

September 2007

Dear Reader:

This is Old Dominion University's eighth annual State of the Region report. While it represents the work of many people connected in various ways to the university, the report does not constitute an official viewpoint of Old Dominion, or its president, Dr. Roseann Runte. The State of the Region reports maintain the goal of stimulating thought and discussion that ultimately will make Hampton Roads an even better place to live. We are proud of our region's many successes, but realize it is possible to improve our performance. In order to do so, we must have accurate information about "where we are" and a sound understanding of the policy options available to us.

The 2007 report is divided into seven parts:

- **Back to Earth: The Regional Economy Slows Down:** After a spectacular first half of this decade, the regional economy decelerated in 2007. A combination of declining rates of growth in defense spending, the closing of the Ford Norfolk Assembly Plant and a sluggish national economy reduced the growth of the regional economy to the national average. Looming base realignment and closure reductions beginning in 2008 bode to continue this trend.
- **Hidden in Plain Sight: The Ship Repair Industry in Hampton Roads:** Private-sector shipbuilding and repair is big business in Hampton Roads and accounts, directly and indirectly, for about 15 percent of the total value of the region's economic activity. More than 160 ship construction and repair firms in the area employ approximately 24,600 people, whose typical compensation is one-third above the regional average.
- **'Tis Better to Give Than to Receive: Charitable Giving in Hampton Roads:** We are a generous lot in Hampton Roads. The region's citizens give a higher proportion of their incomes to charity than the national average and African Americans, who direct very high proportions of their incomes to churches, lead the parade. Overall, the region's citizens give 8.2 percent of their annual incomes to charity, easily topping the national average of 6.4 percent.
- **The Filipino American Community of Hampton Roads:** The region is home to approximately 45,000 Filipino Americans whose political and cultural impact has been growing progressively. They tend to be better educated and earn higher incomes than the typical regional citizen. Virginia Beach's "Little Manila" area is a reminder of the increasing presence of Filipinos within Hampton Roads.
- **Affordable Housing in Hampton Roads: Facts and Issues:** The rapid increase in regional housing prices in recent years (97 percent between 1997 and 2006) has made it much more difficult for some people to own their own home. Between these years, the annual interest and principal payments required for a typical home purchase rose from only 21.5 percent of the median income of our region's households to 32 percent. Economically viable solutions to affordable housing challenges nearly always include increased housing density in order to make more moderately priced housing profitable to builders.
- **Low Glamour, But Large Economic Impact: The AAU Junior Olympics:** National amateur athletic events Hampton Roads hosts have flown under the radar insofar as their economic impact is concerned, but their impact is greater than that of local professional and collegiate teams, and virtually every city in the region benefits. The 2006 AAU Junior Olympics alone had an incremental economic impact of \$50 million, primarily generated by visitors from outside of the region.
- **Is Hampton Roads Receiving Its "Fair" Share from the Commonwealth?** All things considered, the region has a case to make when it argues that it receives less than its "fair" share of state government spending. The geographic distribution of expenditures is particularly disadvantageous to Hampton Roads in the areas of K-12 education and car tax reimbursements, but less so in transportation and higher education.

Old Dominion University, via the president's and provost's offices, and the College of Business and Public Administration, via the dean's office, continue to be generous supporters of the State of the Region report. However, it would not appear without the vital backing of the private donors whose names appear below. These munificent individuals believe in Hampton Roads and in the power of rational discussion to improve our circumstances. They deserve kudos for their generosity and foresight. But, they are not responsible for the views expressed in the report.

The Aimee and Frank Batten Jr. Foundation
Frank Batten Sr.
R. Bruce Bradley
Ramon W. Breeden Jr.
Arthur A. Diamonstein

George Dragas Jr.
Thomas Lyons
Arnold McKinnon
Patricia W. and J. Douglas Perry
Anne B. Shumadine

The following individuals were instrumental in the research, writing, editing, design and dissemination of the report:

Vinod Agarwal
John R. Broderick
Chris Colburn
Vicky Curtis
Steve Daniel
Susan Hughes
Elizabeth Janik
Feng Lian

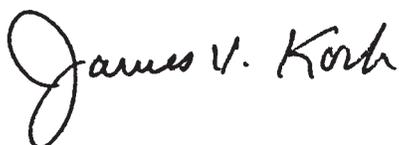
Sharon Lomax
Trish Manthey
Janet Molinaro
Ken Plum
Maurice Seaton
Lowell Singh
Qian Sun
Gilbert Yochum

Special recognition is merited for Vinod Agarwal and Gilbert Yochum of the Old Dominion University Economic Forecasting Project, which Professor Yochum directs. They are hard-working, perceptive colleagues who generate superb work on a very tight time schedule, and I am indebted to them. Their penetrating analyses of the regional and Commonwealth economies have become legendary and, by consensus, constitute the baseline by which numerous economic activities are measured.

My hope is that you, the reader, will be stimulated by the report and will use it as a vehicle to promote productive discussions about our future. Please contact me at jkoch@odu.edu or 757-683-3458 should you have questions.

Note that all eight State of the Region reports may be found at www.odu.edu/forecasting.

Sincerely,



James V. Koch

Board of Visitors Professor of Economics
and President Emeritus, Old Dominion University