

## Nevada focuses on data centers

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### DATA CENTER MINING

A look at some notable data center projects in the state:

**SWITCH COMMUNICATIONS SUPERNAP-7:** Located in Las Vegas, its sheer size made the SuperNAP-7 the most high-profile data center in the Silver State prior to Apple's announcement. Boasting 407,000 square feet when it opened in late 2008, the center increased its footprint even more after Switch announced an expansion to more than 2 million square feet of space in 2011. Switch specializes in high-security data centers, providing colocation, connectivity and cloud services to Fortune 1000 companies, businesses and government agencies.

**NJVC DATA CENTER:** The 20,000-square-foot Reno facility officially opened its doors in July and is slated to start full operations in October. Unlike large-scale data centers that are usually built away from urban centers, this facility is located within Reno's core. The center will support several information technology-related services. NJVC serves commercial customers and is also one of the largest IT solution providers for the U.S. Department of Defense.

**APPLE DATA CENTER:** Officially announced in June, Apple's data center project will be located in the Reno Technology Park, 11 miles east of Sparks, and encompass a whopping 350 acres. The facility will support Apple's trio of popular online services: iTunes, the App Store and iCloud.

**TAHOE-RENO INDUSTRIAL CENTER:** The industrial park has inked a deal with two new data centers. Specifics about the centers have yet to be revealed.

Source: RGJ research

A sense of excitement permeated the lobby of NJVC's Reno building on a hot July afternoon as an impressive cast of high-profile public officials and private-sector players slowly filled the sunlit room.

On the surface, the day was all about welcoming the Virginia-based company's new 20,000-square-foot data center into a community eager to grow its technology profile.

The mood exhibited by the attendees, however, reflected a general giddiness that went beyond the event at hand.

Just a few weeks before the ribbon-cutting for NJVC, the state celebrated a key addition to its portfolio with the announcement of Apple's plan to build its latest data center in Reno-Sparks.

The community pride about the Apple and NJVC data center deals was evident among the event's attendees, including Gov. Brian Sandoval.

"This is a very nice complement to the Apple project that was recently announced," Sandoval told the packed room. "I think people are starting to realize that the state of Nevada is a great place for technology."

For a state eager to boost its tech chops, the Apple and NJVC projects, combined with Switch Communications' large data center in southern Nevada and the addition of two new data center projects at the Tahoe Reno Industrial Center, represent much-needed progress.

Now, the state's recent success has some people hopeful it could kickstart Nevada's entry as a serious player in the data center industry.

"Over the last three years, our area has been visited by pretty much a who's who of the data center sector," said Lance Gilman, principal of the Tahoe Reno Industrial Center. "Google's been here, Yahoo's been here, MSN's been here. We're in the radar."

### Data center play

Efforts to bring data centers to Northern Nevada started gaining traction a few years ago, thanks to the area's industrial parks.

The Tahoe Reno Industrial Center, for example, started marketing itself as a data center location four years ago, Gilman said.

In early 2009, developer Unique Infrastructure Group decided that it would build a data center-friendly campus called Reno Technology Park. The park was chosen as the site for Apple's 350-acre data center.

Both decisions were made despite the area's lack of history in the data center arena. At the time, Nevada did not even crack the top 20 regions for data centers among site selectors, said Mike Kazmierski, president and CEO of the Economic Development Authority of Western Nevada.

The area, however, had the necessary ingredients that data centers require, proponents said.

At the top of the list is geography, said Jody Tedesco, president of NJVC.

The Reno area is considered one of the most stable data center environments in the continental U.S. because it's on the western edge of the Department of Homeland Security's "Hazard Safety Zone."

Climate, including cool nights during the summer, helps to reduce energy consumption.

The region is also connected to the national fiber overlay, ensuring low latencies for data throughput, Tedesco added. Throw in cost-effective building space and Northern Nevada certainly has promise as a data center hub, he said.

"In the end, we chose Reno because it provided the greatest overall business value for the location of our data center," Tedesco said.

One factor that has always been a challenge for Nevada when it comes to attracting data centers is the cost of power.

Although the state has lowered its cost of power in recent years, it is still high compared to the cheaper hydropower seen in the Pacific Northwest and the mix of coal and nuclear power used in North Carolina.

It is still possible for data centers to mitigate those higher costs, however, by generating their own power.

The Tahoe Reno Industrial Center, for example, has the infrastructure in place to allow companies to tap into a gas pipeline and generate power at a lower cost.

"Once they put in their own turbines, they can generate power at 3 to 4 cents per kilowatt hour, which is where you really need to be for a data center," Gilman said.

#### Public cost

Despite its many strengths, Nevada still has one big disadvantage compared to its rivals: the presence of a sales and use tax.

"Data centers have to turn over their equipment every two to three years ... and we're talking anywhere from tens to hundreds of millions of dollars worth of equipment," Gilman said. "Those costs are subject to the sales and use tax."

In luring Apple to Northern Nevada, for example, \$89 million in sales and property tax breaks were needed to seal the deal. The question now is whether any future deals for data centers would require the same incentives.

"Paying to play" is pretty much a necessity these days, especially when dealing with high-profile projects, said Dennis Donovan, a principal of New Jersey-based site selection firm Wadley Donovan Gutshaw Consulting.

According to Donovan, about 30 states also have a deal-closing fund, something Nevada just started offering recently through its \$10 million Catalyst Fund. States such as Texas also have deeper pockets than Nevada when it comes to incentives.

“Incentives certainly haven’t been one of our strong suits, traditionally,” Kazmierski said. “Right now, the competition is fierce. More incentives are being offered throughout the nation as a whole.”

Others are not convinced that giving public incentives to companies provides the necessary bang for the buck to justify such deals.

Thomas Cafcas, a research analyst with national policy resource center Good Jobs First, points to the low number of jobs expected to result from the Apple data center deal, 35 full-time positions and 200 long-term contractors.

“Oftentimes, you see economic development people get excited with these tech deals, but the track record so far hasn’t been particularly stunning,” Cafcas said. “These account for so little high-tech job creation that they miss the point. The best thing you can really do is make sure you have the environment, including the labor force and infrastructure, necessary to set up and grow tech companies.”

Gilman, however, said that bringing in a company of Apple’s stature is about more than just the actual job count. Apple’s decision to come to Reno, for example, was a key reason why the Tahoe Reno Industrial Center was able to finalize its two data center deals.

Gilman believes the Apple deal will do to data centers what Walmart’s arrival in Northern Nevada did to distribution centers.

“Walmart was the mothership mega opportunity for Northern Nevada distribution,” Gilman said. “Once Walmart’s distribution center came to the marketplace, then GSI Commerce and eBay and Zulily arrived, too. Once you get that anchor in place, then the rest will follow.”



*Burning Man Saturday*



*Burning Man Friday*



*Mug shots*



*Prostitution sting*