

# The Des Moines Register

## Why data centers love coming to Iowa



Matthew Patane, July 12, 2016

It seems that data centers can't get enough of Iowa.

Big names in the nation's technology industry have sought out the state to house their data storage, bringing multibillion-dollar investments with them.

West Des Moines is home to two Microsoft data center sites that have a combined investment of about \$2 billion.



Board with the Facebook logo seen inside the new Facebook data centers in Altoona.  
(Photo: Charlie Litchfield/The Register)

Social media company Facebook is constructing a third data center building in Altoona, just north of Interstate 80, having completed two others. Altogether, the project is expected to cost about \$1 billion.

In Council Bluffs, Google has said, it will invest a total of \$2.5 billion into its complex, which includes a four-story data center building.

"You're becoming a more mature destination for the data center industry," said John Boyd, principal at New Jersey-based site-selection firm The Boyd Co. "That speaks to something that we look for in our reports, and that's precedent."

Even if the data centers don't advertise their presence with large signs, Iowa officials haven't been shy about notifying those who will listen.

Iowa is an attractive place for data centers for multiple reasons, experts and economic development officials have said. They include incentives specifically designed for data center and web search companies, such as sales- and use-tax exemptions on purchases for computers, equipment and cooling systems.

Data centers also like Iowa because it has available land, relatively cheap and environmentally friendly energy sources, access to high-speed fiber optics and is a low natural disaster risk area.

While the data centers have been hailed by some as strong investments in Iowa and as a good marketing tool, the use of city and state incentives to attract them has caused criticism.

Iowa has provided Google, Microsoft and Facebook with millions in tax incentives for the projects. In return, all three have had to guarantee certain job counts that pay \$18 to \$25 an hour.

Microsoft, for instance, had to promise to create 84 jobs in exchange for a \$20.3 million sales tax rebate for its second West Des Moines data center, valued at about \$1.1 billion.

The state also is host to several smaller, homegrown data center companies that service other businesses.

Des Moines-based LightEdge Solutions operates data centers in Altoona and Kansas City, Mo., and has announced plans for one in Omaha. Urbandale-based IP Pathways operates one in that city.

Involta out of Cedar Rapids has data centers in Iowa, Ohio and other states. Enseva has operations in Hiawatha, its headquarters, Chicago and Altoona.

Technology companies are investing in more data centers as demand for internet and cloud-storage services has repeatedly grown.

Individuals and businesses are moving away from having their own personal storage centers, in part because of the cost of hosting individual servers. Instead, companies like Amazon offer to host other's data on their own servers.

"Everybody is so interconnected today that the cloud-based services allow us to put all of our data somewhere else," said Doug Jacobson, director of Iowa State University's Information Assurance Center.

Amazon's cloud division, Amazon Web Services, has grown to be the most profitable part of the e-commerce company. AWS started a decade ago but is on track to report \$10 billion in revenue this year, The New York Times reported in April.

Meanwhile, companies like Microsoft and Facebook all have their own services they need to keep up and running, whether it's Facebook's social media feeds or Microsoft's Xbox Live gaming platform.

"The demand for digital information continues to explode. There's no stopping it," Boyd said. "The demand is increasing exponentially as smartphones dominate the landscape."

### **Data centers in Iowa, by the numbers**

#### **Google**

- Location: Council Bluffs
- Headquarters: Mountain View, Calif.
- Total investment: \$2.5 billion
- Employees: 300
- State-provided incentives: About \$37 million

#### **Facebook**

- Location: Altoona
- Headquarters: Menlo Park, Calif.
- Total investment: \$300 million for first phase; \$1 billion expected
- Employees: 150

- State-provided incentives: \$18 million

### **Microsoft**

- Location: Two projects in West Des Moines
- Headquarters: Redmond, Wash.
- Total investment: About \$2 billion between two data centers
- Employees: About 150 expected
- State-provided incentives: \$41 million

*Sources: Google, Facebook, Iowa Economic Development Authority, Register archives*