

Facebook chooses New Mexico for new data center over Utah

September 14 2016, by Lindsay Whitehurst And Susan Montoya Bryan

Facebook has chosen a village on the edge of New Mexico's largest metropolitan area as the location for its new data center, an announcement that spread quickly Wednesday as elected officials celebrated a hard-sought win that could have ripple effects for the state's struggling economy.

News of the social media giant's decision to build in Los Lunas, just south of Albuquerque, comes after a roller-coaster contest between New Mexico and Utah to attract the facility.

U.S. Sen. Martin Heinrich broke the news on social media, and the rest of the congressional delegation followed minutes later. Gov. Susana Martinez in a statement welcomed what she described as a stellar, cutting-edge company. In Los Lunas, village officials were rejoicing.

"This is huge for the state of New Mexico, for the region, for the whole Southwest. This is a big win," said Ralph Mims, the village's economic development director.

The courting of Facebook began more than a year ago with a meeting between the Republican governor and Facebook executives. During a visit to California, Martinez and her economic development team pitched the sparsely populated state as a good place to do business.

New Mexico wasn't on the radar before that August 2015 meeting.

"With the improvements we've made over the past several years, New Mexico is finally competing again, and in this case, it's a big win for the people of our state and our economic future," the governor said.

While the project has enjoyed broad political support in New Mexico, local leaders in Utah pushed back against a tax-incentive plan they saw as too generous.

Utah supporters said the project would bring a high-tech cachet that could draw other companies to West Jordan, but critics said the cost was too high for land that could attract other development.

The village of Los Lunas, meanwhile, agreed to give up all property taxes for 30 years in exchange for annual payments from Facebook that start at \$50,000 and top out at less than \$500,000. The complex economic development agreement also involves tax breaks on billions of dollars in computer equipment over time.

In Utah, an initial \$240 million tax-break plan publicly fell apart one night in August after several leaders said the lure was too rich. Talks were revived the next morning, but two weeks later, Utah Gov. Gary Herbert said the deal looked dormant, if not dead.

West Jordan Mayor Kim Rolfe said he's disappointed that his city wasn't chosen and the tax-break package was unfairly maligned. The billion-dollar project would have been an economic boon, bringing construction jobs as well as tax revenue after the breaks, he said.

A critic of the Utah plan, Salt Lake County Mayor Ben McAdams, said the cost to taxpayers was too steep.

"We will walk away from a bad deal. We're not so desperate that we're willing to give everything away," he said. The cost-benefit analysis is

different for New Mexico, he said.

Data centers are key to the booming cloud-computing economy, but they typically bring few local jobs.

Los Lunas officials have said the center would be a \$1.8 billion construction project creating 300 direct temporary jobs and just 50 permanent jobs. That's far fewer than the steady employment at the local Walmart distribution center.

New Mexico officials have appeared eager to please Facebook after the state was hit hard by a downturn in the oil and natural gas sectors. Computer chip maker Intel, meanwhile, has been steadily unwinding a major manufacturing plant that was an early beneficiary of similar property tax breaks using industrial revenue bonds.

Officials hope Facebook construction will spill over into other parts of the economy, including three industrial-scale solar power plants that would be built to offset electricity consumed by the data center.

Mims dismissed criticism of the package created to woo Facebook.

"If you want to bring business in, you have to offer incentives," he said. "This is the biggest thing since Intel and you have to look at the economic development spillover. It's not just about the data center."

State officials say Facebook has committed to buying local materials and hiring local employees to the greatest extent possible.

Construction is expected to start next month, with the center coming online in late 2018.

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