

Tulsa wired for success: City poised to be data center hot spot

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TULSA – Cities are likely to soon be swooning over data centers, and Tulsa could be a lucky suitor.

The Boyd Co., a New Jersey-based firm that's established itself as an industry authority for corporate relocation and expansion, places Tulsa at No. 2 in the top 10 cities for data security, an industry that's booming thanks to new banking rules, a digitized health care industry and high-profile cases of hackers who steal information.

New financial record-keeping requirements and a federal government decision to consolidate data centers means the search is on for the perfect location match.

"We have a number of data security projects we are working on and Tulsa is on the radar screen," said John Boyd, the firm's principal.

Tulsa has several qualities that match what data companies are looking for, including low operating costs, a strong telecommunications infrastructure and a well-trained workforce. The geographical location of the city keeps it safe from natural disasters such as earthquakes and hurricanes, he said.

Likewise, data centers would be a good financial partner for Tulsa, Boyd said, because they bring in millions in construction work, offer jobs that pay about \$80,000 per year, and contribute to the tax base.

"They are very coveted projects," he said.

Boyd was in Tulsa this month to meet with clients to discuss data center location. He would not reveal which companies were interested in expanding or moving to Tulsa, only that the clients were in the banking and financial industry.

"In our judgment, over the course of the next year or so, you will see expansion happening here," he said.

The Boyd data security report, released this month, predicts an enormous uptick in information technology and information assurance operations, that is, the need to protect and defend information and information systems, Boyd said.

Information assurance will drive capital spending and site selection, Boyd said. And the banking industry could lead the way. He called it "a new wave of post-debit crisis spending and facilities planning within the financial services industry."

The 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act imposes additional record-keeping requirements of financial institutions. And, in 2011, President Barack Obama announced an initiative to consolidate nearly half of the federal government's 3,000 data centers over the next three years.

The government is going to want to get out of high-cost areas like Washington, D.C.; New York City; and the Bay Area and head inland in favor of more affordable land and operations costs, Boyd said.

"But, when we do meetings with clients, cost is only one part of the story," Boyd said. "So much of site selection comes down to business climate. Oklahoma has improved in the last 10 years."

Boyd cited Gov. Mary Fallin's pro-business reputation and creative incentives that brought a Google data center to Pryor. Also in Tulsa's favor is the state's right-to-work status.

"The issue of right-to-work status is now on the minds of decision makers," Boyd said.

"Indiana just became a right-to-work state and other states are considering it."

Tulsa's biggest competitors are Iowa and South Dakota, which also come in high on the list for the best data security sites. Sioux Falls, S.D., for example, has the National Center of Academic Excellence in Information Assurance Education and specializes in banking and financial services.

"South Dakota has no personal or corporate income tax," Boyd said. "If Oklahoma were to eliminate it, that would be a game changer. South Dakota has one of the most pro-business tax structures in the nation. Dakota State University has one of the best information assurance programs in the country, but the University of Tulsa also has a certified program."

And, other states are stepping up their game in the pursuit of data centers. Wyoming exempts the sale or lease of qualifying computer equipment and other items, like racking systems and cabling, from sales taxes on purchases larger than \$2 million, according to the Grubb & Ellis data center real estate blog. Thirteen states have a statewide personal property tax exemption for data center equipment. And, Texas re-engineered its tax policy to exempt data center equipment from business taxes, Boyd said.

Jim Fram, senior vice president of economic development for the Tulsa Metro Chamber, said Tulsa is wrapped in communications infrastructure, with telephone, broadband, fiber-optic cable and similar data delivery systems that make the city a good choice for data centers.

"We probably have more of that type infrastructure than any city in the country," Fram said. "Colorado Springs and Omaha also have good infrastructure, but Colorado Springs has some drawbacks as a potential military target."

Boyd disagreed with that assessment, saying the military personnel presence is a benefit. But Oklahoma has an advantage with the energy industry, which stores a lot of proprietary data, and Tulsa's easy transportation access to Interstate 35 and the Port of Catoosa.

Hewlett-Packard Enterprise Services doubled the size of its Tulsa data center to 160,000 square feet in 2009. The center, which houses more than 15,000 midrange servers, processes data for 96 clients around the world. It is one of five HP data centers; the others are in Plano, Texas; Charlotte, N.C.; Auburn Hills, Mich.; and Sacramento, Calif. With service and support staff for local clients, Hewlett-Packard employs 800 in Tulsa.

"The availability of talent in the data processing industry is one factor and the pro-business stance of the city, the county and the chamber of commerce played a big role in the decision to expand here," said Wes Mitchell, director of data center services for Hewlett-Packard Enterprise Services.

He said the stability of the workforce and favorable cost of living were also taken into consideration.

Information security is one of Tulsa's target industries for economic development. The city is already home to several data centers, including large operations for Bank of Oklahoma and Hewlett-Packard, and Fram said the city is on the short list for several companies with new centers in their plans.

"Data centers are light on employment, but the few people who work there usually have six-figure salaries," Fram said. "The real advantage is the capital investment in equipment, which can be more than \$100 million, even up to \$1 billion, and that has to be updated every few years for \$30 million to \$50 million. All that goes directly to the tax base, which makes data centers attractive to a community."

Top 10 data security cities

Sioux Falls, S.D.

Tulsa

Ames, Iowa

Council Bluff, Iowa

Bloomington, Ind.

Albuquerque, N.M.

San Antonio

Omaha, Neb.

Colorado Springs, Colo.

Denton, Texas

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