October 2009

Dear Reader:

This is Old Dominion University’s 10th 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 2009 report is divided into eight parts:

- **The Regional Economy Contracts**: Defense spending continues to cushion our economic downturn, but two other major drivers, the port and tourism, have contracted. We also report stress tests for our major regional banks.

- **The Hotel Industry**: Stagnant or declining patronage and excess capacity have made this a very challenging time for an industry that is vital to our future.

- **The “Silver Tsunami”**: In recognition of our aging population, we present extensive data and ratings concerning 57 nursing home facilities, 104 assisted living facilities and eight continuing care facilities in Hampton Roads.

- **Gasoline Prices, Carbon Emissions and Other Unpleasant Subjects**: Carbon emissions are on nearly everyone’s mind. We trace our regional carbon emissions and explore the ways (including higher prices) that we might deal with them.

- **Climate Change, Global Warming and Ocean Levels**: To the extent that global warming occurs, it will bring with it rising sea levels, which, in the absence of new dikes and levees, will cover vast areas of the Peninsula and Norfolk, Chesapeake and the Virginia Beach oceanfront.

- **Traffic Congestion: Identifying and Measuring Our Bottlenecks**: A well-known national analysis of traffic congestion identifies the 15 worst choke points in Hampton Roads. Most of them are connected to our tunnels.

- **The Tunnels That Connect Hampton Roads: Wonderful Assets or Potential Achilles’ Heels?** The prosperity of our region depends upon five major bridge/tunnel installations, all of which potentially can be closed either by accidents or terrorism. As we recently have discovered, they are vulnerable to a variety of possible threats.

- **The Chrysler Museum in 2009**: The Chrysler Museum of Art is one of the foremost cultural jewels of our region, but now faces challenges that stem both from significant economic constraints and internal reorganizations.
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 provide support for this report. However, it would not appear without the vital backing of the private donors whose names appear below. They believe in Hampton Roads and in the power of rational discussion to improve our circumstances, but 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.
Kaufman and Canoles
Thomas Lyons
Arnold McKinnon (in memoriam)
Patricia W. and J. Douglas Perry
Anne B. Shumadine
I am delighted to announce that Kaufman and Canoles has agreed to provide financial support for all State of the Region presentations subsequent to the traditional Lead Hampton Roads/Chamber of Commerce opening breakfast.

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

Vinod Agarwal
John R. Broderick
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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. Their penetrating analyses of the regional and Commonwealth economies are by consensus 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.

All 10 of the 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