



Vestavia Hills: Competitive Snapshot

In its relatively brief history, Vestavia Hills has developed many enviable assets, including a prosperous population and an exemplary educational system; yet, in today's uncertain and hyper-competitive economic environment, there is no room for complacency. Today's successes are not guaranteed tomorrow. Vestavia Hills must focus on the future to ensure long-term prosperity for all of its citizens.

The City of Vestavia Hills has embraced the challenge of building off of its current strengths to forge a prosperous future and has contracted with *Market Street Services* to facilitate a seven-month process that will result in a holistic and transformational *Community Vision Plan*. The *Vision Plan* will be driven by community input and ratified by a Steering Committee of public, private, and non-profit leaders from business and residential districts throughout Vestavia Hills.

This *Competitive Snapshot* is the first step in this visioning process, and will help community leaders better understand the city's competitiveness in terms of its people, their prosperity, and the quality of place.

“Vestavia Hills has the potential to be a bright and shining star in the Greater Birmingham area if it can modernize, diversify, and build upon its strengths.”

- Public Input Participant

MARKET ST

INTRODUCTION

Ever since Mayor George Ward decided that a high perch on Shades Mountain was the perfect location for a replica of Italy's Temple of Sibyl, the area that would become the City of Vestavia Hills has made its mark in Greater Birmingham. Its formal incorporation in 1950 established the city's profile as a prosperous residential community, and its development over the subsequent decades reinforced this identity. Today, Vestavia Hills is a premier residential destination for families in Greater Birmingham. The city's public schools have developed as the focal point of the community's collective efforts. Those efforts have paid off in the form of an outstanding school district that draws families into the city from all over the region. Strategic annexations have expanded its boundaries and diversified its residential and commercial offerings.

Yet, the city's geographic and residential growth has outpaced its commercial development, with retail centers aging and struggling to compete with offerings in surrounding communities. As some of these properties fall subject to more vacancies and an aura of disrepair, some residents have become concerned about the

message being communicated about their city. Also, annexation has created a community with three distinct personalities and differentiated development needs. The Great Recession and its wake have only exacerbated economic concerns in the city, restricting access to capital, raising unemployment, and straining municipal finances.

These concerns have residents and leaders wondering what will drive Vestavia Hills' prosperity in the coming years. As the city transitions its governance structure to a council-manager regime, there will be new opportunities and, perhaps, increased capacity for community and economic development. In the context of this transition, and recognizing the need to be proactive, the City of Vestavia Hills has begun the work of setting the vision. This strategic planning effort will tap into the vast talent, knowledge, and capacity of its residents and leaders to set a blueprint for a new era of prosperity.

What is your vision for the desired future of Vestavia Hills?

"A more connected city center with pedestrian friendly streets and bike lanes, traveled by civic minded families, seniors and young professionals who are contributing to the overall health and quality of life of citizens in Vestavia Hills and the economy of Birmingham. I want to feel proud of the city's environmental, educational and economic strides made. This city can be a great city by creating a walkable, clean, literate and giving community. I might just retire here if that happened."

-Public Input Participant

METHODOLOGY

The *Competitive Snapshot* provides a quantitative and qualitative analysis of Vestavia Hills' competitiveness as a place to live for current and relocating residents and as a place to conduct business for existing, expanding, and prospective businesses. Some of these statistics are presented as part of the narrative in the ensuing report. The complete set of data, however, is organized in the Data Appendix that accompanies this *Snapshot*.

This *Competitive Snapshot* reviews a variety of trends in Vestavia Hills as compared to Germantown, Tennessee; Matthews, North Carolina; Peachtree City, Georgia; the State of Alabama; and the United States. Germantown (Memphis Metro), Peachtree City (Atlanta Metro), and Matthews (Charlotte Metro) represent desirable suburban locations in major Southeastern metropolitan areas that compete with Vestavia Hills and Metropolitan Birmingham as places to live, work, and play. Each of these communities was

specifically selected for their demographic and economic similarities to Vestavia Hills.

Market Street investigates a comprehensive variety of indicators related to Vestavia Hills' people (demographic and workforce dynamics and assets), prosperity (economic trends and business climate) and place (quality of life amenities and infrastructure).

While all data is included in the Data Appendix, **Market Street** only includes the data points which help to illustrate the main features of the "Vestavia Hills Story" in this assessment. This is in an effort to explain the findings in a concise and clear manner, while still providing a comprehensive examination of the city's current position.



PEOPLE

Ask a Vestavian what the greatest thing about their city is, and the answer will invariably include a reference to the quality of its people. While some residents are concerned about the segmentation of the community into “three Vestavias,” there is a tangible sense of community that permeates the city. Further, there is a commitment to building up the next generation of Vestavians, equipping them with the resources and experiences they will need to thrive in the years ahead.

That commitment is manifest in ways that have been recognized across the South and the nation. Vestavia Hills’ schools are recognized as having reached the highest levels of achievement in academics, sports, and alumni outcomes. Their students pursue exciting educational and career opportunities and frequently return later in life to raise their own children in this place.

Recent years have proven, however, that things cannot be expected to remain as they have always been. The city’s population is growing and gradually becoming more diverse. Schools are dealing with the pressures of continued growth. More of Vestavia Hills’ residents are struggling than ever before with unemployment and financial distress. There is no certainty that jobs or retirement accounts will be restored any time soon; nationwide, the post-recession recovery has been crippled by the housing market and has been far more sluggish than historic recovery periods. The average household

net worth in the country declined by 21 percent between the first quarter of 2007 and the fourth quarter of 2010. This section tracks the changes occurring in the city’s population and considers how well the city is adapting.

HOW ARE WE GROWING AND CHANGING?

Our population is growing: Vestavia Hills’ population is growing in volume and diversity, maintaining a strong growth trajectory over the 2000s even as its comparison communities slowed significantly. As of 2010, there were 34,033 residents in Vestavia Hills. Between 2000 and 2010, the city grew by 39 percent, a larger increase, by far, than its comparisons experienced and larger than its strong growth rate during the 1990s. Every comparison geography, by contrast, experienced a lower growth rate over the 2000s than over the 1990s. Much of this growth can be attributed to the annexation of Cahaba Heights in 2002, a topic that is covered in greater detail in the subsequent section.

Sheer growth inherently generates challenges and opportunities within any community; to respond most appropriately, the data must be viewed in meaningful, disaggregated segments. Two key points of reference for a population are its distributions by age group and by racial and ethnic group.

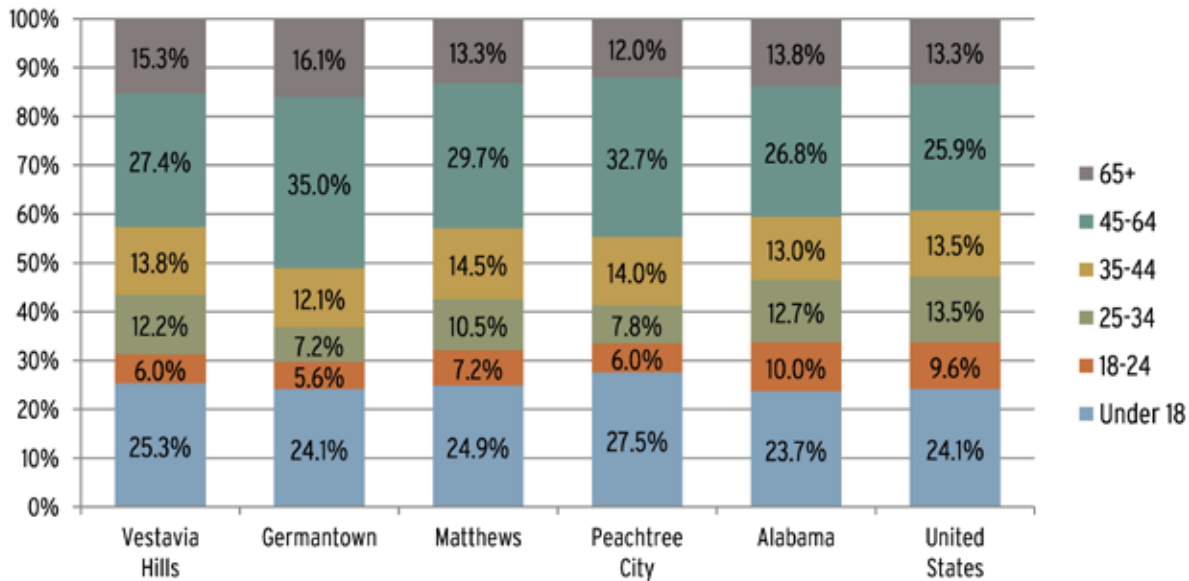
POPULATION CHANGE, 1990-2010

Source: US Census Bureau

	1990	2000	2010	1990-2000		2000-2010	
				Net Change	% Change	Net Change	% Change
Vestavia Hills	19,749	24,476	34,033	4,727	23.9%	9,557	39.0%
Germantown	32,893	37,348	38,844	4,455	13.5%	1,496	4.0%
Matthews	13,651	22,127	27,198	8,476	62.1%	5,071	22.9%
Peachtree City	19,027	31,580	34,364	12,553	66.0%	2,784	8.8%
Alabama	4,040,587	4,447,100	4,779,736	406,513	10.1%	332,636	7.5%
United States	248,709,873	281,421,906	308,745,538	32,712,033	13.2%	27,323,632	9.7%

AGE DISTRIBUTION, 2010

Source: US Census Bureau; DesisionData



We're growing younger: Vestavia Hills is younger and more diverse than it was in 2000. While the population of all age groups examined increased, it was the only geography in this report for which the median age actually decreased between 2000 and 2010, moving from 40.6 to 39.7. This change was driven primarily by substantial growth in the 25-34 age category, which increased by 74.0 percent. The annexation of Cahaba Heights certainly contributed to this trend, as it had a much higher share of 25-34 year-olds in 2000 (22.4 percent) than did Vestavia Hills (9.7 percent).

The comparison geographies saw a decline in this age group representing young professionals, and instead experienced drastic growth in their 65-and-over populations. This group, often used to estimate the retiree population, grew by at least 60 percent in Germantown (80.9), Matthews (77.9), and Peachtree City (64.1). Meanwhile, the retiree population in Vestavia Hills only increased by 31.5 percent over the decade. However, as of 2010, Vestavia Hills population aged 65-and-over represented 15.3 percent of the total population, two percentage points higher than the national average (13.3) and more than three percentage points higher than Peachtree City (12.0 percent).

This, combined with 36.3 percent growth in the under-18 age group, presents a possible fiscal

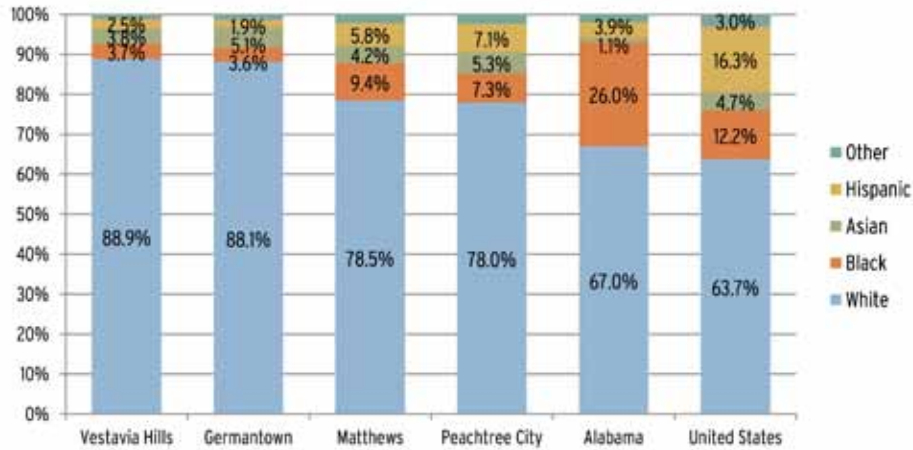
challenge to the city, because the youngest and oldest population segments typically require the greatest share of social services and public resources. With increasing demands from both groups, Vestavia Hills will need to ensure that its tax base is sufficiently broad - or risk cutting services - to cover rising costs. As of 2010, only 59.4 percent of the city's population was of working-age (ages 18-64) as compared to 62.6 percent nationwide.

We're becoming more diverse, but slowly: In 2010, Vestavia Hills was 89 percent white, making it the least diverse of all comparison geographies. Yet, racial and ethnic minority groups are definitely growing. Black, Asian, and Hispanic populations all increased by greater than 100 percent between 2000 and 2010. All other minority populations combined increased by 96 percent. The black population almost tripled, growing by 181 percent.

Despite strong percentage growth for minority groups, the total change in minority population was only 2,204 persons over the last decade, comprising 23.1 percent of total growth. During the same period, minorities accounted for 76.4 percent of growth in the state of Alabama and 91.7 percent nationwide. In all comparison communities, minorities accounted for the majority of population growth. In Germantown and Peachtree City, they accounted for 100 percent

RACIAL/ETHNIC DISTRIBUTION, 2010

Source: US Census Bureau



of growth. While Vestavia Hills is undoubtedly diversifying, it is doing so at a slower pace than its comparison communities, the state, and the nation.

HOW MUCH OF THIS CHANGE IS DUE TO THE CAHABA HEIGHTS ANNEXATION?

Cahaba's data limitations: The 2000 decennial census was the last time that the government released precise and reliable demographic data for Cahaba Heights. As such, the impact of the Cahaba Heights annexation in 2002 on Vestavia Hills' demographic makeup is best approximated by referencing its 2000 figures. In 2000, there were 5,203 residents in Cahaba Heights. Assuming that population remained constant or grew in Cahaba Heights between the 2000 decennial census and its annexation into Vestavia Hills in 2002, the annexation of Cahaba Heights accounted for at least 54 percent of net population growth between 2000 and 2010. If Cahaba Heights had not been annexed, Vestavia's growth rate between 2000 and 2010 would drop from 39.0 to 17.8 percent. It would still rank second among the comparison geographies in net growth.

It added young professionals: In addition to contributing growth, Cahaba Heights made Vestavia Hills' working population younger. In 2000, 32.5 percent of Cahaba's population was between 18 and 34 years old; in Vestavia, only 15.7 percent were in the same range. The annexation

of Cahaba Heights contributed heavily to the previously mentioned 74.0 percent increase in the city's population aged 25-34. However, it possessed fewer school-age children on average, with the population under 18 representing only 17.4 percent of Cahaba Heights' population in 2000 as compared to 25.8 percent in Vestavia Hills.

It did not add diversity: Cahaba Heights did not, however, make Vestavia Hills more racially or ethnically diverse immediately. In 2000, it was actually less diverse than Vestavia Hills, with 95.5 percent of its population being white, non-Hispanic; Vestavia Hills was 93.5 percent white, non-Hispanic at the time. Yet, input participants consistently mentioned that Cahaba Heights seems to be the locus of racial and socioeconomic diversity in the city.



HOW ARE VESTAVIA HILLS' RESIDENTS DOING?

Against a very strong set of comparison communities and state and national trends, Vestavia Hills residents are faring quite well. It is clearly a place of abundant opportunity to thrive, where excellence is fostered. An obvious contributor to this success is the city's nationally-renowned public schools. But input participants made clear that the thriving schools are the result, rather than the cause, of a pervasive communal spirit that supports and encourages its residents to achieve. At an early age, Vestavians are engaged in activities that connect them to broader possibilities.

Unmatched educational attainment levels: The city's adult population is better educated than all comparison geographies in this report, with 63.9 percent holding at least a bachelor's degree. This is a truly remarkable profile and a great asset for the community. By comparison, only 21.8 percent and 27.8 percent of the state and national populations possess a bachelor's degree or higher. Germantown, at 63.1 percent, is the only comparison that comes within ten percentage points of this combined share in Vestavia Hills. Such high educational attainment in a population is correlated with a dynamic and creative workforce, prepared to engage in and create the kinds of

jobs that will drive the 21st century economy.

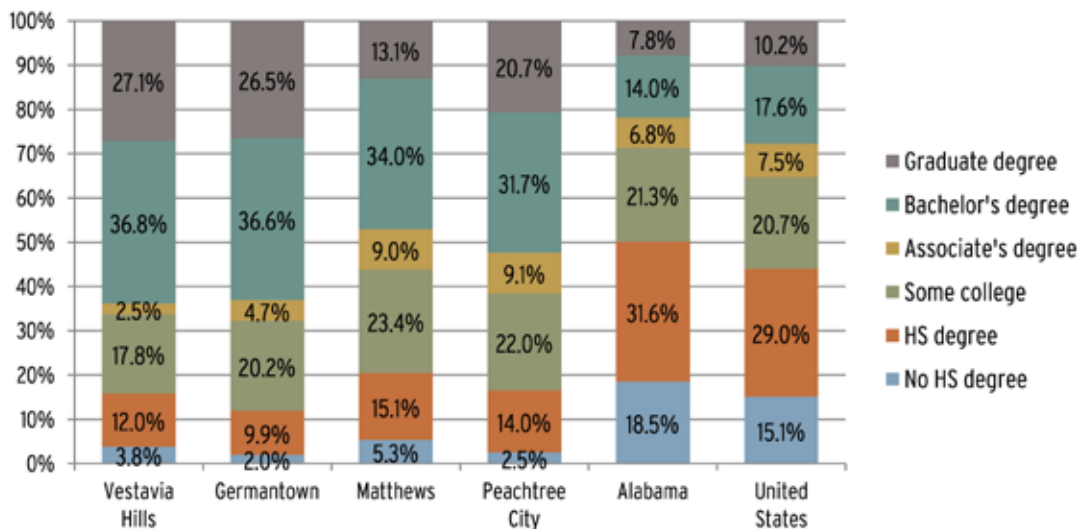
Also, like all of the comparison cities, Vestavia Hills has a very low proportion of residents without a high school degree. Only 3.8 percent of its adult population has not completed high school, which is indicative of a relatively expensive housing market that attracts those with higher incomes and earning potential, supported by higher educational attainment levels.

High financial security: With educational attainment having such a strong impact on an individual's earning potential, the city enjoys a high median household income and has very few impoverished residents. While its median household income of \$81,090 is substantially lower than Germantown's (\$113,154) and Peachtree City's (\$91,604), it almost doubles the state median and exceeds the nation by \$30,000. Income growth has also been strong – albeit lower than all comparison geographies except Matthews – increasing by 14.8 percent between 2000 and the 2007-2009 measurement period.

Along with comparisons, very little poverty: The number of individuals in poverty increased by 82.2 percent between 2000 and the 2007-2009 measurement period, but this resulted in a mere 1.5 percentage point increase from to 3.1

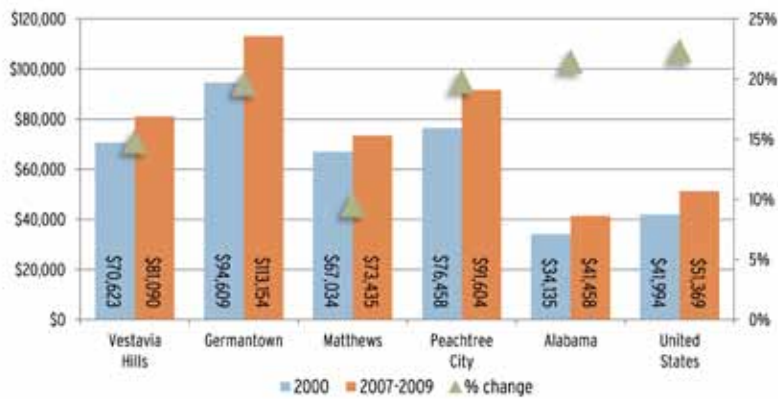
EDUCATIONAL ATTAINMENT, 2007-2009

Source: US Census Bureau, American Community Survey



MEDIAN HOUSEHOLD INCOME (2000) - (2007-2009, 3 year average)

Source: US Census Bureau, American Community Survey



to 4.5 percent. Among comparison cities, this rate is the second highest, behind Matthews at 6.1 percent. However, against the state poverty rate of 16.7 percent and the national rate of 13.6 percent, Vestavia’s poverty rate can only be interpreted as very low. The recession of 2007-2009 has pushed all comparisons’ poverty rates higher than their 2000 levels, and poverty rates have undoubtedly continued to rise nationwide throughout 2010 and into 2011.

Contrary to state and national poverty dynamics, the child poverty rate was actually lower in Vestavia Hills than the overall poverty rate in the 2007-2009 period. And its 3.3 percent rate is the second lowest among comparisons, just higher than Germantown’s 2.1 percent.

ARE LOCAL INSTITUTIONS PREPARING OUR WORKFORCE?

Academic success says “yes”: In such an atmosphere, where education is highly valued and families can financially support their students’ academic and extra-curricular achievement, it follows that students would thrive. By any measure, Vestavia Hills’ students are doing just that. Their standardized scores attest to the quality of instruction and desire to learn embedded in Vestavia schools. In 2010, 98.3 percent and 97.9 percent of the city’s high school juniors met or exceeded the passage requirements of the state’s math and reading graduation exams, respectively.

In both instances, the city’s rate of success was higher than the state average by approximately 15 percentage points. The 2010 graduates in Vestavia Hills had an average composite ACT (25.3) that was 3.5 point higher than the average in Board District 6 (21.8) – which includes Morgan, Marshall, Cullman, Blount, and portions of St. Clair, Shelby, and Jefferson counties – and 5.2 points higher than the state average (20.1). Math, debate, and civics teams from Vestavia Hills High School have all consistently won or placed in major national competitions. The U.S. Department of Education has recognized designated Vestavia Hills High School a Blue Ribbon School in 2009-2010, the highest designation a public school can receive in America.

Such a strong academic culture has produced a consistently superior graduation rate, which was 97.2 percent in 2010. In the surrounding communities, only Mountain Brook (98.7 percent) achieved a higher rate; Homewood graduated 92.4 percent and Hoover 96.3 percent. These results have been maintained even while growth continues. From 2000 to 2009, total enrollment grew by an average annual rate of 3.8 percent. The 2003-2004 year saw a dramatic increase of 11.1 percent, as students from Cahaba Heights were assimilated.

Getting the resources they need: Vestavia Hills schools can foster such results in part because they

Two-thirds of all survey respondents indicated that the city's schools are its greatest strength. The city's location, sense of community, and the friendliness and involvement of its residents were also frequently mentioned.

are able to focus resources on student success. Input participants noted that voters have never rejected a proposed increase in school funding. Indeed, no district in Jefferson County has a higher mill rate for schools. With such funding, the city school district is able to maintain a lower pupil-teacher ratio than the state average; for the 2008-2009 year, Vestavia Hills' ratio was 13.9:1 while the state's was 15.6:1. The continued provision of sufficient funding was rated as the highest priority for the community's schools by online survey respondents.

Deep support from the community: The community's pride in its schools goes deeper than their academic success. Extracurricular activities based out of the schools connect the broader community. Sports are particularly meaningful in Vestavia Hills, with strong athletic legacies for both boys and girls. The non-profit Vestavia Hills City Schools Foundation also plays a key role in garnering community support. Through its grant programs, it provides professional development, technology, and classroom enhancements to all Vestavia's teachers and schools.



Beyond high school: With five four-year colleges and three two-year colleges in the Greater Birmingham region, Vestavia's workforce has access to a broad range of educational and training opportunities. There are no institutions of higher education in any of the comparison communities, although they are found throughout the broader metro regions.

Most academic program tracks are available within Greater Birmingham given the diversity of higher education offerings. The University of Alabama at Birmingham is the region's educational anchor. Other four-year institutions in the metro area include Samford University, the University of Montevallo, Birmingham Southern College, and Miles College. Two-year institutions include Jefferson State (multiple campuses), Beville State, and Lawson State Community Colleges. The Memphis and Charlotte metropolitan areas – home to Germantown and Matthews, respectively – have public and private higher educational offerings that are competitive with those throughout the Birmingham region. However, the Atlanta metropolitan area possesses a greater number of institutions with more diverse educational offerings, and a considerably larger student population than Greater Birmingham.

Nearly 98 percent of survey respondents indicated that the community has a commitment to quality, public K-12 education.

PROSPERITY

In such a small geography in such close proximity to broader employment markets, it can be difficult to determine how best to measure economic prosperity. Indeed, many residents are torn as to whether substantial job growth and “economic development” is even desirable in a place where the main appeal has always been its wonderful neighborhood aesthetic. Nonetheless, the quality and sustainability of any community’s employment market is a critical factor in its success or failure. With city governments facing enormous fiscal pressures in the midst of declining property values and increasing demand for services, a healthy tax base is a requirement for the delivery of government services.

Some of Vestavia Hills’ historic strip centers are nearing the end of their life cycles and experiencing high turnover. Jobs have slowly been depleted over the last five years and the recent tornado that struck the city on April 28, 2011 creates new challenges for Vestavia Hills, its residents, and its employers as the city emerges from recession and into full recovery. This section more thoroughly assesses the economic trends that are shaping Vestavia Hills and considers how well suited it is to foster future economic growth.

HOW IS THE LOCAL ECONOMY PERFORMING?

Vestavia Hills’ employment dynamics must be understood in two dimensions: employment located within the city (jobs) and the employment

status of those that live within the city (resident employment). The interesting aspect of those two dimensions in Vestavia Hills is how little they are associated with each other. Only 7.7 percent of employed residents of the city actually work in the city. As is common in suburban communities, there are fewer jobs available in Vestavia Hills than there are working-age residents. Most residents work in Birmingham and the surrounding communities (commuting trends will be discussed in greater detail in the Place section of this report). As such, it is feasible that the trends for resident employment could differ greatly from the trends in total jobs.

Stagnant job growth even before Great Recession:

The jobs base in Vestavia Hills has been declining since 2005 and suffered significant losses during the Great Recession. Despite substantial annexations that included vibrant retail centers, Vestavia Hills had fewer jobs located within its city limits in 2009 than it did in 2002. Over that time period, the city lost 6.1 percent of its jobs, with employment declining from 14,626 to 13,733. All comparison cities, by contrast, increased its employment base by at least five percent. Peachtree City, with 8.3 percent growth, enjoyed the greatest gain. During the five-year period (2002 – 2007) leading up to the Greater Recession, the city added only 577 jobs, equivalent to a 3.9 percent growth rate. During the same five-year period, Germantown (13.6 percent), Peachtree City (19.2 percent), and Matthews (21.3

EMPLOYMENT (JOBS) CHANGE, 2002-2009

Source: US Census Bureau, Local Employment Dynamics; Quarterly Census of Employment and Wages

	2002	2007	2009	2002-2007		2007-2009	
				Net change	% change	Net change	% change
Vestavia Hills	14,626	15,203	13,733	577	3.9%	-1,470	-9.7%
Germantown	10,659	12,111	11,385	1,452	13.6%	-726	-6.0%
Matthews	14,754	17,903	15,598	3,149	21.3%	-2,305	-12.9%
Peachtree City	14,907	17,762	16,141	2,855	19.2%	-1,621	-9.1%
Alabama	1,830,620	1,952,091	1,829,487	121,471	6.6%	-122,604	-6.3%
United States	128,233,919	135,366,106	128,607,842	7,132,187	5.6%	-6,758,264	-5.0%

percent) created jobs at a considerably faster rate.

The Great Recession of 2007-2009 took its toll on Vestavia Hills and every comparison geography. Over those two years, employers within Vestavia Hills shed 1,470 jobs – 9.7 percent of the city’s jobs. This was second only to Matthews’ 12.9 percent decline. The facing table illustrates the change in employment (jobs located in the city) over time for Vestavia Hills and each of the comparisons.

Resident employment also suffering: Vestavia’s residents also suffered significant job loss over the course of the Great Recession. While there was actually a net increase of 865 (seven percent) employed residents between January 2001 and January 2011, all of that increase is attributable to the Cahaba Heights annexation in 2002, which instantly added over 2,000 employed residents. Since the beginning of the recession, Vestavia Hills has experienced a higher percentage of resident job loss (11.8 percent) than any comparison geography. The state of Alabama lost 6.8 percent of its resident employment over the same period.

But, residents are faring well in comparison: This high percentage decline in resident employment contributed to a similarly high increase in unemployment, relative to all comparisons. The city’s unemployment rate increased from a pre-recession level of 2.0 percent in 2007 to 5.7 percent in 2010. This was the second largest percentage point increase among all comparisons over the three-year period (3.7 percentage points). However, while job losses have been significant, Vestavia Hills’ residents largely remain employed and engaged in the workforce. The 5.7 percent rate in 2010 was the lowest unemployment rate among all comparison geographies and almost four percentage points lower than the respective state and national unemployment rates of 9.5 percent and 9.6 percent.

Further evidence of the workforce’s level of engagement is the fact that labor force participation rate increased in Vestavia Hills increased between 2000 and 2010, reaching

86.0 percent in 2010. It is the only comparison geography with this distinction; in all others, the percentage of working-age adults employed or looking for work declined as the Baby Boom generation entered retirement age and the recession took hold. Labor force participation rates often decline during deep and long recessions as unemployed individuals become discouraged and no longer actively seek new employment opportunities, thereby dropping out of the labor force. Ergo, while unemployment has risen in Vestavia Hills during the recession, the rise in the labor force participation rate may signal that the average duration of unemployment has been shorter and that unemployed individuals continue to actively seek new employment opportunities. As a result, persistent, long-term unemployment is likely not affecting the city’s residents as much as the average American.

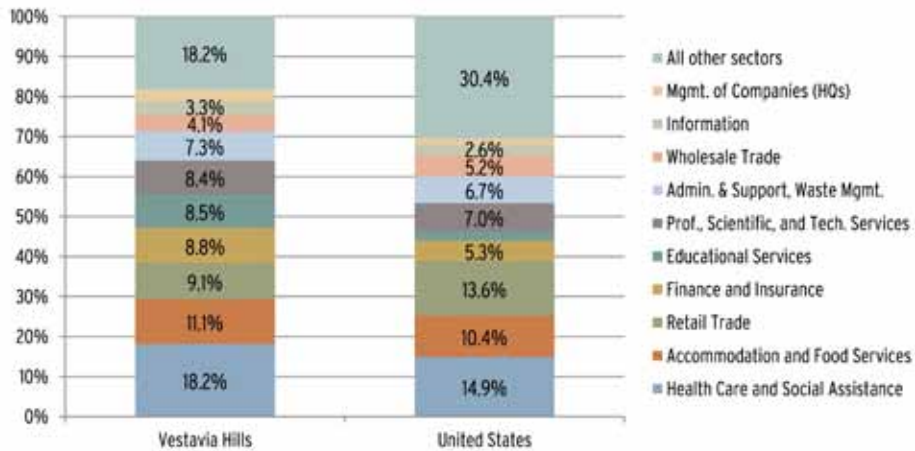
HOW DIVERSE IS THE LOCAL ECONOMY?

Common suburban structure: Because such a small share of the jobs in Vestavia Hills is filled by its residents, the city’s economic structure does not necessarily mirror the residents’ employment profile. It is common for service-based businesses to occupy a larger share of employment in primarily residential communities than in major industrial hubs. This holds true in Vestavia Hills. The top three employment sectors in the city are health care and social assistance (18.2 percent of city employment), accommodation and food services (11.1 percent), and retail trade (9.1 percent). However, compared to the average American community, there is actually a lower concentration of retail employment in Vestavia Hills. This supports input participants’ feedback that there is a relatively high rate of retail leakage, whereby expenditures and sales tax dollars leave the city as residents go elsewhere to purchase certain goods.

Given the scarcity of office parks or major commercial centers, it is somewhat surprising that there high concentrations, however, of professional, white-collar jobs – especially in the management of companies

BUSINESS SECTOR COMPOSITION, 2009

Source: US Census Bureau, Local Employment Dynamics



and enterprises, finance and insurance, information, and professional services.

Many of the city's largest private employers in the region represent a variety of service based sectors. Among the city's largest employers are professional services firms: a law firm (Carr Allison); a wealth management firm (Warren, Averett, Kimbrough & Marino); and an accounting firm (E Commerce Solutions). Several are headquartered in the area and have operations outside the city. Vulcan Materials Company and Drummond Company are large mining companies with corporate offices in Vestavia Hills. Beyond these, many of the largest firms are car dealerships, supermarkets, or restaurants, all of which are primarily local-serving and reflect the types of economic activity that are commonly found in relatively high concentrations in suburban communities. While local-serving retailers and other services are vital to a community's ability to meet the needs of its residents, they predominantly recycle local income and generate relatively little new wealth in the community. Export-oriented employers that bring new income and wealth from outside the community are typically the focus of most community's targeted economic development efforts. The forthcoming *Target Business Review* will examine the economic composition of the community

and its potential target sectors in greater detail.

Struggling retail environments: Input participants noted that while much of the area's business is retail-oriented, the city has difficulty attracting and retaining high-quality retailers. The presence of major retail developments in Hoover, Birmingham, and Mountain Brook partly explain the challenge, but residents frequently cited deteriorated strip centers as the main issue. There are currently few attractive destinations in which high-end and national retailers could locate. There are also differences of opinion about attracting big-box retailers into the city; for example, some have pushed to acquire a Target within the city while others have adamantly opposed it.

CAN BUSINESSES FLOURISH HERE?

For businesses to consider launching, expanding, or relocating, they typically want to be assured that a given location creates an environment in which the costs and hassles of doing business are mitigated. While these are certainly not the only site selection criteria, they are critical variables for economic developers to consider as they attempt to build an inviting and attractive place to start, maintain, and grow a successful business.

Business owners are unaware of available assistance: Business owners, key executives,

and entrepreneurs that responded to the online survey were generally unaware of the types of assistance and networking opportunities available to small businesses in the region. Nearly two thirds of all respondents indicated that did not have enough knowledge regarding available small business support services to evaluate them. Only 36 percent of those indicating that they were aware of small business assistance opportunities in the region rated these services as good or very good

The State of Alabama is quite competitive: Across a variety of tax competitiveness indices and rankings for business-friendliness, the State of Alabama generally fares quite well. The Small Business Survival Index (SBSI), published by the Small Business and Entrepreneurship Council (SBEC), synthesizes government-related costs affecting small business into a single measure and ranks each state accordingly. The 36 measures include various types of taxation, regulatory costs (including health care regulations), utility costs, workers' compensation and labor laws, and government spending and efficiency. In the 2010 Index, the State of Alabama ranked seventh out of 50 states plus the District of Columbia. Of the comparison communities' home states, only North Carolina was ranked substantially worse (38th). Tennessee ranked 11th and Georgia ranked 20th.

In the SBEC's Business Tax Index, which ranks the states and the District of Columbia according to their aggregate tax costs for small business, the State of Alabama again ranked seventh. The Tax Foundation, however, found the state somewhat less competitive in their State Business Tax Climate Index, ranking Alabama 28th overall and ranking both Georgia (25th) and Tennessee (27th) slightly ahead. Alabama's lower ranking is attributable to the high sales tax burden (specifically ranked 40th).

The Energy Information Administration's published electricity rates show that Alabama's rates are slightly higher than the comparison communities for residential and commercial, but are generally low for industrial. With a relatively small percentage of land use zoned

for industrial uses in Vestavia Hills, it is most relevant to examine cost competitiveness for commercial uses. The average price of electricity for commercial use in the State of Alabama was 10.38 cents per kilowatt hour in January 2011, as compared to a national average of 9.88 cents.

Income and property taxes are especially competitive: Alabama generally has lower individual income taxes than the comparison communities' states, with a range of two percent to five percent. The per capita state and local tax burden (\$3,168) is lower than all comparison states except for Tennessee (\$2,891). Similarly, as a percentage of per capita income, the state's tax burden is lower than all but Tennessee's.

High sales tax but comparatively low property taxes: Vestavia Hills' combined sales tax rate of nine percent is higher than all comparison communities except Germantown (9.25 percent). A hypothetical property tax calculation reveals just how low the city's property taxes are relative to its competitors. Using the standard assessments and exemptions, a \$200,000 home in Vestavia Hills will incur a tax bill of only \$1,296, whereas in Peachtree City – the next-lowest competitor – the bill would be \$1,792. While these rates are certainly low against the comparison communities, input participants' complaints about Vestavia Hills' high property taxes likely stem from comparisons to neighboring communities; in 2008, Vestavia Hills' mill rate of 9.26 per \$100 of assessed value was the second-highest in Jefferson County – next to Mountain Brook at 9.90.

City's bottom line: With property tax revenue down in FYE 2010 and projected to decline further in 2011 due to depressed home values, the city faces difficult decisions about balancing its budget. While it has thus far done so by limiting merit pay and cutting events like the Christmas parade, there is clearly a need to diversify the tax base through commercial development and revitalization.

PLACE

If there was one consensus opinion that emerged from the stakeholder input process, it was that Vestavia Hills offers an incredibly high quality of life. For different residents, that concept has different connotations, but the final verdict invariably was positive. A closer look into the related indicators reveals that, in many important ways, Vestavia Hills proves highly competitive. Some challenges with implications for future growth are also revealed.

One of the city's challenges is the persistence of the notion of "three Vestavias": historic Vestavia Hills (often referred to as "Old Vestavia"); Cahaba Heights, and Liberty Park. Some residents are eager to embrace their distinct personalities, while others are attuned to the disunity that such a notion can harbor. As the city moves forward with a new strategic direction, Vestavia Hills must establish a unified vision for its future while embracing the individual character and needs of its various neighborhoods.

This section evaluates a selection of components that make up Vestavia Hills' "quality of place."

HOW DO THE CITY'S QUALITY OF LIFE INDICATORS COMPARE?

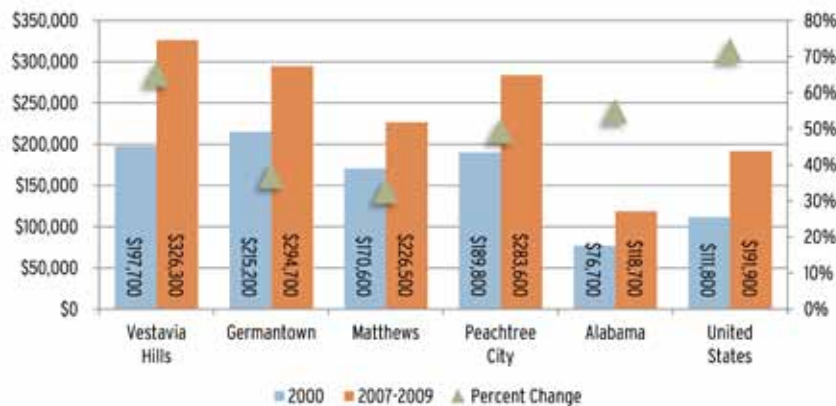
Regional cost of living is low: Stakeholders' assertions that Vestavia Hills is an affordable

place to live are supported by the Cost of Living Index produced by Council for Community and Economic Research (C2ER). The following chart shows that the Birmingham metropolitan area has a significantly lower cost of living than the average American community – a value of 100 in any category is equal to the national average, whereas a lower value represents a lower overall cost of living. The region's 2010 composite index of 90.8 is lower than the nation and also lower than all comparison community regions except for Germantown and the Memphis region, which has a cost of living index value of 88.2. The region is particularly low-cost in the sub-categories of housing and health care costs. While housing costs in the Birmingham metropolitan area are shown to be quite low – over 25 percent lower than the national average and lower than all comparisons – the data specific to Vestavia Hills tells a different story.

Incomes not keeping up with housing costs: Both rents and homeownership costs have risen faster than household incomes in Vestavia Hills, making housing less affordable overall for its residents. The percentage of renters paying 30 percent or more of their household income on rent has risen from 36.4 percent in 2000 to 42.2 percent in the 2007-2009 measurement period. However, this rate of increase (or decline in affordability)

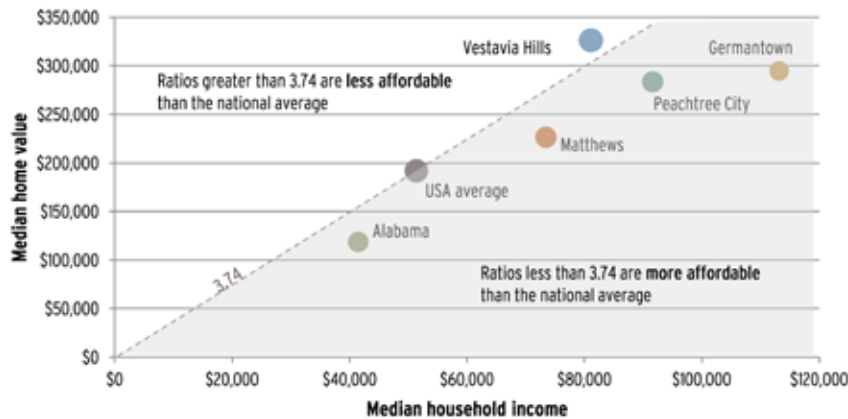
MEDIAN HOME VALUE, 2000-2007-2009 (3 Year)

Source: US Census Bureau, American Community Survey



HOME AFFORDABILITY, 2007-2009 (3-Year)

Source: US Census Bureau, American Community Survey



was lower than all comparison communities over the same period. By comparison, 46.6 percent of renters nationwide paid 30 percent of more of their household income on rent during the 2007-2009 measurement period.

Meanwhile, the median priced home in Vestavia Hills has skyrocketed from \$197,700 in 2000 to \$326,300 in the 2007-2009 period – a 65.0 percent increase. While the United States has experienced a more drastic increase (71.6 percent), all comparison communities experienced appreciation rates between 33 and 50 percent over the same period. Since median household incomes have not risen nearly as fast as the average American community over the same period (14.8 percent vs. 22.3 percent), owning a home has become more burdensome in Vestavia Hills relative to the average American community. • (While some proprietary and less authoritative data sources indicate that Vestavia Hills' median home value has declined precipitously over the last two years – thus making homeownership more affordable – federal sources have not released any income data more recent than the 2007-2009 measurement period. As such, the City should continue tracking these trends as newer data is released.)

Comparisons have an advantage: Among comparison cities, Vestavia Hills had the highest increase median home price and the second-lowest increase in median household income. In short, Vestavia's competitors have a growing advantage in the affordability of homeownership. The accompanying chart shows the ratio of median

home value to median household income for all comparison geographies. Any dot below the line drawn from the origin through the "USA average" dot represents a geography where homeownership is more affordable than the national average, and any dot above that line is less affordable. Vestavia Hills is the only geography above that line. Germantown has the lowest ratio price-income ratio at 2.60, while Vestavia has the highest at 4.02.

What this means for young professionals: This could mean that young professionals will find it increasingly difficult to locate in Vestavia Hills if they intend to own a home. However, there are undoubtedly more affordable locations within the city that possess attractive homes at price points below the median. Many input participants referenced Cahaba Heights as the area that is most likely to be attractive to and affordable for young professionals.

Homeownership is still prominent: In Vestavia Hills, the rate of homeownership in 2010 was 75.2 percent, third amongst comparisons behind Germantown (87.9 percent) and Peachtree City (76.2 percent). Its rate declined – as did all comparison geographies' rates – between 2000 and 2010. This decline in Vestavia Hills is largely connected to the annexation of Cahaba Heights.

Cahaba's effect on housing dynamics: In 2000, Cahaba Heights' homeownership rate was 56.3 percent. When it was annexed by Vestavia Hills in 2002, the homeownership rate in Vestavia was reduced

MARKET ST

and the renter-occupied rate was increased. If the homeownership dynamics for Cahaba Heights in 2000 were subtracted from the dynamics for Vestavia Hills in 2010, the homeownership rate in Vestavia Hills would be 79.6 percent – 4.2 points higher than the current figure.

However, the annexation of Cahaba Heights apparently did little to alter the composition of the housing stock in Vestavia Hills. In 2000, single-family units made up 72.6 percent of all units; in the 2007-2009 measurement period, the share was 72.9 percent. Clearly, while Cahaba Heights added rental units to the housing makeup, those units were primarily single-family.

While no new multi-family permits have been issued by the city in recent years, Vestavia Hills has a higher proportion of multi-family housing stock than its comparison communities (27.1 percent); the next-highest share is 19.2 percent in Matthews.

Crime is low, safety is high: Vestavia Hills' violent crime rate in 2009 of 7.4 incidents per 10,000 residents is approximately one-sixth that of the

state and is on par with the safest comparisons. Property crime is also low, with only 124.9 incidents per 10,000 residents. Only Germantown has a lower rate, while the state of Alabama's rate is three times higher. Most of the property crime offenses in Vestavia Hills are larceny-theft.

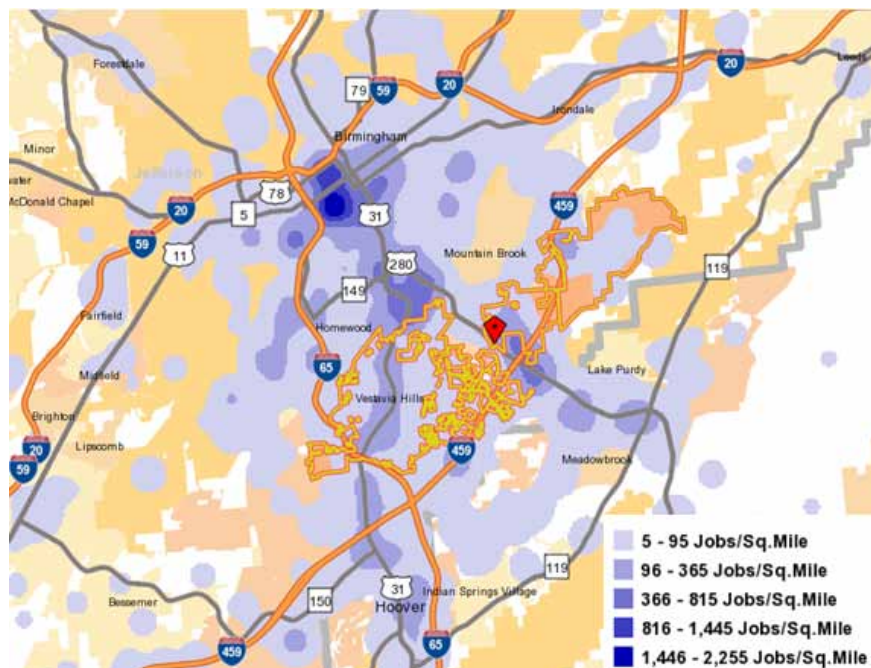
When asked about quality of life in Vestavia Hills, input participants were quick to identify safety as one of the city's most prized features. The police department and other public safety workers were given great credit for their work.

HOW DOES INFRASTRUCTURE SUPPORT RESIDENT AND WORKFORCE NEEDS?

Commuters are flowing outward: When the vast majority of Vestavia Hills' employed residents leave for work in the morning, they are headed outside the city. Only 7.7 percent of employed residents work in Vestavia Hills, which means 92.3 percent – or 12,341 total working age residents – go somewhere else. This was on par with Germantown and Matthews, where 6.6 percent and 7.5 percent of residents work

WHERE RESIDENTS WORK, HEAT MAP, 2009

Source: US Census Bureau, Local Employment Dynamics, OnTheMap



Orange boundary represents Vestavia Hills city limits.

within the city, respectively, but was considerably lower than Peachtree City (17.0 percent). This is also on par with neighboring Mountain Brook (7.8 percent) and between Homewood (5.3 percent) and Hoover (12.4 percent).

The figure on page 16 shows a heat map illustration of the commuter distribution from Vestavia Hills. A larger percentage of Vestavia Hills' residents work in Homewood (11.4 percent) and Hoover (9.3 percent) than work in Vestavia Hills (7.7 percent). Nearly 38 percent work in Birmingham.

They're taking the car: Over the five-year period from 2005-2009, 88.0 percent of commuters from Vestavia Hills made their daily trek by driving alone or on a motorcycle – the highest share of any comparison. An additional 6.3 percent carpooled while 4.4 percent worked at home. This leaves only one percent of residents that commute to work using a mode of transportation other than a car or motorcycle (public transit, walking, or bicycling). Across the United States, this group amounts to almost ten percent of all commuters.

Although almost everybody drives on the road for the morning commute, commute times in Vestavia Hills are generally shorter than in any comparison community. Roughly 84 percent of all commuters make it to work in less than 30 minutes. Only 74.6 percent of commuters in Germantown – the next closest comparison – get to work in that time.

Mobility risks abide: Still, this reliance on the auto-oriented travel is detrimental to some populations – particularly the elderly and those with disabilities. Because driving becomes increasingly difficult as persons age, the “aging” of communities across the country is a transportation concern.

While the city operates a limited bus service for senior citizens who need transportation to medical and dental appointments, shopping, and bank visits, Vestavia Hills is generally ill-prepared to service the needs of residents needing alternative modes of travel. In 2009, fiscal pressures prompted the reduction of service for the U.S. 31 Express bus.

Many stakeholders – especially among the young professional and small business populations – expressed a desire to see the city better served by transit. Relief from congestion on U.S. 31 and U.S. 280 was especially sought after. Similarly, many participants emphasized a desire for increased walkability between residential, employment, and retail centers throughout the city. Resident opinions were mixed with regards to increased density and integration of land uses. Many participants expressed a desire for greater residential and commercial densities within close proximity of one another, while some felt that such additional density would prove burdensome for city services and schools.

Telecommunications infrastructure is sufficient: The City of Vestavia Hills is primarily served by asymmetric xDSL broadband technology. The entire community, from the southern reaches near I-65 up to Liberty Park, has good coverage. There are no glaring gaps in wireless signal coverage, either. Broadband download speeds in the four zip codes comprising Vestavia Hills are adequate, averaging between four Mbps and ten Mbps. The median community in the United States possesses a download speed of 3.0 Mbps.

“I’d like to see future Vestavians living, working and playing within Vestavia Hills. There should be more options for denser housing and further enhanced walkability.”

-Public Input Participant

CONCLUSION

Through the economic downturn, Vestavia Hills has remained a prosperous place, with enviable incomes and an outstanding anchor institution in its public schools. With its engaged population and low unemployment, the city can approach the fiscal challenges posed by lower property tax receipts and the economic challenges posed by its commercial corridors from a position of relative strength.

However, Vestavia’s population is relatively young and increasingly diverse, and it is evident that the city will face challenges in retaining this population going forward. Housing prices have grown proportionally out of scale with incomes; if this trend continues, young professionals and those with moderate household incomes will begin to locate elsewhere. Also, this group (and others) increasingly desires walkable urban environments with multiple amenities in close proximity. Vestavia’s severe dependency on automobile travel and paucity of walkable destinations thus threaten growth in this key demographic.

Perhaps the greatest challenge the city needs to address is its ambivalence about what kind of development is desirable. Input participants recognized the tension between wanting the city to develop denser, more walkable environments with residential, commercial, and retail space – especially in a “town center”-like environment – and the desire for the city to retain the character that already attracts so many people. In addressing this tension, it will be critical for the city to leverage redevelopment opportunities in existing retail corridors.

Vestavia Hills must recognize that quality economic development is development that creates opportunities for all of its residents to thrive. It is quite possible that future development will not mimic prior development, but will instead diversify the city’s offerings in a way that leverages existing strengths to open new doors. If the immense capacity of its residents can be harnessed to build off of the common blueprint created by this visioning process, Vestavia Hills will become competitive in ways it never thought possible.

What is your vision for the desired future of Vestavia Hills?

“A place where you can raise your family, walk to school and walk to dinner. A place that is just as beautiful on the outside as its people are on the inside. A place where you love your neighbor, your city, and your schools and are proud of all three.”

“A more diverse population with more affordable housing for young families.”

“A city whose commercial districts have a bright new face. One that will attract people and make them feel excited to be here.”

-Public Input Participants



PROJECT OVERVIEW

COMPETITIVE SNAPSHOT AND STAKEHOLDER INPUT

This *Competitive Snapshot* provides Vestavia Hills with a thorough examination of its competitive advantages and existing challenges. The city is benchmarked against three quality peer communities (Germantown, TN; Matthews, NC; and Peachtree City, GA), the State of Alabama, and the United States. The “hard facts” are married with input received on the ground from those who know Vestavia Hills best. Through a combination of focus groups, individual interviews, and an online community survey, *Market Street* has drawn on input from a large portion of the community.

TARGET BUSINESS REVIEW

The *Target Business Review* will build on the information gathered during Phase I and will present a short list of possible target business sectors on which the city can focus its efforts. The *Target Business Review* will consider the city’s niche opportunities within the regional targets developed for the Birmingham metropolitan area as a component of the Blueprint Birmingham process.

COMMUNITY VISION PLAN

The *Community Vision Plan* represents the culmination of all quantitative and qualitative research through the development of action items geared toward addressing challenges and capitalizing on opportunities for visionary growth. The *Vision Plan* will serve as a tool unifying Vestavia Hills’ various community and economic development partners behind a consensus blueprint for quality community and economic development. It will provide goals and action steps needed to optimize local competitiveness and conditions to achieve success.

IMPLEMENTATION PLAN

One of *Market Street*’s core beliefs is that when the strategic planning process is complete, the real work begins. Timely and effective implementation is critical to the ultimate success of Vestavia Hills’ *Community Vision Plan*. The *Implementation Plan* will examine implementation partners, organizational structures, budgets, and staffing, while also providing performance metrics to measure the city’s success in implementing the *Vision Plan*. The *Implementation Plan* will enable local leaders to secure early implementation victories and continue to build momentum for overall activation of the *Vision Plan*.



Steering Committee

Mr. Raymond Gottlieb (co-chair)
Founder and President
Metropolitan Properties

Mr. Lyle Larson, Chair
Vestavia Hills Planning and Zoning Commission

Mr. David Carrington
Jefferson County Commissioner
District 5

Mr. David Walker, President
Vestavia Hills Board of Education

Mr. Stephen Craft, Ph.D., Dean
Michael E. Stevens College of Business
University of Montevallo

Mr. Thomas DeCarlo, Ph.D., Ben S. Weil Endowed
Chair of Industrial Distribution
UAB School of Business

Mr. K.C. Pang, Instructor
UAB School of Business, International Business
and Marketing

Mr. Paul Sumner (co-chair)
President
Vestavia Hills Chamber of Commerce

Ms. Martha Cook, Incoming President,
Vestavia Hills Chamber of Commerce

Ms. Kim Mangham-Barlare, Chair of Business
Development Committee
Vestavia Hills Chamber of Commerce

Ms. Terri Jackson, Owner
The Nesting Place
Cahaba Heights Business District

Mr. John Henley
State Farm Insurance
Columbia Crossings Business District

Mr. Jim Sharp, Owner
Sharp Cleaners
Upper 31 Business District

Ms. Karol Leggett, Owner
Kidz Closet
Upper 31 Business District

Ms. Mary Lee Rice (co-chair)
President
Vestavia Hills City Council

Mr. Robin Morgan, Developer
Rocky Ridge Business District

Mr. Brian Wolfe, Director of Development
Corporate Realty Development

Ms. Robin Tubbs, Regional Property Manager Excel
Trust, Inc.

Mr. James Robinson, Manager of National Accounts
Alagasco

Mr. Terry Green, Owner
Diplomat Deli & Spirits
Lower 31 Business District

Mr. Steve Preston, Vice President of External Affairs
Brookwood Medical Center

Mr. Ted vonCannon, Former President Birmingham
Metropolitan Development Board (1987-2009)

Mr. Paul Graham, Chief Administrative Officer
Trinity Medical Center