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Tech giants look to Iowa for data centers

Donnelle Eller and Marco Santana, The Des Moines Register 11 p.m. EDT April 22, 2013

Facebook is expected to announce new center, while Google wants to expands its operations there.



Story Highlights

- Facebook's investment in Altoona could grow to \$1.5 billion
- Google wants to amend existing development contract
- Companies attracted to Iowa for inexpensive, reliable energy, good access to high-speed fiber

DES MOINES -- Two tech heavy-hitters — Facebook and Google — [are weighing capital investment in Iowa](#) that could push up to \$2 billion into the state, a move that could create dozens of technology and construction jobs.

Facebook is expected to announce Tuesday that it will build a new Altoona, Iowa, data center that could grow to \$1.5 billion in investment. The company has invited state leaders to a news conference that's scheduled in Altoona. A wind energy project also could be tied to the announcement.

Separately, Google wants to expand its data center operations in Council Bluffs, Iowa, a \$400 million boost that would bring the online search company's total investment in Iowa to about \$1.3 billion, documents show.

"The magnitude of those investments is unprecedented," said John Boyd Jr. of the Boyd Co., a New Jersey-based consultant that helps companies locate data centers, among other projects. "The only state that mirrors that investment is Washington state," where Dell, Microsoft, Yahoo and other companies have been drawn to the area's low-cost hydroelectric power.

"That's exciting news," said Scott Norvell, chief executive of Master Builders of Iowa, a statewide construction group. "They have the potential to create a lot of construction jobs," especially when combined with other projects in the state.

Landing data centers from tech giants such as Google and Facebook — along with Microsoft in West Des Moines — is the "economic development holy grail," said Boyd, the New Jersey site selector.

Data centers serve as storage space for digital information and data, including e-mails, videos or, in Facebook's case, status updates and photos. The number of data centers has exploded during the last several years as more companies collect data and use the storage space.

Companies are attracted to Iowa for its inexpensive, reliable energy, good access to high-speed fiber, few natural disasters and available land. In 2007, lawmakers sweetened Iowa's attraction, agreeing to provide sales- and use-tax exemptions on purchases of computers, equipment and electricity necessary to run data centers.

The [Iowa Economic Development Authority Board](#) is expected to consider incentives for both data center projects Tuesday.

"The magnitude of those investments is unprecedented. "

— John Boyd Jr., Boyd Co., a New Jersey-based consultant

Google already has an existing \$600 million campus that employs about 130 workers in Council Bluffs. The company will seek to amend an existing development contract for a \$300 million data center already under construction to \$700 million. Google is asking the economic development board for \$16.8 million in a refund of sales tax on computers, building materials and other goods used to construct a facility. The state earlier agreed to a sales tax refund up to \$9.6 million.

The board's agenda also includes an incentives award for a project called Siculus Inc., believed to be Facebook.

Few details were available Monday about the Altoona project, where city leaders have given a green-light for three data centers, up to 1.4 million square feet of space that could cost a total of \$1.5 billion. The first two phases — \$500 million each — are expected to be announced Tuesday, lawmakers have told the *Des Moines Register*.

Tina Hoffman, a spokeswoman for the economic development agency, said in an e-mail that details about the project were not available Monday because the state was "continuing to work with the company to finalize some elements."

The state agency typically provides details on a company's plan for capital investment, job creation and pay before meeting to consider incentives. The state perks can include loans, grants, job training assistance and tax credits.

State and local economic development leaders have repeatedly declined to talk about the Altoona project. Facebook, the Menlo Park, Calif.-based social networking company, did not return e-mails seeking comment.

Critic: States gets into bidding wars

Not everyone in Iowa thinks the projects necessarily represent positive things for the state.

Peter Fisher of the Iowa Policy Project said he worries that Facebook's and Google's stature give them a negotiating advantage. In addition, he said, pitting two towns against each other, as Facebook did with Altoona and Kearney, Neb., leads to even more incentives being handed out freely.

Last year, Nebraska lawmakers agreed to boost its incentives for large data center projects. The neighboring state has been competing neck-and-neck for the massive data center, thought to bring about 100 jobs.

"Everyone wants high-tech and those are the biggest names out there," Fisher said. "So it worries me when I see those things because they have the names that can lead people to handing out more money than they need to."

Official in Oregon lauds Facebook

In Prineville, Ore., where Facebook is building its second 300,000-square-foot data center, City Manager Steven Forrester said the company has helped transform the small town.

"It's changed our culture. We're not only known for being the Crook County Cowboys, and having the greatest wrestling team in the state, and for being a bunch of hardworking loggers, ranchers and farmers, but we're also a hub for high-tech," said Forrester.

Since Facebook's arrival in 2010, Apple Inc. decided to locate a \$68 million data center in Prineville. Facebook leaders helped recruit the Cupertino, Calif.-based tech giant, he said.

"We worried nobody from Prineville would be hired, and that's just not been true," said Forrester, adding that Facebook employs around 70 workers, and it's attracted "an ongoing construction presence" of about 300 workers for nearly three years, plus support jobs such as electricians.

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