



## BANK TECHNOLOGY NEWS

# 10 Best Cities for Data Centers

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What's the best American city for data centers, from a cost and security point of view? Sioux Falls, S.D., according to an analysis conducted by location consultants The Boyd Company, based in Princeton, N.J. Runners up were Tulsa, Okla.; Ames, Ia.; Council Bluffs, Ia.; Bloomington, Ind.; Albuquerque, N. Mex.; San Antonio; Omaha; Colorado Springs; and Denton, Tex. Most of these relatively small cities have lower costs of living than the major metropolitan areas.

"The banking industry is by and large going to shift to smaller, lower-cost cities in the Midwest, such as Sioux Falls," says John Boyd, Jr., principal of the firm. "A major driver is low-cost markets. That's because of the soft economy and the pressure that especially community banks are under right now, with Dodd Frank being a major factor." In addition to banks, other companies also want to be "geographically neutral," Boyd says. "Look at where Google recently invested in data centers in Council Bluffs, Ia.," he says. "ADP has a data center in Sioux Falls, and Microsoft is putting a major data center in San Antonio."

In addition to offering lower operating costs, the cities Boyd identified "all tend to be in the middle of the country where you have this idea of relative immunity from natural disasters — at least perceived lower vulnerability to natural disasters," versus the hurricanes in South Florida, earthquakes in California and security concerns in Manhattan. For instance, some banks such as Deutsche Bank, that have historically maintained data centers in Manhattan, are considering getting out of the city to reduce vulnerability to attacks on its power grid.

The selected cities all have a university that the National Security Agency has designated a National Center of Academic Excellence, in other words certified as meeting national criteria for cyber security. "Dakota State University in Sioux Falls has a great reputation in cyber security," Boyd says. "So does the University of North Texas in Denton. These are all communities that have a labor pool that can staff this type of facility."

The current buzzword for data center security is "buffer acreage," he says. "That's a term employed by banking data centers where these operations are very land intensive, they want more acreage than they need for security purposes and for future expansion. That's another reason why the Midwest is so attractive. You can buy a lot of buffer acreage in the Midwest."

The analysis did not consider the cost of equipment such as servers and routers, because equipment costs do not vary by geography, Boyd says. It did consider power costs, which do vary regionally.

New York was found to be the most expensive city for data centers, with annual operating costs for a typical facility estimated at \$23.67 million. San Francisco followed closely behind at \$19 million and Newark, N.J. was third at \$16 million. (The costs were based on a 125,000-square-foot data center with 75 workers.) "The figures for Newark are representative of Bergen County, a Northern New Jersey marketplace where there's a renewed interest from companies leaving Manhattan," Boyd says.

The location consulting company is also seeing a trend toward more collocated, third-party data center sites being built. "Because the smaller community banks don't have the wherewithal to build a data center, there will be more use of third party sites in the Midwest," Boyd says.

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