



S.A. lands Microsoft's \$550 million facility

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[Microsoft Corp.](#) announced Thursday it has chosen San Antonio as the site for a new \$550 million data center, a massive complex expected to bring relatively few jobs but generate millions in tax and utility revenues.

[The San Antonio City Council](#) on Thursday approved a 10-year, 100 percent tax abatement worth \$20.7 million and voted to provide \$5.2 million from the CPS Energy economic development fund. That money will pay for electrical infrastructure for a 470,000-square-foot complex that will be nearly as big as the Alamodome.

Microsoft's data center, housing tens of thousands of computers, will be a place "where the Internet lives," said Mike Manos, senior director of Microsoft Data Center Services.

The two-building complex will operate around the clock serving up information on the Internet to customers all over the world. The computers will house Web pages, e-mail and instant message servers, and all kinds of Web-based applications.

The 44-acre site in Westover Hills will bring just 75 high-tech jobs, but its importance to the city goes far beyond that. When it's fully operating in a few years, it will become the biggest customer of CPS Energy, which supplies more than 25 percent of the city budget, said the utility's chief executive, Milton Lee.

The project still must go before the [Bexar County Commissioners Court](#), which is expected to approve a similar package of incentives. The county hasn't scheduled a vote.

San Antonio Mayor Phil Hardberger defended the use of incentives to entice a world-class company that could act as a catalyst to attract more information technology jobs.

"This is not a gift to Microsoft," Hardberger said. "This is a gift to ourselves."

Bexar County Judge Nelson Wolff also spoke in favor of the project at the meeting.

"I think this takes us to a much higher level in

information technology than anything we've done to date," Wolff said.

The 44 acres in Charles Martin Wender's Westover Hills development is now pastureland and doesn't provide tax revenue to the city, Hardberger said. Microsoft's investment of \$550 million will provide immediate tax revenue for the Northside Independent School District of about \$8.7 million annually and another \$1.3 million to the Bexar County Hospital District.

The project will generate construction and support service jobs and will contribute \$1.4 million annually in CPS Energy revenues. If the county approves its incentive package, construction is expected to begin in two months and be finished two years later.

In approving its incentives, the San Antonio City Council made two exceptions to its tax abatement guidelines. Normally for the Westover Hills area, abatements are limited to six years. And the council granted the tax break even though the data center won't create the minimum 500 new jobs.

However, Microsoft's investment will exceed the minimum required for a tax break by nearly half a billion dollars.

The Microsoft investment and jobs are "conservative" estimates, and the investment could be much larger as Microsoft's Internet services business expands, Manos said.

A few council members expressed concern about giving an abatement to one of the world's most successful companies. Microsoft generates \$44 billion in annual revenue and was founded by Bill Gates, the world's richest man.

Councilwoman Patti Radle said she would support the deal but didn't like the abatement.

"You all are the 500 million-pound gorilla that can sit anywhere you want," she said. "I think what we have to offer seems like pocket change."

Councilwoman Delicia Herrera welcomed the prospect of Microsoft. Her District 6 encompasses Westover Hills and is one of the fastest-growing districts in the city.

"This is an opportunity for future relationships," she said.

The council voted 10-1, with only District 7 Councilwoman Elena Guajardo opposing the measure.

Manos said he wouldn't be surprised if other data centers come to San Antonio. The city just landed a \$68 million, 100,000-square-foot data center for Lowe's, which is under construction in Westover Hills near the Microsoft site. Microsoft's project is almost five times bigger than that one.



Microsoft plans to operate a "green" data center, Manos said. It will use 8 million gallons a year in recycled water from the San Antonio Water System. It also plans to conserve trees at its building site and to save energy wherever possible, he said.

The company looked at 31 factors before choosing San Antonio and San Antonio ranked high, Manos said. The city beat out other countries and cities, including Austin.

To get the incentives, Microsoft must meet some requirements. That protects the city somewhat — especially considering that technology can change markedly in a decade.

Sony Corp. opened its first U.S. chip manufacturing plant in Northwest San Antonio in 1990, taking over Advanced Micro Devices' existing plant. It got a tax-incentive package in 1994 tied to job creation and investment. While it met its goals, the plant shut down in 2002, laying off 600 employees.

That facility is now the Texas Cryptology Center, a complex slated for use by another growing local employer, the National Security Agency.

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