



THE ECONOMIC CONTRIBUTIONS OF DATA CENTERS IN NORTH CENTRAL WASHINGTON

EXECUTIVE SUMMARY

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Washington routinely ranks among the leading states for technology and the new economy. Global technology leaders Microsoft and Amazon make their headquarters here, anchoring a cluster of high tech firms. The aerospace cluster surrounding The Boeing Company represents another key source of technology innovation and investment.

As we move into the second decade of the 21st Century, the transformational power of the data-driven economy has made massive data centers the steam engine of our time. Essential to the global economy, cloud computing and data centers also provide substantial benefits to the local and state economies where they are built.

Data center investment in north central Washington has provided more than \$1.17 billion to the economies of Chelan, Douglas and Grant Counties over the last several years. Four data centers have been built in Grant and Douglas Counties, with two others leasing space in existing facilities. Together, their development has resulted in hundreds of millions of dollars in construction wages and investment and a higher level of taxable retail sales activity.

In addition these centers create on-going data center jobs, which pay substantial average annual wages. These earnings and the attendant demand for goods and services will create additional jobs throughout the area economy. Data center development will eventually result in an estimated \$25.6 million in new earnings each year for the regional economy as well as in ongoing property tax contributions, which will help to lower the tax rate on existing property owners.

Beyond their measurable direct and indirect contributions to the area economy, data center developments signal new economic opportunities for rural areas nationwide. As developers seek areas with lower land costs, low-priced electricity, excess bandwidth, and favorable climate conditions, rural areas around the country are experiencing a welcome infusion of economic diversification.

The following points summarize both the measurable data center economic contributions and the changes in the area economies to which the data center locations have contributed.

The data presented include information for three counties – Chelan, Douglas and Grant – in north central Washington. Most of the data center development has occurred in Grant County with centers for Microsoft, Yahoo, and Intuit, all of which constructed new facilities, and Ask.com, which leases space at the old Titan Missile base re-developed by the Red Sea Group.

More recently, Sabey Development has built its Intergate.Columbia facility in East Wenatchee in Douglas County, which will house T-Mobile and VMware data centers.

East Wenatchee is just across the Columbia River from Wenatchee in Chelan County, and the two communities share economic conditions. As well, Yahoo leased space for an early data center (in May 2004) from the Port of Chelan County. For these reasons Chelan County's data are included here for comparative purposes even though the economic effects of data center development are muted for the county as a whole.

Construction Jobs. Data center development contributed to a growth of more than 1,000 construction jobs between 2004 and 2008 in the three-country region.

Average wages in Douglas and Grant Counties grew 15 and 19 percent, respectively, between 2006 and 2008, well exceeding 12 percent wage growth statewide.

Taxable retail sales grew by \$308 million in Douglas County between 2006 and 2008, and over \$679 million in Grant County. This growth amounted to an 85 percent increase for Douglas retail sales and 78 percent increase for Grant County, well in excess of retail sales statewide, which averaged just over 10 percent.

Local retail sales taxes, as a result, grew an additional \$4 million in Douglas County, a 66 percent increase between 2006 and 2008.

Increased retail sales produced a 40 percent increase in Grant County's retail sales taxes over the same period, bringing in an additional \$6.2 million.

State retail sales taxes grew similarly. Retail sales in Douglas and Grant counties produced an additional \$56.4 million for state coffers.

Property taxes contributed and spurred by the data centers' presence will be substantial for both Douglas and Grant Counties. Several of these developments are too recent to measure the full property tax effect yet. However, the increases thus far for Grant County, the city of Quincy, and the Quincy School District provide a glimpse of the future.

Property tax values for the city of Quincy in Grant County grew by three times -- \$504 million -- between 2006 and 2009, from \$260 million to \$764 million.

Property tax collections for the city of Quincy, as a result, grew more than \$1.4 million.

Quincy School District received an additional \$1.6 million in property taxes, a 43 percent gain over 2006.

Grant County general property taxes grew by more than \$3 million or about 37 percent over 2006.

Excluding the junior taxing districts, which would have experienced similar revenue growth, property tax revenues increased overall by more than \$6 million between 2006 and 2009.

Property tax levy rates on other properties within these taxing jurisdictions, as a result of the broader tax base made possible in large part by the data centers, declined by 10 percent between 2006 and 2009.

In the city of Quincy this 10 percent rate reduction amounted to \$.79 per \$1000 of assessed valuation. So, for a house valued at \$159,000, the annual savings would be approximately \$125.60 (or $\$159 \times \$.79$).

Direct employment at the six data centers so far developed is conservatively estimated to total about 220 jobs throughout the three counties (jobs numbers were not available for the Yahoo center in Wenatchee).

Indirect employment resulting from these on-going, well-paid data center jobs is estimated to be an additional 220 jobs, for a total employment contribution to the regional economy of 440 jobs.

Average earnings for these 440 workers is estimated to be \$58,140 annually, well in excess of the 2007 median family income for any of the three counties.

Total earnings for these workers, then, will add nearly \$25.6 million to the area economies each year.
