

Huntsville

An expanding federal government sector and a growing list of businesses focused on scientific and technical areas including information technology, engineering services, aerospace, missile defense, and biotechnology have the Huntsville area well-positioned for a strong recovery in 2010. Huntsville was among the last of Alabama's metro areas to fall into recession, with nonagricultural employment slipping below year-ago levels in November 2008. The number of nonfarm jobs averaged 210,000 for the first 10 months of 2009, below the 214,300 workers of the same period in 2008, but 900 above the same period in 2007. Payroll employment in October 2009 was down 4,700 (-2.2 percent) from a year ago. Goods producing industries bore the brunt of the losses—manufacturing shed 3,100 jobs during the 12 months and construction lost 900. Gains in some service providing sectors almost offset losses in others for a net decline of just 700 positions (-0.4 percent). Retail trade (-1,500 jobs) and professional and business services (-1,400) felt the most severe effects of the recession. The area's sizeable government sector added 2,200 jobs through October, including 1,100 in federal government work. Education and health services expanded to serve a growing population, creating 900 new jobs.

BRAC-related job and population gains will boost the Huntsville metro's position as a net importer of workers. In October 2009 there were about 28,000 more jobs than employed residents. However, a decline in total employment of 14,036 (-7.2 percent) paired with a contraction of just 3.3 percent in the labor force (-6,667 workers) pushed unemployment to 7.9 percent in October, up from 4.0 percent a year earlier but still the lowest of the metro areas. Growth in the area's economy has been the strongest in the state in recent years. The current dollar value of goods and services produced rose 63.9 percent between 2001 and 2008, including a gain of 6.4 percent in 2008 that compares to a statewide increase of 3.3 percent. Government sector output rose 68.1 percent during the seven years and accounted for an above-average 23.6 percent of the total in 2008. Growth in GDP generated by the area's professional and business services businesses has been the driver of the decade, however, with an increase of over 111 percent bringing the industry's share of total output to 22.7 percent. Professional and technical services accounted for 85.4 percent of sector GDP in 2008; output has risen 118.4 percent since 2001 to surpass the value of production generated by Huntsville area manufacturing firms.

Manufacturing accounted for a slightly above average 13.5 percent of jobs in the metro in October 2009. Employment fell by 3,100 (-9.9 percent) during the year, with losses including 1,500 jobs in transportation equipment manufacturing and 600 at companies that produce computer and electronic products. Toyota cut production at its Huntsville truck and SUV engine plant early in the year, suspending the V-6 and offering a voluntary exit program for employees, adding nonproduction days, and cutting executive pay and bonuses. The future looks solid, however—in August Toyota announced a \$147 million expansion that will add 4-cylinder engines to the current V-6 and V-8 lines in 2011; at least 240 workers will be hired late in 2010. But production at Limestone County's Delphi Saginaw Steering System plant ended with the

departure of the last 439 employees on June 26. Continental Automotive began paring its Huntsville workforce down from about 1,280 as it looks toward closing by year-end 2010. A \$21.7 million expansion at Federal-Mogul Sealing Systems announced in 2009 will add 110 jobs. Palco Telecom Services' new plant will employ 50. In nondurables manufacturing, Athens lost a major employer when Pilgrim's Pride shut down in September, laying off 640. American Leakless is investing in a new Athens plant that will employ 40. The area continued to market a TVA megasite off I-65 in Tanner, where a new interchange opened in the fall, as well as the Sewell property that was considered for the Volkswagen factory.

New jobs in the federal government sector helped prop up Huntsville area employment during 2009. Job moves associated with the 2005 BRAC transfers will continue into 2011; in mid-December about 2,400 of 4,651 government positions being transferred to Redstone Arsenal were reported to have moved, with about 56 percent taken by people from outside the area. The Missile Defense Agency, ahead of schedule with the transfer of about half of its 2,800 jobs, is planning to further grow the workforce at the campus under construction at Redstone, adding about 200 jobs annually through its Career Development Plan as it looks to fill future retirements and separations. FY2010 appropriations of \$7.7 billion are providing funding for the agency's Ground-based Midcourse Defense (GMD), THAAD, and Patriot PAL-3 missile programs as well as for adapting the SM-3 for use on land and for unmanned aerial vehicle research. However, Boeing, which transferred about 50 jobs with the relocation of headquarters of its missile defense systems division to Huntsville in 2009, laid off about 140 employees during the year due to cutbacks in the GMD program. Construction progressed on headquarters for the Army Materiel Command's more than 1,350 workers and for about 360 employees of the U.S. Army Security Assistance Command. A building for the 2nd Medical Recruiting Battalion was ready in April; August groundbreakings for the Rotary Wing Center at Redstone airfield and headquarters for the Redstone Test Center have the last BRAC-related construction on track. Other building at Redstone includes the Missile and Space Intelligence Center and the Propulsion and Explosives Technology Center, which opened in the summer. The state announced plans to accelerate road projects to serve BRAC-related transportation needs.

Military and defense work generated numerous contract awards, new facilities, expansions, and new entrants to the Huntsville metro area during 2009. WestWind Technologies opened an Aircraft Modification and Integration Center that will customize helicopters for foreign military sales. Tyonek could employ 400 in the Port of Huntsville air cargo building it leased for testing and working on Army helicopters. Agility Defense and Government Services selected Huntsville for its U.S. headquarters. MEI Technologies new office will facilitate work on a five-year \$158 million test and evaluation contract with the Army. Other firms with new facilities included SCoRe Solutions, Garver, GATR, Analytic Services, SL1, MWH Americas, CRS Engineering, nLogic, Freedom Information Systems, and DMD. A \$1.1 billion award will support Raytheon's development of a Patriot missile defense system for Taiwan. SAIC won a contract late in the year for up to \$848 million over five years for engineering and support services to the Army's Systems Engineering Directorate; the funding will benefit a team of 238 subcontractors with a presence in Huntsville. The Department of Defense's Defense Acquisition University completed a new building late in the year that will grow its role supporting the defense community.

Local colleges and universities are working to help provide the workforce and support needed by both defense and support firms—Calhoun Community College offered free tuition scholarships for engineering students, while the Army Garrison Command at Redstone partnered with Drake State Technical College on a cooperative educational program. New majors in management of acquisition and contracts, enterprise systems, and logistics and supply at Athens State are targeted to BRAC needs. AMCOM awarded the University of Alabama in Huntsville a \$75 million contract for a Systems Management and Production Center to work with Redstone; the University's Center for System Studies provides systems engineering assistance to area firms.

Marshall Space Flight Center's manned space flight program, Constellation, which saw a successful test of the Ares I-X rocket in October, received \$3.46 billion in federal funding for FY2010. The Center, which employs about 2,540, is also leading development of a new upper stage for Ares I and the Ares V cargo launch vehicle. With 70 percent of space workers eligible to retire in the next five years, ongoing recruitment is a priority. NASA work at Marshall brought expansions at existing firms such as NeXolve in 2009 as well as new entrants to Huntsville including Draper Research Lab and ASRC Aerospace. A Dynetics-led team won a \$335 million five-year contract for information technology services at Marshall. The area has been reaching out to aerospace workers at Kennedy Space Center who could be out of a job when the current space shuttle program is shut down.

Although the weak economy clouded the outlook for the Huntsville area's retail sector when bankrupt national companies left vacant spaces during 2009, activity should pick up in 2010 as job and population gains provide opportunity. Bridge Street completed The Station entertainment complex in the summer and saw the opening of The Sports Authority anchor in Phase 2. Construction is slated to begin in 2010 on the Centre's second office tower. SpringHill Suites at the Constellation mixed-use project was on track and the development was marketing restaurant outparcels during the year. Dick's Sporting Goods opened at Valley Bend at Jones Farm in the spring. A number of mixed-use projects that incorporate restaurants, retail, offices, and residential are planned or under construction, including Resonant Pointe across from Huntsville Hospital, Eighteen Watercress on the site of the old Monrovia Golf Course, a public/private development in downtown Huntsville, and the Harris Hill project in northeast Huntsville.

Healthcare in the area will become more convenient when the new Madison Hospital opens in February 2012. Construction of the \$71 million, 60-bed hospital that will be operated by Huntsville Hospital and employ around 500 got underway late in 2009. The hospital will be a catalyst for medical facilities development in the area, including the planned \$10 million Madison Medical Park. BlueCross BlueShield's Huntsville service center opened in the fall—current employment of 70 could grow to 200. However, Aramark laid off 163 in healthcare support services late in the year. The city-county jail expansion was finally complete in April.

Both job opportunities and quality of life brought numerous kudos to the metro area during 2009. In November *BusinessWeek* selected Huntsville as the #2 city set for a recovery in the jobs market. *Forbes* names Huntsville one of its Leading Cities for Business in April and in July

tagged it among the Top 5 Best Cities for Recession Recovery; *Fortune Small Business* called Huntsville the top medium-sized city among Best Places to Launch. Madison was touted by CNNMoney.com as one of America's Top 50 Small Towns and by *U.S. News & World Report* as the second Best Place to Grow Up. *Kiplinger's* named Huntsville the nation's Best City in 2009 and RelocateAmerica chose it as one of the Top 10 Places to Live. Huntsville continued to see the strongest population growth among the state's metros with a 2.4 percent gain in 2008 adding over 9,300 residents. Given the large number of workers at Redstone Arsenal and Cummings Research Park, a group is studying the possibility of developing light rail that would initially service those areas. The concept of secure rail into the Arsenal is of particular interest since a southern bypass was rejected due to security concerns. Public school construction is proceeding as the area prepares for ongoing population growth. Huntsville's Mill Creek Elementary was under construction and funding was approved for a new elementary school in Big Cove as well as for a replacement Lee High School. Limestone County's Blue Springs Elementary will open in fall 2010; Madison is building a new high school in an annexed area of the county. New dorm space will enable the University of Alabama in Huntsville to require freshmen and sophomores to live on campus in the fall of 2010.

The City of Huntsville continued to pursue public/private partnerships that will increase residential living and activity in the downtown area. Residential building has held up relatively well during the past year, with 1,860 permits issued for single-family homes during the first 10 months of 2009 just 4.0 percent below the same period in 2008. At 575, multi-family units permitted were up 51.7 percent compared to the previous year. A total of 6,593 homes were sold through October, an 11.6 percent decline from a year ago. However, Madison County saw an all-time record 526 sales close in November. The FHFA House Price Index had Huntsville metro area home prices up 1.2 percent in third quarter 2009 compared to a year ago and essentially unchanged from the prior quarter. With more than half a million square feet of new spec commercial space in the first half of 2009 and tight lending conditions, development is expected to shift to a build-to-suit mode.

Huntsville's banking sector saw the strongest growth among the state's metros during the year ending June 30, 2009. Deposits in FDIC-insured institutions rose 18.7 percent and the number of banks increased by one to 25, with six new branches bringing the total to 115. Per capita income rose 3.8 percent to \$37,938 in 2008, second highest among the metro areas. At \$67,500, FY2009 median family income in the Huntsville area was the highest in the state and \$3,500 above the U.S. median. Wages across all industries averaged \$44,540 in 2008, well above the state and national averages.