

Tuscaloosa

Strong enrollment growth at The University of Alabama, sizeable influxes of visitors for the University's home football games and other sporting events, and a growing healthcare industry helped support the Tuscaloosa metro during 2009. However, the area's large automotive manufacturing exposure was a negative factor as the effects of the recession deepened and consumer spending and credit tightened. Still, Tuscaloosa was among the last of Alabama's 11 metros to fall into recession in terms of jobs, with monthly nonagricultural employment consistently below year-ago levels from November 2008 forward. A total of 3,200 jobs (-3.2 percent) lost between October 2008 and October 2009 dropped payroll employment to 95,900. Goods producing industries bore the brunt of the decline, with job losses of 1,000 (-11.4 percent) in natural resources, mining, and construction and 1,200 in manufacturing (-7.9 percent). Service providing businesses shed 1,000 positions during the year, including 500 in retail trade and 300 in professional and business services. Only state and local government, with 200 new jobs, and education and health services, which added 100, posted gains in payroll employment.

The Tuscaloosa metro is a net importer of workers, providing about 9,000 more jobs than the number of employed residents. Mercedes is a destination for some Birmingham-area residents; and in general workers from surrounding rural counties often continue to live there and commute to Tuscaloosa. During the 12 months through October 2009, employment of area workers fell 8.0 percent while the labor force contracted by just 3.1 percent. Although still well below the state average of 10.7 percent, unemployment more than doubled to 9.3 percent. The current dollar value of goods and services produced in the metro area grew strongly between 2001 and 2008—an increase of 62.4 percent compared to the state's 43.3 percent gain. However, GDP growth slowed to just slightly better than average in 2008. Manufacturing accounted for a 34.5 percent share of output in 2008 that was second only to Decatur's share. Just 45.6 percent of GDP was generated by service providing businesses in contrast to 58.8 percent for the state. Manufacturing passed government in share of area GDP during the 2001 to 2008 interval; output from manufacturing climbed 82.9 percent and government output rose 59.7 percent during that time.

Manufacturing contributed 14.6 percent of Tuscaloosa area jobs in October 2009 and 17.2 percent of 2008 output, both moderately above the state averages. Mercedes-Benz U.S. International struggled to bring supply of the SUVs produced at its Tuscaloosa County plant in line with sinking demand. 2008 marked the first time since start-up in 1997 that Mercedes was forced to curtail operations and reduce its workforce. The 32-hour work week implemented in October 2008 continued through the end of November 2009 and, coupled with lengthened holiday and summer shutdowns, seriously impacted the economic well-being of workers at the plant and at area automotive parts suppliers, who generally parallel Mercedes. Release of temporary workers and voluntary buyouts reduced Mercedes workforce from 4,000 to around 3,000 as the second shift was cut at one of the two assembly lines and paint shops at the first of 2009. Additional separations late in 2009 brought the number of employees down to 2,800.

Hundreds of former Mercedes workers are eligible for extra help, including training and relocation allowances, under the Trade Assistance Program due to increased import competition. Total vehicle production in 2009 was almost 35 percent below its 2008 level. Improving consumer confidence as the nation emerges from recession brought the plant back to five-day work weeks from late November at least through February 2010 to meet increased demand. A milestone was reached with the production of the one-millionth M-Class SUV in September.

Investment and new product lines announced during the year should assure a solid future for the area's automotive sector. A \$290 million investment at Mercedes, which is expanding the body shop and adding new equipment and robotics, is slated for completion in October 2011. The plant is diversifying its product line with its first full hybrid, the ML450 SUV. The big development of the year, however, was the December decision by Daimler AG to move some C-Class production to the Vance plant, which will be the sole supplier for North America when production begins in 2014. Employment at the plant is expected to climb back close to the pre-recession level of 4,000 by that time. Despite the downturn in the industry, Mercedes supplier Brose Tuscaloosa is planning a \$4.1 million expansion that will yield 30 new jobs. New supplier Faurecia North America will start work early in 2010 on a \$15 million plant that could employ close to 200. In November, though, Visteon closed the plant that it opened in 2008. In other industrial developments, an expansion at Smith Machine turned out to be larger than planned, costing almost \$6.4 million and creating 51 jobs. Hunt Refining continued work on its \$823 million expansion with the addition of two 120-foot hydrocracker reactors; a Coker expansion will begin operation in mid-2010. However, Graphic Packaging closed one of its two Tuscaloosa plants in May, idling 87.

Healthcare lent stability to metro Tuscaloosa employment during 2009. The new DCH Cancer Center opened in April, providing four times the space of the old facility. While the Alice M. Kidd Nursing Home on the Bryce Hospital campus closed in July, a deal worked out at year-end will keep the main Bryce Hospital in Tuscaloosa—a new facility will be built on the grounds of the W.D. Partlow Developmental Center. The area's retail scene was challenged by the exit of bankrupt national and regional companies including Circuit City, S&K Menswear, and Goody's. Goody's vacated an interior location at McFarland Mall, adding to the growing number of empty storefronts there. Bruno's bankruptcy and sale resulted in the closure of several grocery stores during the year. The Publix-anchored Capital Market Center in Taylorville opened in January 2009, offering space for small shops and for outparcel development. Tuscaloosa's Midtown Village is slowing filling up, with several stores and restaurants opening in 2009. The city continued to evaluate its incentives for new retail and for redevelopment as it seeks to compete for retail businesses. Prospects for business growth earned Tuscaloosa a #11 ranking among small cities as a CNNMoney.com Best Place to Launch.

Rapid increases in The University of Alabama's student population, which reached 28,807 in fall 2009, are contributing to population growth in the Tuscaloosa metro and helping the University maintain and even expand its faculty and staff, despite reductions in state funding. The estimated addition of 2,267 new residents to the area in 2008 amounts to a 1.1 percent gain that is above the state average of 0.8 percent. The University's student body growth and its loyal

football following are among the catalysts for numerous recent and ongoing construction projects. A favorable bond market helped secure funding for an \$80.6 million expansion of Bryant-Denny Stadium that will add 9,000 seats for the 2010 season. The \$104 million RidgeCrest South residence halls were ready in the fall, adding 968 beds for on-campus students. Federal funding largely funded the \$70 million second building in the Shelby Science and Engineering Complex that was completed in the summer. Demolition of two existing engineering buildings and construction of the third phase of the complex got underway at the start of 2010. Funding of \$40.2 million for a fourth phase was included in the FY2010 appropriations bill. Plans were under development for an addition to and restoration of historic Foster Auditorium to host women's sports. And at the end of the year, the University was able to work out plans to purchase the adjoining Bryce Hospital property for future expansion. UA also purchased and will operate the Capstone Village retirement community on the edge of campus.

Tuscaloosa's downtown development progressed during the year, with several new bars and restaurants added and ongoing work on the University Boulevard gateway. Con-tracts were awarded for construction of a \$14.9 million riverfront amphitheater that is slated for completion later in 2010. The city's intermodal center opened downtown, serving as a bus terminal and parking garage. A ground-breaking was held in mid-December for the \$67 million federal courthouse that will be the centerpiece of the downtown urban renewal project. Plans are moving forward for riverfront development that will include a farmer's market and multipurpose facility. And a within-budget bid for construction of the Queen City Transportation Museum should jumpstart that stalled project. Prospects for conversion of the Spiller Building downtown into a cultural arts center brightened late in the year when the city entered into a lease agreement for the building.

Area tourism benefited from a USA Triathlon event with about 1,100 participants in the summer, while local residents enjoyed the April Blue Angels show. Rural Hale and Greene counties are trying to parlay their natural advantages into eco-tourism, organized by groups such as Alabama Black Belt Adventures. Tuscaloosa County's Parks and Recreation Authority took bids for an activity center at Faucett Brothers Park in Northport. A number of public school projects were completed by the fall, including re-opening the former Tuscaloosa Middle School as a magnet school and the City of Tuscaloosa's new Southview Elementary and Middle schools. The Tuscaloosa County school system is building the new Sipse Valley Middle and High schools. High school consolidations were under consideration in Hale County.

Commercial office space benefited from the opening of the Bank of Tuscaloosa building on the riverfront—other tenants include Hunt Refining and law and accounting firms. Multi-family housing construction slowed in 2009 as the market waited for the large number of condominiums and apartments built in the past several years to be absorbed. One student-oriented development, The Retreat at Lake Tamaha, was completed in the fall. Stimulus funding will get construction going on the second phase of the McKenzie Court housing project; a first phase with 112 units was completed in 2008. Building permits for single-family homes in the Tuscaloosa metro area slid an above-average 32.1 percent to 286 for the first 10 months of 2009 compared to the same period in 2008. At 267, the number of multi-family units permitted

was 56.3 percent below a year ago. Home sales fell 22.5 percent to 1,387 for the same period. On a year-over-year comparison, prices measured by the FHFA House Price Index were down 3.4 percent in the third quarter, the steepest decline of the state's metros.

Bank deposits in FDIC-insured institutions rose at an about-average rate of 8.8 percent during the year that ended on June 30, 2009. The number of banks in the area was unchanged at 22 and branches increased by one to 61 during the year. 2008 per capita income growth of 3.3 percent compares favorably to the state's 2.7 percent gain; at \$33,726 Tuscaloosa's per capita income ranked fourth among the 11 metro areas. However, median family income posted a weak 1.7 percent increase in FY2009 and ranked sixth at \$55,000. Average annual pay of \$35,220 was 97.4 percent of the Alabama average in 2008.