



MEMORANDUM

Date: September 17, 2025

To: The Honorable Chair and Members
Pima County Board of Supervisors

From: Jan Leshner 
County Administrator

Re: **Update on Project Blue**

As you know, on June 17, 2025, the Board of Supervisors approved a combined Comprehensive Plan Amendment and Specific Plan for approximately 290 acres of County owned land at the Southeast Employment and Logistics Center (SELC), along with a Purchase-Sales Agreement (PSA), for development of a data center project referred to as Project Blue. The project proposal initially included consideration of annexation into the City of Tucson and construction of an 18-mile reclaimed water line to serve the cooling needs for the project.

On August 6, 2025, the City of Tucson Mayor and Council voted to not proceed with annexation of the project site. Following action by Mayor and Council, the project development team verbally informed County Administration they would be assessing options for the project and would follow up with the County upon completing their assessment.

Subsequently, Pima County Administration received notification from the project team on August 25, 2025, that Tucson Electric Power (TEP) would be filing a proposed Energy Supply Agreement (ESA) with the Arizona Corporation Commission that included terms and conditions for supplying 286 megawatts (MW) of electricity from existing TEP capacity for the initial phase. This information was transmitted to the Board of Supervisors with my August 25, 2025, [memorandum](#) immediately upon receipt of the notification.

Since the TEP filing, the Pima County Board of Supervisors has had two Executive Session agenda items on the Project Blue topic. The purpose of these sessions was for the Board to receive information from the Pima County Attorney's Office and to ask questions. While the details of the two Executive Sessions are confidential, information that can be publicly shared about the PSA between Pima County and Humphrey's Peak Properties, LLC is that it:

- Contains conditions which must be met or waived by June 26, 2026; and
- Contemplates the sale proceeding without annexation

During the past two weeks, the project development team began reaching out to County Administration and Members of the Board of Supervisors to meet to discuss the development team's intended approach for proceeding with the project. The attached September 17, 2025, letter from Beale Infrastructure provides information on their plans for a data center project at SELC. In their outlined approach, Beale has indicated the following:

The Honorable Chair and Members, Pima County Board of Supervisors

Re: **Update on Project Blue**

September 17, 2025

Page 2

- The objective of preserving the project's commitments to sustainable design, clean energy sourcing and core economic and job-creation benefits, while addressing concerns shared.
- Selection of an air-cooled technology that uses a closed-loop system that will consume no water for industrial cooling and will not increase the amount of energy for the initial phase or full build-out since less energy will be made available for computing as energy is reallocated towards cooling.
- Water will be used for domestic purposes such as kitchens, bathrooms and fire suppression similar to other businesses.
- Key provisions of the ESA related to the 286 MW of energy for the project's initial phase including that no new generation is required for this phase, and controls for full cost service, capacity limits, termination fees and minimum payments.
- No property tax incentives are being requested for the project and the project's initial phase will generate \$3.6 billion in total capital investment, and \$152 million in total tax revenues over 10 years, including \$58.8 million to Pima County, \$93.5 million to the State of Arizona, and increased tax revenue directly benefiting local schools.
- An interest in partnering with Pima County to identify opportunities for community investment.

Having newly received this information, County Administration will further review the outlined approach with appropriate County staff and Beale Infrastructure. In addition to reviewing the overall approach, particular attention will be given to any potential impacts and opportunities for mitigating them through additional developer-funded community investments in areas like workforce training, broadband infrastructure, neighborhood revitalization, water and clean energy infrastructure, and others, with a focus on potential investment in underserved and high-poverty communities.

Additional updates will be provided to the Board of Supervisors as new information is available.

JKL/dym

Attachment

c: Carmine DeBonis, Jr., Deputy County Administrator
Steve Holmes, Deputy County Administrator
Pima County Department Directors

September 17, 2025

Dear County Administrator Leshner,

Beale Infrastructure is pleased to provide an update regarding the planned data center project in Pima County's Southeast Employment and Logistics Center (SELC). On June 17, the Pima County Board of Supervisors voted to rezone the parcel and approve a Purchase and Sale Agreement (PSA) with Beale Infrastructure. While annexation into the City of Tucson was originally contemplated as a protective provision of the PSA, only Beale can elect to waive that closing condition. The PSA and Specific Plan approval for the project remain active and valid.

We appreciate and have carefully considered the feedback received from the Pima County Board of Supervisors, staff, and community members regarding the project's original plan and design. The original plan was developed in response to requests by the City of Tucson to support expansion of its reclaimed water system, in alignment with the City's sustainable economic development initiatives. While the Tucson City Council chose to discontinue engagement with the project, Beale remains committed to ensuring that it advances southern Arizona's digital infrastructure needs while reflecting the priorities of the local community.

Over the past several weeks, Beale has evaluated alternative project designs with the objective of preserving the project's commitments to sustainable design, clean energy sourcing and core economic and job-creation benefits, all while addressing concerns shared with us. After this review, we have selected an **air cooling technology that uses a closed-loop system**. This system makes use of small amounts of water that are continuously recirculated, thereby eliminating water loss and the need to consume water for industrial purposes. **Beale's air cooled design will consume no water, potable or otherwise, for industrial cooling**. Water will be used for domestic purposes, such as kitchens, bathrooms, and fire suppression, which is required for our employees' health and safety, on a similar scale to any other business.

Importantly, this updated design and the selected cooling technology **will not increase the energy ultimately requested by the project from TEP**, for its initial phase, or for its full build-out. Simply put, less energy is made available for compute, as more energy is reallocated towards cooling. The Energy Supply Agreement (ESA) filed by TEP with the Arizona Corporation Commission (ACC) on August 25, 2025 will provide the project's initial phase with 286 megawatts (MW). This energy for the initial phase will utilize existing capacity on TEP's grid, including several renewable energy projects currently under construction. **No new generation is required for the initial phase of the project**. The ESA provides important mechanisms to protect existing TEP customers and ensure that growth pays for growth, including:

- **Full cost service:** The project pays the ACC-approved rate for TEP's largest customers with no financial incentives or discounts, ensuring that residential customers and other retail customers are not impacted.
- **Capacity limits:** The agreement provides up to 286 MW of capacity, which TEP can satisfy with existing resources together with clean energy projects already under development.

- **Termination fee:** Starting in May 2027, the customer can only terminate the agreement upon multi-year notice and subject to a termination fee, supported by financial security, if the project does not meet its contractual obligations.
- **Minimum payments:** The project is required to pay minimum monthly bills to protect other customers in the event its actual energy demand is less than requested, guaranteeing enough revenue to cover service costs.

The project's economic benefits remain as impactful as Beale's original plan. Unlike most data center projects around the country, Beale is not asking for property tax incentives, often a necessary component of a data center project's cost competitiveness. The project's initial phase would generate over **\$58.5 million in taxes to Pima County** over the next ten years. This revenue can be used by the County to fund critical programs identified in its recently passed budget, including: supporting road improvements in unincorporated areas, affordable housing initiatives, capital improvements, and early education. Attracting additional capital investment allows Pima County to fund existing priorities and support future initiatives.

Independent economic analysis forecasts that the project's initial phase will generate:

- **\$3.6 billion total capital investment** during the multi-year construction period.
- **\$152 million in total tax revenues** over 10 years, including over **\$58.5 million to Pima County** and \$93.5 million to the State of Arizona.
- **3,000 construction jobs** extending for a multi-year period, with an emphasis on sourcing local skilled union and trade labor and partnering with local workforce development programs.
- **180 on-site data center campus jobs** by 2029 with an average annual salary of \$64,000 plus benefits. These figures include full-time contractors and support personnel. As outlined in the PSA, at least 75 of these roles will be directly employed by the end user, each with an annual salary exceeding \$75,000.
- **Increased tax revenue that directly benefits local schools** and expands bonding capacity for all Pima County school districts.

In addition to the project benefits described above, Beale will continue to partner with Pima County to identify future opportunities for community investment as the project moves forward. Beale values the input and ongoing engagement with the Board of Supervisors and the Pima County community, and we look forward to sharing more progress updates with you soon.

Sincerely,

Beale Infrastructure