

## Pensacola, Florida

# Pensacola on the Hunt for Business

**T**ucked into the western end of Florida's Panhandle, Pensacola is geographically and economically removed from the epicenters of the Sunshine State's early 21st-century economic rise and fall.

Rather than the real estate sweepstakes that inflated and then punctured economies in cities like Miami and Fort Myers, Pensacola's livelihood depends on steadier business. Sprawling Naval Air Station Pensacola, health care, and tourism are economic staples. Certainly, Pensacola has grown, but its growth has been muted compared with the state overall. From 2000 to 2010, Pensacola's population increased half as fast as Florida's. As statewide median home prices tripled before 2007, metro Pensacola's merely doubled. The area has experienced a softer landing, however, as foreclosure rates are about half those of Florida overall.

### **Bruised but not battered**

Nevertheless, Pensacola hardly escaped the recession. The metro area's total nonfarm employment at the end of 2011, down about 15,000 from its high, equaled that of 2003. December's unemployment rate of 9.6 percent was higher than the national level and not much below the statewide rate of 9.9 percent. Yet as 2012 dawned, local observers and business leaders expressed a renewed sense of optimism about Pensacola's prospects.

"It's fair to say there's an excitement we haven't seen here in several years," said Rick Harper, an economist and director of the University of West Florida's Haas Center for Business Research and Economic Development. "We're still down jobs from the peak, but there is a sense we're headed in the right direction."

### **Mayor in motion**

One source of Harper's optimism is Mayor Ashton Hayward. A 42-year-old Pensacola native, Hayward took office in January 2011 as the first "strong mayor" under a new city charter that grants greater authority to the executive branch. Hayward returned to Pensacola in 2003 after living in New York City for a decade. His focus is economic development. He's spent considerable time with state officials in Tallahassee and traveled to California and New Jersey, pitching his hometown to prospective private-sector employers. Hayward figures that the



**After a decade spent in New York City, native son Ashton Hayward returned to Pensacola, became its mayor, and is on a mission to diversify the city's economy.**

best way to attract jobs is by stressing the quality of life offered by a centuries-old city with a walkable downtown on a picturesque bay.

"Truthfully, we've never told that story, and that's my job," said Hayward, who worked in sales in New York and real estate development back in Pensacola. "We're not going to be able to survive if we just exchange money [among the locals] and we're a service stop off I-10."



**Pensacola, Fla.**

Population	51,923
Escambia County population	297,619
Median household income	\$43,574
Median owner-occupied home value	\$168,400

Source: U.S. Census Bureau, 2006–10 American Community Survey



Among Hayward’s initiatives is a plan to spruce up the city. He cites former New York City Mayor Rudy Giuliani’s work in polishing the Big Apple as a model. Hayward is paying particular attention to Pensacola’s waterfront, including the struggling city-owned Port of Pensacola. Much smaller than Gulf Coast ports in Mobile, New Orleans, and Tampa, Pensacola’s harbor processes and stores unsightly bulk materials at a time when most cargo is shipped in containers.

Hayward would like to refocus the port to attract more technologically advanced vessels that service offshore oil and gas drilling rigs. He is also pushing the development of a 30-acre “maritime park” on the water that was approved by voters before he took office. The public-private venture will be home to green space, offices, an amphitheater, and a 5,000-seat ballpark for a minor-league baseball team that begins playing this April. Hayward is also recruiting a private-sector developer for a business park on city-owned property next to Pensacola’s airport.

**Improving prospects**

In addition to a mayor aggressively pursuing economic development, Pensacola has a new \$10 million fund to help lure business. The Florida legislature in 2011 allotted \$10 million a year for three years to each of the eight counties most affected by the spring 2010 BP oil spill. Harper, whose center is administering the fund, said the money is meant to help industry recruiters close deals. For instance, if a company considering a move to metro Pensacola asks to have a building refurbished, the fund could pay for the renovations. Harper said the program started evaluating proposals in October 2011 and intends to announce its first investments this year.

Others are also seeing evidence of an uptick in Pensacola’s economy.

Landrum Staffing Services Inc., a Pensacola staffing firm, booked the same volume of billings in the first three weeks of January 2012 as in the first four weeks of January 2011, said Denise McLeod, the firm’s vice president and chief operating officer and a member of the Atlanta Fed’s Center for Human Capital Studies.

“After the first week of January, which is normally slow, it was like the water spigot has been turned on,” McLeod said. Landrum recently placed 200 workers at a maker of wind-energy turbines. Many of Landrum’s clients in the health care, legal, and hospitality industries are seeking permanent employees, McLeod added.

The hospitality sector in particular thrived in the 2011 summer beach season. After the oil spill largely wiped out the tourism sector in 2010, summer 2011 was the first season in which room bookings and hotel-motel tax receipts topped the levels of 2007, the last typical year before the full effects of the recession and oil spill, Harper said. “If 2012 follows suit, we could be back on the long-term trend,” he noted.

**NAS is BIG in Pensacola**

Some of those beachgoers might glimpse the Navy’s Blue Angels practicing aerial acrobatics. The squadron has been based at Naval Air Station (NAS) Pensacola since 1954. Its air shows are a famous but small piece of the Navy’s presence.

The military in 2009 accounted for 12 percent of the metro area gross domestic product, the most recent data available from the U.S. Bureau of Economic Analysis (BEA) show. By comparison, the military in the same year made up 1.4 percent of the U.S. gross domestic product.

Clearly, the Navy’s large presence is a stabilizing economic force for Pensacola. NAS and nearby Whiting Field employ

**Grassroots continues on page 31**

**Grassroots continued from page 5**

nearly 25,000 in military and civilian jobs, a number that has held steady in recent years. While important sectors such as construction and retail and wholesale trade declined during the recession, BEA data show that the military's economic activity in Pensacola has increased in each year since 2005.

Given the Navy's vital place in the local economy, Pensacola leaders are concerned about possible Pentagon budget cuts. "We're all holding our breath here" regarding military spending decisions in Washington, Harper said.

As important as it is, NAS Pensacola used to be even more dominant in the local economy. For one thing, the rest of the economy has grown up around NAS, while its staffing level has remained constant in recent years. Second, since the mid-1990s, NAS has performed less aircraft repair and maintenance than it once did, meaning the contracts the base awards locally are less lucrative than before because they do not involve as much engineering and technical work, according to Harper.

Meanwhile, Mayor Hayward is looking to clean up the city and alert busi-

nesses near and far that Pensacola will welcome them. He said the city has some 100 waterfront acres that can be improved. "I didn't want to watch the demise of Pensacola," he said of his reasons for running for mayor. "It was time to lead."

Now he's getting his chance. ■

*This article was written by Charles Davidson, a staff writer for EconSouth.*

# REIN

## Regional Economic Information Network

**On the Ground continued from page 15**

**Juan del Busto, regional executive at the Miami Branch:** High unemployment rates and the slow real estate recovery continue to be major headwinds against the pace of economic activity going forward.

Our contacts in travel and tourism tell us that the industry is doing well and that the outlook is bright for 2012. The recent cruise ship disaster and tragedy [off Italy's coast] will have some impact on that sector's business this year. Our automobile contacts are very optimistic and positive about their sector's business and outlook.

In summary, our contacts are cautiously optimistic about the economy but are also concerned about the ongoing economic policy uncertainty and global issues such as what is occurring in Europe.

**Lee Jones, regional executive at the Nashville Branch:** My Nashville directors and Tennessee contacts seemed to be a bit more cautious than most in their outlook for 2012. From the perspective of a generally improved fourth quarter of 2011, the Nashville Branch members of the Regional

Economic Information Network heard similar sentiments—business executives were concerned about another year of weakened yet positive performance for 2012, just as they saw in 2010 and 2011, when the years started strong but ended with disappointing results. In a recent meeting, the CEO of a national retailing firm headquartered in Nashville summed up 2011 by saying that it was on the whole their best year ever in terms of total sales. Yet this executive's outlook for 2012 is only moderately to cautiously optimistic.

Most contacts shared that they are slowly experiencing a slight pickup in demand, but the "new normal" of tightly managing inventory, the continued need to seek greater efficiencies, and very weak margins continues an environment that feels far from a strong recovery. As a result, many are in a wait-and-see posture with regard to increasing production and employment. Most indicated that the fourth quarter and the holidays provided some bright spots in consumer spending. However, many continue to be very cautious regarding factors such as regula-

tory compliance, continued volatility in equity markets and consumer confidence, and the election. For our contacts, these combined factors present an environment of uncertainty and potential challenges in 2012.

**Robert Musso, regional executive at the New Orleans Branch:** Growth is occurring, most notably in the energy sector. We've heard of staffing increases in this sector and in some others as well—it's all very promising. The news is as good as we've heard in three years. Some of it is hiring for new projects—such as boat construction—but part of it is tied to infrastructure projects because limited infrastructure work has been done in the past few years.

We've also heard discussions of salary merit increases of 2 percent to 3 percent. For the last two or three years, everyone's salary has been frozen, so it's time to catch up. ■