the parking areas on-site. For data centers, roof-top solar is not available due to the equipment arrays that are mounted on the roofs.

14. Will Tucson Electric Power (TEP) be able to meet those demands before infrastructure upgrades are complete?

- TEP has conducted rigorous studies to identify any infrastructure upgrades that are required to serve Project Blue while ensuring grid reliability. These Infrastructure upgrades will need to be completed by TEP prior to energization of the Initial Phase of the Primary Project and subsequent phases.

15. Residents in some areas of Southeast Tucson are already experiencing energy reliability issues. What assurances can be provided that this project will not add to the strain on existing infrastructure, and that necessary upgrades will be completed before the facility comes online?

- TEP has planned infrastructure upgrades that will be completed prior to energizing Project Blue. These upgrades include the construction of a new switchyard that will not only serve the project but also strengthen the overall electric system in Southeast Tucson. This added infrastructure will enhance grid resilience and reliability for nearby residents and businesses—not strain it.
- Project Blue will not come online until all necessary electrical infrastructure is in place and operational, ensuring the project does not negatively impact existing service. Importantly, Project Blue will not receive discounted rates, priority access, or preferential treatment compared to other TEP customers. The project is being integrated into the grid with careful attention to maintaining and improving reliability for the broader community.

16. Who pays for those upgrades? Can we get assurances that ratepayers will not be on the hook?

- Project Blue is required to fund all grid upgrades completed for its direct benefit, ensuring that these costs are not paid by other customers.

ECONOMIC VALUE & COMMUNITY BENEFIT

17. The company has projected anywhere from 75 to 180 jobs by the third year of operations in 2029, depending on the source. What is the actual number of ongoing jobs expected at full build-out, how certain is that estimate, and what are the consequences if those employment projections are not met?

- For the initial phase of the Primary Project, Project Blue will create an estimated 180 new permanent full-time jobs by the anticipated third year of operations in 2029. The average salary of these jobs is expected to be $64,000 per year. This is clearly stated in the City of Tucson's Economic Impact Analysis as completed by a third-party firm, Applied Economics, and can be accessed here: https://www.tucsonaz.gov/files/sharedassets/public/v/1/government/city-manager-office/documents/applied-economics-analysis-of-economic-and-revenue-impacts.pdf.
- The Primary and Secondary Projects of Project Blue, if fully built, are projected to create over four times the number of full-time permanent jobs as those estimated for the Initial Phase. The number of construction jobs and the economic impact would also exceed those generated by the Initial Phase by more than threefold.
- The purchase and sale agreement with Pima County for the Primary Project site includes Economic Performance Requirements that incur significant financial penalties for the Developer should Project

Blue fail to employ at least 75 employees with an average base salary of $75,000 per year four years after the closing date of the site.

- The project is not requesting, or receiving, economic development incentives from the City of Tucson; therefore, the draft Development Agreement does not impose metrics on job creation. The Pima County requirement of 75 full-time jobs created, with associated penalties for non-performance is an appropriate mechanism for compliance.

18. Will the majority of these jobs be technical, operational, or support roles? Given that data centers are often highly automated, what assurances do we have that these will be meaningful, long-term employment opportunities for Tucsonans?

- The permanent jobs created will be a mix of technical roles such as data center technicians, network engineers, facilities and systems operators, as well as operational roles in areas like logistics, maintenance, security, and administration.
- The data center workforce is required on site for a data center to operate. These jobs are critical to the data center operations and cannot be remote, outsourced, or automated.
- According to the Data Center Coalition, labor income earned directly from the data center industry grew by 144 percent between 2017 and 2023. The increase in labor income has outpaced the increase in employment, suggesting that the U.S. data center industry supports higher earning jobs at the national level. Demand for data center jobs will only increase as the industry expands.
- The purchase and sale agreement with Pima County for the Primary Project requires Project Blue to employ at least 75 permanent employees once the facility becomes operational, contractually committing Project Blue to providing long-term employment opportunities.

19. The company has stated that the average salary for these jobs will be $64,000. How many of these positions will be accessible to local residents without advanced degrees, and what types of roles are expected to make up that workforce?

- The data center workforce requires a wide mix of skillsets and educational backgrounds. Typically, over half of the fulltime employees do not require advanced degrees. These jobs range from data center technicians with trade school certifications or Associate's Degrees, to security officers, facilities maintenance staff, and office administration that only require a High School Diploma.
- The positions created by Project Blue offer long-term career paths, often with opportunities for upskilling, certifications, and advancement. Once operational, Project Blue intends to work with local educational institutions to help build a pipeline of local talent, so residents can train for and access these high-quality jobs.

20. What construction-related job opportunities will be available to local firms and workers during the estimated $1.2 billion buildout? How are we ensuring that local companies and trades benefit during the construction phase?

- Project Blue will create approximately 3,000 construction jobs for the Initial Phase of the Primary Project. Construction jobs on data center campuses include management positions such as project managers, project engineers, and construction coordinators; skilled trades such as electricians, HVAC technicians, and structural steelworkers; and specialized technical roles such as controls and systems engineers and commissioning managers.
- The multi-year construction of Project Blue represents a significant opportunity for local firms and workers - including the members of the many local unions who spoke in support of the project at the recent Pima County Board of Supervisors hearing.
- To ensure that local companies and trades benefit, Project Blue will work closely with its general contractor to prioritize local hiring and subcontracting wherever possible. This includes engaging with regional trade unions, construction associations, and workforce development programs to identify qualified local talent and businesses to ensure availability of local workforce for future phases of the project.

- The goal is not only to deliver a successful buildout but also to create a positive economic ripple effect by supporting Tucson-based contractors. A key priority is ensuring that local tradespeople have access to high-quality, well-paying jobs throughout the construction phase and providing skilled Tucsonan workers with meaningful work opportunities close to home, without the need for long commutes or travel.

21. What road, traffic, or infrastructure improvements are planned for the Ward 4 area to support this project and the surrounding neighborhoods?

- A significant proportion of the new reclaimed water infrastructure funded by Project Blue will be located in Ward 4 including:
    - An 18-mile reclaimed waterline extension that will be over-sized in capacity, enabling Tucson Water to facilitate sustainable growth in southeast Tucson/Ward 4 and convert existing potable water customers to non-potable sources.
    - A new 30-acre aquifer recharge facility that will improve system-wide supply reliability and offer recreation benefits similar to the Shirley C. Scott SHARP facility. These benefits include walking trails, ramadas, and other passive recreation opportunities.
    - New public roads will be built to allow for public access to the new aquifer recharge facility.
- The Primary Project is located adjacent to streets that have recently been improved (Houghton and I-10 interchange) along with a traffic light already in existence at Houghton and Brekke. The Secondary Project and the new aquifer recharge/recreation facility will involve further discussions once a site is selected and needs are determined.
- Data centers generate substantial and reliable property tax revenue for local governments while requiring minimal local government services, like schools and emergency services, and have little impact on traffic congestion in surrounding neighborhoods.

22. What is the City's expected net benefit given that we are forgoing approximately $62 million in revenue during Phase 1 alone due to Arizona's Computer Data Center Program, a state-level incentive established in 2013 that exempts qualifying data center equipment from Transaction Privilege Tax and Use Tax for up to 20 years?

- Arizona's Computer Data Center (CDC) Program is a strategic state-level incentive to create long-term, high-value economic benefits that drive ongoing city, county and state tax revenue, job creation, and technological growth. The City is not providing any economic development incentives to the project; therefore, all tax revenues received are net benefits. An owner, operator or qualified co-location tenant of a CDC may receive the exemptions provided by the incentive for up to ten full calendar years following the year certification of the CDC is issued. *If* the CDC qualifies as a Sustainable Redevelopment Project, the exemptions are available for up to 20 full calendar years. Information on the CDC is available at: https://www.azcommerce.com/incentives/computer-data-center-program.
- For the Initial Phase of Project Blue alone, an estimated $97 million in tax and fee revenue will be generated for the City of Tucson during the first 10 years of operation, based on an Economic Impact Study (EIS) conducted by Applied Economics, an independent third party. At full build, across both the Primary and Secondary Project, the City could expect to receive more than three times the additional annual recurring revenue.
- Project Blue provides long-term economic benefits beyond the temporary incentive period through continued operations, property tax contributions, and regular equipment upgrades that generate new sales tax revenue. While some equipment is temporarily exempt, the facility's buildings and infrastructure remain taxable, supporting the City's tax base. The center also boosts local employment and stimulates broader economic activity, indirectly increasing tax revenues.

23. The City of Tucson is projected to receive an estimated $97 million in tax and fee revenue over a ten-year period. How much of that is guaranteed, and how much is contingent on full build-out, job creation, or other performance milestones?

- The estimated $97 million in tax and fee revenue for the City during the first 10 years of operation is only for the initial phase of the Project Blue's Primary Project. The initial phase is projected at $1.2 billion for construction. The $97 million of revenue consists of City of Tucson Real and Personal Property tax, City of Tucson Construction Utility Sales tax, and City of Tucson Development Impact fees. At full build-out, across both the Primary and Secondary Project, the City could expect to receive more than three times the additional annual recurring revenue. This significant additional tax revenue for the City of Tucson could be invested in public infrastructure, safety, housing, education, and help improve the quality of life of Tucsonans as determined by the Mayor and Council during the annual budget process.
- This future tax income is a conservative estimate which was calculated by Applied Economics, an independent third party consultant. Sources of tax revenue include, but are not limited to, construction sales tax, real estate property taxes, personal property taxes and transaction privilege taxes on lease rental income. Data centers also upgrade capital equipment over time, generating further substantial tax revenue for local governments.

24. The company's presence is expected to generate indirect and induced economic activity in the region. How are these projections calculated, and what assumptions about employee spending, local business engagement, and supply chain relationships are built into those models?

- Per the Project Blue Initial Phase EIS, published on June 10, 2025 by Pima County:
  - Project Blue's Initial Phase "could support an estimated 136 indirect and induced jobs and $7.3 million in annual labor income at other local businesses in Tucson at full employment levels. These indirect jobs and wages are the result of business-to-business purchases made by the company and local spending by the new employees."
- Projections of indirect and induced economic activity for Project Blue were calculated by Applied Economics, an independent third party consultant. These projections were calculated using IMPLAN economic impact models, which are widely used by economists and planners. The models estimate the ripple effects of a major investment by analyzing how direct spending, such as payroll, construction costs, and procurement, circulate through the local economy. The models used are specific to the City of Tucson, Pima County and the data center industry.
- Key assumptions built into these models include:
  - Employee spending: Estimates of how much workers will spend locally in Tucson/Pima County on housing, food, transportation, healthcare, and other goods and services.
  - Local business engagement: The extent to which Project Blue and its contractors source goods and services from nearby vendors, including everything from construction materials to janitorial services.
  - Supply chain relationships: Assumptions about how much of the supply chain is regional, and how local Tucson businesses will scale or adapt to meet ongoing operational needs.
- These models also account for multiplier effects, where one job or dollar spent directly supports additional jobs or spending elsewhere in the economy. While these projections are estimates, they are based on standardized, peer-reviewed methodologies and provide a useful framework for understanding broader economic benefits.