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CoSentry will spend \$30M on Lenexa data center

Premium content from Kansas City Business Journal by Alyson Raletz, Reporter

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Omaha-based CoSentry is investing roughly \$30 million to build and outfit a 60,000-square-foot data center in Lenexa.

The center also will have call center and technical help desk space to support the company's managed services, colocation and cloud computing offerings. In all, it is expected to bring 60 new jobs to the area.

CoSentry executives plan to spend \$20 million on the initial construction and an additional \$10 million on equipment to outfit the data center. They anticipate the Lenexa data center's revenue will surpass that of its data centers in Nebraska and Sioux Falls, S.D.

Construction starts Feb. 1, and the center is scheduled to open in the fourth quarter.

The 150-employee company already has 25 employees and a 6,000-square-foot data center and disaster recovery site in Kansas City.

[Doug West](#), general manager of CoSentry's local center, said it has been at capacity for a couple of years.

West will work from the Lenexa office when it opens.

CoSentry mulled placing its new center on the Missouri side of the metro area but opted for a Kansas address — 14500 W. 105th St. — after a two-year search. The decision came after

legislation that would have granted tax incentives for data centers failed to pass in Missouri.

When filled with customers, CoSentry CEO [Michael Steffan](#) said the center will contain \$250 million worth of equipment.

"The sales taxes on that are significant," Steffan said. "It would have been much more to build in Missouri."

Kansas offers a sales tax exemption on the initial capital investment plus subsequent investments that are tied to job-creation requirements.

West said CoSentry picked the Lenexa site because it is near power feeds from three electrical substations. Power-hungry data centers must be able to provide backup support in the event of natural disasters and power failures.

"It was very hard to find that," he said.

CoSentry spent nearly \$1 million on design of the structure through Leawood-based Bell/Knott & Associates Corporate Architects PC. JE Dunn Construction will handle the build.

The Lenexa commitment comes on the heels of a change in ownership.

CoSentry, which can claim Gateway Computers co-founder [Norm Waitt](#) Jr. as one of its founders, jumped from \$11.8 million in revenue in 2007 to \$21 million in 2010.

TA Associates, a Boston-based private equity firm, bought the company in October for an undisclosed amount. It infused CoSentry with the capital needed for the Lenexa project and a second Sioux Falls data center set for construction later this year, Steffan said.

[Justin Puccio](#), vice president of Baltimore-based **Signal Hill Capital Group** LLC, advised CoSentry management and former owners McCarthy Capital and WaittCorp Investments LLC on the sale to TA Associates.

Puccio said CoSentry is riding a wave of growth in the colocation industry but also is growing because of its product diversity and ability to cater to different types of solutions. He called this ability a rarity for data centers that primarily focus on colocation and disaster recovery.

"(TA Associates) is very much looking forward to deploying capital to support that growth," he said.

The Kansas City area has experienced a surge of enterprise and colocation data center activity in the past five months, said [Doug Coleman](#), director of new business development at **Hunt Midwest Real Estate Development Inc.** In 2011, Hunt Midwest led legislative efforts to kick-start data center incentives as a member of the Missouri Coalition for Data Centers.

Coleman partially attributed the increased demand to the region's inexpensive energy prices combined with power constraints in the nearby data center hub of Chicago.

"Power here is one-third the cost of Chicago, and they're kind of running out of power up there," he said.

The coalition continues to press for Missouri tax incentives. Hunt Midwest's director of governmental affairs, [Tammy Henderson](#), said CoSentry's decision to choose a site in Kansas instead of Missouri was "disappointing."

"If nothing else, it shows the importance for Missouri to grow a set of incentives for the data center industry," she said. "Missouri just needs to get in the game."

COSENTRY

Description: A data center company that provides IT managed services, collocation and cloud computing services.

Headquarters: Omaha

Top executive: CEO Michael Steffan

Top local official: General Manager Doug West

Revenue: \$21 million (2010)

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