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Study: Illinois would benefit from tax incentives for digital data centers

AURORA, CHICAGO (January 25, 2019) — Illinois showed significantly weaker growth in data center markets than surrounding states that have data center incentives, according to new [report](#) published by Mangum Economics.

“The report highlights the need for data center incentives in Illinois so we can stay competitive in the data center market in an increasingly digitally-connected world,” said Illinois Chamber of Commerce President and CEO Todd Maisch.

Data centers are infrastructure facilities that store, process and distribute large amounts of data. Nearly every industry, including financial services, health care, retail, transportation, telecommunications, academia, and entertainment uses data of some kind. Data is essential to the functioning of all networked, computer-centric devices, such as smart phones, tablets, and GPS systems.

“This study provides important information to business leaders and lawmakers about how data centers impact our overall economy, employment opportunities and competitive edge with states across the nation,” said Jack Lavin, president and CEO of the Chicagoland Chamber of Commerce. “The data center industry is a high-performer and has brought economic opportunity to a number of surrounding states. Now lawmakers have the opportunity to see the same benefits and bring more high-paying jobs to Illinois by taking the same action as 30 states have before us.”

Data is often stored redundantly in several diverse locations to reduce the chance of being permanently lost. The need for data centers is increasing at a much higher rate than the increase in capacity of data storage devices, according to the report titled, ‘Potential Impact of a Data Center Incentive in Illinois’.

“Our report compares the disparity of data center capital investment growth and jobs created between Illinois and neighboring and competitive states and examines the state tax policies used to attract and grow the industry,” explained Mangum Economics CEO and Founder Dr. A. Fletcher Magnum. “It also reveals the potential local economic and fiscal impacts if incentives were to attract a major data center to various localities in Illinois.”

Data centers are special real estate assets that require multimillion-dollar, up-front capital investments and on-going operating and maintenance costs, as the computer equipment is refreshed on a two- to three-year cycle, according to the report.

“The interconnected digital universe is growing exponentially every day,” said Vice President of the Portfolio Management Group at Digital Realty Rafal Rak. “This report confirms that next-generation data centers should be a key component of our state’s strategy if we want to be a respected and desired technology hub.”

The greater Chicago area is the third largest data center market in the United States, but is 40 percent smaller than the Northern Virginia market, and growing more slowly, according to the report.

“Virginia has become the go-to location for the digital industry and has one of the most aggressive incentives to date,” said Jeff Ploetz, sales executive at QTS Data Centers.

From June 2017 to June 2018, the Chicago data center market grew at a rate of seven percent. At the same time, the Atlanta market grew 12 percent, the Northern Virginia market grew 16 percent, and the Phoenix market grew 26 percent, according to the report.

“Many other states also provide tax incentives to lure new business into their area and Illinois needs to ensure we don’t get left behind,” said John Byrne, commercial sales executive at QTS Data Centers.

Illinois is surrounded by states that offer data center incentives. Today, 30 states have incentives specifically targeted at attracting data centers as part of expanded economic development efforts. Since 2012, 24 states have enacted legislation aimed at capturing a greater percentage of data center growth.

“At Equinix, we believe in the power of interconnection,” said Alex W. Para the regional director of asset management for the Central US at EQUINIX. “Incentivizing data centers will improve our economy and better connect Illinois to the global digital technology world.”

Capital investment in the industry also fuels an on-going demand for data center construction and ultimately union labor. The projects would be significant in Illinois where employment growth in the state’s construction sector has lagged behind the national norm in recent years.

“Aurora needs more data centers and job creators,” said Mayor of Aurora Richard C. Irvin. “As the report shows, increasing incentives for these data centers will help us retain and attract quality businesses and commerce segments to support our local economy.”

The study was supported by The Illinois Chamber of Commerce Foundation, EQUINIX, Digital Realty, QTS and the Chicagoland Chamber of Commerce Foundation.

“Illinois’ low risk of natural disasters, plentiful fresh water and competitively priced electricity have, and will continue to help make the state a desirable location for data centers,” said Maisch. “Illinois should consider these tax incentives to ensure the direct and indirect benefits from the construction, operation, and ancillary growth that occurs over the lifetime of these facilities.”

Potential Impact of a Data Center Incentive in Illinois

Executive Summary: <https://ilchamber.org/Resources/6ff7cd00-9a70-4f62-8a8c-26755eaccec9/IL%20Data%20Centers%20Incentives%20Executive%20Summary%20Final.pdf>

Report: <https://ilchamber.org/Resources/26573492-8f6c-40e4-ad7d-893251081c86/IL%20Data%20Centers%20Incentives%20Report%20Final.pdf>

Appendix: <https://ilchamber.org/Resources/22bfaf7c-4986-4aec-8912-caf6d5d6e567/IL%20Data%20Centers%20Incentives%20Appendix.pdf>

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