

# Birmingham-Hoover

Alabama's economic center fell on hard times earlier than most of the state; monthly nonagricultural employment in the Birmingham-Hoover metro has consistently been below year-ago levels since January 2008. Increasing diversification did not prevent the area from losing a total of 20,100 jobs between October 2008 and October 2009, a 3.8 percent decline that was the third highest metro area loss and reduced the total to 507,800. Service providing businesses shed 13,200 workers (-2.9 percent) and goods producing industries cut 6,900 (-8.9 percent). The sizeable professional and business services sector, usually a source of stability, was seriously impacted by the current recession, losing 4,400 jobs during the year, including 2,500 in professional, scientific, and technical services and 1,900 on the administrative and support side. Pullbacks in consumer spending cost the metro 3,100 jobs in retail and 1,700 at food services and drinking places. Construction employment slid by 3,200 during the 12 months ending in October and manufacturing jobs dropped by 3,600, including 2,800 in durable goods industries. Ambulatory healthcare was the only growth sector, adding 500 jobs.

The seven-county Birmingham-Hoover area is a net importer of workers, providing almost 47,600 more jobs than employed residents in October 2009. Total employment fell 8.6 percent during the prior 12 months while the labor force contracted by just 3.6 percent; unemployment reached 9.9 percent compared to 4.9 percent a year earlier. The metro dominates the state's economy, accounting for 31.9 percent of Alabama GDP in 2008. This is down slightly from a 32.5 percent share in 2007, largely due to strong growth in the Huntsville metro economy. Area GDP gains of 2.3 percent in 2008 and 35.5 percent between 2001 and 2008 have failed to keep pace with growth in Alabama GDP. Service providing businesses dominate the Birmingham-Hoover economy, contributing a metro area-high 71.0 percent of output during 2008. Goods producing industries accounted for 18.2 percent of the total value of goods and services produced—the second lowest share among the metros.

Manufacturing accounted for just 7.6 percent of Birmingham-Hoover nonagricultural jobs in October 2009 and 9.7 percent of 2008 GDP. Tough times for auto manufacturers negatively impacted the economic well-being of the many metro residents who commute out of the area to jobs with Honda and Mercedes-Benz. Auto supplier jobs could grow by about 400 over the next four years as Kamtek completes a \$310 million expansion and adds work for Volkswagen. The steel industry was hurt by slumping demand that resulted in extended layoffs for about three-quarters of the 1,700 workers at U.S. Steel's Fairfield Works pipe plant during the year; fees levied by the U.S. Commerce Department on unfairly subsidized Chinese imports will benefit the plant and the company moved ahead with a \$12 million project to upgrade the factory's blast furnace. Posco's new \$17 million steel processing plant in Birmingham could create 60 jobs late in 2010. Boatright is investing in two railroad tie producing facilities, including a \$40 million plant in Clanton that will employ 60 and a \$25 million Carbon Hill operation that will create 40 jobs in Walker County. Red Diamond officially opened its Moody headquarters and plant in April; St. Clair County will also see an expansion at Pell City's Benjamin Moore factory that should add 40 jobs. Birmingham will soon be home to Green Solar Manufacturing, which is

investing \$11 million and hiring about 150 as it establishes its headquarters there. And Walter Energy moved its corporate headquarters from Tampa to the Galleria Office Tower in Hoover in December.

Other area manufacturers fell on hard times during the past year. Bankrupt Meadowcraft was forced to liquidate its assets. A bid by House Hasson Hardware for Pelham-based Moore-Handley would retain only employees in inventory sales. Konecranes shuttered its Birmingham operation late in 2009; Altec Industries' closing cost the area 70 jobs. Birmingham's printing and publishing businesses had a tough time as Time Inc. continued to cut operations at Southern Progress and in August closed Southern Accents; more than 170 workers were let go during the year. AT&T announced plans to close its Stephens Graphics phonebook printing plant, idling 208. And Dewberry Engraving halted production at its Birmingham plant.

There were positive developments in warehousing and distribution, although a bulk distribution vacancy rate of about 20 percent was reported at the end of the third quarter. Home Depot opened its \$33 million distribution facility in McCalla, with 179 employees. Daniel Payne Industrial Park in north Birmingham continued to expand—new facilities for M&A Supply, Old Dominion Freight Lines, Conklin Metals, and Flowers Baking Company represent investment of \$13.7 million and around 120 jobs. EGS Commercial Real Estate completed an \$8 million spec warehouse and distribution center in Shelby West Commerce Center in the spring, while Sparta Logistics purchased a site in Shelby County for a \$7 million distribution facility for a healthcare company that could create 65 jobs early in 2010. Several developments built on Birmingham's long history as a railroad hub. CSX Transportation began operating its \$6 million container loading terminal in Bessemer in September, serving clients that include the nearby Mercedes plant. Norfolk Southern worked for much of the year on plans for a \$112 million intermodal hub in McCalla, lining up potential customers and investing \$12 million in land acquisition for the operation that could employ 600. However, community opposition had the project in limbo at the end of the year. A planned \$193 million expansion of the Birmingham International Airport will lengthen the runway and add a customs office and new gates. The airport also recently purchased 25 acres and industrial building space next to its air cargo operation. New jobs at the adjacent Alabama Aircraft Industries are expected to boost the firm's employment to 1,000 in 2010.

Other service providing sectors saw activity in 2009. AT&T established a regional headquarters in Birmingham and hired 300 workers for a call center at the same site. Several companies in the insurance industry added employees to meet growing demand for annuity and other products from increasingly risk-averse customers. However, the banking sector, faced with a rising number of bad loans, lost 500 jobs during the year ending in October 2009. TARP funding helped firms including Regions Financial Corporation, the city of Birmingham's largest private employer with about 6,000 workers. BBVA Compass cut several hundred staff in Birmingham early in 2009 and shifted about 200 call center jobs to Texas late in the year. Birmingham's CapitalSouth Bank failed in late summer; deposits and assets were acquired by IberiaBank of Lafayette. Metro area bank deposits grew at a strong 13.8 percent pace during the year ended June 30, 2009 and amounted to a third of all deposits in FDIC-insured

institutions in the state. The number of banking institutions rose by one to 51 and the number of branches fell by nine to 353 during the previous 12 months.

Federal stimulus dollars in the form of increased grant funding channeled through the National Institutes of Health and the National Science Foundation helped the University of Alabama at Birmingham (UAB) maintain and even increase sponsored research programs and staff during the year. Ongoing research and products resulting from the area's biotech industry led to a number of development agreements or funding sources during the past year for UAB and Southern Research Institute as well as for companies including SurModics, Viaxin, and Discovery BioMed.

Despite reductions in hospital staff, as a whole the metro's large health services industry was relatively stable. A number of projects under construction will add capacity and services during the next several years. The Jefferson County Department continued to bring new facilities online, completing the Eastern Health Center. Trinity Medical Center sought approval for a \$280 million relocation and expansion from its current Montclair Road facility into the unfinished former HealthSouth Digital Hospital in the Cahaba Center at Grandview on U.S. 280. State health regulators approved \$72 million in renovation and expansion planned for Princeton Baptist Medical Center. Baptist Health Systems also broke ground on a medical office building in Hoover. With a groundbreaking in May, Child-ren's Hospital got a \$570 million expansion underway; move-in is expected in mid-2012. The new facility will link to UAB's \$140 million Womens and Infants Center that was completed during the year. Construction got underway on an expansion of Brookwood Hospital's psychiatric department late in 2009. The 30-doctor Norwood Clinic is opening in a converted grocery store building in Fultondale, following closing of medical buildings in Norwood Plaza adjoining the shuttered Physicians Medical Center Carraway. Federal dollars will pay for a \$62.4 million Pell City nursing facility for the Department of Veterans Affairs. A State Health Board ruling (any city of over 60,000 residents is allowed to have a hospital even if the county has an excess number of beds) clears the way for a future facility in Hoover.

Retail employment declined during 2009 due to bankruptcies, store closings, and general reductions in staff. Space newly-vacated by companies including Bruno's, Goody's, Marshall's, Linens 'N Things, and Circuit City contributed to retail occupancy averaging 88.5 percent across the Birmingham area; the Western market saw the lowest occupancy at 82.7 percent. Sears closed its Fairfield store late in the year, after pulling out as the last anchor at Century Plaza mall in the summer; Century Plaza owner General Growth Properties shuttered the mall on June 14. Long-time area retailers, including Hunter Furniture, Forbes Piano, and Bromberg's, closed stores during the year; several auto dealers also fell victim to economic conditions and closing mandates. Bruno's, which had seen its Birmingham-Hoover market share fall by almost half in the past three years, succumbed to its second Chapter 11 bankruptcy filing; 56 stores across the state were purchased by Southern Family Markets in the spring. The company is continuing to operate 31 stores but liquidated 25, including 12 in the Birmingham-Hoover metro area that had employed about 800. Although the Riverchase Galleria held up fairly well, a planned Nordstrom store was cancelled.

The year also brought new retail development as well as groundwork for future plans. Stores opening at The Grove in Hoover included SuperTarget, Kohl's, Books-A-Million, and Petco. Bessemer annexed the Colonial Promenade Tannehill, which added stores and laid plans for second and third phases. The Shoppes at the Colonnade also saw new tenants and the Whole Foods-anchored Cahaba Village shopping center completed an addition. Bayer Properties completed an expansion of The Summit that is equally divided between office and retail space. Pell City's Bank-head Crossing added movie theaters and a new hotel. Auto shopping options grew with the first Mini-Cooper dealer in Birmingham and a dealership for the Indian Mahindra that is slated to open soon. Aldi is building its sixth Birmingham area grocery store in Pelham. Daniel Corp. had 35 commitments in August for the outlet mall it is preparing to build near Bass Pro Shops in Leeds; the new mall will further challenge Bessemer's struggling Watermark Place. Two developers that were responsible for significant Birmingham-Hoover retail development, Colonial Properties Trust and AIG Baker, are exiting the business.

Tight financing and the effects of the recession on businesses and consumers challenged the area's hotel and hospitality sector in 2009. Harbert was unable to obtain timely financing to transform the former Regions Bank headquarters in downtown Birmingham into a Marriott Renaissance hotel, with Regions looking for other prospects for the building. A Holiday Inn Express planned for the entrepreneurial district was also on hold. However, Aloft and Holiday Inn hotels as well as a nonmedical office building will be coming to the Cahaba Center at Grandview on U.S. 280; an Aloft opened in Homewood's SoHo Square in the spring. A number of properties were being marketed in Birmingham's downtown entertainment and theater districts early in 2009; the recession has resulted in the closing of some restaurants and art venues in that area. While a \$22 million renovation of the Sheraton Birmingham adjacent to the Birmingham-Jefferson Convention Center (BJCC) was completed in the fall, hotels slated for The Forge, a proposed entertainment district, were cancelled when the developer was unable to line up financing. The availability of only around 1,000 hotel rooms within walking distance cost the BJCC the Gideon's convention this year and negatively impacts its ability to draw large groups. Entertainment and dining options serving residents of Birmingham's 2nd Avenue loft district grew, including the Rogue Tavern venue.

Although its future is still in doubt, the BJCC broke ground on the much-debated domed stadium in July. The project is expected to cost around \$530 million for a stadium that will seat 57,500 and includes 160,000 sq.ft. of exhibition space. The Center paid \$1.1 million for a block nearby that would be used for parking for the facility and proposed entertainment district. Sporting events drew fans to the Birmingham-Hoover area during 2009, with a Davis Cup tennis competition, the annual Magic City Classic football game, the Regions Charity Classic golf tournament, and running, basketball, soccer, softball, and other sports boosting hospitality dollars by an estimated \$180 million during the year. Barber Motorsports Park added Indy Car racing to its schedule and the Kevin Schwartz Suzuki School to its offerings. The 45th anniversary tribute to the Ford Mustang drew a large crowd of participants and visitors to Barber in April.

2009 was a time of financial and political turmoil in Jefferson County. Early in the year, the county was hit with a ruling that struck down the occupational and business license taxes that

provided about \$78 million annually. The loss of around a quarter of the county's operating revenue forced layoffs and curtailment of services and employee hours as the county tried to work out an acceptable tax plan. The year also passed without resolution of Jefferson County's \$3.2 billion sewer debt issue. Birmingham Mayor Larry Langford was removed from office in the fall after conviction on 60 federal felony counts of bribery, with the election of a new mayor awaiting a 2010 runoff. On the positive side, the year saw the emergence of a unified organization to promote economic development across the metro as the Birmingham Regional Chamber of Commerce, the Metropolitan Development Board, and Region 2020 were folded into the new Birmingham Business Alliance.

Progress was made on a number of projects that contribute to the quality of life of Birmingham-Hoover metro area residents. Trussville was able to purchase 1,472 acres along the Cahaba River, previously planned for a massive development, for parks, greenway, and water supply use. Birmingham is moving ahead with plans for a \$5 million amphitheater at Railroad Reservation Park and for a \$22 million overhaul of Fair Park. The Birmingham Housing Authority neared completion of a \$23 million project in the Tuxedo Terrace housing community and received federal money for renovations at Cooper Green Homes. A new plan for an elevated portion of U.S. 280 was presented late in the year. The seven-county metro area gained an estimated 8,936 new residents in 2008 for a state-average increase that brought the population total to 1,117,608. Per capita income of \$40,379 was the highest of the 11 metros in 2008, although the increase of 2.5 percent was slightly below the state average. Median family income grew a stronger 3.0 percent in FY2009 and ranked second at \$60,900. Average annual wages of \$38,980 in 2008 were 107.8 percent of the Alabama average.

Both the commercial and residential real estate markets struggled in 2009. Most loft/condo conversions as well as potential office space renovations were put on hold or canceled during the year. However, construction is under-way on Cityville Block 121, a \$35 million mixed-use project on 20th Street in Birmingham that includes apartments, shops, and restaurants. Lane Park is among other mixed-use projects in the planning stages—the \$200 million development would replace the Mountain Brook Shopping Center and nearby apartments with retail, office, residential, and hotel space. Permits for single-family construction in the Birmingham-Hoover metro totaled 1,479 during the first 10 months of 2009, two-thirds the number for the same period a year ago. Plans for multi-family construction were severely curtailed during the same period, falling from 1,017 units in 2008 to just 98 for 2009. A total of 9,114 homes were sold in the first 10 months of the year, down an above-average 19.4 percent. The decline in area home prices as measured by the FHFA House Price Index amounted to 2.4 percent in the third quarter of 2009, the second highest metro area drop. For the year-over-year comparison, prices decreased 1.6 percent.