HAMPTON ROADS, VA

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THE STATE OF THE REGION

HAMPTON ROADS 2008

REGIONAL STUDIES INSTITUTE • OLD DOMINION UNIVERSITY

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

October 2008

Dear Reader:

This is Old Dominion University's ninth 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, John R. Broderick. 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 2008 report is divided into seven parts:

- **The Regional Economy Downshifts:** The spectacular first half of this decade is fading into the background as our regional economic growth rate has fallen back to the Commonwealth and national averages. Defense spending continues to rise in importance and now is responsible for more than 40 percent of our regional income generation.
- **Regional Housing Markets Adjust to Changing Circumstances:** Hampton Roads has not been immune to national housing problems, but our mortgage defaults and foreclosures have been well below the national average. Our housing prices have not yet declined significantly, except for new residential housing. We may be a year or more away from the "bottom."
- **If It Bleeds, Does It Lead? Local Television Evening News in Hampton Roads:** Only one of every six television evening news stories relates to crime or violence, but almost 33 percent of the stories that lead broadcasts focus on crime and violence, while 45 percent focus on some type of crime. African Americans are frequently featured as alleged perpetrators, while Caucasians usually are the reported victims.
- **Women Earn Less than Men in Hampton Roads. Why?** As is true nationally, women in Hampton Roads earn less than men. Gender earnings differentials are particularly large in occupations characterized by "crowding" – where women constitute a sizable proportion of those employed. Economically speaking, women may be better off in the Richmond metro area than in Hampton Roads.
- **An Almost Invisible Corner: Care for the Mentally Ill in Hampton Roads:** According to the U.S. Center for Mental Health Services, an estimated 64,972 people (5.4 percent) suffer from serious mental illness in Hampton Roads. Beginning in the 1970s, these individuals largely have been deinstitutionalized and now live within our communities, where they are served primarily by nine community services boards.
- ***Wunderbar!* German Firms in Hampton Roads:** Our region is home to 31 companies hailing from the Federal Republic of Germany and they represent the largest contingent (19 percent) of the area's international firms. These firms "insource" rather than "outsource" jobs and pay above-average compensation to their workers.
- **Ranking Hampton Roads: Hot or Not?** The two most respected rankings of the livability of metropolitan areas are David Savigeau's Places Rated Almanac (PRA) and Bert Sperling's and Peter Sander's Cities Ranked and Rated (CRR). In their most recent editions, PRA ranked Hampton Roads 20th in the nation among 370-plus metro areas, while CRR ranked our region 137th. We analyze where these ratings come from and how we compare to other areas.

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

The Aimee and Frank Batten Jr. Foundation
Frank Batten Sr.
R. Bruce Bradley
Ramon W. Breeden Jr.
Arthur A. Diamonstein
George Dragas Jr.
Thomas Lyons
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Anne B. Shumadine

The following individuals were instrumental in the research, writing, editing, design and dissemination of the report:
Vinod Agarwal
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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 nine State of the Region reports may be found at www.odu.edu / forecasting and www.jamesvkoch.com.

Sincerely,

James V. Koch

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

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The Regional Economy Downshifts

THE REGIONAL ECONOMY DOWNSHIFTS

The first few years of this decade collectively were among the best Hampton Roads has experienced since World War II. Between 2000 and the end of 2003, our economy grew more than 4 percent annually in real terms (after inflation). However, as Table 1 reveals, economic growth has slowed in our region and has been well below 2 percent in 2008.

In 2008, economic growth in Hampton Roads, measured by Gross Regional Product (GRP), is likely to be constrained by at least four negative economic trends that are affecting the nation as well as our region. These are: (1) rising oil prices; (2) financial credit constraints; (3) falling house prices; and (4) the depreciation of the dollar. Regional economic growth in 2008 has approximated 1.7 percent, well below our 35-year average Hampton Roads economic growth rate of 3.4 percent.

TABLE 1
ESTIMATED HAMPTON ROADS GROSS REGIONAL PRODUCT (GRP) NOMINAL AND REAL (PRICE ADJUSTED), 2000-2008

YEAR	NOMINAL GRP BILLIONS $	REAL GRP (2000=100) BILLIONS $	REAL GRP GROWTH RATE PERCENT
2000	48.36	48.36	2.4
2001	51.16	49.96	3.3
2002	54.83	52.63	5.3
2003	58.89	55.34	5.2
2004	62.80	57.37	3.7
2005	66.67	59.00	2.8
2006	70.39	60.38	2.3
2007	74.14	61.96	2.6
2008	76.93	63.01	1.7

Source: Old Dominion University Economic Forecasting Project. Data incorporate U.S. Department of Commerce Personal Income revisions through May 2008.

Output, Employment and Compensation

Table 1 also reports that the region's GRP has approached $77 billion in 2008. This is a very large number. **If we take into account differences in foreign exchange rates and what foreign currencies actually will buy, then our region's gross product is greater than that of two-thirds of the nations in the world. Hampton Roads' economy is similar in size to U.S. metropolitan areas such as San Antonio, Austin, Nashville and Hartford.**

The decline in our regional economic growth rate reflects state and national trends. Graph 1 shows that the growth rates of the Hampton Roads, Virginia and national economies have been below 2 percent in 2008.

Regional employment growth averaged about 9,000 jobs per year from 2000 through 2005. However, between 2006 and 2008, job growth fell approximately 25 percent to about 6,000 new jobs per year (see Graph 2). Job growth tends to lag economic growth and hence, we should expect even lower regional job growth in 2009.

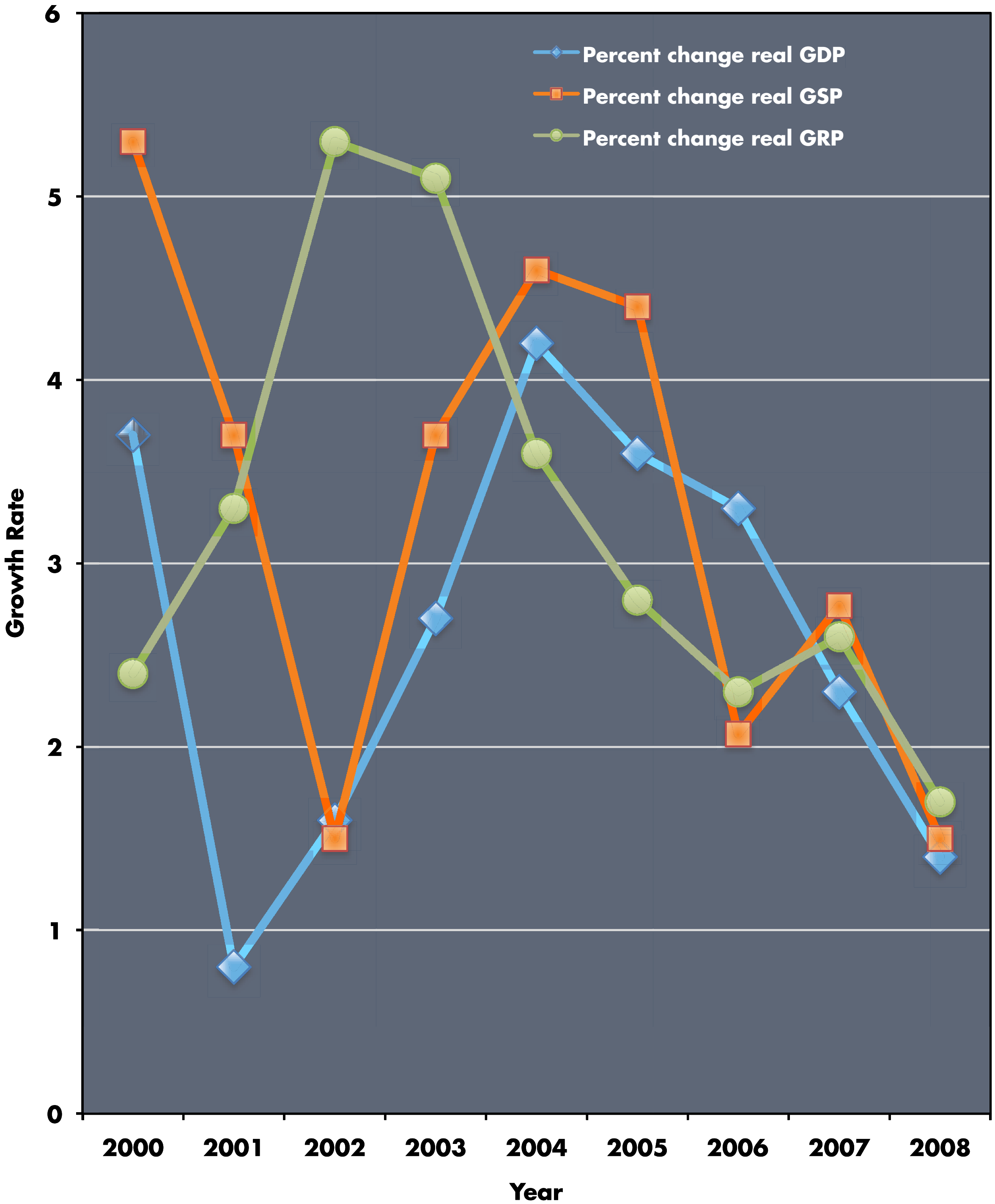
Where are new jobs being created? In 2007, Hampton Roads' education and health sectors led in the creation of new jobs. As Graph 3 discloses, port-related activities and tourism also were important sources of job creation. Note that the total number of regional construction jobs fell for the first time in a decade, even though major commercial construction projects continued to be large and numerous. The falloff in residential housing construction drowned out this favorable trend.

Manufacturing employment in the region fell once again in 2007, by 1,000, but actually this is not such a bad result. The Ford Motor Co. closing occurred in June 2007 and this cost the region 2,000 manufacturing jobs. This means that growth in other manufacturing areas, such as shipbuilding and repair, was broadly positive and canceled out approximately half of the job impact of the Ford truck assembly plant closing.

While the growth rate of regional employment in 2007 was very close to the national average (see Graph 4), it trailed that of other Southeast metropolitan areas such as Charlotte, Jacksonville and Raleigh. We forecast that employment growth in Hampton Roads will fall to about .8 percent in 2008; however, the national average is likely to be even lower.

GRAPH 1

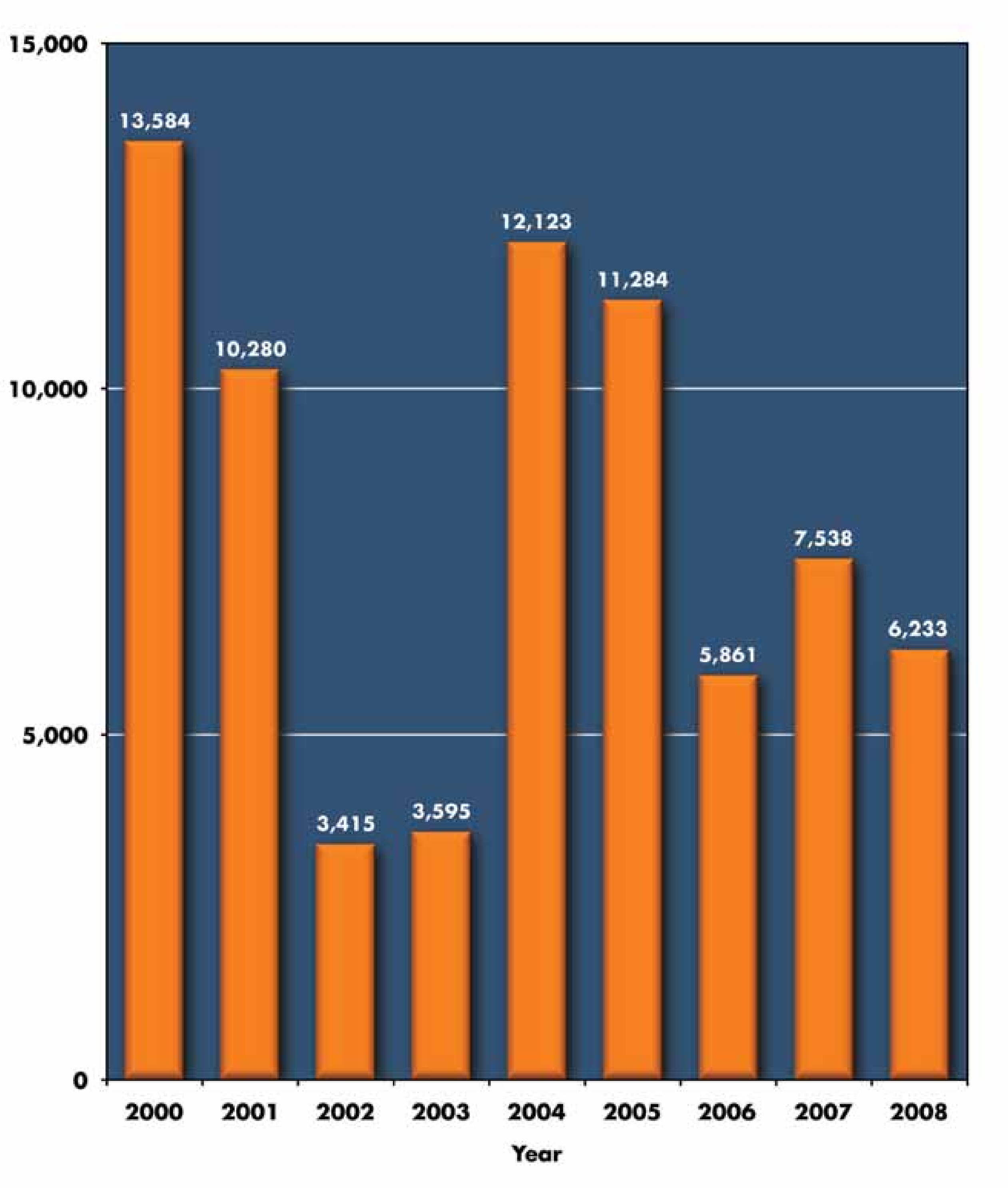
RATE OF GROWTH OF GDP (US), GSP (VA) AND GRP (HR)



Source: Old Dominion University Economic Forecasting Project

GRAPH 2

NET NEW PRIVATE-SECTOR WAGE AND SALARY JOBS CREATED IN HAMPTON ROADS, 2000-2008



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

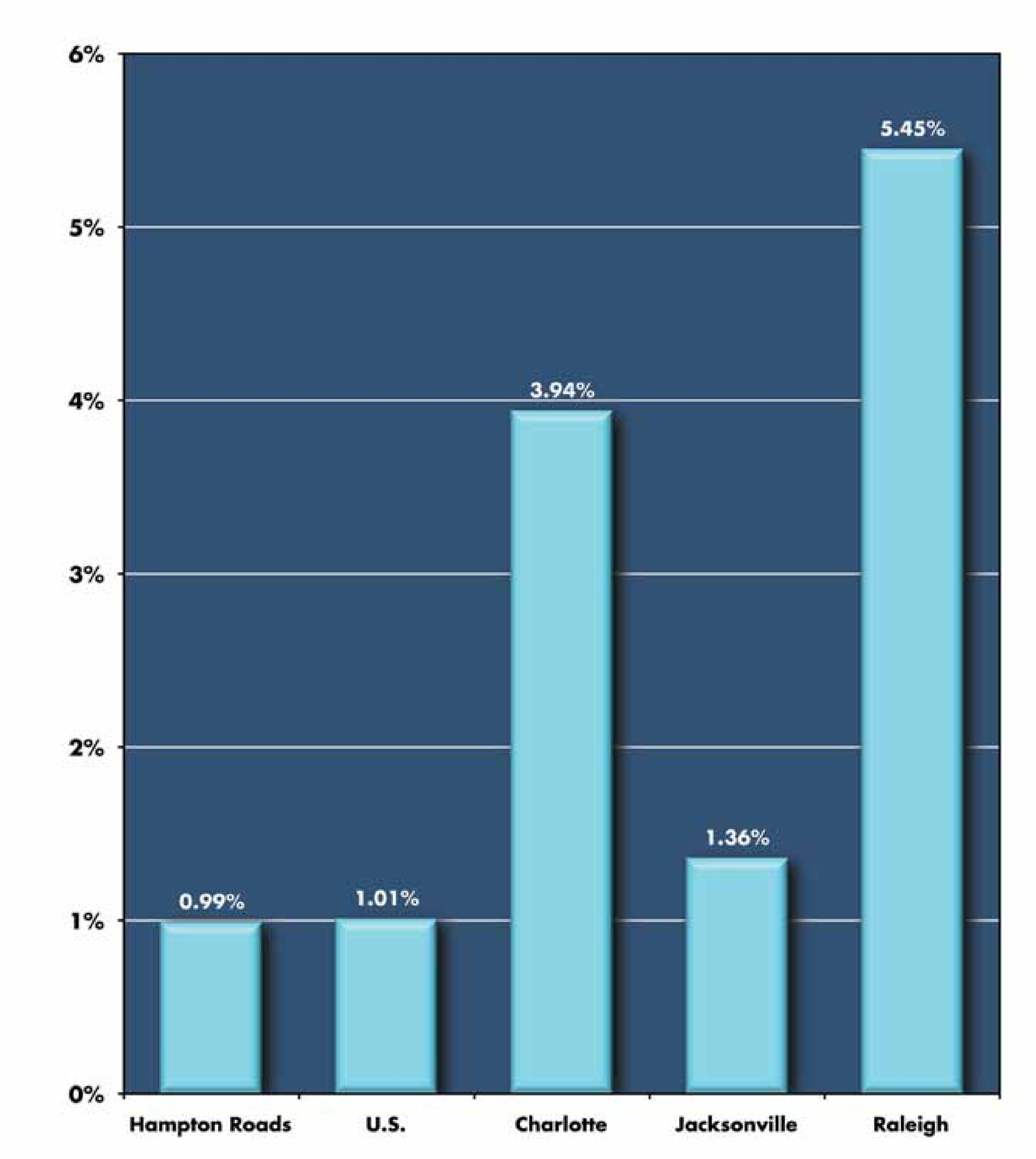
GRAPH 3

EMPLOYMENT GAINS AND LOSSES IN HAMPTON ROADS, 2007

Sources: U.S. Department of Labor and the Old Dominion University Economic Forecasting Project (Bureau of Labor Statistics data as of 4/21/08)

GRAPH 4

2007 CIVILIAN EMPLOYMENT GROWTH RATE IN SELECTED MSAs



Sources: U.S. Department of Labor (5/26/08) and the Old Dominion University Economic Forecasting Project

A Closer Look at Our Bread and Butter Industries

THE MILITARY

Given the omnipresent nature of the military in Hampton Roads, the volume of defense spending in the region is central to our economic prosperity. **The most important component of defense spending is military compensation, which accounts for 56 percent of defense spending in the region.** Graph 5 displays annual percentage changes in compensation and the number of military personnel in our region between 2002 and 2008. Since 2002, the number of military personnel has fallen by 4 percent, even while total compensation of those individuals rose by 63 percent. In a nutshell, a smaller number of individuals has been compensated much better. However, it appears that compensation increases will be more modest over the next several years.

Total Department of Defense (DOD) spending in Hampton Roads, which consists of both compensation expenditures and procurement purchases, rose from an estimated $10.3 billion in 2000 to $18.3 billion in 2008 – an increase of 78 percent (see Graph 6). Let's break down this increase into its major components: compensation increases for military personnel of $4.3 billion; $.8 billion for DOD civilian employees; and DOD procurement expenditures of $2.9 billion.

We expect an increase in DOD spending of approximately 5 percent over the next year, despite the loss of an aircraft carrier and the first-year implementation of the recommendations of the 2005 Base Realignment and Closure Commission (BRAC). In April 2008, the aircraft carrier George Washington changed its homeport from Norfolk to Japan. Nevertheless, much of the negative economic effect of the ship's departure should be offset by the 2008 commissioning of the aircraft carrier George Bush, which will be homeported in Hampton Roads.

Looking further down the road, however, we must observe that it is possible that the region will lose yet an additional aircraft carrier. The loss of a carrier and its accompanying task force and support would chop approximately 1 percent from our regional economic growth rate. This translates to almost $800 million annually and would constitute a significant economic blow to Hampton Roads.

The closing of Fort Monroe, scheduled for 2011, is the single most important regional piece of the BRAC decisions and it will cost the region roughly $900 million in lost output. However, this is likely to be spread out over a period of five years. In 2008, BRAC's cost to Hampton Roads should be $50 million to $100 million, depending upon the speed of implementation.

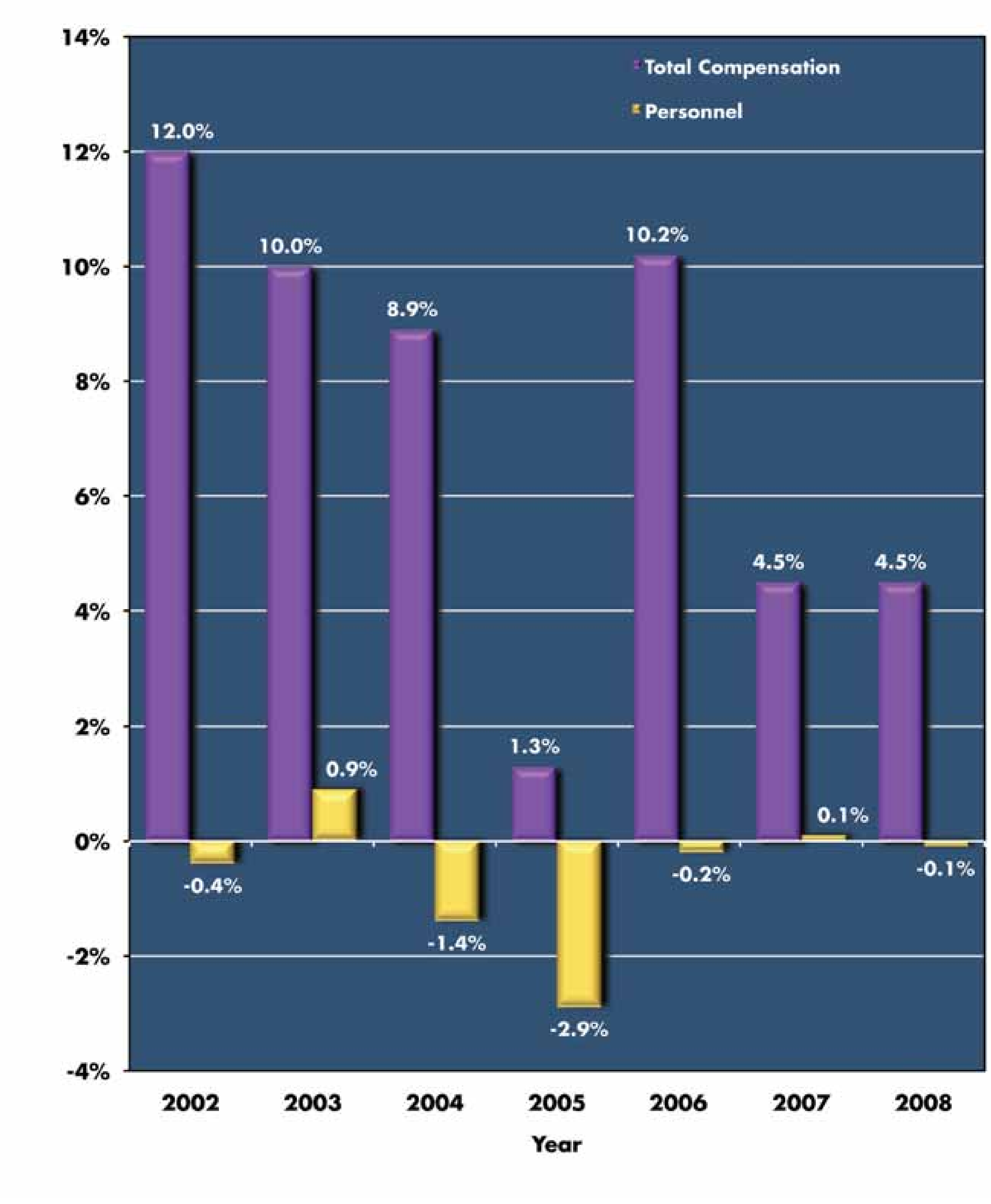
Graph 7 discloses that DOD expenditures within the region have risen between 4.5 percent and 4.9 percent annually since 2006. These are respectable increases, but there is no sign that the double-digit increases of 2001 and 2002 will reappear. They provided a powerful stimulus to the Hampton Roads economy, but those times are gone.

Department of Defense spending has seldom been more important to the economy of Hampton Roads. **DOD spending is responsible for more than 70 percent of the economic growth in Hampton Roads since the start of the new millennium and perhaps as much as 45 percent of our gross regional product.** Double-digit growth rates in DOD spending generated our healthy regional economic growth rates earlier in the decade, and now more modest DOD spending likewise is primarily responsible for our much lower current growth rates.

However, even a more modest 4.9 percent increase in DOD spending regionally in 2008 translates into an additional $1 billion in spending. Given the deceleration of the national economy, this easily has been the primary source of economic stimulation for Hampton Roads.

GRAPH 5

ESTIMATED ANNUAL GROWTH RATE OF HAMPTON ROADS MILITARY PERSONNEL AND TOTAL COMPENSATION (2002-2008)

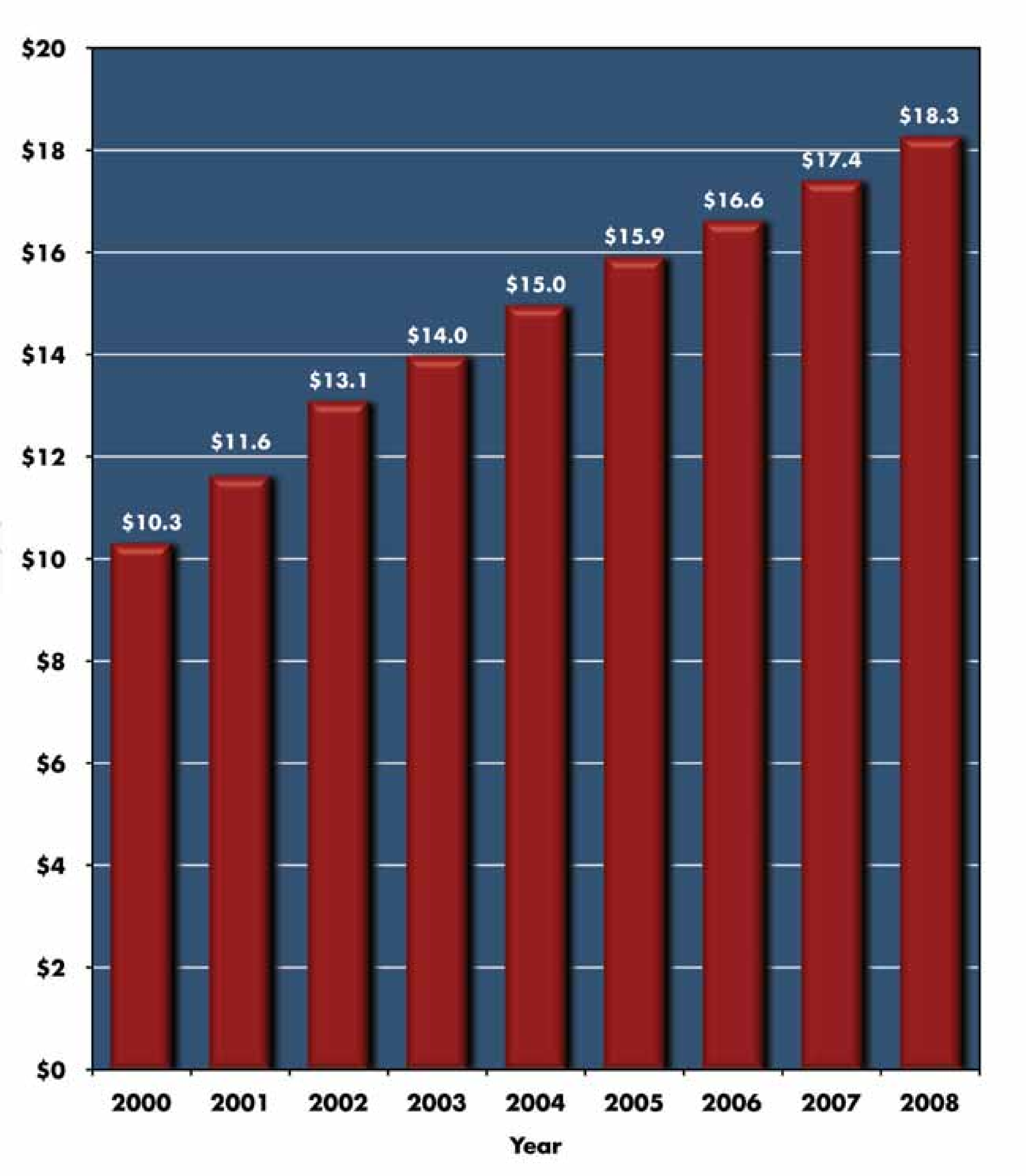


Sources: U.S. Department of Commerce and the Old Dominion University Economic Forecasting Project

GRAPH 6

ESTIMATED TOTAL DOD SPENDING IN HAMPTON ROADS

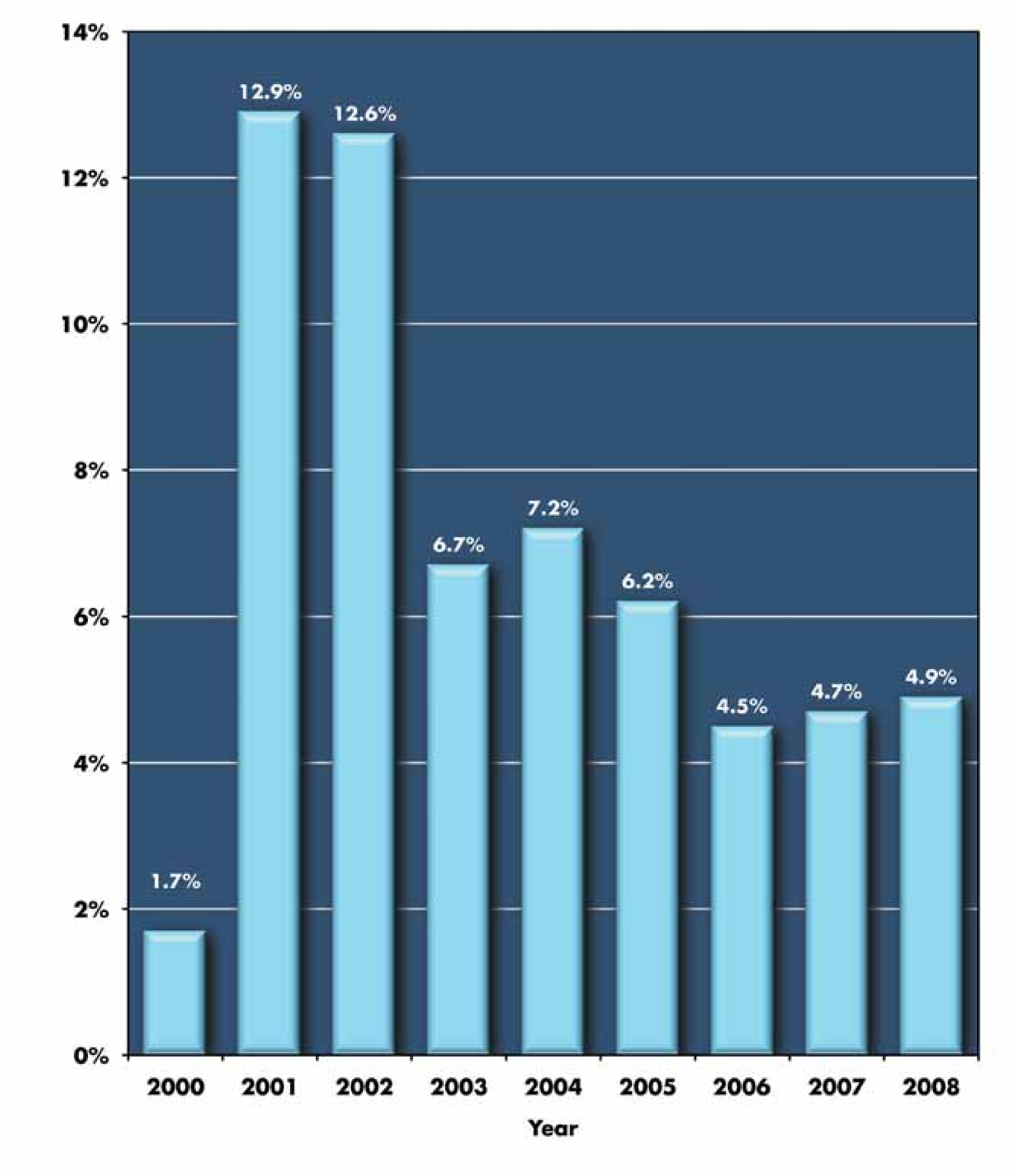
(BILLIONS OF DOLLARS, 2000-2008)



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

GRAPH 7

ESTIMATED ANNUAL GROWTH RATE OF TOTAL DOD SPENDING IN HAMPTON ROADS, 2000-2008

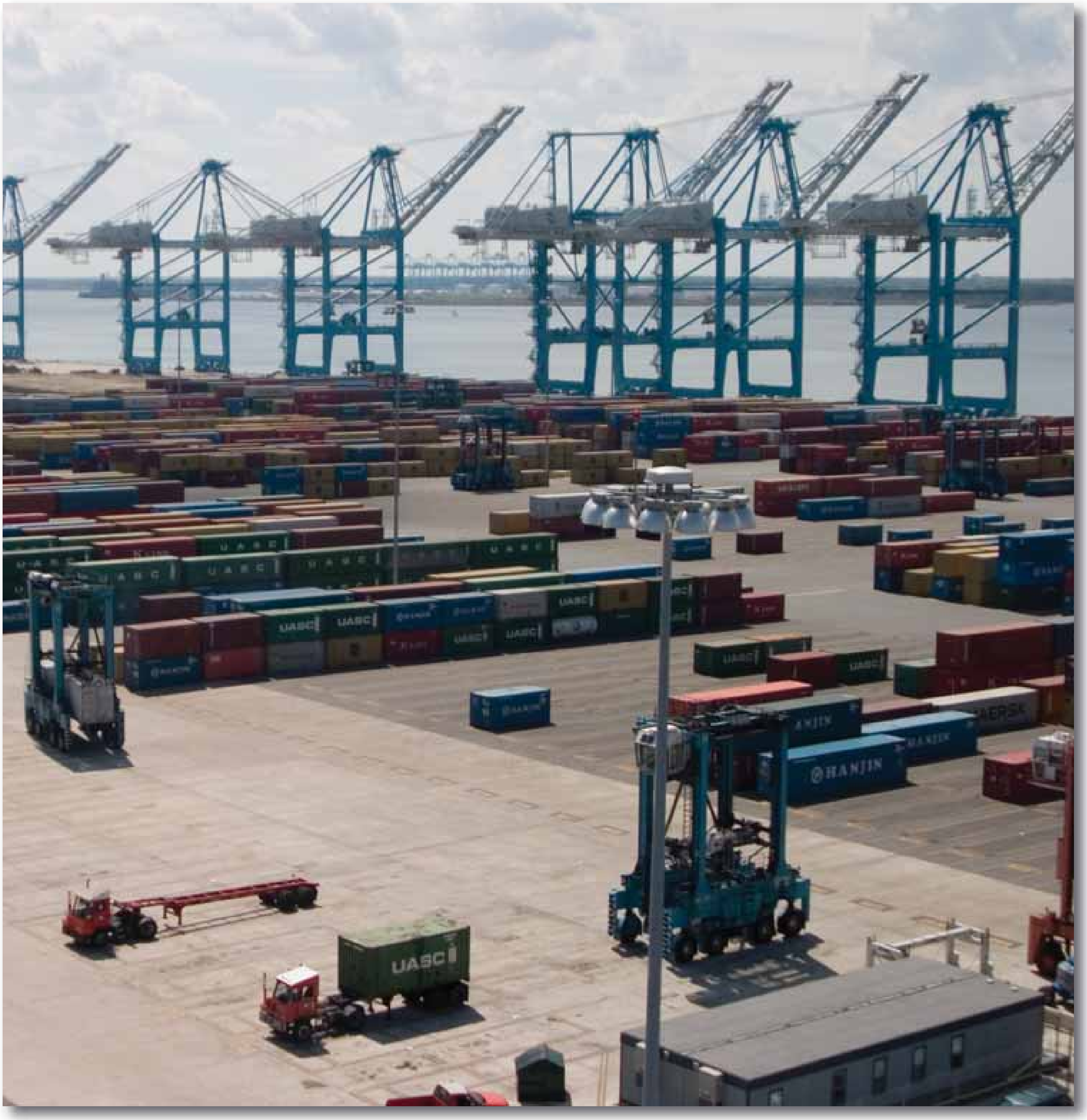


Sources: U.S. Department of Defense and the Old Dominion University Economic Forecasting Project

THE PORT

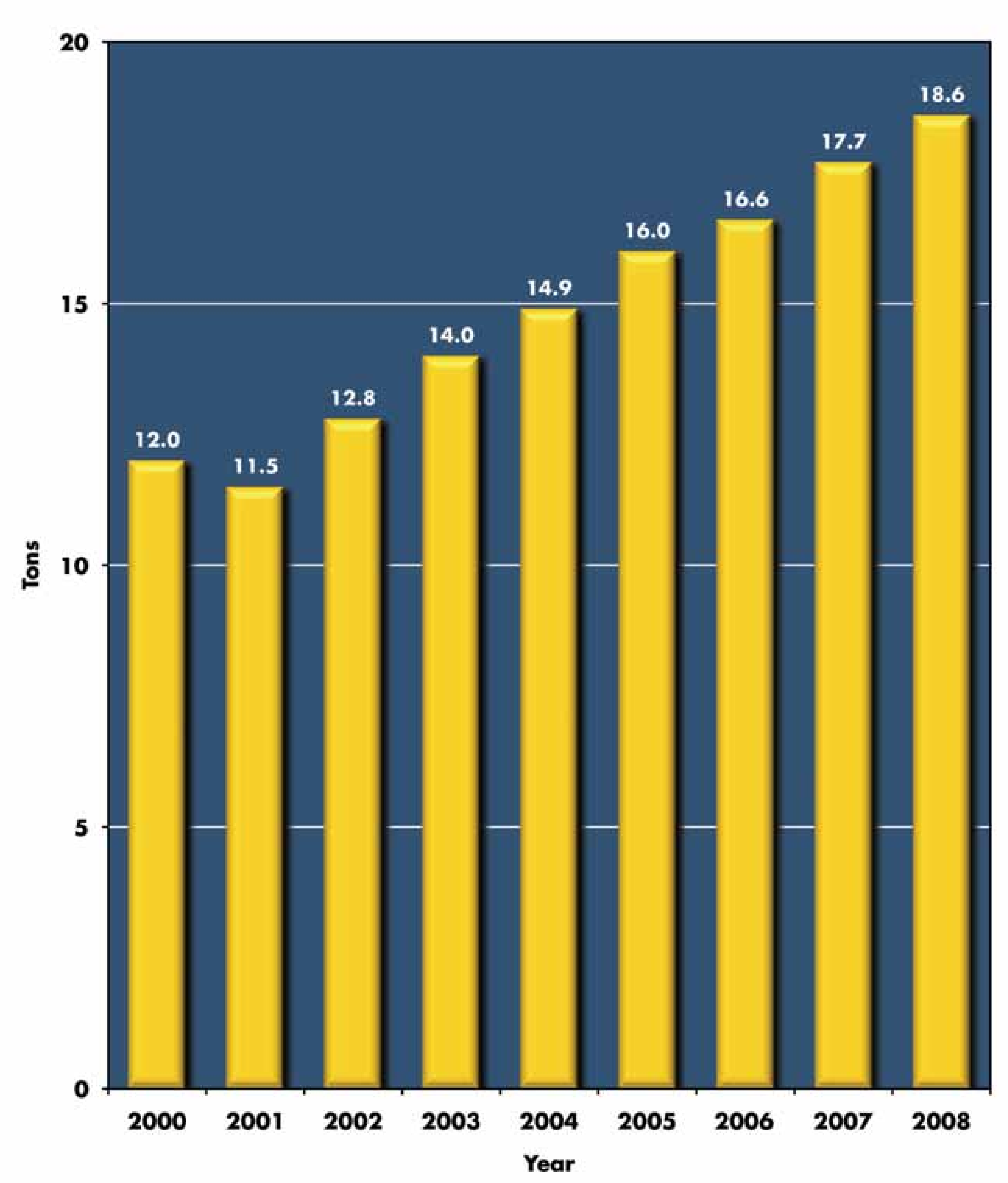
The port continues to be an important economic player in our regional economy and held up its end once again in 2008 (see Graph 8). The port's general cargo tonnage expanded in 2008 (as it has every year since 2001) by 5.1 percent, or .9 million tons over 2007, despite disruptive international economic conditions.

The depreciation of the U.S. dollar has had predictable consequences to our port. Graph 9 reveals that cargo exported from Hampton Roads rose more than 19 percent in 2007, while imported cargo declined by almost 4 percent. Total cargo tonnage increased by 6.6 percent, reflecting the dominating influence of exports over imports.



GRAPH 8

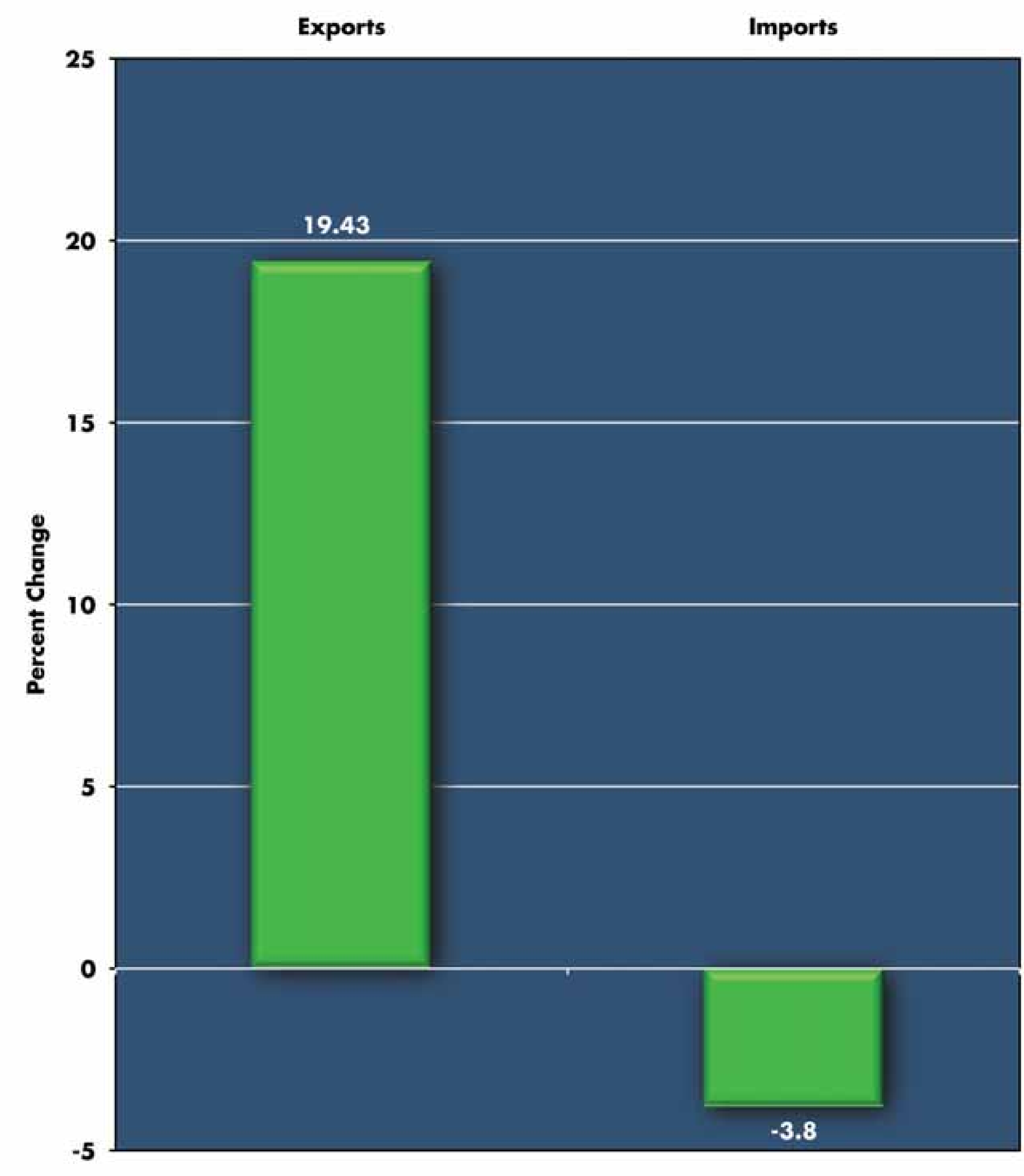
ANNUAL GENERAL CARGO TONNAGE SHIPPED THROUGH HAMPTON ROADS (MILLIONS OF TONS), 2000-2008



Sources: Virginia Port Authority and the Old Dominion University Economic Forecasting Project

GRAPH 9

PERCENT CHANGE IN 2007 EXPORT/IMPORT TONNAGE THROUGH THE PORT OF HAMPTON ROADS



Sources: Virginia Port Authority and the Old Dominion University Economic Forecasting Project

THE TOURIST INDUSTRY

In 2008, hotel revenue in Hampton Roads declined by 1 percent (see Graph 10). Is the projected 2008 decline in regional hotel revenue an indicator of a chronic weakness in the area's tourist industry? We do not think so, but in order to answer this question, we will examine historical data on the industry and then focus on economic events affecting the industry in 2008.

With the exception of the 2001 national recession, the Hampton Roads tourist industry experienced a steady increase in hotel revenue from 1997 to 2007. A major determinant of this growth was increased income in the northeastern United States, the major market area of the region's tourism industry.

Graph 11 compares growth in total hotel revenue and revenue per room (REVPAR) in Hampton Roads with that of the United States and Virginia. The growth rate in the region's hotel revenues was similar to that in the nation, but well below that of the Commonwealth of Virginia, primarily due to the rapid growth of the Northern Virginia economy.

Hotel revenue growth in Hampton Roads, which only reflects increased tourism and general economic growth, was not distributed equally among the region's cities (see Graph 12). Chesapeake, which grew rapidly as a city, but has limited tourist attractions, led the region in both the growth rates of hotel revenue and REVPAR between 1997 and 2007. Williamsburg brought up the rear with relatively small growth rates in both measures.

Stagnant hotel revenues in Williamsburg over the past decade have been a major concern to the tourist-intensive historic triangle, which also includes Jamestown and Yorktown. The relatively slow growth and recent decline of Williamsburg's hotel revenue from 1997 to 2007 (even taking into account the Jamestown tercentennial festivities in 2007) rearranged the relative shares of the industry held by the region's cities. One can see in Graph 13 that Williamsburg's share of regional hotel revenue fell by roughly 10 percent between 1997 and 2007, while the shares of Chesapeake and Virginia Beach rose by 5.2 and 2.4 percentage points, respectively.

Smith Travel data also suggest that tourism revenue growth within the entire region has slowed. Why? Given rising household income in the northeastern United States, the region's major tourism market area, it seems likely that two factors – gasoline prices and housing market problems – are at work.

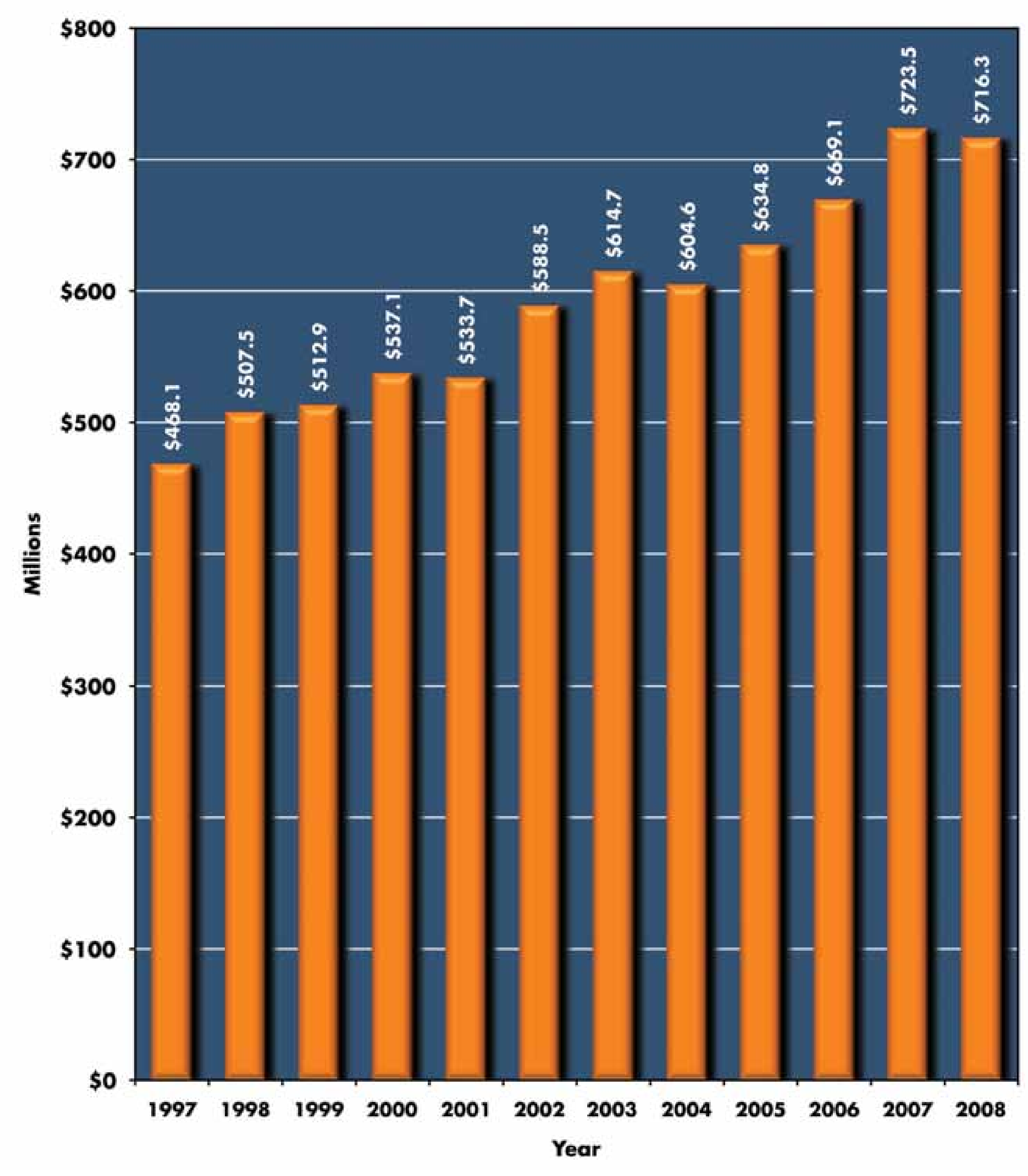
Gasoline prices are significantly higher in 2008 than in 2007. We estimate that the higher prices increased the motor fuel expenses of a typical household by $750 to $850 in 2008. This reduced discretionary income and almost inevitably reduced some travel and tourism expenditures.

House prices declined in 2008 in many of the metropolitan areas, such as Washington, D.C., and Baltimore, cities that generate numerous tourists for the region. What is the connection between housing markets and tourism? In recent months, relatively few households have extracted funds from their homes either by refinancing their mortgages and withdrawing equity, or by outright selling their homes. Graph 14 illustrates the dramatic decline in mortgage equity withdrawals in recent years. This has depressed travel and tourism.

GRAPH 10

HOTEL REVENUE IN HAMPTON ROADS

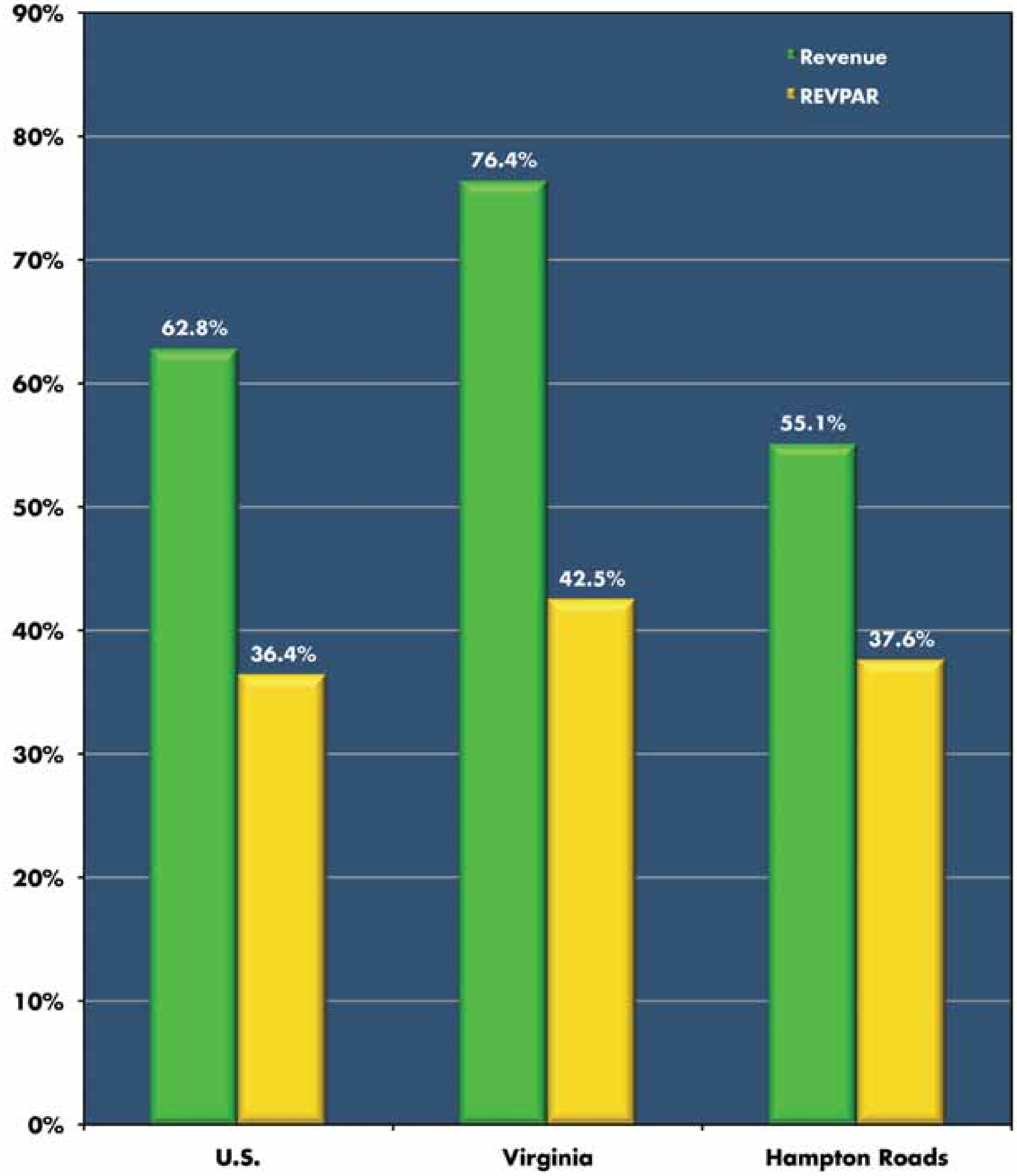
(MILLIONS OF DOLLARS, 1997-2008)



Sources: Smith Travel Research (various reports) and the Old Dominion University Economic Forecasting Project

GRAPH 11

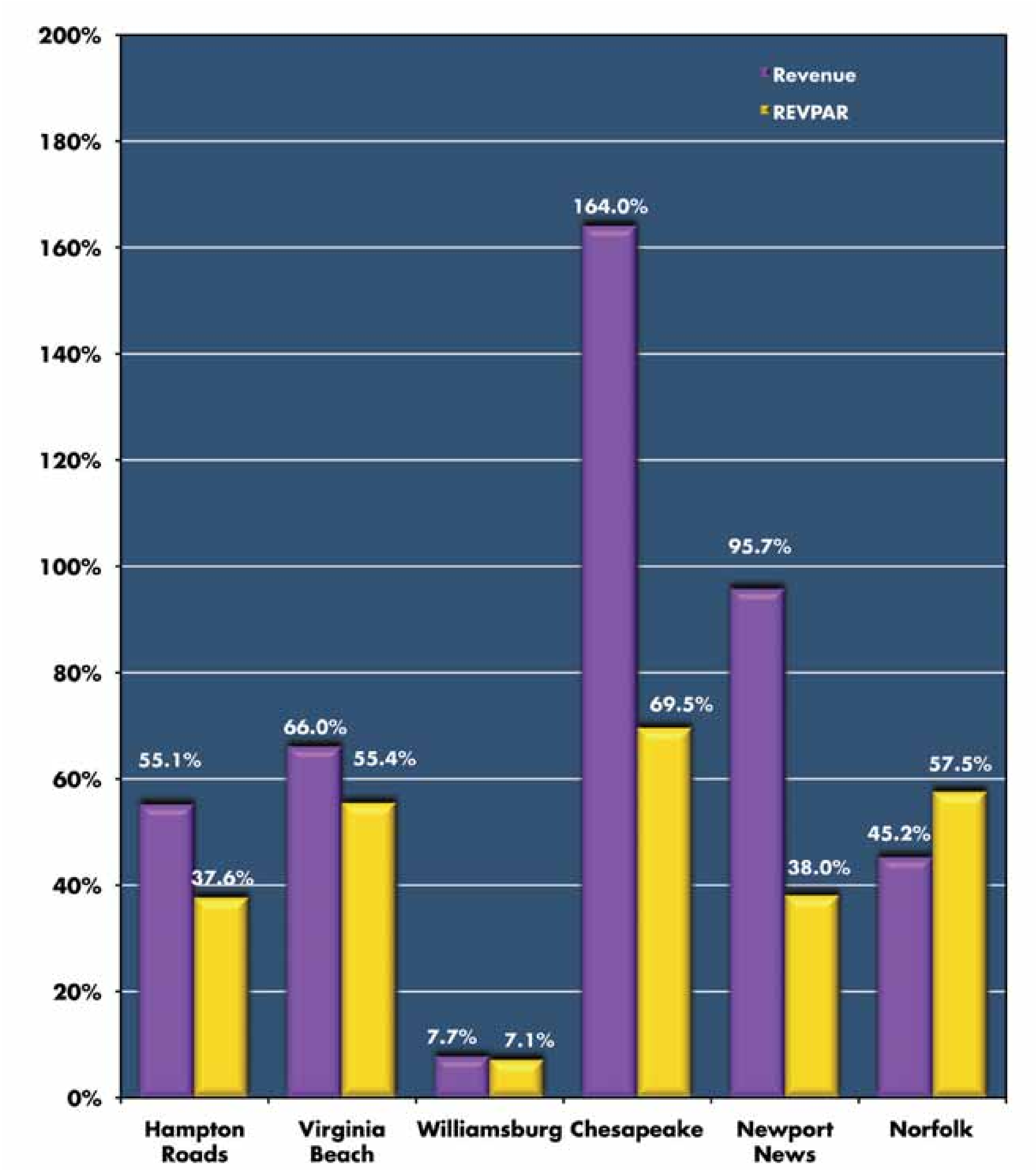
GROWTH IN HOTEL REVENUE AND REVPAR IN SELECTED AREAS, 1997-2008



Sources: Smith Travel Research Trend Report, Dec. 27, 2007, and the Old Dominion University Economic Forecasting Project

GRAPH 12

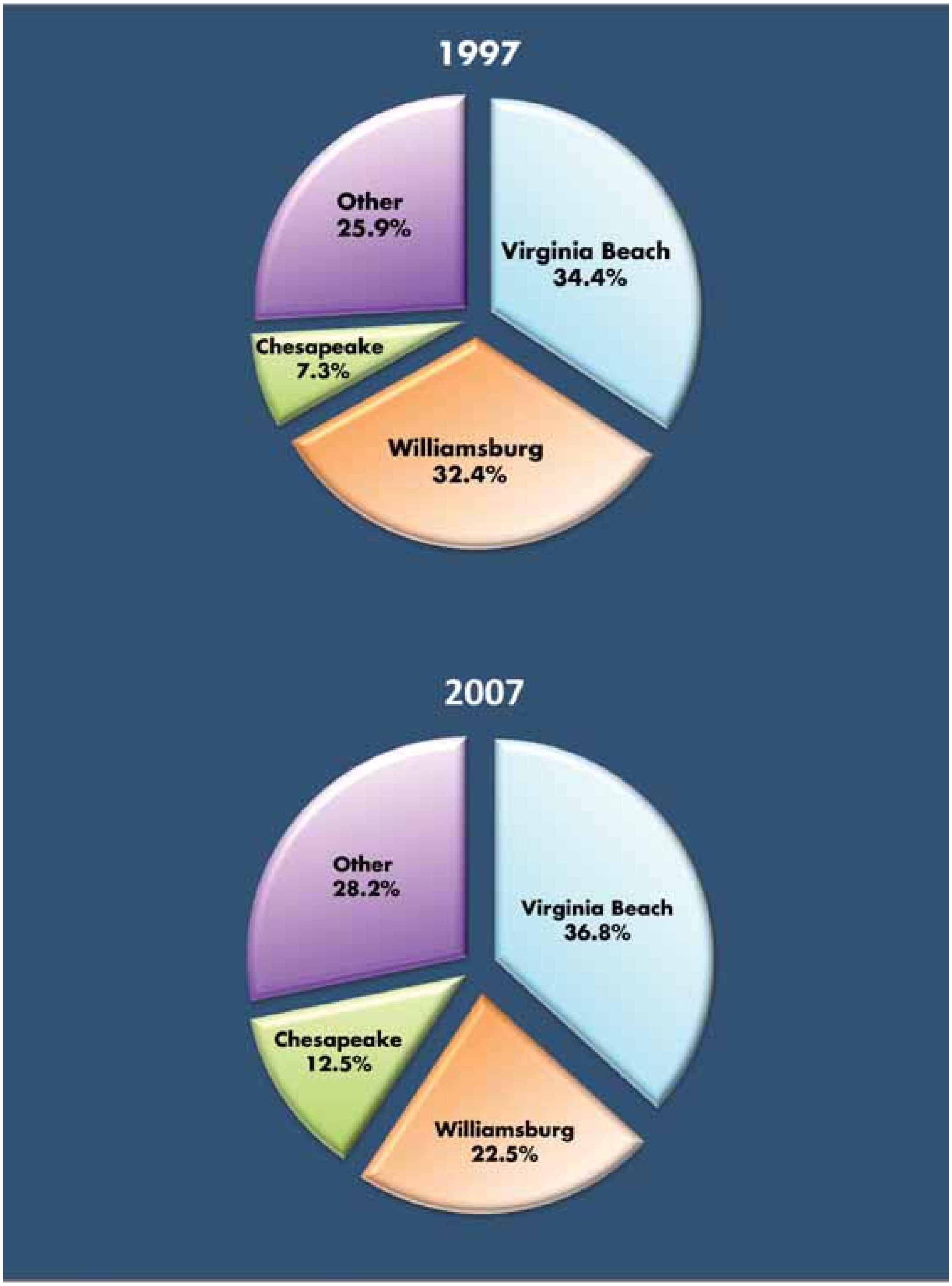
GROWTH IN HOTEL REVENUE AND REVPAR WITHIN HAMPTON ROADS, 1997-2008



Sources: Smith Travel Research Trend Report, Dec. 27, 2007, and the Old Dominion University Economic Forecasting Project

GRAPH 13

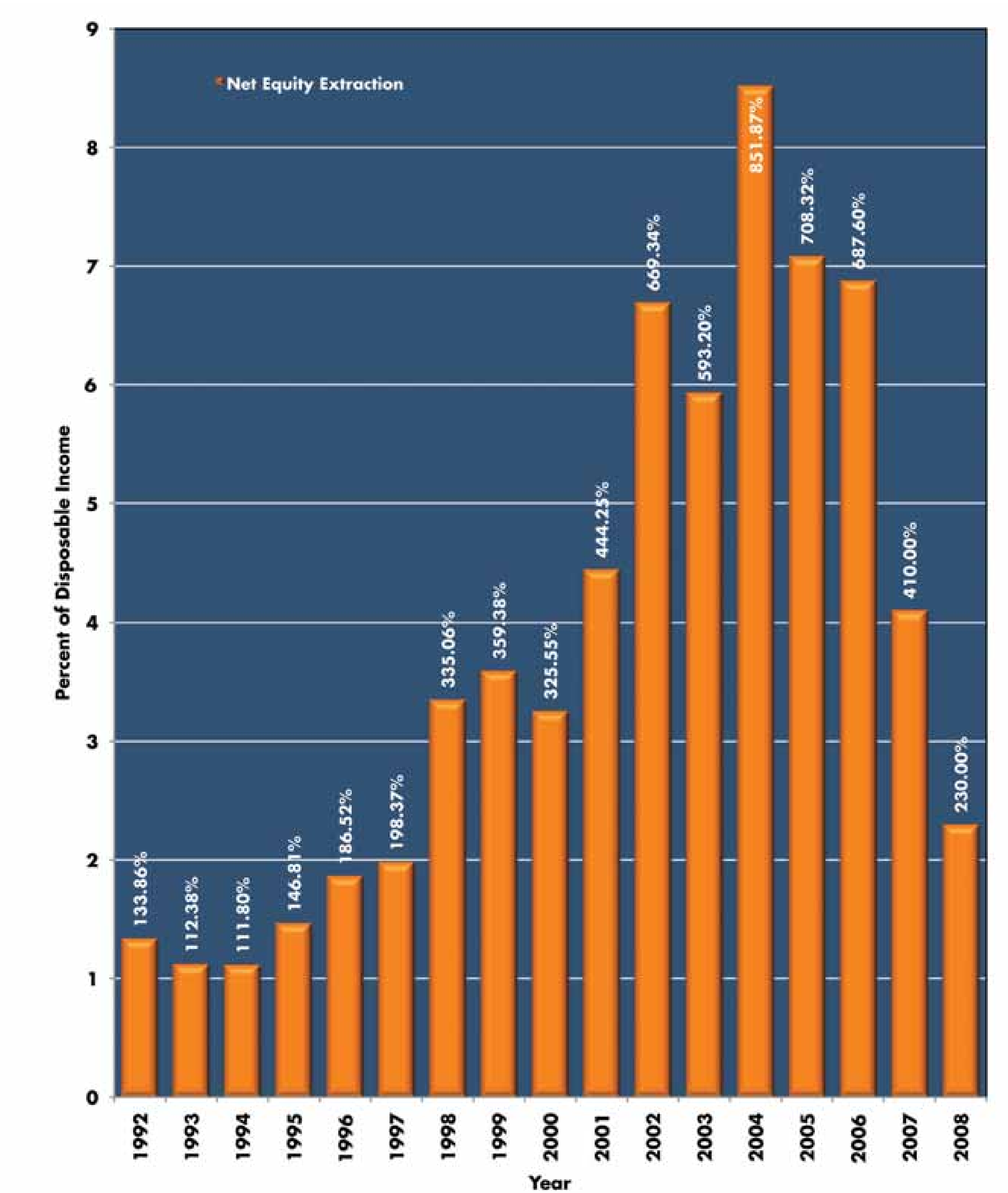
ESTIMATED MARKET SHARES, HAMPTON ROADS HOTEL INDUSTRY



Sources: Smith Travel Research and the Old Dominion University Economic Forecasting Project

GRAPH 14

U.S. MORTGAGE EQUITY WITHDRAWAL, 1992-2008



Sources: Federal Reserve - Kennedy/Greenspan data updated as of September 2007, and the Old Dominion University Economic Forecasting Project. Years 2007 and 2008 are estimated based on K/G data and the Mortgage Bankers Association January 2008 MBA Mortgage Finance Forecast of mortgage refinancing.

HOUSEHOLD SPENDING

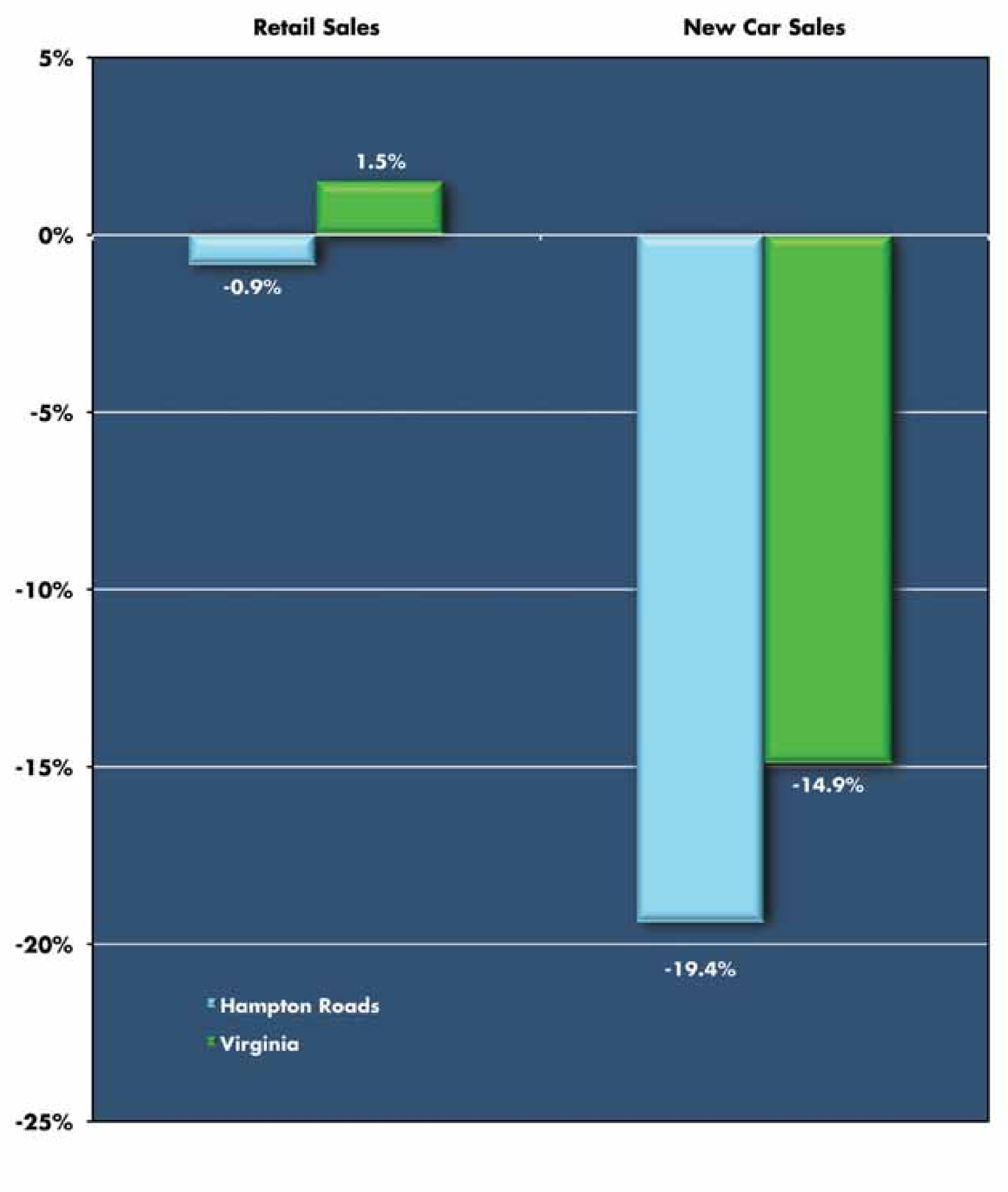
We estimate that despite federal tax rebates, retail sales growth in Hampton Roads was anemic in 2008 and approximated 1.5 percent. This is a significant reduction from the roughly 4 percent increase in retail sales for 2007. Graph 15 shows that the first quarter of 2008 was a particularly difficult time for regional retailers because retail sales, and in particular, new automobile sales, actually declined.

What are the reasons for the reduced growth rate in household spending within the region? On the premise that if households don't have higher income or more jobs, they will not have money to spend, our first suspects are income and job growth. However, the region's median household income grew by about 4 percent in 2008. Further, household income in Hampton Roads (Graph 16) now exceeds the nation's median by roughly $5,000, the largest difference since 1999, when the two were about the same. And, we've already seen (Graph 2) that the number of jobs within the region grew somewhat in 2008. Thus, overall economic conditions by themselves do not appear to account for our very modest increase in retail sales.

Falling housing prices are another possible culprit, and region-wide, housing prices fell about 5 percent in 2008 after resisting declines through the first quarter. We estimate that this decline in housing prices led to a $200 million reduction in household spending in Hampton Roads because of the adverse "wealth effect." Hence, let's take a closer look at what has been happening in regional housing markets.

GRAPH 15

ESTIMATED PERCENTAGE CHANGE IN RETAIL SALES* (LESS NEW CAR SALES AND HEALTH CARE) AND NEW CAR SALES, 1Q2007 VS. 1Q2008

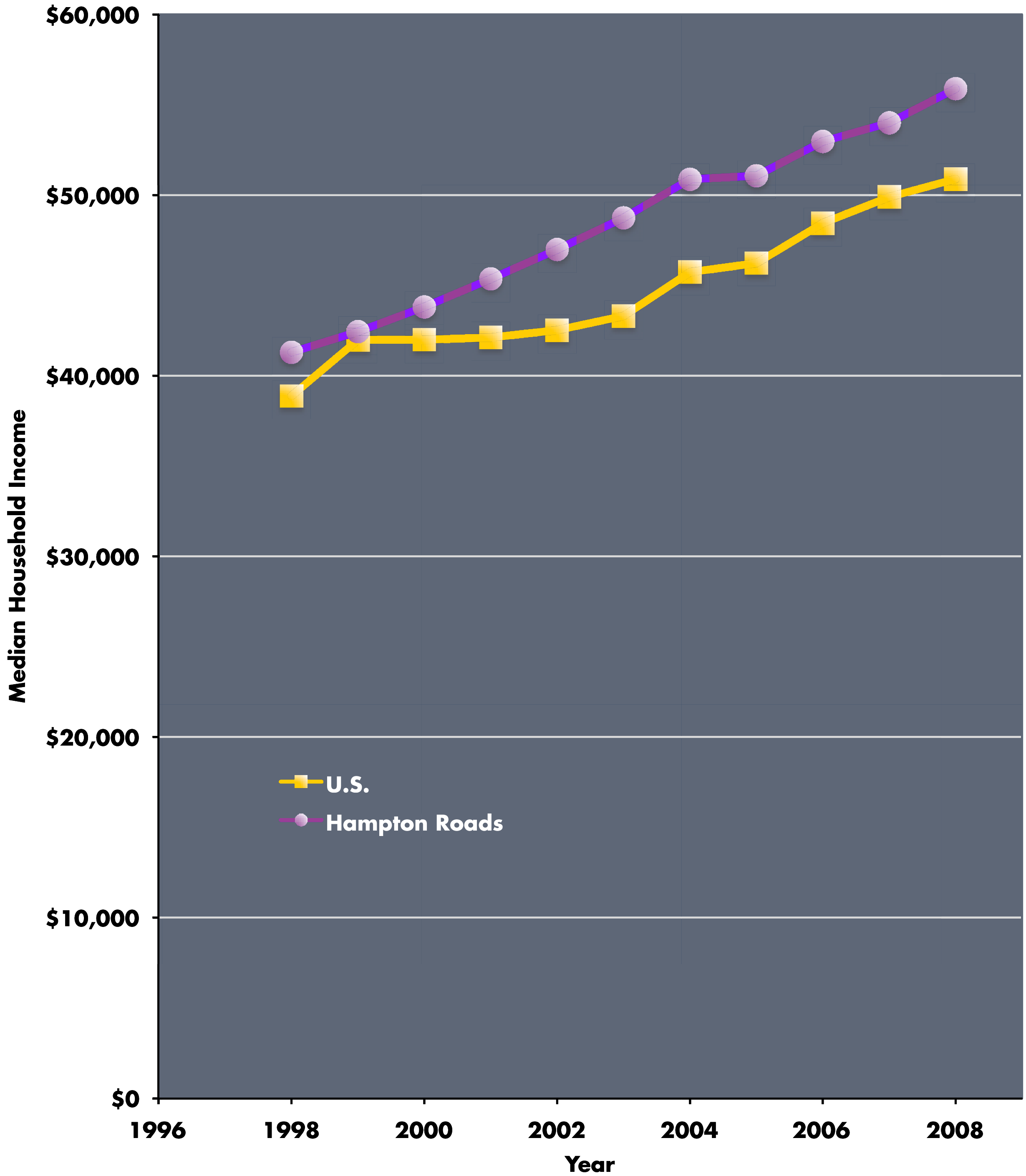


Sources: Virginia Department of Taxation, Virginia Automobile Dealers Association and the Old Dominion University Economic Forecasting Project

*Retail sales included gasoline purchases.

GRAPH 16

COMPARISON OF MEDIAN HOUSEHOLD INCOME, HAMPTON ROADS AND U.S., 1998-2008



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

A More Detailed Look at Housing Markets

One measure of any misery in housing markets is the prevalence of mortgage foreclosures – situations where homeowners give up their homes because they are not able to pay their mortgages. The Mortgage Bankers Association (http://www.mortgagebankers.org/NewsandMedia/PressCenter/62936.htm) reports that foreclosures amounted to 2.47 percent of all outstanding mortgages in the United States in the first quarter of 2008, almost double the 1.28 percent rate of the first quarter of 2007. Graph 17 provides comparative foreclosure data for Hampton Roads and several other metropolitan areas. Note that the foreclosure rate in our region is only 0.4 percent (well below the national rate) and is less than one-twelfth the rate in Detroit.

Interestingly, the low mortgage foreclosure rate in Hampton Roads does not appear to be a function of our region having floated relatively fewer subprime mortgages (see Table 2), or from our borrowers receiving substantially lower mortgage rates. How can we explain our thankfully strong performance in this arena? First, the rate of unemployment in Hampton Roads is below the national average and per capita income is above the average. Second, we benefit from having a large, stable employer (the Department of Defense) whose expenditures have been rising. Third, we are fortunate to host an expanding port and we continue to be seen as an attractive tourist destination. Thus, despite the slowing of our regional economy, by and large, we're in better shape than many other metropolitan regions and this has resulted in a lower mortgage foreclosure rate.

TABLE 2
SELECTED CHARACTERISTICS OF SUBPRIME MORTGAGE LOANS IN HAMPTON ROADS AND THE U.S.

In Hampton Roads, 1 in every 4 foreclosures in 2007 had a subprime loan.

	Hampton Roads	U.S.
Subprime as a percent of housing units	3.0%	2.9%
Past due 30 or more days	20.9%	22.3%
Loans in foreclosure	2.8%	7.7%
Average loan rate	8.5%	8.7%

Sources: Federal Reserve Bank and the Old Dominion University Economic Forecasting Project

Ultimately, housing prices reflect supply-and-demand influences. On the supply side, Hampton Roads builders and developers have adjusted their construction activities to deal with the realities of the 2008 residential property market. **New housing permits, displayed in Graph 18 along with annual changes in regional employment, declined approximately 25 percent in 2008 to their lowest level over the past 28 years. We estimate that home construction fell from 6,200 new units in 2007 to 4,300 units in 2008. This reduction by itself chopped $650 million from our gross regional product (about .85 percent) and underlines the importance of housing markets to our regional prosperity.**

Graph 18 also tells us that one of the major drivers of new home construction is employment. This conclusion hardly qualifies as rocket science; however, this graph underlines how dependent housing construction is upon the general state of the Hampton Roads economy. The total number of jobs in a regional economy is a useful barometer of that economy. Falling employment nearly always results in a subsequent reduction in new housing permits and soon after in a decline in the production of new housing units.

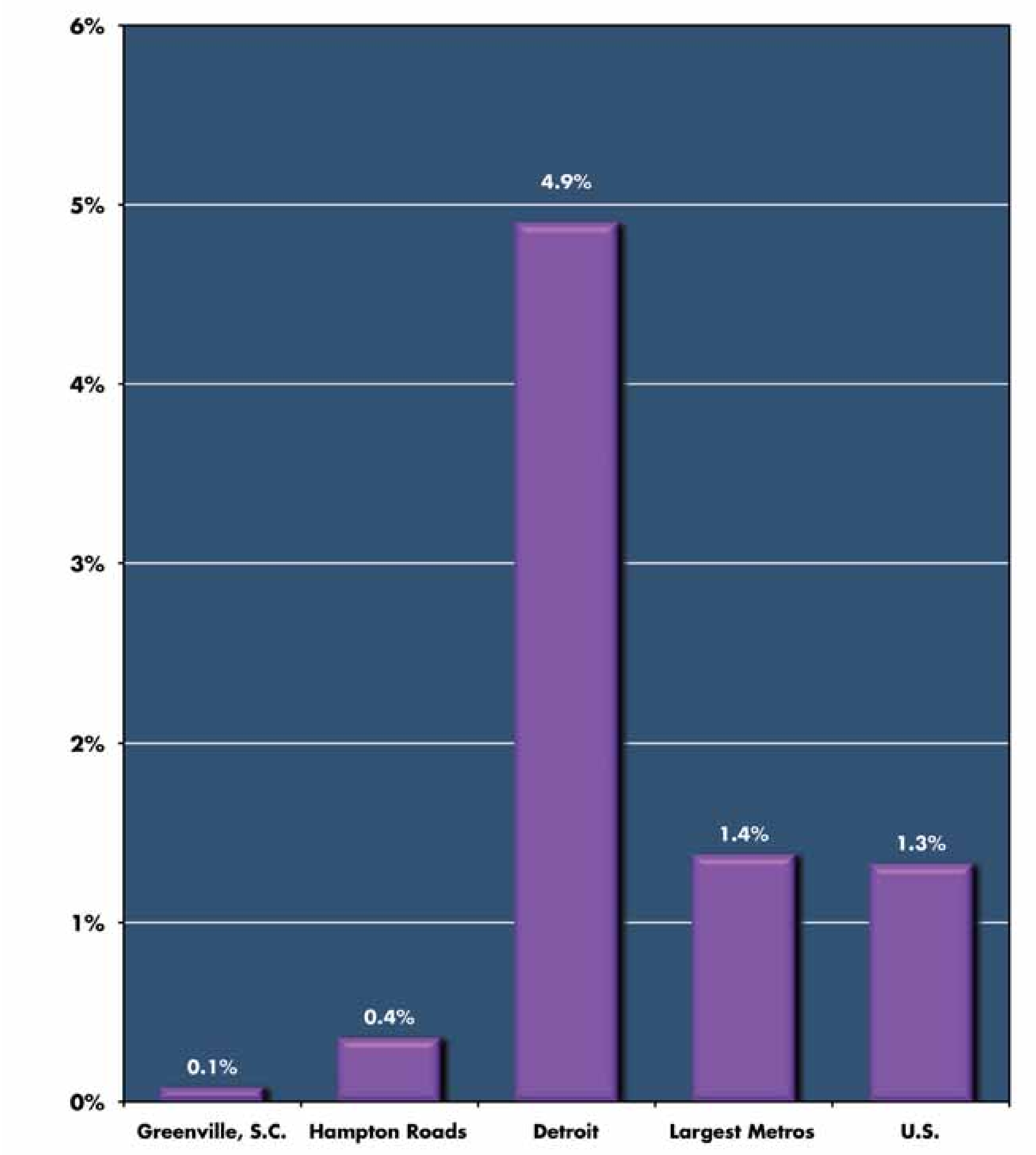
It's also worth noting that population growth tends to follow economic growth (rather than the reverse). What has been happening to population growth in Hampton Roads? Graph 19 tells us that this growth has slowed to virtually zero. **Our region is not generating many new jobs and therefore, it no longer acts as a magnet to people who might migrate here from other areas. Indeed, according to the Weldon Cooper Center at the University of Virginia, net migration to Hampton Roads has been negative (-11,000) since 2000. Our major employer, the Department of Defense, is spending more money, but actually has reduced its employment over the past few years.**

If our regional housing markets mimic history, then we will likely see the bottom in the middle of 2009. "Bottom" here means both an end to declining home prices in most major market segments and a sustained increase in new housing permits. Much, however, depends upon factors we cannot control or predict, such as the state of the national economy, Federal Reserve policy, the political and economic situation in the Middle East, and the like.

GRAPH 17

2007 FORECLOSURE RATE (PERCENT OF HOUSEHOLDS) IN SELECTED METROPOLITAN AREAS AND THE U.S.

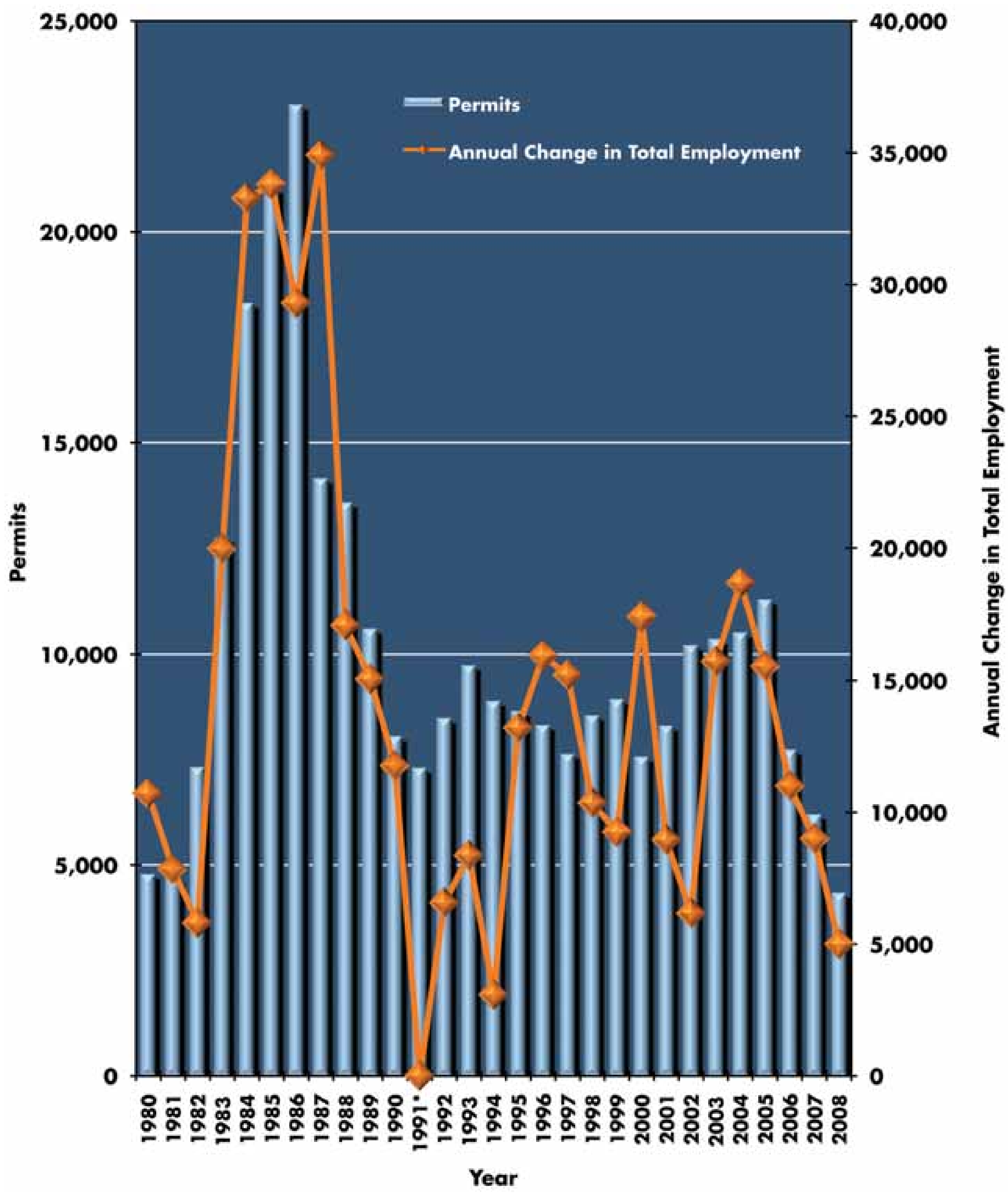
In 2007, one in every 277 Hampton Roads households was in foreclosure.



Source: Realty Trac

GRAPH 18

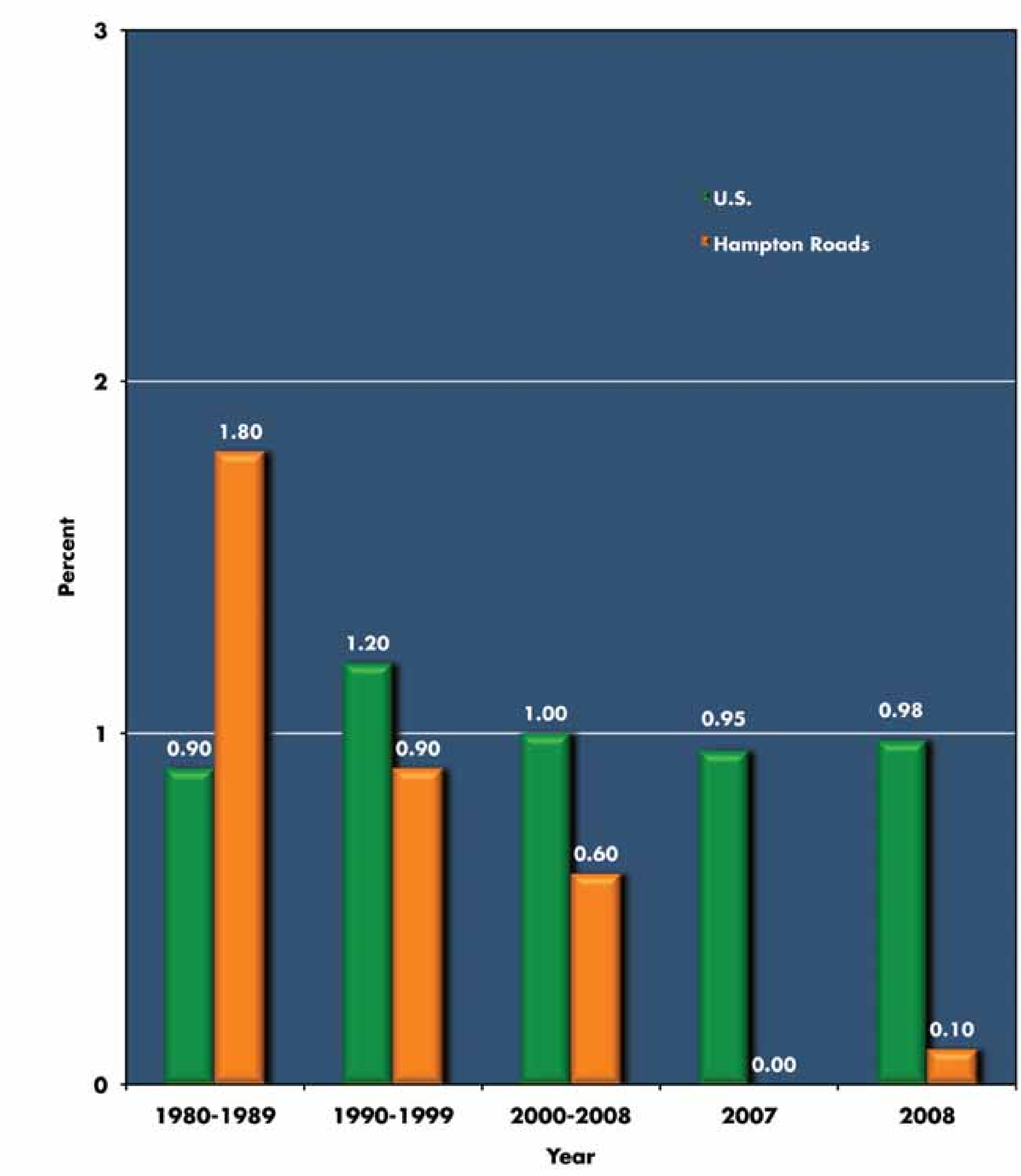
ANNUAL CHANGE IN TOTAL EMPLOYMENT AND NEW HOUSING PERMITS IN HAMPTON ROADS, 1980-2008



Sources: U.S. Census Bureau and the Old Dominion University Economic Forecasting Project
*Actual 1991 total employment change is a negative 10,658 jobs.

GRAPH 19

AVERAGE PERCENT ANNUAL POPULATION CHANGES, U.S. AND HAMPTON ROADS, 1980-2008



Sources: U.S. Census Bureau, the Weldon Cooper Center and the Old Dominion University Economic Forecasting Project

Final Thoughts

Despite almost 5 percent growth in Department of Defense spending and increased port cargo movement, 2008 has been a year of relatively weak economic growth for Hampton Roads. A decelerating national economy, unimpressive tourist spending and housing market problems have combined to reduce economic growth well below levels earlier in this decade. These basic influences bode not to change substantially in the first half of 2009. Thus, it is quite possible that 2009 will turn out to be a year in which the region runs in place, economically speaking.

Nevertheless, with a bit of schadenfreude, we can point out that we're doing better economically than many comparable metropolitan areas. In particular, we have skirted the disastrous housing market problems that have afflicted many other regions. In addition, there is no sign that our major economic driver, the military, will reduce its expenditures, though national elections and international events could change this. All things considered, things definitely could be worse.

Regional Housing Markets

REGIONAL HOUSING MARKETS ADJUST TO CHANGING CIRCUMSTANCES

After several years of what one real estate professional called "a red-hot housing market," things have cooled off in Hampton Roads. Sales are down, the inventory of unsold homes is up and sales prices are stagnant or declining. New residential home sales have suffered in particular. Where do we stand now and what does the future hold for residential housing markets in our region? The answers to these questions are the focus of this chapter.

The most reliable primary data about regional housing markets are generated by the Real Estate Information Network Inc. REIN is an independent Multiple Listing Service (MLS) owned by broker and stockholder members in Hampton Roads. Hence, it does not include all residential housing activity, but does include most.

REIN data for Southeast Virginia cover Hampton Roads plus Accomack County, Emporia, Franklin, Greensville County, Middlesex County, Northampton County, Southampton County, Smithfield, Sussex and some adjoining areas of North Carolina. However, residential sales for these areas outside the U.S. government's formal definition of Hampton Roads have accounted for less than 4 percent of all REIN regional sales since 2002.

Also, note that REIN data for Gloucester County, James City County, Mathews and Williamsburg represent REIN member listings only and therefore may not represent total market activity in these four areas. Further, the increasing use of the Internet to transact real estate business means that REIN data miss some transactions. Having made the reader aware of these caveats, we will nevertheless use REIN data to discuss housing markets in Hampton Roads. We believe these data, though subject to some qualifications, are representative of what has been occurring in housing markets in the region and therefore are capable of providing us with an accurate picture of major trends.

We will focus on the past eight years (2000 through 2007) and provide some data for 2008. The term "residential home" as we use it here includes both detached and attached homes, and unless otherwise stated, condominiums are included in residential homes.

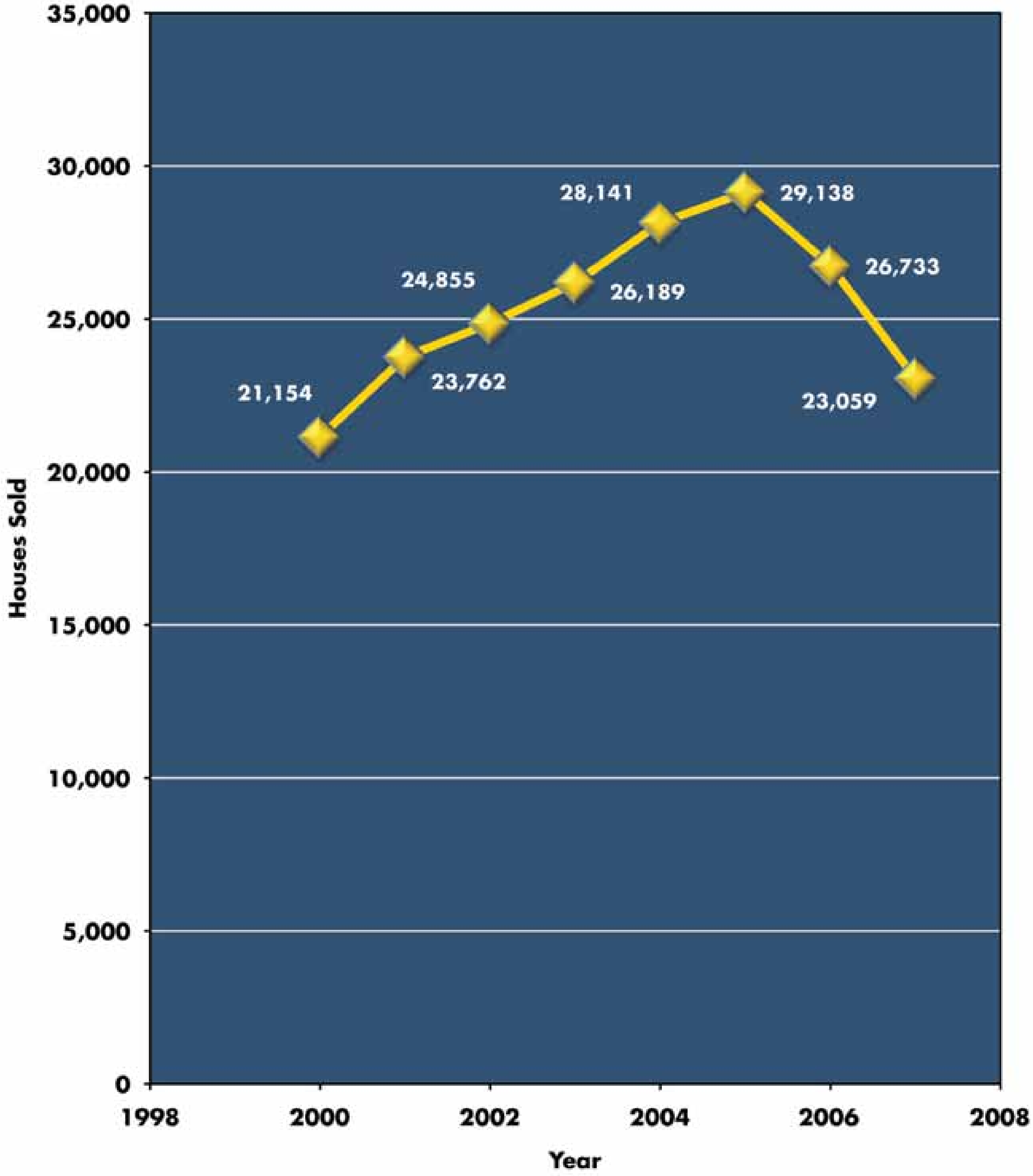
Housing Sales and Inventories of Unsold Homes

Graph 1 illustrates that the number of single-family homes sold in Hampton Roads increased steadily each year from 2000 to 2005, began to decrease after 2005, and declined by almost 21 percent in 2007 from the peak observed in 2005. This decline has continued into 2008; actual sales are down about 20 percent relative to 2007.

Graph 2 reports the inventory of all unsold homes (both new construction and existing, resale homes) as of April 30 for each year since 2000. The inventory of unsold homes reached its low point in 2004, but currently is at its highest level since 2000. The supply of homes on the market in 2008 is five times the level of 2004. The years 2003 through 2005 were a classic "seller's market," whereas 2007 and 2008 have been a "buyer's market." While some did not notice, residential housing markets in Hampton Roads began to soften at the end of 2005.

GRAPH 1

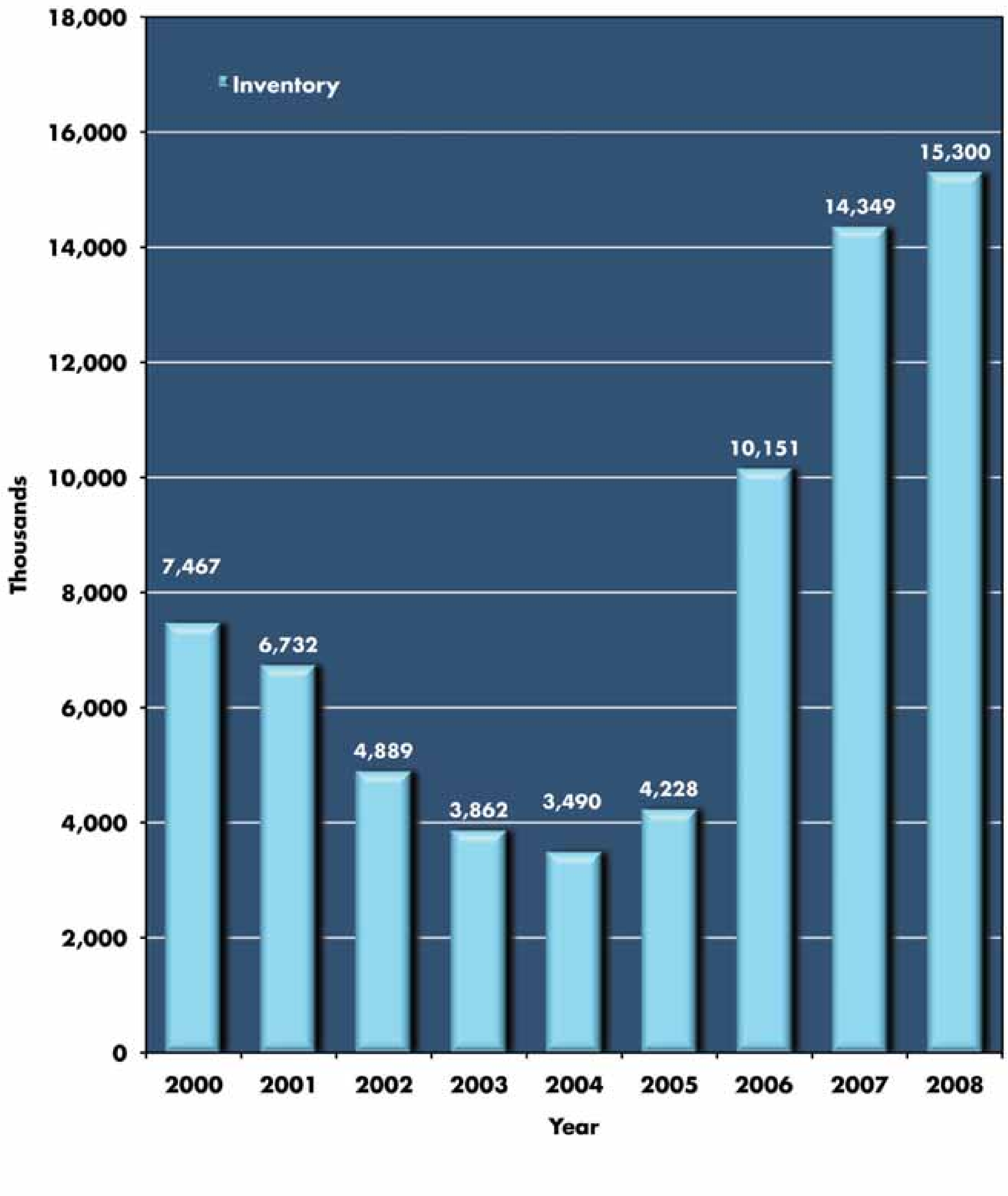
ALL RESIDENTIAL HOMES SOLD IN HAMPTON ROADS, 2000-2007



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

GRAPH 2

INVENTORY OF ALL UNSOLD RESIDENTIAL HOMES IN HAMPTON ROADS, JUNE 30 OF EACH YEAR, 2000-2007



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

Residential Housing Sales Prices

Residential housing prices in the United States have fallen significantly over the past year. The Wall Street Journal (June 24, 2008) reported that housing prices in the 20 largest U.S. metropolitan areas were down 15 percent from their peak in 2006. An additional 10 percent decline is forecasted before residential housing prices bottom out.

Things in Hampton Roads have been different, though this is a matter of degree. Housing prices have not cratered in our region and the prices of existing homes in particular have resisted declines. Home sales are down substantially, but Hampton Roads has not seen the miseries that have afflicted California, Florida and Michigan. As we saw in the previous chapter, the delinquency and foreclosure rates on mortgages in Hampton Roads have risen, but certainly do not stand out nationally. Why? The major reason is regional builders and developers were much more cautious during our recent housing expansion than they were in a somewhat comparable expansionary time period in the 1980s. As a consequence, our housing markets in Hampton Roads now are not burdened by the excessive unsold inventory of homes that so deepened the pain of the 1980s housing problems.

Table 1 shows the median (50th percentile) sales price of homes sold in Hampton Roads from 2000 to 2007. The median price increased steadily from $122,000 in 2001 to $238,000 in 2007. Indeed, between 2002 and 2006, the median sales price increased at least 10 percent every year. The result? Between 2002 and 2006, the median sales price increased by an unprecedented 77.2 percent. However, it is no secret that these days have come to an end. The median sales price of homes sold in Hampton Roads increased by only 3.8 percent in 2007 and there are signs of gentle declines in home sales prices in 2008.

TABLE 1
MEDIAN SALES PRICE OF ALL RESIDENTIAL HOMES SOLD IN HAMPTON ROADS, 2000-2007

Year	Median Price	Percent Change Year to Year
2000	$114,000	
2001	$122,000	7.0%
2002	$130,000	6.6%
2003	$145,000	11.2%
2004	$172,500	20.4%
2005	$210,000	22.7%
2006	$230,400	11.9%
2007	$238,000	3.8%
2002-06		77.2%

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

A note of caution is merited before we provide additional price data. The REIN sales prices we rely upon are accurate general measures of what is going on in Hampton Roads housing markets. Nevertheless, the prices are not necessarily "real" prices in an economic context because seller concessions may reduce the realistic price actually paid by homebuyers. Some seller concessions are small and involve the seller providing a perk such as a no-charge granite countertop upgrade. Other concessions are more substantial and include payment by the seller of a buyer's mortgage for months or even a year, or payment by the seller of any mortgage "points," etc.

Why don't sellers simply lower their prices instead of making such concessions? There are two major reasons. First, a publicized lower home sales price may drag down future sales prices. Second, real estate agents' commissions usually are tied to sales prices. Therefore, many sellers prefer concessions to the reduction of recorded sales prices. Several builders and developers suggested to us that the average size of seller concessions approached 4 percent of recorded sales price in some market segments in Hampton Roads in summer 2008. The bottom line is that recorded sales prices in 2008 and 2009 may exaggerate the "real" price being paid by buyers.

Notable differences exist between the markets for new versus *existing* (resale) homes in Hampton Roads. In general, the market for new homes has deteriorated much more than the market for existing, resale homes. Graphs 3 and 4 illustrate this.

Graph 3 reveals that the median price of existing residential homes increased from $116,900 in 2002 to $223,000 in 2007, or 90.8 percent. The horizontal orange line shows the price distributions at the 50th percentile, the median value. The vertical line in Graph 3 reflects home sales of $600,000 or more. Only 4 percent of existing homes sold at prices higher than $600,000.

Continuing to focus on Graph 3, we can see the price distribution curves shifted to the right each year. This shift occurred at every price level, meaning that sales prices rose for homes in every price range. However, growth began to slow in 2006 and between 2006 and 2007, the median price increased by only 3.8 percent.

Most of the modest 3.8 percent price increase in 2007 was derived from homes that sold for $225,000, or less. These homes accounted for 52 percent of all sales. At the other (high) end of the market, there also were some small price increases among homes that sold for more than $600,000. Even so, as we have seen, these homes accounted for only 4 percent of sales. **This tells us that the prices of existing homes between $225,000 and $600,000 either were flat, or falling. These homes accounted for 44 percent of all sales.**

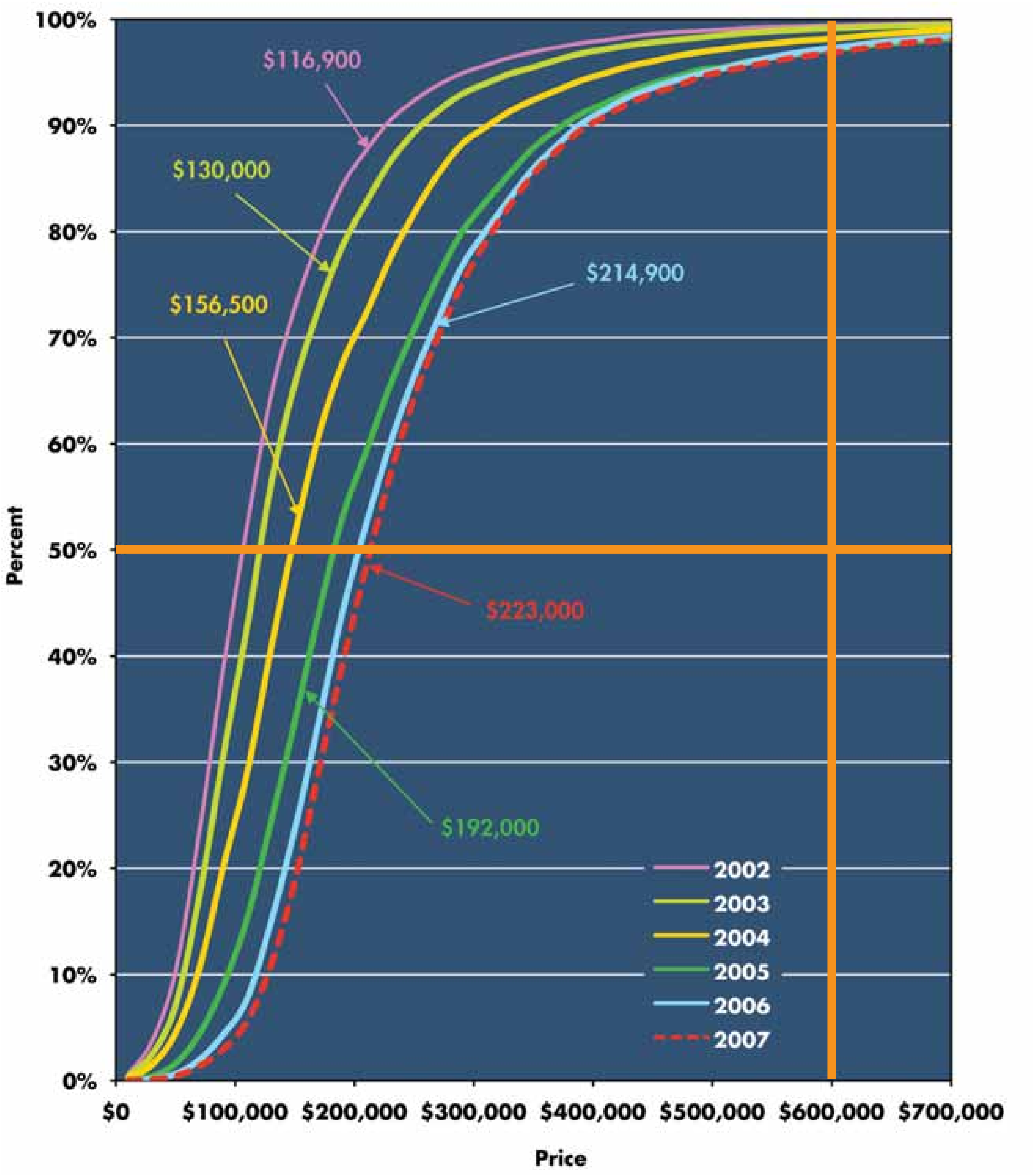
Let's now examine Graph 4, which reports the sales prices of *new* homes. New home sales constitute only 17 percent of all residential home sales. About 90 percent of all new homes were sold for less than $600,000. Nevertheless, the median price of new construction residential homes increased from $186,756 in 2002 to $335,215 in 2007, or 79.6 percent.

Things were already changing, however. **The median sales price for new homes actually decreased from $349,945 in 2006 to $335,215 in 2007, or 4.2 percent. New home sales prices declined in virtually all price ranges, the single exception being new homes selling for more than $600,000.** This, however, is a small sliver of the total market.

These data enable us to point out two significant characteristics of new home markets. First, the average sales price of a new home is about 60 percent higher than the average sales price of an existing home. New homes usually are larger in size than existing homes and frequently incorporate more expensive options than older homes. This pushes up their prices. Second, changes in housing market conditions are reflected most rapidly in the new home market. The supply of existing homes changes rather slowly; relatively few homes are demolished in a given year. The number of new homes constructed, however, is quite sensitive to market conditions and can be altered quickly. Construction even can be halted on new homes in progress. This causes the market for new homes to be more volatile than the market for existing homes, and price changes consequently are larger.

GRAPH 3

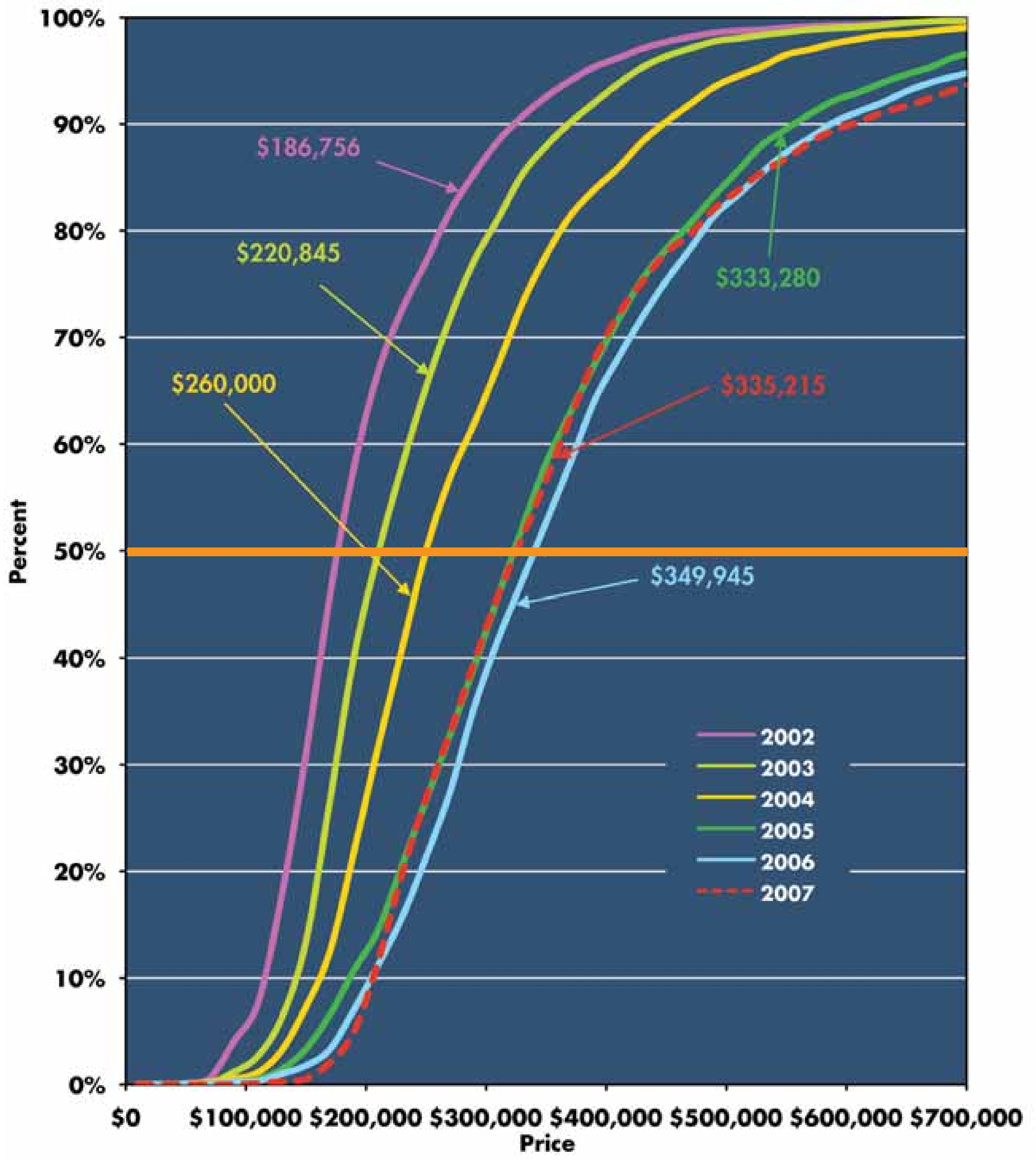
CUMULATIVE PRICE DISTRIBUTION OF EXISTING RESIDENTIAL HOMES SOLD IN HAMPTON ROADS, 2002-2007



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

GRAPH 4

CUMULATIVE PRICE DISTRIBUTION OF NEW CONSTRUCTION RESIDENTIAL HOMES SOLD IN HAMPTON ROADS, 2002-2007



Sources: Real Estate Information Network Inc. and the Old Dominion University Economic Forecasting Project. Figures reported here represent *only* those properties that are listed through REIN by REIN members and may not represent all new construction activity in our region.

The Supply Side of the Market

EXISTING HOMES

Graph 5 concentrates on *existing* residential home sales, but also reports the average number of days existing homes stayed on the market. Existing home sales reached their peak in 2005 and have declined since then. Existing home sales declined from 24,759 in 2005 to 22,407 in 2006, or 8.3 percent. Sales declined by another 13.7 percent in 2007 and are on target for a 22 percent drop in 2008. While this is not good news, it is small potatoes compared to the massive housing problems confronting states such as California, Florida and Michigan.

In 2004 and 2005, sellers usually were able to sell their homes in less than a month. Since then, the market for existing homes has become softer; it took an average of 47 days to sell a home in 2006 and 65 days in 2007. We estimate that this will rise to 85 days for 2008.

NEW HOMES

The best single measure of the anticipated supply of new homes coming on the market is the number of single, one-unit building permits. A permit must be obtained before building can begin. Graph 6 reports the number of building permits issued for the construction of single-family homes in Hampton Roads between 2000 and 2007. The number of new residential housing building permits peaked in 2003 and declined slightly in both 2004 and 2005. **Beginning in 2006, sharp declines occurred in the number of building permits issued – by slightly more than 20 percent in both 2006 and 2007. This trend did not change in 2008; the number of permits is on course to fall about 25 percent.**

Building permits usually lead to the construction of new homes, but not always. Construction of homes usually leads to sales, but not always. Table 2 focuses upon the number of *new* construction residential homes actually sold in Hampton Roads between 2000 and 2007. **It is clear from this table that sales of new homes have been declining slightly each year since 2003 and that sales declined another 10 percent in 2007. Builders and developers clearly began to adjust to new market conditions as early as 2003. They have exhibited a degree of caution in the past few years that often was absent in the 1980s.**

TABLE 2
NUMBER OF NEW CONSTRUCTION RESIDENTIAL HOMES SOLD IN HAMPTON ROADS, 2000-2007

Year	Number Sold	Percent Change Year to Year
2000	4,095	
2001	4,836	18.1%
2002	4,983	3.0%
2003	4,766	-4.4%
2004	4,587	-3.8%
2005	4,379	-4.5%
2006	4,326	-1.2%
2007	3,907	-9.7%

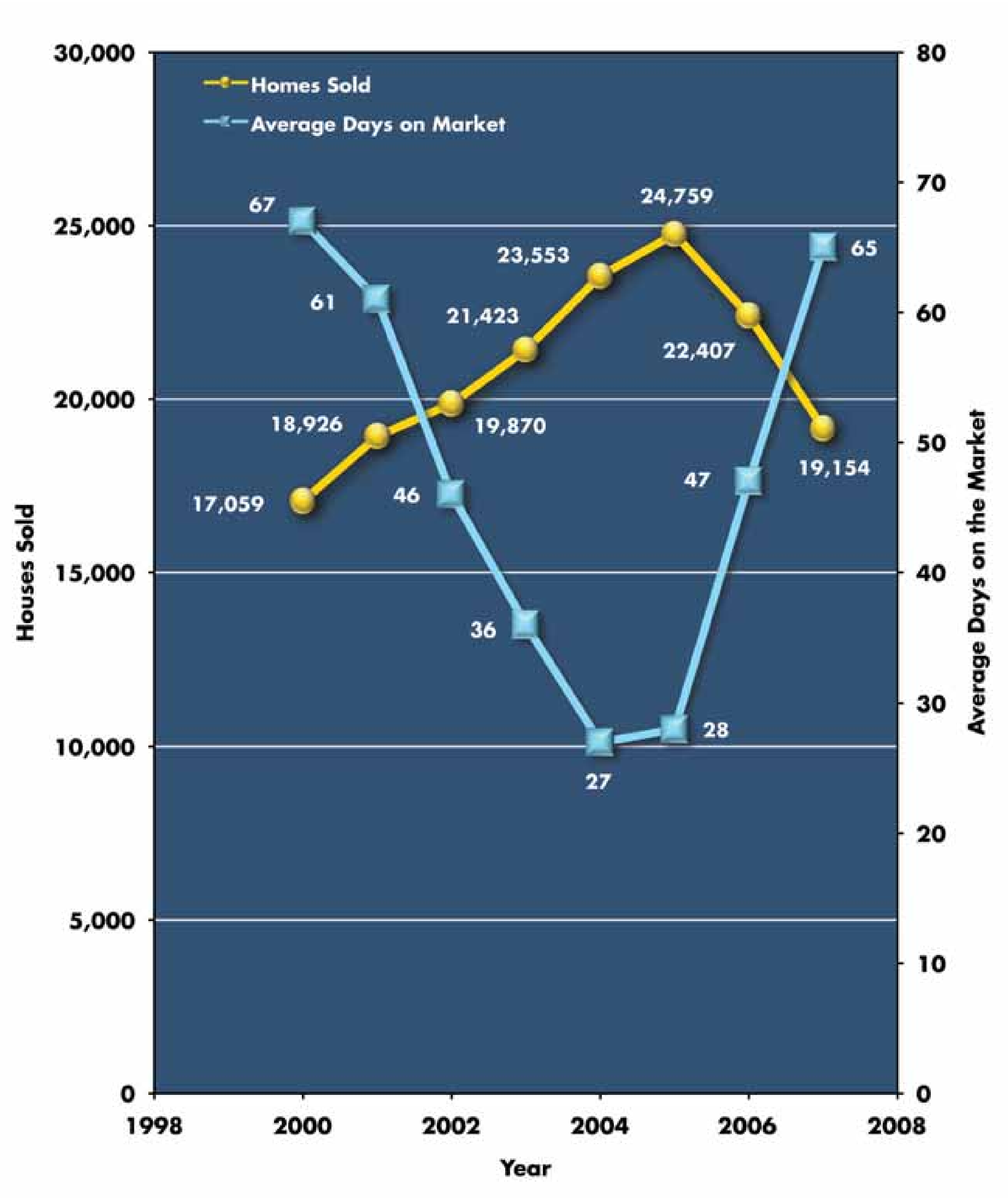
Sources: Real Estate Information Network and the Old Dominion University Economic Forecasting Project. Figures reported here represent *only* those properties that are listed through REIN by REIN members and may not represent all new construction activity in our region.

It is no surprise that the decline in new housing permits has translated into falling sales for new homes in Hampton Roads. Sales began to fall in 2003 and that trend continued in 2007. Further, the sales decline for new homes has spanned all price ranges, though as we have already seen, price declines have been smaller or absent for lower-priced new homes.

The number of days a house stays on the market before it is sold is an important piece of information for existing homes, but is less meaningful for newly constructed homes. The primary reason is that builders and developers often begin a large project by constructing a small number of homes that they subsequently use as models. Thereafter, they sell lots to prospective home builders / owners in that project or development. If the owner of the lot is an individual rather than a builder or developer, then when the construction of a new home on that lot is completed, that home nearly always is occupied immediately and the number of days on the market for that home is zero. This means that the statistic "number of days on market" often provides deceptive feedback about what really is going on in the market for new homes.

GRAPH 5

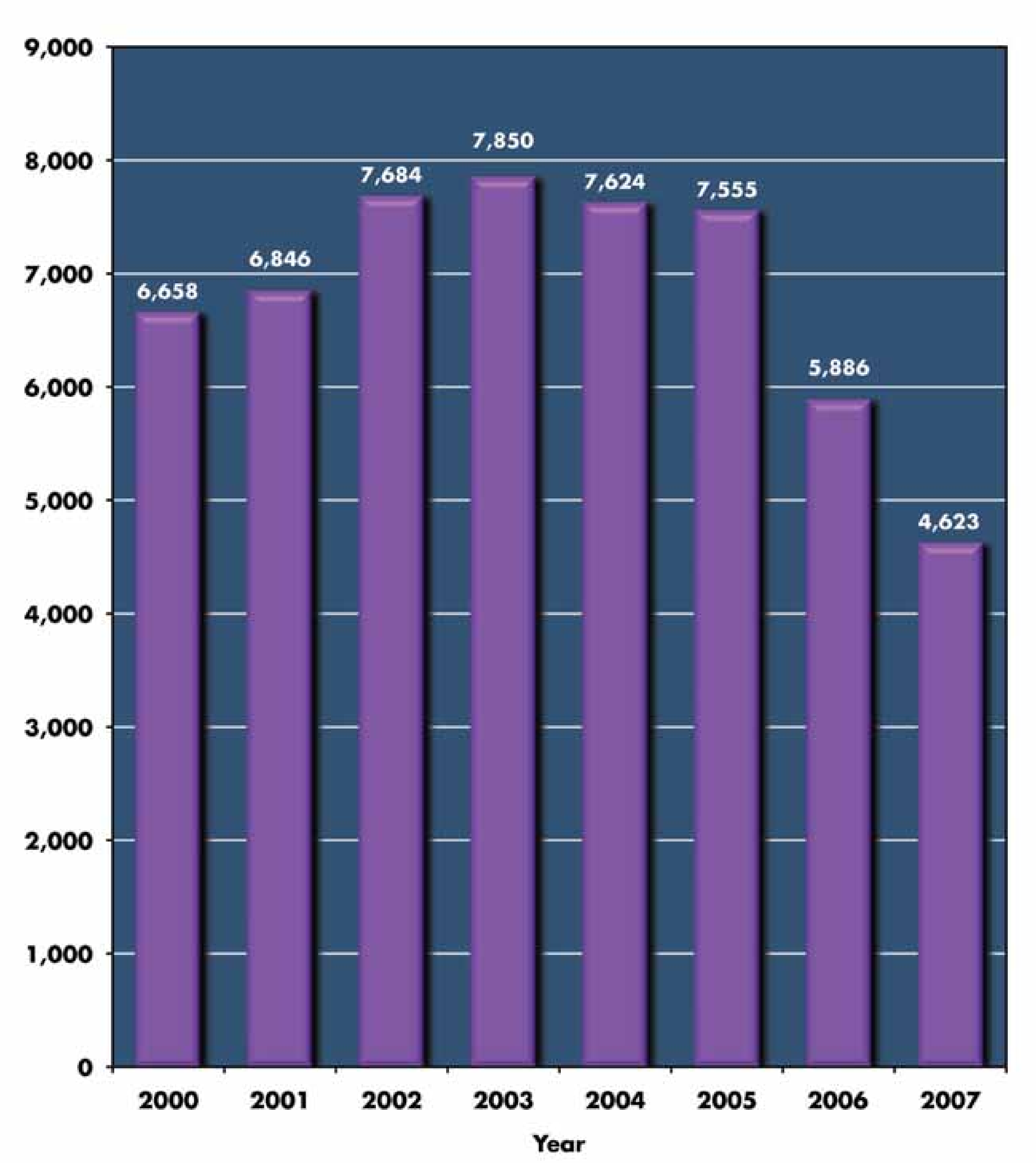
EXISTING HOME SALES AND AVERAGE NUMBER OF DAYS ON THE MARKET, HAMPTON ROADS, 2000-2007



Sources: Real Estate Information Network Inc. and the Old Dominion University Economic Forecasting Project. Days on market is calculated from the date listed to the date under contract for existing homes sold.

GRAPH 6

BUILDING PERMITS FOR SINGLE-FAMILY RESIDENTIAL HOMES, HAMPTON ROADS, 2002-2007



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

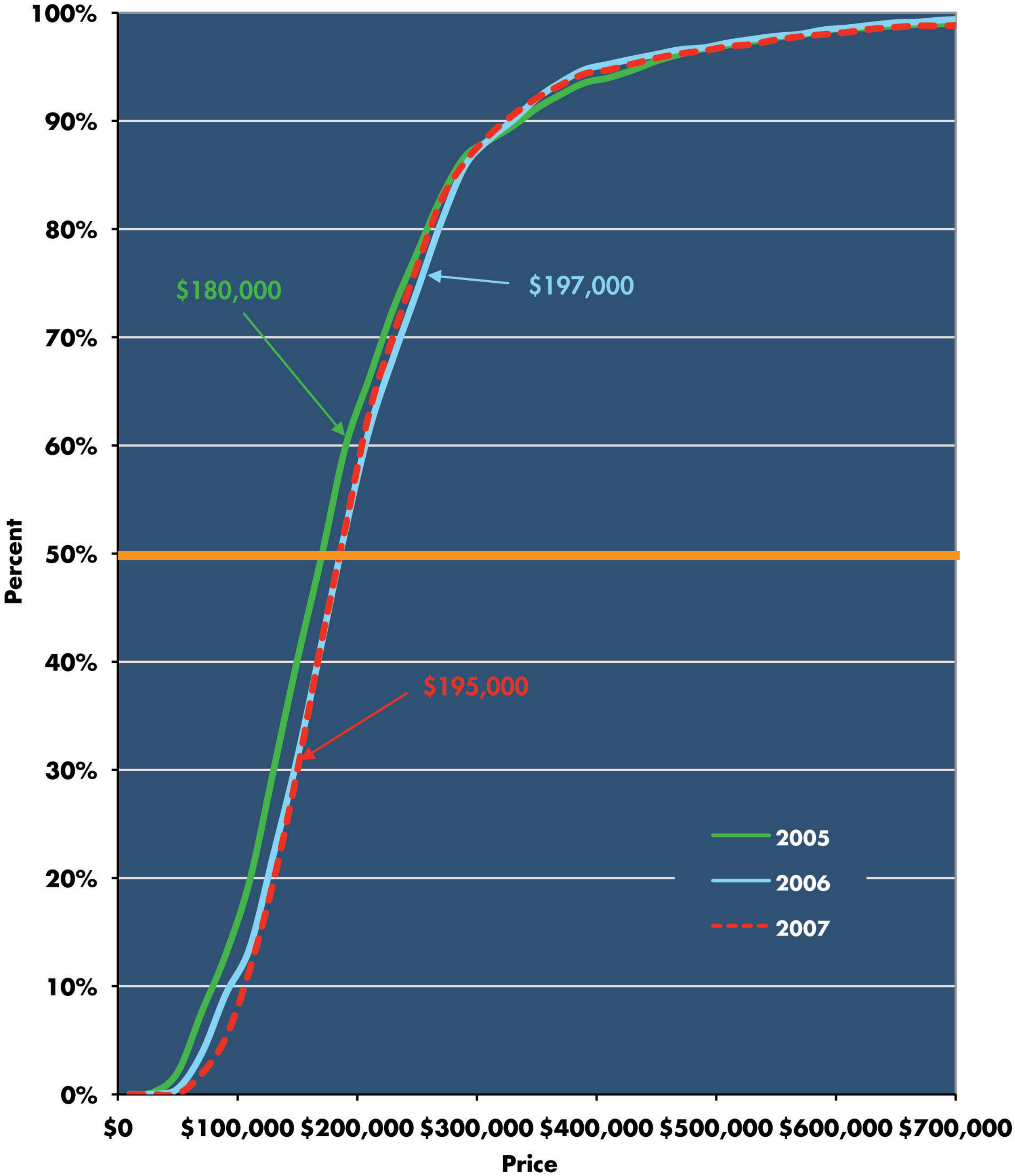
CONDOMINIUMS

Condominiums constitute very distinctive segments of both the existing and new home markets. Condos are considered an "ownership type" according to the Code of Virginia; their styles range from single-family homes to town homes to high-rise apartment condos.

Graphs 7 and 8 display sales prices from 2005 through 2007 for both existing and new construction condominiums, respectively. Median sales prices for new construction condos have been about 50 percent higher than those observed for existing condos, a price pattern very similar to that of residential homes. Regardless, **the median sales price of existing condos decreased by 1 percent in 2007. The median sales price of new condos decreased at a faster pace, 5.2 percent. Given that substantial new condominium inventory is under construction in several different parts of Hampton Roads, the outlook for sellers is not a happy one. But, there are two sides to this coin. If you are a buyer, then there should be some attractive deals to be had in regional condominium markets in 2009.**

GRAPH 7

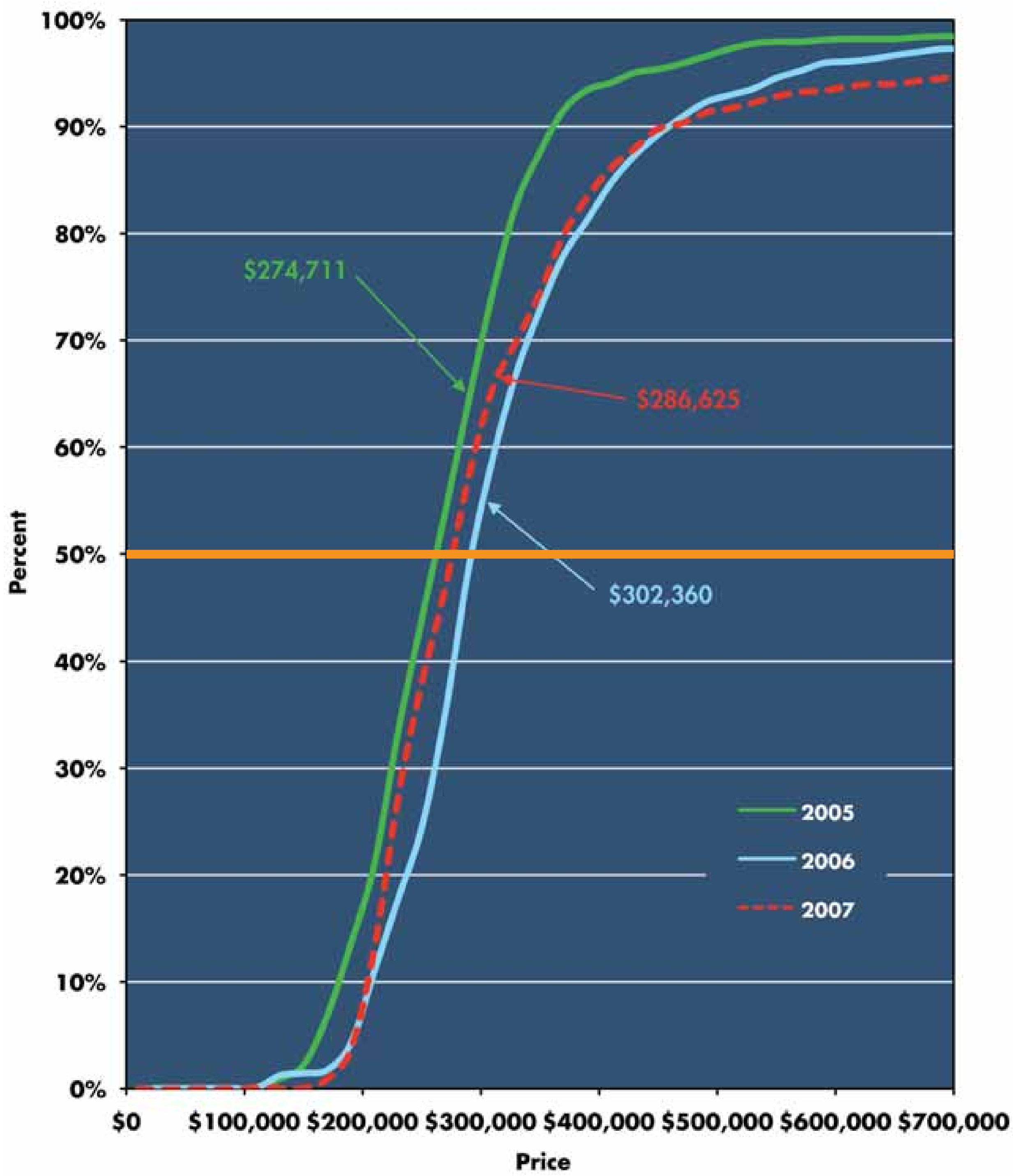
CUMULATIVE PRICE DISTRIBUTION OF EXISTING RESIDENTIAL CONDOMINIUMS SOLD, HAMPTON ROADS, 2005-2007



Sources: Real Estate Information Network Inc. and the Old Dominion University Economic Forecasting Project. Condos are classified as such if they fall under the Virginia Condominium Act, which requires a separate disclosure at time of contract. Condos may be detached as well as attached.

GRAPH 8

CUMULATIVE PRICE DISTRIBUTION OF NEW CONSTRUCTION RESIDENTIAL CONDOMINIUMS SOLD, HAMPTON ROADS, 2005-2007



Sources: Real Estate Information Inc. and the Old Dominion University Economic Forecasting Project. Figures reported here represent *only* those properties that are listed through REIN by REIN members and may not represent all new construction activity in our region.

Summary Comments

It does not take a rocket scientist to conclude that in an overall sense, housing markets in Hampton Roads are soft. If housing markets here mirror what is going on nationally, then housing sales should begin to perk up in the latter half of 2009. We believe that selected housing prices (for example, new homes and condominiums) will continue to decline over the next year in our region. **However, while overall housing sales prices nationally may decline as much as 25 percent from their peaks (and more in some localities), we see much more modest declines here in Hampton Roads.**

To place our region in context, the National Association of Realtors (NAR) reported that the median price of existing homes nationally declined by 7.7 percent during the first quarter of 2008. However, the median price declined by 13.1 percent in the Washington, D.C., metropolitan area. By contrast, NAR data for Hampton Roads actually showed a 1.6 percent increase in the median sales price. Obviously, we're doing much better than the nation.

How long will it take to "clear the housing market" in Hampton Roads? That is, at current monthly sales rates, how long would it take to sell all of the homes on the market? There were 14,967 homes for sale on April 30, 2008, in our region and, on average, 1,456 homes per month were sold during the first four months of 2008. This translates into 10.3 months of supply. At the peak of the housing market madness in 2003-04, only 1.5 months of supply existed. A supply of four months to six months of unsold houses is deemed normal, though "normal" is seldom attained.

We again must note that the REIN prices discussed here do not reflect any concessions sellers of existing homes or builders provide to home buyers in the form of closing costs and other incentives. We simply do not have any data on concessions, which for the reasons discussed above, are not widely publicized. Still, we can safely say that seller concessions either were very small, or were nonexistent between 2003 and 2005. Since then, concessions have become much more significant.

Finally, though we may be accused of carrying coals to Newcastle, we observe that years from now, 2008 (and probably 2009) will never be considered "great" years, economically speaking. These years may, however, be remembered in Hampton Roads as the time when we encountered our first significant housing market retrenchment since the 1980s. **Our current housing problems thus far are less daunting than those of the 1980s, though it is important to understand that what happens to housing in Hampton Roads largely depends upon national and international events.**

Alas, we do not control national and international events. Hence, even though at this writing it appears that the American economy is working its way through its housing crisis, were that predicament to worsen, we would feel it here in Hampton Roads. Our advice, therefore, is that you keep your eye on national and international economic developments. What happens externally will soon ripple into Hampton Roads. **Nevertheless, at this juncture, there is solid reason to believe that we will have seen the worst of our housing problems by the second half of 2009, when we expect sales again to rise and prices to move upward in most, if not all, market segments.**

Local Television Evening News

IF IT BLEEDS, DOES IT LEAD? LOCAL TELEVISION EVENING NEWS IN HAMPTON ROADS

Newton Minow, once the chairman of the Federal Communications Commission (FCC), became forever famous, or at least perennially quotable, in May 1961 when he told the National Association of Broadcasters that American television had become a "vast wasteland." Minow challenged, even excoriated, the broadcasters as he told them he was "not convinced that the people's taste is as low as some of you assume." He asserted that the television spectrum was a public asset and therefore broadcasters were "jointly accountable to the American public for … the special needs of children, for community responsibility, for the advancement of education and culture … for decency and decorum in production. …"

Almost 50 years have passed since Minow threw down the gauntlet to television broadcasters. Every reader of the State of the Region report has his or her own opinions about the validity of Minow's assertions, as well as the current performance of television stations located in Hampton Roads. It is well beyond the scope of this report to evaluate all of the programming and activities of the region's television stations. We did find it possible, however, to examine the local evening news coverage of the four major television network stations in Hampton Roads. This chapter reports our findings.

Our Focus and the Questions We Ask

Some people perceive that graphic images of crime and violence routinely populate local television evening newscasts. And without a doubt, shootings, beatings, assaults, racial tension and celebrity crime all are potentially part of the local evening news. However, is the widely held assessment that crime stories dominate the news actually an accurate representation of local television evening news programming in Hampton Roads?

We address three questions.

1. What are the subjects of the stories broadcast on local television evening news programs in Hampton Roads?
2. What priority is given to specific types of stories in local evening news broadcasts? That is, where is a particular kind of story placed in newscasts, how much emphasis is given to that story (via teaser leads and the like) and how long is the story?
3. Who are the individuals in the stories and what is their race? Some believe that local television news misrepresents minorities by too frequently showing them in crime stories, or portraying them as criminals. Is this true?

Providing Some Context

Although most people would agree that crime is a major problem in the United States, the majority of us have not actually experienced violent crime firsthand. Americans, particularly those who do not actively seek information about social issues, rely on the media for information about crime. New York Times journalist Walter Lippman, in his classic book "Public Opinion," observed that people form opinions about "a greater number of things than we can directly observe. They (opinions) have, therefore, to be pieced together out of what others have reported."

In reporting about social issues, the news media not only seek to present the facts, but sometimes also to suggest solutions. Television news broadcasts, by reporting some things but not others, implicitly tell news consumers what issues are worthy of their attention and how they should feel about those issues. This process is commonly referred to as “framing” and is an important way in which the media emphasize certain perspectives and beliefs, while necessarily ignoring others.

Although news consumers commonly soon forget specific details of news stories, they do form general impressions about issues that later become integrated into their basic belief systems. They carry these beliefs with them when they interact with other individuals, where they choose to live, work and recreate, and, of course, when they go to the polls.

Whether they are conscious of it or not, local evening news producers engage in framing when they select certain stories to broadcast, assign priorities, headlines and leads to those stories, determine the length of the stories, and even when they choose the reporters to cover them. While this may sound a bit controlling, framing enables local evening news programs to present complex issues efficiently and in ways that are readily understood by audiences that may only be paying partial attention. Without a certain amount of framing, television news audiences might not assimilate a particular news story, or might even ignore it.

Michael Schudson, in his “The Sociology of News” (2003), explains: “To say that journalists construct the world is not to say they conjure the world. Journalists normally work with materials that real people and real events provide. But by selecting, highlighting, framing, shading and shaping in reportage, they create an impression that real people – readers and viewers – then take to be real and to which they respond in their lives.”

At the end of the day, however, framing highlights certain aspects of issues while obscuring or ignoring others, and this may lead audiences to one conclusion rather than another. Of course, not everyone is affected in the same way by a particular framing of a news story. Whereas Mary may be highly sensitive to a story describing environmental damage, John may not.

Some observers believe broadcast media tend to oversimplify associations between crime and its perpetrators and victims, due to constraints of time. The causes of crime are complex and there are many different reasons why people engage in antisocial and deviant behavior. One oversimplification appears to be that the media consistently overemphasize links between poverty and crime. It is plausible that poverty has an influence upon crime, but the vast majority of lower-income individuals are not criminals. Even so, the media often suggest that poverty nearly always generates crime. Initial portrayals of Muslim terrorists by mainstream media following the Sept. 11, 2001, attacks fell into this framing trap.

Media framing also can reinforce stereotypes. Peter Parisi, writing for the Howard Journal of Communication (1998), examined Leon Dash’s Pulitzer Prize-winning story, “Rosa Lee’s Story: Poverty and Survival in Washington.” Although the Dash article appeared to make a call to help the poor, Parisi found that the story actually reinforced the stereotype of the poor as black, inner-city residents engaging in drug use and other criminal behavior. Parisi compared Dash’s focus on the criminal behavior among urban blacks with Janet Cooke’s notorious Pulitzer Prize-winning story, “Jimmy’s World,” which portrayed a young black heroin addict. Although Cooke’s Pulitzer was withdrawn after it was revealed that she fabricated the story, the story’s initial acclaim suggests that the public found her “construction of ever-deepening levels of depravity among the poor, urban minorities to be ideologically resonant,” Parisi notes.

Our Methodology

We examined nearly three weeks of local television evening news in order to report the content that makes up the news presented by the four major network-affiliated stations: WTKR (CBS), WAVY (NBC), WVEC (ABC) and WVBT (Fox). We recorded and examined weekday programming from Sept. 10-27, 2007 – 14 days in all. This time period was chosen in order to avoid major political events that could skew the results.

For the local ABC, NBC and CBS stations, we recorded the news from 5-6 p.m., 6-6:30 p.m., and their 11-11:30 p.m. news shows. For the Fox affiliate, we recorded the same early evening newscasts plus the first half-hour of its 10 p.m. news show. Trained coders analyzed all of the programs to assess the news content. Our unit of analysis for this study was the individual news story. We examined 2,111 stories from the four stations in order to address our three questions.

What We Found

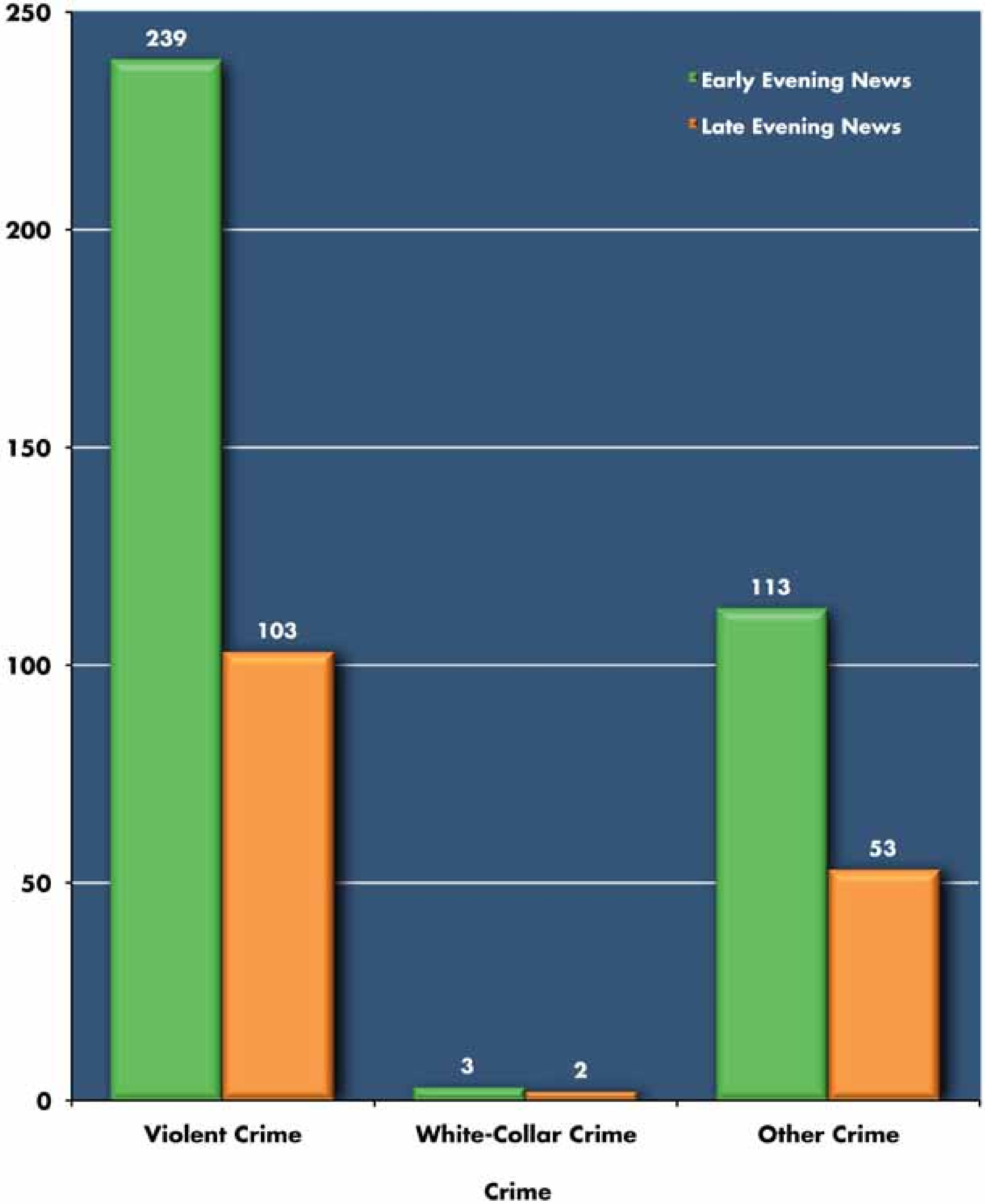
Question No. 1: What are the subjects of the stories on the local television evening news programs in Hampton Roads?

We found that more than 16 percent of the news stories involved incidents of violent crime – including the Jena 6, the Delaware State University shooting, the Michael Vick case, a police officer shooting and other such stories. Other crimes and white-collar crime made up another 8.1 percent of the stories reported by these stations. Taken together, violent crime, white-collar crime and other crimes were identified as the topic of the local news in more than 24 percent of the stories. Some of the other news story categories were: weather (12.4 percent), the military (9.1 percent), politics / government (8 percent), legal issues (5.7 percent) and medical (5.7 percent).

Weather turned out to be important because there was significant storm activity in Hampton Roads during the September 2007 study period. It is no surprise that military stories made up a significant proportion of local news. There was an important story that involved where the military was going to locate one of its bases. Graph 1 provides a visual description of the raw number of crime stories reported on the early evening and late evening news (513 crime stories out of 2,111 stories analyzed, which is 24.3 percent of all news stories).

GRAPH 1

TOTAL NUMBER OF CRIME NEWS STORIES AMONG 2,111 STORIES ON LOCAL EVENING NEWS BROADCASTS, SEPT. 10-27, 2007



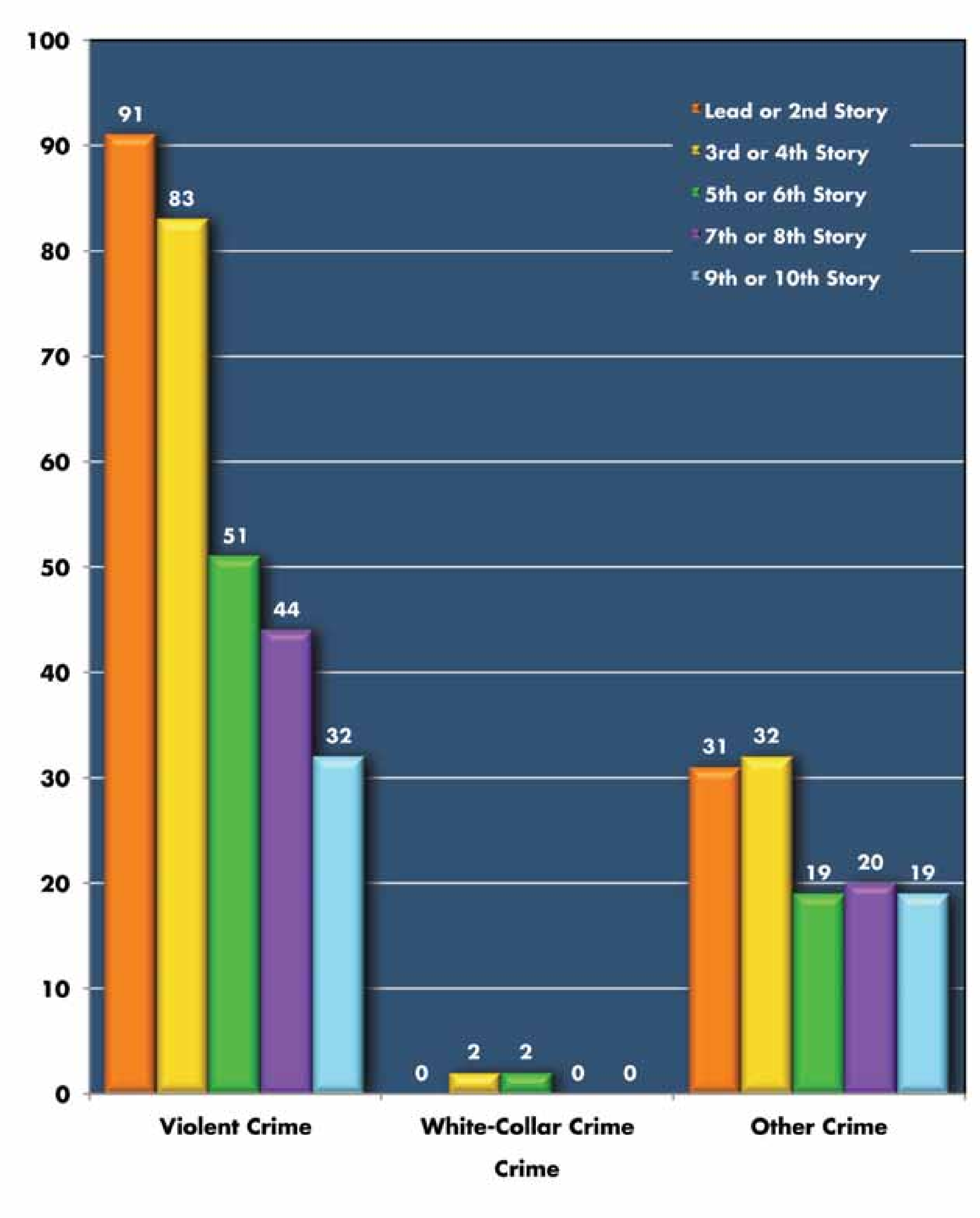
Question No. 2: What types of stories lead the local newscasts?

While violent crime formed the basis of 16 percent of local television evening newscasts, many may not view this as a high number. After all, this is only one out of every six stories. However, **we found that almost 33 percent of the lead stories dealt with some sort of violent crime. Further, when we examined all the lead stories that dealt with any type of crime (both violent and nonviolent), we found that they constituted the lead story in more than 45 percent of all newscasts.**

Next, we examined the *top three* stories in each newscast. **We found that, on average, there was very little change in the percentage of the top three stories reporting on crime – 40.8 percent of the second stories were devoted to crime and 44.6 percent of the third stories were devoted to this subject. Thus, crime stories appear to dominate local evening news coverage in Hampton Roads.** Graph 2 reports these data. Note that violent crime news stories in particular are reported up front in newscasts. In terms of the language we discussed earlier, local television evening newscasts are framed in terms of crime.

GRAPH 2

PLACEMENT OF CRIME STORIES ON LOCAL EVENING NEWS BROADCASTS, SEPT. 10-27, 2007



Question No. 3: How are minorities portrayed in local television news?

Crime news stories do not always reveal the race of the individuals involved, but in 325 cases, strong tips to their race were revealed. Our analysis found that when the race of the people in a crime story was known, 185 (56.9 percent) were black[1] and 123 (37.8 percent) were white. **Since a total of 277 black people were identified in all news stories, two-thirds (66.8 percent) were in crime stories, while less than a quarter (23.3 percent) of white people were shown in crime news stories.** Graph 3 reports these data.

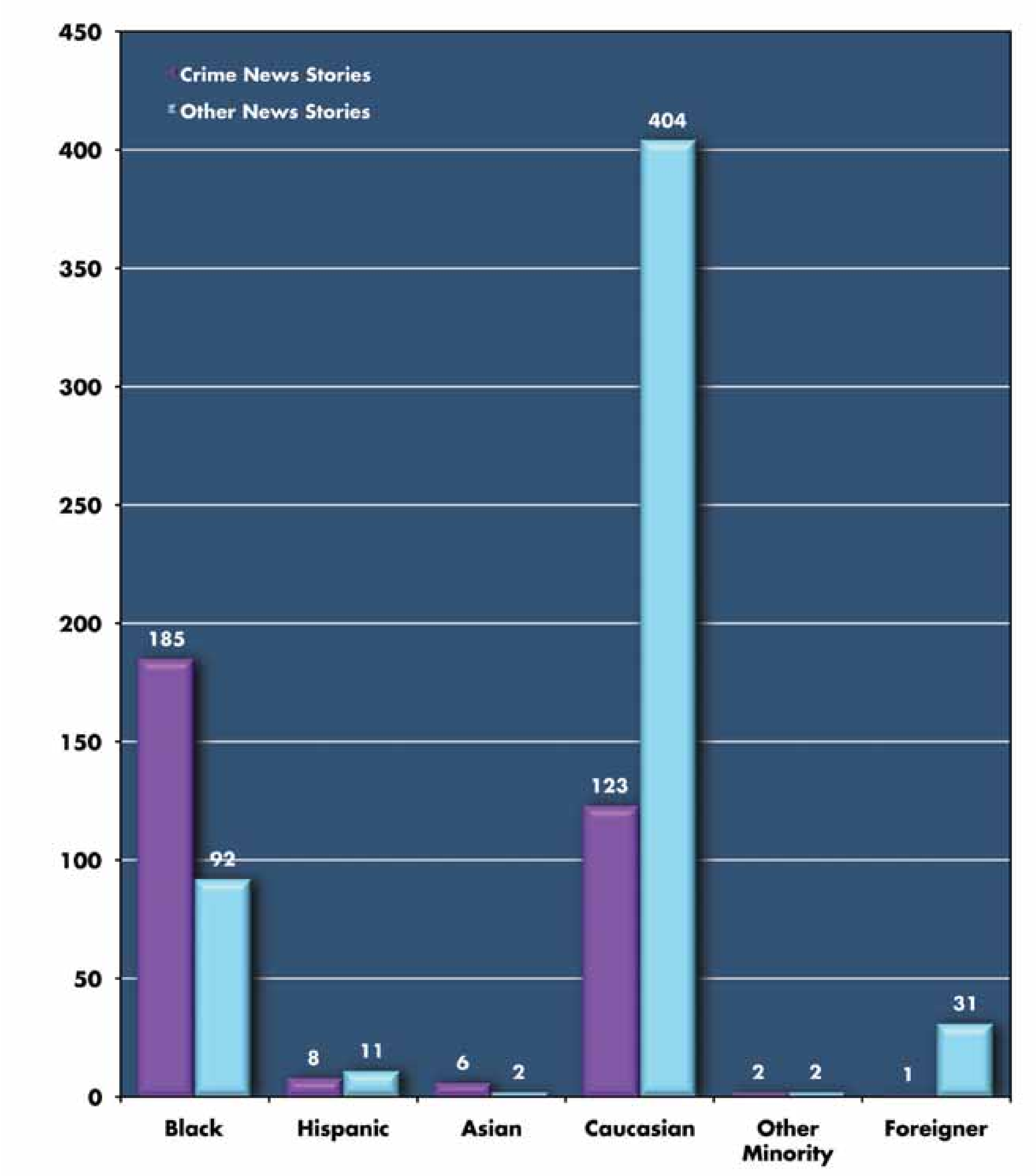
While not reported in Graph 2, we also found it significant that when the race of the *victims* of the alleged crimes was identified, 28 or (21.1 percent) of these victims were black, while 96 (72.2 percent) were white.

Thus, when crime news stories are reported, they involve blacks far more often than whites, or than any other non-black minorities, except when the victims of the crimes are identified. Then, whites predominate. Blacks were approximately twice as likely to be mentioned in a crime news story than in any other type of story combined.

[1] "Black" here is inclusive of African Americans and other apparently black individuals. We make no claim to be able to identify flawlessly the race of all individuals who are highlighted on local evening newscasts. Therefore, our percentages should be regarded as estimates, albeit ones with sufficient precision to be worthy of attention.

GRAPH 3

RACE OF INDIVIDUALS INVOLVED IN NEWS STORIES ON LOCAL EVENING NEWS BROADCASTS, SEPT. 10-27, 2007



Commentary

Local television stations adapt quite readily to their communities, even as they embrace new technologies to report happenings. Their local evening news programs remain a significant aspect of the social fabric of their communities. Their reporting of the news shapes how citizens, particularly those who remain on the periphery of social action and involvement, view the nature of their community. How this news is reported influences our understanding, affects our emotions and contributes to our feelings of anger, fear and distrust, as well as our sense of joy, peace and safety. In short, local television news broadcasts frame how we view the world, how we behave toward one another, and ultimately the choices we make in living out our lives here in Hampton Roads.

In contrast to the television news programs, headlines in our local newspapers during the comparable period of Sept. 11-28 (using the following morning's paper as a plumb line for the previous local evening news program's content) emphasized lead stories of a more general political bent. The Virginian-Pilot focused on Blackwater contractors in Iraq, the political plans of state legislators, new port terminals, water conservation and results of the Emmy Awards. Even the top headlines in the Hampton Roads section of The Pilot highlighted development projects, pollution issues, tourists at Michael Vick's property and local tax relief issues. Only one top headline in the Hampton Roads section during this period dealt with crime, namely an investigation into the videotaping of a mob attack in Ocean View. While the Daily Press's topical coverage differed somewhat, the content of its lead stories did not, in the sense that these stories focused on issues other than crime.

Hampton Roads television news programs showcased reports on crime as their lead story almost half of the time, with violent crimes leading the nightly newscast a third of the time. Stories such as a man attacked and beaten, a fight on a school bus, and an unusual "video-staged" fight showing several African American youths beating up a white youth in Ocean View provided leads for several days in a row. The data regarding violent crime reporting contrast with the overall television reporting of crime stories in general at a much lower level – 16 percent. This implies that news producers do tend to seek out sensational teasers involving criminal violence in order to attract and retain audiences. It was clear, as well, that two of the stations (WAVY and WVEC) placed extra emphasis upon lead stories involving violent crime during the period studied. These two stations perhaps do make different choices at other times, but their behavior stood out in this regard in September 2007 and was statistically significant.

We found that crime stories clearly constitute a common and important part of local television evening news reporting. Statistically, it does appear that "if it bleeds, it leads." While we cannot say what effect these stories had on those who watched (or heard about) them, it seems logical that the deluge of such stories would fail to impress tourists who happened to be watching, or prospective firms that might be thinking about locating in the region. It also seems likely that these stories eventually would have a debilitating effect on African Americans and other dark-skinned people in our region (who have been identified as black in our study). Further, it seems probable that such stories would heighten concerns among non-black racial groups about black crime.

The racial implications of our findings are sensitive, but hardly can be avoided. Local evening newscasts focus repeatedly on crimes committed by blacks. It's true that data from law enforcement agencies indicate that blacks commit more crimes per capita than whites and other racial groups. The data also reveal that blacks are arrested far more often per capita than whites and other groups. (Again, we use the terms black and white because this was the basis for our identification of races in the local evening newscasts.) Regardless, what emerges is a picture of black people as perpetrators of crimes and other individuals (more often than not whites) as victims.

African Americans (black people in our analysis) frequently complain that they are consistently portrayed in a negative fashion by the media. Against this, the media often reply simply that they report what happens. Because black people, according to law enforcement data, commit more crimes per capita than other races, they therefore are going to be featured in news reports more often. The solution to this problem, they say (but seldom in public), is to commit fewer crimes.

Nevertheless, our analysis reveals that so-called positive stories involving black residents were a small percentage compared to those involving crime. Several of our local stations consistently thrust microphones in front of alleged criminals, who either sulk or boast, and distraught victims, who emote and wail. Yes, this does give a human touch to their news reporting, but at the same time it clearly does very little to combat stereotypical representations of African Americans in Hampton Roads.

Whoever it is that commits crimes in our region, are all of these crimes, or even most of them, truly newsworthy? And, should crimes consistently be treated as lead stories on the local evening news, replete with teasers ("Exclusive Report on Alleged Rape at 6 p.m.") and news flashes? **Are our local television stations actually telling viewers what's really going on, and what they really need to worry about, or are they instead distorting the images we have of each other and our region, and thereby poisoning the well?**

Ultimately, television ratings are crucially important. A few months ago, The Virginian-Pilot reported that three major individuals involved with news broadcasts at WTKR were "no longer employed at WTKR effective immediately" (Virginian-Pilot, June 22, 2008). The Pilot commented that WTKR had "lagged in news ratings" and that specific individuals had been hired to improve this situation, but desired progress had not occurred.

We found that those who choose to watch the local news encounter coverage that is heavy on crime stories. By and large, local evening newscasts don't emphasize good deeds. If they did, perhaps we wouldn't watch. Local television reporters and news managers chose not to react to these findings. Even though we made several contacts with each of the four regional network television stations (by telephone and multiple e-mails) and even though we provided them with preliminary copies of our data, as well as Internet links to previous State of the Region reports, they declined to talk with us about any of these issues.[2] Readers may draw their own conclusions about this "hunker down" behavior because it is something that television news broadcasts often expose and criticize. It is sufficient for us to record that we were disappointed. We suspect that Newton Minow would have had the same reaction.

[2] Two of the stations acknowledged our queries, but then declined to talk further.

Women Earn Less Than Men. Why?

WOMEN EARN LESS THAN MEN IN HAMPTON ROADS. WHY?

The average full-time female worker earns less than the average full-time male worker in Hampton Roads. Of course, women and men don't hold the same jobs and they are dissimilar in other respects (experience, continuous length of time in the labor market, hours worked, education, etc.). When such differences do exist, they constitute legitimate economic (and usually legal) reasons why the wages of men and women will differ.

However, in some situations, men and women appear to be identical in terms of their legitimate labor market characteristics, yet women nevertheless earn less than men. If all relevant labor market characteristics actually have been taken into account, then it is customary to assume that a residual wage differential that cannot be explained by the legitimate labor market characteristics is due to discrimination. That is, such a differential constitutes a prima facie case in favor of the existence of discrimination.

In this chapter, we examine the earnings gap that exists between women and men in Hampton Roads. This gap is the difference between the earnings of women and men and is usually expressed as the percentage of men's wages earned by women. **U.S. Census data reveal that women, on average, earn only 80 percent of what men earn. Does this constitute evidence of discrimination? For the most part, the answer is no, but some of this gap may well reflect gender discrimination not based upon any legitimate labor market characteristics.**

The goal of this chapter is to show what is true in Hampton Roads. In so doing, we will consider the major explanations for the earnings gap, see where Hampton Roads stands, and finally compare the Hampton Roads and Richmond metropolitan areas.

Labor Force Participation, Education and Other Factors

Beginning in World War II, the proportion of women in the labor force began to increase significantly and, in more recent years, there also has been a noticeable increase in the quality of those jobs. Between 1970 and 2004, the percentage of adult women in the labor force grew from 43 percent to almost 60 percent. At the same time, we have seen an increase in the percentage of women holding college degrees. In 1970, about 10 percent of women in the United States had earned a college degree. By 2003, this had grown to 29 percent. In 1970, the share of men with bachelor's degrees or higher was 50 percent greater than that of women, but that percentage now is approximately equal.

When women do earn collegiate degrees, there is a significant economic return to them. National data tell us that women with college degrees earned 75 percent more than those whose education ended at high school. As a consequence, the importance of female earnings to household income has changed. In the early 1970s, wives' income was approximately one-quarter of family income. By 2003, this contribution had grown to one-third.

Nevertheless, far more working women live in poverty than working men. Further, occupational segregation exists such that women dominate certain occupations, most of which (services, education and health services) are not known for their high wage rates. In addition, relative to men, a greater proportion of women occupy part-time jobs and women are less likely to be members of labor unions than men. All of these factors act to reduce women's incomes relative to men.

A Bit of Economic Theory

Perhaps no other topic has been studied in labor economics more often than the earnings gap between men and women. What are the explanations for this gap?

One interpretation is offered by Marxist economists, who suggest that the gender earnings gap exists because women are being exploited. Women, they argue, don't own sufficient income-generating capital because men have historically had more control over capital. A variant of this is offered by certain feminist economists who assert that systems of patriarchy keep men dominant and hence do not allow women to earn the true economic value of their work efforts.

The conventional economic explanation of the gender earnings gap is labeled the human capital model, a term that was coined by 1992 Nobel Laureate in Economics Gary Becker of the University of Chicago. Becker views a family as a single economic unit and assumes that family members make choices to have children. Whoever is making the decision, when women do have children, they frequently leave the labor market. Hence, we should expect that the average woman will, at any adult age, have accumulated fewer years in the labor force. This results in lower earnings for women relative to men.

Add to this the impact of the marriage income tax penalty that the federal government assigns to married couples and the human capital model predicts lower labor force participation rates for women. And, in fact, this is what census data indicate. About 75 percent of all men older than 16 are in the labor force, compared to only 60 percent of all women.

The human capital model also recognizes that women and men may prefer different types of jobs. Women, especially those with families, often prefer occupations that offer more flexible working schedules. The resulting self-selection tends to produce occupational segregation. For example, women with children may prefer teaching positions that allow them to spend summers with their families in preference to 12-month, non-education jobs that might pay more.

Data from the 1999 Current Population Survey reveal that women are much more prevalent in occupations such as nursing, elementary school teaching and dental hygiene, while men dominate engineering, dentistry and pilotage. In the service arena, women dominate nursing and child care, while men occupy a larger share of police and firefighting jobs. Labor economics texts routinely report that about one-third of the earnings gap between men and women can be explained by existing occupational segregation (for example, Bradley Schiller, "The Economics of Poverty and Discrimination").

Human capital models also take note of "compensating wage differentials" that arise when one worker occupies a job that is less pleasant, or more risky to health and safety, than another worker's job. Competitive labor markets usually award wage premiums to workers who wash windows on the upper floors of skyscrapers, or who must endure high levels of pressure and tension. Data from the National Longitudinal Survey of Youth indicate that men are much more likely to be in occupations that are hazardous or unpleasant, or which have minimum strength requirements, or where the work is done outdoors (June O'Neill, "The Gender Gap in Wages," American Economic Review Papers and Proceedings, May 2003).

Wage premiums often also are awarded to workers whose employment is highly variable, or unpredictable. For example, the work of employees at the Northrop Grumman Shipyard in Newport News is primarily funded by contracts from the federal government. If these contracts disappear, then layoffs will likely occur. Contrast the Northrop Grumman experience with occupations such as education and nursing that are often dominated by women. These occupations are not as prone to layoffs and, holding other things constant, employees in those occupations will earn lower wages than those in less predictable occupations.

Human capital theory also takes note of the reality that part-time workers in general are not paid proportionately as much as full-time workers. Adjunct faculty who teach single courses at universities know this tendency well. Since women tend to occupy part-time positions more often than men, this works to their wage disadvantage. In addition, data from the National Longitudinal Survey indicate that women more frequently prefer jobs that offer more flexibility and fringe benefits rather than jobs that might offer higher pay, but reduced flexibility and less attractive fringe benefits.

Finally, human capital theory also addresses the impact of the influx of women into the workforce that has occurred in recent years because of the work requirements of the Welfare Reform Act of 1996. Heads of households are required to work in order to receive Temporary Assistance for Needy Families (TANF) benefits. Whatever the intent, this has pushed more women into the labor force and has exerted downward pressure on their wages in certain occupations.

A Brief Look at National Economic Evidence

Between 1979 and 2005, the earnings gap between women and men fell from approximately 40 percent to about 20 percent. **Decades of empirical studies have addressed this gap and the consensus is this: if women and men possessed the same human capital profiles (that is, similar education, experience, work histories, etc.), and if women made the same occupational choices as men, then an unexplained wage gap between 2 percent and 9 percent nevertheless still exists** (see discussion in "Modern Labor Economics: Theory and Public Policy," Ehrenberg and Smith, 2006). **That is, a prima facie economic case can be made in support of the proposition that between 2 percent and 9 percent of the 20 percent national earnings gap between men and women workers is a function of gender discrimination against women.**

The Gender Wage Gap in Hampton Roads

Virginia has the 19th-highest female / male wage ratio and the 10th-highest female / male earnings ratio among the 50 states and Washington, D.C. The Commonwealth ranks below Maryland and Washington, D.C., in this regard. Why is the mid-Atlantic region different from the rest of the United States? The relatively large proportion of women in the region with bachelor's degrees, the large public-sector share of employment in Virginia, and the strong higher education and health sectors in the region are usually cited as the reasons.

However, what about Hampton Roads specifically? Let's examine one of the primary factors – occupational segregation and crowding – that is suggested by the human capital model as a determinant of gender wage and earnings gaps. The model predicts that when large numbers of people migrate into an occupation, if nothing else changes, there will be downward pressure on wages for everyone in that occupation because the supply of labor has increased. Further, migration out of one labor market or occupation reduces the supply of labor there and so wages and earnings there will increase. Hence, if a couple moves to Hampton Roads and the wife chooses to work in an occupation that is dominated by women, then this will exert downward pressure on wages and earnings in that occupation. Of course, gender discrimination could be among the reasons women opt for certain occupations, but regardless, the supply / demand situation will deteriorate for women workers if nothing else changes.

Let's initially examine the Hampton Roads labor force to determine what types of organizations women work for. The U.S. Census Bureau identifies seven different classes of employers. Table 1 indicates that the female share of the labor force in Hampton Roads in the seven classes of employers is, for the most part, similar to the United States as a whole. The only employer type in which the share of women in Hampton Roads is significantly less than the rest of the country is in jobs

TABLE 1
LABOR FORCE CHARACTERISTICS OF WOMEN BY TYPE OF EMPLOYER, HAMPTON ROADS AND THE U.S., 2006

Employer Classification	U.S. Women's Labor Force Share	Hampton Roads Women's Labor Force Share	U.S. Female/Male Earnings Ratio	Hampton Roads Female/Male Earnings Ratio
Private for Profit	43.4%	44.1%	.7501	.7124
Private Nonprofit	65.6%	63.6%	.8275	.8062
Local Government	60.2%	60.2%	.8062	.9236
State Government	57.3%	57.0%	.7922	.7426
Federal Government	42.8%	33.5%	.8700	.7631
Self Employed	37.5%	36.0%	.6303	NA

Sources: American Community Survey 2006 and U.S. Census Bureau associated with the federal government category. The likely reason for this is the large number of male military personnel located in our region.

The final two columns of Table 1 record female / male earnings ratios for six of the employer classifications. Here we do find some large differences between Hampton Roads and the United States. **The relative earnings of women to men are lower in Hampton Roads in all but one of the six employer categories. The largest difference occurs in the federal government employer category, where the ratio between women and men trails the national average more than 10 percent. Contrast this to the local government employer category, where women in Hampton Roads are 12 percent better off than women who work for local government in the rest of the country.**

Next, let's focus on the female / male earnings ratio by occupations rather than by types of employers. Table 2 presents data on the size of the women's workforce, the share of the workforce composed of women, the median earnings of women and the female / male earnings ratio for 26 occupations. The data are arranged by the size of the female workforce in each occupation. Within our region, the occupation claiming the largest absolute number of women is office support workers, with almost 90,000 women workers in 2006. Women constitute about 77 percent of the workforce in this occupational category, but earn, on average, only 76 percent of what men earn. Recall that human capital theory suggests that women likely will fare better in job categories that are not dominated by women because there is less crowding in those occupations.

We're now going to sort the data in Table 2 in four different ways in order to highlight extremes in female / male earnings ratios and female employment shares. The four selected combinations are signaled by different colors. Recall that we expect earnings to be relatively lower in occupations in which the proportion of women in the workforce is relatively high due to the occupational sorting and / or discrimination.

First, consider women in occupations that have relatively high female / male earnings ratios (above .86) and relatively small female workforce shares (less than 25 percent). These are coded green in Table 2. Occupations in this category include material moving, construction / extraction, repair and maintenance, and law enforcement.

Note that women earn almost 99 percent of what men do in the repair and maintenance occupation, but they comprise only about 5 percent of the workforce there. Similarly, in construction / extraction, women again make up about 5 percent of the workforce; however, they earn 86 percent of what men earn. A characteristic these occupations have in common is that they have been male-dominated historically, perhaps because of the physical labor involved and / or the degree of physical risk inherent.

The second classification, highlighted in orange, reflects occupations in which less than 25 percent of the workforce is female and female earnings are less than half of male earnings. Occupations in this category include motor vehicle operators and transportation workers (other than drivers). In four of the six occupations in this sorting, there is evidence that women in our region do relatively better in occupations dominated by men (which is what human capital theory predicts).

Our third sorting highlights occupations where women constitute more than one-half of the workforce and earn almost the same as men. These occupations are highlighted in blue. One of the jobs in this category, food preparation and serving, typically does not require high levels of formal education and often constitutes an entry-level job. The social service category, on the other hand, typically requires significant higher education. Further, many social service employers are local governments, which we already have identified as producing higher female / male earnings ratios.

The fourth sorting, coded in purple, identifies occupations in which more than half of all jobs are held by women and the female / male earnings ratio is below .50. Health-care providers occupy this category, probably reflecting the reality that many women are dental hygienists, nurses and health-care assistants, while medical doctors and dentists historically have been male. Sales workers also appear in this category and a ready economic explanation is not so obvious. However, the gender earnings differential apparent here sometimes is attributed to the more aggressive, competitive sales techniques of men, whether genetic or learned.

TABLE 2
LABOR FORCE CHARACTERISTICS OF WOMEN IN HAMPTON ROADS BY OCCUPATIONS, 2006

Occupation	Women in the Work Force	Percentage of Women	Women's Annual Earnings	Female/Male Earnings Ratio
Office Support	89,908	76.90%	24,197	0.7590
Sales	51,041	61.00%	16,354	0.4160
Education	38,288	75.60%	32,566	0.7617
Management	30,275	42.50%	41,196	0.6683
Food Preparation and Serving	24,339	57.90%	10,130	0.9713
Business and Financial	22,122	61.70%	39,776	0.7323
Personal Care and Service	18,293	82.90%	14,737	0.8516
Health-care Providers	18,099	74.80%	46,804	0.3900
Production	13,442	33.40%	22,134	0.6166
Buildings and Grounds	12,446	43.90%	13,804	0.6878
Health-care Support	12,056	86.60%	20,433	0.7989
Health-care Technologists	11,987	88.80%	28,256	0.7735
Social Services	7,571	62.00%	31,649	0.9826
Arts, Entertainment and Media	7,198	59.80%	28,866	0.7664
Computer	5,751	28.20%	46,470	0.8075
Material Moving	4,558	23.70%	19,000	0.8684
Legal Occupations	4,060	57.10%	36,018	0.3584
Motor Vehicle Operators	3,772	19.90%	12,929	0.4279
Protective Services	3,465	26.90%	17,006	0.4554
Architecture and Engineering	2,709	12.60%	51,681	0.8053
Scientist (life, physical and social)	2,695	48.50%	47,058	0.7441
Construction / Extraction	1,872	3.30%	27,186	0.8602
Repair and Maintenance	1,594	5.00%	37,613	0.9871
Law Enforcement	1,452	16.50%	36,729	0.9305
Transportation (other than drivers)	1,345	20.00%	24,634	0.4962
Natural Resources and Farming	704	26.10%	7,933	0.4969

Sources: American Community Survey 2006 and U.S. Census Bureau

Color Key

Green: Women constitute less than 25 percent of all workers and the female / male earnings ratios exceeds .90.

Orange: Women constitute less than 25 percent of all workers and the female / male earnings ratio is below .50.

Blue: Women constitute more than 50 percent of all workers and the female / male earnings ratio is at least .90.

Purple: Women constitute more than 50 percent of all workers and the female / male earnings ratio is below .50.

Black: All other occupations.

Hampton Roads Compared to Richmond

Graph 1 focuses on the earnings experience of women in Hampton Roads compared to those in Richmond for 2006. Richmond is a useful metropolitan area for comparison for several reasons. First, it is near Hampton Roads and therefore it would be relatively easy for individuals to migrate between the two metropolitan areas in response to earnings differentials. Second, Richmond clearly offers many state government jobs, which could influence the female / male earnings ratio.

The ratios of women's earnings in Hampton Roads to women's earnings in Richmond are plotted in 26 different occupations in Graph 1. In only two of the 26 occupations does the ratio exceed 1.2 (indicating women in Hampton Roads are doing noticeably better than those in Richmond), but in six of the 26 cases, the ratio is below .8 (signaling women in Hampton Roads are doing noticeably worse than those in Richmond). Further, the individual observations in Graph 1 tend to be clustered below the 1.00 break-even point between the two regions. **This tells us that in general, women in Hampton Roads tend not to earn as much as women in Richmond. Cost-of-living differences are minimal between the two regions and therefore don't explain these differences.**

Nor, should we add, do we see signs of women migrating to Richmond from Hampton Roads in response to relatively more favorable earnings in many occupations in Richmond. As we will argue below, many women in Hampton Roads appear to be place-bound.

Interestingly, women in law enforcement in Hampton Roads earn significantly more than comparable women in Richmond, while our region's women transportation workers (other than drivers) also do much better than their Richmond counterparts. At the other end of the scale, women in Hampton Roads in farming, fishing and forestry earn only 32 percent of similar women in Richmond (though there are fewer than 1,000 such workers in Hampton Roads).

Does occupational segregation / crowding have anything to do with the earnings differentials we have just observed? Yes. **We did some reasonably sophisticated empirical work and found that a 1 percent increase in the Hampton Roads to Richmond women's employment ratio reduces the relative pay of Hampton Roads women to Richmond women by 1.5 percent. This means that crowding of women into specific occupations definitely makes a difference.**

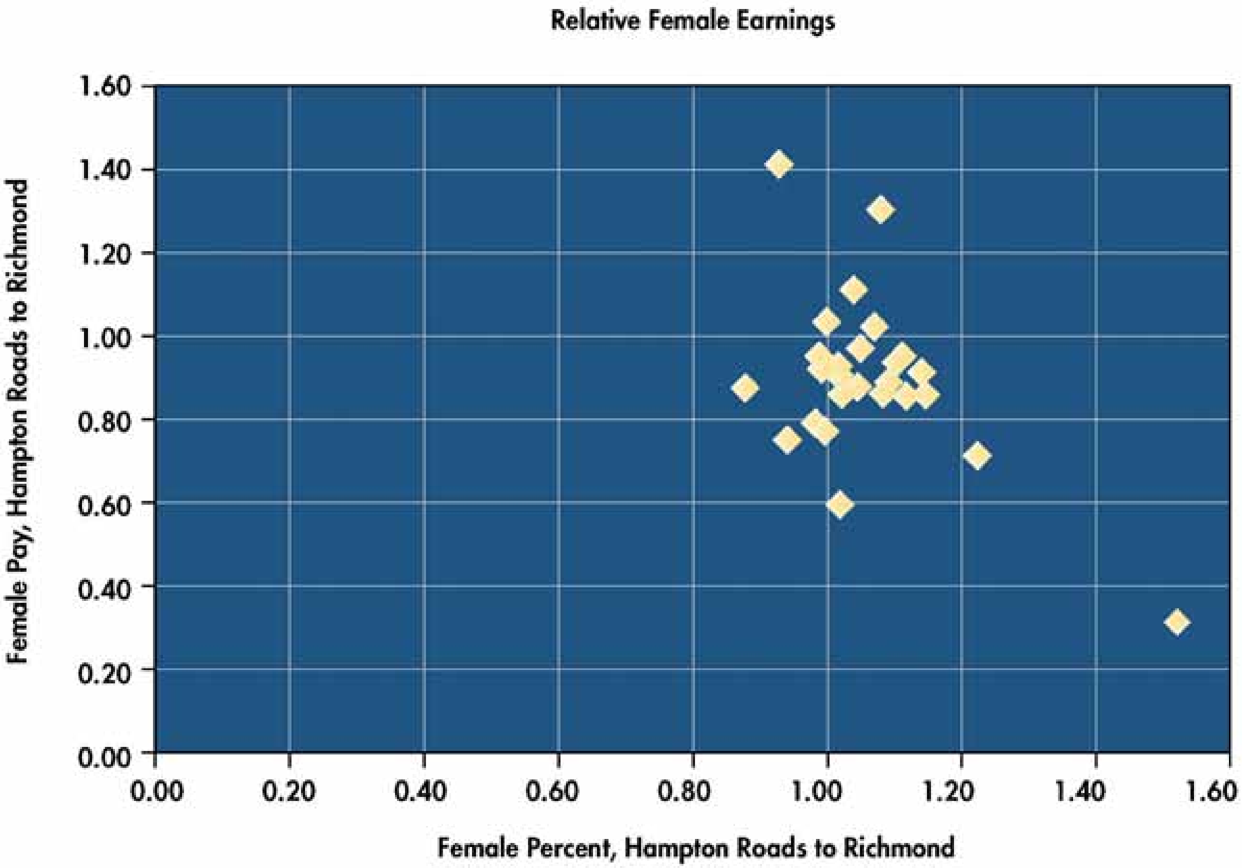
Is there more crowding of women into occupations in Hampton Roads than in Richmond? Again, the answer is yes. In 18 of the 26 occupations, the percentages of women in these occupations in Hampton Roads are higher than the comparable percentages in Richmond. **Thus, there is more crowding of women into occupations in Hampton Roads than in the Commonwealth's capital city and, as the human capital model predicts, this results in relatively lower wages and earnings by women in our region.**

Why is there more gender crowding in Hampton Roads? A plausible explanation is that Hampton Roads contains a larger proportion of women who follow their husbands here and end up competing for jobs in already crowded labor markets. Military personnel provide an obvious example; however, it is not commonly understood that Hampton Roads also is a large, though somewhat dispersed, "college town" that hosts approximately 100,000 students. The faculty and staff who serve these students often bring spouses and significant others with them, and the net result is increased occupational segregation and crowding.

Finally, census data reveal that the typical woman in Hampton Roads is younger than the representative woman in Richmond and, for that matter, the average woman in the United States. This implies that Hampton Roads women workers are relatively less experienced than those in Richmond and in the United States, and this constitutes an economic reason why they might be paid less.

GRAPH 1

RATIOS OF WOMEN'S EARNINGS IN HAMPTON ROADS TO WOMEN'S EARNINGS IN RICHMOND, 2006



Sources: American Community Survey 2006 and U.S. Census Bureau

Final Thoughts

Our examination of gender wage and earning differentials in Hampton Roads reveals the following:

- Women in Hampton Roads earn less than men, and approximately 2 percent to 9 percent of the 20 percent earnings differential between men and women could be due to discrimination.

- Most of the wage and earnings differential between men and women in our region is explainable on the basis of economically and legally legitimate labor market characteristics, such as differences in levels of education, experience and labor market behavior.

- In terms of their earnings, women do best when they work in occupations not dominated numerically by women. Occupational segregation and the crowding of women into certain occupations, such as nursing, elementary school teaching and dental hygiene, reduce women's earnings relative to men's earnings.

- The typical woman in Richmond in a specific occupation earns more than a comparable woman in Hampton Roads, and much of this is due to higher levels of occupational segregation by gender in our region. Trailing military and higher education spouses appear to be responsible for much of this phenomenon.

- In terms of gender earnings equality, the best large employer is local government, while the worst is the federal government. It seems likely the distinctive mixes of positions each of these governmental units offers within our region is substantially responsible for this.

Care for the Mentally Ill

AN ALMOST INVISIBLE CORNER: CARE FOR THE MENTALLY ILL IN HAMPTON ROADS

"Don't do this topic," we were advised. "Regardless of what people say, they really don't want to talk about mental illness."

Perhaps. Mental illness often has tended to be viewed by many as a taboo, or at least not "polite" subject. Nevertheless, many now recognize it as a legitimate and important societal issue. The President's New Freedom Commission on Mental Health Final Report in 2008 noted that "mental illnesses rank first among illnesses that cause disability in the United States, Canada and Western Europe."

Nationally recognized studies estimate that about 5.4 percent of the adult population is likely to suffer a serious mental illness (U.S. Center for Mental Health Services). The range of prevalence among adults is 3.7 percent to 7.1 percent. That means that approximately 44,000 to 85,000 adults in Hampton Roads may suffer a serious mental illness in their lifetime (see Table 1).

TABLE 1
PREVALENCE OF SERIOUS MENTAL ILLNESS IN HAMPTON ROADS
ADULT POPULATION - ESTIMATED

	Total Population	Adult Population	Population with SMI (5.4%)	Lower Limit SMI (3.7%)	Upper Limit SMI (7.1%)
Chesapeake	216,568	162,426	8,771	6,010	11,532
James City County	61,739	46,304	2,500	1,713	3,288
York County	63,184	47,388	2,559	1,753	3,365
Poquoson	11,948	8,961	484	332	636
Williamsburg	13,245	9,934	536	368	705
Hampton	145,862	109,397	5,907	4,048	7,767
Newport News	182,478	136,859	7,390	5,064	9,717
Norfolk	235,987	176,990	9,557	6,549	12,566
Portsmouth	98,543	73,907	3,991	2,735	5,247
Virginia Beach	433,033	324,775	17,538	12,017	23,059
Isle of Wight County	33,612	25,209	1,361	933	1,790
Southampton County	18,335	13,751	743	509	976
Franklin	8,501	6,376	344	236	453
Suffolk	81,209	60,907	3,289	2,254	4,324
Hampton Roads	1,604,244	1,203,183	64,972	44,518	85,426
Virginia	7,712,091	5,784,068	312,340	214,011	410,669

Population is provisional estimate for 2007 by the Weldon Cooper Center at the University of Virginia.
Adult population age 18 years and over is 75 percent of total population.
Prevalence estimates use percentages developed by the U.S. Center for Mental Health Services.

In addition, the same prevalence studies estimate that 6 percent to 12 percent of children and adolescents from ages 9 to 17 may suffer from some sort of significant emotional disturbance. For Hampton Roads, that translates to 12,000 to 24,000 young people who may have serious emotional needs (see Table 2).

Just as there has come to be recognition of the reality of mental illness in our society, there too has been a significant evolution in thinking about how to treat it. This chapter briefly traces the background of mental illness treatment in Virginia; reviews the delivery of mental health services in Hampton Roads; and shares some judgments as to the adequacy, accessibility and quality of these services.

TABLE 2
PREVALENCE OF SERIOUS EMOTIONAL DISTURBANCE AMONG CHILDREN AND ADOLESCENTS
CHILD/ADOLESCENT POPULATION - ESTIMATED

	Total Population	Population Age 9-17	Est. SED, Lower	Est. SED, Upper
Chesapeake	216,568	27,158	1,629	3,259
James City County	61,739	7,742	465	929
York County	63,184	7,923	475	951
Poquoson	11,948	1,498	90	180
Williamsburg	13,245	1,661	100	199
Hampton	145,862	18,291	1,097	2,195
Newport News	182,478	22,883	1,373	2,746
Norfolk	235,987	29,593	1,776	3,551
Portsmouth	98,543	12,357	741	1,483
Virginia Beach	433,033	54,302	3,258	6,516
Isle of Wight County	33,612	4,215	253	506
Southampton County	18,335	2,299	138	276
Franklin	8,501	1,066	64	128
Suffolk	81,209	10,184	611	1,222
Hampton Roads	1,604,244	201,172	12,070	24,141
Virginia	7,712,091	967,096	58,026	116,052

Population is provisional estimate for 2007 by the Weldon Cooper Center at the University of Virginia.
Population cohort age 9 to 17 is 12.54 percent of the total population.
Prevalence estimates use percentages developed by the U.S. Center for Mental Health Services.
Estimated Serious Emotional Disturbance: lower is 6 percent; upper is 12 percent.

Background

Virginia has the distinction of establishing the first mental health hospital in the country in 1773 with its Public Hospital for Persons of Insane and Disordered Minds in Williamsburg. For most of its history, the Commonwealth assumed responsibility for providing mental health treatment services directly. These services were provided in state hospitals that became huge warehouses of people with many maladies. The hospital in Williamsburg evolved into Eastern State Hospital, and along with other public hospitals in the state, reached a combined peak population of 11,532 in 1962.

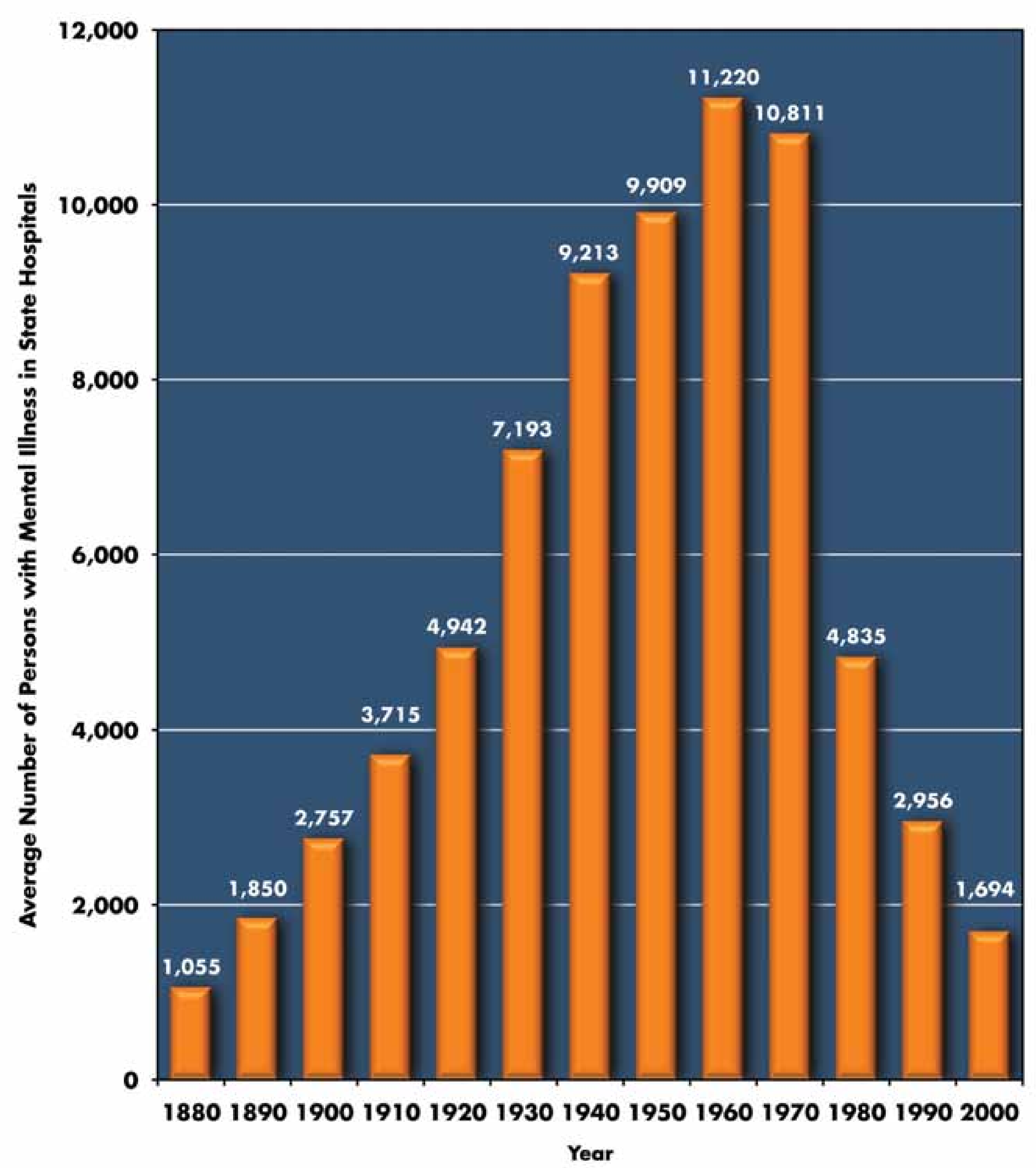
In the 1970s, Virginia became part of a national movement to deinstitutionalize mental health treatment and move patients into local communities to be served. The desired effect of reducing the size of the large institutions that had limited success in treating patients was achieved. The average population of the eight state hospitals combined is now 1,452, a reduction of 87 percent.

Community services boards were established in localities and charged with the responsibility of providing community-based care. Although services were to be provided locally, dollars have never flowed in adequate amounts from the federal or state governments to establish services to the extent necessary to meet needs. In its Interim Report to the President, the New Freedom Commission on Mental Health found "… the mental health delivery system is fragmented and in disarray."

Virginia has adopted the plan "Envision the Possibilities: An Integrated Strategic Plan for Virginia's Mental Health, Mental Retardation and Substance Abuse Services System" (2005) to provide a framework for transforming Virginia's publicly funded services for mental health, along with mental retardation and substance abuse. The idea was to move from a "crisis-response" system to one that "provides incentives and rewards for implementing the vision of a recovery and resilience-oriented and person-centered system of services and support driven by individuals receiving services and support." The programs and services offered in the Hampton Roads region have been affected by this transformation.

GRAPH 1

INSTITUTIONALIZATION BEGAN IN ABOUT 1920 AND DEINSTITUTIONALIZATION BEGAN IN 1970



Sources: Analysis of data from the Department of Mental Health, Mental Retardation and Substance Abuse Services, and archival data from the State Department of Public welfare.

The Virginia Mental Health System

The Department of Mental Health, Mental Retardation and Substance Abuse Services (DMHMRSAS) is the state agency responsible for providing leadership, accountability, oversight and support for mental health services in Virginia, along with similar responsibilities in the areas of mental retardation and substance abuse. The State Mental Health, Mental Retardation and Substance Abuse Services Board, appointed by the governor, is by statute responsible for creating programmatic and fiscal policies, conducting long-range planning, adopting regulations and monitoring performance of the department.

According to DMHMRSAS's Comprehensive State Plan for 2006-2012, the mission of the central office is "to provide leadership and service to improve Virginia's system of quality treatment, habilitation, and prevention services for individuals and their families whose lives are affected by mental illness, mental retardation, or substance use disorders (alcohol and other drug dependence or abuse). The central office seeks to promote dignity, choice, recovery, and the highest possible level of participation in work, relationships, and all aspects of community life for these individuals."

The state continues to maintain hospitals where mental health services are provided directly. There are eight state mental health hospitals, with the pioneering Eastern State Hospital being located in Hampton Roads.

Most mental health services are provided through community services boards. CSBs are agencies of local government that operate under contract with DMHMRSAS to provide services in the local community. There are 39 CSBs in the state and all local governments belong to some CSB. DMHMRSAS uses Virginia's five health planning regions as a basis for coordinating with CSBs. Health Planning Region V encompasses nine CSBs: Chesapeake, Colonial, Eastern Shore, Hampton-Newport News, Middle Peninsula-Northern Neck, Norfolk, Portsmouth, Virginia Beach and Western Tidewater.

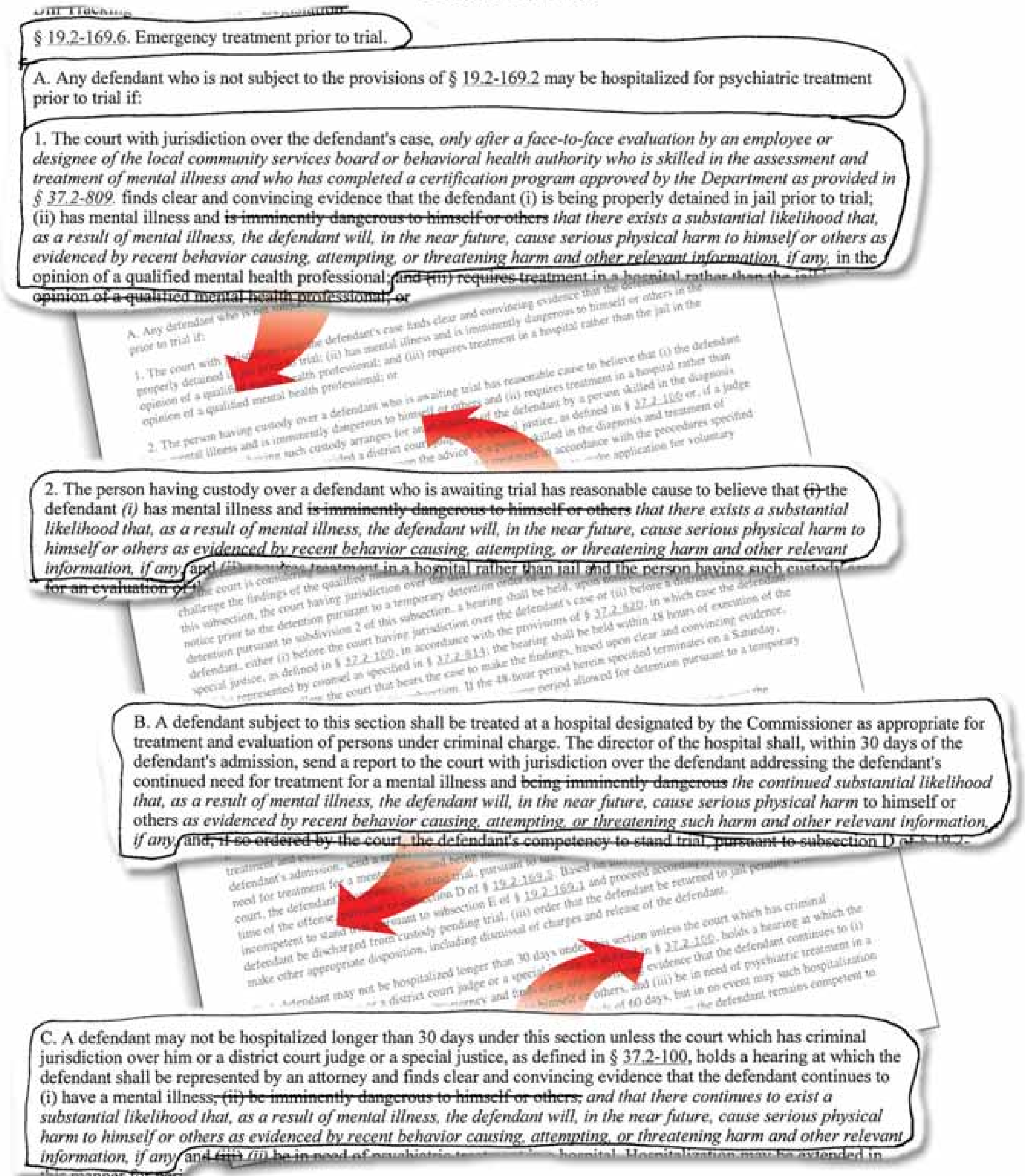
In addition to the administrative structure for providing mental health services, there is the legal framework that defines how services are to be provided. Both the structure and legal framework can be found in Title 37.2 of the Code of Virginia. **Laws relating to mental illness have come under sharp criticism in recent years, and especially after the Virginia Tech shootings, which were committed by a person known to be mentally ill. The 2008 session of the General Assembly addressed the legal issues as well as funding concerns.** The standard for admission to a mental health facility changed as a result of legislation passed by the General Assembly and signed by the governor in 2008. Figure 1 illustrates these changes.

FIGURE 1

CHANGES TO COMMITMENT STANDARDS

General Assembly Session, 2008

Senate Bill 246



§ 19.2-169.6. Emergency treatment prior to trial.

A. Any defendant who is not subject to the provisions of § 19.2-169.2 may be hospitalized for psychiatric treatment prior to trial if:

1. The court with jurisdiction over the defendant's case, *only after a face-to-face evaluation by an employee or designee of the local community services board or behavioral health authority who is skilled in the assessment and treatment of mental illness and who has completed a certification program approved by the Department as provided in § 37.2-809,* finds clear and convincing evidence that the defendant (i) is being properly detained in jail prior to trial; (ii) has mental illness and ~~is imminently dangerous to himself or others~~ *that there exists a substantial likelihood that, as a result of mental illness, the defendant will, in the near future, cause serious physical harm to himself or others as evidenced by recent behavior causing, attempting, or threatening harm and other relevant information, if any,* in the opinion of a qualified mental health professional; ~~and (iii) requires treatment in a hospital rather than the jail in the opinion of a qualified mental health professional;~~ or

2. The person having custody over a defendant who is awaiting trial has reasonable cause to believe that ~~(i)~~ the defendant *(i)* has mental illness and ~~is imminently dangerous to himself or others~~ *that there exists a substantial likelihood that, as a result of mental illness, the defendant will, in the near future, cause serious physical harm to himself or others as evidenced by recent behavior causing, attempting, or threatening harm and other relevant information, if any,* and ~~(ii) requires treatment in a hospital rather than jail~~ and the person having such custody ... for an evaluation of ...

B. A defendant subject to this section shall be treated at a hospital designated by the Commissioner as appropriate for treatment and evaluation of persons under criminal charge. The director of the hospital shall, within 30 days of the defendant's admission, send a report to the court with jurisdiction over the defendant addressing the defendant's continued need for treatment for a mental illness and ~~being imminently dangerous~~ *the continued substantial likelihood that, as a result of mental illness, the defendant will, in the near future, cause serious physical harm* to himself or others *as evidenced by recent behavior causing, attempting, or threatening such harm and other relevant information, if any,* and~~, if so ordered by the court, the defendant's competency to stand trial, pursuant to subsection D of § 19.2-~~

C. A defendant may not be hospitalized longer than 30 days under this section unless the court which has criminal jurisdiction over him or a district court judge or a special justice, as defined in § 37.2-100, holds a hearing at which the defendant shall be represented by an attorney and finds clear and convincing evidence that the defendant continues to (i) have a mental illness~~, (ii) be imminently dangerous to himself or others,~~ *and that there continues to exist a substantial likelihood that, as a result of mental illness, the defendant will, in the near future, cause serious physical harm to himself or others as evidenced by recent behavior causing, attempting, or threatening harm and other relevant information, if any,* and ~~(iii)~~ *(ii)* ~~be in need of psychiatric treatment in a hospital. Hospitalization may be extended in this manner for peri~~

Italics is new language added to the law. Strike-through words are removed from the law.
For full text of the legislation, see SB246 at http://leg1.state.va.us, or Code of Virginia §19.2-169.6.

Graphics by Rick Clark at rickclarkdesign.com.

Mental Health Services in Hampton Roads

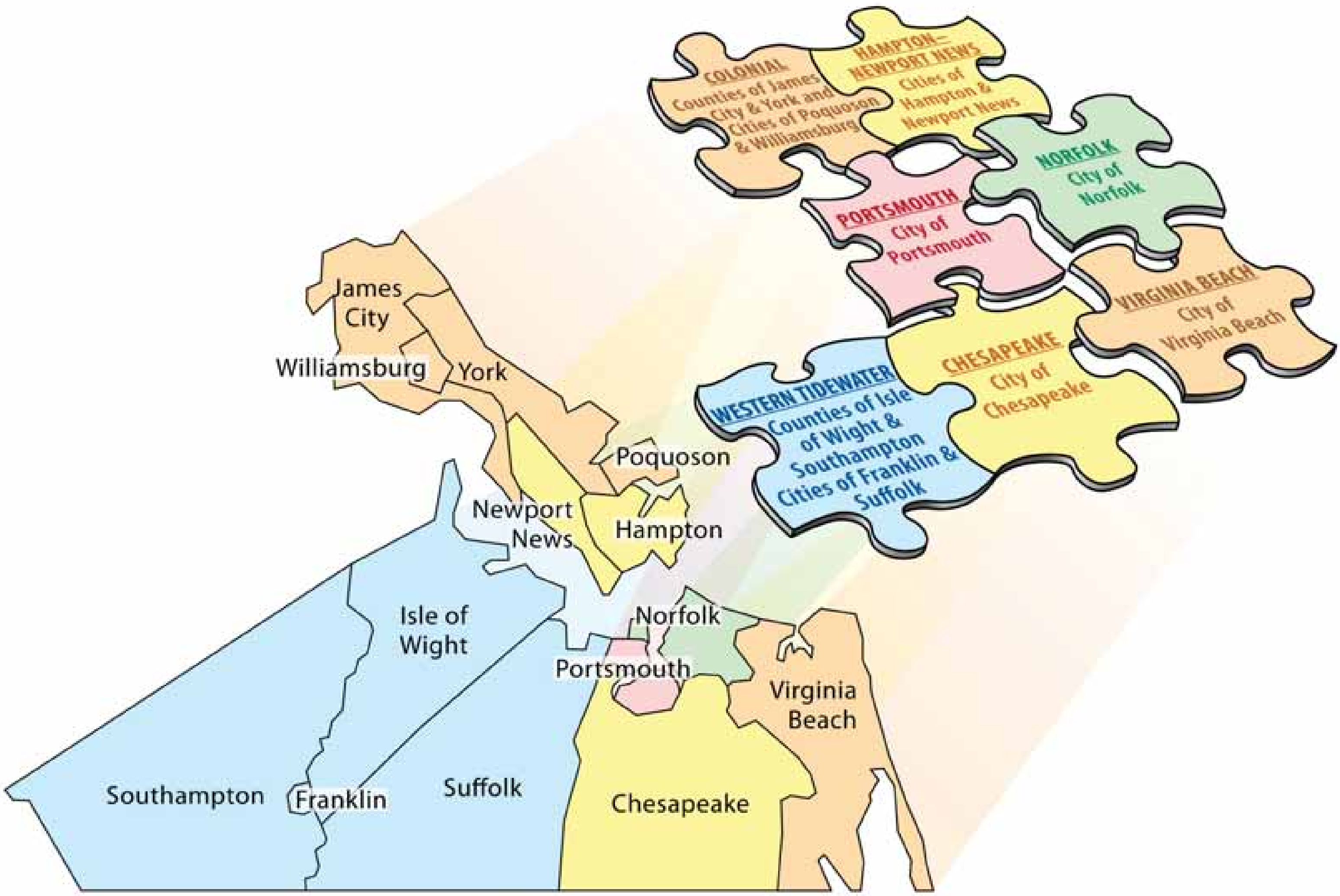
Listed below in Table 3 are the community services boards in Health Planning Region V that are in Hampton Roads, along with their member jurisdictions and contact information. Figure 2 depicts Hampton Roads CSBs and the local governments included in each community services board.

TABLE 3
COMMUNITY SERVICES BOARDS IN HAMPTON ROADS

Community Services Board	Member Jurisdictions	Contact Information
Chesapeake	City of Chesapeake	Chesapeake CSB 224 Great Bridge Blvd. Chesapeake, VA 23320 757.547.9334 www.chesapeakecsb.net
Colonial	James City County York County City of Poquoson City of Williamsburg	Colonial Services Board 1657 Merrimac Trail Williamsburg, VA 23185 757.220.3200 www.colonialcsb.org
Hampton-Newport News	City of Hampton City of Newport News	Hampton-Newport News CSB 300 Medical Drive Hampton, VA 23666 757.788.0300 www.hnncsb.org
Norfolk	City of Norfolk	Norfolk CSB 225 W. Olney Road Norfolk, VA 23510 757.823.1600 www.norfolkcsb.org
Portsmouth	City of Portsmouth	City of Portsmouth Dept. of Behavioral Healthcare Services 600 Dinwiddie St., Suite 200 Portsmouth, VA 23704 757.393.8618 www.portsmouthva.gov
Virginia Beach	City of Virginia Beach	City of Virginia Beach Department of Human Services 3432 Virginia Beach Blvd., Suite 342 Virginia Beach, VA 23462 757.437.3200 www.vbgov.com
Western Tidewater	Isle of Wight County Southampton County City of Franklin City of Suffolk	Western Tidewater CSB 5268 Godwin Blvd. Suffolk, VA 23434 757.255.7100 www.wtcsb.org

FIGURE 2

Community Services Boards in Hampton Roads



Graphics by Rick Clark at rickclarkdesign.com.

The CSBs in Hampton Roads provide a single point of entry into publicly funded mental health services, including readmission screening to access needed state facility services, case management and coordination of services, and discharge planning to individuals leaving state facilities. Among the core services offered within the local community directly or through contract with a private provider are: emergency services around the clock, inpatient services, day treatment, rehabilitation services, sheltered employment, supported / transitional employment, and residential services – from “highly intensive” to “supportive.”

While this chapter focuses on publicly funded programs for the mentally ill, there are many private programs and facilities that serve people in the region directly, or through contracts with the CSBs. Among the facilities on the private side that respond to the needs of the mentally ill are: Maryview Behavioral Medicine Center, Portsmouth Psychiatric Center, Tidewater Psychiatric Institute, Virginia Beach Psychiatric Center, Riverside Behavioral Health Center and Chesapeake Regional Geropsychiatric Unit.

SIGNIFICANT DIFFERENCES EXIST IN MENTAL HEALTH CARE BUDGETS

A review of the budgets of the CSBs serving Hampton Roads residents shows significant differences among the boards with respect to the per capita revenues raised for mental health services. Revenues raised and expended for mental health services average $57 per capita in Virginia, but only $48 in Hampton Roads. Further, within our region, the amounts vary from a high of $85 in the Hampton-Newport News CSB to a low of $24 in Virginia Beach.

TABLE 4
BUDGETARY DIFFERENCES IN SUPPORT FOR MENTAL HEALTH CARE IN HAMPTON ROADS, FY 2007

Community Services Board	Population	MH Revenues	Per Capita	State	%	Local	%	Fees	%	Federal	%	Other	%
Chesapeake	216,568	$7,344,309	$34	4,869,670	66%	701,831	10%	1,447,112	20%	153,709	2%	171,987	2%
Colonial	150,116	$5,449,978	$36	2,749,385	50%	834,874	15%	1,329,267	24%	42,869	1%	493,583	9%
Hampton-Newport News	328,340	$27,949,058	$85	12,757,650	46%	1,181,088	4%	11,734,947	42%	282,048	1%	1,993,325	7%
Norfolk	235,987	$12,811,311	$54	5,865,436	46%	2,093,824	16%	3,970,557	31%	200,510	2%	680,984	5%
Portsmouth	98,543	$4,476,663	$45	2,976,240	66%	434,095	10%	771,782	17%	207,606	5%	86,940	2%
Virginia Beach	433,033	$10,279,233	$24	5,361,444	52%	653,809	6%	3,902,092	38%	279,392	3%	82,496	1%
Western Tidewater	141,657	$8,011,938	$57	2,063,729	26%	450,004	6%	5,266,389	66%	60,599	1%	171,217	2%
Hampton Roads Region	1,604,244	$76,322,490	$48	36,643,554	48%	6,349,525	8%	28,422,146	37%	1,226,733	2%	3,680,532	5%
Virginia	7,712,091	$441,913,153	$57	149,741,729	34%	90,476,711	20%	177,354,552	40%	9,076,142	2%	15,264,019	3%

Source: Virginia Community Services Boards Annual Financial Report, April 2008

Likewise, the sources of revenue for mental health vary widely. The region derives 48 percent of its mental health revenues from the Commonwealth, whereas the statewide average is only 34 percent. All CSBs, with the exception of Western Tidewater, exceed the statewide average. **Our region may have legitimate complaints about the levels of funding it receives from the Commonwealth for services such as education and transportation, but it does not appear to have a strong basis for complaint about the share of state funding it receives for mental health services.**

Fees are an important source of revenue for the region, with 37 percent of revenue being generated by charges paid by users. The Hampton-Newport News CSB collects 42 percent of its revenue from fees, while Portsmouth collects 17 percent.

SIGNIFICANT DIFFERENCES EXIST IN HOW MENTAL HEALTH FUNDS ARE SPENT

An analysis of data in the Virginia Community Services Board Annual Financial Report (April 2008) shows a wide range of unit costs for various mental health services for the region. DMHMRSAS calculated median unit costs and the highest and lowest unit costs for 18 different units of mental health services provided by CSBs in Virginia.

Table 5 reports Hampton Roads cost data for the five most common units of service among the CSBs: emergency services, outpatient services, case management services, rehabilitation and supportive residential services. With respect to median unit costs, there are four CSBs above and three below for emergency services; four above and three below for outpatient services; five above and two below for case management services; one above and six below for rehabilitation services; and four above and three below for supportive residential services. No CSB is consistently above or below the median average, though Hampton-Newport News has the highest unit cost of any CSB in Virginia for the emergency mental health care services it provides.

TABLE 5
UNIT COSTS FOR MENTAL HEALTH SERVICES IN HAMPTON ROADS, FY 2007

Services	Emergency	Outpatient	Case Management	Rehabilitation	Supportive Residential
Statewide					
Highest Unit Cost	252.36	174.74	155.52	40.91	363.61
Lowest Unit Cost	36.65	53.11	32.45	7.97	30.14
Median Unit Cost	85.57	89.01	70.68	12.41	60.91
Community Services Boards					
Chesapeake	99.15	75.84	128.38	13.51	54.63
Colonial	106.09	174.74	148.16	8.94	85.31
Hampton-Newport News	252.36	112.06	142.02	9.03	282.18
Norfolk	62.06	83.81	57.47	10.63	56.27
Portsmouth	77.08	89.69	71.97	11.85	167.07
Virginia Beach	165.76	105.28	61.94	8.98	50.75
Western Tidewater	71.18	88.31	92.58	10.92	80.41

Source: Virginia Community Services Boards Annual Financial Report, April 2008

Program Performance

The National Alliance on Mental Illness (NAMI) publishes a "report card" on adult mental health care systems in the public sector. Grading the States: A Report on America's Health Care System for Serious Mental Illness 2006 is the most recent. NAMI looks at evidence in four categories measured against 39 different criteria. The categories are infrastructure, information access, services and recovery support. **Table 6 reveals that Virginia receives grades at or below the national average in every category of its provision of mental health services. However, as we will see below, those individuals served by mental health services in Hampton Roads appear to be rather satisfied with their treatment.**

In 2006, Virginia was the 12th-wealthiest of the states in per capita income, though only 20th in per capita funding of mental health programs. It is likely that these numbers will have improved with the additional appropriations provided to the mental health system in 2006 and 2008. Unfortunately, NAMI grading does not extend to subunits of state government, such as community services boards, but a look at Virginia as a whole creates a context within which mental health services in Hampton Roads can be considered.

TABLE 6
NAMI REPORT CARD ON MENTAL HEALTH CARE, 2006

	United States	Virginia
Overall Grade	D	D
Category Grades		
Infrastructure	D	D
Information Access	D	F
Services	D+	D+
Recovery Support	C-	D+

Consumer Satisfaction

Each year DMHMRSAS polls its consumers about their perceptions of CSB services utilizing both a survey developed for the Mental Health Statistics Improvement Program's (MHSIP) Consumer-Oriented Mental Health Report Card and the assistance of the Social Science Research Center at Old Dominion University. The most recent results were published in Consumer Satisfaction Survey 2006 Annual Report: Outpatient Mental Health and Substance Use Disorder Services, issued in November 2007. The report reflects the experiences of consumers who came to the CSBs for nonemergency outpatient services during one week of the year. For purposes of this chapter, only persons who sought mental health services are referenced; those who sought substance abuse services or a combination of services are not mentioned here.

Consumer perceptions of CSB services were based on five outcome indicators that were calculated based on responses to the MHSIP Consumer Survey. The indicators are:

- **Consumer Perception of Access,** the percentage of consumers who reported good access to services.
- **Consumer Perception of Appropriateness,** the percentage of consumers who reported that they received services appropriate to their needs.
- **Consumer Perception of Outcome,** the percentage of consumers who reported positive change as a result of services they received from the CSB.
- **Consumer Satisfaction with Services**, the percentage of consumers who reported general satisfaction with CSB services.
- **Consumer Perception of Functioning,** the percentage of consumers who reported improved functioning as a result of services they received.

Table 7 gives the ratings for the CSBs in Hampton Roads for each of the indicators.

CSBs in Hampton Roads are rated highly by consumers who utilize the services. All CSBs meet or exceed the statewide average positively in all measures except for Hampton-Newport News, where the largest number of

consumers responding is slightly below the state averages. These results stand in stark contrast to the low grades NAMI assigned to Virginia's provision of mental health services.

TABLE 7
CONSUMER SATISFACTION SURVEY, HAMPTON ROADS COMMUNITY SERVICES BOARDS, 2006

Community Services Board	Access	Appropriateness	Outcome	Satisfaction	Functioning
Chesapeake (n = 63)	87%	88%	80%	92%	74.20%
Colonial (n = 48)	98%	96%	88%	98%	83.30%
Hampton-Newport News (n = 162)	80%	84%	73%	86%	64.90%
Norfolk (n = 85)	94%	93%	85%	95%	78.60%
Portsmouth (n = 43)	86%	83%	79%	95%	78.00%
Virginia Beach (n = 35)	94%	91%	86%	92%	83.30%
Western Tidewater (n = 50)	78%	90%	71%	90%	67.30%
Virginia (n = 3804)	87%	88%	71%	90%	67.20%

Source: Virginia DMHMRSAS, Consumer Satisfaction Survey 2006 Annual Report, November 2007

Individuals and Clients Not Served

Some former patients of mental hospitals and some people with serious mental illness find they cannot access mental health services because they: (1) can't be accommodated and are on waiting lists; (2) are in jail because of their behavior; or (3) are homeless. Table 8 records the number of people who were on waiting lists at some of the region's CSBs between January and April 2007. **In fact, 2.5 times as many Virginians with mental health problems reside in the state's jails than in its public mental health facilities.**

On Dec. 26, 2007, The Virginian-Pilot editorialized about the mentally ill in the criminal justice system: "… in many communities, few services are available until a mentally ill person is in crisis, and even then police and sheriffs often must step in to fill the void. The result is a criminalization of mental illness. Fifteen percent of the inmates in Virginia's jails and prisons have a serious mental illness. … Forty-three percent of youngsters in detention centers are diagnosed with mental and emotional disorders, making the Department of Juvenile Justice the state's largest provider of residential mental health services for children."

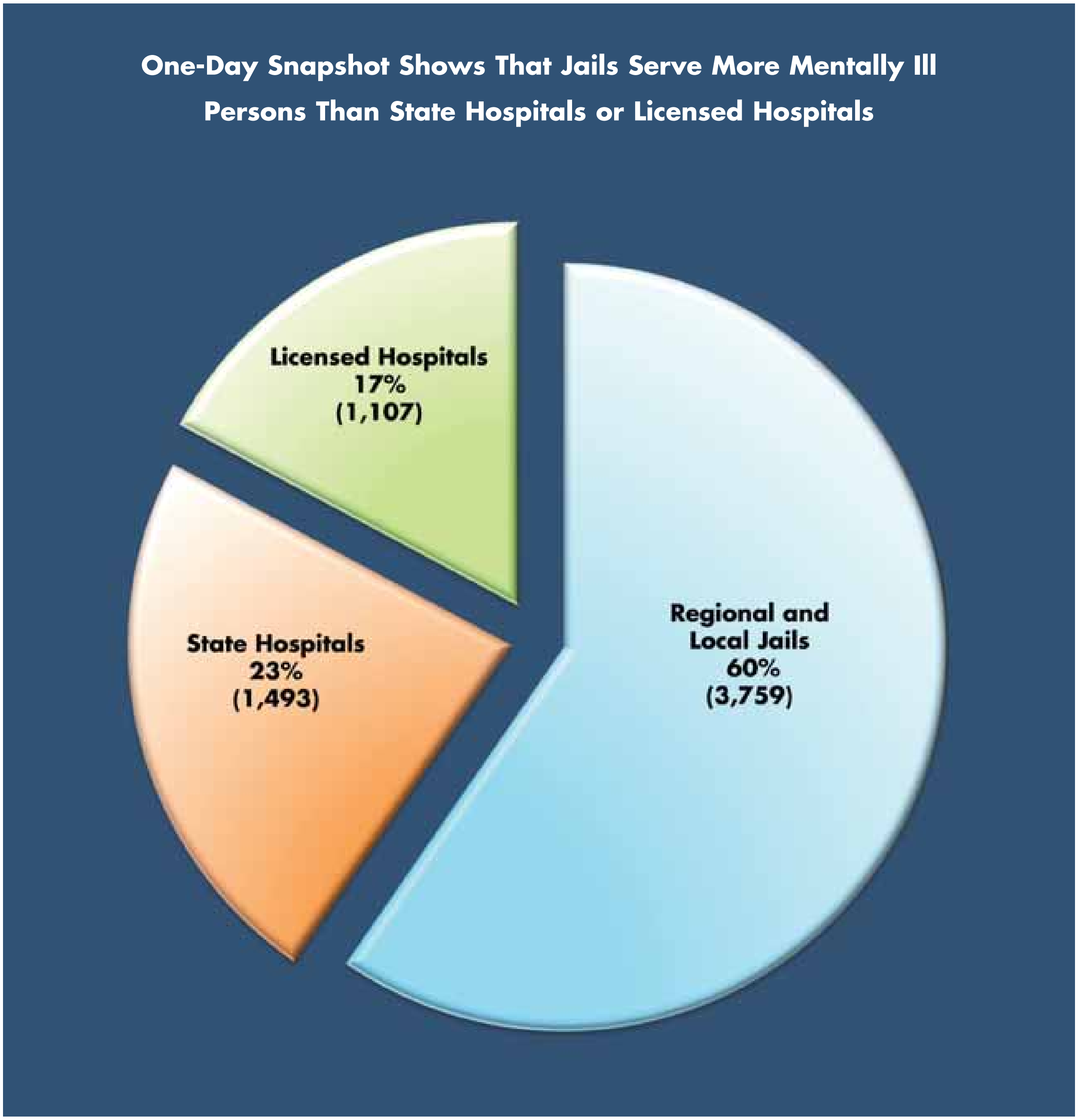
TABLE 8
NUMBER OF PEOPLE ON MENTAL HEALTH SERVICES WAITING LISTS, JANUARY-APRIL 2007

Community Services Boards	Adults	Children
Chesapeake	104	3
Colonial	62	51
Hampton-Newport News	0	0
Norfolk	0	0
Portsmouth	6	0
Virginia Beach	171	35
Western Tidewater	81	41

Source: DMHMRSAS Block Grant Application FY 2008, Appendix E-1, E-2

GRAPH 2

ONE-DAY SNAPSHOT OF WHERE MENTALLY ILL VIRGINIANS ARE SERVED



Sources: Analysis of data from Virginia Health Information, Department of Mental Health, Mental Retardation and Substance Abuse Services, and the Compensation Board for September 13, 2005.

Conclusions

Services to the mentally ill are a vitally important part of the health care system of a region. Virginia has been moving away from large hospitals and institutions in its provision of mental health care, but continues to lag in the support it provides local jurisdictions for community-based services. In Hampton Roads, about half the money spent on these services comes from the state (well above the state average), with most of the remainder emanating from local appropriations and fees.

The positive aspect of moving services from large institutions to local communities has resulted in more patient-centered, consumer-friendly care. Responses to consumer surveys point out the high level of satisfaction felt by people who are receiving care in the system. Priority must be given to ensuring that people who need care are brought into the system expeditiously and that waiting list times are shortened. And, nearly all agree that we must reduce the extent to which we use our jails and prisons to hold the mentally ill.

Because mental health services usually do not have strong support constituencies such as those for K-12 education and transportation, citizens and legislators often must be prodded (and even embarrassed) to provide appropriate mental health resources. However, at the end of the day, the success of our region must at least partially depend upon how well we treat those among us who are most in need, including those who suffer from mental illness.

German Firms in Hampton Roads

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WUNDERBAR! GERMAN FIRMS IN HAMPTON ROADS

Hampton Roads is a favored site of business in the global marketplace of the 21st century. Our region is home to more than 160 foreign companies that represent 22 different European and Asian nations, as well as Australia, Brazil, Canada, Chile, Israel and Mexico. Together these firms have invested many millions of dollars in the region, and they provide jobs to more than 20,000 residents. According to the Hampton Roads Economic Development Alliance (HREDA), at least 28 international companies have established a presence in our region in the last 10 years alone.

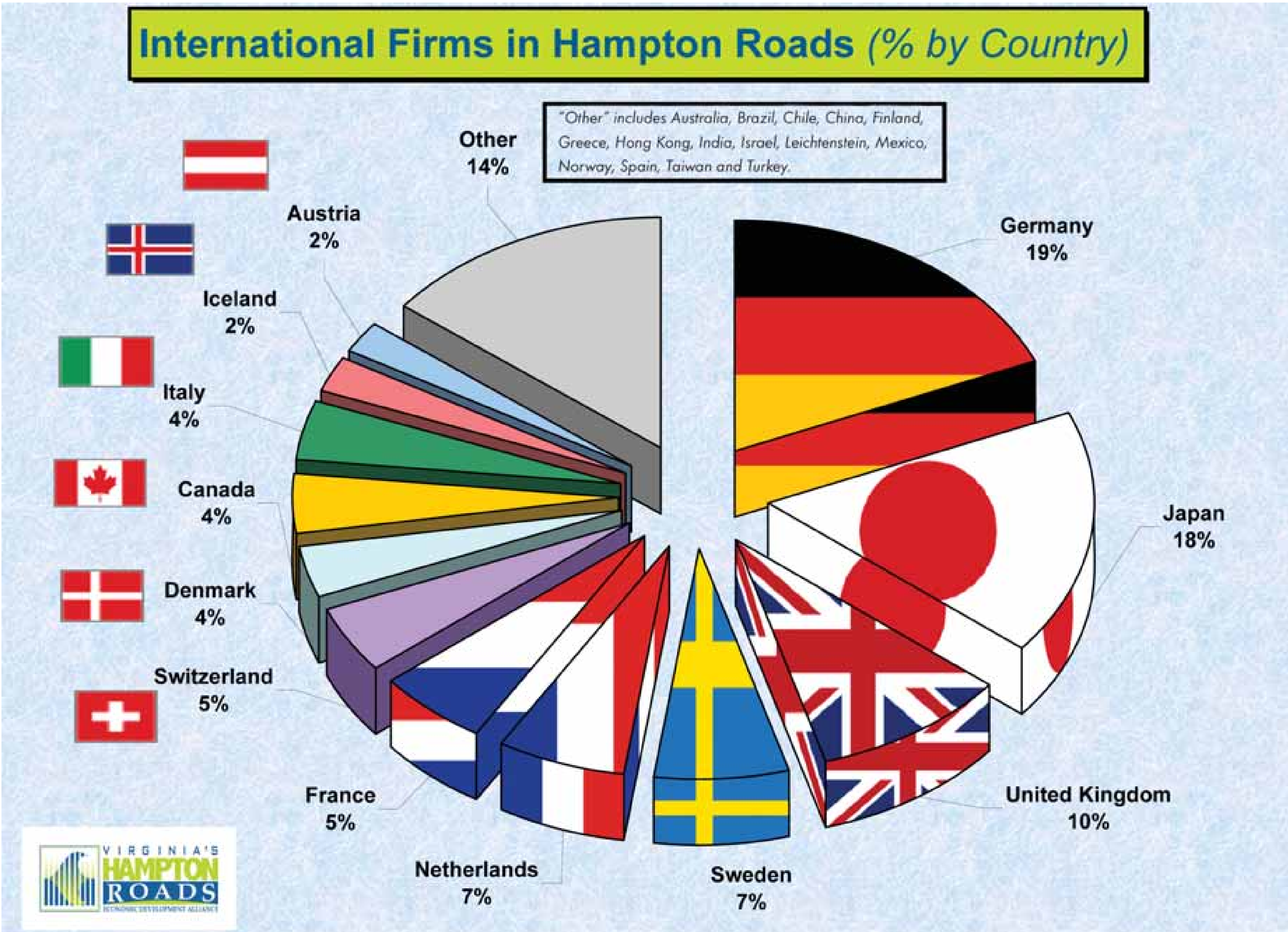
Even while some presidential candidates bemoaned the outsourcing of American jobs to foreign countries, Hampton Roads is busy attracting international firms that are engaged in substantial “insourcing” of jobs into the region. In fact, our region is especially well positioned to reap substantial benefits from “insourcing” in an era of increasing economic globalization. Let’s see why this is so, using the example of German businesses that have established subsidiaries here.

According to HREDA figures from July 2007, 31 companies hailing from the Federal Republic of Germany represent the largest contingent (19 percent) of international firms in our region (see Figure 1). Japan ranks a close second with 18 percent, followed by the United Kingdom, Sweden and the Netherlands. German companies in our region sell and distribute consumer goods such as kites, bicycles and patio furniture. Others manufacture industrial products like centralized lubrication systems, planetary gears and coated and bonded abrasives. Still others develop and produce specialized computer software and high-tech electronics. In all, German companies employ more than 4,000 Hampton Roads workers. Stihl, Continental (formerly Siemens VDO Automotive) and Liebherr rank among our region’s largest manufacturers.[1]

Further, the jobs these firms provide tend to be high paying. A recent Dartmouth College study found that compensation in 2005 at foreign-owned companies in the United States was 31 percent higher than the U.S. average (as reported in The Wall Street Journal, June 23, 2008). By our own standards, then, these firms are good employers.

[1] The construction equipment manufacturer Liebherr was founded in southern Germany in 1949. Today the headquarters of Liebherr-International AG are located in Switzerland, although it continues to maintain a large presence in the Federal Republic of Germany. Liebherr’s plant in Newport News, which was established in 1970, employs around 360 Hampton Roads residents.

FIGURE 1



Updated 07/18/2007

Reasonable efforts have been made to assure accuracy; however, HREDA provides this data 'as is' and assumes no liability arising from its use.

Germany's Economic Impact: Facts and Figures

The economies of the United States of America and the Federal Republic of Germany are linked in a close and mutually beneficial relationship. According to the 2007 United States-German Economic Yearbook, the U.S. is Germany's most important trading partner outside the European Union. Likewise, Germany is the United States' most important trading partner within Europe – ranking behind only Canada, Mexico, China and Japan in its total share of bilateral merchandise trade.

A recent study completed by the Representative of German Industry and Trade has found that German firms account for 13.1 percent of the 5.1 million jobs created by foreign-owned affiliates in the United States. Approximately 669,000 U.S. residents are employed by subsidiaries of German companies; only firms hailing from the United Kingdom have created more jobs (see Table 1).

TABLE 1
INSOURCED JOBS PROVIDED BY FOREIGN EMPLOYERS: U.S. AND VIRGINIA, 2004

UNITED STATES			VIRGINIA		
	Employment	% of Employment by all U.S. Affiliates		Employment	% of Employment by all U.S. Affiliates
TOTAL	5,116,400		TOTAL	133,700	
United Kingdom	920,800	18.00%	Japan	16,800	12.57%
Germany	668,600	13.07%	United Kingdom	16,800	12.57%
Japan	614,200	12.00%	Netherlands	15,100	11.29%
Netherlands	481,100	9.40%	Germany	13,900	10.40%
France	451,600	8.83%	France	10,000	7.48%

Source: www.rgit-usa.com / fileadmin / media / downloads / German_Business_Matters_2nd_edition__2007_.pdf

The United States' largest German employer (67,000 jobs) is the great conglomerate Siemens USA, which produces light rail vehicles, baggage handling equipment, radiation therapy systems and much more. (Until recently, Siemens was also one of the largest employers in Hampton Roads. In December 2007, Siemens sold its VDO Automotive business – including its Newport News fuel injector plant – to Continental, yet another German firm.) The next largest German employers in the United States are Turner Construction and The Great Atlantic & Pacific Tea Co., which are owned by the German conglomerates Hochtief and Tengelmann.

The Commonwealth of Virginia – and the Hampton Roads region in particular – plays an important role in the U.S.-German economic relationship. Virginia ranks ninth among all 50 states in U.S. merchandise exports to Germany with $1.2 billion in 2005 (see Table 2). Ten percent of Virginia's foreign exports – chiefly computers and other electronic products – are sold to Germany; only Canada purchases more Virginia goods. Virginia ranks 12th among the states in the capital stock investment of German companies ($4.7 billion in 2004), and it ranks 18th in the number of jobs created by these companies (13,900 in 2004). A 2008 directory published by the German-American Chamber of Commerce indicates that roughly one-quarter of Virginia's German-owned firms are located in Hampton Roads

The Hampton Roads Planning District Commission estimates that the total output of our region's German firms approaches $2 billion. In 2008, these companies will add roughly $810 million to our gross regional product, and $420 million to our region's total personal income. As Table 3 discloses, approximately 8,700 Hampton Roads jobs have been created directly or indirectly by German businesses.

TABLE 2
A STATE-BY-STATE LOOK AT THE U.S.-GERMAN ECONOMIC RELATIONSHIP

	Top 20 States in Employment by U.S. Affiliates of German-owned Companies (2004)			Top 20 States in Capital Stock Investment by U.S. Affiliates of German-owned Companies (2004)			Top 20 States by U.S. Merchandise Exports to Germany (2005)	
		Employment			Capital Stock Investment			Exports to Germany
1	Michigan	78,100	1	Michigan	$23.7 B	1	California	$4,266 M
2	California	51,800	2	Texas	$12.0 B	2	South Carolina	$2,357 M
3	New York	49,600	3	New York	$ 9.0 B	3	New York	$2,222 M
4	Pennsylvania	37,600	4	Indiana	$ 8.7 B	4	Massachusetts	$2,151 M
5	New Jersey	35,200	5	New Jersey	$ 8.6 B	5	Illinois	$1,781 M
6	Illinois	34,300	6	Kentucky	$ 8.1 B	6	Texas	$1,716 M
7	Ohio	34,200	7	Ohio	$ 7.9 B	7	Alabama	$1,640 M
8	North Carolina	28,900	8	Illinois	$ 7.1 B	8	New Jersey	$1,294 M
9	Texas	26,700	9	California	$ 7.0 B	9	Virginia	$1,179 M
10	Indiana	26,400	10	Pennsylvania	$ 6.7 B	10	Ohio	$1,108 M
11	South Carolina	20,500	11	Missouri	$ 5.4 B	11	Michigan	$1,057 M
12	Florida	20,400	12	Virginia	$ 4.7 B	12	Pennsylvania	$ 913 M
13	Georgia	17,200	13	North Carolina	$ 4.3 B	13	Georgia	$ 837 M
14	Massachusetts	16,800	14	South Carolina	$ 4.3 B	14	Connecticut	$ 832 M
15	Connecticut	15,400	15	Georgia	$ 3.5 B	15	Florida	$ 762 M
16	Missouri	15,300	16	Wisconsin	$ 3.0 B	16	Arizona	$ 743 M
17	Wisconsin	14,200	17	Florida	$ 2.8 B	17	Indiana	$ 700 M
18	Virginia	13,900	18	Washington	$ 2.8 B	18	North Carolina	$ 685 M
19	Kentucky	13,400	19	Louisiana	$ 2.7 B	19	Tennessee	$ 677 M
20	Tennessee	10,500	20	Alabama	$ 2.7 B	20	Minnesota	$ 617 M

Source: www.rgit-usa.com / fileadmin / media / downloads / German_Business_Matters_2nd_edition__2007_.pdf

TABLE 3
THE ECONOMIC IMPACT OF GERMAN FIRMS IN HAMPTON ROADS, 2008

Total Output (millions)	$1,870
Contribution to Gross Regional Product (millions)	$ 810
Total Employment	8,708
Total Personal Income (millions)	$ 420

Source: Hampton Roads Planning District Commission

German-American Business Ties: Past and Present

The origins of today's German-American economic ties began in the rubble of World War II. In 1945, the United States, together with Britain and France, occupied the western areas of a defeated Nazi Germany. The subsequent European Recovery Program (or "Marshall Plan") supplied $1.4 billion of aid and loans to the recovering West German economy, laying the groundwork for the close-knit economic and trade relations that have linked the United States and the Federal Republic of Germany ever since. Marshall Plan dollars provided a solid foundation for West German democracy – and for a speedy postwar economic recovery. During the "miracle" years of the 1950s, the economy of the Federal Republic could boast a growth rate of about 8 percent per year. By the 1960s and 1970s, more and more West German businesses were expanding overseas. (The first subsidiaries in Hampton Roads date from this era.) The United States became a valued customer of West German goods, as well as an important political ally and patron in a time of Cold War.

Business in the young Federal Republic of Germany flourished with the initial jumpstart of U.S. assistance. Even so, German companies did not strictly adhere to the model of American-style capitalism. Shaped by the devastation of the immediate post-World War II era, German firms instituted worker benefits and protections that were and are largely unheard of in the United States. Today, German employers continue to invest large sums in worker training and apprenticeship programs; their desired return is a loyal and highly skilled workforce. The social market economy of the Federal Republic is grounded upon an ethic of social consensus and collective responsibility that stands in contrast to the more individualistic, laissez-faire interpretation of capitalism in the United States. This has not been achieved without costs, however. The rate of growth of the German economy has consistently lagged that of the United States and its rate of unemployment typically has been about 1.5 times that of the U.S.

Regardless, today the German economy is one of the strongest in the world. Germany is the 14th-most populous nation, yet it is the world's leading exporter in terms of the proportion of its economy devoted to exports. Its Gross Domestic Product (GDP) is the third largest (behind only the United States and Japan), and 37 of its businesses made Fortune magazine's "Global 500" list of the world's largest companies. (Of these firms, only Continental currently maintains a presence in Hampton Roads; BASF ceased production in Portsmouth in August 2007.)

Germany's top businesses include banks, insurance companies, pharmaceutical concerns, and the world-renowned automakers Daimler, Volkswagen and BMW. Deutsche Post and Deutsche Telekom (once Germany's state-owned mail and telecommunication services) also rank high; they are now best known for operating the international shipping service DHL and the wireless network provider T-Mobile. These and numerous other German firms have earned a worldwide reputation for skillful engineering and high standards.

Large conglomerates may be the most recognized face of German business around the globe, yet they are only one part of their country's economic success story. Philip Glouchevitch, author of "Juggernaut: The German Way of Business," states that it is "small and medium-size companies that form the true backbone of the German economy." There is, in fact, a unique German word –*Mittelstand* – that describes such companies, which typically have fewer than 500 employees and less than €50 million in annual sales. Many are privately owned or family businesses and they thrive on an ethic of high-quality production similar to larger companies like Daimler and BMW. *Mittelstand* companies often specialize in unglamorous yet critical niche markets, like the manufacture of ball bearing slides or high-pressure paint sprayers – to provide two examples of firms with Hampton Roads subsidiaries (Schock Metall and WIWA Wilhelm Wagner). Taken together, *Mittelstand* companies represent nearly half of Germany's GDP and one-quarter of its total exports. They also make up a large contingent of those German firms that have taken up residence in Hampton Roads.

The great question for German business today is whether its formula for economic success in the 20th century can carry over into the 21st. Much has changed in the last 20 years. The end of the Cold War allowed East and West Germany at last to reunify, but this political achievement has not been without economic costs. An inflexible, high-cost labor market – a chief disadvantage of the German social market economy – has kept unemployment in Germany stubbornly high, particularly in the former eastern states. Further, new low-wage competitors in countries such as China and India pose a growing challenge to German (as well as American) companies. In Germany, this situation has been exacerbated by the rising value of the euro against the dollar and other world currencies.

In response to such challenges, many German companies have sought to establish or expand their presence overseas, particularly in the large and lucrative U.S. market. Other companies are exploring new, lower-cost sites of

production that nevertheless might maintain the high standards of quality that are typically associated with a "Made in Germany" label. As we shall see, Hampton Roads is well positioned to take advantage of both developments.

Why Hampton Roads?

A handful of the German-owned firms in our region, such as the Lehigh Cement and Triangle Brick companies in Norfolk and Portsmouth, "became German" through their acquisition by foreign interests such as Heidelberg Cement and Röben Tonbaustoffe. Many more firms, however, purposefully selected Hampton Roads as a base of their U.S. subsidiary operations. Let's examine the most important reasons why.

LOCATION, LOCATION, LOCATION

One of Hampton Roads' greatest assets in attracting German and other European firms is its geographical location. Nearly all of the executives with whom we spoke emphasized that our region's central East Coast location was a decisive factor in their moves here. To begin, a site in the Eastern time zone eases telephone contact between U.S. subsidiaries and their European parent companies. (By contrast, the 8-9-hour time difference separating Europe from the U.S. West Coast means that the workday in Berlin is over before it has even begun in Los Angeles.) Transatlantic travel times are shortest from the American East Coast.

Even more important, Hampton Roads is situated near the geographic center of the Atlantic coast. As aptly noted on HREDA's Web site, "six of the ten largest population centers in the U.S.A. are located within 750 miles (1206 km) of Hampton Roads." Our region's two major airports provide direct service to New York City, Boston, Atlanta, Charlotte and other East Coast hubs. I-64 and nearby I-95 provide direct (if sometimes congested) highway access. Hampton Roads is a convenient home base for conducting business throughout the United States.

Another advantage related to Hampton Roads' location is its abundance of still undeveloped land, particularly in localities like Chesapeake and Suffolk. According to a Virginian-Pilot article from July 2007, the availability of inexpensive land was a chief reason for (Austrian company) IBS of America's recent expansion in Chesapeake. Land and office space continue to be more affordable in Hampton Roads than in many urban centers.

TABLE 4
THE PORT OF VIRGINIA'S TOP TRADING PARTNERS, 2006

Total Cargo in Millions of U.S. Dollars					
	Exports			**Imports**	
1	China	$1,411.16	1	China	$4,982.50
2	Germany	$1,387.84	2	Germany	$3,616.43
3	United Kingdom	$1,265.19	3	United Kingdom	$2,222.63
4	Belgium	$1,087.78	4	Brazil	$1,983.28
5	Netherlands	$1,072.40	5	France	$1,733.12
6	Brazil	$ 700.96	6	Japan	$1,696.26
7	Japan	$ 674.51	7	Italy	$1,596.28
8	Saudi Arabia	$ 621.42	8	India	$1,302.33
9	Egypt	$ 596.71	9	Netherlands	$ 771.61
10	Spain	$ 538.85	10	Spain	$ 684.89
Total Cargo in Thousands of Short Tons					
	Exports			**Imports**	
1	Italy	3,444.43	1	Norway	2,151.25
2	Brazil	2,718.76	2	China	1,887.05
3	Belgium	1,920.58	3	Canada	1,166.94
4	United Kingdom	1,482.64	4	Brazil	977.73
5	France	1,396.57	5	Germany	1,684.60
6	Netherlands	1,191.36	6	Iceland	477.97
7	China	1,078.20	7	India	465.45
8	Spain	1,067.51	8	Italy	441.79
9	India	938.16	9	France	387.43
10	Egypt	900.95	10	Bulgaria	372.02

Source: www.vaports.com/PDF/2006_KPI.pdf

THE PORT OF VIRGINIA

The marine terminals in Norfolk, Newport News and Portsmouth are another critical asset. Self-described as "the largest intermodal facility on the U.S. East Coast," the Port of

Virginia handles more than 2 million containers annually. Portsmouth's new Maersk terminal facility, which opened in July 2007, is expected to move another 1 million containers per year. More than 95 percent of the world's shipping lines provide service to Hampton Roads, linking us (according to HREDA) "to more than 380 ports in over 115 locations worldwide." The Federal Republic of Germany is one of the Port of Virginia's most important trading partners. In 2006, Germany was second only to China in the total dollar value of both exports and imports handled at the port (see Table 4).

The Port of Virginia is clearly an important engine of international business in Hampton Roads, yet not all of the executives with whom we spoke identified it as pivotal to their residence here. For expediency, some firms rely primarily on airfreight. Others conduct business with Hampton Roads' rival ports in Savannah, New York / New Jersey and even nearby Richmond. Ironically, the proliferation of global trade networks and competition among ports means that the port next door may not always offer the most convenient or the lowest-cost service. As one East Coast port official put it to us, "Port competition can be cutthroat."

OUR REGIONAL LABOR FORCE

According to recent data from the U.S. Bureau of Labor Statistics, Hampton Roads' per capita income is $34,595, compared to $36,307 for the entire United States. This may not seem like good news, yet lower-than-average wages enhance Hampton Roads' attractiveness in the eyes of international businesses seeking to establish or expand U.S. subsidiaries. At the same time, international businesses tend to compensate their employees above regional averages because higher skill levels are required. Hence, in the long run, international companies typically add attractive, high-wage jobs to our regional economy.

Hampton Roads residents provide international firms with more than competitive labor costs. Our region's 12 colleges and universities contribute to an educated, well-trained workforce, as does our region's large military presence. Each year approximately 15,000 personnel leave the U.S. military in Hampton Roads, providing area employers with a competent and reliable source of potential labor. **The makeup of our labor force is attractive to international firms, although many of the executives with whom we spoke have experienced consistent difficulties filling positions that require specialized technical or mechanical skills. Because the industrial and high-tech sectors of our regional economy are thinner than in other parts of the country, we do not have a large pool of the kind of specialized talent that some firms demand.**

THE HAMPTON ROADS ECONOMIC DEVELOPMENT ALLIANCE

Our regional advantages would be meaningless if no one outside Hampton Roads knew much about them. Happily, we have an effective cheerleader – the Hampton Roads Economic Development Alliance (HREDA), whose mission is to market Hampton Roads in the United States and abroad "as the preferred location for business investment and expansion." Formally established in 1997, the alliance represents and is cooperatively funded by 15 localities in southeastern Virginia.

In 2007, representatives from HREDA participated in 22 different international trade shows, conferences and marketing missions all over the globe. Several of these events took place in Germany, which has received special attention in the alliance's initiatives. HREDA maintains a consulting office in the German city of Bremen (its other international offices are located in China and the United Kingdom), and it has advertised our region's assets in the journal German American Trade and the German American Chamber of Commerce's economic yearbook.

These efforts appear to be paying off. **In the last decade, no fewer than 10 new German businesses have put down roots in Hampton Roads. Our conversations with company executives indicate that early interactions with HREDA were often key to their consideration of Hampton Roads as a potential site for conducting business.** The alliance further assisted these executives in coordinating preliminary visits to different Hampton Roads localities, as well as in assembling regional experts to advise them on banking, immigration and other legal matters.

OTHER SOURCES OF PUBLIC SUPPORT

HREDA is our region's largest and most visible agency dedicated to the recruitment of international firms, but other sources of public support exist as well. Both the Commonwealth of Virginia and individual localities have offices dedicated to international development. **Chesapeake, particularly, has been proactive in attracting international talent. Approximately one-quarter of the German businesses in our region have made Chesapeake their home.**

Other programs aiding German firms in our region include the James City County Technology Incubator, which supported Mombaur International Consulting Solutions LLC in its recent move to Toano. At the state level, the trade missions of the Virginia Economic Development Partnership and the Virginia Leaders in Export Trade program have assisted Solo Inc. (a lawn and garden equipment manufacturer) in enhancing its international sales. Solo, like several other German firms in our region, uses its Hampton Roads office not only to reach the U.S. market, but also to conduct business elsewhere in Asia and the Western Hemisphere.

Our Competition

Needless to say, Hampton Roads is not the only East Coast metropolitan area seeking to attract international companies. Our main competitors include other Southern port cities like Jacksonville and Savannah, as well as major airline hubs like Atlanta, Charlotte and Northern Virginia. From an international perspective, here are some of our region's significant weaknesses:

- *Transatlantic airline connections* – Hampton Roads' two major airports do not currently offer regular international commercial flights. To reach any European capital, travelers must first change planes in another U.S. city.
- *Traffic conditions* – Nearly all large metro areas suffer from road congestion, but Hampton Roads is uniquely constrained by its network of "chokepoint" tunnels and bridges. Traffic is a growing problem in our region, with no immediate solution in sight.
- *Image* – International executives are immediately familiar with names like Boston, New York, Washington, D.C., and Atlanta. Fewer recognize Hampton Roads, or would be able to place our region on a map. Due to the efforts of HREDA and others, this situation is gradually changing. For now, however, our unfamiliarity can present an initial hurdle when establishing new business relationships.

Our Region's "German Establishment"

In terms of the value of our exports, Germany is the second most important trading partner of the Port of Virginia (see Table 4). Germany also ranks second in terms of the value of our imports from it. German firms in Hampton Roads are a very important part of this picture. Here is a brief introduction to Hampton Roads' most established German firms.

In the 1960s and 1970s, four manufacturing companies – Stihl, Solo, Bauer Compressors and Busch – founded subsidiaries in Newport News, Norfolk and Virginia Beach. All have expanded their regional operations considerably in the intervening decades. A significant portion of their production and assembly for the American (and in some cases, world) market now takes place in Hampton Roads. Rather than seeking to compete with the lowest-cost manufacturers, these companies occupy a global market niche that is grounded upon high-quality service, design and production. Figure 2 shows their locations within Hampton Roads. Note the strong concentration of firms within South Hampton Roads, especially the city of Chesapeake.

FIGURE 2
GERMAN FIRMS IN HAMPTON ROADS

STIHL INC.

Stihl represents one of the great success stories of German business in Hampton Roads. This chain saw and power tool manufacturer established its first American plant in Virginia Beach in 1974. Today the facility occupies more than a million square feet on an 83-acre campus. **Stihl is one of the largest manufacturing firms in all Hampton Roads, and it is the largest in Virginia Beach.** In October 2007, the company dedicated a new $25 million guide-bar plant; a $10 million warehouse expansion is slated for completion this year. Stihl products proudly occupy the higher end of the portable power tool market; they are sold only by independent dealers who can guarantee a high standard of customer service.

To ensure that the Virginia Beach plant's production quality remains correspondingly high, the company sponsors an intensive apprenticeship program that is modeled after German practices. This competitive program, to which all Stihl employees may apply, involves more than 8,000 hours of practical and theoretical training. Evening classes held at Tidewater Community College are part of the program requirements. The payoff for the apprentices' commitment is substantial. As Vice President Peter Mueller recently explained in the journal German American Trade, "Coming out of the 4-year program, tool and die makers earn US $40,000 to $50,000. With some overtime included, their earnings can be higher than a starting engineer newly out of college."

SOLO INC.

Solo can claim the longest history in our region of all German firms. Since 1967, this lawn and garden equipment manufacturer has maintained a subsidiary in Newport News. In the United States, Solo is best known for its line of backpack sprayers, which allow gardeners and other agricultural workers to apply herbicides or other chemicals in a precise and efficient way. Solo began to produce these sprayers in Newport News in 1987, and today company president David J. Longfield estimates that Solo holds an approximately 65 percent market share of the U.S. backpack sprayer market. The Newport News location is Solo's largest sister company worldwide and it is still growing, Longfield emphasizes, citing the company's recent large-scale investment in new production equipment.

BAUER COMPRESSORS INC.

Bauer Compressors established its Norfolk office in 1976. It has since grown to become a 115,000-square-foot facility for production and assembly, serving as a headquarters for U.S. branch offices in Miami, Los Angeles, San Francisco and Detroit. Bauer manufactures high-pressure compressors that are used for a wide variety of purposes, including breathing tanks for firefighters and scuba divers, natural gas vehicle refueling stations, and even air-powered markers used for playing paintball. Company president Jan von Dobeneck estimates that Bauer compressors are currently used by 60 percent to 70 percent of all U.S. fire departments, including in most Hampton Roads localities.

Bauer has enjoyed a close relationship with Old Dominion University for several years. Bauer (like Stihl and Continental) is a member of the Frank Batten College of Engineering and Technology's Corporate Circle. The company has also received support through the Virginia Applied Technology and Professional Development Center that is operated through the ODU college. Finally, Bauer provides regular internship opportunities for ODU students, many of whom later accept permanent positions within the firm.

BUSCH LLC

Busch is yet another German business with deep roots and a continuously expanding presence in Hampton Roads. Busch designs and manufactures high-performance vacuum pumps that are used for a wide variety of industrial and commercial applications. In Virginia, Busch vacuum systems are used by companies such as B.I. Chemicals and American GFM to create specialized conditions that are necessary for production. Local hospitals utilize Busch vacuum pumps as well, according to its president, Charles W. Kane. Busch pumps are sold in more than 45 countries worldwide. The company's U.S. headquarters was established in Virginia Beach in 1975, and it has produced vacuum systems for the American market since 1979.

The Newer Faces of German Business in Hampton Roads

In the last decade, a new generation of German firms has set up operations in Hampton Roads. Several are engaged in high-tech industries that barely existed when companies like Solo and Stihl first put down roots in our region. For now, their economic footprint here is small. Most maintain only small offices for service and distribution – but like their predecessors, they may expand their presence in years to come. The following are examples of Hampton Roads' newest German firms.

BLOCK USA L.P.

The German electronics company Block GmbH has manufactured and repaired transformers for nearly 60 years. In 2000, it established its first U.S. affiliate, Block USA, in the Greenbrier area of Chesapeake. In Germany, Block produces hundreds of sophisticated components, including transformers, power supplies and filters for eliminating harmonic distortion. Block USA is responsible for the sales and distribution of these components throughout the United States and Canada. The Port of Virginia and Hampton Roads' central location were decisive reasons for the company's location in our region, according to managing director Mike Griese.

CEOTRONICS INC.

CeoTronics was also attracted by Hampton Roads' convenient East Coast location. This German manufacturer of quality radio headsets relocated its U.S. subsidiary from Dallas to Chesapeake in the summer of 2000. The company has since moved to a smaller space in Virginia Beach, after deciding to maintain only a sales and distribution (rather than production) facility on this side of the Atlantic. Because of their relatively high price point, Europe remains the largest commercial market for CeoTronics products. The company's headsets and digital radio networks are, however, widely used by the U.S. armed forces, as well by fire / rescue and law enforcement authorities. Sales manager Jack Darden estimates that CeoTronics possesses a 70 percent to 75 percent market share in the sensitive area of bomb disposal communications.

HQ KITES & DESIGN USA

Hampton Roads is not only a convenient site for conducting transatlantic business; its coastal location is also advantageous for flying kites. These assets encouraged a young German company named InVento to relocate its American subsidiary to our region from West Hurley, N.Y., in 2005. From its Chesapeake office, HQ Kites & Design USA now distributes single-line kites, power kites and wind spinners to wholesalers throughout the United States. Kitty Hawk Kites on the Outer Banks of North Carolina is one of the company's strongest retail outlets. President Tim Baxmeyer estimates that HQ Kites has grown by 10 percent to 15 percent per year since its arrival in Hampton Roads.

INIT INNOVATIONS IN TRANSPORTATION INC.

INIT has also expanded rapidly since establishing its North American headquarters in Chesapeake in 1999. As described on its Web site, INIT "develops, produces, installs and maintains integrated hardware and software solutions for all key tasks required within transportation companies." INIT has helped to improve the efficiency of transportation networks in Europe, North America, Australia and Dubai. In Virginia Beach, an INIT tracking system coordinates the timing of VB Wave trolleys that carry passengers along the oceanfront. In January 2007, the company announced its move to a new 26,600-square-foot facility in the Greenbrier district. In its new location, INIT will partner with another German firm, Altec GmbH, to form Total Quality Assembly LLC, "a manufacturing operation of higher end cable assemblies that are part of INIT's custom hardware components."

MÜHLBAUER INC.

Mühlbauer's business is "tecurity" – the development of high-tech, secure solutions for the storage of data on passports, radio-frequency identification labels, and contact and contactless cards of all kinds. In the United States, Mühlbauer technologies can be found in California and Washington driver's licenses, as well as in "smart" baggage identification labels at the Las Vegas McCarran Airport. Founded in the small town of Roding, Germany, in 1981, Mühlbauer now has a well-established global presence, with more than 1,600 employees in 26 locations worldwide. Mühlbauer opened its American headquarters in Newport News in 1995. Initial plans to construct a $20 million manufacturing plant in the Jefferson Center for Research and Technology did not come to fruition, but general manager Gerald Steinwasser reports that the company will soon open a facility with two large showrooms in the Oakland Industrial Park.

Lessons to Be Learned

Hampton Roads' appeal as a site of international business is a strength that we should celebrate and foster. International firms have brought thousands of jobs and millions of investment dollars to our region, a reality that seemed to have eluded several presidential candidates. Moreover, the presence of these businesses may help to alleviate some of the pressures associated with America's current economic downturn. A weak U.S. dollar, coupled with a growing pool of local workers seeking new or different employment, is likely to enhance Hampton Roads' attractiveness for international businesses in the months and years ahead.

The presence of German companies in our region is particularly valuable for a variety of reasons. The Federal Republic of Germany is one of the world's most prosperous economies. German companies enjoy a worldwide reputation for superior service and production; they are willing and able to invest considerable resources in their foreign subsidiaries. In Hampton Roads, many of these firms are respected as good employers and responsible corporate citizens. Stihl's new guide-bar plant in Virginia Beach is topped by the largest privately funded green roof in the Commonwealth of Virginia. Before leaving Portsmouth in 2007, BASF contributed to institutions like the Portsmouth Community Foundation and the Norfolk Botanical Garden; it received a 2005 Community Impact Award from the United Way of South Hampton Roads.

Given the current strength of the euro and high domestic labor costs, it is likely that German firms will continue to explore opportunities for overseas expansion in the foreseeable future. Because of the specialized technical demands of many successful German companies, the cheapest sites for global production may not necessarily be the most appealing. Hampton Roads can provide an attractive "middle way" for German companies seeking to maintain their global edge. **Our region offers a flexible and reliable labor force, as well as a longstanding tradition of German-American cooperation through NATO and U.S. military institutions.** Furthermore, we can point to a thriving core of German businesses already in our region. A recent HREDA advertising campaign attests to Hampton Roads' status as "a leader in world class international business" by featuring top executives from Liebherr and Stihl.

Despite these important affinities, Hampton Roads has recently lost as well as gained firms from the Federal Republic of Germany. In 2006, the packaging materials manufacturer Storopack moved its Virginia Beach office to a larger facility in Winston-Salem, N.C. In 2007, Portsmouth lost $1.1 million in annual tax revenue when BASF consolidated its production of superabsorbent polymers into a single new facility in Freeport, Texas. This year, shipping line Hapag-Lloyd announced that it would substantially downsize its Virginia Beach office. These moves appear to be motivated by macro-level restructuring decisions, rather than any particular dissatisfaction with Hampton Roads affiliates. Nonetheless, the losses remind us that our regional authorities must remain proactive in cultivating and maintaining successful partnerships with German (and other international) firms.

Ranking Hampton Roads

RANKING HAMPTON ROADS: HOT OR NOT?

Detestation of the high is the involuntary homage of the low.

– Charles Dickens, "A Tale of Two Cities"

Who's No. 1? Americans love lists that rank the best – and the worst – of just about everything. The places where we live are no exception. In 2007, David Savageau released the seventh edition of his popular Places Rated Almanac, and Bert Sperling and Peter Sander produced a second version of their rival guide, Cities Ranked & Rated. These two volumes are most frequently cited when cities and regions are compared and ranked.

These hefty reference works analyze the 370-plus metropolitan areas that are home to more than 80 percent of the U.S. population, scoring each on a scale of 0 to 100 in categories such as education, crime, transportation and cost of living. The authors each use these scores to produce a hierarchical list of the country's best places to live. Places Rated Almanac identifies America's most livable city as Pittsburgh. In Cities Ranked & Rated, the honor goes to Gainesville, Fla. The unenviable last-place rankings fall to Goldsboro, N.C., and Modesto, Calif.

How does Hampton Roads fare in the ratings game? It depends whom you consult. According to Places Rated Almanac, our region (formally identified as the Metropolitan Statistical Area "Virginia Beach-Norfolk-Newport News, VA-NC") ranks 20th among all metro areas. By this estimation, Hampton Roads is one of the most desirable places to live in the entire United States, having improved upon its 45th-place standing in the book's previous edition. Cities Ranked & Rated, however, takes a more critical stance. Its authors consign Hampton Roads to 137th place – just outside the top third of America's best cities, and a significant drop from the region's 17th-place finish just three years before.

A quick glance at both books' best places shows that their authors hardly see eye to eye on the definition of metropolitan excellence. Table 1 summarizes their most recent Top 20 rankings plus (in the case of Cities Ranked & Rated) Hampton Roads. **In fact, the only metro region to appear on both books' Top 20 lists is the Greater Portland area. Clearly, the ranking of cities is not an exact science.**

Both sets of authors concede that we all have different tastes and priorities; one person's "best place" may hold little

TABLE 1
THE BEST PLACES TO LIVE: PLACES RATED VS. CITIES RANKED AND RATED

	Places Rated	Cities Ranked & Rated
1	Pittsburgh	Gainesville, FL
2	San Francisco	Bellingham, WA
3	Seattle	Portland-Vancouver
4	Portland-Vancouver	Colorado Springs
5	Philadelphia	Ann Arbor, MI
6	Rochester, NY	Ogden, UT
7	Washington, DC	Ashville, NC
8	San José	Fort Collins, CO
9	Boston	San Luis Obispo, CA
10	Madison, WI	Boise, ID
11	Minneapolis-St. Paul	Santa Barbara, CA
12	Baltimore	Logan, UT
13	San Diego	Provo, UT
14	Cleveland	Corvallis, OR
15	Newark	Durham, NC
16	Cincinnati	Olympia, WA
17	Richmond	Charlottesville, VA
18	New York City	Flagstaff, AZ
19	Denver	Indianapolis
20	Hampton Roads	Santa Fe, NM
….	…	…
137		Hampton Roads

appeal for someone else. Thus, the authors attempt to identify those features that most people will agree contribute to a place's quality of life – good schools, affordable housing, diverse recreational opportunities and so forth. Even so, determining how best to measure and compare these features is a tricky matter. On a scale from 0 to 100, Savageau gives Hampton Roads a 75 in transportation, while Sperling and Sander offer only a 10. As we shall see, these authors have developed very different standards in the judging of transportation networks (and other areas as well).

So why should we pay any attention to Hampton Roads' depiction in such subjective rankings? For better or worse, the rankings attract national attention and contribute to the public image of our region. We may not agree with Sperling and Sander that Hampton Roads has slipped to 137th place among all American metropolitan areas in just three years, but it's worth investigating why the authors believe so.

Moreover, both Places Rated Almanac and Cities Ranked & Rated contain a wealth of statistical information about life in our region. Hierarchical ranking of the "best" and "worst" cities aside, these reference works tell us a great deal about the attractive and not-so-attractive features of the Hampton Roads metropolitan area. Beyond familiar statistics like the unemployment rate and median home price, the authors have assembled data about public library usage, hospital services, college and professional sports, and even the number of Starbucks outlets. Table 2 summarizes some of these data, while Table 3 provides some context by reporting the rankings assigned to Hampton Roads and other metro areas in major measurement categories by Places Rated Almanac.

Without placing undue weight on the books' numerical rankings, we can get a good sense of how Hampton Roads compares to other metropolitan areas in the American South, and how our relative strengths and weaknesses have shifted in the past few years. To begin, let's take a closer look at these two publications and their authors.

TABLE 2
COMPARING METRO AREAS: HAMPTON ROADS AND THE REST

	Population	Population Growth	Median Age	Percent Democrat	White	Black	Asian	Hispanic / Latino	Active Religious Observance	Single	Married	Single with Children	Percent Age 65+
U.S. Average		21.1%	36.1	44.5%	79.0%	10.5%	2.7%	10.6%	48.9%	32.4%	52.7%	9.1%	12.9%
Hampton Roads	1,645,236	16.7%	34.6	47.3%	61.0%	31.8%	2.9%	3.2%	34.8%	32.7%	50.6%	11.2%	10.7%
Charleston	583,676	15.6%	34.9	42.5%	63.6%	31.7%	1.7%	2.4%	39.3%	35.1%	49.7%	10.8%	11.0%
Charlotte	1,484,570	47.7%	34.9	42.8%	69.1%	23.4%	2.5%	7.0%	49.9%	31.2%	54.2%	8.7%	9.9%
Jacksonville	1,243,108	36.6%	36.1	36.7%	70.8%	22.8%	2.7%	4.3%	43.0%	30.0%	52.6%	10.4%	11.3%
Richmond	1,160,347	25.5%	37	45.5%	64.1%	30.6%	2.2%	2.8%	42.5%	33.0%	51.4%	9.9%	11.7%
Washington, DC	4,080,798	37.0%	35.6	62.2%	55.4%	29.2%	7.0%	10.6%	43.2%	36.1%	49.1%	9.2%	9.0%
Raleigh	922,315	70.7%	34	45.8%	70.7%	19.9%	3.5%	7.5%	42.0%	31.4%	54.5%	7.8%	8.2%
Durham	456,036	32.6%	34.3	63.1%	61.0%	28.3%	3.8%	8.6%	37.3%	39.3%	46.3%	8.9%	10.4%

Source: Cities Ranked & Rated, Profile of Southern Metro Areas (2007)

TABLE 3
COMPARING THE RANKINGS

Places Rated Scores of Southern Metropolitan Areas (2007) — scores are expressed as percentiles from 0 (worst) to 100 (best)

	Rank from 1 to 379	Ambience	Housing Costs	Job Outlook	Crime	Trans-portation	Education	Health Care	Recreation	Climate		Mean Score
Washington, DC	**7**	93	5	97	60	96	100	62		64		**75**
Richmond	**17**	94	30	86	59	67	97	87	85	52		**73**
Hampton Roads	**20**	97	25	85	58	75	91	64	98	59		**72**
Durham	**36**	96	42	91	7	79	95	99	60	49		**69**
Charlotte	**52**	86	42	96	4	92	70	66	65	79		**67**
Raleigh	**57**	93	39	96	37	71	89	44	70	50		**65**
Charleston	**76**	88	28	83	17	69	62	84	99	39		**63**
Jacksonville	**83**	80	28	89	12	72	46	69	91	74		**62**

Cities Ranked & Rated Scores of Southern Metropolitan Areas (2007) — scores are expressed as percentiles from 0 (worst) to 100 (best)

	Rank from 1 to 373	Arts & Culture	Cost of Living	Economy & Jobs	Crime	Trans-portation	Education	Health & Healthcare	Leisure	Climate	Quality of Life	Score
Durham	**15**	84	28	58	22	38	90	94	66	63	73	**87.2**
Richmond	**30**	83	46	92	28	67	69	79	62	35	73	**83.5**
Raleigh	**63**	84	23	86	74	5	91	33	67	63	87	**75.9**
Charlotte	**85**	85	24	92	6	23	73	27	60	43	73	**70.9**
Washington, DC	**130**	96	5	88	25	50	98	25	95	42	87	**66.2**
Hampton Roads	**137**	85	31	62	40	10	66	66	82	62	56	**65.4**
Charleston	**174**	66	34	81	10	6	55	42	79	57	83	**60.4**
Jacksonville	**252**	65	80	93	10	0	59	10	86	74	56	**48.9**

Places Rated Almanac (David Savageau)

David Savageau's Places Rated Almanac (PRA) is the grandfather of "best place" ratings guides. Its first edition, which appeared in 1981 (and was co-authored by Richard Boyer), became one of the first popular works to use statistics as a means of assessing the quality of life in American cities. The almanac, now in its seventh edition, has been a strong seller ever since. Over the past 25 years, its methodology has remained largely the same. Each metropolitan area earns a score in nine different categories (in 2007, these were ambience, housing, jobs, crime, transportation, education, health care, recreation and climate). The average (or "mean") of these nine scores is used to create a hierarchy of the country's most livable cities.

As Savageau acknowledges, his ratings tend to favor large cities over small ones. In 2007, only three of PRA's Top 40 metropolitan areas had populations under 1 million. (Hampton Roads, ranked at No. 20, has more than 1.6 million residents.) **Large metro areas have an edge because they are richer in the kinds of facilities that tend to produce higher scores in the categories of ambience, education, health care, recreation and transportation. This advantage outweighs the lower crime rates and more affordable housing costs that typically enhance the scores of smaller metro areas.** As a means of compensating for this (or any other) bias in his rankings, Savageau includes a "preference inventory" in PRA that allows readers to determine which of the nine categories they find more or less important. Armed with this knowledge, readers can better identify their own best places.

Cities Ranked & Rated (Bert Sperling and Peter Sander)

The first edition of Cities Ranked & Rated (CRR) appeared only in 2004, but it is part of a larger, well-established enterprise. Co-author Bert Sperling is also the founder of Fast Forward Inc., self-described as "responsible for more 'Best Places' studies and projects than any other single organization." Sperling helped to initiate Money magazine's annual "Best Places to Live" issue in 1987, and today his Web site (BestPlaces.net) allows users to access a wealth of useful data for any ZIP code, town or metropolitan area in the U.S. Sperling partners regularly with sponsors like AXE Deodorant Bodyspray and Ladies' Home Journal to produce best-place lists of all kinds, including the best cities for dating (Norfolk ranks No. 5, "due to the exceptional amount of flowers bought as gifts for a special someone"), and the best big cities for women. (Virginia Beach topped this list, which was determined by factors such as crime rates, the quality of child care and the presence of women in local government.)

The CRR approach to evaluating metropolitan areas is similar to PRA, with a few important differences. Nine of its ratings categories are nearly identical to those used in PRA, but a 10th category, quality of life, relies mainly on personal experience and anecdotal evidence to assess a metro area's heritage, physical attractiveness and overall ease of living. Table 4 records the scores assigned by CRR to Hampton Roads and other Southern metropolitan areas in several categories in 2007.

Notably, the CRR authors do not assign all categories equal weight. In 2007, they placed particular emphasis on quality of life, cost of living, and economy and jobs – not Hampton Roads' highest-scoring categories – which contributed to our region's recent decline in their rankings. The result is a best-places list that favors college towns like Ann Arbor, Mich., and Durham, N.C., as well as northwestern cities like Portland, Ore., and Colorado Springs, Colo.

The ratings in CRR (particularly in the arts and leisure categories) are more openly reflective of their authors' tastes than those derived from PRA's more clinical approach. Sperling and Sander's half-page-long descriptions of each metropolitan area provide a personal touch, although their conclusions will not please everyone (Virginia Beach is "by far the most prosperous and fun" of Hampton Roads' major cities; Williamsburg is "perhaps the top choice among all parts of the area if affordable"). A final distinction between the two ratings guides is their presentation; we found CRR's statistics easier to interpret and compare. Sperling and Sander give precise numbers and percentages wherever possible, and they juxtapose metro area ratings with national averages. By contrast, Savageau uses different symbols in each chapter to represent ranges of achievement; exact numerical ratings are often omitted.

TABLE 4
WHERE DO THE SCORES COME FROM? CITIES RANKED & RATED ASSIGNS SCORES

Arts & Culture	Hampton Roads	Charleston	Charlotte	Jacksonville	Richmond	Wash DC	Raleigh	Durham	U.S. Average
Media & Libraries									
Arts radio rating	8	1	8	1	5	9	8	8	3
No. public libraries	50	22	47	27	56	120	28	13	27
Library volumes per capita	2.84	2.41	2.24	2.66	3.01	3.01	2.25	2.13	2.84
Performing Arts									
Classical music rating	6	4	8	5	7	10	7	7	4
Ballet / dance rating	8	5	3	1	3	9	3	3	3
Professional theater rating	6	1	1	1	8	10	6	6	3
University arts program rating	5	8	8	7	8	10	8	8	5
Museums									
Overall museum rating	10	8	8	9	9	10	9	7	5
Art museum rating	9	8	8	8	8	10	7	6	5
Science museum rating	10	7	9	8	9	10	6	8	5
Children's museum rating	10	1	3	1	7	10	7	3	3
Score – expressed as percentile from 0 (worst) to 100 (best)	85	66.6	85.3	65.2	84	96.5	84.8	84.5	
Ranking – from 1 (best) to 373 (worst)	57	125	56	129	61	14	58	59	
Cost of Living	**Hampton Roads**	**Charleston**	**Charlotte**	**Jacksonville**	**Richmond**	**Wash DC**	**Raleigh**	**Durham**	**U.S. Average**
Indexes & Taxes									
Cost of living index	103.0	97.6	93.7	96.1	99.1	140.6	98.1	91.9	100.0
Buying power index	107.4	104.6	129.9	113.8	120.7	114.5	135.9	119.7	100.0
Income tax rate	5.75%	7.00%	7.00%	0.00%	5.75%	9.50%	7.00%	7.00%	4.70%
Sales tax rate	5.03%	5.81%	7.14%	6.88%	5.00%	5.11%	7.00%	7.00%	6.58%
Property tax rate	$12.13	$6.89	$9.40	$11.69	$9.92	$11.23	$8.41	$10.07	$12.00
Housing									
Median home price	$237,300	$213,800	$191,400	$213,000	$227,300	$443,400	$207,700	$177,900	$220,000
Home price appreciation (2002-2006)	91.3%	55.2%	20.0%	78.1%	59.3%	121.3%	18.7%	23.7%	10.1%
Median rent	$844	$690	$704	$774	$783	$1,273	$850	$766	$709
Homes owned	59.5%	60.9%	64.5%	62.3%	66.4%	61.4%	63.3%	55.5%	62.3%
Home price ratio	4.8	4.7	3.5	4.4	4.3	6.2	3.5	3.6	4.2
Necessities									
Food index	96.1	101.5	100.2	100.6	95.4	106.1	102.3	101.0	100.0
Housing index	77.1	72.4	67.1	75.6	74.7	136.6	86.0	85.2	100.0
Utilities index	138.3	92.3	92.1	87.5	107.8	93.7	95.0	92.3	100.0
Transportation index	105.2	95.8	97.9	98.5	103.1	114.2	100.4	94.9	100.0
Healthcare index	93.3	98.6	101.0	88.3	89.5	112.7	104.3	104.4	100.0
Miscellaneous cost index	94.2	100.8	97.7	98.7	95.4	105.1	105.4	107.2	100.0
Score – expressed as percentile from 0 (worst) to 100 (best)	31.3	34.5	24.3	80.2	46.8	5.9	23.5	28.6	
Ranking – from 1 (best) to 373 (worst)	257	245	282	75	199	351	285	267	
Crime	**Hampton Roads**	**Charleston**	**Charlotte**	**Jacksonville**	**Richmond**	**Wash DC**	**Raleigh**	**Durham**	**U.S. Average**
Violent Crime Rate	470.3	843.7	837.7	741.9	406.0	482.0	330.9	497.7	465.5
Change in Violent Crime Rate (2001-2005)	9.6%	3.6%	9.7%	1.5%	-6.0%	-3.8%	0.1%	-4.0%	-2.2%
Property Crime Rate	3,683.0	4,394.3	5,170.6	4,511.9	3,501.9	3,306.2	2,918.2	4,492.3	3,517.1
Change in Property Crime Rate (2001-2005)	1.3%	2.9%	-4.2%	0.4%	-3.0%	-14.1%	-2.1%	-6.2%	-2.1%
Score – expressed as percentile from 0 (worst) to 100 (best)	40.1	10.7	6.4	11	28.3	25.9	74.9	22.2	
Ranking – from 1 (best) to 373 (worst)	224	333	349	332	267	277	95	291	

TABLE 4
WHERE DO THE SCORES COME FROM? CITIES RANKED & RATED ASSIGNS SCORES

Transportation	Hampton Roads	Charleston	Charlotte	Jacksonville	Richmond	Wash DC	Raleigh	Durham	U.S. Average
Commute									
Average commute time	26.0	26.6	28.5	28.7	27.3	36.0	28.5	24.9	27.4
Percent commutes > 60 mins.	5.1%	5.2%	6.1%	6.1%	5.6%	14.5%	6.1%	4.2%	5.9%
Commute by auto	78.9%	78.4%	81.2%	80.6%	81.6%	67.0%	81.0%	74.6%	78.9%
Commute by mass transit	1.9%	1.5%	1.3%	1.4%	2.0%	11.3%	1.0%	2.6%	1.9%
Work at home	2.7%	2.3%	2.9%	2.3%	2.7%	3.4%	3.5%	3.4%	3.1%
Mass transit miles per capita	1.85	1.54	1.35	1.39	1.98	11.29	1.01	2.63	1.87
Intercity Services									
Major airports within 60 miles	0	0	1	1	2	3	1	1	1
Size of regional airport	Small	Small	Large	Medium	Large	Large	Medium	Medium	Large
Daily airline activity	266	258	915	156	1351	1722	461	461	686
Amtrak service	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
Automotive									
Insurance, annual premium	$1,805	$1,404	$1,675	$2,005	$1,065	$1,457	$1,023	$1,211	$1,432
Gas, cost per gallon	$2.45	$2.41	$2.49	$2.55	$2.47	$2.59	$2.53	$2.53	$2.49
Daily vehicle miles per capita	23.7	22.5	28.8	33.5	28.7	22.8	30.6	30.1	24.0
Score -- expressed as percentile from 0 (worst) to 100 (best)	10.7	6.1	23.5	0.8	67.9	50.5	5.9	38.2	
Ranking -- from 1 (best) to 373 (worst)	335	350	286	370	121	186	352	232	
Quality of Life	**Hampton Roads**	**Charleston**	**Charlotte**	**Jacksonville**	**Richmond**	**Wash DC**	**Raleigh**	**Durham**	
	56	83	73	56	73	87	87	73	

The Notion of an MSA and How It Influences Our Rankings

With minor exceptions, both sets of authors use federally defined Metropolitan Statistical Areas (MSAs) as their unit of analysis. According to the U.S. Office of Management and Budget (OMB), an MSA must have "at least one urbanized area of 50,000 or more population, plus adjacent territory that has a high degree of social integration with the core as measured by commuting ties." MSAs typically link together one or more urban cores with surrounding counties, and MSAs may cross state boundaries. Hampton Roads – the Virginia Beach-Norfolk-Newport News MSA – includes 15 Virginia localities, plus Currituck County in North Carolina. The federal government uses MSAs for purposes of budget allocation and statistical analysis. For those seeking to identify America's best places, a site's MSA usually captures its character, as well as the living and working patterns of its residents, more fully than city, county or state boundaries.

Metropolitan areas are moving targets. **The OMB regularly adjusts MSA definitions to keep pace with population growth, changes in commuting patterns and other related factors. The federal government first recognized the region we now think of as Hampton Roads in 1983, when Southside and Peninsula localities were combined into a single MSA. Such changes can make a big difference in the PRA and CRR rankings.** After the last census, 45 new MSAs and 29 Metropolitan Divisions (subdivisions of the nation's largest MSAs) were created – thus, a lower ranking in 2007 may reflect the increased "competition," not necessarily deterioration in living standards. Of the Southern MSAs compared in this year's State of the Region report, all but Charleston, S.C., underwent some boundary shifts between 2000 and 2007. The greatest of these shifts split Raleigh and Durham into two separate MSAs – a factor that likely contributed to both cities' dip in the latest PRA and CRR rankings. (Surry County joined the Norfolk-Virginia Beach-Newport News MSA, which also was renamed to reflect Virginia Beach's status as the region's largest city.) The bottom line: when comparing metro area rankings from year to year, it's important to remember that the definition of these areas is constantly changing. An MSA's rating depends upon the localities it formally encompasses.

How Hampton Roads Stacks Up

Overall, Hampton Roads earns positive reviews from both PRA and CRR. In the most recent two editions of both publications, our region placed between the 65th and 85th percentiles among all metropolitan areas. Our CRR score dipped to the lower end of this spectrum in 2007, but we improved our performance in PRA by nearly four percentiles. These differences notwithstanding, there are some clear trends in Hampton Roads' performance. **We receive the highest marks in the arts and leisure categories, while our main weakness is cost of living. Our scores in the remaining six categories are mixed.**

OUR STRENGTHS

Arts & Culture/Ambience

The authors of PRA and CRR agree: Hampton Roads is an excellent place to enjoy "the good life." Our region enjoys the highest marks in the category that encompasses the arts and other cultural opportunities. In 2007, we received an arts and culture rating of 85 (CRR), and an impressive 97 in ambience (PRA), thereby outranking most comparable metropolitan areas in the American South.

CRR derives its arts scores from a three-pronged assessment of museums, performing arts, and media and libraries. Sperling and Sander rate the quality and quantity of each metro area's arts radio stations, classical music ensembles, professional theaters, dance companies, university arts programs and different types of museums on a 1-10 scale. This approach leaves room for debate (What is the difference between a 7 and 8, and what criteria do the authors use to decide?), but it does draw attention to the overall richness of Hampton Roads' cultural assets. Our region performs well in this category because it supports many different kinds of high-quality institutions – including two public radio stations, numerous performing ensembles, the cultural offerings of the Historic Triangle, and specialized museums like the Virginia Air & Space Center and the Children's Museum of Virginia. In fact, our excellent museums rating in CRR approaches that of Washington, D.C. (home to the Smithsonian Institution and other federal facilities).

The 2007 edition of PRA looks at the ambience of American metro areas, rather than the arts in a stricter sense. (This may be a means of addressing quality of life factors that figure prominently in the CRR rankings.) Savageau assembles an eclectic bundle of criteria: AAA restaurant ratings, per capita bookstore sales, classical music performances, the number of state and federal historic sites, and the number and size of residential historic districts. These criteria helped to boost Hampton Roads' standing in the ratings, since our region performs well on all counts. We received 13 more points in this category than in 2000, when Savageau focused exclusively on the arts.

Nonetheless, our performance in this category is not an unambiguous triumph. Despite our high overall marks, Savageau singles out Hampton Roads (as well as Richmond) as one of the country's "big losers" in the arts. "These are metro areas with populations over 1 million where people ought to enjoy a full calendar of professional, non-profit ballet, opera, theatre, and symphony – but don't." Many of the "big losers" are rapidly growing Southern metro areas that have not developed an arts infrastructure comparable to that of older urban centers. Savageau's assessment derives from 2005 performance statistics compiled by the journal Musical America. The continued growth of the Virginia Arts Festival, as well as the opening of new performing arts centers in Newport News, Suffolk and Virginia Beach, may improve our region's showing in future editions.

Recreation/Leisure

Hampton Roads' second-strongest category is recreation and leisure. Our region boasts an attractive array of entertainment opportunities by any measure, but we receive the higher score (98) in PRA. Savageau divides his recreation category into three equally weighted parts: common denominators (movie screens and golf courses), crowd pleasers and outdoor assets – and Hampton Roads performs well in all three groups. Our particular strengths are water area (681,600 acres, significantly more than other Southern metro areas) and crowd-pleasing destinations like the Virginia Zoo, Virginia Aquarium, and Busch Gardens and Water Country USA. Hampton Roads' relative weakness in this category is sports. We host fewer professional sports games per year than other comparably sized metro areas – although the exact number is somewhat fuzzy, as Savageau accidentally attributes the Salem Avalanche to our region, while excluding the Norfolk Admirals. We have no auto racetracks or horseracing tracks, two other sporting opportunities considered in this category.

In CRR, Sperling and Sander give leisure in Hampton Roads mostly favorable reviews (our overall category score is 82). Unlike Savageau, however, the CRR authors also include dining and shopping in their evaluation of metropolitan leisure. In this ratings subset, our performance is mixed. Hampton Roads possesses a higher-than-average number of Starbucks (27) and warehouse shopping clubs (6), the authors' chosen indicators for overall retail quality, and availability of large-scale discount shopping. Yet we receive an outlet mall score of 0 (presumably in error, given Williamsburg's large number of factory outlets), and a restaurant rating of 1. The CRR authors describe the latter score as "a 1-10 rating of restaurants in the area mainly considering quality and availability as compiled by travel guides and other industry sources." They are apparently tough graders – none of the other Southern metro areas that are compared in this year's State of the Region report scored higher than a 3. (By contrast, all but Charlotte place in the 80th percentile or above in the restaurant ratings that are part of the ambience category in PRA.)

OUR WEAKNESS

Housing/Cost of Living

Hampton Roads may be an excellent site for arts and recreation, but it is an increasingly expensive place to live and work. In 2007, our region received low marks in cost of living – a 31.3 in CRR, and 25 in PRA (which examined housing costs alone). These scores represent an approximately 20-point drop from the books' previous editions – a sharper decline than experienced by other Southern metropolitan areas.

The books' data (which derive from 2006, before the current downturn in the housing market was fully apparent) reveal a rate of home price appreciation that outstrips national averages, as well as the price increases experienced by other Southern metro areas. (Jacksonville, Fla., and Washington, D.C., are notable exceptions.) Savageau tells us that the price of a typical "starter home" in Hampton Roads is $260,100, which represents a 130 percent increase between 2000 and 2006. According to Sperling and Sander, the median home price in our region is $237,300 – a 91.3 percent increase between 2002 and 2006. Sperling and Sander note that Hampton Roads' home price ratio (which compares home prices to typical household incomes) is higher – which is to say, less favorable – than that of other Southern metro areas, excluding Washington, D.C. Further, it appears that our typical apartment rents ($670-$850) are greater, and our rate of home ownership (59.5 percent) is lower, than those of our geographic peers.

However, both of these pieces of housing data require comment. In Table 4, we report that Sperling and Sander state that the median monthly rent in Hampton Roads is $844, which clearly is at the high end of their $670-$850 monthly range. While not impossible, these numbers appear to be inconsistent. Further, a variety of reputable sources report that more than 70 percent of Hampton Roads households own their own home, more than the national average and dramatically above Sperling and Sander's 59.5 percent. **These problematic pieces of data (similar circumstances also appear in Savageau's Places Rated Almanac) remind us that it is palpably unwise to place too much reliance on numbers when making comparisons between cities and metropolitan areas. It's fun to rank and compare cities and regions, but we should not fall prey to a tyranny of numbers that are themselves moveable feasts. The authors of these studies do their best to publish accurate, representative data, but inevitably some of their numbers are inaccurate, or fail to capture what is really going on.**

How do our other costs of living measure up? According to the CRR, we spend more on necessities than residents of other Southern metro areas (once again, excluding Washington, D.C). As determined by the Bureau of Labor Statistics, our cost of living index is 103, three points above the national average. Utilities and transportation costs are particularly high in our region, while food and health care are more affordable. A Buying Power Index (BPI) developed by CRR, which "compares metro area incomes to metro area cost of living," suggests that Hampton Roads incomes are not keeping pace with higher costs. The Southern metro areas with the most favorable BPIs are Raleigh and Charlotte; Hampton Roads and Charleston, S.C., have the lowest.

Economy and Jobs

Together with housing, the job outlook helps to round out the picture of a metro area's economic well-being. In this category, Hampton Roads finds itself on steadier ground. In recent years, our region's economy and jobs rating in CRR has remained solid: 66 in 2004 and 62 in 2007. PRA, which looks exclusively at forecasted job growth, gives us even higher category scores: 83 in 2000 and 85 in 2007.

During this decade, job growth in Hampton Roads has exceeded national averages, though it has trailed urban hot spots such as Charlotte, Raleigh-Durham and Washington, D.C. CRR forecasts 11.4 percent job growth between 2006 and 2010, while PRA predicts 12.1 percent growth (or 112,871 new jobs) between 2007 and 2015. Since 2000, per capita income in our region has grown nicely and now exceeds the national average; however, once again, we trail the southeastern hot spots badly. In 2006, per capita income in our region was $34,858, while it was $38,164 in Charlotte, $36,393 in Durham, $37,221 in Raleigh and $51,868 in Washington, D.C. (www.bea.gov).

Education

Hampton Roads receives solid marks in education – though once again, we receive the higher scores from PRA (86.68 in 2000 and 91 in 2007). We earned a 71 from CRR in 2004, but our standing slipped by five points in 2007. As a ratings category, education is tricky to quantify. Parents of children in grades K-12 may be interested in student / teacher ratios and public school funding, while others might place greater emphasis on university and library facilities. The disparity in Hampton Roads' scores stems from the different criteria selected by the two sets of authors to assess this very broad field.

Savageau derives PRA's education scores from five equally weighted criteria. Two of these factors concern primary and secondary education (school support and private school options), another two concern higher education (college town and college options) and the final factor is library popularity. Hampton Roads' library grade is the weakest, due to a low book turnover rate that suggests our public libraries are under-used. We earn our strongest grades in college options and private school options. The former looks not only at the number of metropolitan colleges and universities, but also at the variety of their degree programs. (Savageau counts 13 major institutions of higher education in Hampton Roads, although the now-departed Johnson & Wales University is erroneously included in his count.) Private school options, which Savageau did not evaluate in PRA's previous editions, helped to enhance our education score in 2007. Hampton Roads is home to 12 Catholic, plus 59 other religious and 16 nonsectarian private schools, which together educate approximately 8 percent of our school-age children.

Sperling and Sander use three criteria to evaluate education in CRR: public schools, higher education and achievement. Of these three criteria, achievement (which reflects the education level of metro area residents) receives the greatest weight. The authors state that "some important studies confirm" that parents' education level is one of the best predictors of school quality in any given area. **The educational attainment of Hampton Roads residents is just about average. Slightly more of our residents have earned a high school or two-year college degree than the population at large, but slightly fewer of us have earned four-year college or graduate degrees.** (Washington, D.C., Raleigh and Durham boast the most highly educated populations among the Southern metro areas.)

Crime

Like our scores in education and economy and jobs, our crime ratings in PRA and CRR have remained relatively consistent – though at a less favorable level. In the ratings guides' most recent two editions, our crime scores have ranged between the 40th and 58th percentiles. This means that our region is roughly average in the rate of crimes reported. Among Southern metropolitan areas, Charlotte, Jacksonville and Charleston all report significantly higher incidences of both property and violent crime.

But is crime in Hampton Roads getting better or worse, with respect to the country at large? Here the two sets of authors part ways, despite having consulted the same FBI statistics. In 2007, Savageau *raised* our category score from 43.63 to 58, while Sperling and Sander *lowered* it from 46 to 40.1. Savageau arrives at his 2007 scores by averaging each metro area's crime rates from the latest five years, giving property crimes like theft and burglary one-tenth the weight of violent crimes like murder, robbery and assault. (In 2000, he used data from the previous eight years.) Sperling and Sander use the FBI's crime data somewhat differently. They draw their scores from four separate statistics: the current violent crime rate, the current property crime rate and the change in each of these rates between 2001 and 2005. (In the first edition of CRR, they looked at the change in crime rates between 1996 and 2001.)

Both sets of authors have developed reasonable yardsticks to assess the shifting crime rates of America's metro areas. The disparity of their results reveals that how any group of statistics is interpreted is just as important as the statistics themselves.

Transportation

The transportation category further demonstrates how different analytical approaches can yield very different ratings. The authors of PRA and CRR agree that the transportation outlook in Hampton Roads has deteriorated somewhat in recent years, largely due to longer commuting times, but beyond this point, they concur on little else. **Savageau lowered our transportation score to a 75 in 2007 – a 6-point drop from 2000, but still solidly within the top third of all metro areas. Sperling and Sander, however, sent our score plummeting by 25 points. With a transportation rating of 10, we now place near the bottom of all metro areas.**

The concept of transportation encompasses a wide range of phenomena. Savageau evaluates the transportation network of each metro area according to three equally weighted criteria: commute, connectivity and centrality. Commute includes average travel times, as well as the number of miles traveled by metro area public transit fleets. Connectivity combines interstate highway access, nonstop airline destinations and passenger rail departures. (Rail departures receive the least weight, since they figure prominently in only a few urban corridors.) Centrality, he says, "measures how near a metro area is to all other metro areas." According to these criteria, Hampton Roads and the other Southern metro areas all perform in the 67th percentile or above in the PRA rankings. The category's Top 20 is dominated by major urban hubs like Washington, D.C., Chicago, Minneapolis and Houston.

Sperling and Sander use three different criteria in their evaluation of transportation: commute, intercity services and automotive. Commute is the most heavily weighted factor of the three, with mass transit playing a greater role than in Savageau's ratings system. Intercity services include airport size and activity, as well as Amtrak service (but not interstate highways). Automotive considers the cost of gasoline and insurance, as well as daily vehicle miles per capita. By these standards, *none of the Southern metro areas score higher than the 67th percentile.* Ironically, Richmond receives a transportation score of 67 from both guidebooks. But Hampton Roads, Raleigh, Charleston and Jacksonville all land in CRR's bottom 10th percentile. The authors were not available for comment, but it appears that our region did not receive full credit for the size of our airports and daily airline activity. CRR's top-scoring places for transportation are densely populated regions in the mid-Atlantic – including large cities like New York and Philadelphia – as well as the smaller metro areas that surround them, such as Atlantic City, N.J., New Haven, Conn., and Lancaster, Pa.

Health and Health Care

Hampton Roads' health and health care ratings are somewhat unusual. In 2007, we received a 64 in this category from PRA, and a 66 from CRR. Both scores represent an improvement of nearly 40 percentiles from the books' previous editions. The parallel spike in our ratings is all the more remarkable, given that the two sets of authors use almost entirely different statistics to reach their conclusions. Have standards of health and health care in Hampton Roads really improved so dramatically in less than a decade?

Savageau's numbers appear to say yes. In PRA, he assesses the supply of health care services – not, he emphasizes, the quality of these services, or the health of metro area residents. In 2000, Hampton Roads ranked in the 40th percentile or below in its number of general/family practitioners, medical specialists and surgical specialists per 100,000 residents. Seven years later, we placed between the 40th and 60th percentiles on all three counts. In 2000, PRA identified only 12 general hospitals in Hampton Roads that were certified by the Joint Commission on Accreditation of Healthcare Organizations; this figure rose to 16 in the 2007 edition. By telephone, Savageau suggested to us that the increase in Hampton Roads' health care score might be explained by the expanding boundaries of our region. In other words, doctors and hospitals not considered in PRA's 2000 edition may have been included in 2007.

In CRR, Sperling and Sander define this category rather differently. These authors examine metro area hazards that can cause health problems, as well as health care services and their costs. Between 2004 and 2007, our performance remained relatively consistent on both counts. The quality of our air and water is higher than average, and our "stress score" (calculated through variables such as divorce and unemployment rates, commute time and cloudy days) has ranged between a favorable 26 and 39 on a 0-100 scale. Our number of physicians per capita (249.3) is roughly average, while our number of hospital beds per capita (328.5) is somewhat below average. Our improved health and health care score in CRR's latest edition can be traced chiefly to one variable: health care costs. **According to the measure of an average visit to the doctor ($67) or dentist ($61), health care in Hampton Roads is more affordable than in many other metro regions.** On this count, our performance improved slightly between 2004 and 2007, but the small gain made a large difference in our category score. Escalating health care costs and the growing number of Americans without full-coverage insurance led Sperling and Sander to place additional ranking weight on health care costs in the latest edition of their book.

Climate

Climate is one thing that Hampton Roads citizens and policymakers can do little to change. Happily, the ratings experts seem to agree that we have a pretty good one – in 2007, we earned a climate score of 59 in PRA, and 62 in CRR. Climate may be even more dependent on individual tastes than the other ratings categories, but the authors nonetheless put forth that some standards of evaluation are possible. In essence, both sets of authors agree that the best climates are the most moderate ones.

In PRA, Savageau awards points on a 0-100 scale for the mildness of metropolitan area summers and winters, as well as for the infrequency of hazards like thunderstorms, strong winds and heavy snowfall. A fourth 0-100 rating is for seasonal affect; here, metro areas with the fewest annual cloudy, rainy and foggy days receive the highest scores. In CRR, Sperling and Sander identify "desirable ranges" for several different climate attributes – for example, 20-30 inches of annual precipitation, 250-300 mostly sunny days and January low temperatures between 30 degrees and 50 degrees. Metro areas falling within this range receive maximum points, while "areas outside the range get reduced points, which are further reduced the farther away the number falls," the authors note.

According to these criteria, our main strength is a mild winter (only 54 days of temperatures below freezing, with an average January low of 32.2 degrees). We lose some points, however, with our sultry summer months (30 days of 90 degree-plus weather, with 71 percent relative humidity in July). Further downsides include a climate that is wetter than average, with 45 inches of precipitation annually, and a proximity to the coast that places us at moderate hurricane risk.

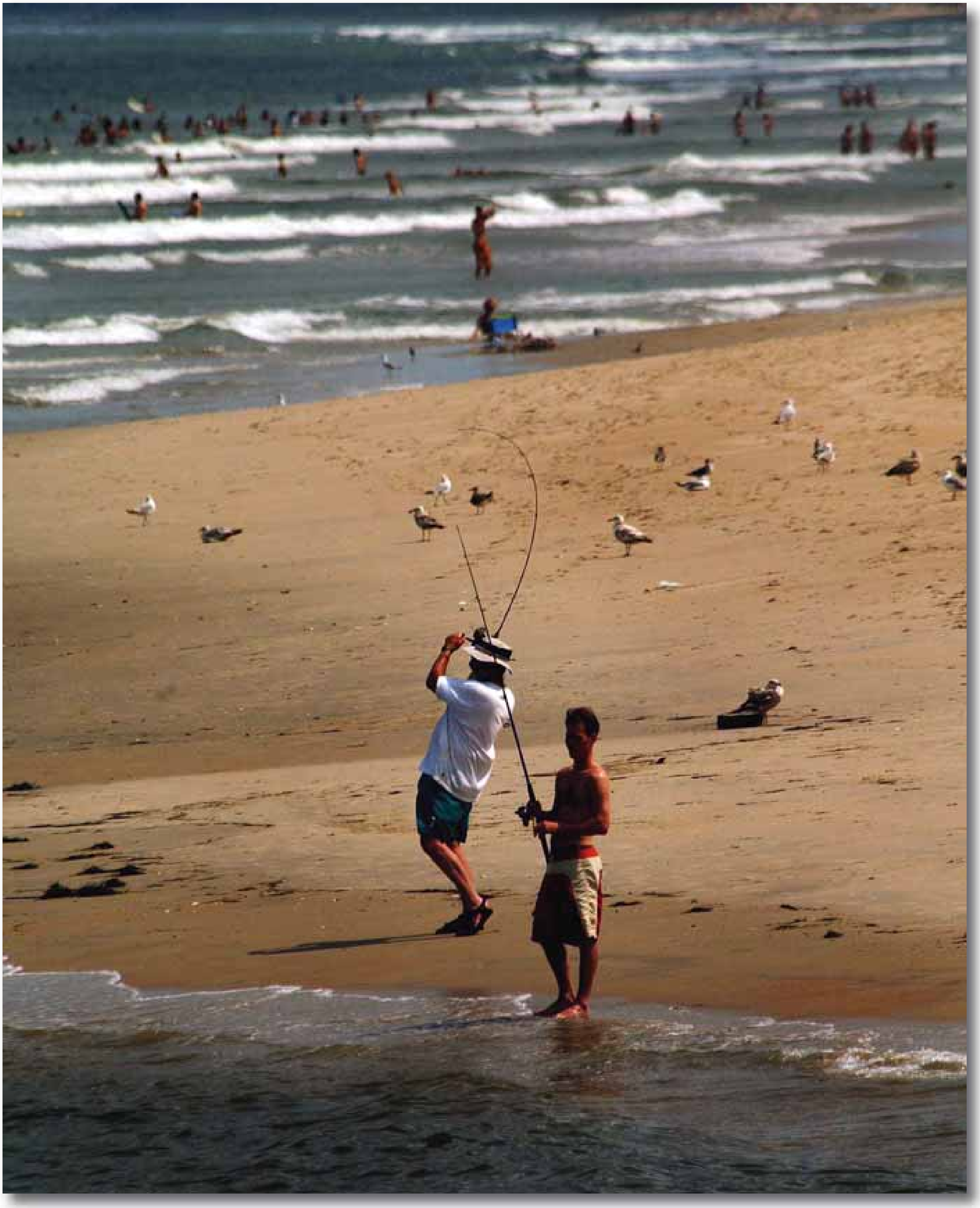
Is There a Moral to the Ratings Stories?

Hampton Roads residents can be pleased that our region has placed in the 65th percentile or above in recent editions of the Places Rated Almanac and Cities Ranked & Rated. The authors of both volumes agree that we stand among the top third of all U.S. metropolitan areas. Beyond this, however, they differ considerably. Between 2000 and 2007, our mean score in PRA rose from 68.4 to 72 – a small improvement that had a substantial effect upon our numerical ranking. According to PRA author David Savageau, Hampton Roads rose from the 45th to the 20th best place to live among all U.S. metro areas. By contrast, our overall score in CRR dropped from 85.8 in 2004 to 65.4 in 2007. This pushed our numerical ranking still lower. In the estimation of Bert Sperling and Peter Sander, we sank from 17th to 137th place among all metro areas.

So who's right? Both sets of authors have important points to make about the strengths and weaknesses of our region. In a sense, their portraits represent two different sides of the same coin. We ought not place undue weight on scores and rankings that sometimes can be misleading, but we should listen carefully to the broader message that stands behind them.

CRR authors Sperling and Sander zero in on some of our critical regional weaknesses. In 2004, they identified urban sprawl and "frequent traffic problems, especially at bridges and tunnels" as downsides of life in Hampton Roads. In their book's current edition, they add that "job-growth projections have fallen off and home prices have risen some 76 percent; both factors have a lot to do with the drop in ranking." These are fundamental issues that threaten to reduce the quality of life for Hampton Roads residents.

PRA author David Savageau, by contrast, tends to emphasize our regional assets. By telephone, he told us that he would include Hampton Roads in the "great second tier" of U.S. metro areas. Hampton Roads' relative youth as a major metropolitan area, combined with its geographical sprawl, means that our region has difficulty matching sophisticated infrastructure in the arts, professional sports, health care, transportation, etc., which is a hallmark of more established urban centers. We do, however, benefit from a number of other assets, which Savageau terms "lucky circumstances": an attractive location on the middle of the Atlantic Coast, older neighborhoods and a sense of history that appeal to a mobile creative class, and a strong record of regional growth over the last several decades.



Page 13: Photo by Jake Denton

Pages 31 and 42: Photos by Steve Daniel

Page 99: Chrysler Museum of Art, Norfolk
Photo Courtesy of the Chrysler Museum

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CHARLESTON, SC

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