

## Biloxi, Mississippi

# Biloxi-Gulfport Economy Keeps Coming Back

**L**ife on the Mississippi Gulf Coast in the 21st century compels one to take the long view.

For instance, “growth was stymied” along the Mississippi coast during 2011, says a report from the Gulfport-based Gulf Coast Business Council, a think tank and economic development group. Sales tax collections on the coast fell, and the Biloxi-Gulfport metropolitan area lost 500 jobs.

Activity dipped mainly for two reasons, according to Scott King, director of research and policy for the Business Council. First, several thousand contract workers decamped after cleaning up the 2010 oil spill in the Gulf of Mexico. Second, deep wounds remain from 2005’s Hurricane Katrina and the more recent recession.

So Biloxi-Gulfport had a rough year? Not really a problem.

“We don’t see it as an indicator, or the beginning of another downswing,” King said. “We’ve been through a lot worse.”

That attitude is more than just bravado. For one thing, the most recent setbacks are trivial compared with the previous few years. For another, the longer-run trends for Biloxi-Gulfport are generally headed upward. In April, unemployment was lower than the statewide rate. Investment in the all-important gaming industry was showing life after a dry spell amid the financial crisis. And, put simply, people on the Mississippi coast don’t scare easily these days.

### One blow after another

Biloxi-Gulfport and Mississippi’s entire 70-mile coastline have endured a traumatic seven years. First, Hurricane Katrina wreaked havoc, temporarily costing Biloxi-Gulfport 25,000 jobs. Three years later came the recession and financial crisis. In addition to the general economic slowdown, the financial crisis constrained investment needed to build the spectacular gaming resorts envisioned here after Katrina laid waste to the existing casinos. Finally, the BP oil spill fouled the 2010 summer tourist season, delivering the coastal economy a third body blow. Higher gas prices haven’t helped either, as most of Biloxi-Gulfport’s visitors drive in.

“It’s tough right now, but it’ll pass,” said Dave Dennis, president of Specialty Contractors & Associates Inc. in Gulfport and former chairman of the Atlanta Fed’s New Orleans Branch board of directors.

Dennis’s optimism centers on the area’s tourism prospects. The main draw remains what it’s been for the past 20 years: the slots, dice, cards, and stage shows of coastal Mississippi’s casinos.

Since their inception in the early 1990s, the gaming houses, along with





**The Beau Rivage casino in Biloxi is the largest and tallest building in Mississippi as well as Biloxi's largest employer, with more than 3,800 workers.**



### **Biloxi-Gulfport, Miss.**

Biloxi population	44,054
Gulfport population	67,793
Harrison County population	187,105
Median household income (Biloxi)	\$46,550
Median household income (Gulfport)	\$36,104
Median owner-occupied home value (Biloxi)	\$160,400
Median owner-occupied home value (Gulfport)	\$132,100

Source: U.S. Census Bureau, 2008–10 American Community Survey

a couple of military installations, have powered the Biloxi-Gulfport economy. Biloxi-Gulfport is the nation's third-largest casino market, behind Las Vegas and Atlantic City. The casinos boosted tourism from about a million visitors a year to more than 8 million before Katrina, and accounted for 35 percent of the city of Biloxi's \$55 million in tax revenue in its most recent fiscal year, according to the city. All 12 of Biloxi-Gulfport's casinos rank among the metro area's 20 largest private-sector employers. Combined, the gaming houses employ more than 11,000 people.

Until Katrina, the 1990 Mississippi law allowing gambling confined casinos to floating barges. After the hurricane forced the dozen coastal casinos to close for several months, legislators amended the law to allow casinos on land. This change sparked the widespread belief that casinos would rebuild bigger than ever. Four-term Biloxi Mayor A.J. Holloway and other officials were quoted in numerous media outlets, including in a 2006 *Wall Street Journal* article, predicting that there would be as many as 20 casinos by 2011. Today, 12 casinos are generating steady revenue, but the expected explosion fizzled.

"The mega-casinos that people believed would happen and really drive the tourism business to a different place from the '90s haven't happened," said James Pat

Smith, a history professor at the University of Southern Mississippi's Gulf Coast campus and author of the book *Hurricane Katrina: The Mississippi Story*.

Among the projects that have not happened: Trump Entertainment Resorts Inc. backed off plans it announced in 2006 to build a casino resort. The Mashantucket Pequot Indian tribe, which operates the country's largest casino in Connecticut, also abandoned plans to develop a \$400 million property in Biloxi. Harrah's in 2008 halted construction of what was announced as the \$704 million first phase of a potential \$1 billion project. The pilings of that aborted building remain in the ground, "a ghost from the collapse of the financial markets in 2008," Smith said.

### **Katrina's lasting economic damage**

That unfinished structure is not the only evidence of the boom that wasn't. In the wake of Katrina and the Great Recession, Biloxi-Gulfport has 25 percent, or about 7,000, fewer travel and tourism jobs and 22 percent, or 4,000, fewer hotel rooms, than it had before the hurricane, according to data from the Business Council and the U.S. Bureau of Labor Statistics (BLS).

Those numbers stab at the heart of the local economy. Leisure and hospitality jobs account for a whopping 21 percent of the metro area's total nonfarm employ-

ment, roughly double the share statewide and more than twice the share nationally, according to figures from the BLS. In Biloxi-Gulfport, leisure and hospitality provide nearly one of every three private-sector jobs, compared to one in eight across the country. And that's after Katrina.

Some of the jobs lost were in the casinos, of course. Most of them have rebuilt on land, but generally with fewer hotel rooms and less convention space than they housed before. Many smaller, independent hotels and tourist attractions have not reopened. A combination of skyrocketing property insurance rates and stringent building codes, especially elevation requirements instituted after Katrina's flooding inundated ground floors, has made rebuilding costs prohibitive for many smaller businesses, King and others said. Along with scaled-down casino hotels, the absence of smaller hotels and attractions accounts for much of the decline in hotel rooms and tourism jobs, local observers said.

### **Better days appear on the horizon**

Through it all, Biloxi-Gulfport soldiers on. Its preliminary unemployment rate in April was 7.8 percent, lower than Mississippi's

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some are doing better than others and some are doing fairly well, it continues to be a concern everyone is watching closely. **Lee Jones, regional executive at the Nashville Branch:** Nashville directors and REIN contacts reported hearing little to no major adjustments in the spending patterns of consumers tied to rising fuel costs. However, it is a concern on the minds of many. Sticker shock at the cost of a fill-up at the gas pump is prevalent, but reports of altering business practices are minimal, with the exception of those who drive a lot between business locations. Often, they are choosing to move their schedules around to minimize back-and-forth driving. Several directors noted that lower-income workers, particularly those living in rural areas with long commutes to the job, are disproportionately impacted negatively by rising fuel prices.

Several REIN contacts, along with branch director Bill Krueger, vice chairman of Nissan Americas, observed that

rising fuel costs have created a demand for more fuel-efficient vehicles and have shifted the mix away from big trucks toward smaller cars. Because this is the third run-up in fuel prices in recent years, many observed that consumers and businesses are not panicking and are counting on prices to recede again soon. Businesses with a shipping component are passing on fuel surcharges to the customer or are focusing on reducing fuel consumption and costs through shipment consolidations.

Anecdotes from our contacts included observations that some companies—such as a local delivery service—were using GPS technology to map out routes more efficiently and minimize left-hand turns. A Knoxville director heard reports of grade schools modifying pickup-line policies around “no idling.” A carpet cleaning vendor indicated that if gasoline reached \$5 per gallon, he will become more diligent in scheduling numerous appointments in one area of town and

enforcing his minimum ticket price per customer.

**Robert Musso, regional executive at the New Orleans Branch:** High energy prices have not had much impact on companies and the way they conduct their business. While many companies acknowledge it has an impact on the consumer, the companies also admit it has not had a negative effect on consumption of their products and services.

The price of energy is viewed as a temporary bump and, depending on the type of business, it may not be passed on to the consumer or is done so temporarily through a fuel adjustment surcharge, where it can be readily and easily withdrawn as prices go down. Increases in the cost of energy must be sustained over longer periods than those we have recently experienced to permanently have an impact on production costs and pricing. ■

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The coastal casinos are a bulwark of the Biloxi-Gulfport economy. The metro area represents the nation's third-largest casino market, behind only Las Vegas and Atlantic City.



8.8 percent and the United States' 8.1 percent rate. The population is down only about 4 percent from its pre-Katrina total, compared with the roughly 9 percent reduction in the New Orleans metro area. Combined revenue from the coastal casinos has fallen from its 2007 peak of \$1.3 billion. But it has been remarkably stable at \$1.1 billion in each of the past three years, according to the Mississippi

Department of Revenue. “The gaming industry on the Mississippi Gulf Coast has proven to be very resilient,” King said.

Even better, a spate of recent investments—some private, some public—is raising hopes. The Port of Gulfport is undergoing a \$500 million expansion funded by federal money for Katrina recovery. On the casino front, Landry's Inc. announced in March that it plans to buy the Isle of

Capri Casino Hotel in Biloxi, rebrand it as the Golden Nugget, and invest \$150 million to add restaurants, amenities, and upgraded hotel rooms. Also, Jimmy Buffett's Margaritaville Casino & Restaurant-Biloxi opened just before Memorial Day. The \$60 million project employs about 1,000 people. Margaritaville's opening marks the first time since Katrina that the coast had 12 casinos.

Add in a recently opened art museum as well as technology and marine science attractions, and the Biloxi-Gulfport area hopes to attract a diverse group of visitors.

“If you can look out beyond a one- or two-year myopic view of where we are on the coast,” Dennis said, “the horizon is extremely bright.” ■

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