

# Florence-Muscle Shoals

Groundwork laid with the help of Retirement Systems of Alabama (RSA) investment has developed industrial capacity in the Florence-Muscle Shoals metro over the last several years and set the stage for increased production as the economy recovers in 2010. National Alabama, facing weak demand for railcars in 2009 and difficulty finding capital investment, was able to purchase needed production equipment with a \$275 million loan from RSA in spring 2009 and by mid-October had turned out close to 50 cars with about 120 workers. RSA investment in a facilities upgrade that enabled the Wise Metals Group to manufacture wider aluminum sheets landed the company a \$1 billion plus contract with Anheuser-Busch InBev to provide aluminum can sheets for at least five years; production is beginning in 2010.

The jobs recession that took hold in the Florence-Muscle Shoals area in January 2008 persisted during 2009, however, with total nonagricultural employment of 54,800 in October down 2,100 (-3.7 percent) compared to October 2008. Monthly job totals have consistently been below year-ago levels since January 2008. The goods producing sector saw the steepest decline over the past year, as natural resources, mining, and construction shed 600 and manufacturing lost 500 jobs. On the services side, professional and business services employment declined by 400, while trade saw payrolls shrink by 300 during the year ending in October, including a drop of 200 in the area's sizeable retail trade sector. Education and health services and state and local government each gained 100 jobs, while information, leisure and hospitality, and federal government employment were flat.

Total employment of Shoals residents fell by around 5,400 between October 2008 and October 2009, an 8.4 percent decline that was below the state's 8.6 percent drop. Just about 2,000 workers left the labor force during the year, a 2.9 percent decrease that was third lowest among the 11 metros. Job losses coupled with workers staying put pushed unemployment to 10.9 percent in October, up from 5.5 percent a year earlier. With around 4,000 more employed residents than jobs, the area continues to be a net exporter of workers. The Florence-Muscle Shoals economy expanded at a slightly faster pace than the state's between 2001 and 2008—current dollar output of goods and services rose 45.7 percent, including a 3.6 percent gain in 2008. The Tennessee Valley Authority (TVA) and the University of North Alabama contribute to an above-average 20.7 percent of GDP generated by the government sector.

Manufacturing contributed a state-average 13.1 percent share of area jobs in October 2009. Although employment contracted, there were no major closings and considerable capacity development that will generate jobs as the economy rebounds. The slow start-up of railcar production at National Alabama gave the area the opportunity to continue training the workforce as the company looks toward a strong long-term outlook. Wise Metals is beginning work under its Anheuser-Busch InBev contract for aluminum can sheets in 2010. SCA Tissue completed a \$14 million expansion announced in 2008, adding capacity with a new paper machine. After a \$4.5 million expansion in 2008 that added 30 jobs, commercial flooring manufacturer Flexco announced a 2009 investment of \$6.2 million in a new product line that will create 50 jobs over

three years. Tuflex Rubber Products completed its new Tuscumbia plant, expected to employ around 65.

Initiatives to grow existing industry are getting a boost from the October launch of a TVA program to reward companies making a long-term commitment in terms of jobs and investment with power bill credits. Infrastructure development at Shoals Research Airpark is continuing; a spec building near Rogersville Industrial Park should be ready in Spring 2010. Technical training, particularly in welding and machine work is an ongoing emphasis. Northwest Shoals Community College began offering welding classes at Lauderdale County's Central High in the fall and broke ground on a new training building at its Phil Campbell campus. Muscle Shoals High School's auto tech class received a top 20 ranking in Tomorrow's Technician. The area could become a center for technical education at the high school level under a proposal to create the Tennessee Valley Career Technology Center as a residential campus on TVA property. Results of a recent study suggest redeveloping TVA's Muscle Shoals Reservation as a research and development campus offering highly-skilled employment with a focus on energy industry innovation.

The challenging economic environment has added to empty storefronts across the Shoal's retail landscape, while newer shopping centers have not filled up. Still, the area's shopping hub, Regency Square Mall, is relatively stable and 2009 saw new restaurant and hotel development, including the opening of a Best Western Hotel and Suites in Russellville and Holiday Inn Express in Florence. A Comfort Inn and Suites and Residence Inn by Marriott should add to the hospitality scene in 2010. TVA's consumer connection study is helping Tuscumbia evaluate its retail potential, while another project is looking at future commercial and retail development of Colbert County's U.S. 72 corridor.

The future of hospital-based healthcare was under debate in the Florence-Muscle Shoals metro in 2009 as financial problems and debt load at the two providers who operate the area's three major not-for-profit hospitals raised concerns about their ability to maintain and upgrade services. Late in the year, Huntsville Hospital was considering a proposal to team up with Helen Keller Hospital and the Coffee Health Group that could help them refinance their respective \$40 and \$140 million in old debt and shore up operations. RSA's investment in the area's leisure and hospitality industry continued to pay dividends, with the new Robert Trent Jones Spa Trail promoting the spa at the Marriott Shoals Hotel.

Population growth in the metro was a modest 0.5 percent for the year ending July 1, 2008, with an estimated 784 new residents. Completion of BRAC-related moves over the next two years could add to the area's population as well as provide jobs for residents—almost 900 employees at Huntsville's Redstone Arsenal commuted from the Shoals in 2009. Enrollment at the University of North Alabama in Florence has grown from around 5,000 to 7,000 students in recent years, bringing more college students to the area. Recent quality of life improvements included completion of Sheffield's Love Plaza, a trailhead for the city's bike and pedestrian path. Creation of the Muscle Shoals National Heritage Area in 2009 will provide marketing funding. Helped by the city's \$14 million investment in a new sports-plex, revitalization of the area west

of downtown is a priority for Florence, although the city's decision to purchase the Florence Golf and Country Club and its potential future landfill use was controversial.

Deposits in FDIC-insured institutions rose a modest 4.0 percent during the year ending June 30. Still the number of banks operating in the area rose by two to 13 during the year, with the addition of three branches bringing the total to 54. Per capita personal income growth of 3.8 percent during 2008 was better than the state's 2.7 percent gain. Florence-Muscle Shoals was one of just two areas to post a decline in median family income in FY2009, with a decrease of 1.7 percent to \$51,400 (7th among the metros). The 2008 average wage across all industries of \$31,510 was the lowest among the 11 metros at 87.1 percent of the state average. 2009 was a tough year for the area's residential real estate sector. Building permit activity plummeted through October compared to the same period in 2008. Single-family home permits totaled 113, half the prior year's to-date total; multi-family units permitted dropped from 133 to 24. While the number of homes sold during the first 10 months was down a much smaller 18.9 percent, home prices as measured by the FHFA House Price Index saw the largest decrease among the state's metros with a decline of 4.5 percent in the third quarter. The index slipped 1.9 percent from its third quarter 2008 reading.