

# For Austin, a new wave of data centers is coming

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Austin's first big wave of public data center expansions stopped shortly after the dot-com boom fizzled in 2000.

A high-profile Silicon Valley company called Exodus Communications had built two of the giant data storage facilities in Northeast Austin in the final year of the boom, 1999.

By 2002, Exodus was bankrupt, and a few years after that, its Austin data centers were bought at bargain prices by Dell Inc. and Home Depot Inc.

Now a second wave of data center expansion is starting up. But this time, investors say, it's different.

**Three companies have built or intend to build major new multi-tenant data centers in town because their local customers are expanding their online operations and because outside companies are starting to look on Austin as an attractive expansion site for their information technology operations.**

It's hard to say exactly how much economic impact the data centers will have for Austin. By their very nature, modern data centers are highly automated operations that typically employ only a few dozen workers. Data Foundry Inc., a longtime Austin data center operator, estimates that its just-opened Texas 1 project on Smith School Road could generate a few hundred direct and indirect jobs once it begins filling up with tenants. Most of those workers would be employed by the companies that own computer equipment in the center and who must keep that equipment maintained.

The company has opened the first phase of a project that eventually will involve an investment of about \$150 million when the second phase is completed and in full operation.

Data Foundry officials also say their involvement in business recruiting trips with the Greater Austin Chamber of Commerce leads them to believe that their center will become a business recruiting asset for out-of-state companies they expect will move to Austin and bring their computer operations with them.

About a mile away from the Data Foundry Texas 1 site, a Houston company called CyrusOne is building a 72,000-square-foot center in the MetCenter II business park that it expects will eventually cost \$80 million. That center is expected to be up and running in November.

CyrusOne said a new data center could one day be part of a complex of four adjacent data centers that it builds there.

And in northwest Austin, Core NAP , another longtime operator, is close to picking a site for what it expects will become a 50,000-square-foot center.

All the companies plan to complete the construction of their project in phases so cash flow from early customers can help pay for the extra equipment — redundant chillers, backup power systems and diesel power generators — that won't be needed until the facility is closer to full.

None of the centers will employ more than a few dozen people, but their customers will have dozens more technicians and engineers who work on computers and other equipment running in the center.

The new spurt of construction in Austin is part of an international trend toward big, new, highly automated data centers. They are being built because the Internet is exploding with data — movies, photographs, music, surveillance videos, oilfield exploration data and so on — that demand more storage to contain them and more servers to deliver them to users.

The International Data Corp. consulting firm says the ever-growing "digital universe" will produce nine times more data — an estimated 1.8 trillion gigabytes — in 2011 than it did five years ago. That data generation level is expected to continue to double every two years.

To Edward Henigin , chief technology officer of Data Foundry, that means the world will need more advanced data centers to handle the flood of new information.

Henigin said the Internet has finally matured to deliver much of the promise of advanced services that he envisioned as a college student in the early 1990s. His first job out of college was working for a pioneering Internet service provider, Texas.Net, which later became Data Foundry. The company, which is owned by the Ron and Carolyn Yokubaitis family, has bootstrapped its way from a 1990s dial-up Internet service to a string of successful online businesses. The company has established data center operations in Austin and Houston, and it has more than 1,000 customers, including Valero Energy Corp. and the Whataburger fast food chain.

Henigin said the Texas 1 project "is one expression of our company's vision and our love affair with how information technology is completely changing society."

Early customers who have signed contracts with Data Foundry include an online gaming company and a software service business. The company is negotiating both with major national companies that are considering massive installations of equipment and smaller companies that have more modest needs.

Besides the basics — reliable electrical power connections, security, cooling and a variety of high-speed connections to the Internet — what data centers sell to customers is their reputation for reliability, dependable service from experienced workers and trust.

The three expanding data centers all offer traditional colocation services, which means that their customers own and maintain the equipment that they install in the center.

But some of them are adjusting to the new data center trend of offering shared cloud computing services on machines that customers rent but don't own.

Core NAP is developing its own cloud service for clients. Data Foundry won't deliver a cloud service itself, but it expects some of its customers in the new center will be cloud providers for other companies.

Because cloud customers share common hardware systems, the service is generally regarded as far more cost-efficient than the traditional approach, in which companies own and operate all the computers they need to conduct their online operations.

For businesses like Digital Cheetah Solutions Inc., a 10-year-old Austin software company and a longtime Core NAP customer, the knowledge, collaboration and responsiveness of data center staff count far more than anything else.

"We don't need a new building," said CEO AJ Tidwell . "It's all about the relationship."

Her company develops software that helps organize and manage online communities for both businesses and nonprofit organizations. It also hosts the software operations of many customers in its computers at Core NAP and other data centers in other towns.

Her company has a tight collaborative partnership with Core NAP that it has had a hard time finding in other data centers it deals with.

"People at Core NAP just step up and do what has to be done. We deal with other data centers and you just don't get the same experience," she said.

**Courtesy of JB Goodwin**