CHESAPEAKE

VIRGINIA BEACH

HAMPTON

THE STATE OF THE REGION

HAMPTON ROADS 2007

REGIONAL STUDIES INSTITUTE • OLD DOMINION UNIVERSITY

BAY
Intracoastal Waterway
Kilmarnock
Irvington
White Stone
Urbanna
Weems
Locust Hill
Greys Pt.
Locklies
Palmer
Westland
Windmill Point
Deltaville
Piankatank Riv
Gwynn
GWYNN'S ISLAND
Cobbs Cr.
Hartfield
Saluda
Glenns
Shacklefords
Shacklefords Fork
West Point
Adner
Dutton
Plain View
Jamaica
Samos
Church View
Cumnor
King and Queen C.H.
Truhart
Rose Garden
Little Plymouth
Manor
Barhamsville
YORK RIVER
Ark
Nuttall
North
Mathews
Gloucester
Ware Neck
Mobjack
Mobjack Bay
New Point
Bavon
New Point Comfort
Allmondsville
York River
Toano
Lightfoot
JAMES CITY
RICHMOND 94 Miles NORFOLK
White Marsh
Naxera
Severn
Hayes
Achilles
Williamsburg
COLONIAL WILLIAMSBURG
COLONIAL PKWY
COLLEGE OF WILLIAM AND MARY
Jamestown
Grove
BUSCH GARDENS
COLONIAL NAT'L HIST. PK.
JAMESTOWN NAT'L HIST. SITE
SURRY NUCLEAR POWER PLANT
Gloucester Point
Yorktown
Scotland
Cobham Wharf
Surry
CHIPPOKES PLANTATION
Bacons Castle
FT. EUSTIS
Grafton
Tabb
Poquoson
NASA LANGLEY AIR FORCE BASE
James River
Rushmere
Runnymede
Dendron
MARINERS MUSEUM
WAR MEMORIAL MUSEUM OF VIRGINIA
Hampton
FORT MONROE
Old Point Comfort
NORFOLK
Rescue
Smithfield
Pons
Goodrich Fork
Newport News
Hampton Roads
U.S. NAVAL BASE
Benns Church
Isle of Wight
ISLE OF WIGHT
Ivor
Zuni
Windsor
Portsmouth
Little Cr.
Lynnhaven
Bayside
Virginia Beach
NAVAL AIR STATION
VIRGINIA BEACH-NORFOLK EXPWY.
Kempsville
Princess Anne
Sleepy Hole
Chuckatuck
Sedley
Walters
Carrsville
Franklin
Holy Neck
Suffolk
Whaleyville
Cypress
GREAT DISMAL SWAMP NAT'L WILDLIFE REFUGE
Great Dismal Swamp
Lake Drummond
Feeder Ditch
Canal
Great Bridge
Fentress
Hickory
Chesapeake
Blackwater
Pungo
BACK BAY NAT'L WILDLIFE REFUGE
Back Bay
N. CAROLINA
PHILADELPHIA 275 Miles NORFOLK
Harborton
Pungoteague
Keller
Craddockville
Silver Beach
Franktown
Nassawadox
Bridgetown
Birdsnest
Machipongo
NORTHAMPTON
Eastville
Cheriton
Cape Charles
Bay View
South Bay
MOCKHORN I.
Capeville
Townsend
SMITH ISLAND
KIPTOPEKE
Kiptopeke
Cape Charles
CAPE CHARLES LIGHTHOUSE
FISHERMANS ISLAND NAT'L WILDLIFE REFUGE
FISHERMANS ISLAND
CHESAPEAKE BAY BRIDGE-TUNNEL (TOLL)
AT NORFOLK
U.S. NAVAL SHIPYARD
HAMPTON ROADS NAVAL BASE
NORFOLK GARDENS BY THE SEA
GEN. MACARTHUR MEMORIAL
CAPE HENRY LIGHTHOUSE
SEASHORE
FORT STORY
Cobb Bay

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
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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

James V. Koch

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

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The Hampton Roads Economy

BACK TO EARTH: THE REGIONAL ECONOMY SLOWS DOWN

During 2007, the Hampton Roads economy has grown at an after-inflation rate of 2.6 percent. This rate is significantly below the average growth rate of 3.4 percent for our region's economy over the past 40 years and even further below the 3.7 percent average annual increase since 2001. Despite meager growth relative to Hampton Roads' own historical average, the region's economy nevertheless may outperform that of the nation and be on par with that of the Commonwealth of Virginia in 2007.

Much of the lackluster performance of the regional economy can be attributed to the national economic situation. Rising interest rates, the poor performance of the U.S. automobile industry, a slowdown in home construction and decelerating defense spending are the primary villains. But local issues were far more important, such as the deceleration of military spending in the region.

Our focus here is upon several of these important local issues that are affecting our region's economic growth and well-being. Starting with a general overview of economic activity over the past few years, we will delve into the reasons why economic growth has slowed in Hampton Roads. We'll then investigate potential shocks to the regional economy and finally, pay particular attention to the area's potentially volatile housing market.

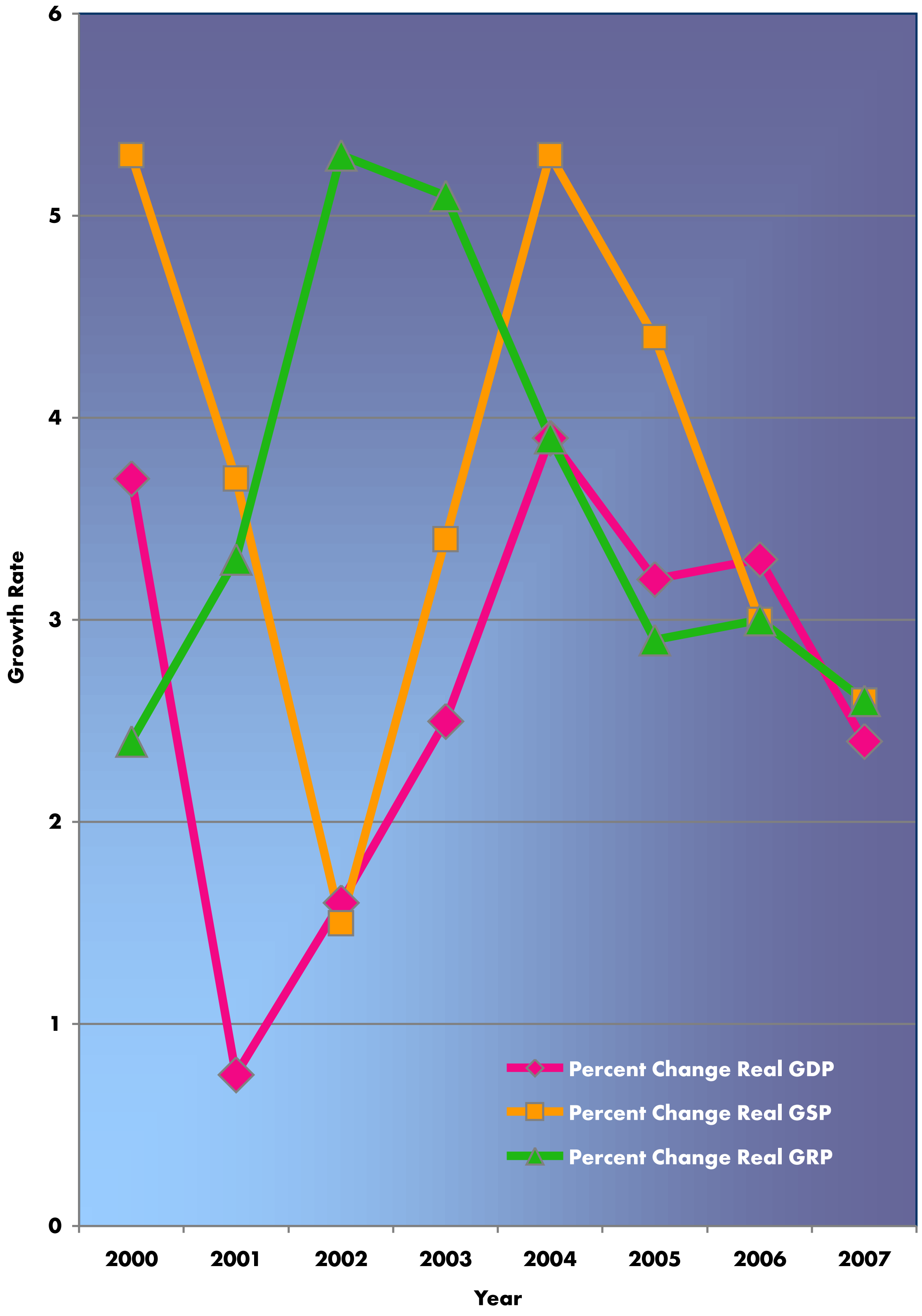
An Economic Roller Coaster

As one can see in Graph 1, the path of the region's economic growth since 2000 has resembled a roller coaster ride. The rate peaked in 2002 as the Hampton Roads economy grew at roughly 4 percent more than the nation and Virginia. Dramatic increases in defense spending in the region, both for personnel and for equipment and supplies, were the primary source of this surge. The unusually strong growth experienced in 2002 and 2003 had not been seen in Hampton Roads since the Reagan defense buildup of the mid-1980s. Note that these growth rates are "after inflation" and therefore represent real economic growth, not merely rising prices.

However, things have changed. In 2007, economic growth in Hampton Roads has decelerated to its lowest level since 2000 and now roughly approximates that of the nation and Virginia. A portion of this decline (statistically speaking) was due to the release in May 2007 of revised personal income data for Hampton Roads. These new figures actually reduced previously reported growth rates. For example, the 3.2 percent rate in 2006 was scaled back to 3 percent.

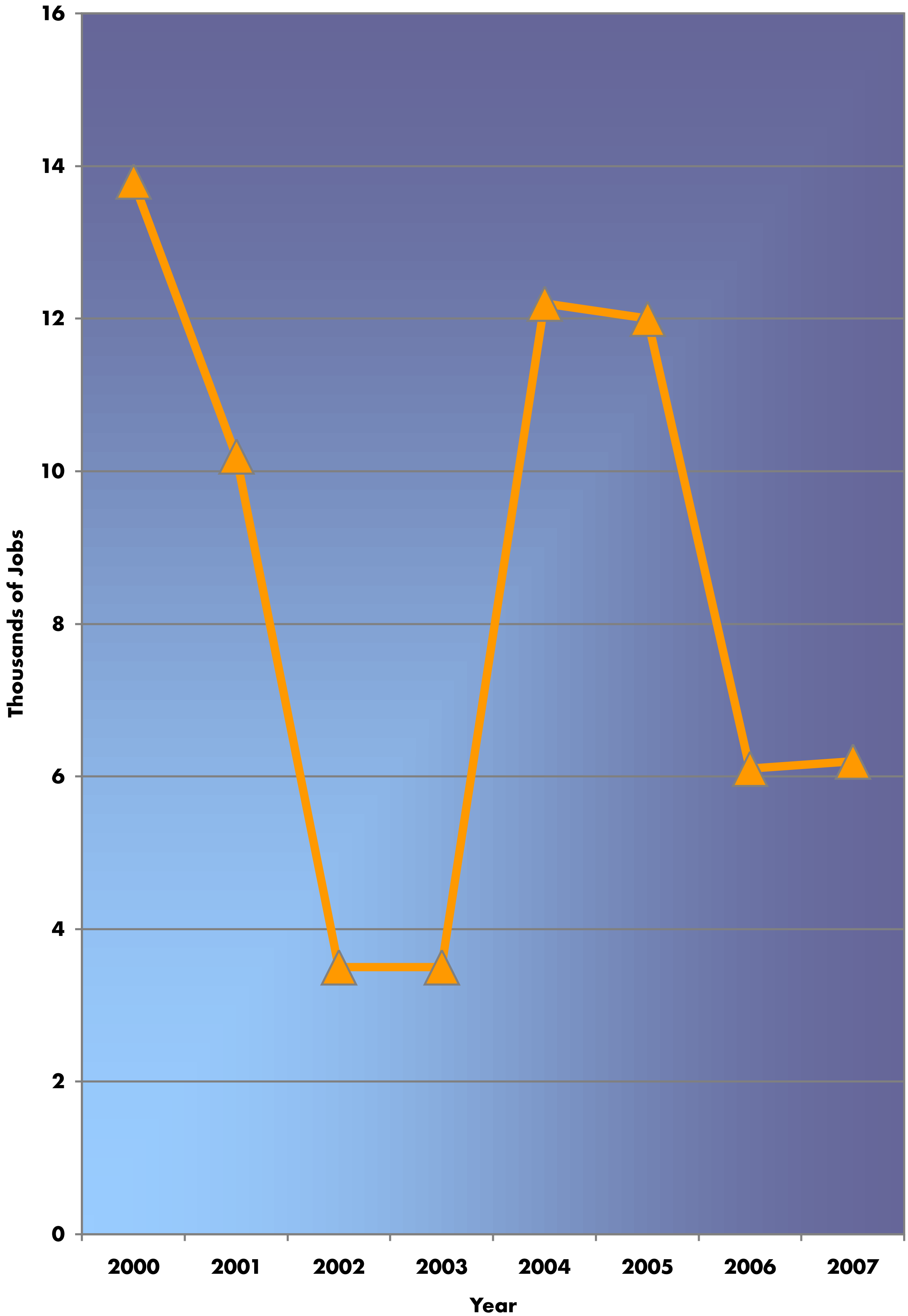
Between 2000 and 2007, approximately 66,000 jobs were created in Hampton Roads. Graph 2 shows that this magnificent annual job creation lagged the region's economic growth by about one year. This is consistent with the national experience. Employers often attempt to "make do" with existing employees when the demand for their products increases; only when they come to believe this increase is permanent do they add significant numbers of workers.

GRAPH 1
RATE OF GROWTH OF GDP (U.S.), GSP (VIRGINIA) AND GRP (HAMPTON ROADS)



Source: Old Dominion University Economic Forecasting Project

GRAPH 2
HAMPTON ROADS ANNUAL JOB CREATION
(2000-2007)



Source: Old Dominion University Economic Forecasting Project

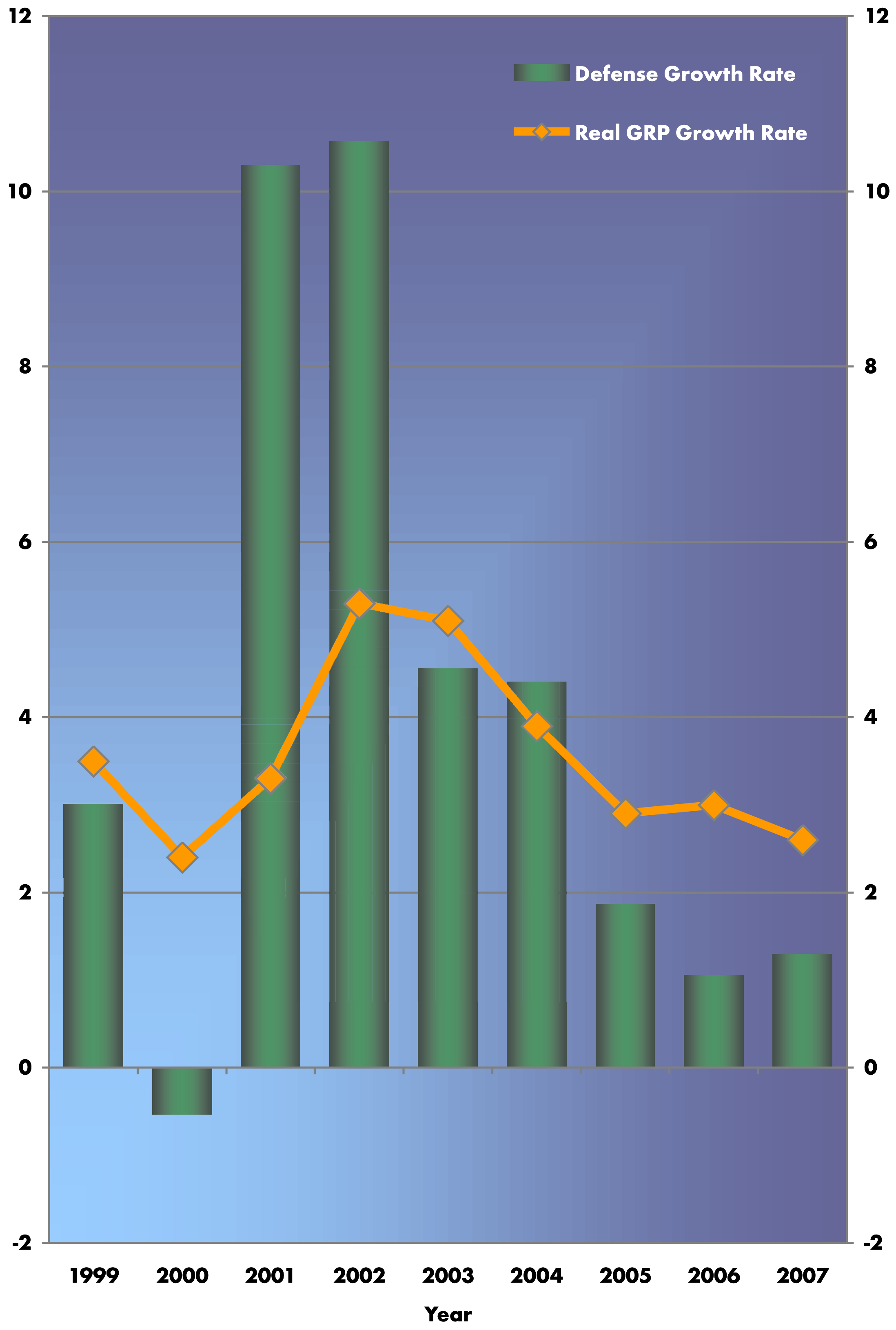
Why Has the Region's Economic Growth Slowed?

It has long been true that our regional economy's health is disproportionately influenced by defense spending. Graph 3 depicts the close relationship between the region's price-adjusted gross regional product (GRP) growth rate and the price-adjusted growth rate of defense spending in Hampton Roads. **The surge in defense spending in the region in the first half of this decade accounted for roughly three of every four dollars of increase in our GRP from 2001 through 2005.** Hence, it is the slowing of the growth rate in defense spending that has played the primary role in the slowing of output in Hampton Roads.

Compensation of military personnel accounts for approximately 60 percent of defense spending in Hampton Roads. In 2002 and 2003, reflecting the needs of a voluntary military force, a major effort was initiated to enhance personnel retention through bonuses, increased housing allowances and higher base pay. This effort stimulated nearly every part of the regional economy, but played itself out by 2006. Graph 4 illustrates this dynamic, but also demonstrates the deceleration of military compensation increases in recent years. This has moderated regional economic growth.

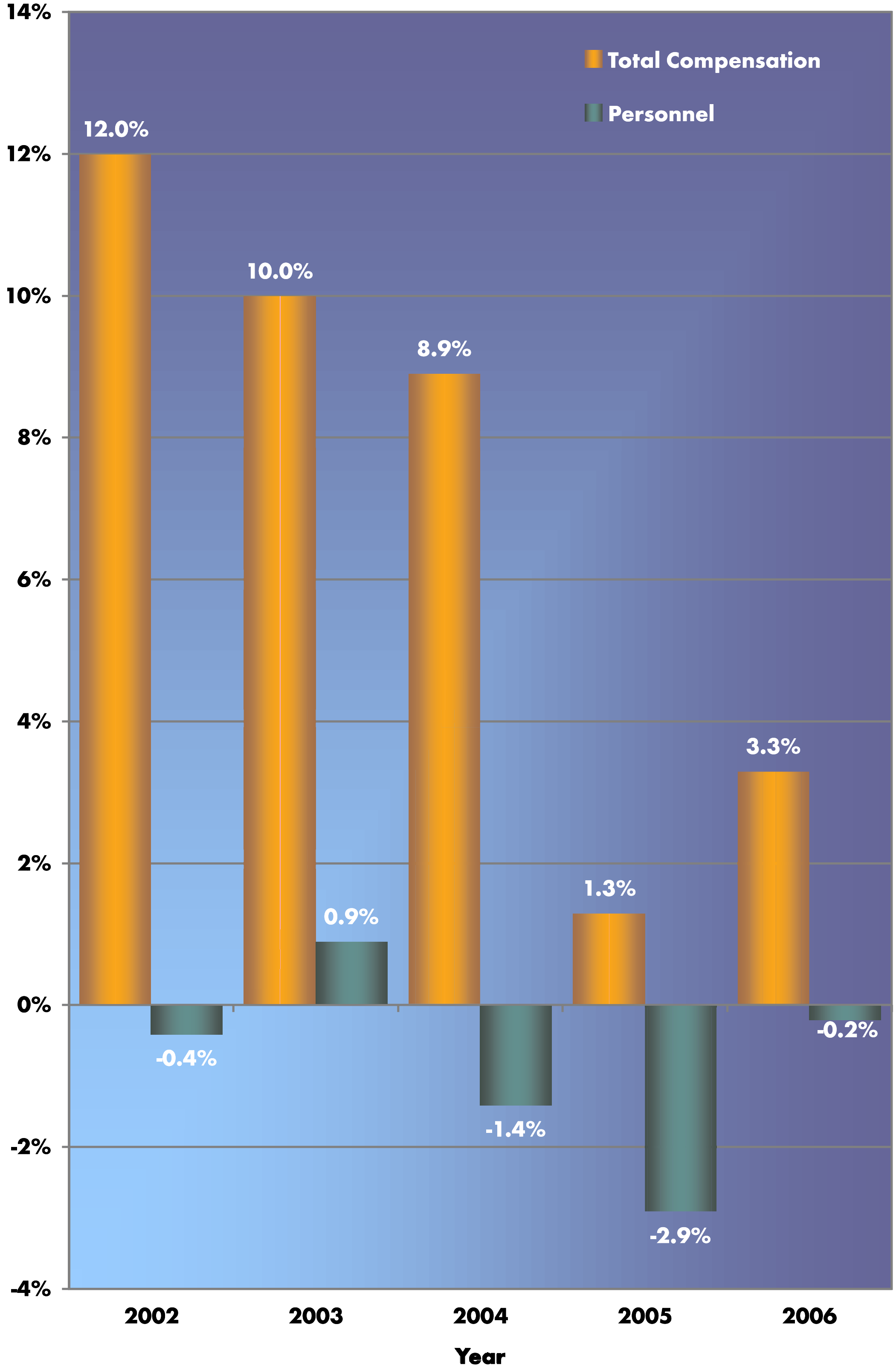
The Old Dominion University Economic Forecasting Project estimates that total compensation of regional military personnel rose by an estimated 41.3 percent between 2001 and 2006, while that of nonmilitary Hampton Roads workers increased by an estimated 22.6 percent during the same period. Total compensation rose by roughly $2.6 billion from 2001 to 2006 despite the fact that the number of military personnel in the region declined by 4,500 during the same period.

GRAPH 3
ESTIMATED PRICE-ADJUSTED GROWTH RATE OF DEFENSE SPENDING IN HAMPTON ROADS AND GRP GROWTH RATE



Source: Old Dominion University Economic Forecasting Project

GRAPH 4
ESTIMATED ANNUAL GROWTH RATE OF HAMPTON ROADS MILITARY PERSONNEL AND TOTAL COMPENSATION (2002-2006)



Sources: U.S. Department of Commerce and Old Dominion University Economic Forecasting Project

Civilian Job Growth in Hampton Roads

Between 2002 and 2006, 36,000 civilian jobs were created in Hampton Roads. Job growth patterns in the region's industrial subsectors are displayed in Graph 5. Health and education accounted for about one third of the new jobs in the region over the period. Leisure and hospitality was responsible for another one quarter of the region's job growth so that these two sectors were responsible for nearly 60 percent of civilian job growth in Hampton Roads over the five-year period.

Two other job developments are notable. First, professional, technical and scientific employment expanded by 2,300 jobs. This is modest in the overall scheme of things, but is important because it reflects a variety of influences – the modeling and simulation expansion centered in Suffolk, expanding research activities at Old Dominion University and increased research and medical activity at Eastern Virginia Medical School. The jobs generated by these activities tend to be the clean, high-paying positions that economic development personnel crave. They represent hope for the future in terms of rising per capita incomes and regional living standards.

The second development, the continuing decline in manufacturing jobs in the region, reflects national trends. Nevertheless, given the increasing levels of manufacturing output in the region, this implies that manufacturing in Hampton Roads is becoming increasingly efficient. This is a good omen for the future.

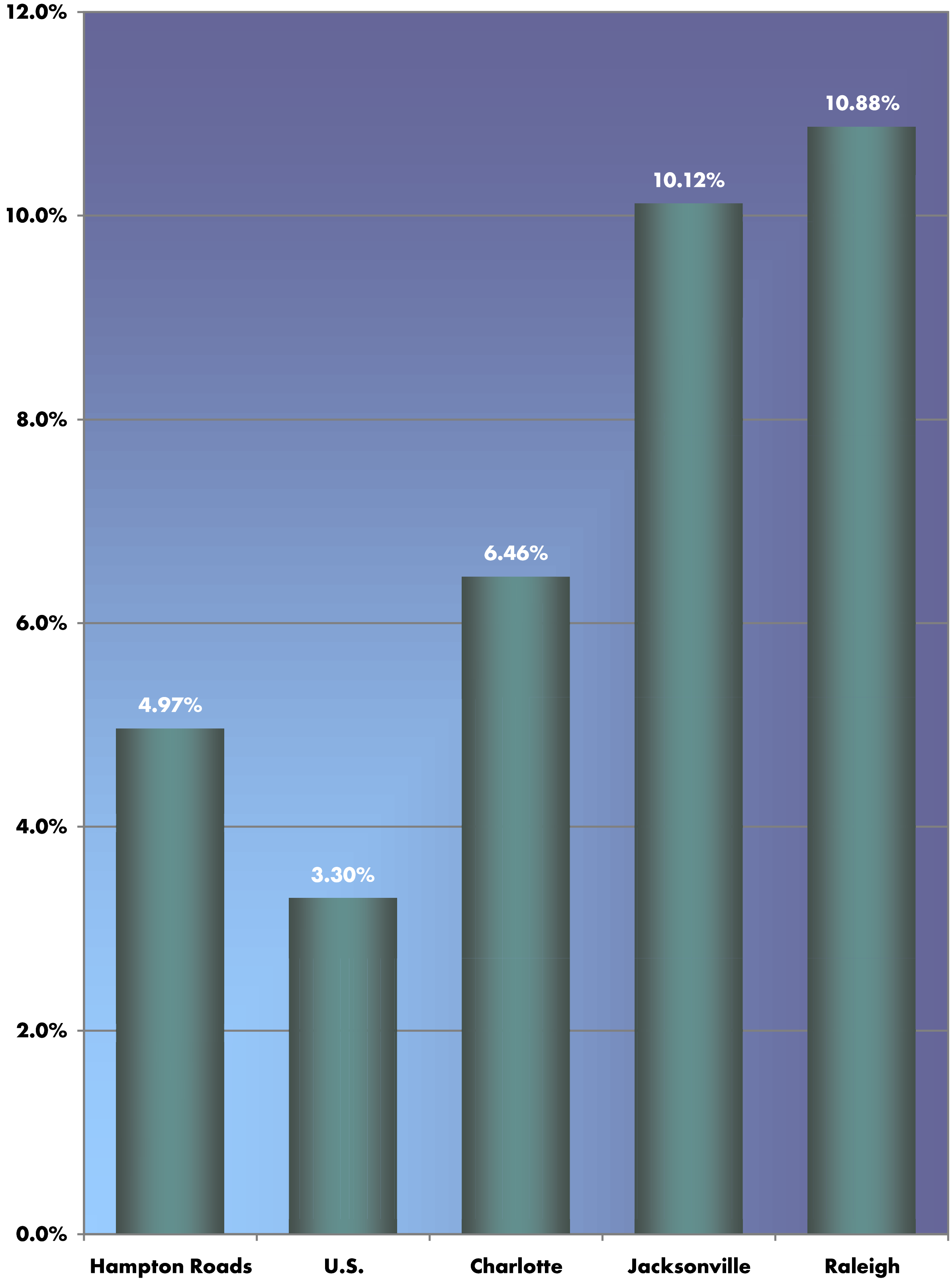
Overall, between 2001 and 2006, civilian job growth in Hampton Roads exceeded the national average, though it lagged several other comparable metropolitan areas in the Southeast. Graph 6 displays these data.

Even though job growth in our region has not been outstanding when compared to other Southeastern metropolitan areas, Graph 7 reveals that personal income in Hampton Roads increased nicely between 2001 and 2006. This reflects higher-wage jobs (an excellent development for the region) and the beneficent effect of the military compensation increases. However, it should also be noted that this trend slowed noticeably between 2003 and 2006.

GRAPH 5
HAMPTON ROADS CIVILIAN JOB GROWTH (THOUSANDS OF JOBS)
(2002-2006)

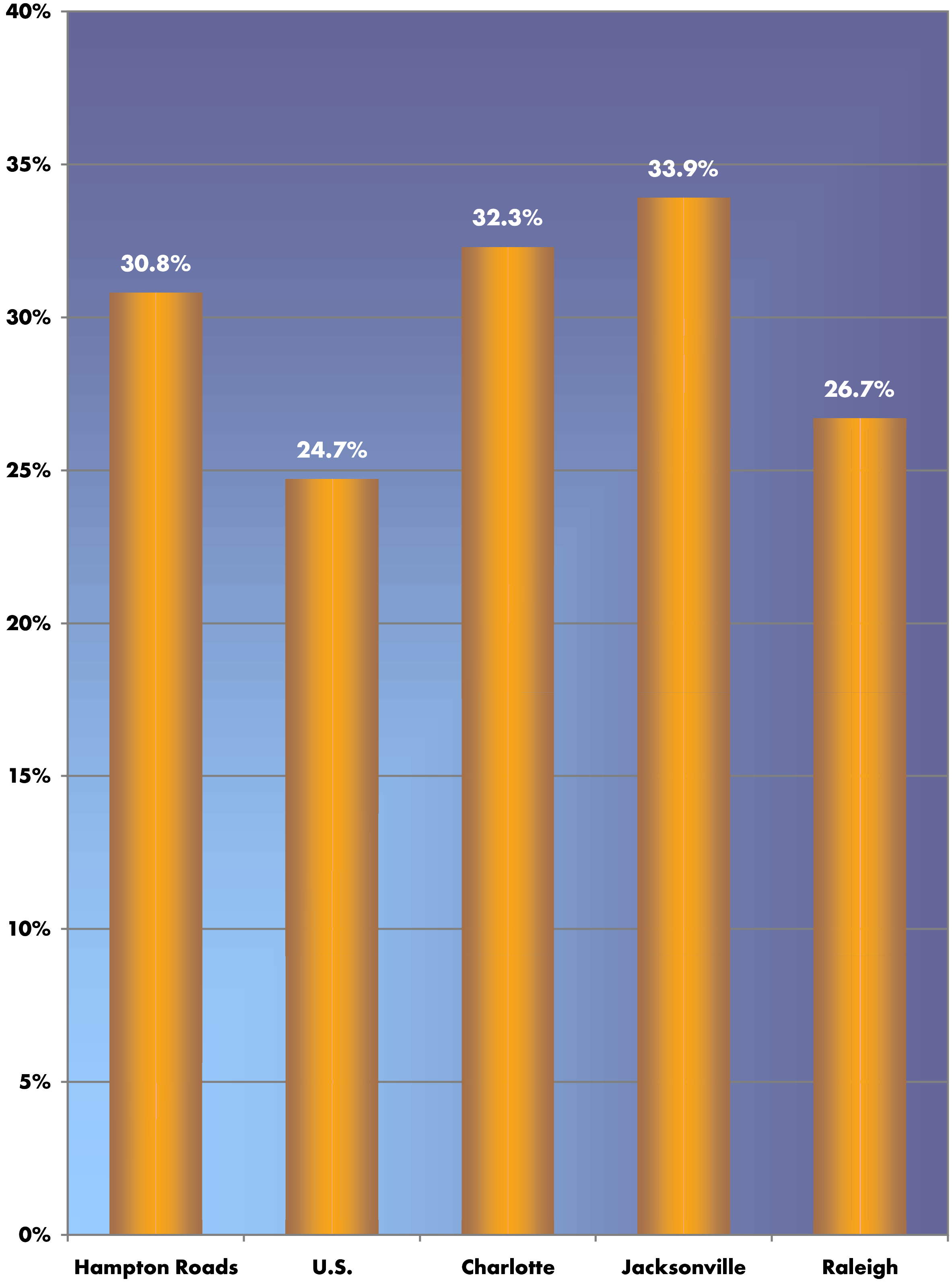
Sources: U.S. Department of Labor and Old Dominion University Economic Forecasting Project

GRAPH 6
ANNUAL CIVILIAN EMPLOYMENT GROWTH RATE IN SELECTED MSA'S
(2001-2006)



Sources: U.S. Department of Labor and Old Dominion University Economic Forecasting Project

GRAPH 7
ESTIMATED PERSONAL INCOME GROWTH RATE IN SELECTED MSA'S
(2001-2006)



Sources: U.S. Department of Labor and Old Dominion University Economic Forecasting Project

Potential External Economic Shocks to Hampton Roads: Ford, BRAC and Jamestown

Spending that flows into the Hampton Roads economy from outside the region stimulates additional economic activity rather than simply reshuffling existing expenditures. Injections of outside spending create an economic ripple effect larger than the original stimulus.

Relatively large increases or decreases in spending that originate outside the region often are referred to as “shocks,” because they literally alter the course of the economy. In another chapter in this report, we detail the rather substantial positive economic shock attached to the spending of those who come to the region to compete in and watch the AAU Junior Olympic Games. More than 90 percent of the people who attend the games come from outside Hampton Roads and therefore truly add new spending to the region’s economy.

In 2007, there were three important external economic shocks — two negative and one positive — to the region: (1) the Ford Norfolk Assembly Plant closing; (2) BRAC; and (3) the Jamestown 400th anniversary celebration.

Ford Motor Co. completed the planned closing of its truck assembly plant in September 2007. Also in September, the implementation of the Base Realignment and Closing Commission (BRAC) decisions began and will continue through 2012. We addressed the anticipated long-term effects of the Ford plant closing and the BRAC decisions on the region’s economy in detail in the 2006 State of the Region report, but have summarized those effects here again in Table 1.

We estimate that closing the Ford plant will reduce the region’s 2007 GRP growth rate by only about .1 percent, much less than many individuals would have guessed. On the other hand, the impact of BRAC (a 1.2 percent decrease in GRP between 2008 and 2013) will be substantially larger than that of the Ford plant closing, though it will not have a major effect upon us in 2008.

Taken together, the assembly plant closing and BRAC ultimately will reduce GRP by 1.52 percent annually and eliminate 15,479 jobs after the economic ripple effect has played out.

Much time and effort went into the captivating Jamestown celebration. However, the celebration’s economic footprint was relatively small. Displayed in Table 2 are estimates of the event’s ability to draw people from outside Hampton Roads. Hotel revenue increased by approximately $2.8 million, a welcome addition, but this was only a tiny proportion of the region’s annual hotel revenues of $700 million.

TABLE 1
ESTIMATED FORD PLANT AND BRAC LONG-TERM ECONOMIC OUTCOME (2007 DOLLARS)

	GRP Loss	Job Loss	Jobs as a Percent of MSA Total*	Percent GRP Loss
Ford Plant	$0.6 Billion	6,380	0.63%	0.8%
BRAC	$0.9 Billion	9,099	0.90%	1.2%
Total	$1.5 Billion	15,479	1.52%	2.0%

Source: Old Dominion University Economic Forecasting Project
*Civilian and military employment combined

TABLE 2
2007 JAMESTOWN CELEBRATION ESTIMATED EFFECT ON HOTEL REVENUE AND OCCUPANCY IN HAMPTON ROADS

Room Nights	33,500
Hotel Revenue	$2.8 Million
Percentage Increase in Hotel Revenue	0.42%

Source: Old Dominion University Economic Forecasting Project

Regional Housing Markets

National Association of Realtors data indicate that appreciation in the median price of a single-family home nationally was 12.1 percent in 2005, but only 1.4 percent in 2006. In Hampton Roads, however, single-family home prices appreciated by 21 percent in 2005 and another 19.4 percent in 2006. Hence, there has been some economic disconnect between the Hampton Roads real estate market and national markets. Typically, Hampton Roads markets have lagged the nation by six months to one year.

Lagged relationship or not, the region is not immune to national influences. Preliminary data for 2007 suggest that single-family home prices have not increased this year, and may even have declined in certain categories (condominiums).

NEW HOUSING PERMITS IN HAMPTON ROADS

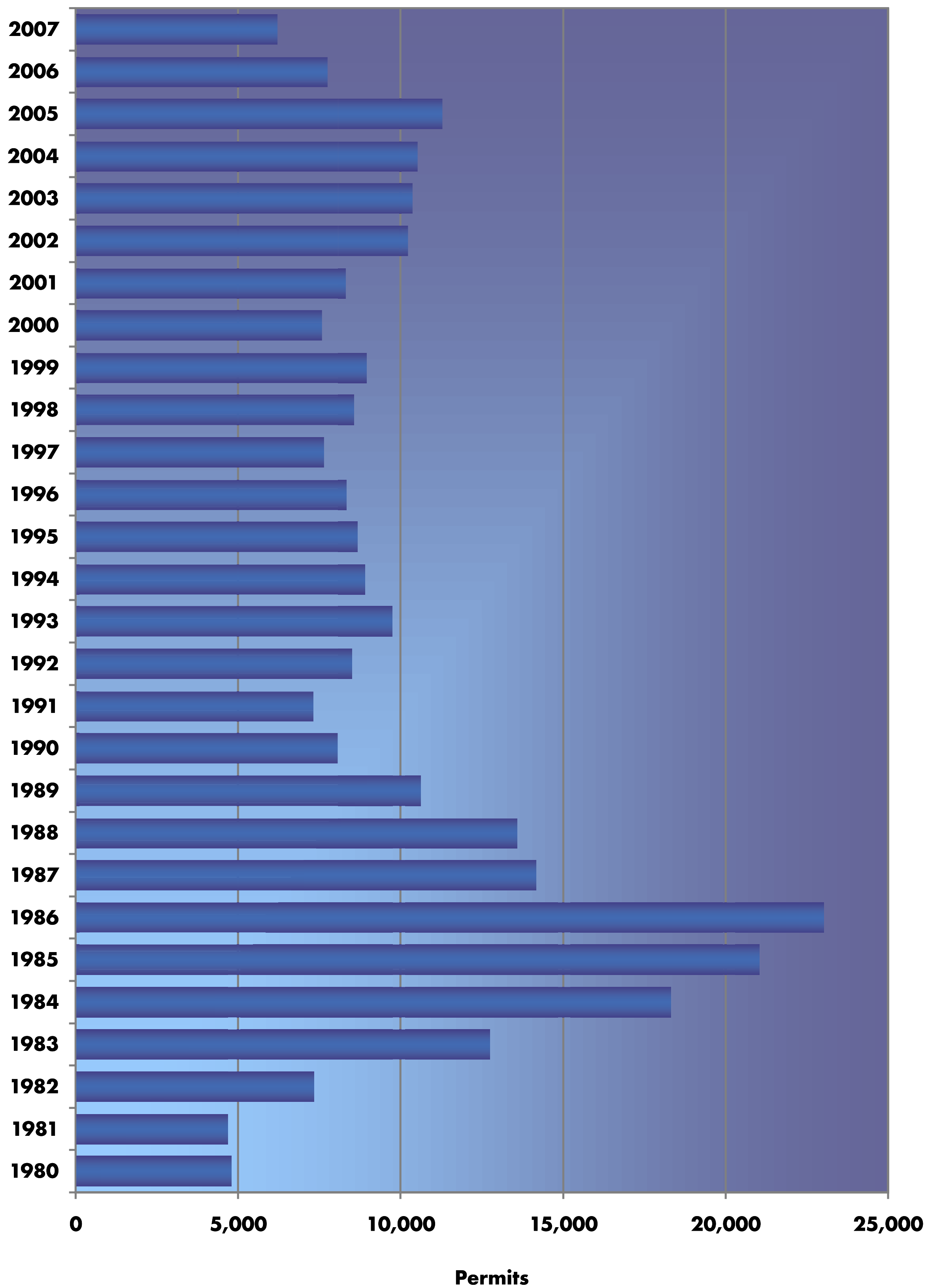
According to the National Association of Realtors, new housing starts nationally declined by 30.6 percent between first-quarter 2006 and first-quarter 2007. The best evidence that residential housing markets have cooled off in Hampton Roads as well is contained in Graph 8, which reports that new housing permits in our region fell by 20 percent during the same time period and 45 percent over two years.

Still, as one can see in Graph 8, this decline was modest compared to that experienced by the region in the late 1980s and early 1990s when new housing permits dropped from about 23,000 to about 6,500 in the space of five years. The good news in 2007 is that builders and developers have been much more cautious in the past few years than they were in the 1980s when, as one builder puts it, "Some of us went nuts and paid for it later."

Despite this caution, as Graph 9 demonstrates, the inventory of unsold residential homes in the region has increased continuously since 2003. Houses now take longer to sell. Graph 10 shows that the typical home being sold in 2007 was on the market for almost 70 days, more than double the time in 2005.

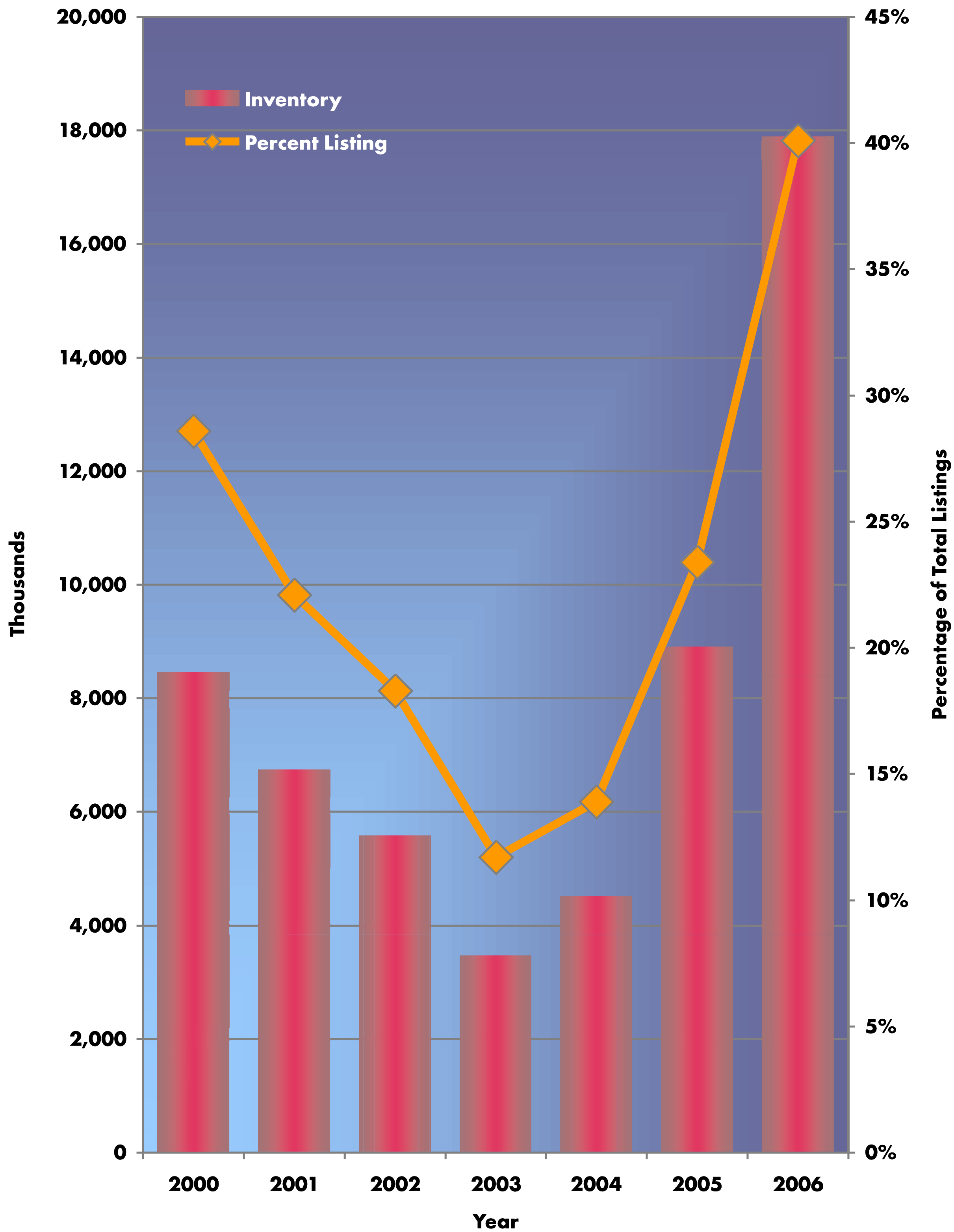
Graph 11 divides the region's new housing permits into two parts: (1) single-family, detached homes and (2) condominiums. One can see that the fall in permits for condominiums has been more severe than that for single-family, detached homes. **If there is a portion of the regional housing market where adjustments to new demand and supply realities are likely to be most difficult, then it is the condominium market.** Substantial amounts of new inventory are still under construction and have yet to hit the market. Some investors who purchased condominium units with the intent of "flipping" them, that is, reselling them for a quick profit, now will find they cannot make a sale without significant price reductions. If they do not wish to offer such reductions, then they will have to make significant concessions on items such as closing costs, or become landlords and rent their units.

GRAPH 8
NEW HOUSING PERMITS IN HAMPTON ROADS



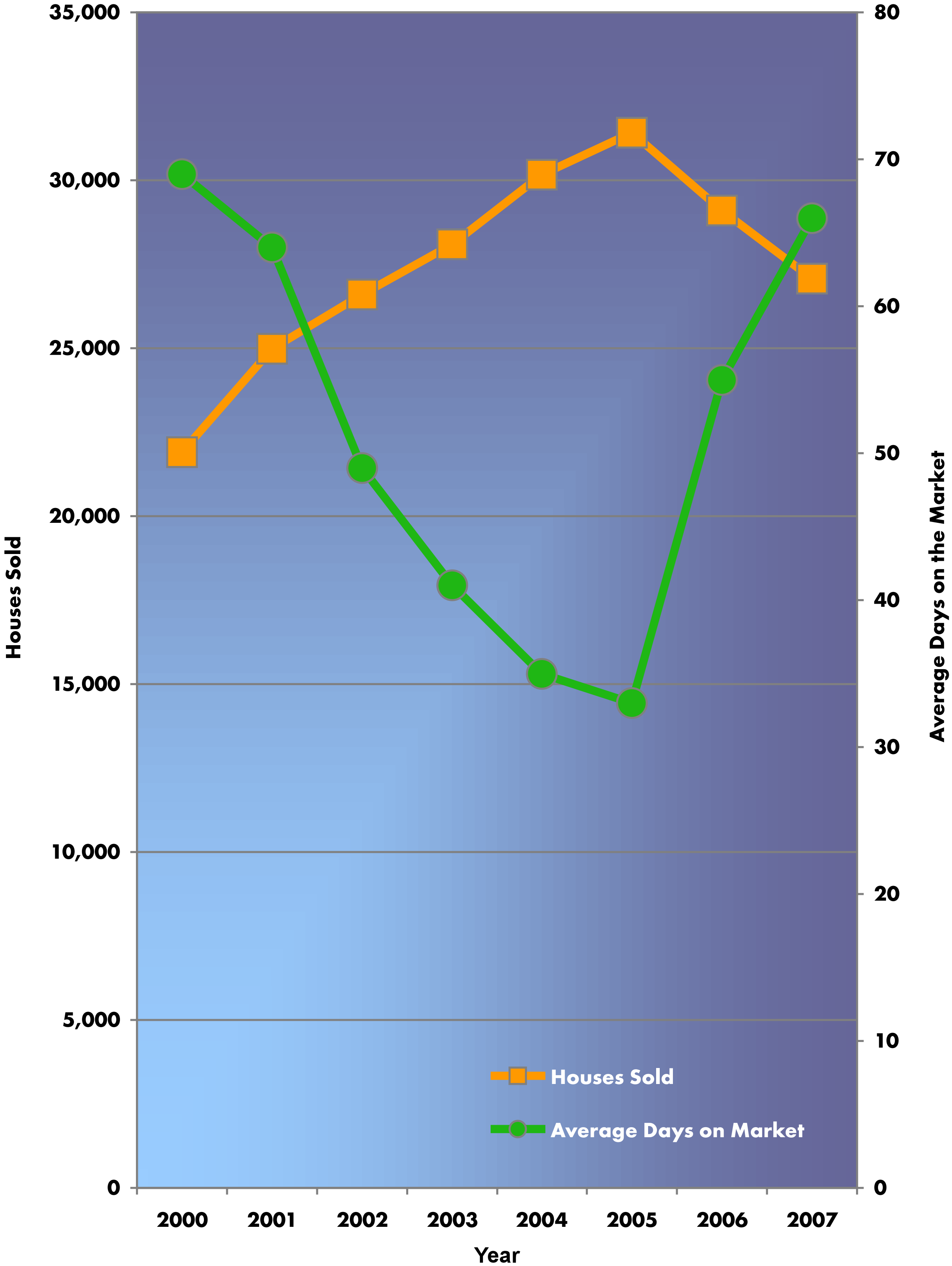
Sources: U.S. Census Bureau and Old Dominion University Economic Forecasting Project

GRAPH 9
HAMPTON ROADS INVENTORY OF UNSOLD RESIDENTIAL HOUSES



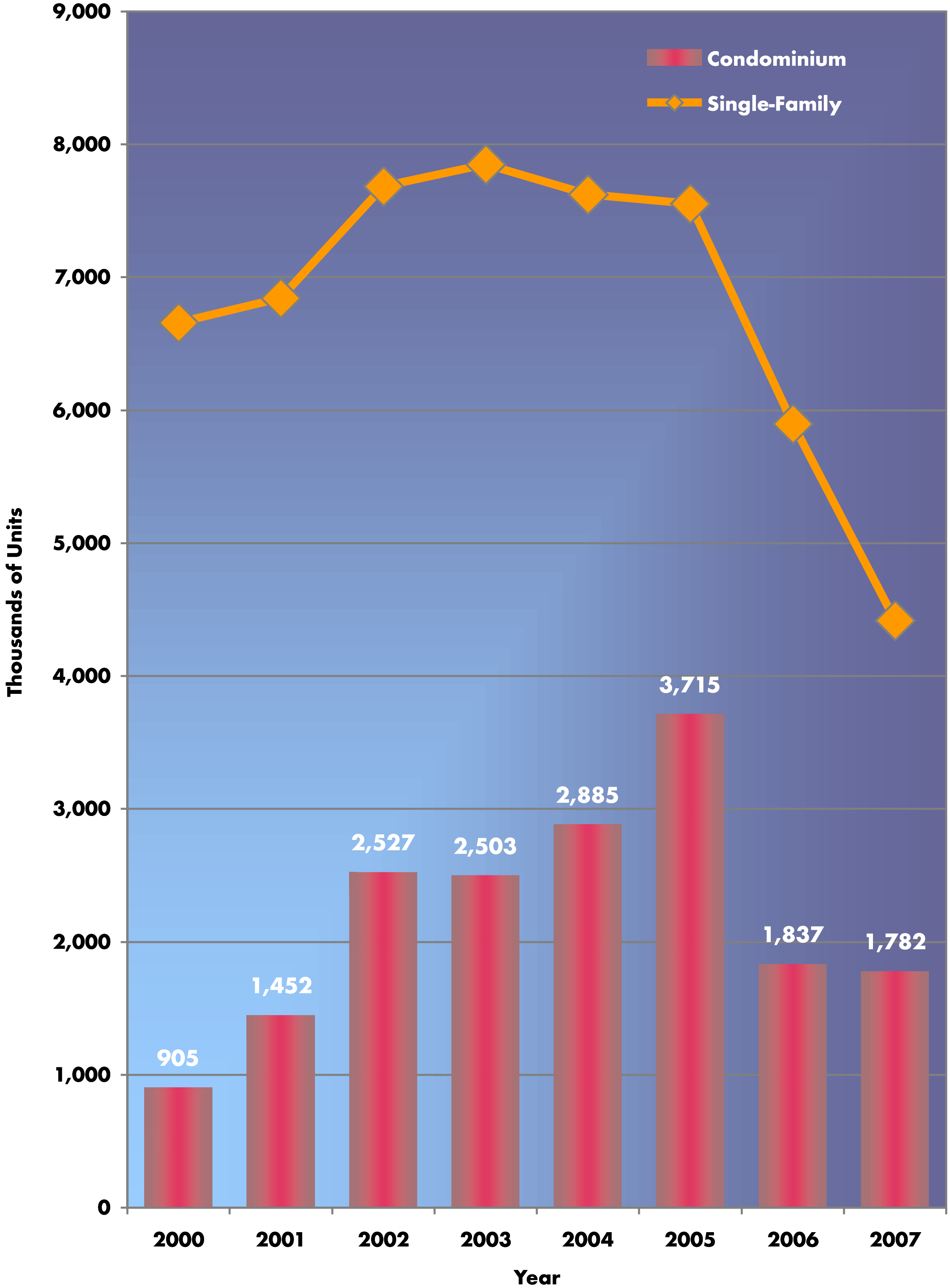
Sources: Real Estate Information Network Inc. and Old Dominion University Economic Forecasting Project

GRAPH 10
HAMPTON ROADS *EXISTING* HOUSING SALES AND AVERAGE NUMBER OF DAYS ON THE MARKET
(2000-2007)



Sources: Virginia Association of Realtors and Old Dominion University Economic Forecasting Project

GRAPH 11
DETACHED SINGLE-FAMILY HOUSES AND CONDOMINIUM BUILDING PERMITS IN HAMPTON ROADS (2000-2007)



Sources: U.S. Census Bureau and Old Dominion University Economic Forecasting Project

RENTING VERSUS OWNING

Based upon individual circumstances, every household must choose either to rent or to own. **Over the past few years, it has become relatively more attractive for households to rent rather than to own in Hampton Roads.** Table 3 reveals that when we compare the principal and interest payments for the ownership of the median-priced, single-family home (assuming no down payment and excluding taxes) to the price of renting a comparable unit, we find that it now is about 25 percent more expensive to own a three-bedroom house than to rent it. Between 2003 and 2006, the ratio of owner cost to rental cost rose from .77 to 1.25, a 62 percent increase.

The declining attractiveness of ownership relative to renting reversed the relationship that held true in the first few years of this decade. Between 2000 and 2003, the ratio of owner monthly principal and interest payments to renter monthly payments fell significantly. Consequently, many renters opted to own, sometimes with the help of sub-prime mortgages (a subject we treat below). This inflow of former renters supplied tinder for the hot housing market of the first years of this decade. Still, the owner versus renter cost ratio has been rising since 2003 and by 2006 was 65 percent higher. Relatively speaking, renting in Hampton Roads has become much more attractive than it was early in this decade.

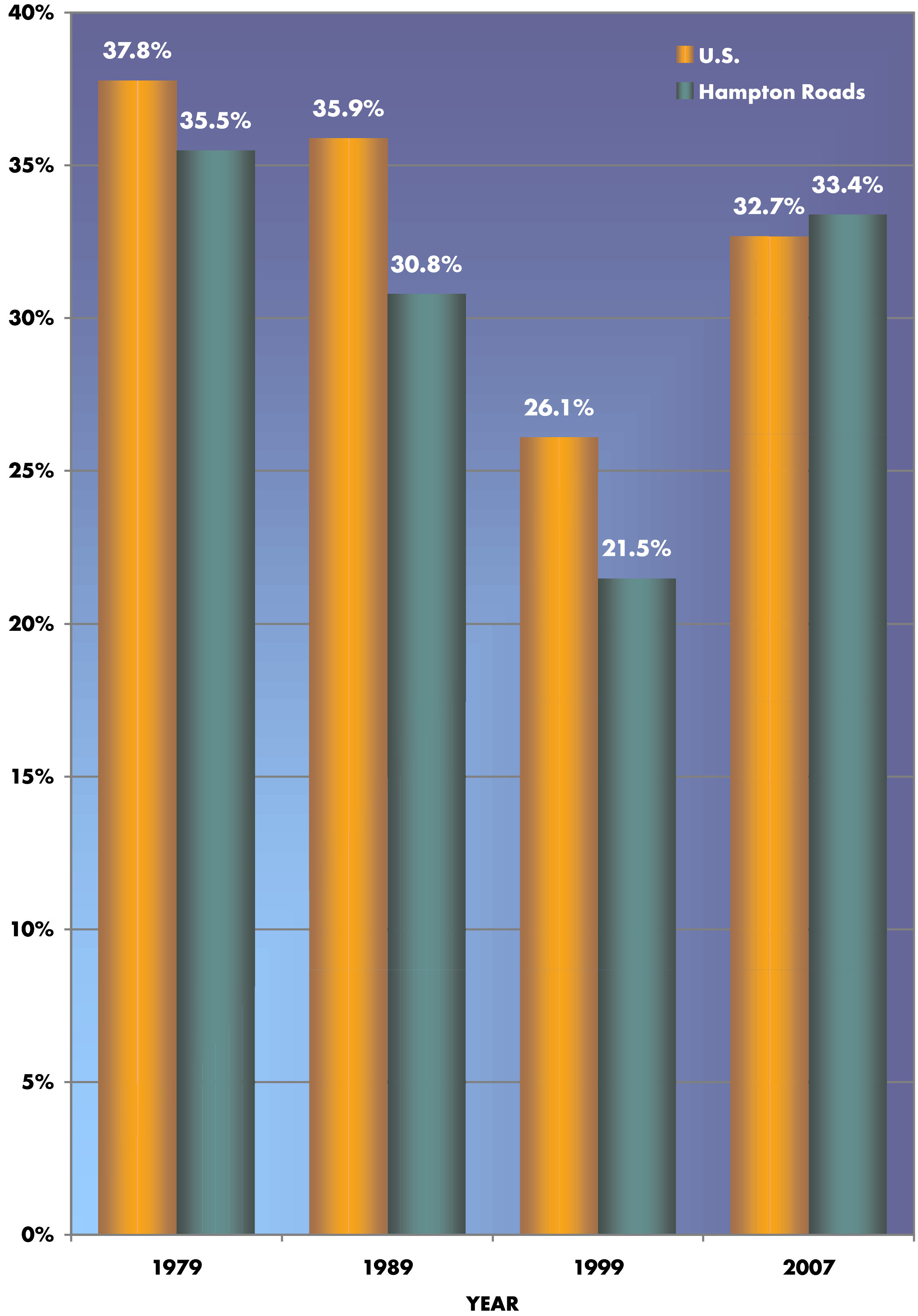
The reduced attractiveness of home ownership also is reflected in Graph 12, which divulges that the principal and interest payments associated with a median home purchase rose from 21.5 percent of median household income in 1999 to 33.4 percent in 2007. Pragmatically, this means that a typical mortgage in Hampton Roads today requires about one third of median household income, whereas the same mortgage required only a bit more than one fifth of median household income in 1999. For the first time in three decades, housing in Hampton Roads is slightly less affordable than in the nation as a whole.

TABLE 3
ESTIMATED HOUSE RENTAL AND PRINCIPAL AND INTEREST FOR A HOUSE PAYMENT IN HAMPTON ROADS (2000-2006)

	Median Monthly Rent for a Three-Bedroom House	P&I Monthly for a Median House	Ratio of Monthly P&I to Rent
2000	$ 882	$ 854	0.97
2001	911	809	0.89
2002	1,037	827	0.80
2003	1,044	809	0.77
2004	1,087	1,065	0.98
2005	1,118	1,341	1.20
2006	1,164	1,457	1.25

Source: H.U.D. and the Old Dominion University Economic Forecasting Project

GRAPH 12
MEDIAN HOUSE PURCHASE BORROWING COSTS AS A PERCENTAGE OF MEDIAN HOUSEHOLD INCOME IN HAMPTON ROADS AND THE U.S. (1979-2007)



Source: Old Dominion University Economic Forecasting Project

THE SUB-PRIME MORTGAGE PROBLEM

Sub-prime mortgages are those granted by financial institutions to borrowers who have lower credit scores (for example, a FICO score below 620). Such borrowers are perceived to be risky and often pay higher mortgage rates as a result. Nationally, there has been great concern that the increase in the proportion of sub-prime mortgages being granted will result in delinquencies and foreclosures as borrowers find themselves unable to service their mortgages. According to the Federal Reserve Bank of Chicago, more than 20 percent of all mortgages granted recently have been sub-prime, up from only 1.4 percent in 1994.

Fortunately, as Table 4 discloses, the exposure of Hampton Roads to sub-prime mortgages has been limited (10.33 percent of all mortgages in December 2006). Further, our regional sub-prime borrowers are less likely than those nationally to be delinquent in their mortgage payments (7.02 percent versus 15.75 percent). Even so, sub-prime delinquency rates in Hampton Roads almost doubled between December 2005 and December 2006.

Meanwhile, the delinquency rate for all mortgages (regular and sub-prime) rose from 1.67 percent to 2.34 percent in the region between fourth-quarter 2005 and first-quarter 2007. Table 5 depicts this change, but also discloses that the overall delinquency rate in Hampton Roads is well below both the national rate and the rates of comparable metropolitan areas in the Southeast. **Hampton Roads is not one of the regions most at risk because of delinquent mortgages.**

TABLE 4
SUB-PRIME MORTGAGE PROPORTIONS
(DECEMBER 2006, SELECTED MSA'S)

MSA	Percent Sub-prime Mortgages Dec. 2006	Percent Delinquent Sub-prime Dec. 2006	Percent Delinquent Sub-prime Dec. 2005
Hampton Roads	10.33%	7.02%	4.13%
Richmond-Petersburg	22.28	10.70	6.46
Danville (Va.)	16.83	11.85	6.39
Jacksonville	16.15	10.77	8.21
Charlotte	12.55	13.50	11.91
Orlando	16.16	7.64	3.88
Atlanta	12.36	17.81	13.62

Sources: Wall Street Journal, First American Loan Performance and U.S. Census Bureau

TABLE 5
MORTGAGE DELINQUENCY RATE
(FOURTH-QUARTER 2005 AND FIRST-QUARTER 2007, SELECTED MSA'S)

MSA	Percent Delinquent All Mortgages 2007 Q1	Percent Delinquent All Mortgages 2005 Q4	Percent Change (2005 Q4-2007 Q1)
Hampton Roads	2.34%	1.67%	.67%
Richmond-Petersburg	2.59	1.99	.6
U.S.	2.87	2.03	.84
Jacksonville	3.09	2.33	.76
Charlotte	3.39	3.06	.34
Orlando	3.54	1.83	1.72
Atlanta	4.07	3.45	.62

Sources: Wall Street Journal and Equifax/Moody's Economy.com

HOUSING DEMAND AND SUPPLY

Ultimately, housing prices are determined by demand and supply influences, just like automobiles, pizzas, or any other good or service. On the demand side of the market, several competing factors are likely to pull the demand for home ownership in opposite directions. On the positive side, as outlined above, the region's income and output are expected to increase. In addition, according to the latest employment prognostication of the Old Dominion University Economic Forecasting Project, employment in Hampton Roads, an important predictor of housing demand, is expected to increase by about 1 percent in 2007, not far from its average rate of increase since 2000 (see www.odu.edu/forecasting). Further, housing prices relative to household incomes in Hampton Roads are still close to the national average.

Against this, as we have seen, it has become relatively cheaper for households to rent than to own in Hampton Roads. And, the percentage of households in our region that already own their home approaches 75 percent, well above the national average. These factors will work to diminish housing demand.

On the supply side, there also are countervailing influences to take into account. First, there is an existing inventory of unsold homes and condominiums in Hampton Roads that clearly is larger than it was three years ago during the height of the housing boom. It will take some time for the region to work through this unsold inventory and, in the case of condominiums, this process might be lengthy because large segments of new inventory currently are under construction, but not yet completed. The bottom line is that we have yet to work through the large number of new housing permits that were issued between 2002 and 2005.

Second, however, regional housing markets are not as maladjusted now on the supply side as they were in the 1980s when the number of new housing permits being issued annually in the region was five times that for 2007. The housing market adjustment process in the late 1980s was painful and drove some builders and developers out of business. Price decreases were not uncommon and seller concessions (closing costs paid, interest rate buy-downs, extras added to homes without charge and the like) were frequent. In 2007, however, because builders and developers have been more conservative, levels of unsold and unoccupied housing in the region are lower, at least as compared to the 1980s. **Further, despite the tremendous upsurge in housing prices that has occurred in Hampton Roads over the past few years, until 2000, housing costs in the region actually were below those that fundamental economic magnitudes (incomes, interest rates and the like) predicted. The result is that while housing prices are 10 percent to 20 percent above what fundamental economic magnitudes predict, currently this is not a housing market that appears to exhibit a price bubble that will rapidly deflate if punctured.**

That said, one would have to be quite an optimist to predict rising housing prices in the Hampton Roads area during the next year or two. More likely, prices will stagnate and seller concessions will become widespread if sellers resist lowering their prices. Several additional words of caution are merited, however. Factors well beyond the control of Hampton Roads could cause this situation to deteriorate quickly. Some combination of rising prices and interest rates, a national economic recession, an interruption in the nation's oil supply and a major decline in the value of the American dollar could cause severe damage to housing markets. If so, then based upon past history, it might be three to five years before regional housing markets recover and prices resume their climb. In our view, there is at least a one in four chance that this scenario will occur.

Summing It Up

Since 2004, Hampton Roads' economic growth rate has fallen below its historic average. This trend is likely to continue in 2007, although the region probably will outperform the national and state economies, something it has not done since 2003.

The relatively sluggish economic conditions within the region are largely due to the declining rate of growth in defense spending. These declines have not been sufficiently offset by growth in the nondefense sectors of the region's economy. The civilian employment growth rate in Hampton Roads was roughly 25 percent below that of the nation from 2003 to 2006 and significantly below that of comparable Southern metropolitan areas. On the bright side, despite relatively modest employment growth, our income growth has kept pace with that of the nation. This reflects both higher-wage jobs and increased military compensation.

The lingering effects of the Ford plant closing, combined with full implementation of the BRAC decisions, are likely to exert a drag on the region's economic growth rate over the next few years. Hence, absent any other significant negative economic shocks, we are in for several years of modest economic performance.

The story will be much the same in housing. The housing price boom is over and housing prices already are stagnating in response to increasing amounts of unsold inventory. Seller concessions will assume increasing importance and will cushion any downward trend in housing prices. **The major threat to our housing markets is not what is occurring here in Hampton Roads, but instead, national and international economic events.** A disruption in the nation's oil supply is only one of many adverse scenarios that would negatively influence both the region's economy and its housing markets.

The Ship Repair Industry

HIDDEN IN PLAIN SIGHT: THE SHIP REPAIR INDUSTRY IN HAMPTON ROADS

Shipbuilding and repair activities in Hampton Roads seemingly are everywhere and nowhere at the same time. Nearly everyone knows about Northrop Grumman in Newport News, which employs almost 20,000 people and has built 11 of the nation's 12 active aircraft carriers. But, much less visible are the firms within our region that repair ships. Nevertheless, membership in the Virginia Ship Repair Association exceeds 160 and most of its members are located throughout Hampton Roads.

Even so, the activities of these enterprises, and especially their significant economic impact, are not well known even though the firms are located in plain sight along our waterways. Perhaps we have become so accustomed to seeing their buildings, dry docks and cranes that our eyes pass over them without really seeing and understanding, much like the trees in our neighborhoods.

How big is the private, nongovernment ship repair industry in Hampton Roads? How many employees do its firms have? How many related companies and firms depend upon it? What is the industry's total economic impact on our region? Providing answers to those questions is the focus of this chapter.

The Virginia Ship Repair Association

The Virginia Ship Repair Association (VSRA) is the regional trade association for firms directly involved in, or supporting, ship repair and maintenance. It has four categories of membership:

1. Large Ship Repairer
2. Ship Repairer
3. Ship Repairer Subcontractor
4. Supplier/Service/Other.

The large ship repairers in the region include firms such as Colonna, the oldest family-owned, full-service private shipyard in the country, and BAE Systems, an international firm that is the largest non-nuclear ship repair, modernization, conversion and overhaul firm on the East Coast. The ship repairer category includes smaller firms such as LIP Technical Services in Chesapeake, while the ship repairer/subcontractor category includes firms such as Main Industries in Hampton. The supplier/service group includes large law firms such as Hunton and Williams, along with smaller suppliers such as Marine Chemist Service in Newport News. More than 95 percent of the members of the VSRA are located in Hampton Roads, with a scattering of firms in cities such as Richmond and elsewhere.

Our primary interest initially is with the first three categories of VSRA membership, as it is these firms that are directly involved in shipbuilding and repair work. However, we will capture the economic impact of the fourth category of members when we deal with the indirect and induced economic impacts of the firms directly involved in ship repair (that is, the economic ripple effect of the activities of the firms in the first three categories).

The findings reported here do not include any government shipbuilding and repair facilities, such as the Norfolk Naval Shipyard in Portsmouth. Our interest is focused upon private-sector ship repair activity.

Collecting Data

All firms in the VSRA were sent a questionnaire requesting information on number of employees, payroll, benefits and sales. The survey also sought information about the distribution of their work – Department of Defense, U.S. Coast Guard, U.S. Maritime Administration, NOAA, private cargo carriers, private passenger vessels, private tugs and boats, and other work not related to shipbuilding and ship repair.

The majority of VSRA members are not public firms and therefore data on their economic activities are not in the public domain. Hence, in requesting the necessary economic data, we assured the firms that we would treat the information confidentially.

Surveys were sent by mail and e-mail, and firms were also contacted and surveyed by telephone. We were very pleased with the response. A total of 111 firms responded, including all six large ship repairers. Ten of the 18 ship repairers (56 percent) provided responses. Finally, we received responses from 48 of the 87 subcontractors (55 percent). As is true with any survey, one has to deal with missing information since some firms choose not to respond. We extrapolated information to the universe of firms for each category separately.

Because of the need to treat the data confidentially, we merged large ship repairers and ship repairers into one category – ship builders and repairers. Almost all of their work or source of revenue (99.8 percent) was related to shipbuilding and repair business. In the case of subcontractors, however, their responses revealed that 87.2 percent of the financial value of their work was related to this industry. The remaining 12.8 percent of their business was unrelated to ship repair.

Sales, Payroll and Employment

Table 1 summarizes the responses of the VSRA firms plus Northrop Grumman. The 24 shipbuilding and ship repair firms employed an estimated 24,538 people in 2005-06 and their payroll approximated $1.266 billion. These firms paid their employees benefits of $341.5 million, a generous 27 percent of salaries. The firms' annual sales totaled $3.843 billion.

The 87 subcontractors employed 4,794 people in 2005 with a payroll of about $200 million. They spent $44.45 million on employee fringe benefits (22.2 percent). Their sales in 2005-06 approximated $1.426 billion.

On average, a person working for shipbuilders and repairers (categories one and two of the VSRA) in Hampton Roads was paid $51,592 in salary and received $13,917 in fringe benefits. The total compensation (salary plus benefits) of these employees was about 67 percent higher than the regional average of about $39,000. Payroll and fringe benefit figures for subcontracting firms were $41,716 and $9,272, respectively. Total compensation for these employees was about 31 percent above the regional average.

TABLE 1
SALES, PAYROLL AND EMPLOYMENT IN THE HAMPTON ROADS SHIPBUILDING AND REPAIR INDUSTRY 2005-06

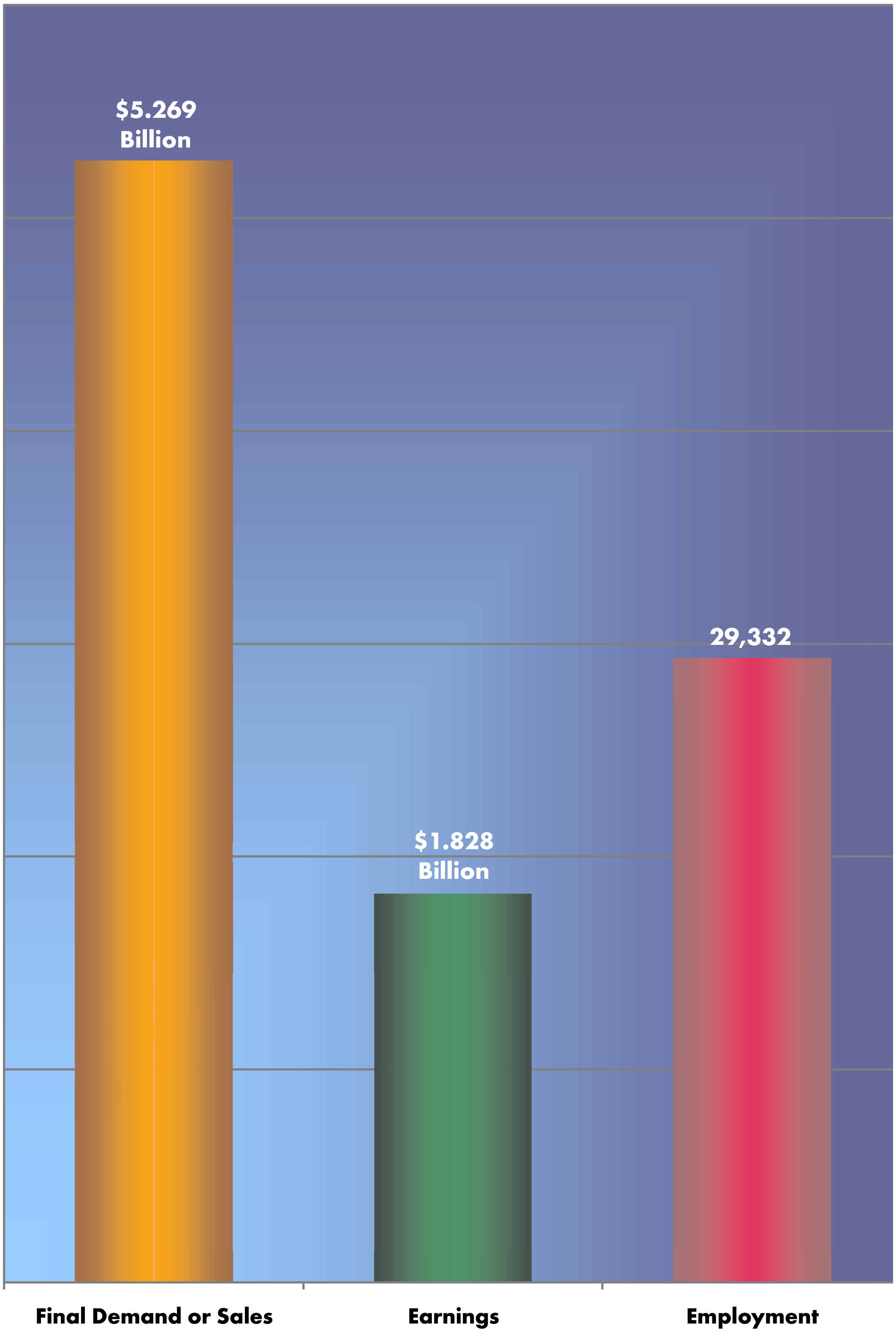
	Shipbuilders and Repairers	Subcontractors
Sales	$3.843 Billion	$1.426 Billion
Payroll	$1.266 Billion	$200.0 Million
Benefits	$341.5 Million	$44.45 Million
Employment	24,538	4,794

Source: Old Dominion University Economic Forecasting Project

Graph 1 combines the activities of the 24 ship repairers and 87 subcontractors. Note that total sales amounted to $5.269 billion in 2005-06 and payroll (earnings)[1] reached $1.828 billion. Employment totaled 29,332. The results reported in this graph are "direct impacts" and do not include any economic ripple effects in the community from these activities.

[1]Our analysis relies upon the U.S. Department of Commerce's Regional Input-Output Modeling System, known as RIMS II. RIMS II utilizes "earnings" rather than "payroll." The difference is quite important for the operation of the model, but not for understanding the overall economic impact of the shipbuilding and repair industry. Hence, we will use these terms interchangeably even though we have adjusted our data to reflect the "earnings" definition. Readers interested in understanding the precise details should contact Professor Vinod Agarwal in the Department of Economics at Old Dominion University, vagarwal@odu.edu.

GRAPH 1
DIRECT ECONOMIC IMPACT OF SHIPBUILDING AND REPAIR INDUSTRY IN HAMPTON ROADS
(2005-2006)



Source: Old Dominion University Economic Forecasting Project

Indirect and Induced Economic Impacts

While the direct impact of the ship repair industry is estimated by the results from the data in Table 1 and Graph 1, it is clear that these expenditures produce economic reverberations around the region. Putting it differently, there is a multiplier effect related to the direct expenditures of shipbuilders and repairers.

The most reliable way to estimate the economic ripple effect connected to direct expenditures is to use what is known as an input-output model. These models show the mathematical relationships among every industry in an economy. For example, shipbuilders and repairers purchase inputs such as fuel, vehicles, food and supplies from other industries. The input-output model expresses this by means of an equation, along with dozens of other similar relationships for every industry.

In the work reported here, we have utilized the U.S. Department of Commerce's Input-Output Model System II (known by the acronym RIMS II). The Bureau of Economic Analysis in the U.S. Department of Commerce provided the RIMS II data for Hampton Roads. This model is highly detailed and identifies 473 industries. It relies upon 2004 regional data.

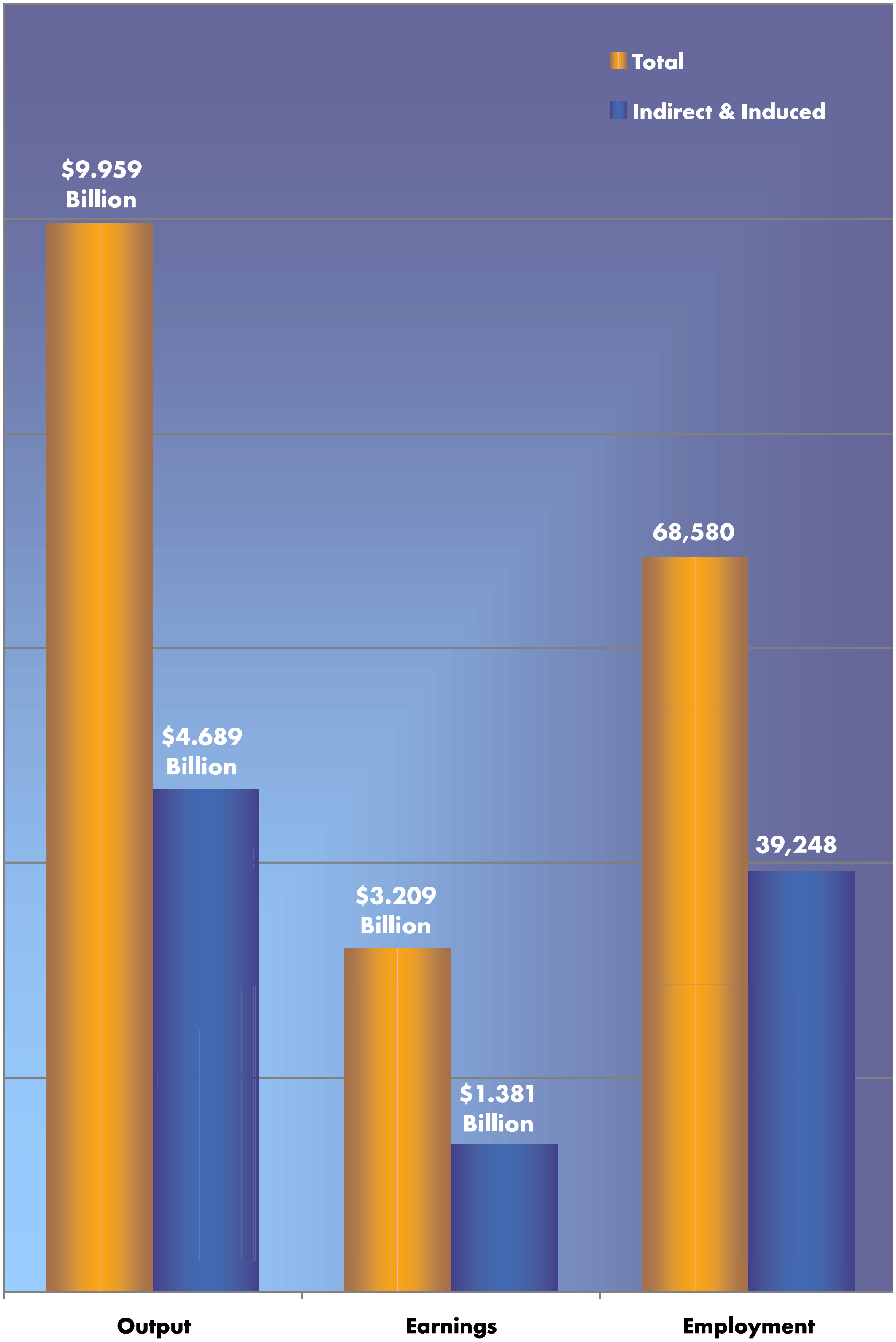
There are two types of economic ripple effects for us to consider. First, there is the "*indirect*" effect of the sales and activities of the firms that supply the shipbuilding and repair industry. Thus, if a fuel supplier sells gasoline and oil to a ship repairer, we will consider this to be an indirect, but very real, economic impact of the shipbuilding and repair industry.

Second, there are "*induced*" economic effects. When a ship repairer or subcontractor pays salaries to its employees, those employees will spend the money, which has an economic impact. Of course, some of their salary will be spent outside of Hampton Roads and some will be saved. But, depending upon the circumstances, each salary dollar may generate another dollar in regional income as employees and businesses spend and re-spend the dollars they receive.

Graph 2 shows the total economic impact of the shipbuilding and repair industry and identifies the portion of that impact that is due to the indirect and induced economic effects. **One can see that the annual total economic impact of the industry is a very healthy $9.959 billion, of which $3.209 billion is employee earnings. The number of jobs connected to this economic impact is 68,580, approximately 9 percent of the region's labor force. Thus, almost one in every 11 jobs in Hampton Roads is directly or indirectly dependent upon our private-sector shipbuilding and repair industry.**

Graph 2 also reports the indirect and induced impacts of the shipbuilding and repair industry. These impacts are $4.689 billion in output, $1.381 billion in earnings and 39,248 jobs. **Note that fully 57 percent of the jobs generated by the shipbuilding and repair industry are due to economic ripple effects – indirect and induced economic activity stimulated by the industry's direct activities.**

GRAPH 2
TOTAL, INDIRECT AND INDUCED ECONOMIC IMPACTS OF SHIPBUILDING AND REPAIR IN HAMPTON ROADS (2005-2006)



Sources: U.S. Department of Commerce and Old Dominion University Economic Forecasting Project

The Economic Impact on Specific Industry Areas

Table 2 discloses the indirect impact of the shipbuilding and repair industry on the top 10 industrial groupings that provide goods and services to shipbuilders and repairers, plus the induced impact of employee and firm expenditures.

The manufacturing industry group, which includes the shipbuilding and repair industry, leads all other industrial groups in terms of the size of the indirect and induced effects on its output. Manufacturing is followed in importance by real estate, health care, retail trade, and finance and insurance.

However, where total employee earnings are concerned, the leader in terms of the ripple effect is the health care industry. It is followed by the manufacturing industry and professional, scientific and technical services.

Ripple employment presents a still different picture. **Even though the health care industry, with 5,653 jobs derived from shipbuilding and repair activities, leads the way, it is closely followed by the accommodation and food services industry with 5,610 jobs, and retail trade with 5,532 jobs. However, the jobs in the latter two areas tend not to be among those that pay the highest salaries. By way of illustration, the average annual earnings per employee in the accommodation and food services industry are only $14,652. The clear champion in terms of high-paying ripple-effect jobs is the management of companies and enterprises industry, where employee earnings average $81,644. To the extent that the economic ripple effect from shipbuilding and repair generates management jobs, these tend to be high-paying.**

TABLE 2
INDIRECT AND INDUCED ECONOMIC IMPACTS OF SHIPBUILDING AND REPAIR ON THE TOP 10 REGIONAL INDUSTRIAL GROUPINGS

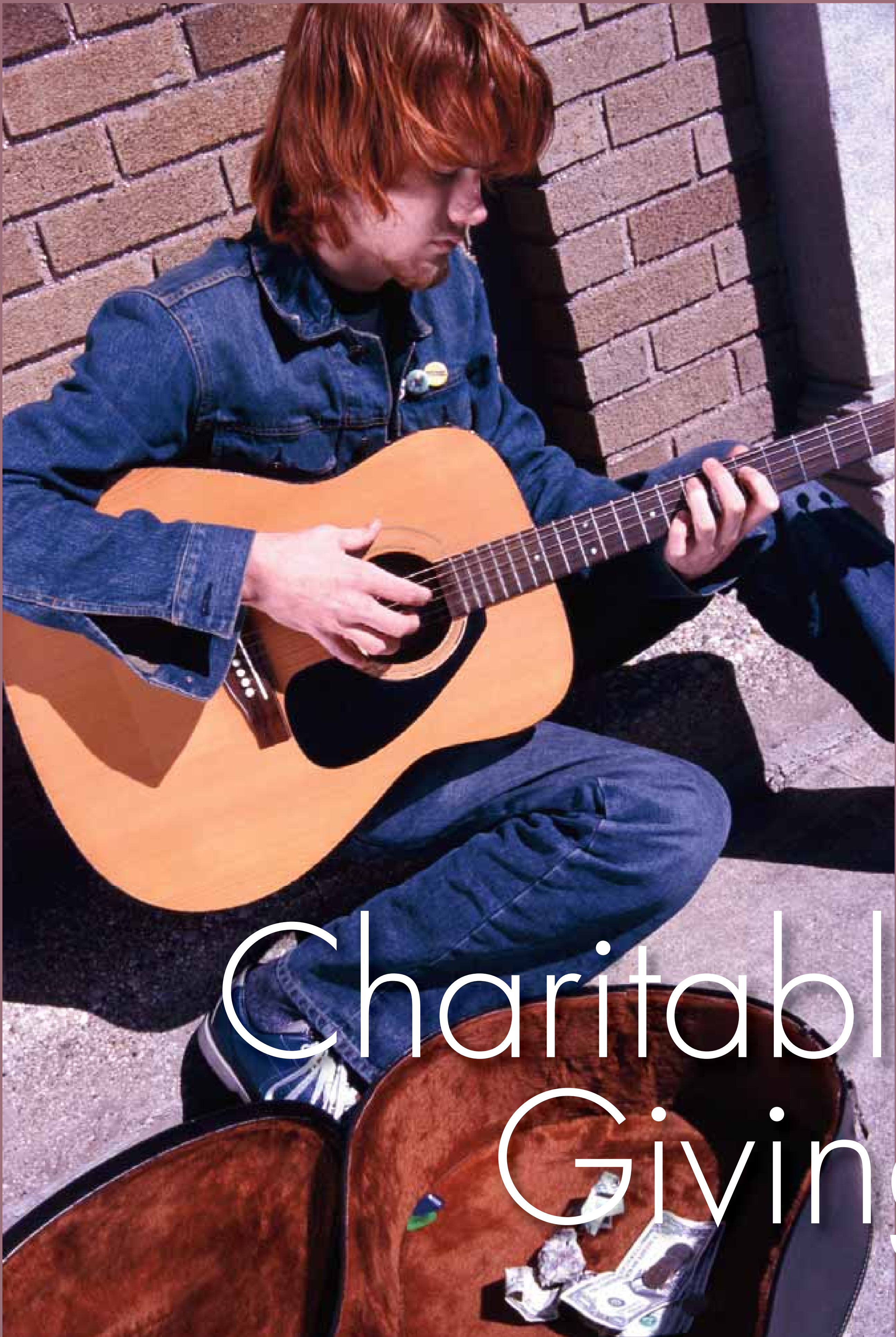
Industry	Output	Earnings	Employment
Manufacturing	$741.4 M	$140.1 M	2,649
Real Estate and Rental and Leasing	$695.5 M	$ 43.7 M	1,364
Health Care and Social Assistance	$432.1 M	$209.7 M	5,653
Retail Trade	$369.9 M	$124.9 M	5,532
Finance and Insurance	$345.7 M	$ 83.8 M	1,488
Professional, Scientific and Technical Services	$299.8 M	$133.3 M	2,471
Wholesale Trade	$270.3 M	$ 86.4 M	1,592
Management of Companies and Enterprises	$248.7 M	$122.8 M	1,504
Accommodation and Food Services	$216.0 M	$ 82.2 M	5,610
Other Services	$216.0 M	$ 72.2 M	2,917
TOTAL	$3,835.4 M	$1,099.1 M	30,780

Sources: U.S. Department of Commerce and Old Dominion University Economic Forecasting Project

Summing Up the Industry's Economic Impact

The total annual economic impact, counting economic ripple effects, of the private-sector shipbuilding and repair industry in Hampton Roads on output and earnings is $9.96 billion and $3.21 billion, respectively. This is about 8 percent of the value of the region's output. Employment attributable to the industry exceeds 68,500. This is approximately 9 percent of the region's total nonfarm employment. Thus, by any standard, shipbuilding and repair is one of the most significant economic activities in Hampton Roads. Note that these estimates do not include federal and military shipbuilding and repair facilities.

That shipbuilding and Northrop Grumman are important to the region will not come as a surprise to many. Ship repair, however, is not so well known and is not on the metaphorical radar screen of many people in the region. It is an industry we should acknowledge, appreciate and support.



Charitable Giving

‘TIS BETTER TO GIVE THAN TO RECEIVE: CHARITABLE GIVING IN HAMPTON ROADS

There has rarely been a better time to give – or to receive – than the present moment in U.S. history. American giving to charitable causes has risen steadily in recent decades, with a striking upsurge during the economic boom of the late 1990s. Americans responded generously to those hurt by the terrorist attacks of Sept. 11, 2001, as well as to the victims of the devastating natural disasters that befell Asia and the U.S. Gulf Coast in 2004-05. Initial concerns that these catastrophes would bring on a kind of “donor fatigue,” draining away funds from other worthy causes, appear to have been unfounded.

On average, philanthropy of all kinds (with the exception of that in the arts) enjoyed an increase in contributions between 2004 and 2005. Table 1 reports that overall charitable giving in the United States increased 21.63 percent between 2002 and 2005, while Table 2 reveals that charitable giving rose by 37.45 percent in Hampton Roads during the same time period. According to the philanthropy yearbook Giving USA, Americans gave away $260.3 billion in 2005, an increase of 6.1 percent over the previous year (or 2.7 percent adjusted for inflation).

Estimates for 2006 and 2007 indicate that Americans’ propensity for giving continues apace. Leading the way are billionaires Warren Buffett and Bill Gates, who are giving away $50 billion. Buffett and Gates made headlines with their philanthropic commitments, but their economic decisions reflect those made on a smaller scale every day by millions of other Americans. **The Center on Philanthropy at Indiana University estimates that tax filers with income below $100,000 (which is to say, 91 percent of all tax filers) account for 57 percent of all individual charitable giving. Moreover, a recent Charities Aid Foundation (CAF) survey points to the United States as a world leader in giving, with donations equaling 1.67 percent of the gross domestic product (see Table 3). The CAF identifies the most significant factors influencing a country’s rate as high levels of religious commitment, significant tax incentives for charitable donations, low marginal tax rates and low social insurance contributions** (Europeans, for example, tend to depend upon government to fund ostensibly charitable endeavors). In any case, all four phenomena identified by the CAF are well established in American society.

As American generosity has grown, so too have the number and kinds of charitable causes that compete for our attention. In 2005, there were 1.05 million independent-sector organizations registered under section 501(c)(3) of the Internal Revenue Code, an increase of more than two-thirds since 1995. Most (but not all) religious congregations fall under this designation, as does the wide array of nonprofit groups eligible for tax-exempt status – including schools, homeless shelters, wildlife refuges, museums and symphony orchestras.

With so many dollars at stake, it clearly “pays” to understand how, why and to whom Americans are giving away their assets. How does Hampton Roads fit into the larger picture of American generosity? First, we’ll examine the charitable giving of Hampton Roads citizens. Second, we will look at the well-being of local charities that seek to improve the quality of life in our region.

TABLE 1 CHARITABLE GIVING IN THE UNITED STATES: 2002-2005 (IN BILLIONS OF $)							
	Education	Health	Human Services	Arts, Culture and Humanities	Environment and Animals	Gifts to Foundations	Total
2002	31.83	18.87	18.65	12.22	6.59	19.16	107.32
2003	32.11	20.89	18.89	13.11	7.11	21.62	113.73
2004	34.1	21.95	19.17	13.99	7.61	20.32	117.14
2005	38.56	22.54	25.36	13.51	8.86	21.7	130.53
Percent change between 2002-2005	21.14%	19.45%	35.98%	10.56%	34.45%	13.26%	21.63%
Source: Giving USA Foundation, "Giving USA 2006: The Annual Report on Philanthropy for the Year 2005"							

TABLE 2 DIRECT CHARITABLE SUPPORT FOR BELLWEATHER ORGANIZATIONS IN HAMPTON ROADS: 2002-2005 (IN MILLIONS OF $)								
	Number of Organizations Studied	Education	Health	Human Services	Arts and Culture	Environment / Nature and Animal Welfare	Funding Organizations	Total
2002	52	24.24	11.29	14.58	21.89	3.23	38.75	113.98
2003	62	75.73	11.87	14.46	41.78	4.72	49.68	198.24
2004	67	28.11	11.06	15.86	20.01	7.8	46.32	129.16
2005	64	42.7	16.38	16.02	21.83	10.1	49.63	156.66
Percent change between 2002-2005		76.16%	45.08%	9.88%	-0.27%	212.69%	28.08%	37.45%
Source: The Norfolk Foundation, "Report Card on Charitable Giving in Hampton Roads 2006"								

TABLE 3 NATIONAL GIVING LEVELS AS A PERCENTAGE OF GDP	
USA	1.67%
UK	0.73%
Canada	0.72%
Australia	0.69%
South Africa	0.64%
Ireland	0.47%
Netherlands	0.45%
Singapore	0.29%
New Zealand	0.29%
Turkey	0.23%
Germany	0.22%
Source: "International Comparisons of Charitable Giving," CAF briefing paper (November 2006), at: http://www.cafonline.org/pdf/International%20%20Giving%20highlights.pdf	

Individual Giving in Hampton Roads

Each year since 2002, Business Week magazine has compiled a list of the "50 Most Generous Philanthropists." Predictably, Warren Buffett and Bill and Melinda Gates rank first and second on the 2006 list. Position 37, however, belongs to two long-time and exceedingly generous residents of Hampton Roads, Frank and Jane Batten, who have pledged or given away more than $250 million in the past five years. This sum includes record-setting gifts made in 2003 to Old Dominion University, Virginia Wesleyan College, The Norfolk Foundation, the Mariners' Museum and other local institutions, along with the University of Virginia. Frank Batten Sr., the retired chairman of Landmark Communications Inc., has long been known as a munificent patron of educational and charitable causes. His example is reflected throughout Hampton Roads in some striking if less celebrated ways.

A 2003 study by The Chronicle of Philanthropy suggests that Hampton Roads residents are among the most generous in the country.[1] Drawing upon statistics from the Internal Revenue Service, the U.S. Census Bureau and the U.S. Department of Labor, the Chronicle sought "to determine, on average, how much people in each of the nation's more than 3,000 counties give to charity as a percentage of their discretionary income – defined as the amount of money left over after basic living expenses for such items as housing, taxes, food, transportation and clothing are paid." By comparing the itemized returns of taxpayers earning $50,000 or more annually, the Chronicle concluded that, on average, Americans give 6.4 percent of their discretionary income to charity. As Table 4 illustrates, Easterners tend to donate less (4.2 percent), while those from the South and West donate more (7 percent and 7.8 percent, respectively).

According to Chronicle statistics, residents of Hampton Roads typically give away 8.2 percent of their discretionary income (see Table 5). This is more than other comparable metropolitan areas in the South, although the average annual donation in Hampton Roads ($3,191) is among the lowest of its Southern peers.

TABLE 4
PERCENT OF DISCRETIONARY INCOME GIVEN TO CHARITY: BY RACE, ETHNICITY AND REGION

	Discretionary Income	Religious Giving as a Percentage of Discretionary Income	Other Giving as a Percentage of Discretionary Income	All giving as a percentage of discretionary income
All	$9,103	5.00%	1.40%	6.40%
White	$10,171	4.80%	1.60%	6.40%
Black	$5,652	7.70%	0.90%	8.60%
Hispanic	$4,370	4.90%	0.80%	5.70%
Asian	$11,148	3.10%	0.80%	3.90%
	Discretionary Income	**Religious Giving as a Percentage of Discretionary Income**	**Other Giving as a Percentage of Discretionary Income**	**All Giving as a Percentage of Discretionary Income**
All	$9,103	5.00%	1.40%	6.40%
East	$10,622	2.70%	1.50%	4.20%
Midwest	$9,189	5.00%	1.40%	6.40%
South	$9,333	5.90%	1.10%	7.00%
West	$7,385	5.70%	2.00%	7.80%

Source: Generosity in Philanthropy: A County by County Survey by The Chronicle of Philanthropy (May 2003)

Table 6 reveals that within Hampton Roads, residents of Hampton give the largest portions of their discretionary income to charity (10.4 percent), while those living in Norfolk make the largest average annual donations ($5,053). The Chronicle identified Newport News as one of the 50 most generous cities/counties with 10,000 or more tax returns. Surry County received the same distinction for counties with fewer than 1,000 returns.

[1]Several prominent organizations have recently sponsored geographical studies of charitable giving in the United States, with differing methodologies and results. Over the past 10 years, Virginia has consistently ranked between 30th and 40th place on the annual Generosity Index compiled by the Catalogue for Philanthropy. By contrast, the New Tithing Group and Boston College's Center on Wealth and Philanthropy rank Virginia 25th and 14th, respectively, in charitable giving. The State of the Region report focuses on data from The Chronicle of Philanthropy, since its study is the only one to examine rates of giving on a county-by-county basis.

TABLE 5 INDIVIDUAL GIVING IN SOUTHERN METRO AREAS											
Region	Itemized Returns	Average Discretionary Income	Average Charitable Donation	Discretionary Income to Charity	Race/Ethnicity				2004 Presidential Election		
					White	Black	Asian	Hispanic	Bush	Kerry	"Color"
Hampton Roads	126,722	$38,722	$3,191	8.20%	76.40%	18.10%	2.40%	1.70%	53.37%	46.63%	RED
Charlotte	182,524	$47,503	$3,754	7.90%	83.60%	11.80%	1.50%	2.30%	59.67%	40.33%	RED
Raleigh-Durham	149,067	$48,872	$3,446	7.10%	80.50%	13.40%	2.60%	2.50%	49.44%	50.56%	BLUE
Jacksonville	73,710	$62,565	$4,284	6.90%	82.70%	11.50%	2.10%	2.50%	62.57%	37.43%	RED
Charleston	38,007	$48,737	$3,331	6.80%	81.90%	14.50%	1.20%	1.50%	56.63%	43.37%	RED
Richmond	90,903	$52,121	$3,502	6.70%	79.50%	16.00%	2.00%	1.40%	54.69%	45.31%	RED
Northern Virginia	291,464	$46,056	$3,025	6.60%	77.30%	7.80%	7.10%	5.70%	46.40%	53.66%	BLUE

Sources: Generosity in America: A County by County Survey, The Chronicle of Philanthropy (May 1, 2003), at: http://www.philanthropy.com/stats/ and 2004 Election Returns, USA Today, at: http://www.usatoday.com/news/politicselections/vote2004/countymap.htm

TABLE 6 CHARITABLE GIVING IN HAMPTON ROADS: CITIES AND COUNTIES											
City or County	State	Itemized Returns	Average Discretionary Income	Average Charitable Donation	Discretionary Income to Charity	Race/Ethnicity				Charities per 1,000 People
						White	Black	Asian	Hispanic	
Surry County	Va.	347	$35,239	$4,841	13.70%	59.10%	39.30%	0.00%	0.00%	2.6
Hampton	Va.	9,086	$27,322	$2,845	10.40%	60.80%	34.80%	1.30%	1.40%	1.7
Portsmouth	Va.	4,959	$28,945	$2,847	9.80%	61.30%	35.70%	0.80%	1.10%	1.7
Norfolk	Va.	9,889	$51,830	$5,053	9.70%	69.20%	24.60%	2.80%	1.80%	2.5
Newport News	Va.	11,483	$32,103	$2,867	8.90%	69.30%	25.10%	1.90%	2.00%	1.8
Chesapeake	Va.	20,709	$28,543	$2,409	8.40%	75.60%	19.70%	2.00%	1.20%	1.3
Virginia Beach	Va.	39,716	$45,193	$3,709	8.20%	79.70%	12.50%	3.90%	2.50%	1.5
HAMPTON ROADS	Va.	96,189	$38,722	$3,191	8.20%	76.40%	18.10%	2.40%	1.70%	
Mathews County	Va.	656	$47,511	$3,762	7.90%	93.60%	4.20%	0.00%	0.60%	3.3
Williamsburg	Va.	158	$63,351	$4,646	7.30%	87.40%	6.90%	3.50%	2.80%	9.3
Suffolk	Va.	4,880	$37,210	$2,678	7.20%	69.90%	27.30%	1.40%	1.10%	1.8
Poquoson	Va.	1,728	$33,148	$2,358	7.10%	94.60%	0.30%	1.80%	1.50%	1.7
Gloucester County	Va.	2,741	$31,056	$2,146	6.90%	90.10%	7.00%	0.80%	1.10%	2.0
Isle of Wight County	Va.	2,752	$35,328	$2,428	6.90%	82.20%	15.40%	0.30%	1.00%	1.7
Southampton County	Va.	648	$37,604	$2,590	6.90%	76.20%	23.30%	0.00%	0.10%	1.1
York County	Va.	6,327	$36,664	$2,484	6.80%	87.30%	7.20%	2.40%	1.50%	1.3
James City County	Va.	8,461	$51,415	$3,230	6.30%	89.20%	7.80%	1.30%	0.90%	2.9
Currituck County	N.C.	1,144	$29,543	$1,806	6.10%	93.00%	4.60%	0.70%	0.70%	1.2
Franklin	Va.	1,038	$46,431	$2,776	6.00%	76.70%	23.00%	0.00%	0.30%	4.8

Source: Generosity in America: A County by County Survey, The Chronicle of Philanthropy (May 1, 2003), at: http://www.philanthropy.com/stats/

Factors Determining Regional Charitable Giving

Let's examine some of the most important factors contributing to the generosity of Hampton Roads residents.

RACE

One of The Chronicle of Philanthrophy's most intriguing findings concerns the strong level of charitable giving among African Americans: "In counties and cities with above-average numbers of blacks who make $50,000 or more, giving rates tend to be higher than in those dominated by whites of similar income levels." Tables 5 and 6 clearly demonstrate this propensity. Indeed, the Chronicle determined that four of the six most generous counties in the United States have a larger than average African American community (Prince George's in Maryland, and the Bronx, Brooklyn and Queens boroughs in New York City). This pattern holds true in Hampton Roads; its three most generous communities (Surry County, Hampton and Portsmouth) are simultaneously those with the highest proportion of African Americans who earn $50,000 or more. The Chronicle identifies religion as the most important motivation for African American giving, and further estimates that "$9 out of every $10 donated by blacks goes to churches or other religious institutions. By comparison, whites give about 75 percent of their charitable donations to religious groups."

RELIGION

The church plays a strong role in African American giving, but it is also the chief recipient of charitable gifts made by members of other racial and ethnic groups. The Chronicle estimates that "more than $3 of every $4 donated to charity is given to houses of worship or other religious causes." Indeed, a region's religious profile can be a decisive factor in its level of charitable giving. Fourteen of the nation's 20 most generous counties are from regions in Utah and Idaho where the Mormon Church, which emphasizes tithing, is particularly strong. Likewise, the strength of Southern Baptists and other evangelical Protestant denominations in Hampton Roads and other parts of the American South contributes to these regions' comparatively high generosity rankings.

A recent Independent Sector study on giving and volunteering concludes that "weekly attendance at religious services is by far the strongest factor affecting how much households in the South give." But churchgoers' generosity is not limited to religious causes. In his own analysis of American charitable behavior, Syracuse University economist Arthur C. Brooks asserts that "religious people are, inarguably, more charitable in *every measurable way*" ("Who Really Cares: The Surprising Truth About Compassionate Conservatism," Basic Books, 2006). This includes financial gifts to secular organizations like the United Way, as well as volunteer hours, informal acts of charity and even the donation of blood.

LIVING PATTERNS

With the significant exception of Surry County, Hampton Roads' most generous communities lie in the region's densely populated core – Hampton, Portsmouth, Newport News, Norfolk, Chesapeake and Virginia Beach. Surrounding counties and smaller towns have rates of giving that are lower than the regional average – a distinction between core and periphery that is not unique to Hampton Roads. The Chronicle noted that six of the nation's most generous cities demonstrated significantly lower rates of generosity when their surrounding metropolitan areas were also taken into consideration. What might explain this disparity? Citing the comments of an official from the United Way of Greater St. Louis, the Chronicle suggests that densely populated areas may attract "an involved, active, creative class" of people who are "committed to urban life and to their community … they fit the profile of people who give generously as a portion of their incomes."

Scholars from Boston College's Center on Wealth and Philanthropy offer another possibility. In a 2006 report titled "Charitable Giving Indices: Social Indicators of Philanthropy by State," the center notes that generosity can be a function of supply and demand: "Non-profit organizations create the demand for donations and at the same time offer potential donors opportunities for giving. … Just the density of non-profit organizations in the local geographic area has a large influence on the annual amounts given each year. Giving in large metropolitan areas is considerably higher, on average, than giving in small towns and rural areas." In other words, residents of urban areas may appear to be more magnanimous than their suburban and rural counterparts, simply because they have more immediate opportunities to give.

Institutions of higher education with strong alumni bases and public roles in their communities are particular magnets for charitable giving. Hampton Roads' most generous communities have the populations to support a university or community college campus, as well as to attract large businesses that match the charitable donations of their employees (in addition to engaging in their own corporate giving). As reported by The Virginian-Pilot in December 2006, at least 14 of Hampton Roads' 46 largest employers maintain some kind of matching gift program.

POLITICS

In his book "Who Really Cares," Brooks sheds additional light on the charitable giving of Hampton Roads citizens. He asserts that political conservatives are, on average, far more generous than their liberal counterparts. He attributes this distinction not to party politics per se, but to "four forces in modern American life [that] are primarily responsible for making people charitable" – religion, skepticism about the role of government in economic life, strong families and personal entrepreneurship. Brooks argues these forces figure prominently within the worldview of the political right and therefore political conservatives give greater proportions of their incomes to charities. "Liberal," then, is not synonymous with liberal charitable giving, however stereotypes might suggest otherwise.

As a behavioral economist, Brooks is most interested in Americans' attitudes toward giving. His book draws upon survey data that are quite different from the tax statistics utilized by The Chronicle of Philanthropy, yet the results of the two studies are often mutually reinforcing, particularly in their emphasis on regional differences in American giving. According to Brooks, the much-discussed cultural and political polarization of our country into "red states" and "blue states" also symbolizes a divide in charitable behavior. Of the 25 states Brooks identifies as donating an above-average portion of household income to charity, 24 of these (including Virginia and North Carolina) gave their electoral votes to George W. Bush in the 2004 presidential election (see Figure 1). Brooks' data suggest a close relationship between a state's generosity and the percentage of its popular vote given to President Bush.

However, the red-versus-blue-state dichotomy with respect to charitable giving does not emerge when we examine our sample of metropolitan regions in the American Southeast (see Table 5). Blue metropolitan areas are not necessarily more generous in their charitable contribution percentages than red metropolitan areas.

Regardless, all of the Southeast's metropolitan areas demonstrate rates of generosity higher than the national average, and nearly all (excepting Northern Virginia and Raleigh-Durham in North Carolina) favored Bush over Kerry by a margin of several percentage points in the 2004 election.

FIGURE 1
2004 PRESIDENTIAL ELECTION RESULTS BY STATE
(KERRY STATES IN BLUE)

STATE CHARITABLE GIVING, 2001: A LOOK AT THE AVERAGES
(BELOW-AVERAGE STATES IN BLUE)

Source: "Who Really Cares: The Surprising Truth About Compassionate Conservatism" by Arthur C. Brooks (Basic Books, 2006)

Charitable Organizations in Hampton Roads

Hampton Roads citizens extend their generosity to a wide variety of causes – religious as well as secular, local, national and even global. How many of their charitable dollars remain in Hampton Roads? Has the rise in charitable giving at the national level benefited the nonprofit organizations of our region? Thanks to the efforts of The Norfolk Foundation, we can begin to address these important questions. For the past several years, the foundation has issued an annual study, "Dimensions of Philanthropy." This report assesses the health of our region's "bellwether nonprofits" – prominent organizations that are both headquartered in, and receive most of their donations from, Hampton Roads. (Religious congregations are not included in the study, nor are the region's largest philanthropies, Operation Blessing and the Christian Broadcasting Network, both in Virginia Beach.)

The 2006 study, which surveyed 64 organizations in the fields of arts and culture, education, nature and the environment, animal welfare, health, and human service, had largely good news to report. Table 2 shows that the funding of Hampton Roads' bellwether nonprofits increased to nearly $157 million in 2005, continuing a consistently upward trend since the study's inception. The unusually high total of $198 million in 2003 can be largely attributed to the gifts of Frank and Jane Batten.

Overall, the bellwether nonprofits witnessed a 37.45 percent increase in direct public support between 2002 and 2005. This rate of growth surpasses a 21.63 percent increase in gifts to similar types of recipient organizations at the national level, according to data from Giving USA. While some of this regional growth may be attributed to fluctuations in the number and type of organizations participating in The Norfolk Foundation study, it is nonetheless clear that most of the bellwether nonprofits have been able to rely on a solid – and expanding – base of support from individuals and businesses in our region.

Underscoring the health of charitable giving in Hampton Roads is the cautious optimism of representatives from the nonprofit organizations themselves. According to a survey conducted as a part of the 2006 Norfolk Foundation study, 49 percent of the responding administrators believe that the state of philanthropy in Hampton Roads is improving somewhat or a great deal. Meanwhile, 46 percent believe that the state of philanthropy is staying the same, while only 5 percent feel that it is getting somewhat or a great deal worse. More than two-thirds of the respondents expected that support from individual donors, corporations and foundation grants would increase somewhat or a lot in 2006, and 63 percent recorded an increase in individual donors in the year prior to the report.

Such responses should not, however, mask the challenges nonprofit organizations face in accomplishing their goals and meeting their budgets in an increasingly competitive environment. A brief conversation with nearly any nonprofit executive in our region reveals that fundraising is a constant challenge. Relationships with donors must be assiduously pursued and cultivated. Nonprofit organizations employ multiple strategies – special events, direct-mail solicitations, matching grant applications, the hiring of development specialists and so forth – in order to maintain or increase charitable donations each year. A great deal of effort stands behind every charitable dollar received.

Since the health of the bellwether nonprofits is closely tied to that of our greater regional economy, unexpected shifts in the economic landscape can have immediate repercussions. With the closing of Johnson & Wales University's Norfolk campus in 2004, for example, the Foodbank of Southeastern Virginia lost one of its most important partners. Culinary arts students had prepared more than 100,000 meals per year for needy children through the Foodbank's Kids Café program; since the university's departure, no one organization has been able to fill its shoes. Likewise, the recent decisions of the Ford Motor Co. and Nova Chemicals Corp. to shutter their plants in Norfolk and Chesapeake resulted in a loss of around $300,000 for the United Way of South Hampton Roads' 2006 fundraising campaign. The buoyancy of the regional economy, however, has helped to soften this blow. According to United Way chapter president Mike Hughes, approximately one-third of this shortfall was made up through larger than anticipated gifts from other campaign donors, particularly among members of the chapter's growing Women's Initiative and its Alexis de Tocqueville Society (for those donating $10,000 or more).

Final Thoughts

Statistical evidence demonstrates that the citizens of Hampton Roads are generous people. We give a larger-than-average amount of our discretionary incomes to charity, and recent increases in funding for our bellwether nonprofit organizations exceed national averages as well. These are distinctions well worth celebrating.

Regardless of the economic climate, charitable giving is essential to the well-being of our region. As Arthur Brooks and other scholars of philanthropy rightly assert, charitable gifts do not benefit merely their immediate recipients; they can also enhance the happiness of their givers and strengthen the bonds of community. Researchers at the National Institutes of Health have even concluded that charitable giving affects the working of our brains, creating within them a kind of biological "warm glow." **Charitable donations provide services that are critical to our region: shelter for homeless families, scholarships for college-bound students, and medical and emotional support for those suffering from conditions such as Alzheimer's disease and AIDS. In 2007, individual and corporate donations have helped to construct a new public library branch in Portsmouth, to commemorate the 400th anniversary of the settlement at Jamestown, and to protect thousands of acres of new conservation lands in Surry, Isle of Wight and Southampton counties. These accomplishments enrich all of us.**


Bread
Flour
Sugar
GIVE

The Filipino American Community

THE FILIPINO AMERICAN COMMUNITY OF HAMPTON ROADS

Relatively few people are aware that the first Filipinos journeyed to America's west coast as early as 1565, four decades before English settlers arrived at Jamestown. However, those travelers did not stay in North America and it was only after 1906 that Filipinos began to migrate permanently across the Pacific in large numbers. Hampton Roads has been fortunate to be one of the major destinations of this migration. This chapter focuses attention on the approximately 45,000 Filipino Americans in our midst.

Following the Spanish-American War and the United States' colonization of the Philippines, employers in Hawaii and on the western mainland actively recruited Filipino workers. By 1940, almost 50,000 Filipinos lived in the mainland United States. In the years after World War II and the establishment of Philippine political independence, thousands more followed in their footsteps, notably military servicemen and their brides, medical professionals and family members of other Filipino Americans. Thus began a rich history of Filipino American community building throughout the United States, including Hampton Roads.

According to the 2000 census, 2.36 million people of Filipino ancestry now live in the United States. As Table 1 reveals, nearly 45,000 of this population reside in Hampton Roads, making our region home to one of the country's most concentrated Filipino American communities. Outside Hawaii and California, only the Filipino American communities in New York City, Chicago and Seattle are larger. This is a striking distinction for Hampton Roads, since (in contrast to these other urban centers) few other sizable communities of immigrants have made their homes here.

Nevertheless, as Table 2 reports, in recent decades Hampton Roads has not been a major magnet for immigrants. In 2000, only 4.42 percent of the region's population was foreign-born, compared to 22.41 percent in Northern Virginia and 8.07 percent in Raleigh-Durham.

Almost one-quarter of Hampton Roads' foreign-born population hails from the Philippines, easily outnumbering every other national group. As Table 3 illustrates, in 2000, 16,671 residents of Hampton Roads were born in the Philippines – more than the five next largest national groups combined (from the United Kingdom, Germany, Korea, Vietnam and Canada). In 2005, more than 20 percent of the foreign-born residents of Hampton Roads who became naturalized citizens and legal permanent residents of the United States came from the Philippines.

Filipino Americans reside in every city and county of Hampton Roads, comprising at least 2.79 percent of our region's population and at least 4 percent of the population in Virginia Beach (see Table 1). "At least" is the appropriate terminology, because Filipino Americans, like many other ethnic groups, often decline to indicate their ethnic background when given the opportunity to do so by the census. Community leaders believe that 15,000 to 25,000 people of Filipino ancestry did not indicate their background in the 2000 census; we adopted the lower estimate in Table 1.

Why have so many Filipinos elected to make Hampton Roads their home? How has the Filipino American community changed the economic, political and cultural face of our region? These are the questions we'll explore below, beginning with a look at the history of Filipino settlement in Hampton Roads. Then we'll examine the Filipino American community today, including its demographics and most influential institutions. We'll conclude with a survey of the new ways that second-generation Filipino Americans are promoting their cultural identity at the beginning of the 21st century.

TABLE 1

FILIPINO AMERICANS IN HAMPTON ROADS

	Total Population	Filipino Alone	Percent Filipino Alone	Filipino Alone or in Any Combination	Filipino Alone or in Any Combination %
Chesapeake	199,184	2,029	1.02%	2,637	1.32%
Currituck County	18,190	33	0.18%	62	0.34%
Franklin	8,346	8	0.10%	10	0.12%
Gloucester County	34,780	61	0.18%	91	0.26%
Hampton	146,437	657	0.45%	981	0.67%
Isle of Wight County	29,728	22	0.07%	33	0.11%
James City County	48,102	163	0.34%	210	0.44%
Mathews County	9,207	7	0.08%	8	0.09%
Newport News	180,150	1,083	0.60%	1,526	0.85%
Norfolk	234,403	4,125	1.76%	5,182	2.21%
Poquoson	11,566	28	0.24%	43	0.37%
Portsmouth	100,565	424	0.42%	612	0.61%
Southampton County	17,482	7	0.04%	11	0.06%
Suffolk	63,677	185	0.29%	250	0.39%
Surry County	6,829	5	0.07%	5	0.07%
Virginia Beach	425,257	14,553	3.42%	17,429	4.10%
Williamsburg	11,998	67	0.56%	80	0.67%
York County	56,297	276	0.49%	406	0.72%
Filipinos NEC				15,000	
HAMPTON ROADS	1,602,198	23,733	1.48%	44,576	2.78%

Source: U.S. Census Bureau: http://factfinder.census.gov. Note: Participants in the 2000 census could select one or more racial categories, or none. Many Filipino Americans appear to have chosen not to indicate their ethnic background.

TABLE 2
FOREIGN-BORN POPULATIONS IN HAMPTON ROADS AND ELSEWHERE

Cities and Counties	Total Population	Foreign-born Population	Foreign-born Population %
Chesapeake	199,184	5,971	3.00%
Currituck County	18,190	254	1.40%
Franklin	8,346	62	0.74%
Gloucester County	34,780	653	1.88%
Hampton	146,437	5,778	3.95%
Isle of Wight County	29,728	335	1.13%
James City County	48,102	1,993	4.14%
Mathews County	9,207	198	2.15%
Newport News	180,150	8,610	4.78%
Norfolk	234,403	11,634	4.96%
Poquoson	11,566	340	2.94%
Portsmouth	100,565	1,595	1.59%
Southampton County	17,482	51	0.29%
Suffolk	63,677	1,180	1.85%
Virginia Beach	425,257	28,276	6.65%
Williamsburg	11,998	622	5.18%
York County	56,297	2,931	5.21%
HAMPTON ROADS	1,595,369	70,483	4.42%
Northern Virginia	1,645,598	368,790	22.41%
Richmond	806,313	40,158	4.98%
Charleston	549,033	18,257	3.33%
Charlotte	2,115,090	119,354	5.64%
Jacksonville	1,243,005	67,264	5.40%
Raleigh-Durham	1,549,822	125,060	8.07%

Source: U.S. Census Bureau: http://factfinder.census.gov

TABLE 3
FOREIGN-BORN POPULATION OF HAMPTON ROADS: BY PLACE OF BIRTH

	HAMPTON ROADS	Chesapeake	Currituck	Franklin	Gloucester	Hampton	Isle of Wight	James City	Newport News	Norfolk	Poquoson	Portsmouth	Suffolk	Virginia Beach	Williamsburg	York
Philippines	16,671	1,393	13	0	85	556	31	151	608	3,401	37	307	143	9,635	9	302
United Kingdom	4,465	329	69	8	88	433	30	198	434	538	25	75	130	1,878	55	175
Germany	4,381	363	4	6	99	561	43	243	991	464	57	178	139	899	20	314
Korea	3,129	279	0	11	62	339	7	114	944	211	35	41	0	669	9	408
Vietnam	2,716	152	19	0	17	410	0	31	543	300	0	55	18	1,076	55	40
Canada	2,568	333	17	0	18	169	40	189	253	232	24	11	69	1,020	61	132
Mexico	2,164	270	42	26	34	203	10	18	310	369	17	70	6	718	7	64
India	1,976	110	9	0	26	237	0	69	202	247	14	0	54	774	55	179
China	1,961	149	20	0	5	81	30	93	198	462	28	46	53	637	64	95
Jamaica	1,873	226	0	0	0	259	0	51	197	525	5	12	23	499	0	76
Japan	1,531	121	8	0	0	139	12	25	264	156	35	15	19	633	0	104
Panama	1,295	112	0	0	22	97	7	24	414	164	0	43	17	327	0	68
Italy	1,072	116	7	0	24	120	0	50	131	146	7	15	0	437	7	12
Other Caribbean	977	82	0	0	0	208	0	0	57	222	0	33	16	331	18	10
Trinidad & Tobago	932	93	0	0	0	199	0	0	85	210	0	22	21	300	0	2
Spain	794	37	0	0	0	44	0	11	47	80	0	6	21	539	0	9
Colombia	739	69	0	0	0	18	7	36	74	147	13	10	24	324	0	17
France	707	26	0	0	17	64	13	24	179	96	6	17	14	219	0	32
Cuba	690	34	5	0	12	88	0	46	93	98	5	21	7	261	7	13
El Salvador	647	40	0	4	0	0	0	67	89	103	0	34	0	283	7	20
Greece	639	32	0	0	9	35	0	29	53	112	3	12	0	264	15	75
Netherlands	625	31	0	0	19	47	7	21	24	55	0	0	30	363	9	19
Taiwan	622	17	0	0	0	27	0	30	62	150	5	20	0	193	35	83
Poland	621	40	0	0	6	56	8	22	38	128	7	25	4	251	0	36
Thailand	567	35	0	0	10	101	0	0	102	89	0	37	35	127	0	31
Dominican Republic	566	23	0	0	0	56	17	18	94	177	0	41	0	140	0	0
All Other	15,306	1,459	41	7	100	1,231	73	433	2,124	2,752	17	449	337	5,479	189	615
Totals	70,234	5,971	254	62	653	5,778	335	1,993	8,610	11,634	340	1,595	1,180	28,276	622	2,931

Source: U.S. Census Bureau: http://factfinder.census.gov

History

For much of the 20th century, Hampton Roads and the Philippines held one important thing in common – both were home to the world's largest bases maintained by the U.S. Navy. More than any other factor, the Navy has been responsible for bringing Filipino immigrants to Hampton Roads.

The U.S. Naval Station at Subic Bay was established in 1901, and during its 90-year lifespan, it became one of the Philippines' largest employers. The U.S. Navy recruited Filipinos directly into its ranks as stewards and mess attendants as early as 1903, a practice that continued and expanded even after the islands' political independence. In the early Cold War era, tens of thousands of Filipinos applied to join the U.S. Navy each year; up to 2,000 were admitted annually. (After 1973, this number was reduced to 400, although higher-ranking positions became available to Filipino servicemen as well.) The Navy offered Filipino enlistees a lucrative, steady income and a path toward U.S. citizenship. Many of these enlistees were stationed at naval bases in Hampton Roads, and it was here that they began to set down roots.

"From the mid-1960s to the late '80s, Navy housing was community for many Filipinos," recalls Raymond Perez Obispo in "In Our Aunties' Words," a recent oral history project sponsored by the Hampton Roads chapter of the Filipino American National Historical Society (FANHS). "Like Wadsworth Homes, Navy communities like Benmorrel Housing, Camp Elmore, Merrimack Homes, Camp Allen and Harper's Square were neighborhoods located near naval facilities in Norfolk and Virginia Beach. Each served as ground zero for the families of enlisted men and served as a transitional stop post until promotions created income that would lead to a necessary component of the American Dream, the single-family home."

Filipino women came to Hampton Roads as the wives of both American and Filipino servicemen, although many of these Filipinas were medical professionals who had already spent months or years elsewhere in the country before settling here. Their paths to our region were facilitated by the landmark Immigration Act of 1965, which eliminated national-origin quotas, emphasized family reunification and encouraged the migration of skilled workers in certain preferred professions, including health services.

"Since the 1970s, the Philippines has been the major source of foreign-trained nurses in the United States," writes University of California, San Diego Professor Yen Le Espiritu, "with at least 25,000 Filipino nurses arriving between 1966 and 1985." The majority of these nurses were women, and a small cohort of them found employment at hospitals in Norfolk and Virginia Beach, as well as other medical institutions in our region.

Was Hampton Roads welcoming to its earliest Filipino immigrants? Those interviewed for "In Our Aunties' Words" have fond memories of their early years in the region, and in retrospect they are satisfied with their decision to settle here. Yet, they and other first-generation Filipino Americans typically can recall some unpleasant instances of discrimination as well. Because their skin color was often too dark to be considered "white," Filipino immigrants learned that they were not always welcome in all neighborhoods or workplaces. Sometimes their accented English became a source of misunderstanding and prejudice. Filipinos migrated to Hampton Roads just as the civil rights movement of the 1960s began to transform the American South. Filipino Americans profited from the movement's accomplishments, but they also continued to feel some of the lingering prejudices that have similarly affected African Americans in our region, well after the formal end of segregation.

The Filipino American Community Today

Filipino Americans have become a diverse and vital presence in the Hampton Roads community. According to the 2000 census, nearly half of those claiming Filipino ancestry in our region were not born abroad. Thus, a large population of second-generation (and some third-generation) Filipino Americans now resides in Hampton Roads. **The region's Filipino Americans are no longer employed chiefly in the armed services or as medical professionals. Table 4 indicates that the distribution of Filipino American workers throughout all sectors of our regional economy largely parallels that of the entire Hampton Roads population.**

To date, no comprehensive list of Filipino American businesses in our region has been compiled, although a 2007 supplement to the directory Filipino Yellow Pages U.S.A. does identify 40 different enterprises. The densest cluster of these businesses is located on Lila Lane in Virginia Beach. Hampton Roads' "Little Manila" is home to a Filipino martial arts school, travel agency, video store and several other establishments that cater to the region's Filipino American population.

Economic evidence has consistently demonstrated that most immigrants exert a positive influence on their new communities of residence. Immigrants tend to be younger and work longer hours than the population at large and they become net contributors to the tax and welfare systems within a few years.

These assertions appear to hold true for the Filipino American population of Hampton Roads, which on average is younger and better educated than the region's overall population. According to the 2000 census (see Table 5), the median age of those who identified themselves as all or part Filipino was 30 (three years younger than the median age of all Hampton Roads residents) and six years younger than the typical Virginian of Filipino background. Only 5.85 percent of our region's Filipino Americans are 65 years and over, compared to 9.8 percent in the general population. **Filipino American residents of Hampton Roads are more likely to have graduated from high school, and this gap in education widens at the post-secondary level. Whereas 23.71 percent of all Hampton Roads adults possess a bachelor's degree or higher, 32.21 percent of Filipino Americans boast the same distinction.** Filipinos elsewhere in Virginia are even better educated – 48.6 percent of those 25 years or older have earned a bachelor's degree or better.

While it may be dangerous to highlight some individuals in a community as diverse

TABLE 4
FILIPINO AMERICAN ECONOMIC CHARACTERISTICS IN HAMPTON ROADS, 2000*

Employment Status	**Filipinos Alone or in Any Combination**	**Population**
In labor force (population 16 years and over)	14,707	702,295
Rate of civilian unemployment	3.65%	5.50%
Men (16 years and over) in labor force	74.34%	75.63%
Women (16 years and over) in labor force	67.85%	61.91%
Employed Civilian Population by Industry		
Agriculture, forestry, fishing and hunting, and mining	0.16%	0.29%
Construction	3.64%	7.34%
Manufacturing	15.67%	10.06%
Wholesale trade	1.74%	2.53%
Retail trade	17.89%	12.77%
Transportation and warehousing, and utilities	4.23%	4.76%
Information	3.04%	3.08%
Finance, insurance, real estate, and rental and leasing	5.05%	6.63%
Professional, scientific, management, administrative, and waste management services	7.21%	9.99%
Educational, health and social services	20.15%	20.54%
Arts, entertainment, recreation, accommodation and food services	10.58%	8.65%
Other services (except public administration)	4.44%	5.11%
Public administration	6.22%	7.97%
Income in Past 12 Months		
Total population	28,773	1,342,293
Households	7,024	492,403
Average household size	3.13	2.60
Median household income (dollars)	51,509	42,533
Per capita income (dollars)	16,120	20,047

* Chesapeake, Hampton, Newport News, Norfolk, Portsmouth, Virginia Beach, York County only

Source: U.S. Census Bureau: http://factfinder.census.gov

TABLE 5 FILIPINO AMERICAN ECONOMIC AND SOCIAL CHARACTERISTICS: HAMPTON ROADS						
	HAMPTON ROADS*		VIRGINIA BEACH		VIRGINIA	
General Characteristics	**Filipinos Alone or in Any Combination**	**Selected Hampton Roads Cities**	**Filipinos Alone or in Any Combination**	**Population**	**Filipinos Alone or in Any Combination**	**Population**
Total population	28,773	1,342,293	17,429	425,257	72,704	7,332,608
Median age (years)	30	33	31	33	36	37
Under 5 years	7.78%	7.13%	7.28%	7.20%	8.10%	6.90%
18 years and over	71.37%	73.34%	71.74%	72.51%	74.10%	75.30%
65 years and over	5.85%	9.80%	5.81%	8.45%	7.00%	11.20%
Social Characteristics						
High school graduate or higher (population 25 years and over)	87.58%	85.22%	88.74%	90.45%	93.20%	85.40%
Bachelor's degree or higher (population 25 years and over)	32.21%	23.71%	33.20%	28.11%	48.60%	33.20%
Foreign-born	55.31%	4.83%	54.93%	6.65%	57.21%	9.87%
Speak a language other than English at home (population 5 years and over)	57.77%	8.13%	58.49%	10.28%	59.50%	12.70%
Housing Characteristics						
Single-family owner-occupied homes (per 1,000 of the population 18 and over)	234.62	275.96	252.00	297.51	274,900	212,300
Median home value (dollars)	111,867	110,123	114,700	123,200		
* Chesapeake, Hampton, Newport News, Norfolk, Portsmouth, Virginia Beach, York County only						
Source: U.S. Census Bureau: http://factfinder.census.gov						

and talented as the Hampton Roads Filipino community, a variety of members from this community told us that among the most prominent Filipinos in the area are (in alphabetical order):

- Jay Bernas, Virginia Beach planning commissioner and city of Virginia Beach project manager for the 31st Street development and the Sandbridge sand replenishment.
- Nancy Dimano, president and CEO of Best and Dependable Home Care and member of the Virginia Maternal and Child Health Council and the Catholic Charities of Eastern Virginia.
- Dr. Juan Montero, retired from a private surgical practice in Chesapeake, founder of the free Chesapeake Care clinic, board member of Physicians for Peace, and recipient of a dozen or more public service and professional awards.
- Louie Ochave, owner of Chicho's, Crazy Charlie's and Live restaurants in Virginia Beach and a director of the Virginia Beach Restaurant Association.
- Dr. Cynthia Romero, family practice physician and president of Chesapeake General Hospital's medical staff in 2006; cited as an Outstanding Professional Woman of Hampton Roads in 2005.

- Edwin Tirona, CEO of Dynamic Systems Integration, a voice-video-data-security firm headquartered in Virginia Beach.
- Emmanuel Voces, attorney and a director of the Virginia Beach Community Development Corp.

Employers such as Sentara Healthcare and the Virginia Beach City Public Schools have recently addressed shortages in our region's skilled labor force by sponsoring workers from the Philippines. Filipino nurses and teachers have been attractive candidates for international recruitment because of their solid professional training and command of the English language, as well as their ability to integrate easily within our region's existing Filipino American community.

Such skills have enhanced Filipino American incomes in all sectors of the regional economy. Table 4 reports that in 2000, the median Filipino American household income in Hampton Roads was $51,509, 21 percent higher than the region's $42,533 average. However, the per capita income of Filipino Americans ($16,120) was lower than that of the general population ($20,047). This disparity appears to reflect the larger size of Filipino American families, as well as the higher labor force participation rates of Filipino American women.

The Filipino American contribution to the Hampton Roads economy is substantial, although at least a small portion of this income is remitted back to family members and other institutions in the Philippines, a typical phenomenon in immigrant communities. In addition to individual remittances, local organizations like Mission of Mercy regularly raise thousands of dollars for disaster relief and other charitable initiatives in the Philippines. A 2003 study by the Asian Development Bank estimated that $4.7 billion is remitted annually from the United States to the Philippines, an average of nearly $2,000 for every Filipino American. If the same relationship applies in Hampton Roads, then more than $90 million flows from the region to the Philippines each year.

In the last five years, Hampton Roads' Filipino Americans have asserted a voice in the political arena that better corresponds to their economic muscle. Ron Villanueva's mobilization of Filipino American voters played a decisive role in his 2002 election (and 2006 re-election) to the Virginia Beach City Council. Fellow Filipino Americans Tina Sinnen and Lyndon Remias won election to a Virginia Beach Circuit Court clerkship and the school board in 2003 and 2006, respectively.

After more than four decades of Filipino settlement in our region, what has enabled these successful runs for public office? Villanueva believes that a combination of factors was in play, including dedicated campaigning and the opening of favorable election opportunities. The continued growth of the Filipino American electorate played a critical role, as did the corresponding expansion of this electorate's financial resources. Finally, it seems significant that the path-breaking political candidates were all second-generation Filipino Americans with a broad degree of public experience and community involvement, outside as well as within the Filipino American community. Villanueva, for example, has strong Republican Party ties and had served successfully on the Old Dominion University Board of Visitors.

What issues motivate our region's Filipino American voters? Villanueva and Remias emphasize that, given the size and diversity of the Filipino American community, its political interests largely reflect those of the region as a whole, although the community has placed great emphasis upon increased representation in local government. Araceli Suzara, director of the Filipino American Center at Old Dominion University, notes that Hampton Roads' Filipino American community is distinctive for its political conservatism. Nationally, Filipino American voters have tended to favor the Democratic Party, but Republican politics has proven more attractive to Filipino Americans in Hampton Roads. Arguably, some of this may be attributed in part to the strong regional influence of the U.S. Navy.

Veterans of the U.S. Navy have been among the most politically active members of the Filipino American community. A particularly important issue is the decades-long struggle to award full U.S. veterans' benefits to Filipinos and naturalized Filipino Americans who fought with the United States during World War II. In 1941, President Franklin D. Roosevelt formally merged the Philippine Commonwealth Army with the U.S. Armed Forces stationed in the Philippines, but five years later Congress declared Filipinos ineligible to receive U.S. veterans' benefits. In Hampton Roads today, the regional chapter of the National Federation of Filipino American Associations and the Filipino American Veterans of Hampton Roads are dedicated advocates of veterans' rights. This year, representatives of both organizations lobbied the region's legislators for the support of two bills pending before the 110th Congress – the Filipino Veterans Equity Act, and the Filipino Veterans Family Reunification Act (which would expedite the immigration process for the children of Filipino war veterans).

If Filipino Americans have only recently claimed a larger role in Hampton Roads political affairs, their institutional presence within our region has a much longer history. The Filipino Women's Club of Tidewater was founded in 1962, and since then dozens of Filipino American associations and interest groups have coalesced. Some of these organizations (like the Philippine Medical Association of Southeastern Virginia and the Virginia Beach Filipino American Tennis Association) seek to unite all Filipino Americans with a common profession or interest, while others more exclusively promote a particular linguistic tradition or regional identity. The Republic of the Philippines is an exceptionally diverse country comprising more than 7,000 separate islands; over 100 different languages and dialects are spoken there. In Hampton Roads, groups such as the Pampango Language Club and the Cebuano-Speaking Association of Tidewater unite speakers of a common language, while organizations like the Bicol Association of Tidewater bring together those who trace their roots to a particular Philippine region.

The Three Centers

Within the last 15 years, three influential Filipino American centers have opened their doors in Hampton Roads. All were the products of years of planning and fundraising within the Filipino American community. With distinct individual emphases, each of these centers seeks to promote Filipino culture and traditions, as well as provide a gathering place for the Filipino Americans of our region. These centers reflect the desire of Filipino Americans to unite and celebrate their heritage, but also a certain degree of divisiveness as well.

SAN LORENZO SPIRITUAL CENTER

The first of these institutions to be completed was the San Lorenzo Spiritual Center, located on Indian River Road in Virginia Beach. The center, which opened in 1994, was established through the support of the Catholic Diocese of Richmond and the donations of local Filipino Americans. The majority of Filipinos are Roman Catholic, a religious affiliation dating back to Spain's colonization of the Philippines in the late 16th century. Upon settling in Hampton Roads, Filipino Americans became loyal adherents of Catholic parishes in our region, but they also sought an established means to observe the numerous celebrations and holy days that are unique to Philippine Catholics. The San Lorenzo Spiritual Center (named after the first Filipino saint) was an inspired solution to this demand – the first center of its kind in the United States.

Intended to complement rather than to replace affiliation with existing Catholic parishes, the San Lorenzo Spiritual Center provides a site for special masses, fiestas, youth activities and other Filipino American gatherings. Amelia Aguirre, San Lorenzo's interim administrator, estimates that between 100 and 120 people attend the center's services each Wednesday evening – some traveling from as far away as Smithfield and Williamsburg. Highlights of the center's calendar include the annual Mayflower Festival and the Simbang Gabi, a nine-day series of evening (or early morning) masses held before Christmas Eve.

The work of the San Lorenzo Spiritual Center suffered disruption in 2004-05, when a handful of its members accused the center's founding spiritual leader, the Rev. Pantaleon Manalo, of financial and other improprieties. Roman Catholic Church authorities did not find Rev. Manalo guilty of theft or other wrongdoing, but nonetheless relieved him from his post, in order to place the center more closely under the supervision of the Diocese of Richmond. The controversy received considerable media attention and represented a rare moment of public dissension in the regional Filipino American community. A minority of San Lorenzo members who were unhappy with the diocese ruling withdrew their support from the center, which now finds itself in a phase of reorganization and renewal. The construction and landscaping of a new meditation garden on the center's grounds is currently under way.

THE FILIPINO AMERICAN CENTER AT OLD DOMINION UNIVERSITY

In 1998, Old Dominion University became host to the first academic center on the East Coast devoted to Filipino Americans. The Filipino American Center, which is located within the university's College of Arts and Letters, was made possible through gifts approximating $100,000 from regional community leaders. Dr. Juan Montero, the recently retired Chesapeake surgeon, was the spearhead for this development. The center has since become an important resource for the university and the broader Hampton Roads community.

The Filipino American Center's director, Araceli Suzara, estimates that around 450 Filipino American students are currently enrolled at ODU. The center provides a site for these and other students to study, hold meetings and learn more about Filipino culture. The center has sponsored a wide array of on-campus activities, including lectures, concerts, film screenings and introductory Tagalog classes. Filipino American studies courses offered for credit by the Department of English and the Department of Sociology and Criminal Justice are also promoted by the center.

The Filipino American Center's outreach is not limited to the Old Dominion campus. Representatives of the center respond regularly to requests from Hampton Roads residents for information about the Philippines or Filipino Americans. According to Suzara, a key mission of the center is to work with and bring together the many different Filipino American groups that coexist in our region. Thus, the center has helped to coordinate Simbang Gabi masses at the San Lorenzo Spiritual Center and other Catholic parishes throughout Hampton Roads, as well as to create the curriculum for K-12 language and heritage classes taught at the Philippine Cultural Center of Virginia and Old Dominion's Virginia Beach Higher Education Center. Special events that appeal to the entire Filipino American community, such as an evening of classical Kundiman music in February, help to raise funds for the center's continued operation.

PHILIPPINE CULTURAL CENTER OF VIRGINIA

The Philippine Cultural Center of Virginia (PCC) opened its doors in 2000, although the earliest dreams and plans for its construction date back many years. In 1976, the Council of United Filipino Organizations of Tidewater (CUFOT) was established to link together six different Filipino American organizations in Hampton Roads (today there are 18 participating groups). CUFOT chairman Dr. Manuel Hipol emphasizes that the creation of a cultural center for all of the region's Filipino Americans was a primary goal of the council from its inception. The "Mrs. Philippines" pageant became an important early fundraiser for the project, and land was purchased along Baxter Road in Virginia Beach in the early 1980s. Donations for the center gradually accumulated, accompanied by some disagreements within the Filipino American community as to how the project and funds were being managed. A decisive milestone for the project was reached in 1999, when 32 families agreed to serve as guarantors of a $988,500 loan that enabled the center's construction to begin. (As of January 2007, more than half of this loan had been repaid.)

Today the PCC is a 14,000 square-foot facility that serves the entire Hampton Roads community. It can be arranged as a theater or a ballroom, and it is reserved regularly by Filipino American and numerous other groups for weddings, dances, religious services and other special events. The PCC hosts several annual pageants, and it provides a regular meeting place for the member organizations of CUFOT. On Saturday mornings, youth between the ages of 5-18 gather at the PCC to participate in the School for Creative and Performing Arts, a volunteer institution that promotes the music, dance, language and folklore of the Philippines among Hampton Roads' youngest Filipino Americans.

The Second and Third Generations

Because of the circumstances and timing of Filipino settlement in Hampton Roads, much of the Filipino American community today falls largely into two cohorts: first-generation Filipino Americans between the ages of 55-70 who emigrated from the Philippines, and second- and third-generation Filipino Americans between the ages of 25-40 who were born and raised in the United States. The elder cohort established and continues to play a defining role in the community's most prominent institutions. These institutions were formed to promote and preserve Filipino cultural traditions abroad, as well as to provide a social support network for recent émigrés.

Our region's second- and third-generation Filipino Americans typically participated in the youth activities and other events sponsored by their parents' organizations, but most do not speak a Philippine language. Many have visited the Philippines only for brief family vacations. Involvement in the Filipino American community was a critical part of their upbringing, yet they feel in many ways more American than Filipino. Until recently, the public face of the Filipino American community had been dominated by their parents, a circumstance that is now changing, as members of the second generation have matured and established their own families and careers. The activities of Hampton Roads' second- and third-generation Filipino Americans emphasize a uniquely Filipino American (as opposed to Filipino) identity; these individuals are also technologically savvy. For them, community building is as likely to occur online as in a meeting hall or cultural center.

YOUNG FILIPINO-AMERICAN PROFESSIONALS OF HAMPTON ROADS

The most influential grouping of our region's second- and third-generation Filipino Americans is the Young Filipino-American Professionals of Hampton Roads. YFP was established in fall 2002 by a core group of young professionals active in the local chapter of the Filipino American National Historical Society (FANHS) and other community initiatives. They sought to create a new organization that would speak more directly to the needs of 20- and 30-something Filipino Americans, particularly the desire to reconnect with old friends and acquaintances, and to create new opportunities for social and professional networking.

Today YFP sponsors a wide array of activities – including socials, an annual induction ball and a series of "Business 101" seminars that address topics such as home buying and starting a small business. Among the most active aspects of YFP is its online community, which is hosted at the Web site myfamily.com. On any given evening, dozens of YFP members log on to chat, share photos and post invitations and announcements. When not online, YFP members (who are also participants in CUFOT) gather at the Philippine Cultural Center of Virginia, which hosts many of their meetings and events. As stated recently in the Virginia Beach Beacon by YFP founding member Edwina Bergano, "We needed to bridge two generations together and establish dialogue between them." To this end, YFP has helped to coordinate cross-generational initiatives like the FANHS oral history projects, and the 2007 BizNet Expo, which showcases local Filipino American businesses.

BLOGS, VLOGS AND PODCASTS

Thirty-three-year-old Nestor Lunasin is YFP chairman and a successful Web site designer. One evening a week, however, he assumes the role of Sterno, "master geek" of the Sini-Gang. Since June 2005, the Sini-Gang (consisting of Sterno and friends L-Boogy, Gamma Ray, Pinoy Playboy and Aloha Al) has recorded a weekly podcast that currently boasts around 500 subscribers in Hampton Roads and around the world. According to the group's Web site, the podcast represents "Filipino-American life in the Hampton Roads area of Virginia" and offers "a good excuse for college buddies to gather and talk on a regular basis." Recent shows have drawn attention to Filipino American community events, such as the candlelight vigil held at the PCC in honor of the 65th anniversary of the fall of Bataan; others have explored more humorous topics, such as how many Big Macs each of the podcasters could eat in one sitting.

Not interested in downloading a weekly podcast? It's still possible to catch up with our region's latest Filipino American news and gossip online. Visit "Filipino Tsismis," one of several community blogs located at HamptonRoads.com. This Filipino American Web site contains links to news stories in The Virginian-Pilot, announcements about upcoming events and ongoing commentary by local bloggers Tonet Mariano, Randy Padilla, Tracie Liguid and JoJo Orencia.

Perhaps Hampton Roads' best-known Filipino American online personality is Virginia Beach native Christine Gambito, a.k.a. "Happy Slip." Since posting her first video on YouTube in September 2006, Gambito has become one of the online service's most popular video bloggers. Her video "Mixed Nuts" took second place in the comedy category of the inaugural YouTube video awards, and this spring her YouTube channel ranked 11th in all-time subscriptions. Gambito writes, directs and assumes multiple acting roles in her short videos, which are often based on her own experiences. Her comedy sketches spoof the cross-generational mix-ups common to many Filipino American families; the name "Happy Slip" itself is a play on her childhood understanding of her mother's persistent reminder (in accented English) to wear a half slip.

FILIPINO AMERICAN TELEVISION

Despite the burgeoning influence of the Internet, more Americans get their news and information from television than from any other source. According to 36-year-old Jay Sanchez, television is an ideal medium for keeping Filipino Americans informed about community events, and for sharing the richness and diversity of Filipino American culture with a broader public. Sanchez, who was born in the Philippines but grew up in Northern Virginia, is an independent television producer and chief videographer at WHRO. For the past several years, he has been working to make the dream of Filipino American Television a reality. Sanchez has created a half-hour pilot episode for a weekly TV news/entertainment magazine, which he hopes will be picked up by a Hampton Roads station sometime this year. "Fil-Am TV" is to feature video segments of regional cultural events and personalities, cooking presentations, an events calendar and studio-hosted intros and segues. In the meantime, interested viewers can visit his Web site, filamtelevision.com, for a glimpse of past footage of Filipino American events in Hampton Roads.

Conclusions

The Filipino American community has enriched the cultural and economic fabric of Hampton Roads. In the past two generations, the regional Filipino American population has grown to 45,000 residents. Filipino American professionals have assumed valued positions throughout the community, particularly in medical fields. The presence of groups like the Filipino American Cultural Society at Virginia Beach's Salem High School and the Filipino American Student Association (FASA) at Old Dominion University have broadened the learning experiences of our region's students. All residents of Hampton Roads may now sample specialties like pancit and lumpia at local eateries, attend the numerous cultural events sponsored by the region's three Filipino American centers, and even tune in to The Filipino Channel with their digital cable subscriptions.

These accomplishments are noteworthy, given that the foreign-born population of Hampton Roads is smaller than those of many comparable metropolitan regions in the American South. Until 1992, it was possible for citizens of the Philippines to enlist directly in the U.S. Navy, which has been a defining factor in the experience of our region's Filipino Americans.

Many observers comment on the close-knit, even family-like relations that link together members of our region's Filipino American community. The respect for family, tradition and authority that so characterizes the Filipino experience seems particularly pronounced in Hampton Roads. The community's close relations stem in part from the common professional background that many of its members share, as well as from the size and predominantly suburban lifestyle of Hampton Roads itself. Filipino American communities in more populous urban areas can be larger but more diffuse; in cities such as New York and San Diego, Filipino Americans are just one among many influential Asian American and other ethnic groups.

Familial relations come with some disadvantages. The intimacy of the Filipino American community and the vibrancy of its associational life sometimes has isolated it somewhat from others in Hampton Roads. There are surprisingly few prominent Filipino American businesses in our region, and many residents are unaware that a "Little Manila" can be found just off Indian River Road. Moreover, all families have their disagreements and cross-generational misunderstandings, and Hampton Roads' Filipino Americans are no exception. Conflict rather than cooperation has sometimes characterized relations between the many different groupings that comprise this area's Filipino American community. Some of these misunderstandings extend back to the regional and linguistic differences that have long divided the Philippines itself, others relate to personality differences, and still others arise from disagreements about appropriate courses of action.

Generational differences are inevitable in a community where "aunties" and "uncles" (the respectful titles commonly used for Filipino American elders) who emigrated from the Philippines in the 1960s and 1970s coexist with children and grandchildren born in the United States. One of the challenges that Hampton Roads' Filipino American centers and associations now face is a transition in leadership to younger Filipino Americans.

The region's Filipino American community rallied in the aftermath of a highly publicized incident of gang violence in 1991 when two Filipino Americans were wounded by gunfire in a suburban neighborhood of Virginia Beach. The swift and dedicated response of Filipino American families and community leaders helped to squelch most dangerous Filipino American gang activity soon thereafter, according to Virginia Beach Police Deputy Chief Jim Cervera. The Filipino American Community Action Group was founded to address the gang problem in 1991, and it remains engaged in a variety of civic issues today.

The event which many agree brings out the best in Hampton Roads' Filipino American community is the annual Filipino American Friendship Day Picnic, held each Fourth of July weekend at Virginia Beach's Red Wing Park. The event celebrates both American and Philippine political independence (the Republic of the Philippines was established on July 4, 1946), as well as the ties between both peoples. Attendance in recent years has grown to 8,000, according to picnic chairman Joe Ortega. In 2006, 35 different Filipino American organizations were represented, making it the most inclusive regional gathering of its kind. With the sponsorship of prominent corporations in our region, there is free admission, food and entertainment for all, and many non-Filipinos choose to attend, most especially those who hold or aspire to public office.

Affordable Housing

AFFORDABLE HOUSING IN HAMPTON ROADS: FACTS AND ISSUES

"Today, the nation faces a public policy challenge that reminds me of high blood pressure: acute, growing, and deadly – yet for most Americans, unknown. The issue is affordable housing."

– W. Paul Farmer, Executive Director, American Planning Association

In recent years, more than 75 percent of all households in Hampton Roads have owned their own homes outright, or had mortgages on them. Nationally, the comparable number has been less than 70 percent. Thus, by this measure, housing has been more affordable in our region than it has been nationally. However, since 2001, housing affordability in Hampton Roads has deteriorated substantially, primarily because of rapidly rising housing prices. Cumulatively, these prices increased more than 97 percent between 1997 and 2006. In 2005 alone, housing prices jumped 20 percent in Hampton Roads, much more rapidly than incomes.

While rising prices are the primary villain in reducing the affordability of housing, there are other causes. Zoning practices that have discouraged density and therefore the construction of lower-cost housing have played a role, as have local and state rules that increase the costs borne by builders and developers. In addition, reductions in federal support for housing programs also appear to have diminished the ability of some to purchase their own home.

It was not always so. **As Graph 1 reveals, in 1999, the annual interest and principal payments required on a typical home purchase constituted only 21.5 percent of the median income of our region's households. However, by early 2007, these payments had risen to 32 percent, due primarily to rising housing prices. Thus, over the past few years, the cost of housing within the region has outpaced the ability to purchase that housing.**

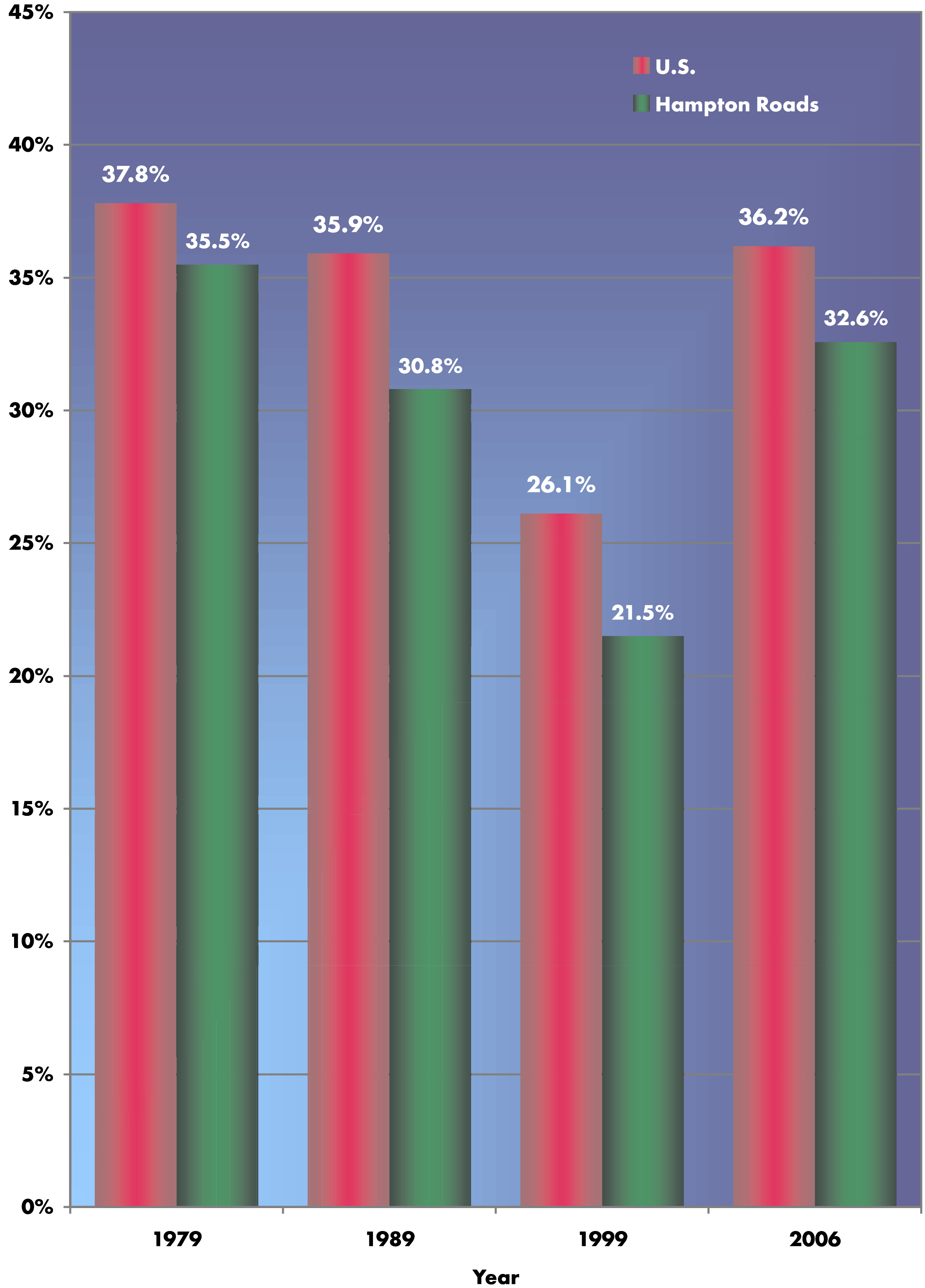
It would be incorrect to say that the current challenges we face with respect to affordable housing in Hampton Roads have sneaked up on us. The post-2001 run-up in housing prices has been well publicized. Further, the inability of many people to pay those prices has not been a secret. In recent months, considerable media attention has been focused upon rising mortgage default rates, which at least partially reflect declining affordability.

There was a time when affordable housing was considered to be a problem afflicting primarily the poor, or minority groups subject to discrimination. No longer. Our current housing affordability challenges impact young Caucasian adults, many single parents, workforce professionals such as teachers, firefighters and police, and elderly citizens living on limited incomes.

A cynic might well argue that the new public focus on affordable housing is a direct function of the fact that it has become a Caucasian, middle class issue. Many people who thought they were destined to purchase a home have found to their dismay that they now may not be able to do so. This has led to calls for action, often inchoate, that frequently resemble complaints one hears about gasoline prices. Those who are unhappy believe housing prices (and gasoline prices) are too high, though they may not understand why prices have risen, or what can be done to moderate the increases.

This chapter is an attempt to provide information that will clarify the affordable housing problem in Hampton Roads and outline the options available to us.

GRAPH 1
HAMPTON ROADS AS AN EXAMPLE: MEDIAN HOUSE PURCHASE BORROWING COSTS AS A PERCENT OF MEDIAN HOUSEHOLD INCOME IN HAMPTON ROADS AND THE U.S.
(1979-2006)



Source: Old Dominion University Economic Forecasting Project

What Is Affordable Housing? How Affordable Is Housing in the Area?

No intelligent discussion of housing affordability can proceed very far without agreement on what "affordable" means. While there is no accepted definition of what makes housing affordable, the most popular one is that provided by the U.S. Department of Housing and Urban Development (HUD). It considers housing to be affordable when a household's rental payment, or its monthly principal and interest payment, is less than 30 percent of the median gross household income for a typical four-person household. Table 1 reports such data for the seven largest cities within Hampton Roads for the years 2000 and 2005.

The proportion of households required to pay more than 30 percent of their annual income in order to purchase a home increased considerably between 2000 and 2005. In Newport News, that number rose from 20.8 percent to 27.2 percent, while in Hampton Roads overall, it increased from 26.2 percent to 29.3 percent. At the end of the day, mortgage principal and interest payments took a larger bite out of household incomes in 2005 than they did in 2000.

Families potentially can moderate the impact of increased housing expenses by renting rather than owning. However, even here, a typical family could not avoid the impact of the higher costs of the past few years. Taking Newport News as an example once again, one can see that the number of rental households spending more than 30 percent of their incomes on rent increased from 35.6 percent to 45.5 percent between 2000 and 2005 (compared to a climb from 38.7 percent to 46.6 percent in Hampton Roads overall).

Table 1 also combines owner-occupied and rental housing and similarly addresses the question of what percentage of the region's households must spend 30 percent or more of their income on housing. **The upshot is that today in Hampton Roads, more than one in every three urban households spends 30 percent or more of its income on housing. These figures range from a low of 31 percent in Suffolk and Chesapeake to a high of 42 percent in Norfolk. The regional urban average is 35.8 percent. No city is immune to the challenge of providing affordable housing to its residents.**

What does this mean in terms of specific individuals and the occupations they fill? Table 2 discloses that many people who are in public employment (for example, nurses, teachers, police and firefighters) earn incomes below the regional median household income. Their ability to purchase a home is likely to be limited unless multiple members of their households hold jobs. And, more often than not, this is the case. The labor force participation rate of adult women (those actively in the labor force) was more than 60 percent in Hampton Roads in 2006. For many households, unless they receive financial assistance from relatives or inherit assets, pooling resources is necessary to purchase a home.

TABLE 1
INCREASING COST BURDEN OF HOUSING, 2000 TO 2005

	Owner-Occupied Households	Chesapeake	Hampton	Newport News	Norfolk	Portsmouth	Suffolk	Virginia Beach	Total
(1)	2000-Households	52,323	31,566	36,528	39,271	22,347	16,823	101,265	**300,123**
(2)	HH w/30%	12,430	7,138	7,608	10,013	5,806	5,537	25,103	**73,635**
(3)	Percentage	23.8%	22.6%	20.8%	25.5%	26.0%	32.9%	24.8%	**24.5%**
	2005-Households	56,894	33,768	39,552	39,718	24,033	21,797	107,472	**323,234**
	HH w/30%	15,604	9,355	10,752	12,925	8,364	5,012	32,656	**94,668**
	Percentage	27.4%	27.7%	27.2%	32.5%	34.8%	23.0%	30.4%	**29.3%**
	Owner-Occupied Households								
(4)	Change in HH	4,571	2,202	3,024	447	1,686	4,974	6,207	**23,111**
(5)	Percentage Change	8.7%	7.0%	8.3%	1.1%	7.5%	29.6%	6.1%	**7.7%**
(6)	Change in 30% HH	3,174	2,217	3,144	2,912	2,558	(525)	7,553	**11,033**
(7)	Percentage Change	25.5%	31.1%	41.3%	29.1%	44.1%	5.0%	30.1%	**15.0%**
	Renter-Occupied Units	**Chesapeake**	**Hampton**	**Newport News**	**Norfolk**	**Portsmouth**	**Suffolk**	**Virginia Beach**	**Total**
(1)	2000-Households	17,577	22,321	33,158	46,939	15,823	6,468	53,190	**195,476**
(2)	HH w/30%	6,519	8,367	11,813	18,847	6,643	3,272	20,093	**75,554**
(3)	Percentage	37.1%	37.5%	35.6%	40.2%	42.0%	50.6%	37.8%	**38.7%**
	2005-Households	20,927	21,476	33,685	46,588	13,499	7,617	53,881	**197,673**
	HH w/30%	8,632	8,374	15,341	23,283	6,963	4,113	25,348	**92,054**
	Percentage	41.2%	39.0%	45.5%	50.0%	51.6%	54.0%	47.0%	**46.6%**
	Renter-Occupied Units								
(4)	Change in HH	3,350	(845)	527	(351)	(2,324)	1,149	691	**2,197**
(5)	Percentage Change	19.1%	-3.8%	1.6%	-0.7%	-14.7%	17.8%	1.3%	**1.1%**
(6)	Change in 30% HH	2,113	7	3,528	4,436	320	841	5,255	**16,500**
(7)	Percentage Change	12.0%	0.0%	10.6%	9.5%	2.0%	13.0%	9.9%	**8.4%**
	All Household Units	**Chesapeake**	**Hampton**	**Newport News**	**Norfolk**	**Portsmouth**	**Suffolk**	**Virginia Beach**	**Total**
(1)	2000-Households	69,900	53,887	69,686	86,210	38,170	23,291	154,455	**495,599**
(2)	HH w/30%	18,949	15,505	19,421	28,860	12,449	8,809	45,196	**149,189**
(3)	Percentage	27.1%	28.8%	27.9%	33.5%	32.6%	37.8%	29.3%	**30.1%**
	2005-Households	77,821	55,244	73,237	86,306	37,532	29,414	161,353	**520,907**
	HH w/30%	24,236	17,729	26,093	36,208	15,327	9,125	58,004	**186,722**
	Percentage	31.1%	32.1%	35.6%	42.0%	40.8%	31.0%	35.9%	**35.8%**
	All Household Units								
(4)	Change in HH	7,921	1,357	3,551	96	(638)	6,123	6,898	**25,308**
(5)	Percentage Change	11.3%	2.5%	5.1%	0.1%	-1.7%	26.3%	4.5%	**5.1%**
(6)	Change in 30% HH	5,287	2,224	6,672	7,348	2,878	(316)	12,808	**27,533**
(7)	Percentage Change	27.9%	14.3%	34.4%	25.5%	23.1%	2.3%	28.3%	**18.5%**

(1)	The number of households that have owner-occupants residing in the housing for the year noted
(2)	The number of those households that spend greater than 30 percent of their gross annual income on housing
(3)	The percentage of those households that spend greater than 30 percent of their gross annual income on housing
(4)	The change in the number of households between the 2000 census and the 2005 American Community Survey estimates
(5)	The percentage change for the period mentioned for housing units
(6)	The change in the number of households that spend greater than 30 percent of their household income for housing
(7)	The percentage change for the period mentioned for housing units

Source: American Community Survey, 2005

TABLE 2

HOUSING AFFORDABILITY BY OCCUPATION: OCCUPATIONAL SALARIES VERSUS MEDIAN INCOMES

Category	Percentage AMI/ Salary Range	Percentage of Households as Percentage of MSA	MSA Median Occupation and Wage Estimates
Upper	120% AMI and above $76,920	32.9%	
Moderate	80% - 120% AMI $51,300 – $76,920	39.7%	Construction Manager - $74,620 Medical/Health Service Manager - $73,090 Civil Engineers - $65,650 Detectives - $57,080 Nursing Instructor - $52,290 School Counselors - $51,820
Low - Moderate	60% - 80% AMI $38,450 – $51,300	17.5%	Registered Nurses - $50,960 Teachers - $50,500 Mail Carriers - $46,970
Lowest	Under 60% of AMI $38,450	9.9%	Police Officer - $38,360 Firefighter - $35,100 LPN - $32,160 Dispatcher - $28,340 Municipal Clerk - $23,340 Retail Saleperson - $17,430 Cashier - $15,040

Note: 2005 median income for a household of four was $64,100 in Hampton Roads

Sources: 2005 U.S. Census, 2007 Department of Housing and Urban Development Income Report and Bureau of Labor Statistics

Demand and Supply Once Again

Housing prices in Hampton Roads are not arbitrarily determined by a mullah in Iran, but rather by the interaction of demand and supply. The demand side of the market is relatively more stable and predictable than the supply side. The demand for housing is a function of reasonably predictable economic variables such as household incomes, labor force participation rates, employment levels, population growth, mortgage interest rates and the like. **There is relatively little that decision makers in our region can do in the short run to influence the demand for housing. In the long run, this inability to affect change may not hold true, for decision makers can support a variety of educational and transportation policies that gradually either will stimulate or retard housing demand.**

The most important determinant of housing supply is its profitability to those who own it, or who would build it. Profit, of course, is nothing more than revenue minus costs. Given any level of demand for housing, the costs that housing suppliers incur are a vital key to housing supply. When an owner decides to put his or her housing on the market for sale or rental, or a builder or developer is considering new construction, they are profoundly influenced by the cost of doing so.

Builders and developers in particular are sensitive to the supply of available land, which gradually has dwindled within the region. Restrictions such as Virginia Beach's Green Line and zoning regulations often totally eliminate the possibility of new construction on land parcels, or limit the type of housing that can be built. Restrictions that limit housing density; environmental laws and regulations; mandated financial proffers that require builders and developers to provide funding for roads, schools and other infrastructure; and real estate and other taxes – all of these raise building costs and tend therefore to reduce the supply of new housing.

Needless to say, it does not follow that every law or regulation that increases the cost of housing is a bad idea, at least where economic analysis is concerned. **If new housing generates specific costs, then those who build and purchase that new housing should bear some or all of these costs. What proportion of these newly generated costs are borne by builders and home buyers rather than by cities or others always has been a sticky economic and political issue. Builders and home purchasers argue that they generate additional income and tax revenues that benefit all of society and therefore this should be weighed against fees and taxes that the builders and home purchasers might otherwise pay.**

Zoning Laws and Regulations

The term "zoning" means that a property in question is subject to some type of land-use regulations. That is, the rights of the property owners to do as they see fit with the property are restricted. In the United States, it is customary for governmental units to utilize their power to "zone" land and thereby restrict its use. The primary argument in favor of zoning is that segregated land use maximizes welfare by reducing the adverse impact one land owner can have upon another, as where a hog farmer might decide to locate next to a luxury home, or by increasing the welfare of the many, as where an attractive new park increases residential property values.

Predictably, zoning laws tend to be favored most by those who wish to protect their land from adverse impacts, by those who wish to restrict competition, or by those who believe they will gain access to property that otherwise might be denied them. Hence, if I don't want that hog farmer to have the right to locate next to me, then I may seek zoning regulations that prevent him from doing so. Or, if I operate a gasoline station and don't want another station to disrupt my market, I may seek zoning restrictions that would prevent such a competitor from setting up shop across the street. Or, if private-property ownership might deny me access to an attractive beach, then I might favor zoning that forces public ownership and relatively unconstrained access.

Another common goal of zoning regulations is to control housing density. Property values would plunge in some neighborhoods if dense, apartment-style housing were constructed adjacent to expensive, single-family homes. Zoning restrictions that limit density therefore may preserve and increase the property values of existing residences. Many people would be reluctant to invest in a home in the first instance if it really were possible for the hog farmer or an apartment house to locate next door. To no one's surprise, existing homeowners tend to favor more restrictive zoning regulations and reduced housing density. Owners of certain businesses, on the other hand, may hold the opposite view.

However, there is an obvious trade-off between zoning that limits housing density and the affordability of housing. Single-family homes constructed on two-acre plots necessarily are expensive and typically will not house many people. Lower housing prices, then, frequently are synonymous with increased housing density. This usually means several houses per acre, multiple family dwellings or apartment houses.

Therein lies the potential rub. If builders and developers construct non-dense, single-family housing, then it is likely to be expensive and that may price many people out of the market. On the other hand, in order for them to be convinced to build less expensive housing, then ordinarily they must be provided with incentives to do so. One such incentive can be the privilege to construct more housing units on a given acreage. The bottom line is this: Affordable housing typically requires greater housing density. Otherwise, builders and developers will not find it profitable to construct lower-cost homes.

In recent years, *Inclusionary Zoning* has attracted significant notice as an effective regulatory approach to generating affordable housing. In a nutshell, inclusionary zoning either requires or allows the increased housing density necessary in order for lower-cost housing to be constructed. The Center for Housing Policy estimates that more than 100 local governments throughout the United States have embraced various forms of inclusionary zoning and that increasing numbers are considering enacting such ordinances.

Inclusionary Zoning is one of the strategies discussed in an ever-growing "tool kit" approach utilized by governments and community organizations in an effort to develop partnerships with local governments, builders and neighborhood citizens groups that will generate more affordable housing. There are other tools as well. Table 3 summarizes the tools and methods typically used today via three basic categories: (1) bonus density; (2) supply-side assistance that helps increase the supply and/or decrease the cost; and (3) demand-side assistance that helps increase the buying power of renters and owners.

TABLE 3

SMART GROWTH TOOLS AND METHODS: CREATING OR PRESERVING AFFORDABLE HOUSING

Methods and Tools	Development of New Units or Redevelopment	Financing of Existing Units to Increase Affordability	Preservation of Existing Affordable Units
YES (Tools Can Be Used)		NO (Tools Cannot Be Used)	
1. Bonus Density	Yes	No	No
2. Supply-side Assistance – Development Cost Reduction	Yes	Partially – financing options apply	Partially – financing options apply
3. Demand-side or End-user Assistance	Yes	Yes	Yes

- Creating new value through density bonuses: The theory is this approach, inclusionary zoning (IZ), will actually increase the value of the land. If some of the increased land value is captured, then it can be used either to provide incentives or to decrease costs. Ideally, this is a zero-cost approach for both the government and the developer. However, that is unlikely to be true, since increased density usually carries with it increased costs – for example, those relating to education and law enforcement. Nevertheless, in theory it is plausible that the benefits will outweigh the costs.

Local governments may establish IZ ordinances that mandate a minimum percentage of housing units believed to be accessible to low- and moderate-income households, or even require the developer to sell or rent to such people. Participating developers might receive fee waivers, fast-track permits, density bonuses and help in obtaining zoning variances. All of these benefits are designed to decrease construction costs.

The Code of Virginia allows localities to adopt IZ ordinances for housing developments. Such developments need to include at least 17 percent "affordable" units in exchange for allowing up to a 30 percent increase in density. The pricing of the housing then is geared toward low- to moderate-income households. Hampton Road localities that have moved forward with IZ proposals include Virginia Beach, Suffolk and Isle of Wight County.

- Supply-side assistance that helps reduce costs to the developer: If housing markets are competitive, then policies that reduce costs to builders and developers will result in lower housing prices. On the other hand, if housing markets are not competitive, then policies that reduce costs to developers and builders will not lower housing prices, but will increase the profits of the builders and developers. Most economists believe that housing markets in Hampton Roads are reasonably competitive. The four most commonly utilized policies to reduce builder and developer costs are:

(1) Direct subsidies, fee waivers and direct contributions of land or infrastructure.

(2) Reducing the time needed for review and approval; time is money for builders and developers.

(3) Guarantees, partnerships, buy-downs or direct financing that benefit builders and developers.

(4) Changes in laws and regulations that allow greater housing density or flexibility, use of different materials, use of different layouts of land, or different infrastructure requirements. Historically, however, some policies in this scenario actually have increased costs rather than reduced them.

- Demand-side and end-user assistance: In addition to the earned income tax credit (EITC) and minimum wage laws, which are discussed below, vouchers can be provided to low-income individuals that enable them to purchase housing and/or pay rent and deposits. **The advantage of the voucher approach is that it does not distort housing prices, which send highly desirable signals to the economy and encourage efficient use of resources. But vouchers do not encourage increased housing density and can be very difficult for a single jurisdiction to implement. Like differential welfare benefits, housing vouchers can cause people to move across city, county and state lines.**

Instructive Regional Examples

The Fairgrounds, Suffolk, is a mixed-income development that is redeveloping 16.8 acres of former industrial and blighted residential area into 170 units of affordable and market-rate units. The development utilizes a HUD Section 108 Loan Community Development Block Grant and locally derived capital funding to provide public subsidy for land assembly and infrastructure design and development to support this new urban neighborhood. A public-private partnership development agreement between the city and a private developer is infusing private investment into the project. The Suffolk Redevelopment and Housing Authority is a partner in this effort.

Broad Creek Renaissance, Norfolk, is a showcase of innovation east of that city's downtown. Broad Creek was the first mixed-use, mixed-income development in Hampton Roads. When built out in 2008, there will be approximately 300 rental units and 350 homeownership units. Houses and in price from $145,000 for financially assisted first-time buyers, to $600,000 for upper-tier units. Broad Creek's rental units and homes are a blend of styles, sizes and price ranges, which reflect the latest thinking in urban design. Rental and market-rate units are seamlessly blended, providing opportunities for former public-housing residents, working families and upper-income buyers alike. A partnership consisting of the Norfolk Redevelopment and Housing Authority, city of Norfolk and HUD through a $35 million grant, the project has won numerous awards.

James City County has supported a flexible public-private partnership since 1990. Its *Affordable Housing Incentive Program* (AHIP) offers homes for sale at below-market prices and the buyers qualify for special reduced-rate mortgages and/or down payment assistance. The James City County Office of Housing and Community Development works with participating builders, developers, lenders and government financing agencies. The objective is to provide moderate-income citizens assistance to become home buyers and simultaneously encourage production of affordable homes. As of December 2006, 365 first-time home buyers have purchased homes with special low-interest first mortgages and/or down payment assistance provided through AHIP.

Local Housing Advocacy

Empower Hampton Roads (EHR), a coalition-building, faith-based effort, is working to impact public policy on housing with some of these approaches. The roots of EHR can be traced to 2001 when members of several religious communities met with the Gamaliel Foundation and the Catholic Diocese of Richmond. The dialogue centered upon issues such as race, economics, poverty and inequality. These conversations led to the founding of Empower Hampton Roads, a multiracial, multidenomination coalition of congregations in South Hampton Roads. EHR leaders have been trained by the Gamaliel Foundation, a national community-organizing resource. The foundation, like many housing advocacy groups, has religious roots, in this case the early Christian Church and the work of St. Paul and his followers.

EHR chose Virginia Beach as the first city to initiate its Housing Equity Campaign. A 2005 Virginia Tech housing study done for Virginia Beach identified a deficit of 12,500 affordable housing units in that city at existing price and income levels.

The Virginia Beach City Council responded by creating a Committee on Workforce Housing with a directive to "identify solutions to the workforce housing crisis." The committee included representation from EHR, Tidewater Builders Association, local bankers, business people, developers, the city of Virginia Beach Planning Commission and other community organizations.

The plan developed by the committee calls for voluntary inclusionary zoning to produce additional mixed-income developments totaling 3,420 units, both owner-occupied and rentals. Beneficiaries would be families with incomes between $36,000 and $72,000. Neither the developer nor the city would subsidize the units because the additional density allowed to the builders would create value that could be used to provide the discount. The committee estimated the units would result in an additional assessed real estate value of $2.5 million. At a tax rate of 99 cents per $100 of assessed valuation, this would generate $2.5 million in additional tax revenues.

The Commonwealth's Tax Code and Policies

Virginia currently does not offer any type of income tax break, or earned income tax credits, for first-time home buyers. However, there are other types of assistance available to first-time buyers. This assistance is based on different sets of criteria, most of which are income based. The Virginia Housing Development Authority (VHDA), the state's public housing finance agency and a self-supporting authority that issues bonds to raise capital for its lending programs, provides consumers with low-interest loans to purchase or renovate homes. Created in 1972 by the General Assembly, its mission is to help low- and moderate-income Virginians attain quality, affordable housing.

One interesting new VHDA initiative is referred to as SPARC (Sponsoring Partnerships and Revitalizing Communities), which offers loans at below-market rates for first-time home buyers through special allocations to local housing groups. The purpose is to help housing groups address critical housing needs facing their communities. Allocations are made annually on a competitive basis. A complete description of loan programs and eligibility requirements is available online at www.vhda.com.

Selected Federal Programs

Chesapeake, Hampton, Norfolk, Newport News, Portsmouth, Suffolk and Virginia Beach receive funds from the federal government under the HOME program, which was created to help expand the supply of affordable housing to low-to-moderate-income families. As an illustration, in Norfolk, one of the uses of these funds is to provide down-payment and closing-cost assistance to qualified first-time home buyers. The Norfolk Redevelopment and Housing Authority screens the applicants. NRHA applies the household income maximums for eligibility shown in Table 4.

TABLE 4
ELIGIBILITY FOR FEDERAL HOUSING ASSISTANCE: MAXIMUM HOUSEHOLD INCOMES

Household Size	Maximum Household Income
1 Person	$35,900
2 Persons	$41,050
3 Persons	$46,150
4 Persons	$51,300
5 Persons	$55,400

Source: www.nrha.norfolkva.us

The Thorny Unrelated Persons Issue

At one time, rooming and boarding houses were a common and largely desirable mode of housing that catered to members of a wide range of social classes and professional occupations. However, over the years, this sector of housing has become associated with less fortunate and disadvantaged individuals, or with other groups such as university students whose presence sometimes is perceived as a mixed blessing. As a consequence, most cities nationally have adopted ordinances that limit the number of unrelated individuals who may occupy certain dwellings. The argument is that such rules are necessary in order to avoid a degraded housing stock, reduced property values, and even abusive blockbusting that stimulates massive home sales and injures middle-class homeowners. The commonwealth's attorney general has ruled that such restrictions are neither a violation of fair housing laws nor an unjust "taking" of property by the government without compensation.

In May 2006, however, the city of Norfolk confronted this issue in a very specific context – the housing of mentally ill and mentally retarded citizens in boarding houses. Ten boarding houses, occupied by approximately 70 people, were operated by Marilyn Hernandez, who by all media accounts served her residents well. Although she had operated these houses for many years and was well known by city employees, her houses did not have the appropriate permits. A local civic league, concerned about the impact of such houses and residents on neighborhoods, challenged the situation. Although the houses were in good repair, the behavior of the residents was a worry to some, and this concern was not assuaged when it was revealed that two sex offenders were living in the housing.

As a result, the city of Norfolk moved quickly to close the facilities. Most residents were placed temporarily in motels, residential facilities and with relatives. Subsequently, all 10 houses were allowed to reopen, but no more than four former residents would be allowed to stay in each facility. This met the standard of the number of unrelated persons allowed to live in a unit in Norfolk unless the dwelling is a licensed group home. Such a license is granted by the Commonwealth and overrides local zoning decisions. Table 5 displays the "unrelated persons" housing rules of seven Hampton Roads cities. Note that the maximum is only three individuals in Newport News and Williamsburg.

TABLE 5
THE UNRELATED PERSONS ISSUE IN SEVEN HAMPTON ROADS CITIES

UNRELATED PERSONS PER DWELLING UNIT	Chesapeake	Hampton	Newport News	Norfolk	Suffolk	Virginia Beach	Williamsburg
Maximum if any unrelated occupants	4	4	3	4	4	4	3
Relationship includes foster children	Yes	Yes	Yes	Yes	No	Yes	No
Domestic servants not counted	Yes	No	Yes	No	No	No	Yes
Two unrelated persons with children of either	Yes	Yes	Yes	Yes	No	Yes	Yes
Licensed group home maximum	8	8	8	8	8	8	8

Many believe that group living provides a major solution to affordable housing challenges. Among those most often affected are students, immigrants, the homeless and those on limited incomes who find it difficult to pay market rents for non-group housing. Is group housing a better solution for them than the alternatives, which could include homelessness?

Further, how does one determine who is unrelated? Are unmarried adults who have lived together for years unrelated? Are cousins, uncles and aunts close enough to be termed related? What if a dozen such relatives all occupy a house or apartment that ordinarily would house a much smaller number of individuals? What if multiple immigrant families pool their resources in order to purchase a home?

The relevant point is that there are at least two sides to the unrelated-persons issue. Few typical homeowners would relish having a group home open next to them, if their neighborhood contains only homes with single families. There are seemingly legitimate NIMBY-motivated economic reasons for them to fear the results. Even so, if group housing is discouraged or even eliminated, then a variety of other social maladies is likely to arise as the prospective group-housing residents spill out into the community. One way or another, these people will occupy some sort of housing. This once again underlines one of the more difficult and almost unavoidable choices that cities must make with respect to housing. Whatever decision is made, some constituents are bound to be unhappy with the result.

Final Observations and Recommendations

Nobel Prize-winning economist Milton Friedman famously observed, "There's no such thing as a free lunch." This notable advice applies to affordable housing as it does to everything else. If we desire more affordable housing in Hampton Roads, then we are going to have to incur costs in order to make this happen. The relevant questions are these: What are those costs and who should bear them?

Housing prices, like all other prices, reflect demand and supply influences. On the demand side, the incomes of prospective home buyers and renters are crucial. It is beyond the ability of any individual city or housing authority to do much in the short run that will affect the financial resources or ability to pay of prospective home buyers and renters. In the long run, cities actually can affect the incomes of their citizens if they develop highly productive educational systems that increase the labor market talents of most or all of those citizens. This is expensive and, given the nature of how public schools are funded in Virginia, probably means higher property taxes.

Some affordable-housing advocates are strong supporters of legislation to increase the minimum wage. Unfortunately, while higher minimum wages and/or "living wage" laws will result in many low labor-market workers earning higher incomes, they also will result in increased unemployment. A 10 percent increase in the minimum wage usually carries with it a 1 percent or 2 percent increase in unemployment for the workers realistically affected by the increased wage. Further, the costs associated with the higher minimum wage tend to be passed on to all consumers in the form of higher prices.

Santa Fe, N.M.'s, recent experience with its relatively new living-wage law underlines these effects. In 2004, that city passed a living-wage ordinance increasing its minimum wage in increments from $5.15 per hour to $9.50 per hour in 2006, and to $10.50 per hour in 2008, for all firms with 25 or more employees. Thereafter, the minimum wage will be indexed to inflation. The unemployment rate increased by more than 3 percent overall in the city, but only .7 percent of that increase could be directly attributed to the living wage. Workers with 12 or fewer years of education found that their workweeks declined by an average of 3.5 hours. Individuals in Santa Fe with more education were unaffected. Prices in businesses affected by the living wage rose 1 percent to 3 percent. Finally, there has been a noticeable disincentive for employers to expand their number of employees to 25 or more (Aaron Yelowitz, Employment Policies Institute, 2005; Jon Gertner, The New York Times, Jan. 15, 2006).

A more efficient way to support and increase the incomes of low labor-market workers is the federal government's earned income tax credit (EITC). It rewards those who work with supplementary income; more work translates to more income. Note that it does not require employers to increase workers' wage rates, which typically results in unemployment. Nor does it result in costs that are passed directly on to consumers. The problem, of course, is that the EITC, which has existed for more than 30 years and actually is a variant of Milton Friedman's negative income tax, is a federal government program. It would be difficult (though not impossible) for a city or county to implement such a program, despite its superior economic incentives and effects.

The bottom line is that local governments really can't influence the demand side of the housing market effectively. Hence, they must focus on the supply side of the market. Here, there are many possibilities. The "tool kit" approach outlined earlier describes most of the available alternatives. When all is said and done, either the costs of builders and developers must be reduced (for example, by allowing increased housing density), or govern-

ment itself must become involved in financing and constructing housing. The record nationally of local governments as direct participants in housing supply is mixed. Government tends to be most effective in the housing arena when it works through the private sector by providing incentives that stimulate private activity and participation, rather than operating solo.

With those provisos in mind, the following public policy recommendations make sense in the area of affordable housing:

- *Embrace Inclusionary Zoning*: Inclusionary zoning works, but involves trade-offs that include increased housing density and the possibility of higher governmental costs. It takes political courage to increase housing density and provide public services to more dense communities. But, this is one of the most effective ways to provide incentives to builders and developers.

- *Initiate "Smart" Revitalization of Neighborhoods*: Governments can usefully "seed" developments with tax abatements and funding to get them started and thereby overcome neighborhood effects that otherwise might discourage private investors. Governments can reduce regulations, speed approvals and establish "one stop" processing for revitalization efforts. Norfolk's pattern book, tax abatements and other fix-up incentives provide a good example. The city now maintains a "builders guild" in order to help citizens choose reputable builders to undertake building renovations.

- *Support and Fund a Regional Forum on Affordable Housing*: Empower Hampton Roads already has achieved a great deal in promoting a regional conversation on affordable housing. An important next step is a forum that includes representatives of all of the area's governmental units, builders and developers, and housing advocates. No individual city can solve its affordable housing challenges alone; regional coordination and solutions are required. Still, we should not minimize the value of major stakeholders brainstorming with each other and communicating on a regular basis.

- *Support Housing Trust Funds*: Virginia is one of 13 states in the nation without such a dedicated source of state-provided funding supporting local housing developments in low- and moderate-income areas. Provided trust funds are used to stimulate private-sector development rather than to construct exclusively public housing, these funds represent a highly desirable form of pump priming and can reduce the costs and risks incurred by builders and developers. Note that Norfolk ($500,000) and Suffolk ($138,000) have established modest housing trust funds. Isle of Wight County and Virginia Beach have discussed establishing trust funds.

- *Promote Public-Private Partnerships*: Again, the name of the game is reducing the financial barriers to desired builder and developer activity. Developments such as Broad Creek Renaissance and The Fairgrounds have involved both public and private funding. Public funding and guarantees potentially can reduce the risks faced by private builders and developers and thereby stimulate them to construct affordable housing.

- *Be Innovative*: Advising someone to "think outside the box" is commonplace now that it has become almost an ineffective bromide. Yet, innovative approaches are needed. For example, Wilmington, N.C., has sponsored a competition for the development of infill lots, with those submitting the best idea gaining the right to do so. The juried competition led to the development of a design catalog of economical single-family and duplex housing infill units within Wilmington's historic districts.

The AAU Junior Olympics

LOW GLAMOUR, BUT LARGE ECONOMIC IMPACT: THE AAU JUNIOR OLYMPICS

"Virginia Beach has been there every step of the way. The other cities have all joined us."

– Norfolk Mayor Paul Fraim

"No one city could have done this. It took an effort from the entire Hampton Roads family to get this done."

– Virginia Beach Mayor Meyera Oberndorf

What could the mayors of two of the largest cities in the Commonwealth of Virginia be talking about? Water rights? Transportation? Regional consolidation? A new college? No – amateur sports, in this case the Amateur Athletic Union's Junior Olympics. This event is one of the very best examples of regional cooperation and how such cooperation can benefit Hampton Roads.

Never heard of the AAU Junior Olympics? If so, you're not the only one, even though 13,000 athletes and their families (totaling 40,000 people) traveled to Hampton Roads for the most recent version of the event in 2006. Further, these 40,000 people generated an unambiguous economic impact that approached $50 million. This contrasts to the often spurious economic impact claims put forward by various professional and college athletic teams within our region.

It is ironic, then, that one of Hampton Roads' major economic triumphs – the AAU Junior Olympics – has operated in comparative obscurity. Nevertheless, it is an event whose economic impact on the region is far greater than many other athletic and cultural enterprises that garner more attention. It is deserving of additional attention, which we provide here.

The Summer 2006 AAU Junior Olympics

The AAU Junior Olympic Games, which are held annually at sites throughout the United States, constitute one of the largest amateur sporting events in the country. They make a significant economic impact on their host communities. This is true for two reasons. First, because most competitors and their families come to the event from outside the host city or region, they bring in new expenditures. Second, because the event relies upon existing venues and stadiums, it requires only minor investments from a city or region. Thus, the cost of the games is low and consequently their net economic impact is large.

The 2006 AAU Junior Olympics was held in seven Hampton Roads cities between July 26 and Aug. 5, 2006. The events – 27 in all – ranged from team sports, including baseball, basketball, relay races and field hockey, to individual competitions, such as weightlifting, swimming, table tennis and a myriad of track and field events (high jump, shot put, hurdles, dashes, etc.). Track and field competition took place at Norfolk State University (approximately 8,000 athletes, more than half the total) and dancing events were held at Norfolk's Chrysler Hall. Newport News, with its excellent swimming and diving facilities, hosted the water events. Virginia Beach hosted sports such as wrestling and lacrosse at venues including the Virginia Beach Convention Center and the Princess Anne Athletic Complex. Baseball and golf competition took place in Suffolk. Churchland High School in Portsmouth hosted indoor gymnastic events. Basketball and baseball games were played at several Chesapeake high schools. Hampton hosted athletes competing in trampoline and tumbling. Indeed, athletic events took place in each of Hampton Roads' seven major cities – truly a regional display of cooperation.

Recently, the venue for the Junior Olympics has rotated between five cities/regions nationally. Other communities in the current rotation are Knoxville, Detroit, New Orleans and Des Moines. Since 1967, the Junior Olympics has been held in 29 cities in 19 different states. The games have come to Hampton Roads in 1998, 2001 and 2006. The hosting of the 1998 games came as somewhat of a surprise, after Norman, Okla., pulled out at the last moment.

The nearest cities to Hampton Roads that have hosted the games are Washington, D.C. (1967) and Winston-Salem, N.C. (1981). Two Tennessee cities have hosted the games – Memphis (1976 and 1982) and Knoxville (1968, 1970, 1993 and 2002). Further, Knoxville hosted the games this year and will host again in 2012. The next Junior Olympics in Hampton Roads will be in 2010.

There has been significant growth in the number of competitors at the AAU Junior Olympics. While only 523 athletes competed in the first games in Washington, D.C., 40 years ago, the 2006 event in Hampton Roads attracted more than 13,000 participants, a 25-fold increase.

How Can Sports Events Have an Economic Effect Upon a Community? A Review

In recent decades, professional sports team owners, sports league officials and other interested parties have argued that the economic and social impacts of sports events (and professional sports teams) are so large that they justify public subsidies to attract and retain them. The record demonstrates that they have been rather successful in convincing cities and public officials to use public funding, mainly through the issuing of bonds, to subsidize the construction of new sports facilities and related infrastructure. Since new sports complexes often require massive investments ranging up to $1 billion, public subsidies typically have amounted to hundreds of millions of dollars per project. Rappaport and Wilkinson, writing in the Economic Review of the Federal Reserve Bank of Kansas City in 2001, found that taxpayers subsidized 66 percent of the cost of 17 new professional football and baseball stadiums between 1994 and 2001. The average construction subsidy was $188 million.

It will suffice to say that very few reputable economic studies ever have found the economic payoff to such subsidies to be significant. The economic rate of return on such public expenditures usually is quite small, or even negative. As we will see below, however, there are two exceptions to this general dictum – subsidies that succeed in spurring the economic revitalization of an area of a city, and subsidies to stadiums and teams that draw most of their customers from outside the subsidizing government's home area.

There are two major reasons why public subsidies to stadiums and teams don't pay off to taxpayers. First, the economic benefits associated with such subsidies consistently are exaggerated, usually because a substantial portion of the alleged economic impact of sports teams consists of displaced expenditures. Consider that people who spend more money on a specific professional sports team (say, the New York Yankees) as a consequence have fewer dollars to spend on other things (entertainment in Manhattan, meals at restaurants, clothing, etc.). The same dollar can't be spent two places. Hence, more money in the Yankees' pocket means less money in others' pockets unless the Yankees attract fans from other regions, or the existence of the Yankees causes fewer New Yorkers to spend money outside of New York City.

The second reason most reputable studies have found surprisingly small net economic impacts from sports teams is that there has been an irresistible tendency, one perhaps endemic to many governmental enterprises, to underestimate costs. Witness the constant increase in the subsidy required from Washington, D.C., taxpayers to attract and retain the Washington Nationals (formerly the forlorn Montreal Expos). Eventually, the city's taxpayers were on the hook for approximately $400 million. The only predictable thing about the public discussions surrounding Washington's subsidy to the Nationals was that the estimated cost to taxpayers rose continuously.

Professional sports authorities and other interested parties such as event-organizing committees often sponsor their own economic impact studies of new sports facilities. They nearly always suggest that the economic benefits justify significant public investments, whether for a new stadium, to attract NCAA basketball playoff games, or to capture the all-star games operated by professional leagues such as the National Football League (NFL). These studies nearly always cite new job creation, increased personal income and improved tax revenues. But the Rappaport and Wilkerson study, noted above, found numerous methodological and statistical problems associated with these studies.

An instructive example cited by Rappaport and Wilkerson is an early 1990s study of a prospective NFL expansion team in Jacksonville, Fla. The study claimed that 3,000 new jobs and an annual $130 million injection of new spending would be realized if Jacksonville invested in an expansion team. Reality was otherwise, primarily because of displaced expenditures.

A similar 1996 study claimed that the NFL Seahawks' presence in Seattle generated an additional $69 million in annual output, increased annual personal income by $41 million, produced 1,264 new jobs and generated $3.3 million annually in additional local and state taxes.

A third example is a study justifying the building of two new stadiums in Cincinnati, one for the baseball Reds and the other for the football Bengals. Proponents predicted the generation of $1.1 billion in new economic growth and creation of 18,461 temporary jobs. That was a gross exaggeration.

Yet another example relates to the construction of a retractable-dome stadium in Phoenix. This exercise was supposed to increase annual economic output by $162 million for Phoenix and by $230 million for Arizona as a whole. The Arizona number is particularly risible because all but a few fans who attend football games in the stadium are Arizonans who would have spent their money somewhere in Arizona anyway.

Nevertheless, many cities (including Norfolk and Virginia Beach) have competed eagerly with each other for the limited supply of available professional sports teams. Not only are construction and transportation subsidies offered by cities and states, but in some cases they offer tax breaks and other such incentives to win sports franchises. For example, the city of Seattle gave the Mariners baseball team of the American League free rent for several years (Baade & Dye in the journal Growth and Change, 1990).

Rigorous analysis, however, usually does not support the claims of huge economic impacts, or the subsidies that have been provided. Baade and Dye's 1990 research calculated the effect that stadiums and sports teams have on regions' aggregate income, spending and development, before and after new sports teams came to town. They concluded that new stadiums and sports teams have an insignificant impact on regional incomes and tax receipts. They also found that there were winners and losers inside a region. Because of expenditure displacement (money going into one pocket but coming out from another), some areas and people within a region actually ended up worse off.

Baade and Matheson (Journal of Sports Economics, 2001) also show that the spending habits of local residents who are not attending the subsidized sports contests may be negatively impacted because of perceived traffic congestion and other inconveniences caused by the presence of the event. San Antonio citizens recently experienced such negative spinoffs when their city hosted the NCAA Division I Men's Basketball Championship. Further, if workers are brought in from other communities for whatever reason, then the positive economic effects of the event are reduced.

In general, there are two circumstances that contradict the general conclusion that sports stadium and team subsidies do not pay off. The first is that some investments in stadiums and teams result in what economists refer to as a "neighborhood effect." Construction of a new stadium may inspire other investors to invest new capital in surrounding housing and facilities and thereby revitalize an entire area. It is possible that areas of cities that previously were run down can be turned around by economic pump priming in the form of a new stadium and/or new team. Newsome and Comer (in Professional Geographer, 2002), Austrian and Rosentraub (in Journal of Urban Affairs, 2002) and Santo (in Journal of Urban Affairs, 2005) are among those who believe this "urban renewal" phenomenon has some validity, though it clearly does not apply to stadiums constructed in suburban or rural locations.

The other circumstance under which sports subsidies may make economic sense is when large numbers of fans come to the team's contests from outside the city or region providing the subsidy. The classic professional sports example is the St. Louis Cardinals baseball team, which attracts more than 3 million fans per year to its games, but is located in a city that now numbers fewer residents than Virginia Beach. It is clear in such a case (and perhaps in certain big-time college football situations) that the fans inject new income into the city or region that otherwise would not be there. Of course, there are costs associated with such teams, including traffic, parking, policing, cleanup and the like, that can be substantial. Still, there are some situations in which sports teams have the same economic impact as a major export industry. The problem is these situations are limited in number.

The Economic Impact of the AAU Junior Olympics

Consider Table 1, which contains data provided by well-known sports consultant Professor Patrick Rishe of Webster University. The $47.8 million "gross spending" number for the 2006 AAU Junior Olympics in the first row typically is divided into three parts: (1) the direct expenditures made by event participants and fans on entry fees, food, housing, recreation, supplies, taxes, etc.; (2) induced expenditures that occur when the dollars associated with them are spent and re-spent in a process that creates an ever diminishing economic ripple effect; and (3) indirect expenditures made by those who provide supplies to the participants, fans and operators of the event.

The gross spending measure is the one most commonly cited when the economic impact of an athletic event or team is discussed. It measures the short-run impact of an event such as the Junior Olympics. Thus, when the economic impact of a major league sports team is touted as being, say, $200 million, it is gross spending that is being referenced. Of course, as we have seen, many of these expenditures often are displaced and would have occurred anyway in the absence of the sports team or event. Thus, the gross spending number also is the one that is most frequently overestimated and misused.

Contrast the concept of gross spending to that of value-added, which is recorded in the second row of Table 1. Value-added is the value of all inputs to a process minus the value of the inputs to that process and is a long-run measure of economic impact. By way of illustration, consider a productive process in which the final output is sold for $100, and $80 worth of inputs was utilized to produce that output. Value-added here is $20 and necessarily is less than total spending. One can see in Table 1 that the value-added of the Junior Olympics was $27.6 million. Value-added is a superior measure of economic impact, but is more difficult to estimate.

Note that governmental units collected $3.79 million in additional tax revenues because of the Junior Olympics. These consist primarily of sales tax collections. Once again, the possibility of displacement occurs. More than a few governmental units have deceived themselves about "additional" taxes that they expect to collect from an athletic team or event. The truth is, if they would have collected these taxes from their own residents anyway, then the team or event really has added no new tax revenues to public coffers.

TABLE 1

COMPARING THE ECONOMIC IMPACT OF SELECTED EVENTS IN HAMPTON ROADS, 2001-2006

	2006 AAU Junior Olympics	2003 Senior Games	2002 Rock and Roll Half Marathon	2001 AAU Junior Olympics
Gross Spending, millions	$47.80	$29.25	$17.55	$35.40
Value-Added, millions	$27.60	$16.87	$8.44	$23.91
Income, millions	$16.89	$10.30	$5.18	$15.37
Tax Revenue, millions	$3.79	$2.30	$1.06	$2.85
Nights Stayed	5.00	6.90	3.10	6.00
Percentage of Nonlocal Attendees	89.00	95.00	78.00	92.00
Unique Attendees	40,000	27,000	45,000	32,000
Spending per Attendee per Day	$239.00	$157.03	$125.81	$184.39

Source: Rishe, Economic Development Quarterly, 2004, and report, 2006 (all dollar values have been adjusted to 2006)

The considerable economic impact of the 2006 Junior Olympic Games depended upon three major factors: (1) almost 90 percent of participants and fans were from outside Hampton Roads; (2) they stayed almost a week in the region; and (3) they each spent $239 per day, on average, while here, almost twice as much as those attending the Rock and Roll Half Marathon.

Note that the seven sponsoring cities contributed about $2.4 million to stage the event, but the estimated returns to the region totaled about $47 million. This represents a significant rate of return on taxpayers' investments by any measure.

It's also worth noting that another reason why the Junior Olympic Games are an economic success is that many of the employees hired to help host them are individuals who otherwise might not be working – such as security and concessionaire personnel associated with the track and field events at Norfolk State University's Dick Price Stadium. Thus, the incomes they earn here do not substitute for other earnings elsewhere that they might be forfeiting.

Jack Ankerson, director of the Hampton Roads Sports Commission, whose office coordinates the Junior Olympic Games, indicates that substantial effort is made to have the participants and their families remain in the city in which their games are played. Thus, those here for the golf and baseball events are encouraged to stay in Chesapeake, while participants in the swimming events are encouraged to rent hotel rooms in Newport News. This has the effect of encouraging regional cooperation because each city receives benefits in the form of increased incomes and tax revenues. Decentralized locations for the competitions also tend to reduce costs because employees do not have to travel long distances to their jobs.

COMPARING THE AAU JUNIOR OLYMPICS TO WELL-KNOWN SPORTING EVENTS

Table 2 compares the AAU Junior Olympics to some more well-known sporting events. Consider the NCAA's Division I Men's Basketball Championship. The AAU Junior Olympics in Hampton Roads in 2006 generated only 64 percent of the number of attendees of the NCAA Final Four, but nonlocal attendees stayed about twice as long for the Junior Olympics as they did for the Super Bowl and 61 percent longer than they did for the men's Final Four. Nonlocal attendees always are an important key to economic impact because they bring coveted "outside money" to their chosen events. The longer the nonlocal attendees stay, the greater the economic impact of an event.

Further, the 2006 AAU Junior Olympics actually had a greater percentage of nonlocal attendees than either the Super Bowl or the men's Final Four, and over 60 percent more than the Ryder Cup. Nevertheless, the typical Super Bowl fan spends about four times as much per day as someone who attends the AAU Junior Olympics, about 50 percent less per day than those who attend the Final Four and about 17 percent less per day than those who attend the Ryder Cup. Those who attend these other competitions are well-heeled financially, and corporate America has adopted these events, which attract significant (and expensive) media coverage.

TABLE 2

COMPARING THE ECONOMIC IMPACT OF THE AAU JUNIOR OLYMPICS TO OTHER WELL-KNOWN ATHLETIC EVENTS

	2006 AAU Junior Olympics	2006 Super Bowl	2005 NCAA Men's Final Four	2004 Ryder Cup
Spending (millions)	$47.8	$260.7	$73.70	$121.55
Value Added (millions)	$27.6	$166.7	$42.53	$66.81
Unique Attendees	40,000	100,000	62,853	110,000
Percentage of Nonlocal Attendees	89	85	86	55
Nights Stayed	5	2.8	3.1	3.7
Spending per Attendee per Day	$239	$931.07	$366.45	$279.85

Source: Rishe, Economic Development Quarterly, 2004, and report, 2006 (all dollar values have been adjusted to 2006)

Even so, the 2006 AAU Junior Olympics generated an economic value-added only about 50 percent less than the NCAA's Final Four and this does not take into account the regular tourism San Antonio lost when it hosted the Final Four two years ago. If Hampton Roads had hosted the NCAA championship series in 2006, we probably would still be talking about it. We did in fact host the 2006 Junior Olympics, but relatively few people seem to be aware of that fact and it did not make a permanent imprint on our regional consciousness, despite its considerable economic impact.

Professor Victor Matheson of the College of the Holy Cross argues persuasively (Economic Development Quarterly, 2006) that relatively smaller events, such as the Junior Olympics, are in general more attractive economically speaking than larger, mega events such as the Super Bowl. He cites five reasons. First, when attendees come to a smaller, less publicized event, there is less crowding out of the tourist expenditures that would have occurred there anyway. Big events such as the NCAA's Final Four in San Antonio wipe out much conventional tourism, which dramatically reduces the economic impact of these events. Second, smaller, less known events usually do not require as many resources to be devoted to traffic control, parking, policing and security. Third, smaller, less known events typically do not require state-of-the-art facilities and equipment demanded by an event such as the Super Bowl. Fourth, the multiplier effects of expenditures made at smaller, less known events typically are larger because the events usually are held in smaller metropolitan areas where there is more local ownership of hotels, thereby keeping the funds in the region. Fifth, smaller, less known events usually do not require new facilities to be constructed, whereas super events such as the international Olympics require billions of dollars of new investment.

UTILIZING LOCAL DATA

How does the economic impact of the AAU Junior Olympics compare to the many conventions that come to the region? Data provided by the Virginia Beach Convention and Visitors Bureau indicate that 72 percent of the projected convention attendees in that city in 2007 are expected to come from outside of Virginia Beach. An April 2007 press release announced that the quarterly direct spending related to conventions was expected to be $9.6 million, suggesting an annual spending level of about $40 million. Thus, we can say that the impact of all conventions at the Virginia Beach Convention Center, for the entire year, is approximately the same as that of the AAU Junior Olympics. Of course, this compares the economic impact upon the city of Virginia Beach to the impact of the Junior Olympics upon the entire region, but it does put into some perspective the relative magnitude of the games from a revenue standpoint.

Of note with respect to Virginia Beach conventions is that the largest of the Virginia Beach Convention Center events tend to be sports related. For example, the National Wrestling Championship for high school seniors was hosted in March 2007 by the resort city and attracted many people from outside the region.

As we learned from Tables 1 and 2, the impact of the Junior Olympics on Hampton Roads is very large. How does it compare, for example, to the Virginia International Arts Festival? The festival has certainly grown in size since its inception 11 years ago. In a study done for the 1999 festival, researchers at Old Dominion University estimated that the economic impact was just over $5 million. This translates to $6 million in 2007 prices. However, the Virginia International Arts Festival is now much larger and its estimated impact approximates $10 million (The Virginian-Pilot, April 16, 2007). Why is there a difference in impact between the arts festival and the Junior Olympics? The main reason is, again, where the visitors come from. In 2006, more than 89 percent of the visitors to the Junior Olympics were from outside the Commonwealth of Virginia as compared to 91 percent *local* attendees to the 1999 Virginia International Arts Festival. Again we see the significance of the share of out-of-state attendees having a significant weight in the calculation of economic impact.

COMPARING THE JUNIOR OLYMPICS TO CONVENTIONAL OCEANFRONT TOURISM

Researchers in the Department of Economics at Old Dominion University computed the economic impact of the 1998 AAU Junior Olympic Games and analyzed characteristics of the attendees. Their report provided detailed information about the demographics of the parents of the participants.

One of the objectives of the Hampton Roads Sports Commission, as noted previously, is to entice participants and their families to stay near their events. One way to encourage this is to offer group rates at selected hotels. Data from the 1998 survey disclose that 13.3 percent of the participants performed at events in Newport News, while 9.2 percent of the visitors stayed in

Newport News overnight. Meanwhile, 12.6 percent of the participants competed in games in Chesapeake, while 9.3 percent of the visitors to the games stayed there.

The Old Dominion researchers also discovered that only 4.9 percent of the participants were from Virginia. By comparison, 31.2 percent of the visitors to the Virginia Beach oceanfront typically are Virginia residents. This is significant because some state tax revenue would essentially be crowded out from other state activity. Put another way, about 40 percent of the participants in the 1998 Junior Olympics were from states more than 450 miles from Hampton Roads as compared to 65.4 percent of Virginia Beach tourists who were visiting from within 450 miles. That is, if visitors from Virginia would not have spent their money on the Junior Olympics they may have spent it on another activity that would have generated tax revenue for the Commonwealth. This is not the case for someone from outside the state because their spending and the associated tax revenue is net new money to both the Hampton Roads and the Virginia economy (Agarwal, Yochum, 1999).

The Role of the Hampton Roads Sports Commission

Much of the success of the AAU Junior Olympics is owed to the efforts and support of the Hampton Roads Sports Commission (HRSC). More than any other group, the HRSC is responsible for attracting the Junior Olympics to Hampton Roads and for melding the cooperative and productive atmosphere that has characterized the event since it first came to the region in 1998. Indeed, it would be correct to refer to the HRSC as the official sponsor of the Junior Olympics.

According to its Web site, "The Commission's primary function is to attract major amateur athletic events to the area and to emphasize regional collaboration" (http://www.hamptonroadssports.org). In addition to attracting the Junior Olympics, the HRSC brought the National Senior Games to the region in 2003, the Red Cross Heroes Games in 2004 and 2005 and several national gymnastics competitions in recent years.

Founded in 1999, the commission actually is a branch of the Hampton Roads Chamber of Commerce. The HRSC's current chairman is Nelson Adcock of Geo-Environmental Resources, and there are representatives on the commission from each of the region's seven major cities. They typically are directors of the cities' convention and visitors bureaus, directors of development, or recreation and tourism directors.

The HRSC realistically functions only as an organizational and promotional enterprise. It neither constructs facilities, nor does it incur debt, though there are those who believe it could provide the financial structure for attracting a major league sports franchise supported by the entire region.

One may pick up the Daily Press or The Virginian-Pilot and often see an example of a regional effort that has not worked or is somehow not operating as well as it might. Examples include debates and disagreements over water rights, road construction, funding for regional advertising and mass transit. Why is it, then, that the Hampton Roads Sports Commission has been so successful with respect to its promotion and support of the AAU Junior Olympics?

First and foremost, the games have been the product of significant regional cooperation. As a newspaper article more than a decade ago put it: "Mayors act like team, snag Junior Olympics. Cooperation to give the region a chance to show off as hosts" (The Virginian-Pilot, October 2, 1997). One can only speculate what other achievements Hampton Roads might have recorded in recent years had a similar cooperative spirit prevailed among its cities and counties.

Second, **the AAU Junior Olympics has not required a great financial investment by the local governments. "This event is mostly economic gravy," comments an admiring state legislator. What other event generates about 20 times as much spending as it costs?**

Third, with the retooling of Foreman Field at Old Dominion University, the expansion of the convention center in Virginia Beach, plus the building of the basketball complex in Hampton to support the Boo Williams basketball camps, the region has improved its ability to host future Junior Olympics. The region's athletic facilities portfolio continues to be very well suited for the Junior Olympics and this encourages regional decision makers not to regard it as a one-shot activity. Indeed, the next games held in Hampton Roads will be in 2010. Hence, the story of success has not come to an end.

Fourth, the leadership of the AAU Junior Olympics now is experienced and more than equal to the task. There is a representative on the board of the Hampton Roads Sports Commission from every city in the region and each of the representatives has a strong connection to sports in his/her constituent city. These individuals are well connected and have acquired the confidence of political leaders. Further, one of the leaders of the successful first effort to attract the 1998 Junior Olympics, the legendary Boo Williams, still is available. Williams, a national leader in amateur athletics, continues to spearhead several well-regarded AAU basketball leagues in the region.

Fifth, as pointed out above, **because people are encouraged to stay in the city in which their event is located, the economic benefits of the games are widely distributed across the region. This also reduces transportation costs and avoids problems that almost inevitably would arise if participants and fans were forced to travel across the region during the day.**

Summing It Up

Hosted athletic events are the unknown economic juggernaut of Hampton Roads. The net economic impact (taking into account displaced expenditures and tax revenues) of the 2006 AAU Junior Olympics was more than $45 million. A rigorous analysis of the economic impact of other athletic enterprises in the region, including all Old Dominion University athletic events combined, or the Norfolk Tides, reveals that these other events have much smaller economic impacts on the region. Bluntly put, events such as the AAU Junior Olympics are the athletic kingpins of the region insofar as economic impact is concerned.

The Junior Olympics may, indeed, lack glamour. Nevertheless, if it is economic impact that elected officials desire, then the activities of the Hampton Roads Sports Commission, which is primarily responsible for attracting such events, represent a much wiser expenditure than the most visible professional sports alternatives these officials often have pursued.

Is Hampton Roads Receiving Its "Fair" Share?

IS HAMPTON ROADS RECEIVING ITS "FAIR" SHARE FROM THE COMMONWEALTH?

State government in the Commonwealth of Virginia spends a lot of money. Over the past decade Virginia's state budget has increased from $17.1 billion to $32 billion – an increase of 87 percent! However, the Joint Legislative Audit and Review Commission (JLARC), the legislature's nonpartisan research group, believes the following facts should be taken into consideration:

- If one adjusts the numbers to account for inflation during this period (FY 1997 through FY 2006), then budget growth was 48 percent – a 4.4 percent annual rate of growth.
- If one further adjusts for growth in Virginia's population over the past decade (an increase of 911,000 people), then the budget grew 25 percent – a 3 percent annual rate of growth.

A 3 percent growth rate in state government expenditures after inflation and after population growth is still substantial. Nevertheless, whatever one's personal views with respect to the level of state government spending, how has that money been spent? And, how has this affected Hampton Roads? Here are the questions we seek to answer in this chapter:

- What types of activities and programs were supported?
- Where did the funding go geographically?
- Did Hampton Roads get its "fair" share?

Programs

According to JLARC, over the past decade three areas accounted for 64 percent of the growth in expenditures of general funds derived from general taxation: (1) education; (2) medical assistance services; and (3) personal property tax relief (elimination of the "car tax").

Table 1 reports the 10 highest areas of state government expenditure increase between FY 1997 and FY 2006. Note that K-12 public schools easily accounted for the largest total increase in the Commonwealth's spending. This was slightly more than twice as large as the increased spending devoted to Medicaid and reducing the car tax. It's also of interest that despite much public discussion about a crisis in transportation, increased spending in that area was less than one-third of the increased spending for Medicaid and car tax relief.

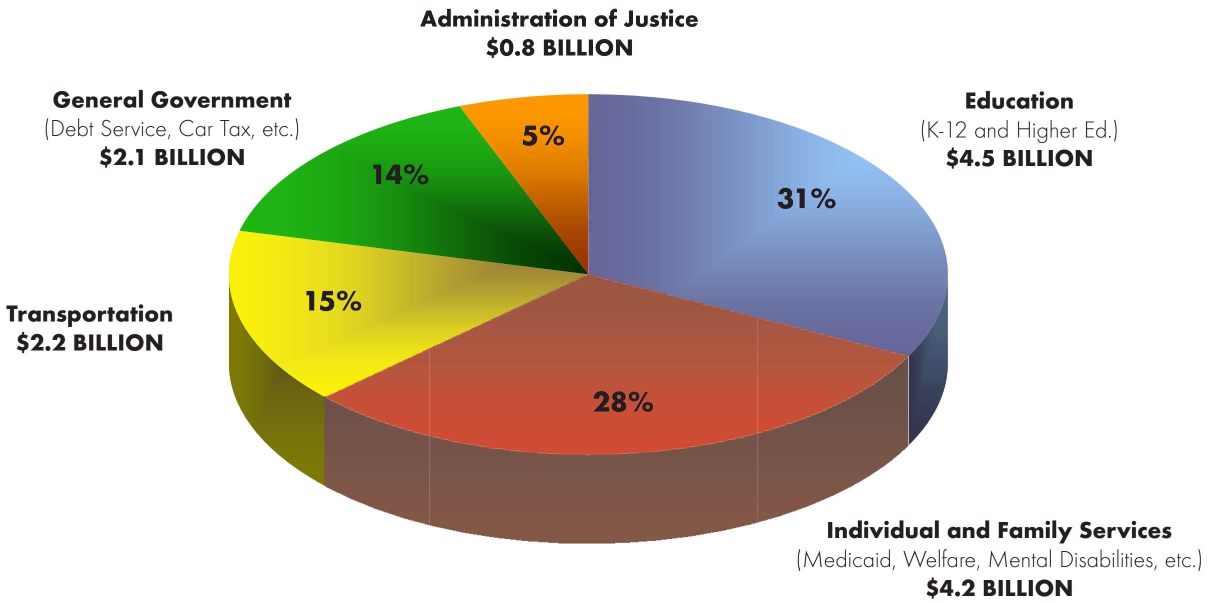
Figure 1 contains charts prepared by JLARC to show the growth in general and non-general funds for the decade by government

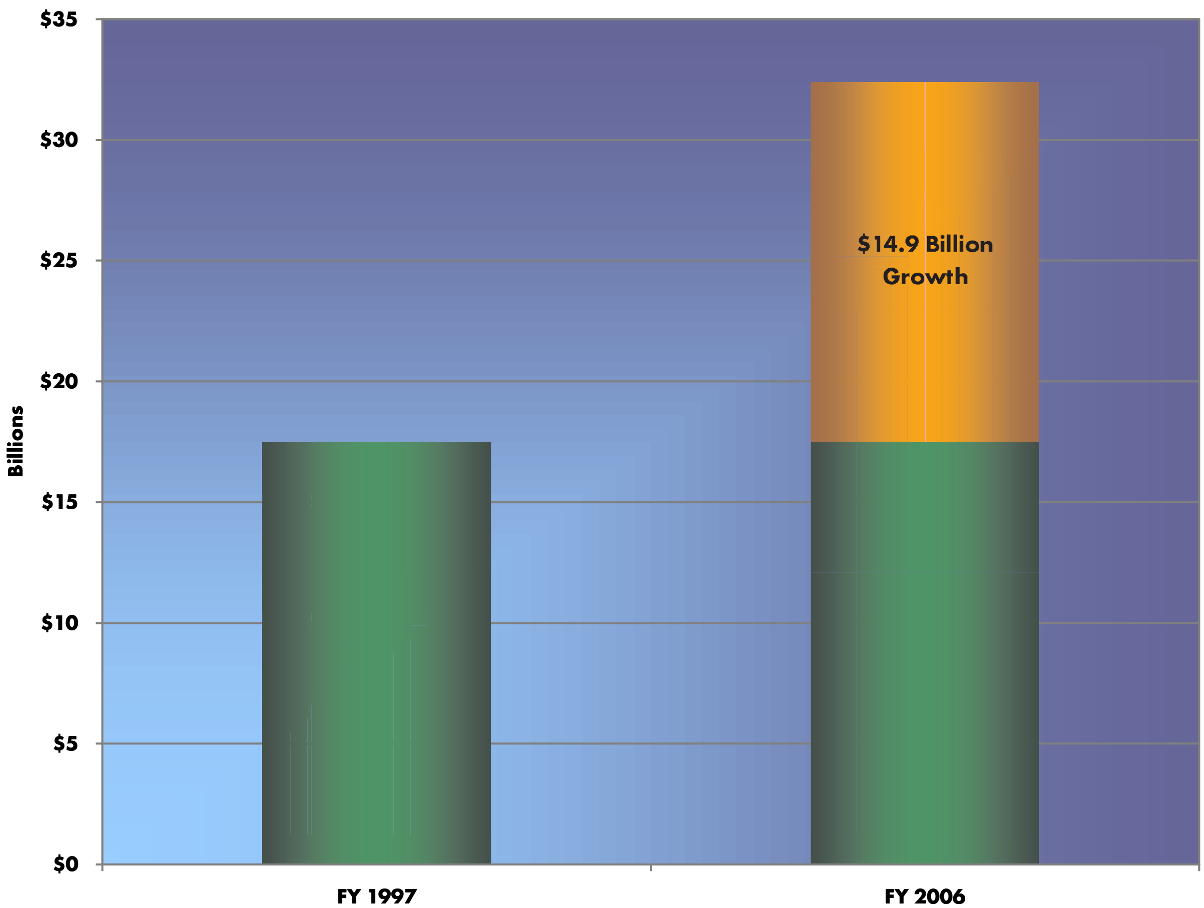
TABLE 1
GROWTH IN COMMONWEALTH EXPENDITURES OF GENERAL FUNDS: FY 1997 THROUGH FY 2006

Agency	Budget Growth (in millions)
Department of Education (K-12)	$1,961.0
Department of Medical Assistance Services	$ 890.1
Personal Property Tax Relief (Car Tax)	$ 890.1
Department of Corrections	$ 312.2
Department of Transportation	$ 275.7
Department of Accounts	$ 191.6
Comprehensive Services for Youth	$ 186.7
Compensation Board	$ 177.3
Department of the Treasury	$ 167.1
Department of Criminal Justice Services	$ 142.7

Source: Joint Legislative Audit and Review Commission functional areas, in terms of the general purpose of the funding. By this classification the big winners were education, individual and family services, transportation and general government, including the car tax program.

FIGURE 1
GROWTH IN GENERAL AND NON-GENERAL FUND EXPENDITURES, FY 1997 - FY 2006: A PICTURE





Source: JLARC staff analysis of respective Appropriation Acts

How Did Hampton Roads Fare?

The agencies and functional areas described in Figure 1 explain where the growth of Virginia's budget has occurred in the past decade. Determining where the money goes in terms of geographic regions requires further analysis. We will do this by examining three of the major spending growth areas: education (K-12 and higher education), the car tax cut and transportation. As we look at each of these areas, we'll see how Hampton Roads has fared.

Whether the region is getting what a neutral party might consider to be its "fair" share in relation to what other regions of the Commonwealth receive is, of course, a sticky subject. To begin with, there is no agreement on what "fair" is, or should be. One definition of fairness may help Hampton Roads, while another definition, equally plausible, might harm it. The old English proverb reminds us, "All's fair in love and war." Perhaps we should add to this, "... and in the General Assembly." It is exceedingly difficult to decide how much government should spend, much less where it should spend that money. Thus, those who wish to quibble with our analysis of the putative fairness of General Assembly funding have the standing to do so.

Nevertheless, we'll plunge ahead and see what reasonable conclusions we can reach with respect to the fairness of the distribution of spending authorized by the General Assembly. We'll do so by analyzing spending in four categories that are easily traceable in terms of where the spending actually occurs: (1) K-12 public education; (2) higher education; (3) car tax cut reimbursements; and (4) transportation.

K-12 Public Education

Article I, Section 15 of the Virginia Constitution provides that among the "qualities necessary to preservation of free government" are "an effective system of education throughout the Commonwealth." Article VIII provides further that the General Assembly shall establish standards of quality for the public schools and shall provide for the apportionment of costs of the schools between the Commonwealth and the local school divisions. The article also requires that "each unit of local government shall provide its portion of such costs by local taxes or from other available funds." While the constitution commands the General Assembly to apportion the costs of education, it does not actually require it to provide its share. This may seem to be a fine point, but the General Assembly typically has failed to appropriate its share, and legislative efforts to require it to do so have been defeated.

Standards of Quality (SOQ) are defined by the General Assembly to be the basic foundation elements necessary for an approved K-12 educational program. SOQs include such requirements as basic staffing levels and resources. SOQ standards are properly deemed to be minimal because virtually every school division has found it necessary to exceed them in order to operate a successful educational program.

The State Department of Education annually calculates a cost for the SOQs, which is used to determine the amount of the share of the state budget for public education when approved by the General Assembly. Currently, the Commonwealth has committed to pay 55 percent of the assignable costs (though it is not doing so). The remainder of the cost is to be paid by localities based on a local "ability to pay" index.

The local ability to pay index is based on a formula known as the composite index. It measures the relative wealth of a jurisdiction based on a locality's sales tax, income tax and property tax. The index ranges from 0.2036 to a statutorily imposed ceiling of .8. The lower the composite index, the smaller the capacity a local government has to pay for the foundation costs of education. The composite index is expressed as a percentage of educational costs a locality is expected to pay for its public schools.

Two other measures of local governments' ability to raise revenue are calculated annually by the Virginia Commission on Local Government. A measure of local revenue capacity gauges the degree of a jurisdiction's affluence and at the same time indicates the tax revenues it could expect to collect if it imposed levies at the statewide average rates of extraction. The other measure is a composite fiscal stress index that compares the level of revenue capacity per capita with the revenue effort and the median adjusted gross income.

Table 2 presents data for each of these three indexes for Hampton Roads and other areas within Virginia. The message of the data in Table 2 is clear. **Hampton Roads communities typically are not as wealthy as other urban and suburban regions of the state and, aside from Williamsburg and James City County, the region's composite index average is a rather low .31. The lower the composite index, the greater the per-pupil state aid that should go to a region's schools. Five of the 10 cities within Hampton Roads are classified "high stress" fiscally. This reflects, among other things, the fact that the measured capacity of Hampton Roads jurisdictions to raise tax revenue is well below the state average.**

As Table 3 indicates, there is a significant discrepancy in the amount of state assistance for which Hampton Roads communities qualify (as measured by the composite index in the last column) and the percentage of their expenditures they actually receive from the state (the next to last column). Consider the city of Hampton. The composite index (Table 2) says Hampton should provide 24.1 percent of its total educational expenditures, based upon its wealth, ability to raise revenue, etc. However, Hampton is contributing 40.6 percent of its expenditures. The gap (40.6 – 24.1 = 16.5 percent) is the deficit between the funding Hampton should receive from the Commonwealth versus what it does receive.

The unweighted average of the composite index for the 10 cities within Hampton Roads is .3358, signifying that these cities should contribute 33.58 percent of the funding for their K-12 public schools. However, their unweighted average contribution is 48.7 percent. Once again, the difference (48.7 – 33.58 = 15.12 percent) is the gap between the funding the 10 cities should receive and the funding they actually receive. The gap is smaller (5.29 percent) for the eight counties that either are located within Hampton Roads, or border it.

On the other hand, the same general relationship exists elsewhere in urban Virginia south of the Occoquan River. A selection of large urban counties and cities also is presented in Table 3. Richmond's gap between the composite index and its actual local funding is 16.21 percent. **If there are beneficiaries from the current way state K-12 financial aid is distributed, it is the counties of Northern Virginia (Arlington, Fairfax and Prince William), whose average unweighted gap between the composite index and their actual local funding is only 7.56 percent. This reflects the fact that the Commonwealth's current K-12 funding formula is subtly biased in favor of wealthy school districts that have a high ability to pay.**

It's also important to note that K-12 funding is limited to those items included in the Standards of Quality. As noted previously, the SOQs are exceeded by every public school system in the state, including the very poorest, because it simply would not be possible to operate a public school system limited to the standards of the SOQs. For example, the standards are inadequate to meet the reasonable staffing and employment needs of most schools. Further, the teacher salary levels included in the standards lag actual state payments by at least two years and are weighted such that they do not reflect the prevailing salary levels in the school divisions. In addition, the enormous costs of capital renovation and construction are not even included in the standards. The bottom line is that these methodologies tend to penalize less-wealthy school districts. Yes, Virginia's funding of K-12 public education reflects "ability to pay" factors, but not completely so. The composite index ultimately is used as a guide rather than as a rule in determining funding.

Research done by Professor Richard G. Salmon of Virginia Tech found that in FY 2005, the actual state and local percentages of recorded expenditure were 42.8 percent by the state and 57.2 percent by localities, rather than the promised 55 percent by the state and 45 percent by localities.

While the Commonwealth's funding procedures for K-12 public education do not work to the advantage of most Hampton Roads jurisdictions, it would be a stretch to declare those standards unreasonable. That said, if Virginia did not base its funding on SOQ levels, but instead on a more generous measure of what it actually takes to fund schools, then most Hampton Roads school districts would receive more money. Needless to say, however, the funding formula reflects political realities, horse trading and the legislative influence of the state's regions and localities.

Is the current funding arrangement for K-12 public education unfair to Hampton Roads? Clearly, one could make that case based upon the ability to pay analysis presented here, though each region or locality within the Commonwealth has its own case to make. It will suffice for us to note that every neutral observer to whom we talked about this subject believes that the current funding mechanism is disadvantageous to Hampton Roads. Unfair? Perhaps. Detrimental? Almost certainly.

TABLE 2 THE COMPOSITE INDEX, FISCAL STRESS AND REVENUE CAPACITY 2003 – 2004					
Jurisdiction	**Composite Index**	**Fiscal Stress Index Score**	**Fiscal Stress Classification**	**Revenue Capacity Per Capita**	**Revenue Capacity Per Capita Rank**
Hampton Roads Cities					
Chesapeake	.3186	167.87	Above Average Stress	$1,273	73
Franklin	.2728	182.18	High Stress	$987	41
Hampton	.2410	181.95	High Stress	$862	17
Newport News	.2577	181.09	High Stress	$967	34
Norfolk	.2693	185.31	High Stress	$901	25
Poquoson	.3299	155.84	Below Average Stress	$1,494	97
Portsmouth	.2185	183.98	High Stress	$798	10
Suffolk	.3014	167.61	Above Average Stress	$1,183	63
Virginia Beach	.3492	166.96	Above Average Stress	$1,342	81
Williamsburg	.8000	167.36	Above Average Stress	$1,750	113
Hampton Roads Counties					
Accomack	.3255	169.93	Above Average Stress	$1,041	50
Gloucester	.3323	163.03	Below Average Stress	$1,297	76
Isle of Wight	.3753	160.72	Above Average Stress	$1,383	86
James City	.5499	154.63	Below Average Stress	$1,956	117
Mathews	.4701	159.62	Below Average Stress	$1,592	104
Northampton	.3925	167.46	Above Average Stress	$1,385	87
Southampton	.2671	167.61	Above Average Stress	$985	38
Surry	.2912	152.85	Low Stress	$2,801	131
Others					
Arlington County	.8000	140.00	Low Stress	$3,114	132
Fairfax County	.7456	140.10	Low Stress	$2,687	127
Prince William County	.4287	152.55	Low Stress	$1,734	111
Loudoun County	.6895	132.54	Low Stress	$2,700	128
Roanoke	0.3763	176.72	High Stress	$1,200	69
Richmond	0.4329	177.11	High Stress	$1,318	79
Henrico County	0.4604	157.48	Below Average Stress	$1,680	109
Albemarle County	0.6095	151.40	Low Stress	$1,994	121
Statewide Totals		165.00		$1,360	
Counties		161.76		$1,380	
Cities		172.89		$1,311	

Composite index information from House Appropriations and Senate Finance Committees for 2003-04.
Fiscal stress rank score compiled by Virginia Commission on Local Government.
The higher the index score, the greater the fiscal stress.
Revenue capacity per capita compiled by Virginia Commission on Local Government.
(1 = lowest capacity; 134 = highest capacity.)

TABLE 3
ANALYZING STATE AND LOCAL SUPPORT FOR K-12 PUBLIC EDUCATION

Jurisdiction	Total Education Expenditures	State Aid	Local Expenditures	Percentage Local	Composite Index
Hampton Roads Cities					
Chesapeake	$372,739,928	$189,874,820	$182,865,108	49.1%	.3186
Franklin	$15,182,421	$7,867,507	$7,314,914	48.2%	.2728
Hampton	$203,916,316	$121,139,276	$82,777,040	40.6%	.2410
Newport News	$289,890,940	$168,753,986	$121,136,954	41.2%	.2577
Norfolk	$336,248,745	$189,581,445	$146,667,300	43.6%	.2693
Poquoson	$20,494,788	$11,010,404	$9,484,384	46.3%	.3299
Portsmouth	$142,798,065	$87,201,304	$55,596,761	38.9%	.2185
Suffolk	$120,518,540	$67,605,545	$52,912,995	43.9%	.3014
Virginia Beach	$663,817,754	$323,470,593	$340,347,161	51.3%	.3492
Williamsburg	$7,631,352	$1,306,349	$6,325,003	82.9%	.8000
Average				48.7%	.3358
Hampton Roads Counties					
Accomack	$49,343,764	$28,868,131	$20,475,633	41.5%	.3255
Gloucester	$52,340,712	$29,225,454	$23,115,258	44.2%	.3323
Isle of Wight	$45,750,296	$24,416,549	$21,333,747	46.6%	.3753
James City	$87,973,776	$29,074,181	$58,899,595	67.0%	.5499
Mathews	$11,493,575	$5,638,233	$5,855,342	50.9%	.4701
Northampton	$22,683,045	$10,651,936	$12,031,109	53.0%	.3925
Southampton	$25,910,191	$16,159,786	$9,750,405	37.6%	.2671
Surry	$14,026,989	$2,559,823	$11,467,166	81.8%	.2912
Average				42.83%	.3754
Others					
Arlington County	$325,007,089	$41,549,216	$283,457,873	87.2%	.8000
Fairfax County	$1,950,120,658	$391,044,777	$1,559,075,881	80.0%	.7456
Prince William County	$647,437,000	$305,735,000	$341,702,000	52.8%	.4287
Loudoun County	$569,700,631	$114,276,224	$455,424,407	79.9%	.6895
Roanoke	$136,820,321	$63,464,255	$73,356,066	53.6%	.3763
Richmond	$301,706,020	$122,288,277	$179,417,743	59.5%	.4329
Henrico County	$406,091,691	$184,431,684	$221,660,007	54.6%	.4604
Albemarle County	$135,009,440	$39,738,417	$95,271,023	70.6%	.6095
Average				67.3%	.5679

Sources: Auditor of Public Accounts and Virginia Department of Education (data are for FY 2006)

Public Higher Education

While higher education was not among the programs showing the strongest expenditure growth over the past decade, it is a state function one can easily track in terms of when and where expenditures have been made. Even so, since each institution has a distinct mission, in some ways the expenditures the Commonwealth makes on the various campuses are noncomparable.

Table 4 records the per-institution appropriation in state general fund dollars for all of Virginia's four-year public colleges and universities and summarizes the community system for purposes of comparison. There are three public four-year institutions of higher education in Hampton Roads: Christopher Newport University, Norfolk State University and Old Dominion University.

Christopher Newport University (CNU) is a nondoctoral, comprehensive institution. Four other institutions are roughly comparable to CNU: James Madison University, Longwood University, University of Mary Washington and Radford University. The University of Virginia-Wise, Norfolk State University, Virginia Military Institute and Virginia State University fall into the same general institutional category, but for a variety of reasons are noncomparable in terms of mission and/or background.

In 2007-08, CNU is receiving an estimated $6,313 in state general fund support per full-time equivalent (FTE) in-state student. Out-of-state students are not funded by Commonwealth tax dollars; the state's policy is that these students should pay the full costs of their education via tuition and fees, and therefore no state subsidy is required. CNU ranks fourth among the five comparable comprehensive universities in terms of its funding per student, which is more than $1,800 below the state average for all institutions, irrespective of their missions.

Norfolk State University, on the other hand, receives the second highest state general appropriation per FTE student among the 15 four-year public institutions. Only Virginia Military Institute receives a higher annual general fund appropriation per FTE student. Presumably, Norfolk State's lofty appropriation, which is higher than any of the Commonwealth's doctoral institutions and also more than $1,600 higher than that of Virginia State University, reflects the institution's status as a historically black college or university (HBCU), its distinctive student body and its current mission. Also, for many years, Virginia was under a federal mandate to eliminate the vestiges of segregation in its public higher education system and this impetus resulted in substantial increases in Norfolk State's budget, along with plentiful capital projects.

Among the six doctoral research universities in the state, only George Mason receives a lower per student appropriation than does Old Dominion University. Old Dominion's general fund appropriation per in-state FTE student is about $1,000 less than the state average. The College of William and Mary, however, receives $9,814 per in-state FTE student, more than $1,600 above the state average, and ranks below only the University of Virginia in that regard among the doctoral research institutions.

A word of caution is in order here. The Commonwealth has developed a funding formula for each of its colleges and universities that generates a recommended level of funding based upon the average that comparable institutions are receiving in other states. Thus, the mission, size and programs of a specific school, for example, Christopher Newport University, are compared to like institutions in other states. The presumption is that it is inappropriate to compare dissimilar institutions. Therefore, colleges and universities that support numerous doctoral programs, or maintain medical and law schools, engineering programs and other similarly expensive disciplines, will receive greater funding than those that do not. Therefore, one must be very cautious in comparing a specific institution's funding to the state average. More relevant is how an institution's funding compares to its formula-generated funding based upon comparable institutions in other states.

The "formula" approach to higher education funding is regarded by some as a guarantee of mediocrity because it reflects only the average funding of other states for similar institutions. More funding than that, they argue, is required if Virginia public higher education is to excel. Regardless, of the 15 public four-year institutions in Virginia, eight receive more than the funding formula average and seven receive less than that average. Norfolk State, at 141.7 percent of the formula, is the outlier; William and Mary receives slightly more than the formula average. Christopher Newport and Old Dominion receive less than the average, with ODU, at only 91.4 percent of the formula, ranking 14th among the 15 four-year institutions.

Data were not available for individual community colleges. However, if Thomas Nelson Community College (TNCC) and Tidewater Community College (TCC) are funded like the typical community college in the Commonwealth, then they receive only

TABLE 4 STATE GENERAL FUND APPROPRIATION PER IN-STATE FTE STUDENT: 2005-06 and 2007-08				
	$ Per In-State Student: 2005-06	**$ Per In-State Student: 2007-08**	**Percent Change**	**Percent of Base Funding Formula**
Doctoral Research Institutions				
College of William and Mary	$8,532	$9,814	15.0%	101.2%
George Mason University	$5,723	$7,005	22.4%	98.6%
Old Dominion University	$6,516	$7,192	10.4%	91.4%
University of Virginia	$9,162	$10,333	12.8%	98.6%
Virginia Commonwealth University	$8,187	$8,915	8.9%	91.1%
Virginia Tech	$8,329	$9,218	10.7%	100.7%
Other Hampton Roads Institutions				
Christopher Newport University	$5,488	$6,313	15.0%	96.3%
Norfolk State University	$10,504	$11,352	8.1%	141.7%
Other Public Institutions				
University of Virginia-Wise	$7,667	$8,466	10.4%	101.4%
James Madison University	$5,504	$6,586	19.7%	107.2%
Longwood University	$5,079	$6,665	31.2%	101.9%
University of Mary Washington	$5,054	$6,946	37.4%	107.5%
Radford University	$5,096	$6,158	20.8%	95.9%
Virginia Military Institute	$11,396	$13,161	15.5%	141.7%
Virginia State University	$8,376	$9,670	15.4%	94.1%
Virginia Community College System	$3,668	$4,400 (est.)	20.0%	87.9%
Average Four-Year	**$7,205**	**$8,197**	**13.8%**	**96.2%**
Source: State Council of Higher Education for Virginia				

87.9 percent of the funding formula average. Casual observation, however, suggests that the state's urban community colleges (TNCC and TCC being examples) may be funded less well than those located in rural areas.

As far as the region is concerned, the data in Table 4 dictate a mixed message. Two of Hampton Roads' four public four-year institutions are funded better than the formula, two are funded less well. Norfolk State clearly has held favored status in terms of funding, while Old Dominion's funding appears to have lagged. Given ODU's emphasis upon engineering and scientific teaching and research, this is hardly a recipe for the region's future economic prosperity. Nonetheless, it would be difficult to make the case that Hampton Roads has been discriminated against in terms of overall higher education funding.

The Car Tax Cut

The Personal Property Tax Relief Act, more commonly referred to as the "car tax cut," was a rarity in state government, for it involved state government cutting a local tax, after which the tax cut then became an expense of state government. However unusual the car tax cut might have been in terms of its mechanics, it was an extremely popular idea that was influential in electing James S. Gilmore II governor in 1997. Since then, the car tax cut has become a major financial burden to state government, much larger than forecast at the time. Further, as we shall see, all regions of the Commonwealth do not receive equal per capita benefits from the cut.

Regardless, the car tax cut has constituted one of the major growth areas in the state budget over the past decade. Portrayed in the gubernatorial campaign as costing about $600 million, the true cost of the program in 2007 would have been about $1.5 billion had the General Assembly not capped it at $950 million in 2004. The year 2004 is a vitally important key where the car tax cut is concerned. Localities currently are reimbursed for the car taxes they no longer collect on the basis of their proportion of the 2004 tax year car tax reimbursements distributions.

Car tax reimbursements have placed a significant strain on the state's general fund. Starting at 1.9 percent of the general fund in FY 1999, the reimbursement increased to 7.9 percent in FY 2003. However, if the cap remains in place (and this is a perennial political issue), then its importance within the state's budget will drop as the general fund grows.

Under the current system of reimbursement, there is little relationship between today's value of vehicles in jurisdictions and the amount reimbursed to those jurisdictions by the state. This is because the car tax cut causes state general fund monies collected throughout the Commonwealth from sales, income and other state taxes to flow back to the localities based on the value of vehicles in these jurisdictions in *1999*. Those jurisdictions with large numbers of high-priced vehicles in 1999 therefore now receive high reimbursements.

There is no recognizable connection between any identified social need and the funding stream that has accompanied the car tax cut. Monies that could otherwise have been used for eliminating disparities among school divisions, for meeting the rising costs of Medicaid or for improving our institutions of higher education are now returned to the wealthiest jurisdictions in the state in what, for Virginia, is an unprecedented transfer of wealth. Just seven jurisdictions receive more than half of all the money from the car tax reimbursement program, and those seven local governments generally have the least fiscal strain and the greatest ability to raise their own funds.

As Figure 2 illustrates, in 2006, only six jurisdictions in Hampton Roads received reimbursements exceeding the statewide average per capita reimbursement of $124.72. Two regional jurisdictions were near the average, and 10 were below it. Further, those below the statewide per capita average typically exhibited high fiscal stress (see Table 2).

Table 5 reports the actual dollars reimbursed to jurisdictions via the car tax cut and compares local governments in Hampton Roads with Virginia's top seven jurisdictions in terms of total car tax reimbursements. Note that Virginia Beach, though it's the state's largest city in terms of population, ranks only third in terms of the total value of car tax reimbursements it receives from the Commonwealth.

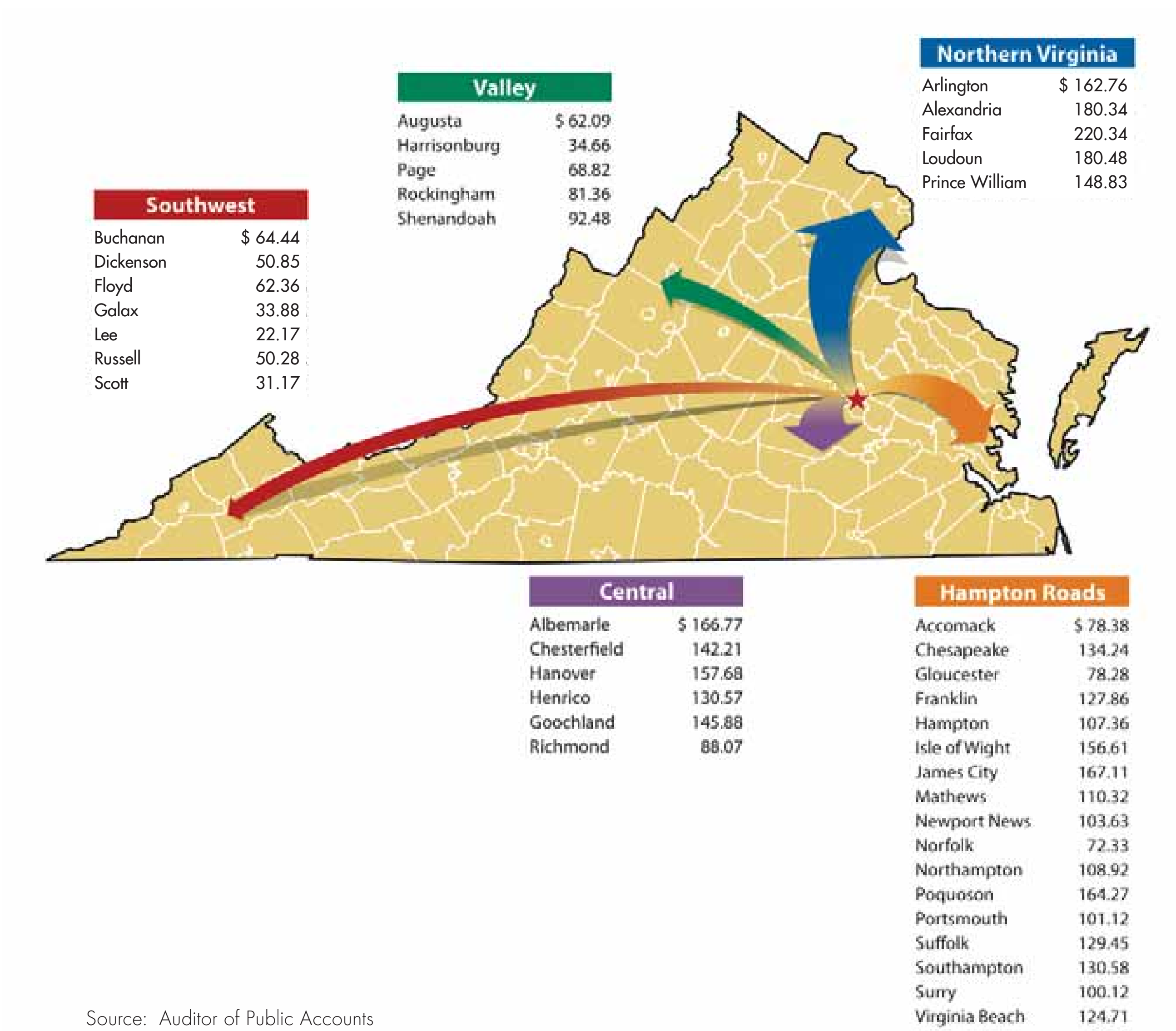
Further, it should be pointed out that the money reimbursed to local governmental units via the car tax cut program does not constitute new money to them. In the absence of the car tax reduction, local governments would have collected these funds anyway from local individual vehicle owners. And, this money would have been spent locally. Instead, there has been a shift of wealth from the entire state to those jurisdictions that typically exhibit the least financial need. **Fairfax County, for example, received $220.34 per capita in car tax reimbursements, while Lee County received a paltry $22.17 per capita. As one legislator from Northern Virginia put it, "Thank you very much!"**

Of course, the residents of the jurisdictions receiving the highest car tax reimbursements hasten to argue that there is some justice here because they also pay the most in state taxes. Even so, this tax program has the illogical consequence of taking from everyone in order to give to the wealthiest.

Once again, it's not clear how we actually could determine what should be deemed "fair" with respect to the car tax. What is obvious, however, is that Hampton Roads residents (and those throughout Virginia) are shoveling

money to Northern Virginia. General fund monies that could be used to remedy the shortfall in school funding described previously are instead being sent to jurisdictions that have considerably lower financial need. General fund money that heretofore would have been distributed through various need-based formulae instead now is being doled out in a reverse Robin Hood fashion. It would not be difficult to argue this is unfair to the taxpayers of Hampton Roads. At the very least, the car tax reduction mechanism appears to be a policy of dubious merits if one has fairness and equity in mind.

FIGURE 2
THE CAR TAX CUT
(PER CAPITA DISTRIBUTION OF STATE GENERAL FUNDS TO LOCALITIES)



Source: Auditor of Public Accounts
Graphics: Rick Clark Illustration and Design

TABLE 5 CAR TAX REIMBURSEMENTS, 2006		
Top Seven	**Per Capita**	**Total**
Fairfax County	$220.34	$213,897,975
Prince William County	$148.83	$54,951,376
Virginia Beach	*$124.71*	*$54,066,021*
Loudoun County	$180.48	$48,658,529
Chesterfield County	$142.21	$41,594,538
Henrico County	$130.57	$37,454,256
Arlington County	$162.76	$31,634,311
Top Seven	$157.14	$482,257,006
Hampton Roads		
Chesapeake	$134.24	$28,939,611
Newport News	$103.63	$18,799,436
Norfolk	$72.33	$17,077,362
Hampton	$107.36	$15,642,906
Suffolk	$129.45	$10,294,089
Portsmouth	$101.12	$9,983,570
James City County	$167.11	$9,889,611
Isle of Wight County	$156.61	$5,178,450
Accomack County	$78.38	$3,092,569
Gloucester County	$78.28	$2,812,618
Southampton County	$130.58	$2,374,952
Poquoson	$164.27	$1,946,952
Northampton County	$108.92	$1,439,355
Franklin	$127.86	$1,061,723
Mathews County	$110.32	$1,012,313
Williamsburg	$58.74	$783,031
Surry County	$100.12	$686,197
Hampton Roads	$113.49	$131,014,745
Statewide	$124.72	$950,000,000
Source: Auditor of Public Accounts		

Transportation

One of the most hotly debated issues in the Virginia General Assembly in recent years has been transportation. Big money is involved, not the least because Virginia maintains the third largest highway system in the United States. The 2007 Virginia Department of Transportation (VDOT) budget is approximately $4.3 billion. Even with this level of expenditure, however, Virginia ranked 44th among the 50 states in terms of its per capita spending on highways in 2003 (according to The State of Transportation in Hampton Roads, 2006, published by the Hampton Roads Planning District Commission).

The challenges facing VDOT are manifold. First, and foremost, it does not command nearly enough revenue to meet the apparent needs, or at least wishes, of Virginians for road maintenance and construction. Indeed, in 2006, VDOT spent almost $1.4 billion on road maintenance ($285 million of which is paid to localities that maintain their own highways). This level of expenditure, however, has come at the cost of new road construction, which has exceeded $1.1 billion annually, but will fall continuously over the next few years because it has become necessary to transfer money from VDOT's construction fund to needed road maintenance and repair. In FY 2007, $286 million was transferred and this number will rise progressively as maintenance and repair needs rise, and the purchasing power of these dollars declines. In 2012, for example, VDOT forecasts that it will transfer $473 million from the construction fund into road maintenance and repair. The day is in sight when the Commonwealth will not have any new road construction money whatsoever.

One of the major sources of revenue for VDOT is fuel taxes. However, these taxes have been held constant at $.175 per gallon for gasoline and $.16 per gallon for diesel since 1987. In the intervening time, the consumer price index has risen 82 percent, meaning the purchasing power of these taxes has been seriously reduced. The purchasing power of the $.175 per gallon tax on gasoline, for example, has been reduced to about $.10 per gallon. **In any case, Virginia ranks among the bottom 10 states in terms of the taxes and fees it collects per gallon of unleaded gasoline, according to the Hampton Roads Planning District Commission (HRPDC).**

Second, the demand for VDOT's services continues to rise. Consider that between 1996 and 2005, the population of Hampton Roads increased by 6 percent, but the vehicle miles traveled within the region increased 18 percent and the number of registered vehicles was up 27 percent. This has driven higher VDOT maintenance and repair expenditures and has strengthened cries for new road construction and/or funding for public transportation.

Third, the tastes of drivers appear to have changed over the past decade. According to the HRPDC, nearly 83 percent of all commuters drove to work alone in our region in 2005, up from 73 percent in 1990. In 2005, more than half of all workers in Hampton Roads worked in a different community than the one in which they lived. There is an economic cause for this: rising incomes have allowed more people to acquire their own vehicle and to opt against car pools, public transportation and other alternatives.

While the debate over transportation funding in Virginia and in Hampton Roads has been contentious, the truth is that it actually has not been around the need for traffic congestion relief, or for the need to develop alternatives to the single-occupant vehicle. These needs are well established, as the data above demonstrate. Further, the cost of failing to address these needs has been calculated. The 2006 State of the Region report documented that traffic congestion in Hampton Roads imposed costs of $472.9 million on drivers (about $300 for every citizen in the region). This is without taking into account the environmental costs generated by congestion, resulting higher prices and adverse effects on business location decisions.

The 2006 State of the Region report also found that the typical drive time for a commuter going from I-564 in Norfolk to the Hampton University exit on the Peninsula (or vice versa) during rush hour was 41 minutes in 2005. Given the growth in population and vehicle registrations, this will increase to 82 minutes in 2015. These findings have been accepted without much debate. Everyone agrees that traffic congestion exists and that it imposes costs.

If the argument over regional transportation has not been about needs or trends, then what has it been about? The answer is – taxes. In a nutshell, many legislators are firmly against increasing taxes in order to provide additional transportation money. They argue that the General Assembly raised taxes in 2006 and that as a consequence the Commonwealth has some funds available to meet a portion of the outlined transportation needs. They believe that such funds, along with funds generated by significant borrowing through the sale of bonds, can meet many of Virginia's transportation needs – all without an increase in the state's gasoline tax.

Finally, in the case of Hampton Roads, after much give and take and more than a touch of bitterness, the General Assembly voted to allow the region's citizens to tax themselves in order to fund a series of very expensive projects such as a third crossing (we examine these projects below), which clearly cannot be funded by the techniques just outlined.

It is not unfair to characterize the 2007 General Assembly as having ultimately decided, after all the shouting and political skirmishing, to send the following message to Northern Virginia and Hampton Roads: "Tax yourselves for transportation, if you wish; we're not going to do it for you." There are some who may regard this approach as the epitome of justice, but it clearly represents a step away from the Commonwealth's traditional responsibility for transportation funding and the notion that all of the regions of the state are interdependent. It also places substantial taxation burdens on several jurisdictions that already are fiscally stressed.

This approach was not greeted with enthusiasm in some quarters. In early June 2007, Peninsula Republican Party voters defeated long-time incumbent Senator Marty Williams, who as chair of the Senate Transportation Committee, had much to do with the crafting of the compromise proposal to allow Hampton Roads to tax itself to pay for major regional transportation improvements (Daily Press, June 13, 2007).

In June 2007, the Hampton City Council unanimously rejected participation in the regional transportation compact. Councilman Rhet Tignor commented that the Commonwealth's punting of the taxing and funding issue for transportation to localities constituted a "dangerous precedent" (The Virginian-Pilot, June 14, 2007). He worried that the state might pass on the responsibility for other tasks, such as mental health, to the cities and counties.

A bit of history is in order. In 2002 the General Assembly passed legislation that allowed for a popular referendum on the question of a 1 cent increase in the sales tax in Hampton Roads that would be used by a local authority to respond to the region's transportation needs. With negligible involvement of the general public and limited involvement of local governmental and business leaders in its development, the proposal was probably doomed from the beginning. In any case, it was overwhelmingly rejected by the voters.

But, the subject did not disappear. The General Assembly passed a hotly debated compromise transportation package in spring 2007 that some regarded as modest, but others viewed as an unwarranted increase in regional taxation. The principal feature of the legislation permitted the establishment of a regional transportation authority (the Hampton Roads Transportation Authority, or HRTA) to raise revenues that legislators decided not to provide from state coffers. At least seven of 12 regional jurisdictions, comprising at least 51 percent of the population of the region, had to approve in order for the HRTA to go into effect. This hurdle was surmounted on June 14, 2007, when the Board of Supervisors of Isle of Wight County approved the HRTA by a 3-2 vote. Other approving jurisdictions included James City County, Newport News, Norfolk, Portsmouth, Virginia Beach and Williamsburg. Beginning Jan. 1, 2008, the HRTA will levy the interesting combination (a "hodgepodge," opponents charged) of automobile and real estate taxes listed in Table 6.

Projects undertaken by the new authority are required by law to have been included in the federally mandated 2030 Regional Transportation Plan or any succeeding plan. According to the Hampton Roads Planning District Commission, which will staff the HRTA, among the major projects included in the 2030 plan and the year-of-expenditure costs are:

Third Crossing	$4.152 billion
Southeastern Pkwy./Dominion Blvd.	$1.117 billion
Midtown Tunnel/MLK Extension	$ .549 billion
U.S. Route 460 Improvement	$1.468 billion
I-64 Widening (Peninsula)	$ .556 billion
I-64 Widening (Southside)	$1.080 billion
Total	$8.922 billion

TABLE 6 STATE REVENUE ESTIMATES FOR THE HAMPTON ROADS TRANSPORTATION AUTHORITY	
Revenue Source	**State Estimate FY09**
$10 Automobile Inspection Fee	$12.3 million
5% Tax on Automobile Repairs	$18.9 million
Grantors Tax of 40% per $100 of Value	$49.1 million
Motor Vehicle Rental Tax of 2%	$3.5 million
One-Time Vehicle Registration Fee (Titling Tax) of 1%	$41.2 million
Annual Vehicle Registration Fee of $10	$13.3 million
2% Retail Tax on Motor Fuel Sales	$30.2 million
Total Revenue	$168.5 million
Source: Hampton Roads Planning District Commission	

One can see that even with the new regional transportation authority, Hampton Roads will be significantly deficient in meeting its transportation needs. The new taxes will raise $168.5 million per year, while the desired large projects alone will require $8.92 billion in funding. The $168.5 million stream of revenue will at most support $2 billion in projects, if the revenue stream is used solely to pay for bonds.

At the end of the day, therefore, it is clear that the Commonwealth of Virginia has decided not to fund significant transportation needs inside Hampton Roads.

Nevertheless, is there anything useful we can say about the share of VDOT funding the region currently receives? Only a bit. VDOT appropriately supports a variety of different programs relating to streets and highways in the nine highway districts within the Commonwealth. The complex formulae it uses to support these programs pay attention to population, land area, road mileage and, of course, need.[1] Figure 3 reports the proposed future financial allocations of VDOT for its "improvement program" (improving existing roads and building new roads) between 2007 and 2012.

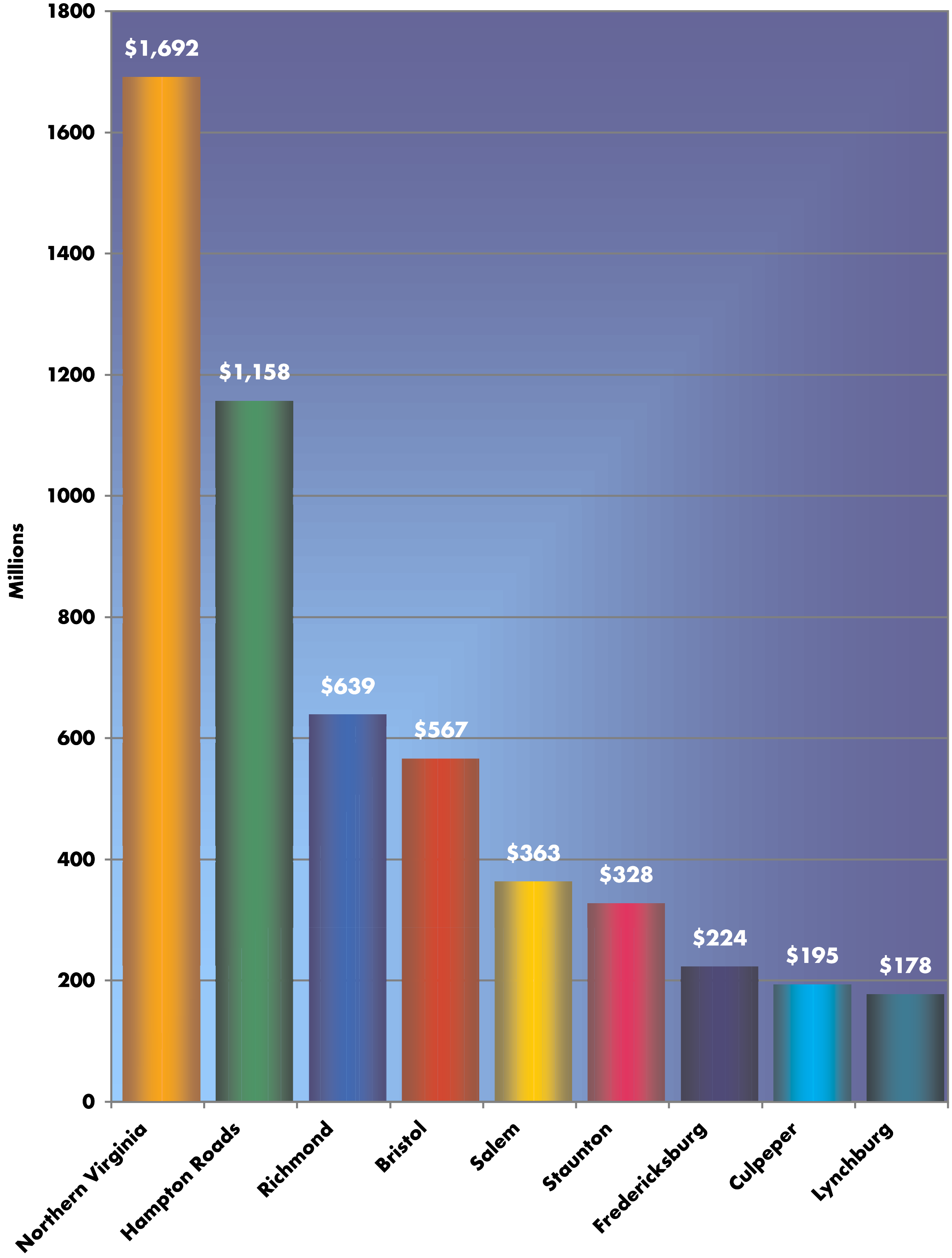
The improvement program funds allocated to Hampton Roads account for 22 percent of the total, while Northern Virginia receives 31 percent. Hampton Roads has no immediate reason for complaint here, as its allocation exceeds its proportion of the Commonwealth's population (slightly less than 21 percent). One might argue that need is greater in Hampton Roads and Northern Virginia than elsewhere in the state because of population and economic growth. However, the allocations already reflect that notion to some extent. Further, a realistic appraisal suggests that the greatest relative need is in Northern Virginia and not in Hampton Roads.

Hence, it does not appear that Hampton Roads has a strong basis for arguing that it is being underfunded relative to other VDOT transportation districts. The problem, bluntly, is that there isn't nearly enough money to go around. The transportation funding pie simply isn't very big compared to other states and it is going to become smaller in the future as more and more construction dollars are transferred into maintenance. That is why Hampton Roads ended up in the position of voting to tax itself in order to spur road construction within the region.

In contrast to the funding of K-12 public education, or the distribution of car tax reimbursements (where Hampton Roads does not fare well relative to many areas of the Commonwealth), the region has little solid basis for griping about the funding allocations made by VDOT. Once again, the primary problem is the overall lack of funding, not the funding formulae.

[1] See http://www.virginiadot.org/about/resources/07supplement.pdf.

FIGURE 3
SIX-YEAR IMPROVEMENT PROGRAM ALLOCATIONS BY VDOT DISTRICT
(2007-2012)



Source: Virginia Department of Transportation

Conclusions

Hampton Roads contains many communities that by most measures of income and wealth and/or human and social needs are in great need of financial assistance from the Commonwealth. Even so, in several critical areas within the state budget, the region falls short of receiving the state revenue necessary to meet well-identified needs. K-12 public education funding and car tax reimbursements provide particularly outstanding examples, followed by higher education funding. It's not clear that the region is shortchanged with respect to transportation funding; the problem in that arena is that there simply isn't enough money statewide to deal with identified needs.

Part and parcel of Hampton Roads' problems is the fact that many of its jurisdictions are "fiscally stressed," according to the Commonwealth's formulae. Communities such as Hampton, Newport News, Norfolk and Portsmouth are severely challenged to meet the financial needs they face. This means that if the Commonwealth's goal is to provide all Virginians high-quality K-12 public education opportunities, then it is failing to do so, or at the very least is doing so unequally. Among 134 city and county jurisdictions in Virginia, these four Hampton Roads cities rank between 10th and 34th in terms of highest financial stress, whereas the four Northern Virginia counties (Arlington, Fairfax, Loudoun and Prince William) rank between 111th and 132nd. The financial implications are immediately obvious. While the state's K-12 public education formula makes a bow in the direction of eliminating this disparity, it certainly does not do so completely.

How and why have these problems arisen? Differing economic growth sources and patterns (Hampton Roads versus Northern Virginia), divergent demographics, varying legislative aims, bad decisions and even chance have played a part. With respect to bad decisions, the adverse financial impact of the car tax reduction on Hampton Roads ranks high in that regard. While no one likes to pay the car tax, the method chosen by the General Assembly to mitigate Virginia's car tax redistributed income from regions such as Hampton Roads to other regions, particularly Northern Virginia. Good politics turned out to be bad economic policy for our region. Finally, after the decade of the 1990s when Hampton Roads enjoyed senior legislative leadership, the current stable of legislators is more junior or out of power politically, and therefore exercises comparatively less influence.

So, is Hampton Roads shortchanged in Richmond? Is the current distribution of state funds unfair? Perhaps. One can make the case that Hampton Roads is being shortchanged where state funds are concerned, but as we have seen, much depends upon what one chooses to measure and what metrics one uses. Suffice it to say that there's plenty of room for our region to fare better.

On the cover: Clockwise from top — Oakdale Square, a Chesapeake Redevelopment and Housing Authority community; The Westin at Virginia Beach Town Center; Hampshire Glen, a single-family new homes development, Hampton. Photos: Chris Daniel

Pages 27, 34 and 35: Photos courtesy of Virginia Ship Repair Association

Page 49: Photo: Araceli Suzara, Old Dominion University Filipino American Center

Page 63: Photo: Chris Daniel

Pages 77 and 104: Photos courtesy of Hampton Roads Sports Commission

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