

The Business Journal of the Greater Triad Area - November 23, 2009  
[/triad/stories/2009/11/23/focus1.html?s=industry&b=1258952400%5E2482651](#)



Friday, November 20, 2009

## Power surge: Data centers become a strategic play for Triad

The Business Journal of the Greater Triad Area - by [Michelle Cater Rash](#) Staff writer

While Triad leaders have devoted considerable energy to nurturing the Triad's aerotropolis aspirations and its design cluster, another potential growth sector has been building quietly — data centers.

A recent report by construction management firm Tishman Technologies found North Carolina to be the second most economical place in the world for a data center location, after Iceland.

A separate report by site consulting firm The Boyd Co. found Winston-Salem to be the fourth most economical city in the country for the location of a data center, estimating annual operating costs at \$11.5 million for a 125,000 square-foot center; Sioux Falls, S.D., was the least expensive city, with an estimated annual cost of \$10.9 million.

Among the key things that set North Carolina apart are cheap and abundant electricity and an available labor pool (see below).

North Carolina has an excellent reputation and is being looked at by the people in the top of the craft," says John Boyd Jr., vice president of The Boyd Co. Inc., a New Jersey-based site consulting company that specializes in data centers.

### On cue

Experts expect the demand for data centers to increase by about 20 percent during the next three years. There are several factors leading to this including increased demand.

For example, more companies are outsourcing their data management, which is driving the need for third-party companies such as DataChambers. There are also growing government mandates for electronic medical records and the protection of personal data, requiring more places to store this kind of information.

And there has been a significant rise in the use of Web-based software applications, ranging from accounting programs to social networking sites like Facebook, all of which require electronic data storage.

"We're at the tip of the iceberg" in terms of digitalization, Boyd says. "That's good news for states like North Carolina."

### Growing Triad cluster

While a recent \$600 million Google project, built by Greensboro-based Samet Corp., and the \$1 billion Apple data center, both in the western part of the state, have garnered much of the attention, there are several smaller data centers around the state, including several that have located in Winston-Salem and the rest of the Triad.

Bob Leak, president of Winston-Salem Business Inc., estimates that in the last five years, close to 10 free-standing data centers have located in the Twin City, each one investing between \$25 million and \$50 million — not including the millions of dollars of equipment inside — and employing several dozen employees. Some of these data centers provide storage to outside companies while others belong to companies headquartered elsewhere that want to have their data stored in a separate location.

"We recognized what these reports noted several years ago and we found that this is an area where we are competitive," Leak says.

Among the companies with data centers in the Triad are AIG United Guaranty, Lowe's Home Improvement and Wachovia.

Leak says for security reasons most of these data centers opened quietly in nondescript buildings.

While the owners of third-party data center DataChambers were already in

Winston-Salem, they have found the area to be an ideal location, says Nicholas Kottyan, president and CEO.

The low cost of utilities has made it more affordable than some other locations and labor is cheaper than it would be in a lot of other markets.

DataChambers' clients, about half of whom are outside the Carolinas, also find the city easy to access, with the choice of several airports within a 90-minute drive as well as multiple Interstates nearby.

The Triad isn't the only part of the state that sees the potential in data centers. Five western counties — Caldwell, Catawba, Burke, Alexander and Iredell — have partnered to create plans for a data center corridor, hosting a joint marketing session that attracted more than 40 site consultants.

Boyd says data centers tend to cluster, as North Carolina has seen with Google opening its center in Lenoir and Apple locating its about 30 minutes away in Maiden.

“Companies do not want to be pioneers. They don’t want to be the first to enter the market,” Boyd says.

And having a firm locate even a small data center in an area may be the first step towards that company creating an even bigger presence in the region.

“Even attracting a small data center is a tremendous positive,” he says. “It’s usually a company’s first step into a new market, just as warehouses were 50 years ago.”

### **Staying competitive**

Even so, Boyd and others say there are several states, mostly in the Midwest, aggressively targeting data centers.

One advantage several of the Midwestern states have is either no corporate or no personal income taxes.

Many states also offer huge financial incentives in the form of upfront grants or significant tax breaks. North Carolina did so to attract Google, offering a \$4.7 million grant, which has since been declined by Google, and tax breaks that could equal as much as \$250 million over 30 years. The state also passed special legislation that could reduce Apple’s tax bill by as much as \$6 million during the next 10 years.

While the Triad is still reeling from Dell’s decision to close the local plant despite more than \$280 million of incentives, North Carolina should not give up on these kinds of arrangements because its competition is not, Boyd says.

Some states are also getting more creative to make the regulatory environment more appealing. For example, Oklahoma passed a law that allows data center users to keep confidential the amount of power they use. This allows them to qualify for some financial incentives to help fund the power costs without having to face consumer advocacy groups concerned about the amount of electricity used by a center.

“Companies are taking a step back and planning for the long term,” he says. “And they don’t want to locate facilities in expensive and highly regulated markets.”

*Reach Michelle Cater Rash at (336) 370-2918 or [mrash@bizjournals.com](mailto:mrash@bizjournals.com).*

*All contents of this site © American City Business Journals Inc. All rights reserved.*