



# Washington Business

SUMMER 2010

NEWS WITH A COMPETITIVE EDGE

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*Washington state's workers' comp system is headed for insolvency unless something changes. Initiative 1082 aims to fix a handful of fundamental concerns. Will voters agree?*

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## Quincy's Low-Key, High-Tech Revolution

DANIEL C. BRUNELL

Quincy is in the midst of a technology renaissance—and a construction flurry. High-tech companies from Washington state and around the country are rushing to capitalize on a new tax exemption aimed at data centers. Graced with an abundance of clean, renewable low-cost hydropower, this small Eastern Washington town has become the new hotbed for locating warehouses of everything from family photos to financial information.

### AT A GLANCE

Recently, Quincy was named the top small-market city in the West for high tech manufacturing.

Data centers bring jobs and millions of dollars in tax revenue to rural counties and cities.

According to a study done in January 2010 by the Washington Research Council, data center investment has brought \$1.17 billion to the economies of Chelan, Douglas, and Grant counties.

The data centers in and around Quincy will eventually result in an estimated \$25.6 million in new earnings each year for the regional economy as well as in ongoing property tax contributions.

In December 2007, Washington state Attorney General Rob McKenna ruled that data centers did not qualify for the state's manufacturing sales tax exemption, adding millions in additional upfront costs to data center construction.

In response, a broad coalition of construction interests, technology companies, port districts, labor organizations and trade associations—including AWB—worked together to re-instate these exemptions in 2010.



Driving through the sleepy city of Quincy on Highway 28, you'd never guess it was the epicenter of one of the biggest booms in Washington's technology history.

Since 2006, industry giants such as Yahoo, Intuit and Microsoft have quietly constructed some of their most integral facilities in this small central Washington town of about 7,000 residents. Fueled by a frenzy for mobile devices and information—and bolstered by tax incentives and inexpensive power rates—these titans of technology have been building data centers containing everything from your family photos to text messages and financial information.

### FIBER OPTICS, CHEAP POWER, NO STATE INCOME TAX

"It is an amazing situation in Quincy, in terms of how larger companies are looking at smaller communities. It is really good for the economy and tax base," said Patrick Boss, business development director for the Port of Quincy.

Located 160 miles east of Seattle, Quincy was recently named the top small-market city in the West for high-tech manufacturing by The Boyd Company, a Princeton, N.J.-based consulting company that provides site selection services to technology companies. The study points out that Grant County and Quincy, in particular, have two critical assets that technology companies are looking for: Some of the best fiber optic infrastructure availability in the state and an abundance of clean hydroelectric power.

"These data centers use an enormous amount of electricity. Companies are looking at potential cap-and-trade legislation on the horizon which could potentially penalize companies that aren't environmentally friendly with their energy usage," said John H. Boyd, president of The Boyd Company.

"So the abundance of low-cost hydroelectric power helps a company stay on the right side of the law with proposed legislation."

### WHAT ARE DATA CENTERS?

Data centers are the warehouses of the Internet. A single data center can house thousands of computer servers.

Data centers are crucial for Web-based programs such as e-mail and for websites that contain and store a lot of data such as Facebook, Twitter, Google and Microsoft. These sites have to operate continuously without interruption.

Each location has its own emergency backup system for electricity and has rigorous security protocols.

The largest data center in Quincy belongs to Microsoft (470,000 sq. ft.). Intuit's facility is 240,000 sq. ft. and cost an estimated \$200 million to build. Sabey Corporation has purchased property and will be constructing a 525,000 sq. ft. data center in Quincy.

Source: *Data Center Knowledge* ([www.dateacenterknowledge.com](http://www.dateacenterknowledge.com)); *Washington Research Council* ([www.researchcouncil.org](http://www.researchcouncil.org))

### IMPACT OF DATA CENTERS IN QUINCY

**\$56.4 million**  
in additional **sales tax revenue**  
generated in Grant and Douglas counties  
between 2006 and 2008.

**19% increase**  
in Grant County's **average wage**  
between 2006 and 2008.

**\$504 million**  
increase in **property tax values**  
in the city of Quincy between 2006 and 2008.

Source: *The Economic Contribution of Data Centers in North Central Washington*, Washington Research Council (January 2010)

Boyd also cited other positive factors working in Quincy's favor. These include a skilled workforce, relative safety from natural disasters and a low cost of living compared to California and suburban areas.

"The other big plus with Washington state on a national scale is a lack of a state income tax," said Boyd. "Your neighbors to the south in Oregon recently passed some very anti-business tax increases. We get a lot of calls from Oregon-based companies that are considering Washington state right now."

### JOBS ARE JUST THE BEGINNING

One company that has moved to Quincy is Intuit, Inc., maker of the popular tax-preparation software TurboTax and other products such as Quicken and Quickbooks. Intuit is seeing a shift in their market with more people filing their taxes via their website instead of through their store-bought software package. This means that Intuit has to continually expand its

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Quincy operations to handle the dramatic increase in tax returns filed online. Intuit currently employs about 30 full-time employees at their Quincy facility.

"Most of our employees were hired locally," said Bruce Eisele, Intuit's data center manager. But Intuit's investment in Quincy goes far beyond its own purposes. The company makes a concerted effort to be involved in the community.

"As a company, we have our 'We Care' and 'Give Back' company-wide program. We've had a long relationship with the local food bank and in Quincy we are working with the local historical society which is refurbishing a historic church," Eisele added.

Big Bend Community College, in nearby Moses Lake, launched computer programming and other courses to train people in the skill sets that are needed by these data centers. And the mere presence of these facilities has helped attract others to the area.

“Once you have two or three data centers in the area, you start getting a critical mass of professional help that are experienced in working on servers, HVAC units and providing security,” Boss said. “That makes it easy for new companies to move in knowing that they have an experienced workforce to draw from.”

**AN INVESTMENT IN RURAL WASHINGTON**

With all of the good news, there were some concerns that the 2010 Legislature finally put to rest. In December 2007, Washington state Attorney General Rob McKenna ruled that data centers did not qualify for the state’s manufacturing sales tax exemption, adding millions in additional upfront costs to data center construction.

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—John H. Boyd, president of The Boyd Company

In response, a broad coalition of construction interests, technology companies, port districts, labor organizations and trade associations—including AWB—worked together to re-instate these exemptions. After two legislative sessions of work, lawmakers approved—and Gov. Gregoire signed—a tax incentive package aimed at data center development in rural areas. It was one of the few bright spots for business in the 2010 legislative session.

**COUNTING VERY LARGE NUMBERS**

Quincy’s data centers are designed to store significant amounts or “bytes” of information. A quick primer on data measurement:

- Byte** 1  
(One character of text)
- Kilobyte** 1,000  
(One page of text)
- Megabyte** 1,000,000  
(One small photo)
- Gigabyte** 1,000,000,000  
(One hour of HD video, recorded on a digital camera at the highest quality setting is about 7 GB)
- Terrabyte** 1,000,000,000,000  
(The largest current hard drive)
- Petabyte** 1,000,000,000,000,000  
(AT&T currently carries about 18.7 Petabytes of data traffic on an average day.)
- Exabyte** 1,000,000,000,000,000,000  
(Approximately all of the hard drives in home computers in Minnesota, which has a population of 5.1 million people)
- Yottabyte** 1,000 Zettabytes  
(a 1 followed by 24 zeros—  
1,000,000,000,000,000,000,000,000)

Source: Global Information Industry Center/University of California San Diego, “How Much Information? Report on American Consumers,” 2009



*“We think Washington is well-primed to not only attract companies fleeing California, but Oregon as well.” —John H. Boyd*

“What this legislation does is really help out our rural areas, like Quincy, by making the area competitive again for these data centers. Shovels are moving and companies are looking to locate,” said Gary Chandler, AWB vice president for government affairs. “It really puts Washington state back in the ballgame.”

The effects of the legislation on Quincy are readily visible. With a limited window of opportunity to act before the incentives sunset in 2011, companies like Sabey Corporation are forging ahead with construction. And Microsoft, which initially stopped work on additional data center spaces after the incentives were revoked, has also resumed progress on phase two of its facilities. Regrettably, other companies—like the social media giant Facebook—did not wait for the Legislature to act, opting instead to locate in neighboring Oregon. But experts think it’s just a matter of time before Washington picks up where it left off, thanks to the new incentives.

“We think Washington is well-primed to not only attract companies fleeing California, but Oregon as well,” Boyd added. <sup>www</sup>

The Boyd Company:  
[www.theboydcompany.com](http://www.theboydcompany.com)

Grant County Economic Development Council:  
[www.grantedc.com](http://www.grantedc.com)

Intuit:  
[www.intuit.com](http://www.intuit.com)

Microsoft:  
[www.microsoft.com/en/us/default.aspx](http://www.microsoft.com/en/us/default.aspx)

Port of Quincy:  
[www.portofquincy.org](http://www.portofquincy.org)

Sabey Corporation:  
[www.sabey.com](http://www.sabey.com)



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