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Mystery firm rings a bell

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STAFF WRITER

A financial giant plans to quietly open a huge new location in Mahwah early next year. Its arrival to North Jersey was supposed to stay hush-hush.

Secrets are hard to keep, however, when a multibillion-dollar public company that runs the New York Stock Exchange constructs an enormous brick structure in a town of about 24,000 people, along a busy state highway.

A developer and contractors behind the project have stayed mum. One employee with builder Structure Tone even feigned ignorance of the project, repeatedly telling a reporter, "I have no idea what you're talking about," even though his company's signs are posted at the Mahwah site.

Within real estate circles, however, the New York Stock Exchange's new data center along Route 17 has been an open secret. Public documents filed in Mahwah and with the Securities and Exchange Commission also mention the project. And public officials don't mind talking about the project in interviews.

"It's going to be an extremely sensitive site, and security will be paramount," said Mahwah Mayor Richard Martel, who was among local and state officials who toured the site recently. He called the data center a "wonderful thing for the township."

Little is publicly known about how the stock exchange's Mahwah data center will serve Wall Street and the broader financial system. Whatever its role, state homeland security officials say the site is regarded as part of the country's most "critical infrastructure."

Still, the town had wanted to require a big red button that could essentially turn off the entire data center — until the stock exchange changed its plans.

If the stock exchange's Mahwah data center opens as planned in early 2010, it will be somewhat of a landmark for New Jersey real estate.

Property owners and developers have struggled at times to lure New York firms to office buildings in North Jersey. But the state's cheap land close to Manhattan has

proven ideal for data centers.

Still, finding an occupant for the Mahwah site didn't happen overnight.

In 2003, Russo Development LLC, the Hackensack real estate company, bought a swath of 28 acres along MacArthur Boulevard. Russo tailored its pitch to financial institutions interested in back office space, data center or disaster-recovery facilities, the company said in planning documents filed in Mahwah.

Citigroup looked at the site but chose a different location for a data center. In coming years, Nobel Biocare, a pharmaceutical company in Fair Lawn, prestigious banks such as HSBC and Goldman Sachs, and Valley Health System also passed over the space, Russo said in the documents.

But by late 2007, Russo scored a major tenant. The New York Stock Exchange's parent company, NYSE Euronext, struck a deal to have a new 398,000-square-foot facility built at the Mahwah site and signed a 20-year lease, according to documents filed with the SEC.

The company's headquarters are in New York City, at 11 Wall St. and 20 Broad St., but its registered office is in Amsterdam. The two-story brick building in Mahwah, the shell of which has been completed, would be among the largest of NYSE Euronext's locations in the United States and larger than any in Europe.

A lease for an NYSE Euronext facility of similar size in Brooklyn is set to expire next year. Scott Kisch, the chief of staff in New Jersey's Office of Homeland Security, said the Brooklyn facility's functions will be relocated to the new Mahwah facility.

Officials with the stock exchange declined requests for comment on the Mahwah facility or the company's data centers. Russo also declined to comment, though in planning documents the company has said the facility would have only about 50 employees and need 87 parking spaces.

Dan Weaver, a Rutgers University business professor who studies how exchanges are structured, said the New York Stock Exchange uses data centers to aggregate and distribute information about stock quotes and trades, and often the data is sold to outside vendors, such as financial news networks.

In its annual earnings report filed in February with the SEC, NYSE Euronext said: "We continually evaluate our business continuity plans, including the availability and functionality of backup data centers and backup trading floors."

The company also said: "We are in the process of consolidating our data centers in the United States and Europe, and have commenced construction of two of the new global data centers, which we expect to complete by the end of 2010."

New Jersey has become a hub for data centers in recent years. Following the 9/11 terrorist attacks, the SEC required financial firms to have plans in place to continue operations in case of similar disruptions to business.

Since then, New York financial firms have looked across the Hudson River, not only because of relatively inexpensive real estate but also because of proximity. The time delay in communication between computer networks can be kept to a minimum if data centers are located within 60 miles from headquarters, said Jeff Hipschman, a senior managing director for broker services for CB Richard Ellis, the commercial real estate services firm, in Saddle Brook.

"When they hit 'enter' in New York, that trade has to process instantly, but it's being processed on a computer in New Jersey," Hipschman said.

As records in various industries, such as health care, become computerized, the need for data centers grows, said Jeff Kolodkin, a senior vice president for Grubb & Ellis, another commercial real-estate services firm, in Fairfield.

"As technology grows, so grows the need to save and protect that information," he said.

Despite the growth in data centers in recent years in New Jersey, their arrival often goes unannounced. They remain in the shadows of commercial real estate, an industry whose players typically boast of deals and high-profile tenants.

"Nobody likes to talk about [them] because it's critical that they maintain security to protect their networks," Kolodkin said, adding: "They don't want to become a target."

The U.S. Department of Homeland Security has designated the stock exchange's Mahwah data center as among "few dozen" high-priority pieces of the United State's "critical infrastructure." While he declined to elaborate, Kisch said it was the only data center in New Jersey with such a significant ranking.

"Nobody here in my office is familiar with what they're actually going to do there," Kisch said. "We just know it's significant enough for us to consider giving it utmost protection."

The New York Stock Exchange will be providing its own day-to-day security, but law-enforcement officials have met to discuss security plans. Mahwah police Chief James Batelli, for example, said he's met with FBI officials about the facility.

The enormous structure is strong enough to withstand forces from the most powerful hurricanes, said Gary Montroy, Mahwah's construction code official.

Mahwah officials have conducted more than 550 inspections of the site, Montroy

said. As of Friday morning, the only point of contention remaining centered on an "emergency power off," or EPO switch, that would shut down the data center's power in case of a fire or other emergency. EPO switches are basically big red buttons on walls next to exits, often covered with a lid that, when lifted, sounds an alarm. Data center operators have worried that janitors or disgruntled workers could accidentally or purposefully hit an EPO switch, potentially leading to the loss of money and information.

Whether to require the Mahwah facility to have an EPO switch has been the subject of arguments concerning employees' safety and competing interpretations of construction codes, Montroy said. He decided to require a switch once plans were changed to include wiring below the floor, where fires could remain hidden.

"One life is priceless, and for me, from a moral standpoint, that takes precedence over billions of dollars," Montroy said. "I can replace the money. I can't replace the person."

But on Friday, the stock exchange scrapped plans for below-floor wiring and the town agreed to not require an EPO switch, Martel said, adding: "Both sides are happy."

Montroy said builders and contractors have not cut corners.

"When the building is ultimately built, it's going to be safe," he said. "There's no doubt in my mind that that's going to be one of the safer places to be if there's an attack."

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