

The coexistence of oil-removal equipment and wildlife was a common sight along the Gulf Coast this summer.



# Alabama's Gulf Coast Cleans Up

Nearly five years after Hurricane Katrina laid waste to large swaths of the Gulf Coast, the region faces another disaster: the oil spill that has affected Alabama lives and livelihoods. How—and how soon—the area rebounds remains open to question.

A south wind stirred the pines and rippled Wolf Creek in south Baldwin County, Ala. Gentle waves lapped at the boat. Mullet jumped, and an osprey winged overhead clutching a fish.

This serene tableau betrayed little evidence of the summer's oil spill, the worst in U.S. history, in the nearby Gulf of Mexico. Just a few hundred yards to the south, though, boom was strung like a floating necklace along the banks of Wolf Bay. Other barriers stretched across the width of the bay, arranged so that an opening for boats could be quickly closed should oil drift near. Boats were scarce that July day, partly because of threatening skies, partly because of the vast oil slicks.

In Alabama's bays, it was possible to escape the physical evidence of the spill. Yet during the summer of 2010 the ecological and economic threats posed by the oil disaster were inescapable in the communities along Alabama's coast.

## Residents powerless to deter slick

"It's like I'm sitting at a bedside watching someone die," Wayne Gruenloh, a Baldwin County commissioner, said in July. "And that's what's happening to the Gulf and to our way of life and our livelihood. You're watching it slowly fade away, and you feel helpless."

Later that day, Gruenloh joined about 300 others in the Orange Beach city gymnasium, four miles south of Wolf Creek, for a weekly town hall meeting. Unease and frustration were palpable. A speaker reminded attendees of a silent auction of Jimmy Buffett tickets to benefit the family of a local fishing captain who had two weeks earlier committed suicide aboard his boat. A dozen audience members railed about the difficulties of landing cleanup jobs and about the process of filing claims with BP for lost wages. A 67-year-old woman tearfully asked public officials and a representative of BP when her grandchildren could again swim in the Gulf of Mexico without fear of oil-contaminated water.

"Nobody has an answer," responded Orange Beach Mayor Tony Kennon. "We hope next year." BP Vice President Kris Sliger quickly assured the woman that the company was committed to leaving the Gulf and inland waters as they were before the Deepwater Horizon rig exploded in April, sending millions of gallons of oil gushing into the Gulf 40 miles off the coast of Louisiana.

As Kennon said, definitive answers concerning the spill were scarce in the hot summer of 2010. Most notably, the long-term economic and ecological damage to the region remained uncertain at this writing. It was clear from a visit, however, that Alabama's coastal communities were profoundly unsettled by economic, ecological, and psychological tremors emanating from the Gulf. The area's tourism industry, which drew 4.6 million visitors in 2009, was down 50 percent from normal during the critical months of June and July, according to local businesspeople and public officials. Kennon feared late July and August would be worse. Local officials are expecting the spill will reduce visitors' spending

Table 1

**Baldwin County, Ala., Taxable Lodging Revenues**

	2007	2008	2009	2010
April	\$23.38	\$19.34	\$20.96	\$22.10
May	27.53	29.77	26.64	26.72
June	56.50	55.41	53.50	37.18
July	58.52	63.20	63.99	15.61

Note: Figures represent millions.

Source: Baldwin County Legislative Delegation Constituent Services Office

Table 2

**Lodging Taxes Collected in Baldwin County, Ala., Beach District**

	2007	2008	2009	2010
April	\$ 375,180	\$ 292,065	\$ 336,185	\$350,625
May	450,950	481,874	440,450	415,656
June	998,927	967,191	934,871	573,971
July	1,026,951	1,111,224	1,121,285	51,837

Source: Baldwin County Legislative Delegation Constituent Services Office

during the 2010 summer by \$1 billion from the \$2.3 billion they spent in 2009, according to the Alabama Gulf Coast Convention and Visitors Bureau (AGCCVB).

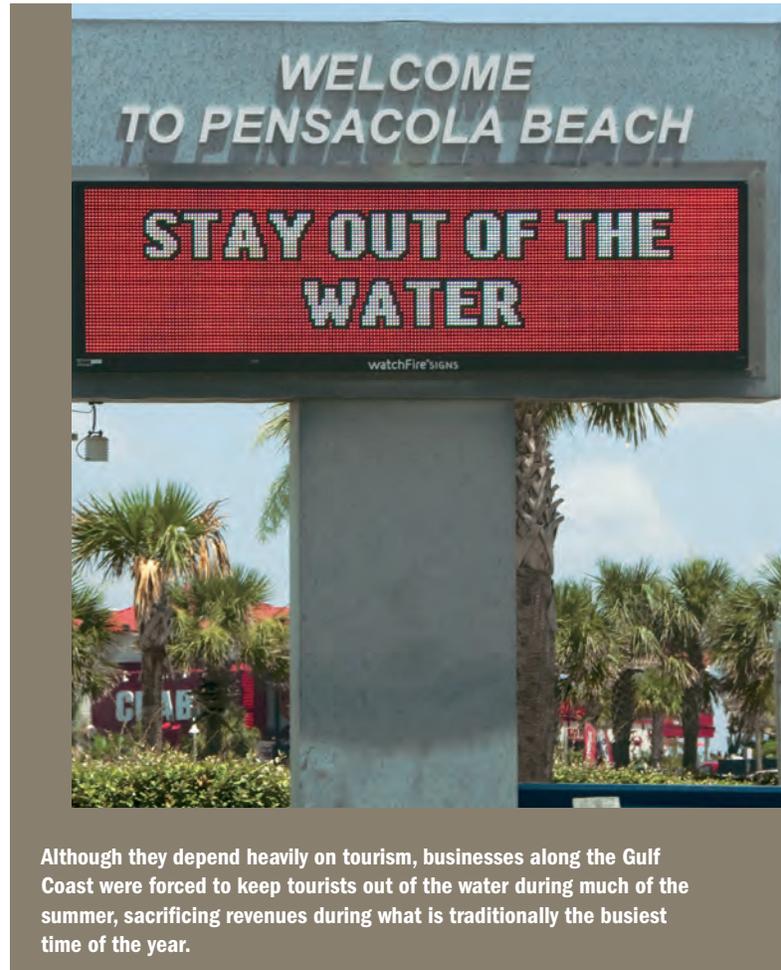
**Gulf, region's economy inextricably linked**

The implications could be widespread. South Baldwin County boasts some 41,000 tourism-related jobs, the AGCCVB says. With tourism revenue down substantially, already strained state and local tax revenues could take a hit of hundreds of millions of dollars, according to local officials. (Taxable lodging revenue in Baldwin County was 76 percent lower in July 2010 compared with July 2009, according to the county's legislative delegation office.) Jobs, home values, and countless small businesses, including the area's commercial and sport fishing fleets, were also threatened.

Long term, the greatest potential damage is to the Gulf Coast's brand as a vacation destination, said Michael Chriszt, assistant vice president in the Atlanta Fed's research department. That's no revelation to leaders in Baldwin County. Kennon and Bob Higgins, vice president of the Baldwin County Economic Development Alliance, noted that once a family enjoys a trip to the beach elsewhere, it is not easy to win them back.

"And this was our year to get over the hump," Kennon said. "We've had five or six terrible years."

The AGCCVB is spending heavily to fight the perception battle. The group normally invests \$1.8 million a year on advertising, but



Although they depend heavily on tourism, businesses along the Gulf Coast were forced to keep tourists out of the water during much of the summer, sacrificing revenues during what is traditionally the busiest time of the year.

that expenditure rose to \$11.3 million this year. Most of the additional money came from BP grants, according to the bureau.

Local tourism boosters have their work cut out for them. Occupancy rates at the 14,209 condo units in the Gulf Shores-Orange Beach-Fort Morgan area slid to 44 percent in June, from 72 percent a year earlier, according to the AGCCVB. Average revenue per available condo unit for the month fell 39 percent, to \$87.36 per day. Occupancy rates for August figured to be just 19 percent, compared to 48 percent last year, according to a forecast the bureau compiled in July.

Empty condos were already affecting tax proceeds (see table 1). In a special tax district encompassing coastal Baldwin, state lodging tax revenues in June were down 40 percent from June 2009, off 42 percent from the June average for 2007 through 2009, and off 95 percent in July 2010 compared with a year earlier, according to figures from Stephen Pryor, director of constituent services for the Baldwin County state legislative delegation (see table 2).



closed off Alabama as of mid-August, but federal officials have gradually begun opening up the waters to fishing.

With local fishermen and shrimpers idled, the area's numerous small seafood markets had to turn elsewhere for inventory. At Billy's Seafood on the shrimp boat docks in Bon Secour, situated off Mobile Bay north of Gulf Shores, a sign over the entrance reads: "Friends don't let friends eat imported seafood." In early July, Billy's was stocked with shrimp from Texas, not off the boats moored just outside the shanty's door.

The real estate business has nowhere else to turn, however. Once a handful of sleepy fishing villages dotted with beach cottages, coastal Baldwin County underwent a development-led transformation beginning in the late 1970s. From Gulf Shores on the west to Perdido Pass on the east, condo towers as high as 30 floors line several miles of the "sugar-white sands" that local boosters promote. Since 1993, the number of lodging units in the area has more than doubled to 16,271, according to the AGCCVB, whose figures do not go back further.

The spill is just the latest problem for the real estate business on "Pleasure Island," as the area south of the Intracoastal Waterway is known. Amid overbuilding and recession, coastal Baldwin County's real estate values were down 7 to 8 percent in the past year before the spill, Gruenloh said. The few buyers trolling the summer market waited to see if prices would fall even farther, said Patricia Davis, an Orange Beach real estate agent. With little business, she devoted most of her time in the months after the spill to volunteering to help residents cope.

"People are trying to figure out ways of making an income because they're terrified," she said. "They're fishermen and marine construction people, and their jobs are gone."

Cleanup work offered help for some, as did payments from BP for lost income. The cleanup also attracted aspiring entrepreneurs. A Louisiana man devised a skimmer that could be attached to small boats to gather oil off the surface, and BP purchased his invention in bulk, according to local media reports.

Most were less successful. In a hallway outside the Orange Beach forum, a man flipped through a book of photos and diagrams, describing to BP's Sliger ideas for skimming oil off the water's surface. After the two-hour-plus town hall, a weary-looking Sliger asked the man to make his explanation as simple as "baking chocolate chip cookies." The man grew increasingly frustrated. Sliger suggested the man speak with an engineering contractor helping with cleanup, and then the man turned to a friend and yelled, "See what I'm talking about? I'm done."

Nearby, Reid Robbins said the spill had seriously harmed his marine construction business. He then lamented the oil spill possibly destroying Gulf tuna eggs that take 10 to 12 years to mature. "The impact, it's just," he said, pausing, "it's as far as you can see."

Robbins then explained why he was trying to help bring unity to the sometimes fractious fishing and marine community

Mainly because of the coast's 16,000 lodging units—condos, hotel rooms, and rental houses—Baldwin annually accounts for at least a fourth of Alabama's lodging tax proceeds, which in recent years have totaled \$44 million to \$48 million, said Keivan Deravi, an Auburn University at Montgomery economist who is analyzing the spill's economic impact for Gov. Bob Riley's office. Baldwin and neighboring Mobile County together contribute about 35 percent of the state's lodging taxes.

### Spill ended, but so did the summer

BP stopped the oil from gushing in early August. Relief was short-lived, though, as the economic damage had been done, Kennon said. About 75 percent of coastal Baldwin County's tourism comes during June, July, and the first part of August, Deravi estimated.

The reality that the summer is over and tourism revenue is about to stop is setting in, Kennon said in early August.

A prolonged and deep drop in tourism could cripple not only major attractions such as the 557,235-square-foot Tanger Outlet mall in Foley, but also numerous independent businesses that cater to visitors. As the summer ended, concern grew that the fate of many small businesses depended on how quickly they received lost-income claims payments from BP, Higgins said.

One sector was effectively closed by the spill, for a time at least. Alabama's saltwater sport fishing trade, which directly employs several hundred people, according to local officials, was grounded for its peak season as nearby Gulf waters were closed to fishing. Federal waters, which begin three miles offshore, remained



in regards to the temporary cleanup jobs. BP's Vessels of Opportunity program (commonly referred to as the "VoO"), designed to employ idled fishermen and other mariners to search the waters for oil, has been a particular source of controversy, according to interviews and widespread media reports. Many at the Orange Beach town meeting and elsewhere complained about out-of-towners and recreational boaters taking lucrative spots in the program away from local captains and deck hands.

"That's why we're trying to get some of these locals to get the BP jobs," Robbins said. "That's all that's left."

It can't stay that way, Kennon said. During the town hall, he warned the audience about relying too heavily on BP. "My community," he said, "is beginning to see VoO as everybody's way to make a living. It's not that way."

In the weeks after the spill, Kennon declared repeatedly in media interviews and at public gatherings that citizens must realize that while payments from BP and the government might help, local people and businesses will ultimately have to rescue themselves.

### **Oil choking off governments' revenues**

That brand of self-reliance could include local governments. Physically, the coast is a small part of Baldwin County. Fiscally, it's huge. Property along the Gulf Coast and the eastern shore of Mobile Bay, which was also threatened by oil in the summer, accounts for a fraction of the land mass of Alabama's largest county. However, the beach and bay real estate comprises more than half of the county's \$3.7 billion total land value, County Commissioner Gruenloh said. Thus, property tax revenue could sink in coming years, he pointed out, after austerity measures already enacted that included a \$75 million, or 22 percent, cut in the county schools' 2010 budget.

As trade declined at hotels, restaurants, clothing stores, marinas, and other businesses, public officials like Kennon and Gruenloh fretted about the budgetary blow from falling sales, lodging, and, eventually, property tax revenues. Lodging and sales taxes make up 65 percent of the city of Orange Beach's \$20 million annual budget, the mayor said. Kennon said the city had filed a \$2.5 million claim with BP for lost tax revenues. In early August, he said Orange Beach had received less than \$200,000.

John Koniar, the mayor of Foley, just north of Gulf Shores, said that during the summer of 2010, a million fewer shoppers than usual would travel the 15 miles from the beaches to Tanger Outlets, which as usual generated a significant chunk of the city of Foley's \$10 million in 2009 sales taxes. In fact, according to the *Mobile Register* newspaper, Foley alone—thanks mainly to Tanger—accounted for more than 40 percent of Baldwin County's sales tax revenue as recently as 2004. The city contains about 5 percent of the county's population of 175,000, and the city and county each impose separate sales taxes.

Of course, payments from BP's \$20 billion compensation fund—to be disbursed over four years—could soften some of these blows, for the state as well as local governments. At press time, news reports said most local governments in south Baldwin County, along with the county and the county Board of Education, had filed claims with BP or were preparing to do so. The state superintendent of education was making similar plans, and Alabama Attorney General Troy King sued BP on August 12.

Like so much about the spill's effects, the degree to which claims payments will plug budget gaps remained unknown at press time. That question is critical for the public sector because claims payments to business owners and individuals were not immediately subject to sales, lodging, or property taxes, Gruenloh said.

In his office lined with posters commemorating festivals in small towns around the county, the commissioner said future economic development should focus on industries not connected to tourism. A Chinese car maker, he noted, was evaluating a plant site in the north part of the county. Gruenloh said he draws hope mainly, though, from the resilience the citizens have learned from decades of hurricanes.

"I'm not going to sit here and cry about it 24 hours a day when there's a lot more things to go fix right now," said Davis, the Orange Beach real estate agent. "And the only way to keep that [return to normalcy] from being two generations away, or a generation away, is to start cleaning the heck out of it and working on it." ■

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