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Area cities top list as data center hosts

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Low-cost Midwestern cities like Omaha, Council Bluffs, Ames, Iowa, and Sioux Falls, S.D., stand to gain high-security data centers in coming years, according to a site location consultant for the data security industry.

It won't be a huge employment influx — about 75 jobs per location and a total of as many as 70,000 jobs spread nationally by 2015 — but the work pays well and the computer-heavy data centers are rich sources of property tax funds, said John Boyd Jr., principal with the Boyd Cos. Inc. of Princeton, N.J.

"This industry will be leaving New York and San Francisco. The recipients will be Omaha and Sioux Falls," Boyd said during an interview in Omaha this week.

His company's study of operating costs, available and qualified workers, fiber-optic capacity, insulation from natural disasters and other factors puts Sioux Falls as the No. 1 candidate for new data centers. The rest of the top 10, in order: Tulsa, Okla.; Ames; Council Bluffs; Bloomington, Ind.; Albuquerque, N.M.; San Antonio; Omaha; Colorado Springs; and Denton, Texas.

The Omaha-Council Bluffs duo gives the metropolitan area two shots at landing some of the 1,000 or so data centers that will be built in next several years, he said.

Boyd, who was in Omaha this week to talk with clients, said the demand for more data centers comes from the consolidation of federal government data centers, the growing use of electronic medical records, new data being handled by banks and a general need to protect important information from disasters and attacks.

Being on a Top 10 list doesn't mean automatic success. Boyd said Omaha was on the list for a \$1.2 billion federal government data center but lost out to Salt Lake City, which had cheaper available office space. But Omaha and Council Bluffs have attracted centers operated by Google, PayPal and others, plus they have homegrown centers that offer data security to businesses.

Some of the new centers will come from an initiative by President Barack Obama, with bipartisan congressional support, to consolidate 40 percent of the federal government's 3,000 data centers by 2015. Many of those are likely to shift from Virginia, Maryland and California to lower-cost, more-secure locations in the Midwest, Boyd said.

Instead of relying on their own data centers, more banks are looking at third-party centers to store their electronic records. As paper checks nearly disappear, giving way to electronic transactions, banks have more and more data to store.

And new federal banking regulations add to the volume of data that banks must generate and retain, Boyd said. The Dodd-Frank Wall Street Reform and Consumer Protection Act "may double the amount of digital records that banks are responsible for," he said. "This is great news for Omaha."

The health care industry's move to digital medical records is increasing the demand for secure data centers that protect patients' confidential health details.

Private companies, such as Lockheed Martin, also are planning to build data centers and operate them as high-security locations for corporations and government agencies.

Boyd also said Nebraska's new Nebraska Innovation Fund, which provides incentives for a wide range of advanced technology businesses including data centers, is an advantage for the state because it specifically aims at high-tech companies. "This is a neat way for companies to access capital directly."

And governors in Iowa and Nebraska are talking about lowering taxes. "That's something business is excited about," Boyd said. "Nebraska is realizing it needs to become part of this tax-cutting narrative."

One of South Dakota's advantages is its lack of corporate and personal income tax, and Dakota State University offers the top education in data security aimed at financial institutions. South Dakota has been a leader in bank data processing for decades, since the state passed legislation in the 1980s giving banks advantages in operations, interest rates and other important factors.

Low operating costs are important but not the only thing data companies consider, Boyd said. His study said Des Moines has slightly lower estimated operating costs than Omaha, but Omaha has other advantages: the Peter Kiewit Institute at the University of Nebraska, an "incredible" network of high-capacity fiber optics and a wealth of data-oriented businesses and the people who run them.

The Midwest in general has become more appealing to people in the data services industry because of its stable economy, lower cost of living and attractive lifestyle, Boyd said.

"Stability is something that companies want. It's a great time to be a part of the Midwest economy."

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DATA CENTER COSTS

Annual estimated operating expenses for a typical 75-employee, 125,000-square-foot data center, in thousands.

Expense	New York	San Francisco	Chicago	Hartford, Conn.	Denver	Omaha	Sioux Falls, S.D.
Labor	\$7,823	\$7,922	\$7,653	\$7,418	\$7,039	\$6,377	\$5,967
Electricity	1,262	937	317	951	513	468	451
Amortization	8,434	8,003	4,273	3,359	3,369	3,082	2,800
Taxes	4,737	1,618	1,585	932	1,312	939	739
Heat & AC	932	192	233	566	305	397	217
Travel	486	370	365	326	297	258	177
Total	\$23,674	\$19,042	\$14,426	\$13,552	\$12,835	\$11,521	\$10,351

Source: The Boyd Co. Inc.

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