

# Mississippi Gulf Coast Regional Brief

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First Quarter 2010

**Published May 6, 2010**

This report contains statistics and commentary relative to the events and news that shaped the Mississippi Gulf Coast economy in the first quarter of 2010. This report is not comprehensive but provides insight on various issues, including the labor force, the overall economy, housing, tourism, and infrastructure. For more information regarding this report, please contact Scott King at the Gulf Coast Business Council Research Foundation at 228-897-2020.

## Executive Summary

This report contains information and commentary reflective of the Mississippi Gulf Coast and is intended to provide a regional perspective of economic conditions during the first quarter of 2010 and expectations for the coming months. The Regional Brief will provide the reader with a better understanding of the challenges facing the region and can be used to help make informed decisions to tackle obstacles and meet opportunities. Below are some of the key findings from this report.

- Unemployment rates diminished in the first quarter but the number of establishment jobs reported in the three combined coastal counties was down by 2,530 jobs from 2009. The number of manufacturing jobs on the Mississippi Gulf Coast grew over the last twelve months, however, and the information sector reported job growth of 12.4%
- Sales tax diversions that were received in March for the combined Mississippi Gulf Coast grew year-over-year after 27 consecutive monthly declines. Comparing the first quarter to that of 2010 shows that the adjusted decline was only 0.9%, after several quarters where declines amounted to closer to 10%.
- The inaugural Mississippi Gulf Resort Classic, a PGA Champions Tour event, was held in late April and was a large success.
- High profile tourism projects are on the way to the Mississippi Gulf Coast. In April, the \$40 million Infinity Science Center entered a contract to construct its facility and the Institute for Marine Mammal Studies announced plans to build a \$75 million oceanarium in D'Iberville.
- Hotel occupancies in the Gulfport-Biloxi area and passenger traffic at the Gulfport-Biloxi International Airport were up in March compared to prior year.
- The housing market is still challenged by inventories that are growing and selling volumes that are considerably below pre-Katrina averages, which places downward pressures on selling prices. Moderate progress was made on the insurance front, both in long term potential solutions and by new entrants into the private market.

*Special note: On April 22, 2010, the Deepwater Horizon drilling rig, which was operated by British Petroleum off the coast of Louisiana and directly south of the Mississippi Gulf Coast, experienced a massive explosion and eventually sank. Eleven people lost their lives. An oil spill resulted and at the time of publication of this report, oil was reportedly still flowing into the Gulf of Mexico. Clearly, this represents a substantial economic and environmental threat to the Mississippi Gulf Coast and the surrounding region. In the coming weeks, the Gulf Coast Business Council and the Gulf Coast Business Council Research Foundation will monitor the events that take place and will report on any negative impacts that result from the incident in the next Regional Brief, if not sooner.*

## Employment

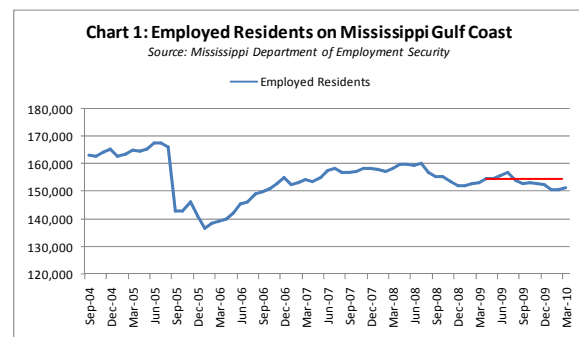
The employment situation did not improve significantly on the Mississippi Gulf Coast during the first quarter, but it did remain stable. The unemployment rate as of March 2010 for the three combined coastal counties was at 9.6% compared to 7.5% in March 2009, but when comparing the number of establishment jobs to prior year the decline was only 1.6%, or 2,530 jobs. As has been the trend over the last several quarters, the job sectors that have been impacted greatest by the recession on the Mississippi Gulf Coast continue to be Construction and Leisure & Hospitality. On a positive note, year-over-year losses in the Retail Trade sector narrowed considerably in the first quarter.

Table 1: Mississippi Gulf Coast Establishment Jobs  
Comparing Historical Levels in March  
Source: Mississippi Department of Employment Security

	March '10	March '09	Change	% Change	Dec '09	% Change
Manufacturing	21,720	21,230	490	2.3%	22,370	2.3%
Agri., Forestry, Mining, Utilities	1,670	1,760	(90)	-5.1%	1,690	-5.1%
Construction	9,380	10,810	(1,430)	-13.2%	9,430	-13.2%
Wholesale Trade	2,360	2,380	(20)	-0.8%	2,500	-0.8%
Retail Trade	16,620	16,730	(110)	-0.7%	17,260	-0.7%
Transportation and Warehousing	3,740	3,740	0	0.0%	3,830	0.0%
Information	2,170	1,930	240	12.4%	1,910	12.4%
Finance & Insurance, Real Estate	5,750	5,830	(80)	-1.4%	5,950	-1.4%
Professional Services	6,210	6,720	(510)	-7.6%	6,510	-7.6%
Management of Companies	780	840	(60)	-7.1%	770	-7.1%
Waste Mgt.	10,290	10,070	220	2.2%	9,880	2.2%
Educational Services	670	680	(10)	-1.5%	680	-1.5%
Health Care	10,460	10,840	(380)	-3.5%	10,300	-3.5%
Arts, Entertainment, and Recreation	180	220	(40)	-18.2%	180	-18.2%
Leisure & Hospitality	24,540	25,470	(930)	-3.7%	24,660	-3.7%
Other Services and Government	3,050	3,100	(50)	-1.6%	2,970	-1.6%
Government and Education	34,090	33,860	230	0.7%	34,110	0.7%
<b>Total Establishment jobs</b>	<b>153,680</b>	<b>156,210</b>	<b>(2,530)</b>	<b>-1.6%</b>	<b>155,000</b>	<b>-1.6%</b>

The job sectors that have been impacted greatest by the recession on the Mississippi Gulf Coast continue to be Construction and Leisure & Hospitality. On a positive note, year-over-year losses in the Retail Trade sector narrowed considerably in the first quarter.

Even in the challenging economy, there are definite signs of progress to report. Over the last year, 490 manufacturing jobs have been created, and the Manufacturing sector has seen year-over-year growth in establishment jobs for five consecutive months going into the second quarter 2010. The Information sector, which includes many high tech jobs located at facilities such as the Stennis campus in Hancock County, has grown by 12.4% on the Mississippi Gulf Coast since 2009.



In the second and third quarters it is likely that the employment situation on the Mississippi Gulf Coast will continue on its recent path of stability, and there will likely be significant opportunities for job growth in the Construction and Leisure & Hospitality sectors in early 2011.

## The Economy

After experiencing several consecutive months where sales tax collections were down 10% year-over-year, the slide on the Mississippi Gulf Coast narrowed considerably from prior year during the first quarter. In fact, if Bay St. Louis were to be removed from the equation when comparing first quarter sales tax diversions to 2009, the combined Mississippi Gulf Coast experienced a decline in sales tax diversions of only 0.9% in the first three months of 2010; in early 2009 Bay St. Louis received a lump-sum payment for sales tax collections for a recently annexed area.

Table 2: Historic Tax Diversions received in First Quarter (for Dec-Feb sales)

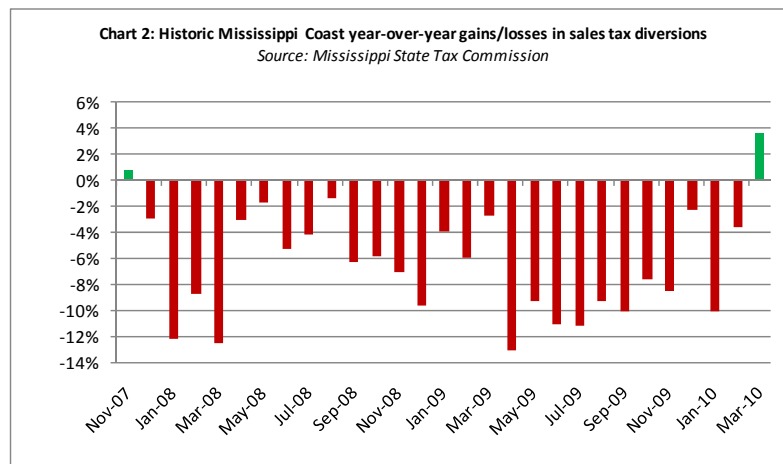
Source: Mississippi State Tax Commission

	2010	2009	2010 vs 2009	2005	2010 vs 2005
BAY ST LOUIS*	281,135	714,973	-60.7%	321,629	-13%
BILOXI	2,485,207	2,556,145	-2.8%	3,151,785	-21%
D'IBERVILLE	1,437,706	1,102,057	30.5%	889,422	62%
GAUTIER	561,050	639,907	-12.3%	543,214	3%
GULFPORT	4,778,854	5,044,952	-5.3%	4,600,978	4%
LONG BEACH	311,785	322,461	-3.3%	362,746	-14%
MOSS POINT	398,155	404,140	-1.5%	337,469	18%
OCEAN SPRINGS	1,138,326	1,163,049	-2.1%	948,867	20%
PASCAGOULA	1,297,521	1,407,058	-7.8%	1,342,153	-3%
PASS CHRISTIAN	239,131	85,206	180.7%	321,005	-26%
WAVELAND	564,951	612,295	-7.7%	557,617	1%
Combined Cities	\$13,493,821	\$14,052,243	-4%	\$13,376,884	1%

\*In 2009 Bay St. Louis began receiving diversions for a recently annexed area - they received a lump sum payment initially.

*If the statistically adjusted Bay St. Louis returns are removed from the equation, sales tax diversions on the Mississippi Gulf Coast only declined 0.9% during the first quarter 2010. In 2009 the combined Gulf Coast was often down 10% year-over-year.*

When referencing sales tax diversions for March 2010 (diversions that cities receive for March reflect sales that took place during February), the Mississippi Gulf Coast reported an increase in year-over-year returns for the first time in 27 months. Reference Chart 2 below.



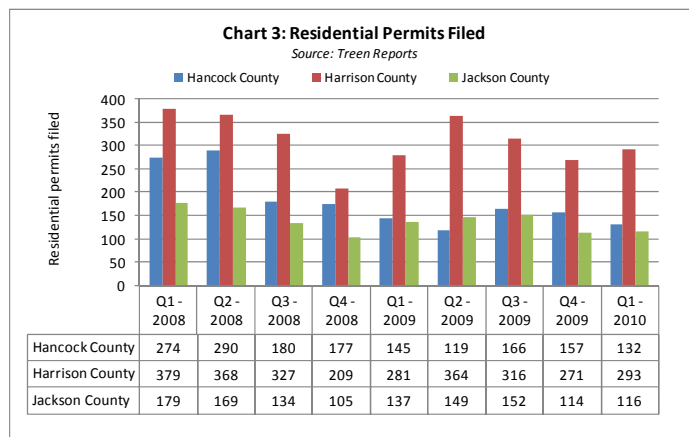
If the Mississippi Gulf Coast follows national trends, it is likely that consumer spending in the region will soon begin consistently surpass prior year levels, though only in modest increments.

Despite the recent uptick in sales tax collections on the Mississippi Gulf Coast, the pace of new large scale construction activity remains slow. While sizeable projects have been announced in recent months, the frequency of those announcements remains sluggish. Reference Table 3 below for a compilation of commercial permits that have been filed over the last nine quarters.

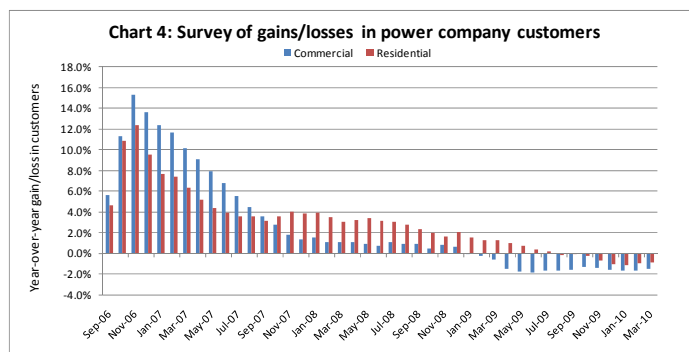
Table 3: Summary Estimates of future commercial contracts

	Q1 - 2008	Q2 - 2008	Q3 - 2008	Q4 - 2008	Q1 - 2009	Q2 - 2009	Q3 - 2009	Q4 - 2009	Q1 - 2010
Hancock County	\$33,053,000	\$23,038,000	\$19,786,000	\$16,199,000	\$31,620,000	\$7,455,000	\$37,387,000	\$5,386,000	\$4,976,000
Harrison County	\$200,525,000	\$113,592,000	\$145,033,000	\$67,463,000	\$23,368,000	\$106,238,000	\$204,458,000	\$49,332,000	\$29,416,600
Jackson County	\$24,979,900	\$52,012,000	\$12,009,000	\$10,547,000	\$19,661,500	\$20,924,000	\$19,200,000	\$13,174,000	\$11,977,000
Totals	\$258,557,900	\$188,642,000	\$176,828,000	\$94,209,000	\$74,649,500	\$134,617,000	\$261,045,000	\$67,892,000	\$46,369,600

Whereas the value of commercial permits has dropped in recent quarters, the volume of residential permits has remained steady, as evidenced in Chart 3. As consumers on the Mississippi Gulf Coast regain confidence and when employers begin to hire, the activity of new commercial and residential permits filed should increase.



Overall, the state of the economy on the Mississippi Gulf Coast continues to stabilize, with signs of progress occurring in consumer spending. The forecast for the ensuing six months is for slow, but continued progress.



To gain another perspective of where the economy on the Mississippi Gulf Coast stands, reference historic trends in residential and commercial utility customers. As illustrated in Chart 4, downward trends in commercial utility accounts began in fourth quarter 2008, stabilized, and have recently showed upward tendencies. Undoubtedly, the recession has taken its toll on businesses on the Mississippi Gulf Coast, particularly small ones, but as the economy improves more new businesses will be willing to take risks, and the results will begin to materialize.

Gauging the end of a recession is an inexact science, and it is still too early to place an official timetable on a complete recovery for the Mississippi Gulf Coast. Nonetheless, the positive statistics being reported at both the local and the national level are beginning to outweigh the unfavorable events. On the following page are examples of events that will characterize the coming quarters.

Below are milestones and recent announcements that should positively impact the economy on the Mississippi Gulf Coast over the course of the next several quarters.

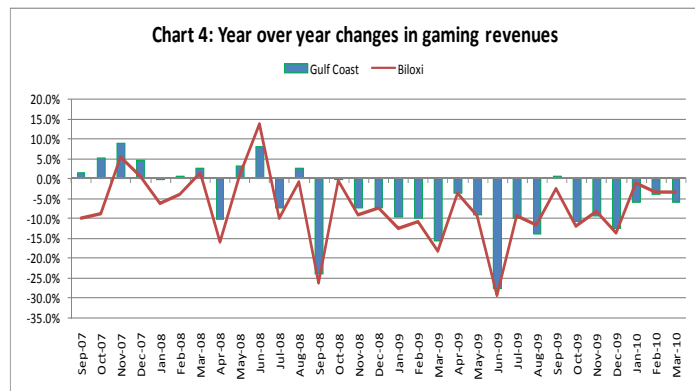
- Infinity Science Center and Roy Anderson Corporation have officially entered into contract on a \$40 plus million, state-of-the-art science and education center that, when open in 2011, will provide not only a major tourist attraction, but will also be the Mississippi Gulf Coast's first interactive science center. The economic impact of the \$28 million construction piece of the project should begin impacting the region this summer.
- Northrop Grumman Shipbuilding Inc. is being awarded a nearly \$10 million contract modification for products being produced associated with the DDG 1000 Zumwalt class destroyer. The additional work will take place in Gulfport and Pascagoula and is expected to be completed in December<sup>1</sup>.
- In April officials from Gulfport-Biloxi International Airport and Panama signed a cooperation agreement to promote cargo trade in both countries. Representatives from Panama also met with officials from the State Port at Gulfport to discuss the many opportunities that exist between the two transport hubs<sup>2</sup>.
- Progress tests on the \$1.1 billion liquefied natural gas facility being built in Pascagoula came in with positive news<sup>3</sup>. The Gulf LNG investment began construction in February 2008 and project completion is slated for late 2011.
- The Jackson County Port Authority is putting forth funding for a study that will examine creating a rail line linking East-central Mississippi to coastal ports. Federal transportation funds amounting to as much as \$225 million might be available for such a project<sup>4</sup>. In February Governor Barbour announced that Mississippi received a \$20 million federal grant to help pay for railroad improvements from the Port of Gulfport to Hattiesburg; the improvements would increase the capacity of the line<sup>5</sup>.
- NASA's John C. Stennis Space Center in Hancock County unveiled a new initiative that charts the future for the rocket testing facility after the Obama administration ended NASA's planned moon mission. Plans for the center to test Aerojet AJ26 rocket engines for Orbital Sciences Corp were also announced. Orbital is under contract with NASA to provide eight cargo missions to the International Space Station through 2015<sup>6</sup>.
- The Chevron refinery in Pascagoula is potentially poised to expand its coast facility, as the nation's largest domestic refinery continues to focus on its on-going base oil project<sup>7</sup>.
- Biloxi announced three significant economic projects in early April: a new Wal-Mart Supercenter near Edgewater Mall, a filed permit for a \$36 million expansion of the Palace Casino, and a \$14 million Kroc community center.

The remainder of this report includes discussion on the Mississippi Gulf Coast's tourism economy, updates on housing and insurance, and other economic briefs.

## Tourism

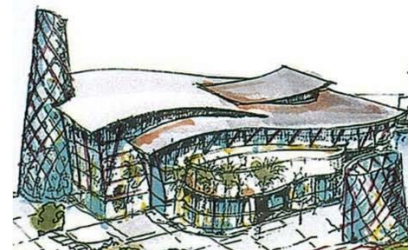
During the last weekend of April, the Mississippi Gulf Coast hosted the inaugural Mississippi Gulf Resort Classic at Beau Rivage’s Fallen Oak golf course. The PGA Champions Tour event likely attracted tens of thousands of visitors and was showcased on the Golf Channel, which has millions of viewers. In the next regional brief a more thorough analysis of the economic impact will be provided, but without a doubt this event, which was organized with the assistance of the Gulf Coast Business Council and benefited Habitat for Humanity, will have a lasting positive impact on the Mississippi Gulf Coast and its tourism industry.

On the gaming front, the worst for the casino and lodging industry on the Mississippi Gulf Coast appears to be over, at least from the perspective of year-over-year declines in gaming revenues. In Chart 4 recent performance of the Biloxi market, which is home to eight casinos, is compared to that of the entire Gulf Coast market, which includes one casino in Gulfport and two properties in Hancock County.



The Mississippi Gulf Coast is always on the radar for new developments in the gaming industry, and the City of D’Iberville is getting very close to seeing its first casino resort materialize. The Mississippi Gaming Commission has now granted approval for four casino sites, including the Oyster Bay and the CanCan projects; historically, site approval is only one step in a long process of developing a casino resort and obtaining financing is always one of the most difficult challenges. Meanwhile, the Palace Casino in Biloxi is undergoing a substantial expansion and the Hollywood Casino in Bay St. Louis is wrapping up over \$10 million in improvements to its facility.

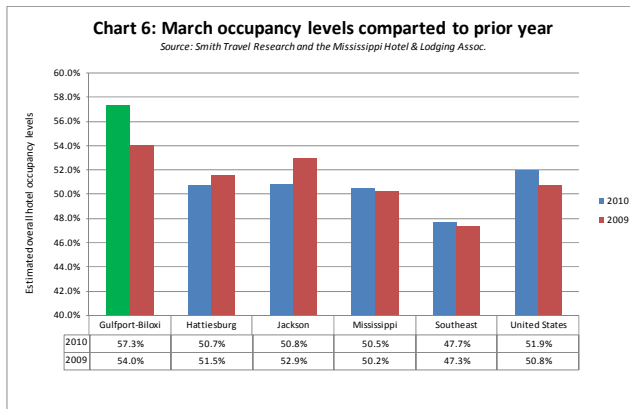
While there is no timeline in place for any new casino developments on the coast, a December groundbreaking on the \$75 million oceanarium is tentatively scheduled for D’Iberville. The Ocean Expo Learning Center will be built at the southwest corner of Interstate I-10 and the I-110 exchange. The Institute of Marine Mammal Studies (Gulfport) will build and operate the complex that will feature marine mammal shows, aquarium exhibits and interactive adventures.



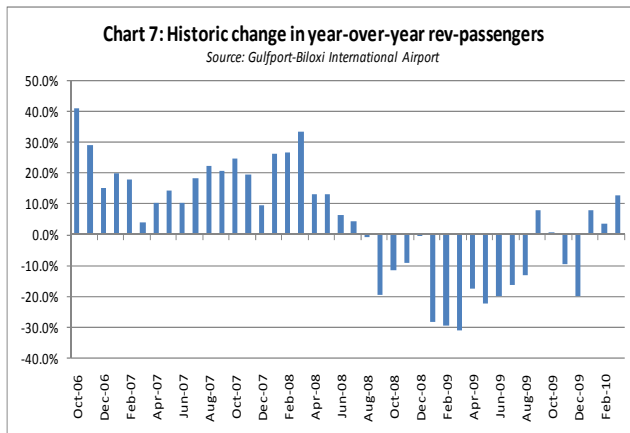
*Design illustration of the Ocean Expo*

Progress in tourism on the Mississippi Gulf Coast is not limited to Harrison County. As mentioned earlier in this report, the Infinity Science Center is scheduled for completion in 2011 in Hancock County, and in

Jackson County the Pascagoula River Audubon Center has proposed implementation plans for a Mississippi coastal birding trail and is planning for a statewide trail system.



Reinforcing encouraging news in recent sales tax returns, there have recently been positive reports from the Mississippi Hotel & Lodging Association and the Gulfport-Biloxi International Airport. Chart 6 contains recent occupancy levels for the Gulfport-Biloxi MSA and comparisons made to other regions. Occupancy levels were up in March over prior year.



On April 1, the Gulfport-Biloxi International Airport announced a new partnership with Branson Air Express that will link the Mississippi Gulf Coast to the popular resort destination in Branson, which will have a positive impact on the respective tourism destinations for both markets. The airport will also be up gauging the size of aircraft between Gulfport and Atlanta, and the statistics presented in Chart 7 demonstrate an increase in passenger traffic in recent months.

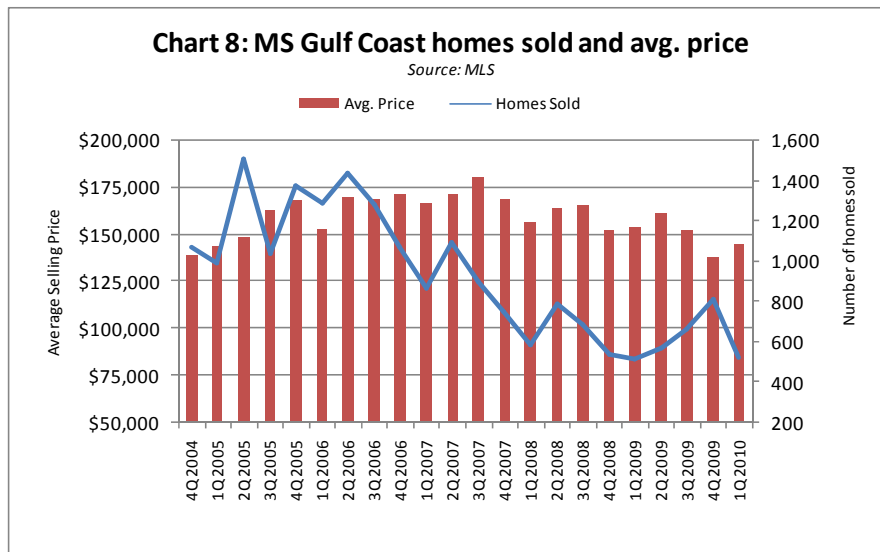
During the first week of May, the Southern Gaming Summit, which is the largest casino trade show outside of Nevada, will be held in the recently expanded Mississippi Coast Coliseum and Convention Center. In late May, the Gulfport-Biloxi International Airport will hold its Mississippi Gulf Coast Development Summit at Beau Rivage.

### Insurance and Housing

Leadership on the Mississippi Gulf Coast continues to seek solutions to the pressing insurance problem in the three coastal counties, but there has been some good news recently. In April, it was announced that a new private insurance company headquartered in Mississippi will offer – without geographic restrictions – a limited number of homeowner policies that include wind coverage. Coastal American Insurance Co. will begin selling policies in May to 1,000 policy holders<sup>8</sup>. Also in May, State Farm will begin offering wind-mitigation discounts for homes and rental properties strengthened against wind damage<sup>9</sup>. In March, Mississippi Insurance Commissioner Mike Chaney announced that Safeco Insurance will offer between 500 to 1,000 policies while also offering discounts to policyholders who take steps to

strengthen their properties. Even with that progress, however, it should still be noted that over 40,000 policyholders on the Mississippi Gulf Coast will have no other option but to remain in the state wind-pool; this will continue to inhibit home sales. In early April Senator Roger Wicker held an Insurance Roundtable in Gulfport that included: commentary from RAND’s Gulf State’s Policy Institute; representatives from Travelers Insurance (and the coastal wind zone plan); Congressman Gene Taylor and discussions on the Multiple Peril Insurance Act; and a plan for long-term flood insurance from the Risk Management and Decision Processes Center at the Wharton School, University of Pennsylvania.

Affordable housing programs such as Renaissance Corporation’s MyHome MyCoast have recently reported progress but the overall housing market on the Mississippi Gulf Coast remains challenged. In Chart 8 historic trends in volume of homes sold and average selling price suggest that average selling price remains near pre-Katrina levels but that volumes are still far below what was considered average before the storm.



In Table 4, snapshots of recent historic home inventories along the Mississippi Gulf Coast suggest that inventories are actually building slowly. Until inventories begin to be reduced, it might not be realistic to expect any real appreciation in home values in the near-term. Clearly, reducing the cost of insurance would be a catalyst for a substantial economic stimulus to the region.

Table 4: Snapshots of Available Home Inventories

Price Range	Apr-10	Feb-10	Oct-09	Jun-09
Less than \$130K	1,663	1,540	1,405	1,100
Between \$130K and \$200K	1,313	1,227	1,296	1,241
Greater than \$200K	1,116	1,103	1,177	1,252
<b>Total Homes on Market</b>	<b>4,092</b>	<b>3,870</b>	<b>3,878</b>	<b>3,593</b>

Source\*: Multiple Listing Services  
\*Information in this database changes frequently

## Regional Economic Development Organizations

The Harrison County Development Commission is progressing towards a \$24 million industrial park located in the northern portion of the county, and Broaddus & Associates will lead a team of nationally-recognized experts to complete a 50-year economic development master plan that will involve both Harrison and Stone counties<sup>10</sup>. Such a plan is vital to the restoration of the State Port at Gulfport that is currently underway. In Hancock County, Stennis International Airport has seen its military use increase significantly since 2006. Users of the 580 acre complex (which includes an 8,500-foot runway) include: the U.S. Coast Guard in Mobile; the 403<sup>rd</sup> Wing's Flying Jennies from Keesler Air Force Base in Biloxi; special operations teams from throughout the region; the Marine Corps; and the National Guard<sup>11</sup>.

## Education

The entire state of Mississippi has experienced revenue shortfalls that exceed several hundred million dollars, and the municipalities and counties along the Mississippi Gulf Coast have also seen budgets dwindle. Long Beach and Biloxi have been particularly challenged, and every school district on the Mississippi Gulf Coast is working to make more efficient use out of every available dollar.

## Legislative

A Tourism Bond Bill (HB 1701) that helped to secure funding for three critical projects on the Mississippi Gulf Coast – the Ohr O’Keefe Museum in Biloxi, the Infinity Science Center in Hancock County, and the Equestrian Center in Gulfport – passed both the House and Senate and was signed by Governor Barbour in mid-April. Despite initial resistance, a bill to continue to appropriate \$20 million into the wind-pool that will assist to keep wind-pool insurance rates from rising is awaiting signature from the Governor. Leadership from the Gulf Coast Business Council worked hard with the Mississippi Gulf Coast’s legislators to get these measures passed. At the federal level, efforts are underway to extend the time limits to issue GO Zone Bonds and GO Zone Special Depreciation Allowances.

## Quality of Life

In Pascagoula, the U.S. Army Corps of Engineers has finished pumping roughly 350,000 cubic yards of sand onto the beach. The City of Pascagoula plans a promenade with a walking path, benches and landscaping to go along with other improvements<sup>12</sup>. A groundbreaking ceremony was held in March for the first phase of a new \$250,000 park at the foot of the Biloxi Bay Bridge in Ocean Springs<sup>13</sup>.

In Hancock County, Waveland celebrated the reopening of a popular fishing pier destroyed by Hurricane Katrina. Waveland also held its second annual Oyster Fest in April.

The Deer Island Restoration Project in Biloxi received additional funding in February, and in April the Gulfport Redevelopment Commission began the process of transforming the former 92-acre beachfront

VA property into Centennial Plaza. Centennial Plaza will be home to Sounds By the Sea, Cruisin the Coast, Heartwalk, and Margaritafest, and plans will be made to further develop the property.

The Gulf Coast Community Foundation announced in April plans to donate \$1 million over the next seven years for programs run by non-profits in the six lower counties.

### **CEO & Business Owner Confidence**

In late March and early April 2010 chief executives and business owners within the counties of the Mississippi Gulf Coast were asked to complete a survey regarding their perceptions of the regional economy, reviews of the first quarter of 2010, and an outlook for the proceeding six months. The survey is administered by the Gulf Coast Business Council Research Foundation at the end of each survey through a partnership between local Chambers of Commerce. The cumulative score increased from the prior quarter and for the first time in several quarters, the respondents' views of the current economy compared to that of six months ago increased to above neutral. The overall measure of business confidence continues to be above neutral. The survey has been administered for seven consecutive quarters. To view the results of this and previous CEO & Business Owner Confidence surveys, please visit [www.msgcbc.org/research](http://www.msgcbc.org/research).

### **Closing Remarks**

In the last Regional Brief, it was noted that when the CEO & Business Owner Survey reflects improvement in *both* the sentiments of the current economy versus the prior six months and the outlook for the ensuing six months, that a turnaround in economic conditions on the Mississippi Gulf Coast will be underway. When business owners and CEO's completed the subsequent survey in late March, respondents indicated that the current economic conditions were better on the Mississippi Gulf Coast than they were six months ago; this might be considered a milestone for the economy in the region. The increase in confidence was admittedly marginal, but it was meaningful nonetheless. As the economy on the Mississippi Gulf Coast continues to improve, so will the confidence of the CEO's and Business Owners, and a productive cycle of increased revenues, job creation, more adequately funded municipalities, and a better quality of life will occur.

If you have any questions about this report or about any future reports please contact the Gulf Coast Business Council Research Foundation.

The Gulf Coast Business Council Research Foundation will continue to partner with area chambers of commerce to administer and report its quarterly **CEO and Business Owner Confidence** surveys with the goal of assessing current economic conditions and expectations each quarter and contrasting those positions to the prior quarter. The next survey will be conducted in late June 2010.

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<sup>1</sup> *Mississippi Business Journal*, April 21, 2010

<sup>2</sup> *Sun Herald*, April 15, 2010

<sup>3</sup> *Mississippi Business Journal*, April 12, 2010

<sup>4</sup> *Mississippi Business Journal*, February 11, 2010

<sup>5</sup> *Clarion Ledger*, February 17, 2010

<sup>6</sup> *Mississippi Business Journal*, February 15, 2010

<sup>7</sup> *Sun Herald*, March 9, 2010

<sup>8</sup> *Sun Herald*, April 28, 2010

<sup>9</sup> *Mississippi Business Journal*, March 3, 2010

<sup>10</sup> *Mississippi Business Journal*, April 7, 2010

<sup>11</sup> *Alliance Insight*, Volume IV Issue I

<sup>12</sup> *Mississippi Business Journal*, March 31, 2010

<sup>13</sup> *Sun Herald*, March 30, 2010