

## Regionalist Paper No. 6

### The Problem Why the Need for Regional Solutions in Hampton Roads?

The underlying motivation for regional cooperation is the recognition that metropolitan regions—not individual cities, states, or other political units—are the real competitors in the modern global economy<sup>1</sup>. The urge for stronger regionalism in Hampton Roads arises from our relatively lackluster economic performance compared to other regions. We have weak numbers.

In the U.S., political subdivisions are aggregated to serve as proxies for our economic regions. Thus, at the federal level, regional economic performance is tracked through the system of Metropolitan Statistical Areas (MSA)<sup>2</sup>. Our Hampton Roads MSA, formally titled the “Virginia Beach-Norfolk-Newport News MSA,” recognizes that the communities of the Peninsula and Southside are all part of a single economic entity. Similarly, in the Virginia system, the ten cities, six counties, and one town that are members of the Hampton Roads Planning District Commission (HRPDC) reflect the same fact that Southeastern Virginia is a distinctive maritime economy. Statistics are tracked for these entities.

What story do the numbers tell?

In key indicators of economic performance, such as per capita income, growth of income, and total income, our MSA lags comparable regions, Virginia, and the U.S. as a whole. Even at the high point in the mid-1980s, when defense spending peaked, Hampton Roads’ per capita income at its highest was only 95% of the national average. Following the defense cuts of the early 1990s, per capita income steadily declined to 87% in 1997. It returned to 90% in 2003 as we suffered less from the recession than the rest of the U.S.

We lag in growth. During the past twenty years, when our economy grew by some 276%, competitor MSAs like Charlotte and Raleigh-Durham grew by 337% and 344%. If Hampton Roads had grown just at the national average, over *\$4.6 billion* annually would now be added to our pocketbooks. (See the Annex at the end of this paper for additional statistical information on income levels.)

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<sup>1</sup> See Regionalist Paper No. 7, *The Importance of Regionalism in the Global Economy: Why Must We Adjust?*

<sup>2</sup> See Regionalist Paper No. 4, *Federal Support for Regionalism: Understanding Trends and Available Resources*.

From 2000 to 2004 sharp increases in military spending because of the Afghanistan and Iraq wars resulted in much more rapid growth of regional income than in the U.S. as a whole. Also, a lower cost of living in Hampton Roads brings local purchasing power closer to the U.S. average. Nevertheless, our lower per capita income makes it more expensive for us to travel elsewhere or purchase things from outside. Though some find it hard to believe, Virginia ranks near the bottom in tax load among the 50 states, and this is mirrored in our lower ranking in expenditures. The imperative of dealing with trash and sewage gives Virginia rankings of 14<sup>th</sup> and 16<sup>th</sup> in the nation, but in the areas that most influence economic development—education, health, natural resources—the state ranks only 39<sup>th</sup>, 40<sup>th</sup>, and 43<sup>rd</sup>. Not surprisingly, Virginia ranks dead last in welfare and recreation spending.

With an overall state ranking of 39<sup>th</sup> in education expenditures, it is not surprising that spending in most of the region's cities is well below the national average: Norfolk 92.0%, Portsmouth 85.2%, Hampton 80.1%, Chesapeake 79.4%, Virginia Beach 77.1%, Newport News 76.5%. Even so, education dominates our government budgets. And yet the benefit of that investment to our regional economy is much diminished since so many of our most talented young people move away to regions with higher salaries.

Another troublesome statistic: the preponderance of the federal government as part of our economy. Despite ups and downs in military expenditures, federal spending has usually worked to stabilize the regional economy, and in the past few years increased federal spending accounts for almost all the improvement in our economic performance. It is further strengthening and diversification of the civilian economy that is needed in order to improve our total income and growth rate.

Finally, because of our relatively weak income, all our local governments experience fiscal stress—insufficiency of revenue to meet identified needs. Not surprisingly, the region's central cities—Norfolk, Portsmouth, Newport News, and Hampton—show relatively high levels of fiscal stress, reflecting lower average incomes, higher social welfare expenditures, and more state or federally occupied land exempt from local taxation. But even Franklin, Williamsburg, Suffolk, Chesapeake, and even Virginia Beach exhibit signs of incipient fiscal stress. Indeed, forecasts for 2005 showed that every one of our localities except James City County expected a shortfall between its tightly budgeted needs and its ability to generate taxes to cover the expenditures.

This parade of negative aspects of our economy provides the spur to collective or regional action. But we shouldn't lose heart. Strong positives encourage us to aspire to

achieve significant results. After all, we have a delightful quality of life. We have a distinctive list of assets: An equable mid-Atlantic climate. Diverse recreation on our beaches, waterways, and parklands. A fine mix of universities. Outstanding museums, zoos, aquariums, and colonial history attractions. Scores of pleasant restaurants. A major symphony, an outstanding state opera, fine stage company, musical theater, and ballet and other performing arts topped by a world-class festival that make Hampton Roads the arts capital of Virginia.

All these ornaments, plus our inviting business environment, allow us to aspire to do better with fostering our competitive advantages in such primary occupations as ship construction and repair, port services and warehousing, modeling and simulation, nuclear physics, oceanography, aeronautical research, and technical services. Regionalism can make us even more competitive. Other metropolitan areas around the country with far fewer natural resources have successfully regionalized (see Regionalist Paper No. 6). They have coordinated local government activities and adopted policies that have noticeably elevated average levels of income and administrative economies of scale. In turn, fiscal stress on local governments has been reduced, and community pride and quality of life measures have been improving annually.

What's lacking in Hampton Roads?

To realize our aspirations, we need to recognize that “no jurisdiction is an island,” that the policies of any one local government have impact on the citizens and fortunes of neighboring communities.

Quite frankly, from a metropolitan perspective and in today's more complex setting, certain government functions must be addressed with a regional perspective. Regional transportation plans, regional land use planning, regional emergency communications systems, and other routine government functions require a wider perspective than can be achieved by any one city council. The scope of government attention paid to these issues must at least be equal to the scope of the issue itself.

Another argument advanced in recent years for regional coordination is the need to save inner cities and stem urban blight based on the evidence that suburbs also lose when inner-city financial and social conditions worsen<sup>3</sup>. Hampton Roads appears less at risk in this regard than other metro areas. Our core cities of Norfolk, Hampton, Newport News and especially Portsmouth do suffer fiscal stress and carry relatively more of the burden of social services, but they also exhibit considerable and impressive vitality. Still,

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<sup>3</sup> David Rusk, *Cities without Suburbs* (Washington: Woodrow Wilson Center Press), 1995 (second edition)

some observers caution that, rather than just wait and watch, there remains a need to ensure that the inner cities or even some older suburban neighborhoods are not left behind. This consideration may not be a sufficient motivation alone for promoting regionalism in Hampton Roads, but it is significant in demonstrating that outlying jurisdictions, for their own health, need to concern themselves about conditions in the core cities.

Metropolitanization or regionalism, in whatever form the citizens of Hampton Roads may develop, can achieve economies of scale as well as a vision and plans for growth that will elevate our average levels of income closer to national averages and enhance the region's competitiveness in the global economy. For wages, quality of life, and governmental economies to improve, the whole must become greater than the sum of the parts. This is what regional cooperation or regionalism can do. In varying forms, this is what has been achieved in other metropolitan areas.

Over the last century, citizens of every prior decade have had to deal with growth. Growth is a natural and an inevitable process in which neighboring localities impinge more closely on each other. Today, local governments, especially those in close quarters, must realize that local competition, one-upmanship, or beggar-thy-neighbor policies may produce short term gains but that future success requires a vision that will buoy all communities in the region, including their own.

A number of functional areas in Hampton Roads could benefit from a broader regional perspective. Transportation funding heads the list. A common view of land use<sup>4</sup> planning and environmental protection may be overdue.

We need to improve our regional marketing of development and tourism. Our localities need to examine ways to economize by joining hands to offer better, less costly, shared services. We need to collaborate on large projects like stadiums for major league sports and convention centers and the safe-guarding of existing port and military assets.

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<sup>4</sup> Land use planning is a complex topic. Many land-use decisions must remain at the local level, streets, shops, neighborhood zoning, site location decisions for community parks, schools, fire and police stations and much more. Transportation, broad land-use decisions, and environmental maintenance and attainment plans and decisions are the three topics that have been elevated most often to regional decision maker, so far, in the United States. On a case basis, some metropolitan areas have broadened that level of land use authority to include review authority over local government plans for such things as arts pavilions, convention center, major shopping malls, etc., and to decisions that might impact historic sites, battlefields, military bases, or impinge upon or prevent site locations for state or nationally needed reservoirs, power plants, or refineries. Complex, but nevertheless, this land-use topic has served as one of the driving motivations for regionalism in several other American metropolitan areas in the last twenty years.

We need more affordable housing and shorter waiting lists for community health care services. Above all, we must construct the intermodal transportation system needed to overcome the traffic congestion suffered by our working citizens every day, to service the port, to carry tourists speedily, and to allow for safer evacuation in emergencies.

Hampton Roads is a great region. The numbers say it could and should be greater. Improved regional cooperation will be a big part of the solution.

James F. Babcock, Board member, Future of Hampton Roads, December 2005

## **Annex**

### **ECONOMIC TRENDS IN HAMPTON ROADS**

The following information is excerpted from a memorandum of the Hampton Roads Partnership, entitled “Hampton Roads Technology Issues,” which highlights the ramifications of Hampton Roads not being a technology intense region.

When compared against the entire United States, Hampton Roads is a below average performing region in economic terms and has not kept up with most of the rest of Virginia:

#### Nominal Per Capita Income (\$) (U.S, VA, HR)

	<u>United States</u>	<u>Virginia</u>	<u>Hampton Roads</u>	<u>HR as % of VA</u>	<u>HR as % of U.S.</u>
1980	10,183	10,176	9,522	93.57	93.51
1990	19,572	20,527	18,184	88.58	92.91
2000	29,760	31,210	26,288	84.22	88.26

If Hampton Roads’ per capita income was only at national average, there would be over \$4.6 billion more in income for our residents annually. Consider the impact on standard of living and quality of life.

Furthermore, Hampton Roads has fallen significantly behind key competitor regions outside the state:

	<u>Nominal Per Capita Income (\$) (Nearby metro areas)</u>			
	<u>Charlotte</u>	<u>Raleigh Durham</u>	<u>Hampton Roads</u>	<u>HR as % of Raleigh-Durham</u>
1980	9,190	9,506	9,522	100.17
1990	19,703	20,730	18,184	88.59
2000	30,993	32,681	26,288	80.43
<b>Growth</b>	<b>337%</b>	<b>344%</b>	<b>276%</b>	

Hampton Roads’ per capita income in 1980 exceeded both North Carolina regions. If Hampton Roads had kept pace with Charlotte in regard to per capita income, there would be over \$6.4 billion more in income for our residents annually. If Hampton Roads had kept pace with Raleigh-Durham in regard to per capita income, there would be over \$8.7 billion more in income for our residents annually.

Decline in the region’s relative per capita income as a percentage of the national average is generally attributed to the following:

1. The absence of a coherent regional marketing voice.
2. The absence of an organized regional vision that attracts entrepreneurs, and internal competition.
3. Loss of 50,000 defense related jobs in last decade.
4. Absence of a national-class research university.
5. A geographical location that presents transportation challenges and the image of being a land’s end location.
6. Lack of a compelling reason to be here in spite of the region’s opportunities.