Sectors in focus

HOW TO LEVERAGE JOINT VENTURES FOR BROWNFIELD DATA CENTER DEVELOPMENT

Sep 09, 2026

Joint ventures (JVs) have emerged as a potential structure for financing and delivering complex data center projects. Here's what you need to know.

Why joint ventures?

Harnessing the complexity advantage of brownfield sites presents a financing challenge unlike that of conventional real estate development. In addition to the substantial capital required to deliver AI-ready infrastructure, developers must often fund demolition, environmental remediation, land assembly and significant utility upgrades before construction can begin. Milestone-based funding can limit exposure until those risks are reduced.

Joint ventures enable developers, institutional investors and, in some cases, landowners or hyperscale tenants to pool capital, allocate risk and combine complementary expertise. Where strategically located industrial sites are already under common ownership, landowners may also participate through a JV, contributing land in return for sharing in the value created through remediation, planning and development.

Choosing a structure

The structure of the joint venture should follow the contributions, risk allocation and intended exit.

- **Traditional JVs.** Developer/institutional capital joint ventures remain common for data center developments.
- **Programmatic JVs.** For larger industrial estates intended to be redeveloped over multiple phases, programmatic JVs provide a platform through which capital can be deployed progressively as planning consents, grid capacity and customer demand evolve.
- **Hyperscale equity stakes.** In some projects, hyperscale occupiers take an equity stake in the property-owning vehicle alongside a long-term lease, providing greater income certainty while introducing governance and conflict management considerations.

Read more about alternative structures for data center investment

Negotiation and governance risk

The JV documents should address:

- **Governance.** Provisions must address not only day-to-day development decisions but also how the parties respond to unforeseen environmental conditions, remediation delays or changes to infrastructure delivery programmes.
- **Funding arrangements.** Milestone-based capital commitments can be linked to planning approvals, remediation, grid milestones or other risk-retirement events.
- **Risk allocation.** Parties must also agree how unexpected remediation costs, environmental liabilities and utility upgrade expenses will be allocated, and who is responsible for securing planning permissions, construction and environmental permits, grid connections and other critical approvals.
- **Practical control considerations.** Beyond the financial commitment to address environmental considerations, evaluate who controls remediation decisions, who interfaces with regulators, who chooses consultants and who owns environmental insurance proceeds.

How BCLP can support you across the data center lifecycle

We help clients compete where others can't, bringing global insight to the legal challenges of next-generation digital infrastructure. We understand the unique complexities and commercial drivers of the sector, and look at the whole asset so you can maximise value. Our seamless coverage across real estate, planning, energy, construction, finance, tax, regulatory, data and disputes helps you connect the dots across the data center lifecycle.

Related capabilities

- Data Centers

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