The State of the Region

HAMPTON ROADS 2024

DRAGAS CENTER FOR ECONOMIC ANALYSIS AND POLICY | STROME COLLEGE OF BUSINESS | OLD DOMINION UNIVERSITY

THE 2024 REPORT IS MADE POSSIBLE BY TOWNEBANK

Virginia Beach – Chesapeake – Norfolk, VA-NC Metropolitan Statistical Area

October 2024

Dear Reader:

This is Old Dominion University's 25th 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, its president, Brian Hemphill, Ph.D., the Board of Visitors, the Strome College of Business, or the generous donors who support the activities of the Dragas Center for Economic Analysis and Policy.

The news, especially when compared to the previous decade, is mostly good. The region's economy grew in 2023 and will likely grow for a fourth consecutive year in 2024. Even after accounting for inflation, average wages in Hampton Roads were higher than prior to the COVID-19 pandemic. However, we also cannot ignore the data that our region's economic performance continues to lag its peer and aspirant metropolitan areas. We are running faster than before, but still not as fast as we need to win the economic race.

Since its inception in 1999, the State of the Region Report has sought to inform without minimizing the challenges facing the region or downplaying the opportunities that could spur economic growth. Leveraging opportunities and surmounting challenge will require us to lean into regional solutions. We applaud the progress made so far and commend efforts to build one region out of the many localities that call Hampton Roads home.

The 2024 State of the Region Report is divided into six chapters:

As Good As It Gets? The Economy of Hampton Roads

Hampton Roads' economy was a study in contrasts in 2024. For the first time in almost two decades, the regional economy grew in four consecutive years. A record number of individuals were in the civilian labor force and employed, and employers reported a record number of jobs. Job growth, however, lagged our peers. Now is the time to invest in key industry clusters to spur private-sector job growth in the region and build upon our recent economic fortunes.

Defense, the Port, and Tourism: The Pillars of the Economy

There was (mostly) good news to report about the pillars of the Hampton Roads economy in 2024. More defense spending flowed into the region. While cargo traffic declined at the Port of Virginia in 2023, the declines were mainly driven by outbound cargo traffic. The declines at the Port were also proportionally less than many other ports across the nation. Nominal hotel revenues continued to climb, but real hotel revenues fell in 2023 as occupancy rates dipped slightly. The hotel industry, however, continued to outperform the state and the nation.

If You Zone It, They Will Come: The Supply of Housing in Hampton Roads

The recent rise in housing prices in Hampton Roads has priced many families out of the American dream of owning a home. Even though fewer houses sold in 2023, median single-family prices continued to rise. In this chapter, we discuss how policies and regulations may influence decisions to build and ask what can be done to increase the supply of housing in Hampton Roads

Public Libraries: Enriching lives in Hampton Roads

Hampton Roads is home to 63 public libraries across 13 library systems. These public libraries do much, much more than simply lending books. Access is free, and everyone is welcome. This chapter provides an overview of Hampton Roads' public libraries—how they function and how they are funded, and the diversity of services and resources they offer to our residents. We focus on the innovative ways that public libraries have evolved to meet their communities' changing needs.

Are Disability Rates Rising in Hampton Roads?

In this chapter, we examine one particular corner of a much larger disability story – those individuals who have a work history and subsequently seek to receive income from the Social Security Administration because of that disability. Contrary to what many people believe, both the number of applications for worker disability and rates of approval of those applications have trended downward in recent years. We explore the differences in disability rates and workers across Hampton Roads.

The Graying of Hampton Roads

In 2010, the median age of the resident population of Hampton Roads was 35.7 years. By 2019, the median age had increased to 36.8 years, rising to 37.1 years in 2021 and 37.3 years in 2022. The number of residents aged 65 and over continued to rise. How is Hampton Roads aging compared to Virginia and the United States? In this chapter, we explore how the region is aging, how it may age in the future, and how this may impact the region's economic prospects.

The Strome College of Business and Old Dominion University continue to provide support for the State of the Region Report. However, it would not appear without the vital backing of the private donors whose names appear below. They believe in Hampton Roads and the power of rational discussion to improve our circumstances but are not responsible for the views expressed in the report.

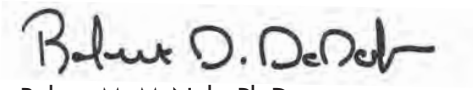
Richard F. Barry III
The Aimee and Frank Batten Jr. Foundation
Jane Batten
R. Bruce Bradley
Lucy and Ramon Breeden Foundation
Dragas Family Foundation
Helen Dragas
David and Susan Goode
Thomas Lyons
Patricia and J. Douglas Perry
Dr. Jitendra Swarup
Townebank

We also wish to honor the memory of Mr. Tommy Lyons. Mr. Lyons was a founding contributor to the State of the Region Report and sought to elevate the discourse surrounding the economy of the region.

The following individuals were instrumental in the writing, editing, design and dissemination of the report:
Vinod Agarwal
Aliou Ousmane Ba
Elizabeth Janik
James V. Koch
Ria Kolarao
Steve Lawson
Feng Lian
Anna Makhorkina
Melody Nguyen
Terry Parker
Mohamed Rahoui
Panagiotis Taoulas
Leiu Yuenyong

All 25 State of the Region Reports are available at www.ceapodu.com. A limited number of printed copies of the 2024 State of the Region Report are available for purchase for $50 each. If you have comments or suggestions, please email us at rmcnab@odu.edu.

Sincerely,



Robert M. McNab, Ph.D.
Professor and Chair, Department of Economics
Director, Dragas Center for Economic Analysis and Policy
Strome College of Business
Old Dominion University

ABOUT TOWNEBANK

Founded in 1999, TowneBank is a Virginia-based community bank celebrating 25 years of serving others and enriching lives. In that time, the bank has grown from three offices to 51 throughout Hampton Roads and Central Virginia as well as Northeastern and Central North Carolina. TowneBank is a local leader in promoting the social, cultural, and economic growth in the communities it serves. With a focus on being a community asset, TowneBank and the TowneBank Foundation have contributed more than $115 million by supporting hundreds of charitable organizations through donations, scholarships, grants, and volunteering. Recognized as one of Forbes Best Banks in America for six consecutive years and by American Banker as a Best Bank to Work For, TowneBank is one of the largest banks headquartered in Virginia with assets of $17 billion as of June 30, 2024.

For more information, visit TowneBank.com.
Member FDIC

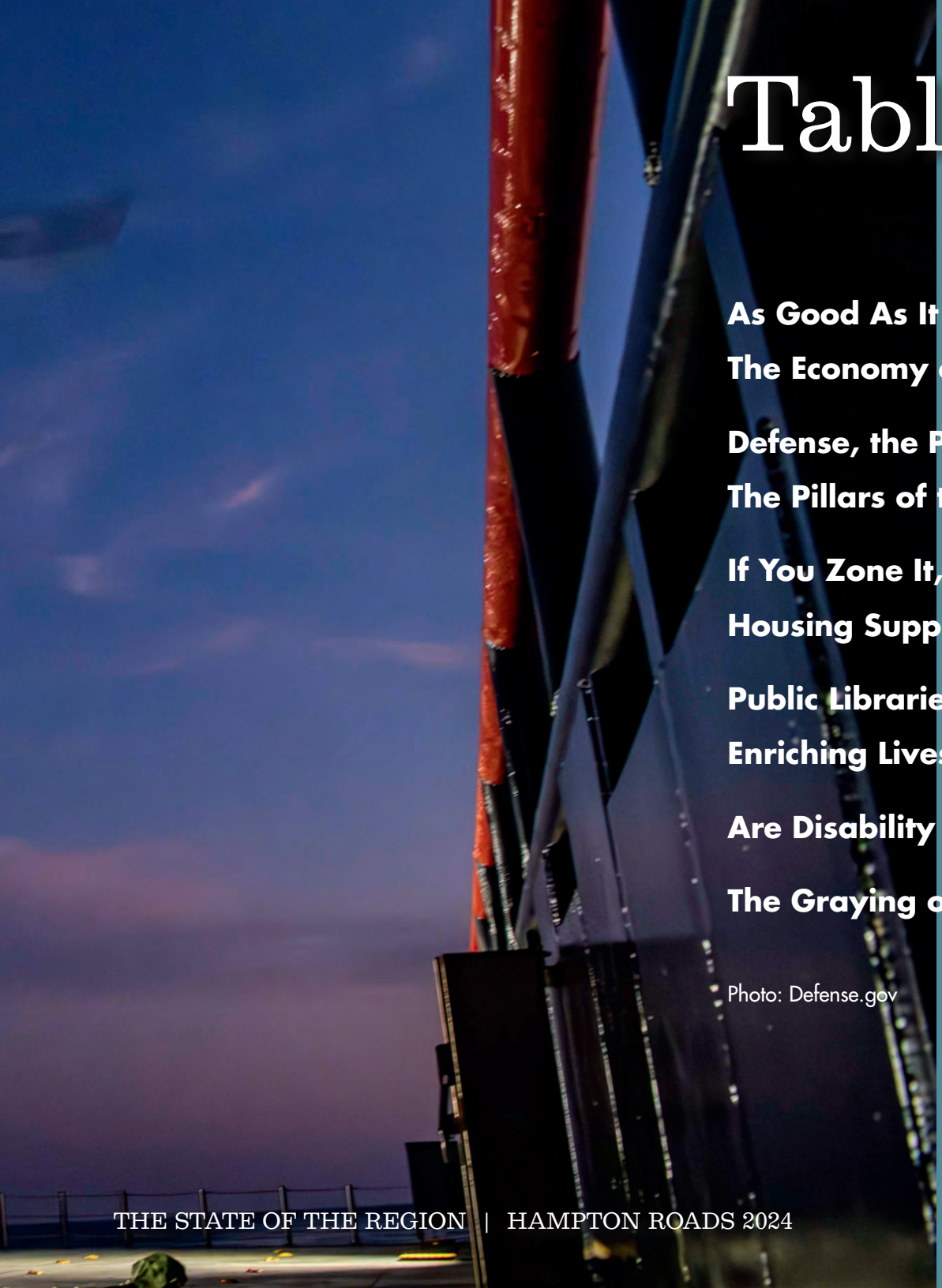


Table of Contents

Photo: Defense.gov

As Good As It Gets? The Economy of Hampton Roads

AS GOOD AS IT GETS? THE ECONOMY OF HAMPTON ROADS

"Nothing is ever as good or bad as it seems."
Scott Galloway, *The Algebra of Happiness, 2019*

It was a year of contrasts for the Virginia Beach – Chesapeake – Norfolk Metropolitan Statistical Area ("Hampton Roads"), the state of Virginia, and the United States. Economic data pointed to a sustained recovery from the COVID-19 recession of 2020, with inflation decelerating, employment and wages increasing, and more federal dollars flowing into the region. Rising interest rates, however, dampened the demand and supply of single-family housing. Automobile and homeowner insurance rates continued to rise and, for many, a trip to the grocery store was an experience in sticker shock. It was neither the best of times, nor the worst of times, but a bewildering mix of good news and negative perceptions about the state of the economy.

The question as we near the end of 2024 is whether consumer sentiment leads economic data or whether data lead consumer sentiment. There is a broad literature in economics suggesting that misinformation, political bias, and absence of political knowledge skew perceptions about the state of the economy, risk, and, in turn, the allocation of public resources.[1] As we explore in this chapter, sometimes things are not as bad as they seem. Likewise, the economic environment may be exceptionally challenging for some residents of the region. We need to draw back, examine the data and ask what is happening and what are the prospects for economic growth in 2025.

If we were to examine the state of the Hampton Roads economy and compare it to the previous decade, the change in our economic fortunes is noticeable. This will be the fourth consecutive year of economic growth for the metro area. A record number of residents were either working or looking for work in 2024. There were more jobs in Hampton Roads than at any point prior to the onset of the COVID-19 pandemic. Single-family home values continued to rise even in the face of higher interest rates, a boon for homeowners but a challenge for those looking to buy a home.

Yet, for all the data that point to a continued expansion in 2025, we cannot ignore the data that signal there are challenges to overcome. While population growth continued in 2023, domestic outmigration also showed that residents were voting with their feet about economic opportunities elsewhere. Single-family home prices and multifamily rents continued to rise in 2024, leading to an increasing number of housing cost-burdened households in Hampton Roads.

Economic development officials continued to cite the low inventory of workforce housing as a deciding factor by firms opting not to locate in the region. Hampton Roads' economic performance, while positive, continues to lag many of its peers. The region's reliance on federal spending remains a strength and a weakness as the lack of economic diversification means that the region's economy is, at times, held hostage to political dysfunction in Washington, D.C.

1 See, for example, Althaus (1998), Delli, Carpini, and Keeter (1996), Achen and Bartles (2016), and Luipa (2016).

As we have advocated in previous reports (and continue to press for in this report), our way forward is to act as a region rather than as a collection of independent cities and counties. Building regional collaboration and eliminating administrative duplication across jurisdictions continues to be a slow process. "Out of many, one" can be more than the traditional motto of the United States, it can be our guiding star on how to sustain and accelerate economic growth for all the residents of Hampton Roads.

In this chapter, we review Hampton Roads' economic fortunes in 2023. We dive into the question of whether Hampton Roads' population is growing and how population growth has fared in the last decade. We look at measures of economic growth and ask how the region may fare in 2024 and beyond. We then examine the region's recovery with respect to its civilian labor force, individual employment, and jobs. We find a recovery that is, for all intents and purposes, complete. The challenge now is to accelerate economic growth in the region and, having done so, sustain the accelerated pace to match that of our peers and aspirant regions.

A Revised MSA

The Office of Management and Budget (OMB) defines a Core-Based Statistical Area (CBSA) as a geographical region anchored by an urban center of at least 10,000 residents plus adjacent counties that have socioeconomically integrated with the urban center through commuting ties.[2] Metropolitan Statistical Areas (MSAs) have at least one urbanized area with a population of 50,000 or more residents.

In July 2023, the OMB revised the delineations for the nation's MSA's.[3] As part of this revision, the Virginia Beach – Norfolk – Newport News MSA became the Virginia Beach – Chesapeake – Norfolk MSA. The change in nomenclature is a reflection of how population and commuting patterns have changed over time. Franklin city and Southampton County, Virginia were removed from the metro area while Surry County, Virginia was added to the MSA.

The Virginia Beach – Chesapeake – Norfolk MSA now consists of the independent cities of Chesapeake, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, and Williamsburg. The counties included in the MSA are Camden County (North Carolina), Currituck County (North Carolina), Gates County (North Carolina), Gloucester County, Isle of Wight County, James City County, Mathews County, Surry County, and York County. Where possible, we will present data using the new definition of the Virginia Beach – Chesapeake – Norfolk MSA; however, some agencies and departments continue to use older delineations of metropolitan areas.

2 https://www.govinfo.gov/content/pkg/FR-2010-06-28/pdf/2010-15605.pdf
3 https://www.whitehouse.gov/wp-content/uploads/2023/07/OMB-Bulletin-23-01.pdfvi

Has Population Growth Slowed in Hampton Roads?

Every 10 years the United States Census Bureau conducts a census of the population of the United States. The decennial census provides us with the most accurate estimate of the resident population of cities, counties, metropolitan areas, states, and the nation. Between decennial censuses, the Census Bureau Population Estimates Program uses data on births, deaths, and migration to provide intercensal estimates of population change. The next decennial census, however, 'resets' the population estimates base. For example, the population increase for Hampton Roads from the July 1, 2019, population estimate to the July 1, 2020, population estimate was 12,811 residents, double the change from July 1, 2018, to June 30, 2019. Given the slow population increase in previous years, it is likely that the change in population was a result of the decennial census rather than an influx of new residents to the region. Care must be taken to compare population estimates within but not across intercensal periods.

Table 1 presents population estimates for Hampton Roads, Virginia, and the United States from 2000 to 2023. In 2000, the United States Census Bureau estimated there were approximately 1.58 million residents in Hampton Roads, rising to about 1.68 million in 2009. In 2010, the Census Bureau revised its population estimate for the region to 1.72 million, which then rose to 1.77 million by 2019. After the 2020 decennial census, the population estimate increased to 1.78 million and reached 1.79 million on July 1, 2023.

The population estimates in Table 1 also illustrate that the resident population of Hampton Roads has grown more slowly this century than the state or the nation. From July 1, 2000, to June 30, 2009, the average annual rate of population growth in Hampton Roads was 0.7%, 0.2 percentage points slower than the nation's and 0.5 percentage points slower than the Commonwealth's. From July 1, 2010, to June 30, 2019, the average annual rate of population growth in the region slowed to 0.3% and further again to 0.1% from July 1, 2020, to June 30, 2023.

From July 1, 2022, to June 30, 2023, the region grew by 1,779 residents which was an improvement from the decline of 141 residents the previous year. The tepid rate of population growth (due to lower birth rates and persistent domestic outmigration) is a warning sign to decision-makers in the region. Without concerted, collaborative action, there is a strong likelihood that the resident population in Hampton Roads will decline over the next decade.

Graph 1 illustrates the components of population change in Hampton Roads from July 1, 2010, to June 30, 2019. Population change is driven by the natural change in the population (births minus deaths) and net migration (net domestic migration and net international migration) to the region. Net domestic migration, which measures new residents arriving in Hampton Roads minus residents leaving Hampton Roads for other locations in the United States, was negative each year last decade. International migration, which had offset some of these losses early in the decade, fell precipitously in Hampton Roads after 2016.

Graph 2 presents the components of population change for Hampton Roads this decade. Our first observation is that the population movements from July 1, 2020, to June 30, 2021, were likely strongly influenced by the COVID-19 pandemic. Our second observation is that net domestic migration has remained negative this decade and has not been offset by the recent increase in net international migration. Our third observation is that the natural change in the population (births minus deaths), while improved in 2023, was smaller than at any point in the previous decade.

When we compare the population growth of Hampton Roads with a number of selected metropolitan statistical areas in the southeastern United States, the picture becomes even clearer (Graph 3). Hampton Roads' average annual rate of population growth this decade was the lowest amongst its peers. As we note later in this chapter, the region's economic performance, while improved, still lags its peer and aspirant metro areas. All else being equal (as economists are fond of saying), more abundant economic opportunities elsewhere will induce residents to depart the region and reduce inflows from other parts of the nation.

TABLE 1

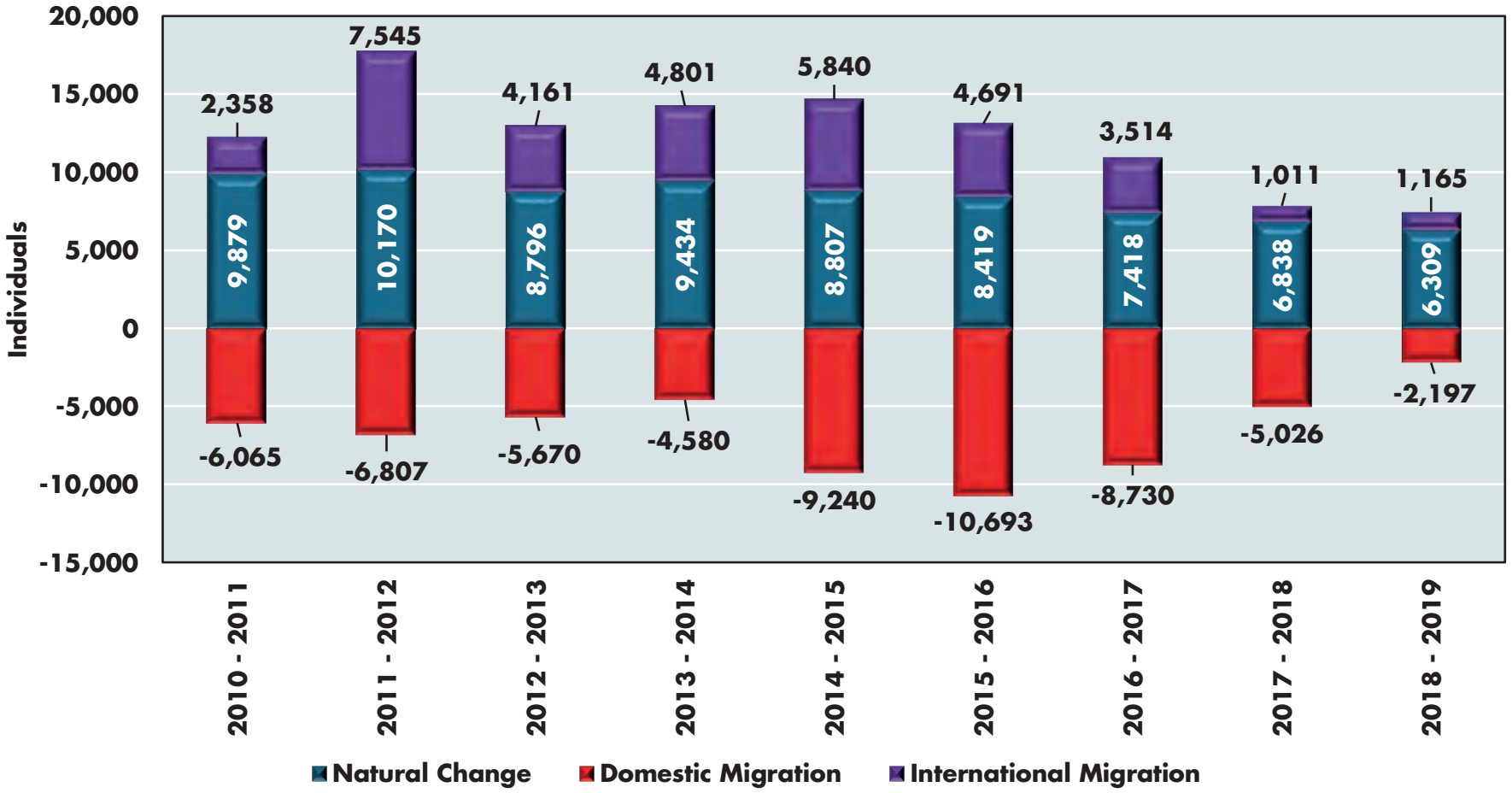
RESIDENT POPULATION AND AVERAGE ANNUAL POPULATION GROWTH
HAMPTON ROADS, VIRGINIA, AND THE UNITED STATES 2000 - 2023

	2000 Population	2009 Population	2010 Population	2019 Population	2020 Population	2023 Population	Average Annual Population Growth 2000 – 2009	Average Annual Population Growth 2010 – 2019	Average Annual Population Growth 2020 – 2023
Hampton Roads	1,580,387	1,674,498	1,717,306	1,768,901	1,781,712	1,787,169	0.7%	0.3%	0.1%
Virginia	7,105,817	7,925,937	8,023,699	8,535,519	8,637,193	8,715,698	1.2%	0.7%	0.3%
United States	282,162,411	306,771,529	309,321,666	328,239,523	331,526,933	334,914,895	0.9%	0.7%	0.3%

Source: United States Census Bureau, 2009, 2019, and 2023 Population Estimates. Population estimates as of July 1st of the corresponding year. Compound annual growth rate for annual average population growth estimates. Estimates for Hampton Roads aggregated from county-level population estimates to ensure consistency with city and county-level estimates.

GRAPH 1

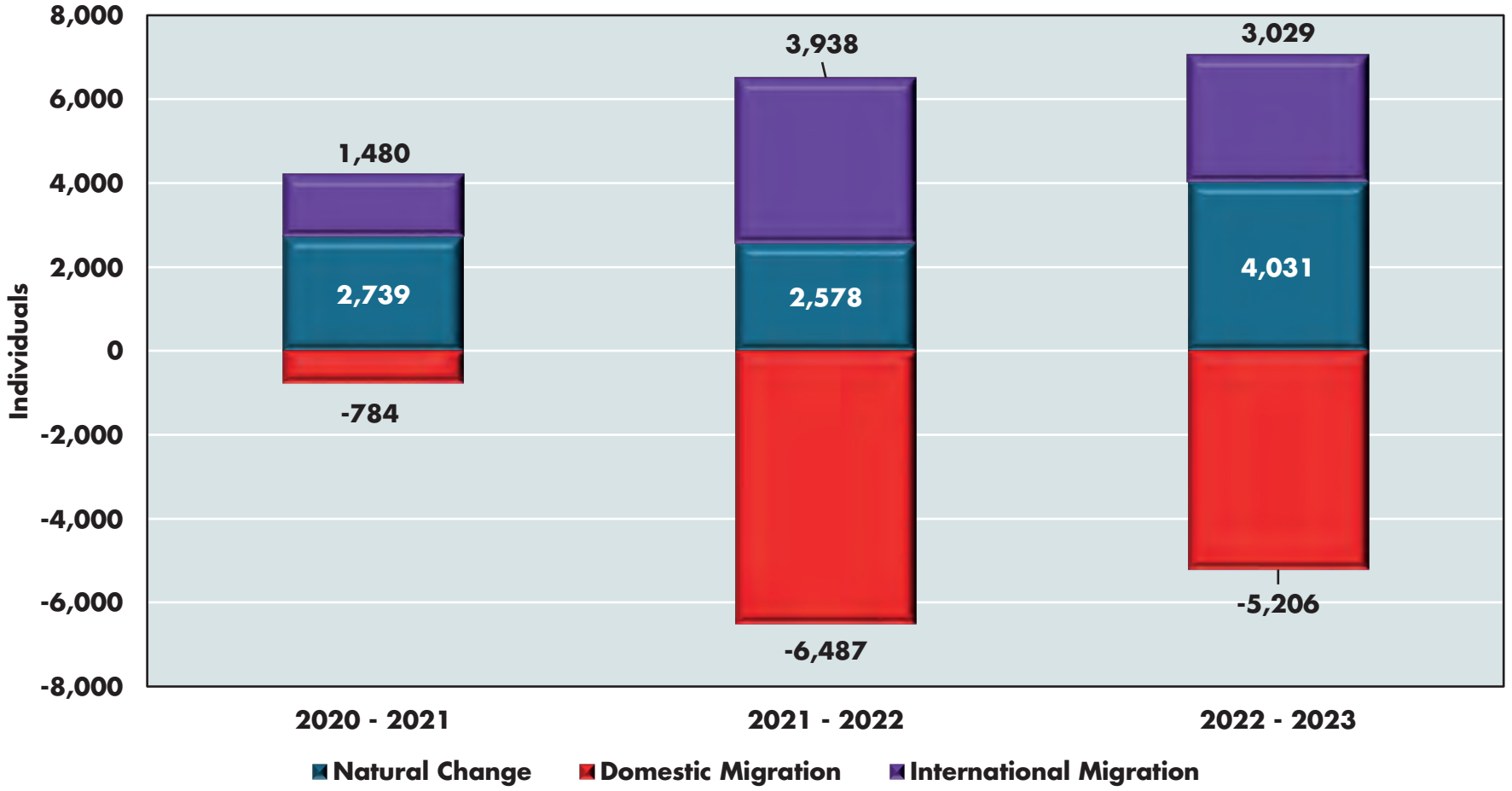
ESTIMATED COMPONENTS OF POPULATION CHANGE
HAMPTON ROADS, JULY 1, 2010 - JUNE 30, 2019



Source: United States Census Bureau, 2019 Population Estimates. Components of population change from July 1st to June 30th of the subsequent year.

GRAPH 2

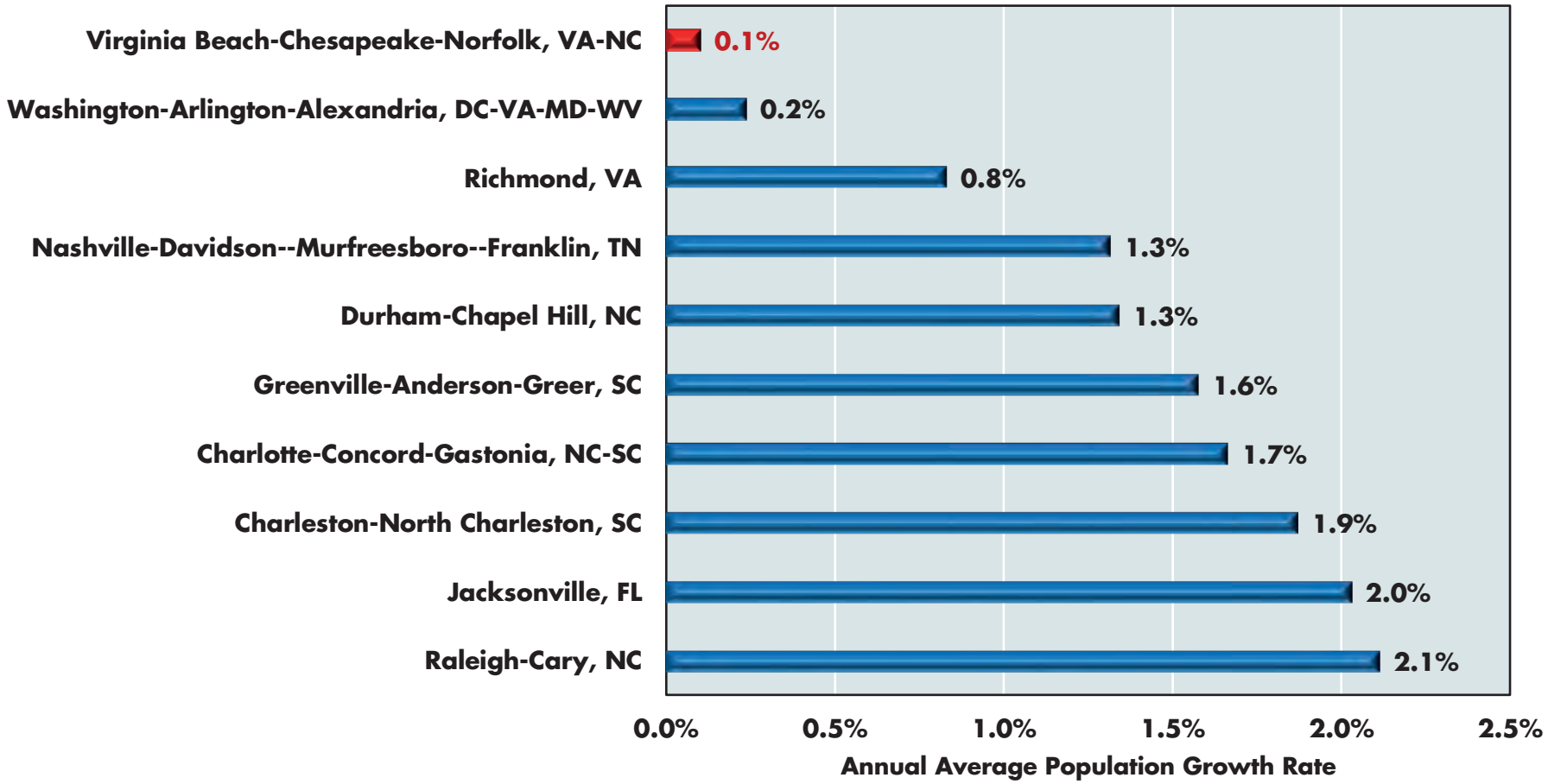
ESTIMATED COMPONENTS OF POPULATION CHANGE
HAMPTON ROADS, JULY 1, 2020 - JULY 1, 2023



Source: United States Census Bureau, 2023 Population Estimates. Components of population change from July 1st to June 30th of the subsequent year.

GRAPH 3

ANNUAL AVERAGE POPULATION GROWTH RATE
SELECTED METROPOLITAN STATISTICAL AREAS, JULY 1, 2020 - JUNE 30, 2023



Source: United States Census Bureau, 2023 Population Estimates. Population estimates as of July 1st of the corresponding year. Metropolitan statistical area population estimates. Compound annual growth rate for annual average population growth estimates.

The Regional Economy Continues to Grow

The Bureau of Economic Analysis (BEA) produces regular estimates of economic activity at the national, state, and local levels. On occasion, the BEA will release new 'benchmark' estimates of Gross Domestic Product (GDP) that use new methodologies and updated data to arrive at more precise estimates. In the past, the BEA would release national level benchmarks revisions, followed by state and local areas, leading to a period during which national estimates of GDP reflected one methodology, and state and local areas reflected an outdated approach to measure economic activity. In 2023, the BEA produced its benchmark updates of GDP for the nation, states, and local areas within the same timeframe, resolving this timing issue. For metropolitan statistical areas, the BEA released benchmark estimates in December 2023 that estimated nominal and real (inflation-adjusted) GDP from 2017 to 2022. Estimates prior to 2017, however, have not been revised, and there is not yet an announced release date.

We are thus left with a small quandary: either use only the revised estimates of regional GDP from 2017 to 2022 or use the historical and revised estimates together. As the magnitude of the revisions is relatively small (approximately 1.5% of 2017 real GDP), we choose to present the series together in Table 2 and focus our discussion on the more recent data. We also use the U.S. Implicit Price Deflator to convert the historical real GDP series from 2012 to 2017 prices as the benchmark revisions to GDP are expressed in 2017 constant dollars. With these caveats in mind, we can now turn our attention to the performance of the Hampton Roads economy.

Table 2 reveals that the performance of the Hampton Roads economy has markedly improved in the aftermath of the COVID-19 recession of 2020 when compared to the previous decade. In inflation-adjusted terms, real GDP grew by approximately 3.0% from 2010 to 2019 as Hampton Roads' economy vacillated between years of growth and contraction. This was in stark contrast to the period prior to the Great Recession of 2007 – 2009, when rates of real GDP growth exceeded 3.0% (if not more) annually. We estimate that the regional economy grew by 2.4% in 2023 and forecast 2.2% growth in 2024. Unless there is an unexpected economic or political shock, the stage is set for growth in 2025.

In 2019, Hampton Roads ranked 248 out of 384 metropolitan areas with regards to real GDP growth. In 2020, Hampton Roads jumped to 126th as it experienced a milder recession than many other metro areas. In 2021, even though real GDP in Hampton Roads grew by 4.6%, it fell near the middle of the pack, ranking 187th out of 384 metro areas. In 2022, even though real GDP growth slowed to 1.9%, Hampton Roads' rank climbed to 147. It would appear that relative to other metropolitan areas in the continental United States, Hampton Roads' economic performance has improved in recent years.

The good news about Hampton Roads' recent bout of economic growth, however, must be tempered with its performance relative to its peer and aspirant metro areas. In Graph 4, we compare the growth in real GDP for 2022 for Hampton Roads and find that the region grew the slowest among the selected metro areas. Here we observe echoes of the population growth data. Relatively slower economic growth generates fewer economic opportunities which, in turn, reinforces incentives for residents to leave Hampton Roads for other locations in the United States.

Graph 5 shows that Hampton Roads experienced a milder recession in 2020 (-0.8%) than Virginia (-1.3%) or the United States (-2.2%). While the region's real GDP grew by 4.6% in 2021, growth was higher across the state (5.4%) and the nation (5.8%), in part because of the deeper recession for Virginia and the United States in 2020. In 2022, Hampton Roads and the United States grew at the same rate (1.9%), 0.6 percentage points behind that of Virginia. We estimate that in 2023, real GDP in Hampton Roads grew by 2.4%, at the same rate as the Commonwealth and only 0.1 percentage points slower than the United States. It would appear evidence is building that Hampton Roads may be on a higher growth profile than the previous decade.

TABLE 2

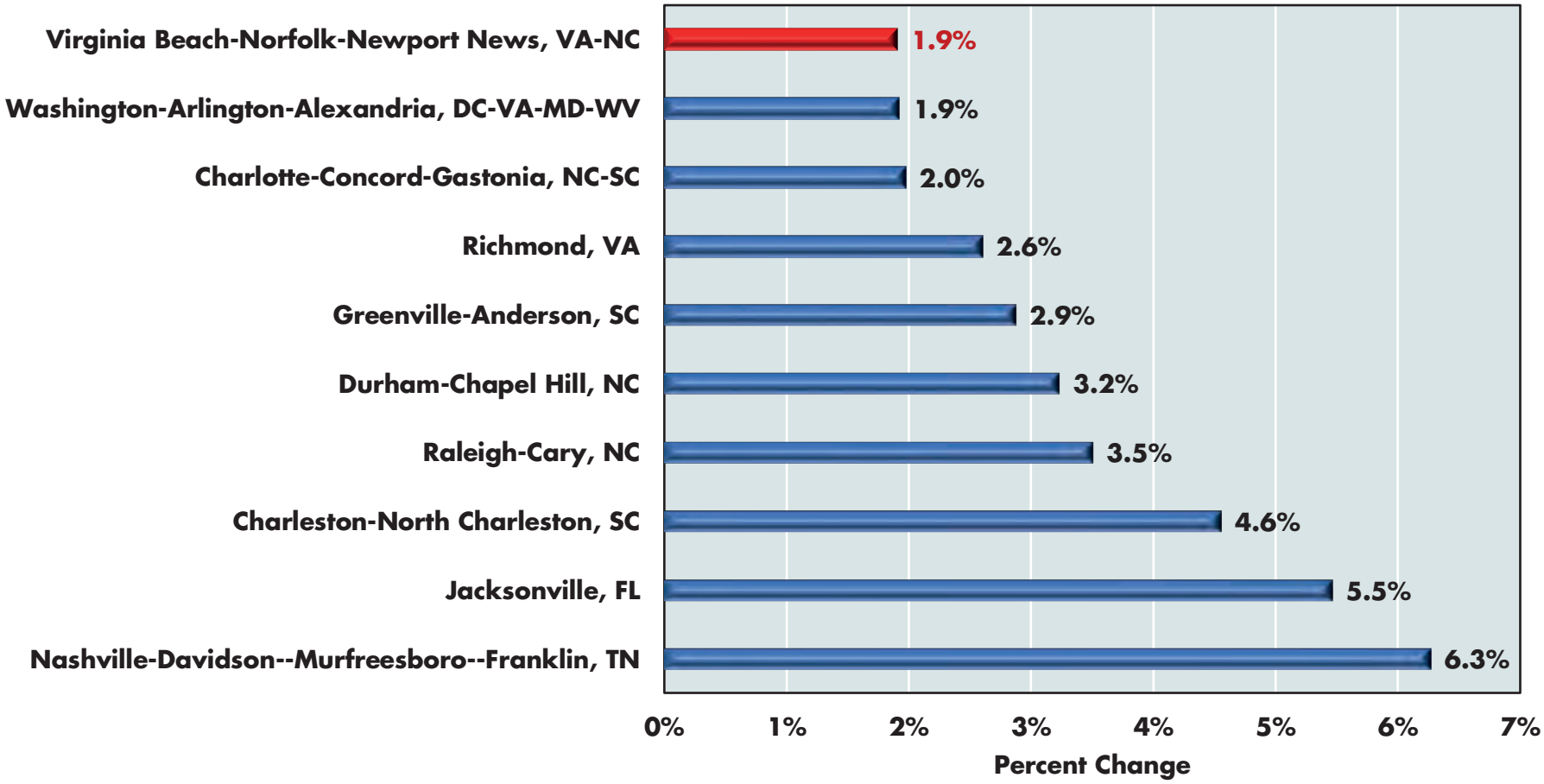
NOMINAL AND REAL (INFLATION-ADJUSTED) GROSS DOMESTIC PRODUCT IN MILLIONS OF DOLLARS
HAMPTON ROADS, 2001 - 2024**

	Nominal GDP	Real GDP (Base Year – 2017)	Year-over-Year Change in Real GDP
2001	$56,929	$76,558	---
2002	$59,704	$79,063	3.3%
2003	$63,921	$83,007	5.0%
2004	$68,089	$86,104	3.7%
2005	$72,734	$89,183	3.6%
2006	$75,630	$89,960	0.9%
2007	$78,859	$91,326	1.5%
2008	$80,833	$91,843	0.6%
2009	$81,382	$91,899	0.1%
2010	$82,540	$92,087	0.2%
2011	$83,077	$90,813	-1.4%
2012	$83,770	$89,897	-1.0%
2013	$85,988	$90,733	0.9%
2014	$86,702	$89,920	-0.9%
2015	$90,208	$92,696	3.1%
2016	$92,190	$93,841	1.2%
2017**	$94,945	$94,945	1.2%
2018**	$95,828	$93,852	-1.2%
2019**	$99,132	$94,854	1.1%
2020**	$100,637	$94,096	-0.8%
2021**	$108,552	$98,382	4.6%
2022**	$116,686	$100,255	1.9%
2023**	$125,527	$102,661	2.4%
2024**	$132,779	$104,920	2.2%

Sources: U.S. Bureau of Economic Analysis and Dragas Center for Economic Analysis and Policy. ** Historical series from 2001 to 2016 and benchmark revisions from 2017 to 2022. 2023 represents our estimate while 2024 represents our forecast. Base year of real GDP is 2017. U.S. Implicit GDP deflator is used for 2001 to 2016 to reflect GDP in 2017 dollars.

GRAPH 4

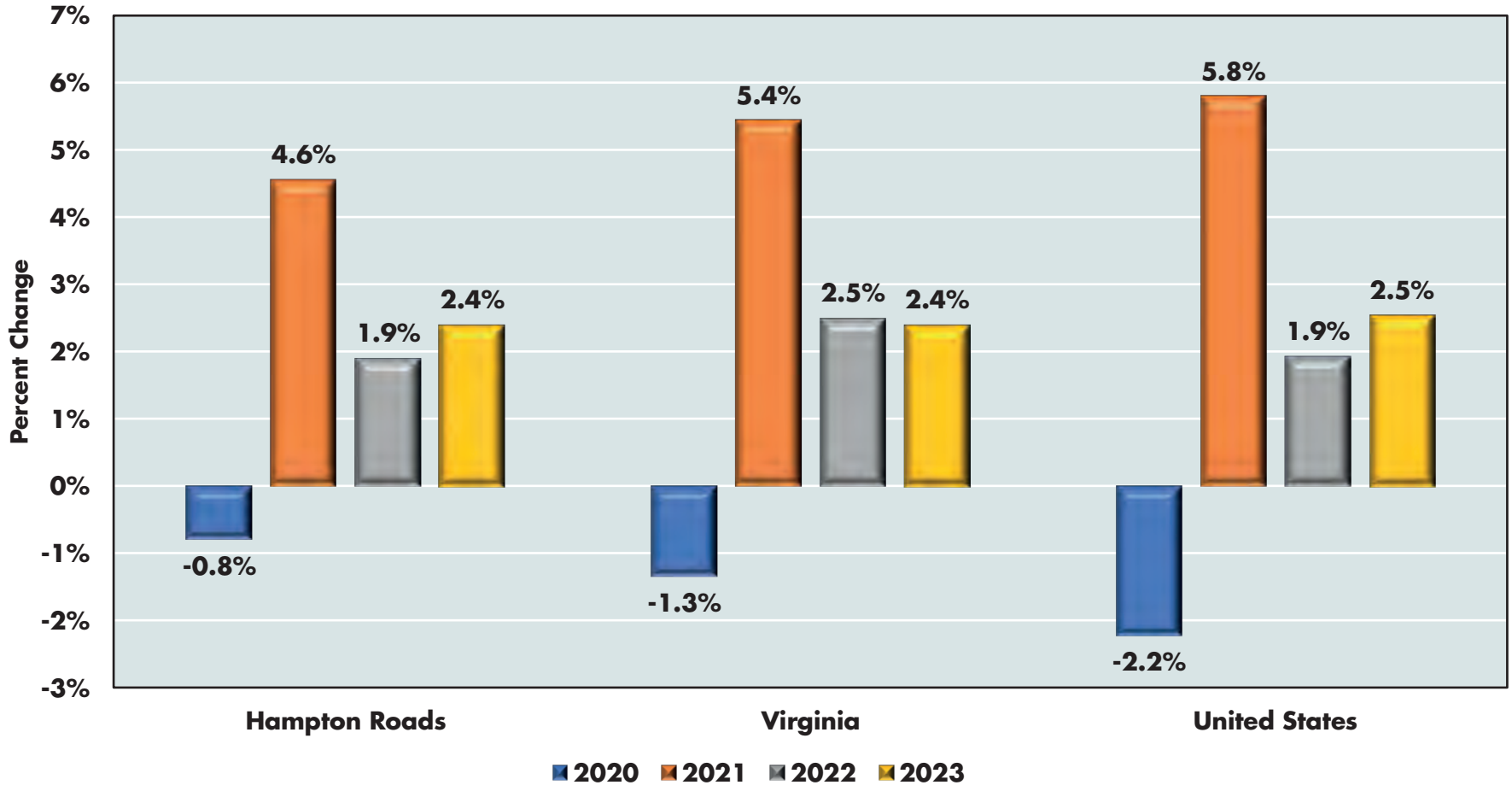
PERCENT CHANGE IN REAL GROSS DOMESTIC PRODUCT
SELECTED METROPOLITAN STATISTICAL AREAS, 2022



Source: Bureau of Economic Analysis (2023).

GRAPH 5

PERCENT CHANGE IN REAL GROSS DOMESTIC PRODUCT
HAMPTON ROADS, VIRGINIA, AND THE UNITED STATES, 2020 - 2023*



Sources: U.S. Bureau of Economic Analysis and Dragas Center for Economic Analysis and Policy. *2023 represents our estimate for Hampton Roads. Base year of real GDP is 2017.

The Civilian Labor Force and Individual Employment Grow

Every month, the Bureau of Labor Statistics (BLS) surveys individuals whether they are employed or unemployed and actively looking for work. The civilian labor force includes all people aged 16 and older who respond in the affirmative to this question.[4] Respondents who are unemployed and not actively looking for work are not considered as part of the civilian labor force.[5] These results are known as the **household survey.**

Graph 6 illustrates the annual average levels of the civilian labor force and individual employment from 2000 to 2023. There are three distinct periods that highlight how the labor force and employment has changed this century. First, from 2000 to 2007, the region enjoyed a period of robust growth in the labor force and employment. Second, the period from 2008 to 2019 represents the impacts of the Great Recession of 2007 to 2009 and budget sequestration. This 'lost decade' is characterized by tepid growth, especially relative to other metropolitan areas. Third, the most recent period from 2020 to present captures the impact of the COVID-19 pandemic and relatively robust recovery, especially when compared to the previous decade.

One way to highlight the improved growth profile of the region is to compare the peaks in the civilian labor force. Prior to the Great Recession, the civilian labor force peaked at an average of 826,299 individuals in 2008. The next peak was in 2019 at 862,792 individuals or an increase of 36,493 individuals from 2007 to 2019. The relatively tepid growth in the civilian labor force reflected the vacillation of the regional economy between contraction and growth over this period.

In 2023, the civilian labor force reached 880,183 individuals (on average), an increase of 17,391 from 2019. In other words, from 2008 to 2019, the civilian labor force grew at an annual average rate of 0.4% per year. From 2019 to 2023, the average annual growth rate increased to 0.5%. Why this difference may seem small, we remind the reader that the decline in the civilian labor force in 2020 was more pronounced than during the Great Recession. In other words, even after accounting for a more significant shock, regional labor markets are growing faster than the previous decade.

How does Hampton Roads fare when compared to its peer and aspirant metros? Graph 7 displays the percent change in the civilian labor force from 2019 to 2023, and Graph 8 illustrates the percent change in individual employment for the same period. The same story emerges from the civilian labor force and individual employment data that were illustrated with the population and GDP data: Hampton Roads has grown, but the pace of growth has lagged that of its peers.

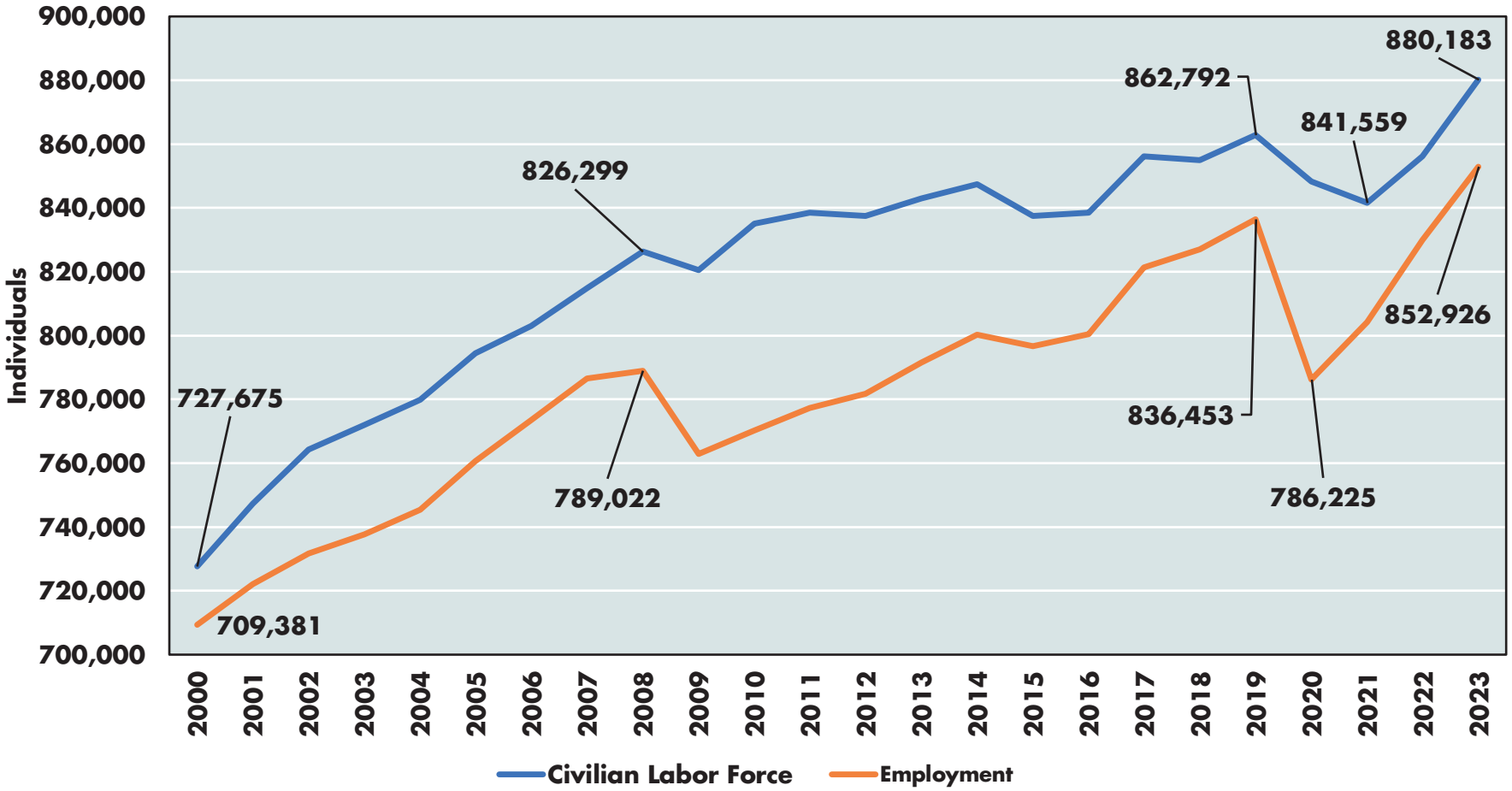
The headline unemployment rate is equal to the ratio of the number of unemployed people to the number of individuals in the civilian labor force. Graph 9 displays the annual unemployment rate in Hampton Roads from 2000 through 2023. In the aftermath of the Great Recession of 2007 to 2009, the unemployment rate in the region did not return to pre-recessionary levels until 2018. After the COVID-19 recession of 2020, the unemployment rate in Hampton Roads recovered to pre-recessionary levels after three years. Simply put, while the shock from the COVID-19 pandemic was unprecedented, the region's recovery was rapid, especially when compared with previous economic downturns.

4 According to the Bureau of Labor Statistics, a person is classified as employed if, during the week of the Current Population Survey, they meet any of the following criteria: (1) worked at least one hour as a paid employee, (2) worked at least 1 hour in their own business, (3) were temporarily absent from their job, business, or farm, whether or not they were paid for the time off, or (4) worked without pay for a minimum of 15 hours in a business or farm owned by a member of their family. See https://www.bls.gov/cps/definitions.htm#laborforce for an expanded discussion.

5 According to the Bureau of Labor Statistics, a person is considered unemployed if they: (1) were not employed during the survey week, (2) were available for work except for temporary illness, (3) made at least one specific, active effort to find a job during a 4-week period ending with the survey week or were temporarily laid off and expected to return to their job. See https://www.bls.gov/cps/definitions.htm#unemployed for additional information.

GRAPH 6

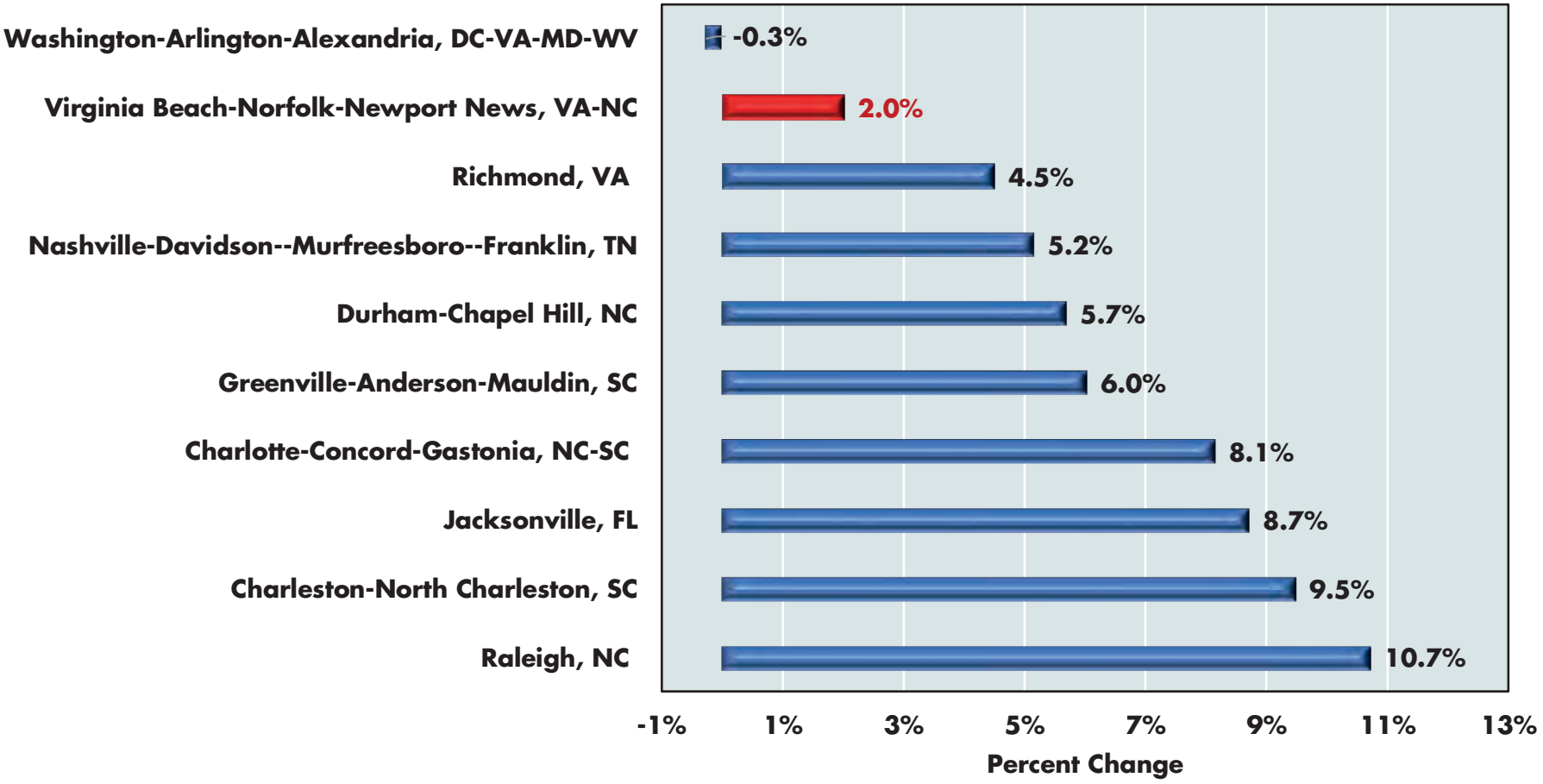
ANNUAL CIVILIAN LABOR FORCE AND INDIVIDUAL EMPLOYMENT
HAMPTON ROADS, 2000 - 2023



Sources: Bureau of Labor Statistics and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Annual averages of non-seasonally adjusted data.

GRAPH 7

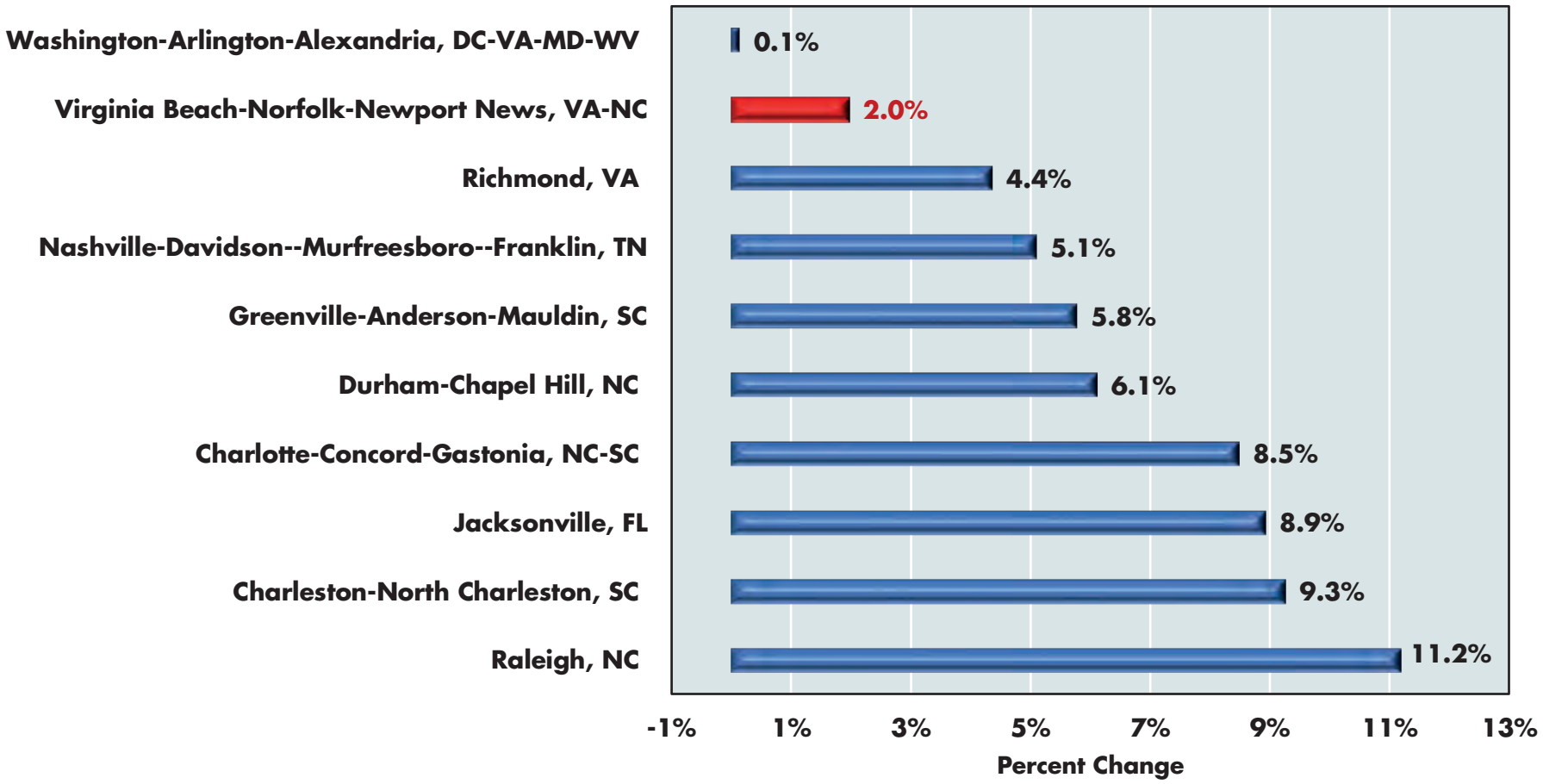
PERCENT CHANGE IN CIVILIAN LABOR FORCE
SELECTED METROPOLITAN AREAS, 2019 TO 2023



Sources: Bureau of Labor Statistics and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Annual averages of non-seasonally adjusted data.

GRAPH 8

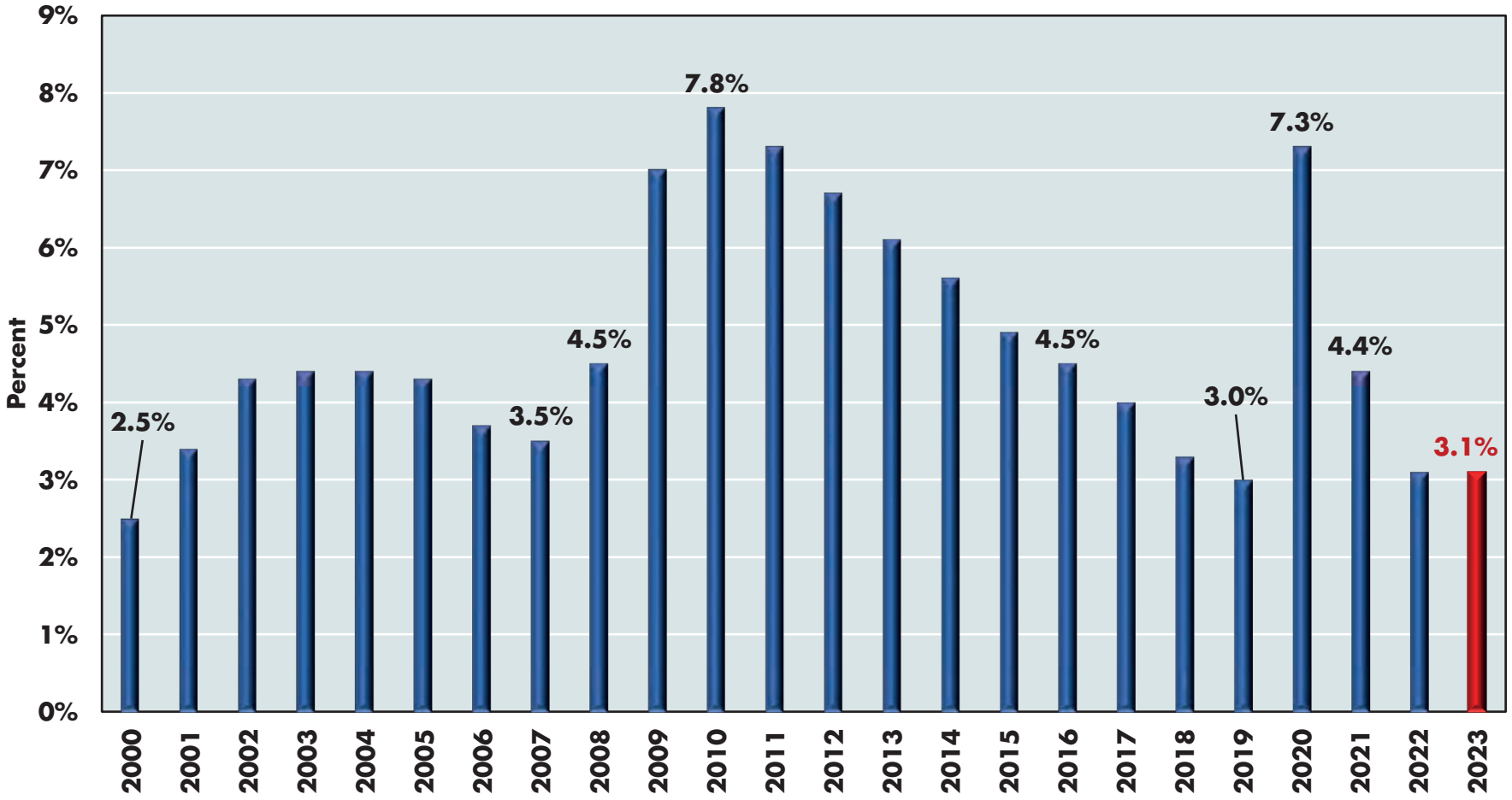
PERCENT CHANGE IN INDIVIDUAL EMPLOYMENT
SELECTED METROPOLITAN AREAS, 2019 AND 2023



Sources: Bureau of Labor Statistics and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Annual averages of non-seasonally adjusted data.

GRAPH 9

UNEMPLOYMENT RATE
HAMPTON ROADS, 2000 - 2023



Sources: Bureau of Labor Statistics and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Annual averages of non-seasonally adjusted data.

Jobs in Hampton Roads

If one side of labor markets is the supply of available labor (the civilian labor force) and its utilization (individual employment), the other side of the same coin is the demand for labor by employers. Each month, the BLS surveys employers on their payrolls and the results form what is referred to as the **establishment survey**.[6] Every year, the BLS releases annual revisions to these estimates to incorporate data from Unemployment Insurance (UI) programs and the Quarterly Census of Employment and Wages.

Graph 10 illustrates annual nonfarm payrolls from 2000 to 2023. By now, our tale is familiar. The region observed sustained job growth from 2000 to 2007, peaking at 775,883 jobs. The intertwined impacts of the Great Recession of 2007 to 2009 and federal budget sequestration and subsequent caps on discretionary federal spending led to a slow recovery in nonfarm payrolls. Hampton Roads did not exceed the pre-recessionary peak in the number of jobs until 2017. Even then, from the pre-recessionary peak of 2007 to the pre-recessionary peak of 2019, the region's job gains were meager, only about 22,000 jobs were added to the region's economy between 2007 and 2019.

Job losses and gains have not been spread evenly across sectors in Hampton Roads. Graph 11 displays the change in annual nonfarm payrolls by industry from 2019 to 2023. Annual payrolls increased by approximately 10,000 over this period. Professional and Business Services (6,280) gained the most jobs from 2019 to 2023, followed by Transportation, Warehousing, and Utilities (3,640), Education and Health Services (3,602), followed by Financial Activities (3,308), and Mining, Logging, and Construction (2,192).

Job losses were concentrated in the Retail Trade (-4,023), Local Government (-2,139), and Information (-1,363) industries. Given the tightness of local labor markets, local governments may not have been able to attract and retain employees. The decline in the Information industry is a concern because, as we see later in this chapter, several key industry clusters rely on these jobs. The decline in Retail Trade jobs is not entirely surprising given the rise of online shopping and the decline (if not outright closures) of large retailers located in malls in the region.

Are jobs paying more in Hampton Roads? Graph 12 compares nominal and real average weekly wages for establishments by the unemployment insurance system in Hampton Roads from 2000 to 2023. If one were merely to look at nominal average weekly wages, the answer to the previous question would be a resounding 'yes,' as average weekly wages have risen from approximately $893 a week in 2017 to $1,146 a week in 2023, an increase of approximately 28.3%.

On the other hand, if we account for the impact of inflation by using 2017 constant dollars, average weekly wages increased by only 3.2% from 2017 to 2023 in Hampton Roads, from about $893 a week in 2017 to $922 a week in 2023. Yet, this increase masks a decline in average annual real wages in 2021 and 2022 as inflation accelerated faster than nominal average annual wages. Simply put, the recent surge in inflation took a bite out of workers' earnings as real annual wages were 4.3% lower in 2023 than in 2020 (though we remind the readers that economic conditions in 2020 were, for the most part, significantly worse than in 2023).

6 The Current Employment Statistics Program surveys approximately 119,000 businesses and government agencies representing almost 630,000 worksites across the United States.

When we compare Hampton Roads to its peer and aspirant metropolitan regions, there is some good news that must be placed in context. From February 2020 to June 2024, nonfarm payrolls in Hampton Roads grew by 2.8%. In other words, there were a record number of jobs in the region in 2023, and there will likely be a record number of jobs in Hampton Roads in 2024. Yet, any celebration must (again) be tempered by the realization that the region's job performance has lagged its peers.

Graph 13 presents the percent change in monthly, seasonally adjusted nonfarm payrolls for Hampton Roads and a selection of metropolitan areas from February 2020 to June 2024. The Charleston, South Carolina metro area had 14.1% more jobs in June 2024 than February 2020, followed by the Raleigh, North Carolina metro area (14.0%), and the Nashville, Tennessee metro area (10.2%). Hampton Roads has fared better than the Washington, D.C. metro area where the total number of jobs in June 2024 were only 0.8% more than February 2020.

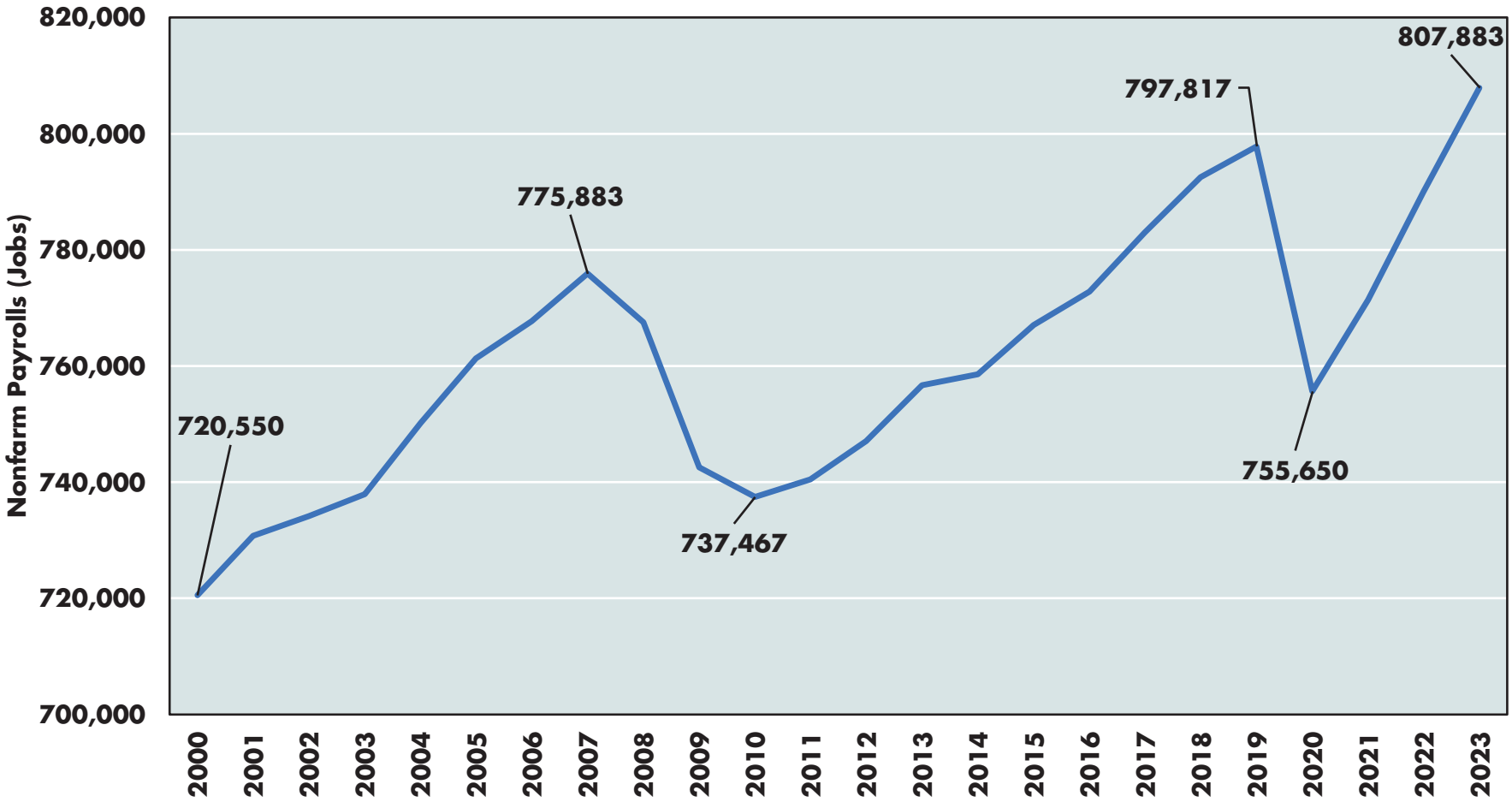
How then should we characterize the performance of the Hampton Roads economy? Is this the 'best and times and worst of times' or are we somewhere in the middle? More importantly, how can we improve our regional economic fortunes?

As we discuss later in this report, the federal government plays a distinctive role in the regional economy. With tens of thousands of civilian employees and active duty military personnel, federal government employment provides higher-than-average paying jobs and injects billions in the Hampton Roads economy. If one adds in the billions in direct defense spending in the region, then the role of the federal government in regional economic activity becomes even more prominent. This spending typically buffers the region in times of economic distress but also appears to limit our economic potential.

In other words, it may be much more difficult to influence the 'top-line' numbers for the civilian labor force, employment, and jobs in Hampton Roads because of the sway of federal spending on the regional economy. If roughly 4 out of every 10 dollars of economic activity can be traced back to the federal government, the challenge for creating private sector job growth, we argue, should focus on what we can influence. We should focus less on the 'large numbers' and, instead, concentrate our economic development efforts on what we can change.

GRAPH 10

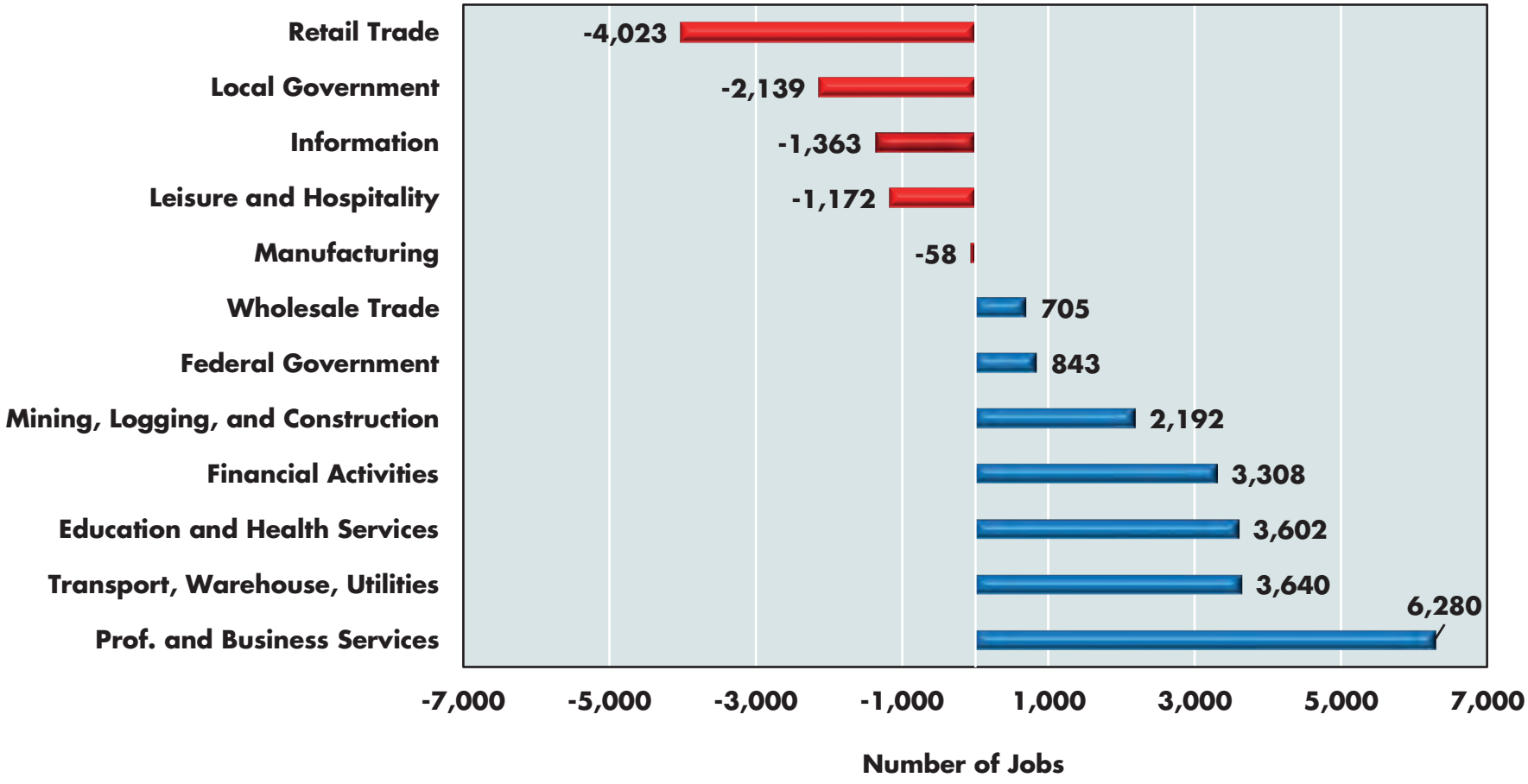
ANNUAL NONFARM PAYROLLS (JOBS)
HAMPTON ROADS, 2000 - 2023



Sources: Bureau of Labor Statistics and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Annual averages of non-seasonally adjusted data.

GRAPH 11

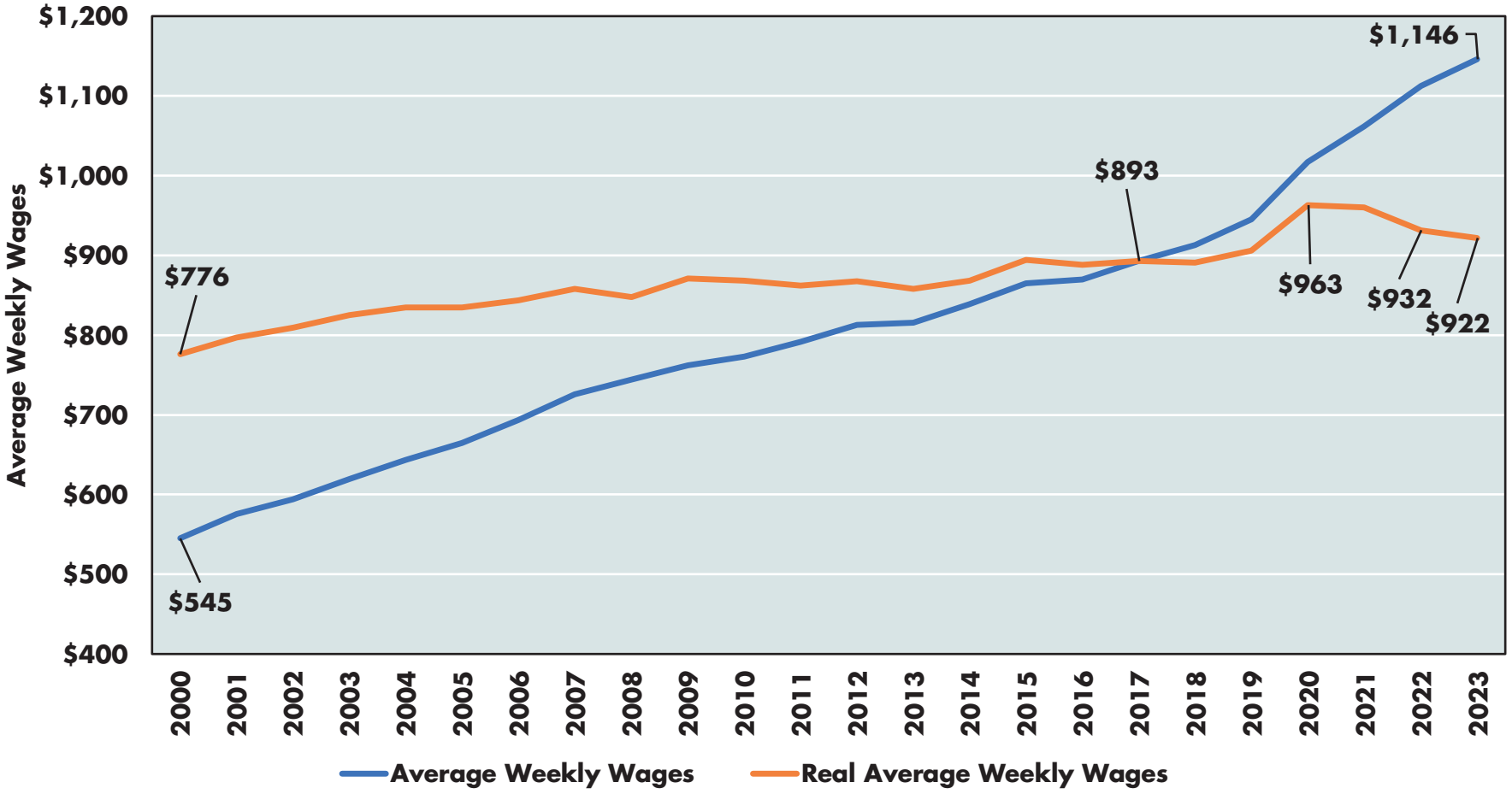
CHANGE IN AVERAGE ANNUAL NONFARM PAYROLLS
HAMPTON ROADS, 2019 TO 2023



Sources: Bureau of Labor Statistics, Federal Reserve Bank of St. Louis, and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Annual averages of non-seasonally adjusted data.

GRAPH 12

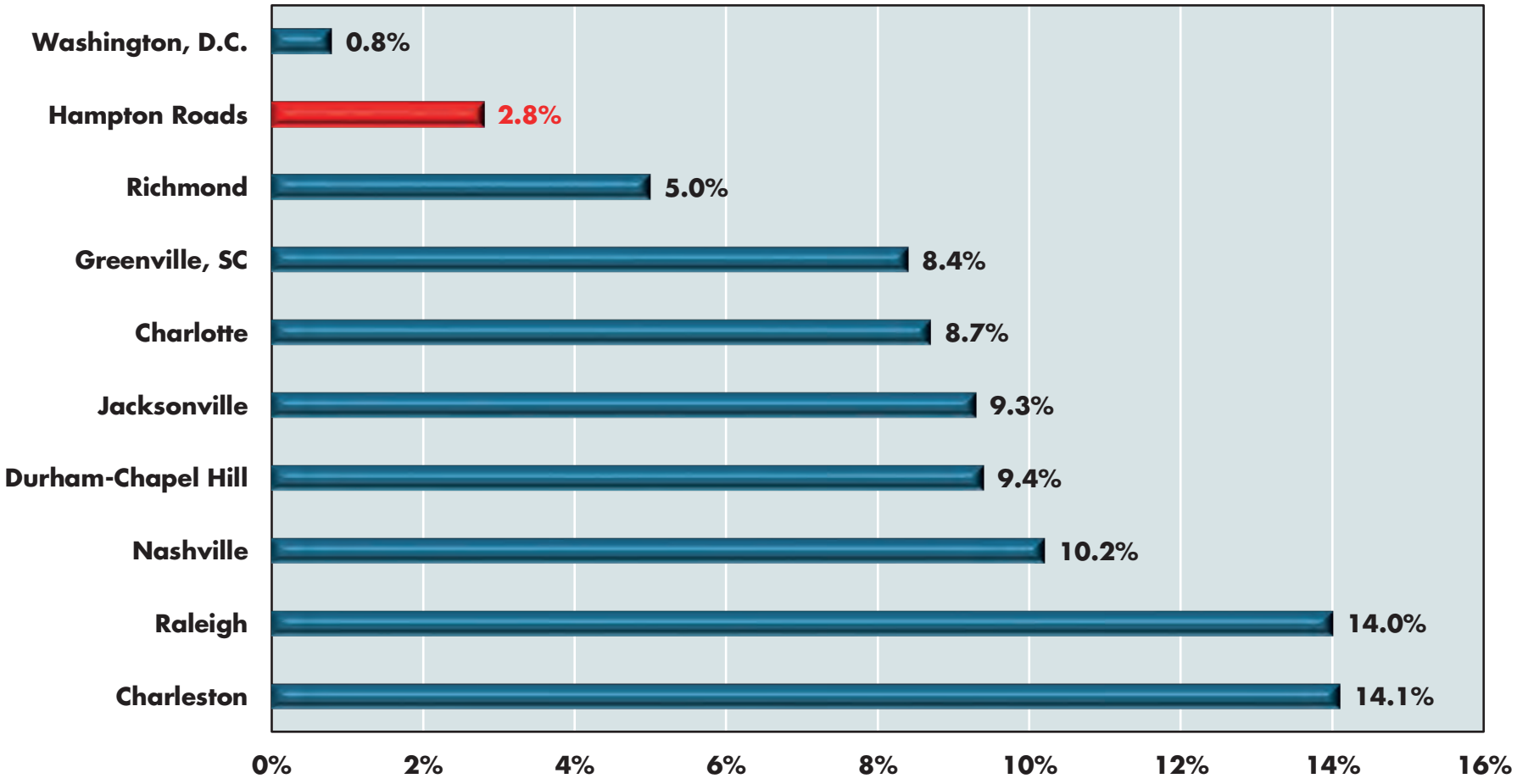
NOMINAL AND REAL AVERAGE WEEKLY WAGES
HAMPTON ROADS, 2000 - 2023



Sources: Bureau of Labor Statistics and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Annual averages of non-seasonally adjusted data. Average weekly wages are the wages paid by unemployment insurance covered employers during the calendar quarter, regardless of when the services were performed. Included in wages are pay for vacation and other paid leave, bonuses, stock options, tips, the cash value of meals and lodging, and in some cases, contributions to deferred compensation plans (such as 401(k) plans). Real wages are estimated using the Consumer Price Index for All Urban Consumers with a base year of 2017.

GRAPH 13

CUMULATIVE GROWTH IN NONFARM PAYROLLS (JOBS)
SELECTED METROPOLITAN STATISTICAL AREAS, FEBRUARY 2020 - JUNE 2024



Sources: U.S. Bureau of Labor Statistics and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Data are seasonally adjusted.

Identifying Key Industry Clusters

Where should Hampton Roads focus its time and resources to promote economic growth in the future? This is not an academic question as we have seen that, even though the region's pace of economic activity has improved recently, Hampton Roads' economic performance lags that of its peers, the state, and the nation. The answer involves identifying key industry clusters in which the region enjoys a comparative advantage to improve private sector job growth and incomes.

How can we measure whether Hampton Roads has a comparative advantage in a specific industry cluster? We can compare an industry's share of employment in Hampton Roads with its share of national employment, otherwise known as a location quotient (LQ).[7] LQs provide insight into whether an industry has a smaller, equal, or larger share of regional employment relative to the national average.[8] If an industry cluster in Hampton Roads has a LQ of 2, for example, the industry's share of regional employment is twice the national average.

Location quotients are useful for a variety of reasons. First, location quotients can be used to identify industries that have higher-than-average per capita employment. Second, industries with high location quotients are typically exporting goods and services outside the region. These industries import money into a region and typically generate a higher economic impact than firms that circulate money within a region. Third, industries with declining location quotients may be losing their competitive advantage, thus location quotients can serve as a signal of a region's declining (or improving) economic fortunes. Lastly, we must consider the overall size of each industry's employment in the region. A high LQ is a signal of concentration, but the impact of the industry on the regional economy is dependent on the level of employment and wages. A high-wage industry with an LQ of 2 that employs 10,000 people will typically have a greater impact than a low-wage industry with an LQ of 5 that only employs 1,000 people. We would also prefer an industry with a lower LQ but higher wages than a low-wage/higher LQ industry.

Graph 14 presents LQs for Hampton Roads' large industry clusters for the fourth quarter of 2023. Machinery Manufacturing immediately stands out with a LQ of 3.4; that is, Machinery Manufacturing's share of regional employment was 3.4 times higher than the national average in the fourth quarter of 2023. In the same quarter, public administration had a LQ of 1.5, which is not entirely surprising given the role of the federal government in the regional economy.

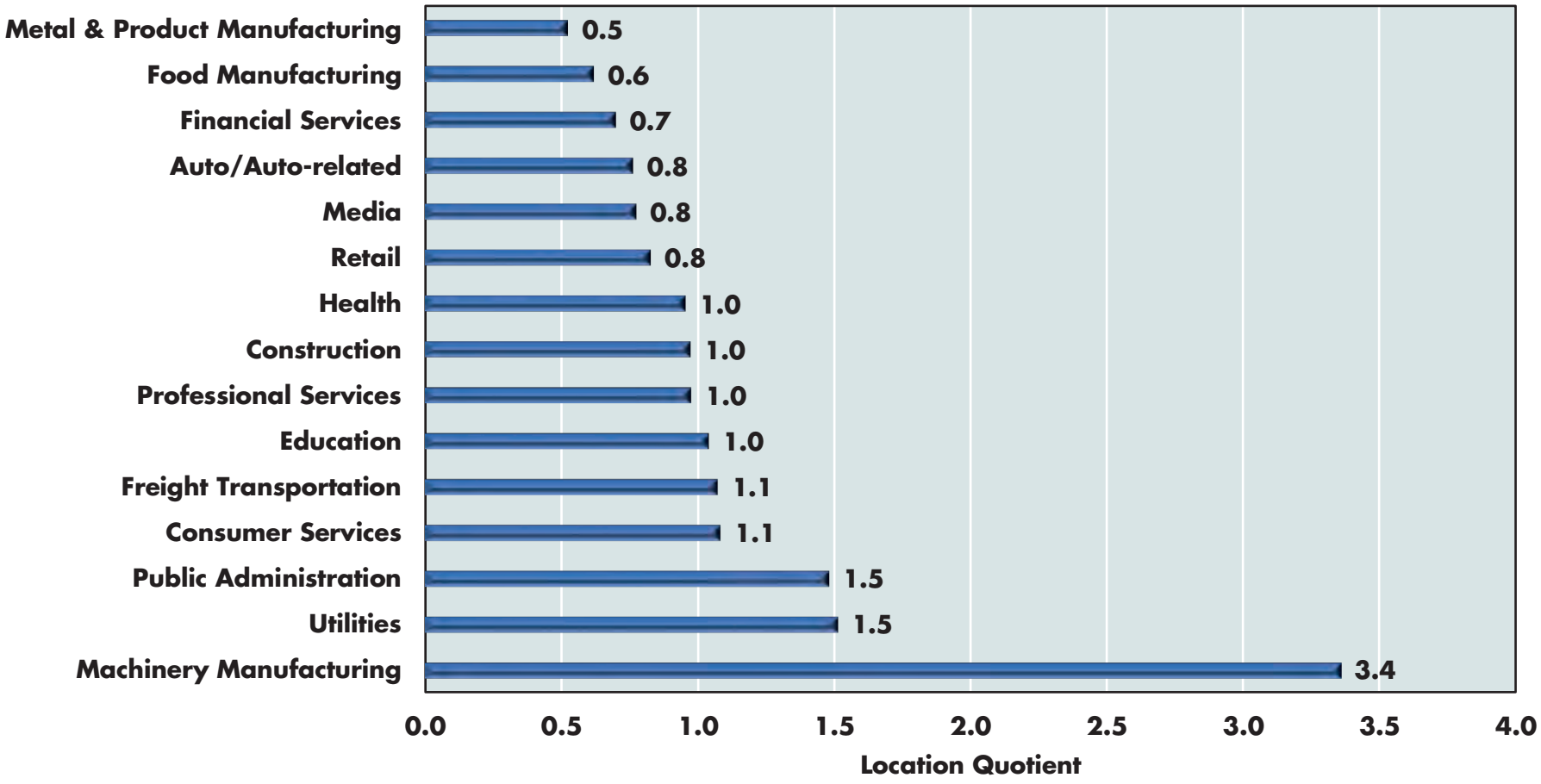
Table 3 presents LQs, average employment and wages, and average annual employment growth from 2013 Q4 to 2023 Q4 for the industry clusters in Hampton Roads. Machinery Manufacturing stands out with an LQ of 3.4, average annual wages that were more than $20,000 above the regional average of $58,593, and average annual employment growth that was also above the average for the metro area. Public administration was more concentrated in Hampton Roads than the nation with an LQ of 1.5. Workers in this industry cluster earned more than the regional average, and employment growth also exceeded the regional average.

Consumer services in Hampton Roads had an employment LQ of 1.1 and employed an average of approximately 134,000 individuals in the fourth quarter of 2023. Leisure and hospitality services are within the Consumer Services cluster, and Hampton Roads is a travel and tourism destination. However, average wages in Consumer Services were only $30,592 in the fourth quarter of 2023. In other words, while Hampton Roads has a greater concentration of Consumer Services workers than the national average, the average wages in this industry cluster are relatively low. To create the same amount of compensation as one job in Machinery Manufacturing in 2023 Q4, Hampton Roads would have to create 2.6 jobs in Consumer Services.

7 A location quotient is equal to the ratio of local concentration to national concentration. Local concentration is equal to an industry's employment to total employment in a region. Likewise, national concentration is equal to an industry's employment to total employment nationally.
8 For more information, see Bureau of Economic Analysis, "QCEW Location Quotient Details" available at: https://www.bls.gov/cew/about-data/location-quotients-explained.htm

GRAPH 14

LOCATION QUOTIENTS FOR SELECTED INDUSTRIES
HAMPTON ROADS, 2023 Q4



Source: JobsEq (2024), data as of Q4 2023 and based on a four-quarter moving average. Selected 2-digit and 3-digit NAICS industries.

TABLE 3

EMPLOYMENT, WAGES, AND LOCATION QUOTIENTS
SELECTED INDUSTRIES
HAMPTON ROADS, 2023 Q4

Industry	Employment	Average Wages	Average Annual Employment Growth	Employment Location Quotient
Auto/Auto-related	10,190	$54,675	-0.1%	0.8
Construction	47,590	$64,175	1.2%	1.0
Consumer Services	133,918	$30,592	0.9%	1.1
Education	82,100	$49,634	-1.2%	1.0
Financial Services	22,209	$88,316	-0.1%	0.7
Food Manufacturing	5,936	$58,250	-1.1%	0.6
Freight Transportation	24,544	$64,615	2.5%	1.1
Health	111,895	$62,373	1.0%	1.0
Machinery Manufacturing	48,885	$80,322	1.2%	3.4
Media	4,338	$45,027	1.2%	0.8
Metal & Product Manufacturing	3,044	$63,956	2.1%	0.5
Professional Services	125,602	$73,470	0.5%	1.0
Public Administration	54,599	$85,044	1.1%	1.5
Retail	52,307	$52,319	0.0%	0.8
Utilities	5,529	$62,126	1.0%	1.5

Sources: JobsEq and the Dragas Center for Economic Analysis and Policy,Old Dominion University. Average annual employment growth is from 2013 Q4 to 2023 Q4. Selected 2-digit and 3-digit NAICS industries.

Key Industry Clusters in Hampton Roads

GO Virginia is a bi-partisan statewide initiative that seeks to improve economic growth across the Commonwealth by supporting programs that create high-paying jobs and fostering public-private cooperation. Most of the Virginia portion of the Hampton Roads MSA is covered by GO Virginia Region 5. As part of the effort to improve economic growth in the region, the GO Virginia Region 5 Council has identified several key industry clusters.[9] The argument is simple: Growing these industry clusters would hasten the pace of private sector job growth and lessen the reliance of the region on the inflow of federal dollars.

Table 4 displays the key industry clusters for Hampton Roads. Except for the Life Sciences cluster, each of the key industry clusters has grown faster than the regional economy over the previous decade. Average wages in the key clusters were also substantially higher than the regional average in the fourth quarter of 2023. Given scarce time and resources, investing in these clusters would appear to leverage (for the most part) existing competitive advantages in Hampton Roads.

Not surprisingly, the Ship Repair and Ship Building industry cluster had an LQ of 43.7 and average wages of $83,327 in 2023 Q4. In other words, the share of Ship Building and Ship Repair jobs in Hampton Roads is 43.7 times the national average. One only needs to drive around Hampton Roads to see the presence of this industry cluster.

The Advanced Manufacturing cluster had the second highest LQ (2.5) in 2023 Q4. Average annual wages in the cluster were $74,634 in 2023 Q4, about $16,000 more than the regional average. While employment growth in this cluster surpassed the regional average, we remind the reader that regional job growth was fairly anemic last decade.

The Uncrewed Systems and Aerospace Cluster had an employment LQ of 1.7 in 2023 Q4, suggesting that the region has a competitive advantage in the cluster. Average annual wages were $96,488 in 2023 Q4, well above the regional average of $58,593. Over the last decade, cluster employment grew at an average annual rate of 1.1%. Adding jobs in this cluster will provide a more significant boost to regional wages than jobs added in industries such as Consumer Services or Retail Trade.

Water Technologies has an employment LQ of 1.2 and an average annual wage of $91,435, significantly above the regional average. There were more than 38,000 jobs in this cluster in 2023 Q4, approximately double the Port Operations cluster. The Port Operations cluster had an employment LQ of 1.1 and an average annual wage of $73,067 in 2023 Q4. Over the last decade, employment in the Water Technologies cluster grew at an annual rate of 0.9% while employment in the Port Operations cluster grew at an annual rate of 2.4%.

The Clean Energy cluster had 24,069 jobs in 2023 Q4 with an average annual wage of $87,452. As with the other key industry clusters, average wages in the cluster were higher than the regional average. Over the last decade, employment in the cluster grew at an annual rate of 1.3%, significantly higher than the regional average.

Of the priority clusters identified in previous reports, the Cyber Security, Data Analytics, and Modeling and Simulation cluster and the newly identified Life Sciences cluster had LQs below 1 in 2023 Q4. While the Cyber Security cluster has observed growth over the last decade, employment in the Life Sciences cluster has, for all intents and purposes, remained at the same level as observed in 2013 Q4. Life Sciences, for example, is likely to benefit significantly from the merger of EVMS and ODU. The increased emphasis on Cyber Security and Data Analytics across higher education programs in the region is a positive signal of future awards in the STEM-related fields that support this cluster.

9 These clusters are based on the clusters determined as priorities by the Region 5 council and presented starting on page 33 of Region 5's Economic Growth and Diversification Plan. For more information, see https://roundtablehr.org/go-virginia-region-5/growth-and-diversification-plan/

TABLE 4

LOCATION QUOTIENTS AND EMPLOYMENT FOR PRIORITY CLUSTERS
HAMPTON ROADS, 2023 Q4

Clusters	Employment	Average Wages	Average Annual Employment Growth 2013 Q4 - 2023 Q4	Employment Location Quotient
Advanced Manufacturing	10,353	$74,634	0.3%	2.5
Clean Energy	24,069	$87,452	1.3%	1.2
Cyber Security, Data Analytics and Mod-Sim	5,053	$78,115	4.2%	0.6
Life Sciences	7,345	$109,812	-0.1%	0.7
Port Operations, Logistics, and Warehousing	17,936	$73,067	2.4%	1.1
Ship Repair and Ship Building	41,056	$83,327	1.1%	43.7
Uncrewed Systems and Aerospace	14,864	$96,488	1.1%	1.7
Water Technologies	38,135	$91,435	0.9%	1.2
All Industries	799,281	$58,593	0.1%	---

Sources: JobsEq and the Dragas Center for Economic Analysis and Policy. For more detail about key industry cluster definitions, see GO Virginia Region 5 2023 biennial update of the Region 5 Growth and Diversification Plan.

Final Thoughts

To understand where we are going, we must have a sense of where we have been and where we currently stand. In the fall of 2020, questions abounded as to whether economic shocks associated with the COVID-19 pandemic would have negative impacts on growth, jobs, and incomes in Hampton Roads for years to come. In the fall of 2022, the focus shifted to how inflation had risen and whether the region could sustain job growth in the face of rising interest rates. Now, as we near the end of 2024, we need to remind ourselves of how far we have come. We cannot ignore the challenges in front of us, but we can also take stock and realize that economic conditions are much better than many of us would have expected in the fall of 2020.

If opportunity and challenge are two sides of the same coin, we cannot focus only on the news that is pleasing, we must also discuss our limitations. Hampton Roads continues to be dependent on decisions made in the halls of Congress (or the lack of decisions made in Congress) regarding federal funding. Labor force participation rates have recovered nationally and at the state level but remain lower than decades in the past. Getting residents 'off the sidelines' and into productive employment is necessary to fuel growth in the region. If there are sources of uncertainty, these come from outside the region. The war in Ukraine has demonstrated the vulnerability of large weapon systems (like ships) to attack by uncrewed air and sea drones. How will this change U.S. defense policy over the coming years is a question that should loom large in the calculations of decision-makers in Hampton Roads. The emergence of Artificial Intelligence will reshape the workplace and the demand for urban office space over the coming decade.

What then can be done? We must first recognize that economic development is a marathon and not a sprint. Investments made today will take time to pay off. The ODU-EVMS merger is, in our opinion, one of these long-term efforts that will have positive spillovers across the region. Continued investments in the Port of Virginia and leaning into renewable energy will provide jobs and spur growth over the coming decade. We applaud efforts in these (and other areas) and offer some suggestions on what can be done next.

We argue that now is the time to speak with one regional voice to decision-makers in Richmond and Washington, D.C., on the need to develop I-87 which would create an interstate between Hampton Roads and Raleigh. People and businesses are already moving in this direction and I-87 would not only benefit the Port, it would likely spur growth along its transportation corridor akin to I-85 and South Carolina over the last two decades. Even outdated analyses suggest that I-87 would create thousands of jobs and billions of dollars in economic output.

As we argue later in this report, the availability of workforce housing is a key consideration for economic development. Moving from a 'Not in my backyard' to 'Yes in my backyard' development strategy will require regional cooperation on zoning regulations and a regional housing strategy. Given that more than 50% of workers in Hampton Roads live in one community and work in another, we should be indifferent about where jobs are created in the region. Building more housing, regardless of type, benefits the entire housing market. Lastly, housing policy is something we can directly influence in Hampton Roads and would benefit each of the key industry clusters as well.

What then might 2025 hold for Hampton Roads? Barring an unexpected economic or political shock, we believe that conditions are set for continued growth in the coming year. We should see growth in job markets and an expansion of real GDP. Real incomes should rise. However, merely exhibiting growth should not be sufficient for Hampton Roads. We must take advantage of our current economic fortunes to press ahead with investments in key industry clusters and infrastructure. The choice to act together is ours, yet the question remains, will we make the right decision?

Defense, the Port, and Tourism: The Pillars of the Economy

DEFENSE, THE PORT, AND TOURISM: THE PILLARS OF THE ECONOMY

"Bad news travels at the speed of light; good news travels like molasses."
Tracy Morgan, Comedian

The Virginia Beach – Chesapeake – Norfolk ("Hampton Roads") Metropolitan Statistical Area (MSA) is known for its role in the national security of the nation, its deep-water port, and beaches and amenities that attract visitors to the region. While the region's economy is not solely determined by these economic 'pillars,' an improvement or decline in these pillars can alter the trajectory of the region.

The economic health of Hampton Roads is important not only to the residents of the region but also to the citizens of the Commonwealth. The region accounts for about 1 in 5 citizens in Virginia and roughly the same proportion of economic activity in the state. An economically vibrant and innovative Hampton Roads would lift potential Gross Domestic Product (GDP) for Virginia. Likewise, if the region's economic performance is relatively anemic, it would weigh on the state's economic performance.

There is good news (mostly) to report about the pillars of the Hampton Roads economy. Defense dollars continued to flow into the metro area and should continue to do so in the near-term. While the Port of Virginia experienced a decline in cargo traffic in 2023, so did many other ports across the nation. More importantly, the declines in traffic at the Port of Virginia were less than most other major ports, a signal of the increasing competitiveness of the Port. The hotel industry in Hampton Roads continued to outperform many other regions across the Commonwealth though revenue in inflation-adjusted terms declined in 2023. Even with these challenges, the strength of the pillars contributed to the most robust pace of growth in the region this decade.

As we approach the middle of the current decade, now is the time to assess the recent performance of these key sectors and discuss the prospects for growth in the future. The pillars of the economy can provide a foundation upon which the region can 'lean into' its key industry clusters. While there are challenges, we also note that there are opportunities to grow each pillar and the overall economy. Now is not the time to accept the status quo but instead seek out investments and policies to foster a faster pace of regional economic growth. The pillars remain strong, but there are warning signs.

In this chapter, we examine the pillars of the Hampton Roads economy. In the next section, we discuss the level of defense spending in the region and how it reverberates through the economy. We then turn to the performance of the Port of Virginia and how it has fared relative to other ports in the United States. The succeeding section examines the hotel industry and how it has fared when compared to state and national markets. We then wrap up with thoughts on how each pillar may fare in 2025 and beyond.

Defense Spending Increases

Over the past decade, Department of Defense (DoD) funding has increased in nominal terms, from approximately $691.8 billion in Fiscal Year (FY) 2010 to $858.3 billion in FY 2023 (Graph 1).[1] The most recent Presidential Budget submission envisions nominal DoD spending (inclusive of supplementals) approaching $1 trillion by the end of the decade. With rising geopolitical tensions and military aid to Israel and Ukraine, an increasing defense budget seems all but a certainty.

While misinformation and disinformation abound regarding military assistance to Ukraine, a simple fact remains clear: much of the military aid to Ukraine is actually expended in the United States. If the United States provides Ukraine with 155-mm artillery shells, for example, it does so by entering contracts with U.S. manufacturers to produce these shells. The shells are then typically shipped using U.S. military assets or U.S. contractors. The United States has also transferred existing (and typically older) weapon systems to Ukraine. In both cases, it would appear the United States is 'giving' Ukraine billions of dollars when, in fact, it is either transferring existing assets (already manufactured in the United States) or purchasing ammunition and supplies from U.S. producers.

In FY 2022 and FY 2023, the DoD received approximately $62 billion in supplemental appropriations to provide material and assistance to Ukraine. In April 2024, Congress passed an additional $47.3 billion in supplemental appropriations as part of the Ukraine Supplemental Appropriations Act. At the same time, Congress passed the Israel Security Supplemental Appropriations Act ($26.4 billion) and the Indo-Pacific Security Supplemental Appropriations Act of 2024 ($8.1 billion). The DoD was the primary recipient of these supplemental appropriations in FY 2024. Whether military assistance to Ukraine will continue in FY 2025 is likely to be determined by the result of the Presidential election in November 2024.

As more resources are allocated to the DoD, some portion of these appropriations makes its way to Hampton Roads. We estimate that direct DoD spending in Hampton Roads exceeded $28 billion in 2023 and is on track to near (if not exceed) $30 billion by the end of the decade (see Graph 2). Directly or indirectly, the DoD accounts for approximately 4 out of every 10 dollars in economic activity in the region.

Can the DoD budget exceed $1 trillion by the end of the decade? This question is tied to the fiscal performance of the federal government and the willingness of bond markets to purchase U.S. government debt. Graph 3 illustrates receipts and outlays for the federal government as a percent of GDP. In response to the Great Recession of 2007 - 2009, Congress and the President agreed to provide significant stimulus to avoid an even deeper recession. In FY 2009, the gap between receipts and outlays was equal to 9.8% of GDP, the largest difference since the end of World War II.

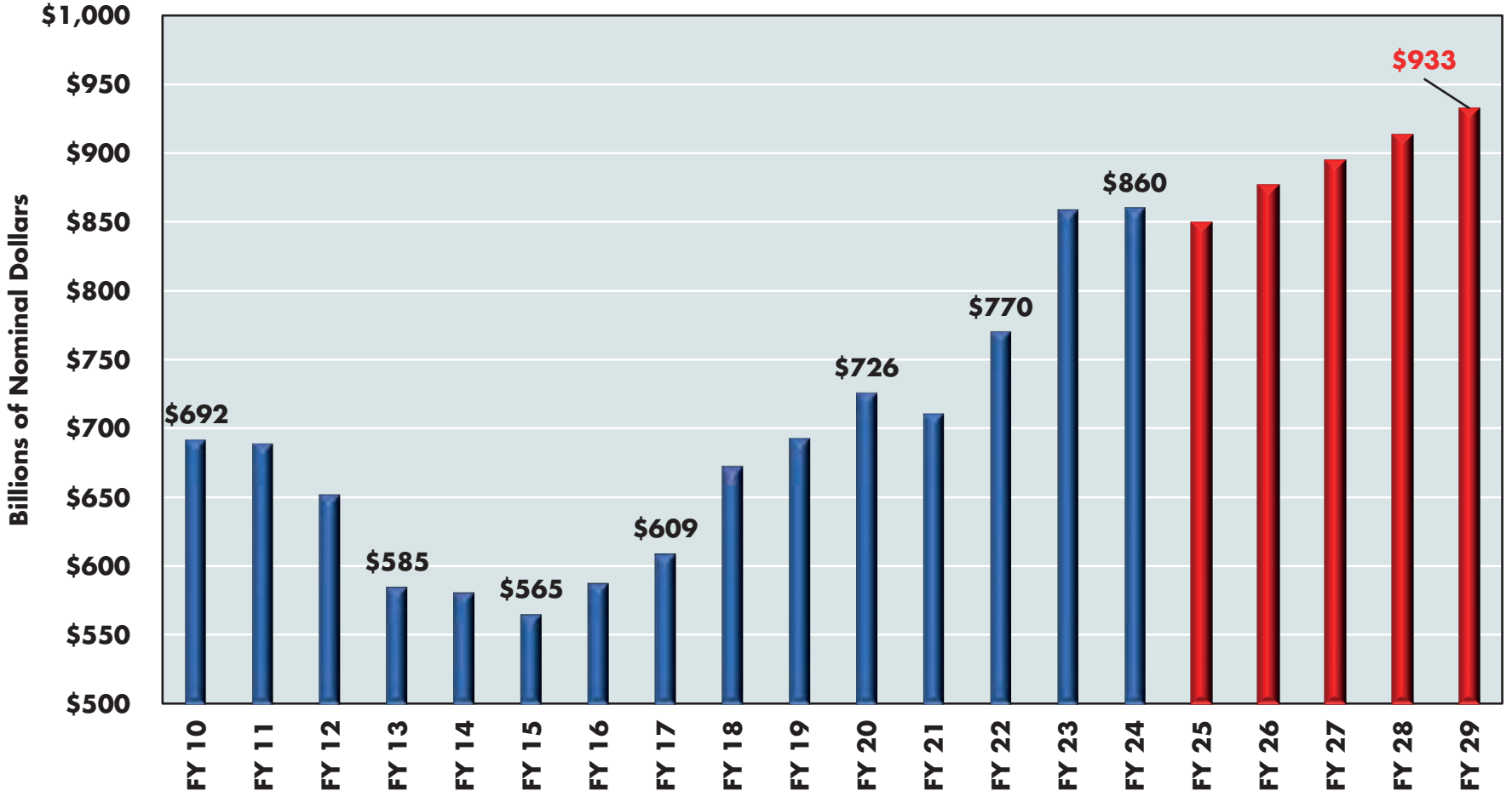
While the gap between receipts and outlays narrowed in the first half of the last decade, tax cuts and increased expenditures led to an increase in the difference between what was being brought in (receipts) and what was going out (outlays). In 2019, at the end of the longest peacetime expansion in recorded U.S. history, the gap between receipts and outlays was equal to 4.6% of GDP. In 2020, as a result of the COVID-19 pandemic and resultant fiscal stimulus, the gap exploded to 14.7% of GDP before falling to 12.1% of GDP in 2021. While some may herald an improvement in the fiscal environment in FY 2023, we note that the difference between receipts and outlays was 6.2% of GDP, the highest imbalance during a post-World War II economic expansion.

There is not much good news to report regarding the fiscal balance of the federal government. The President's FY 25 budget submittal projects that the gap between receipts and outlays will average 5.0% of GDP from FY 2025 to FY 2029. Simply put, there are deficits for the foreseeable future. Graph 4 illustrates how the federal deficit has evolved from FY 2000 to FY 2023 and is projected to grow over the remainder of the decade.

1 These amounts are obtained from Total Obligation Authority (TOA) which is the sum of all budget authority granted by Congress to a department or agency in a given fiscal year.

GRAPH 1

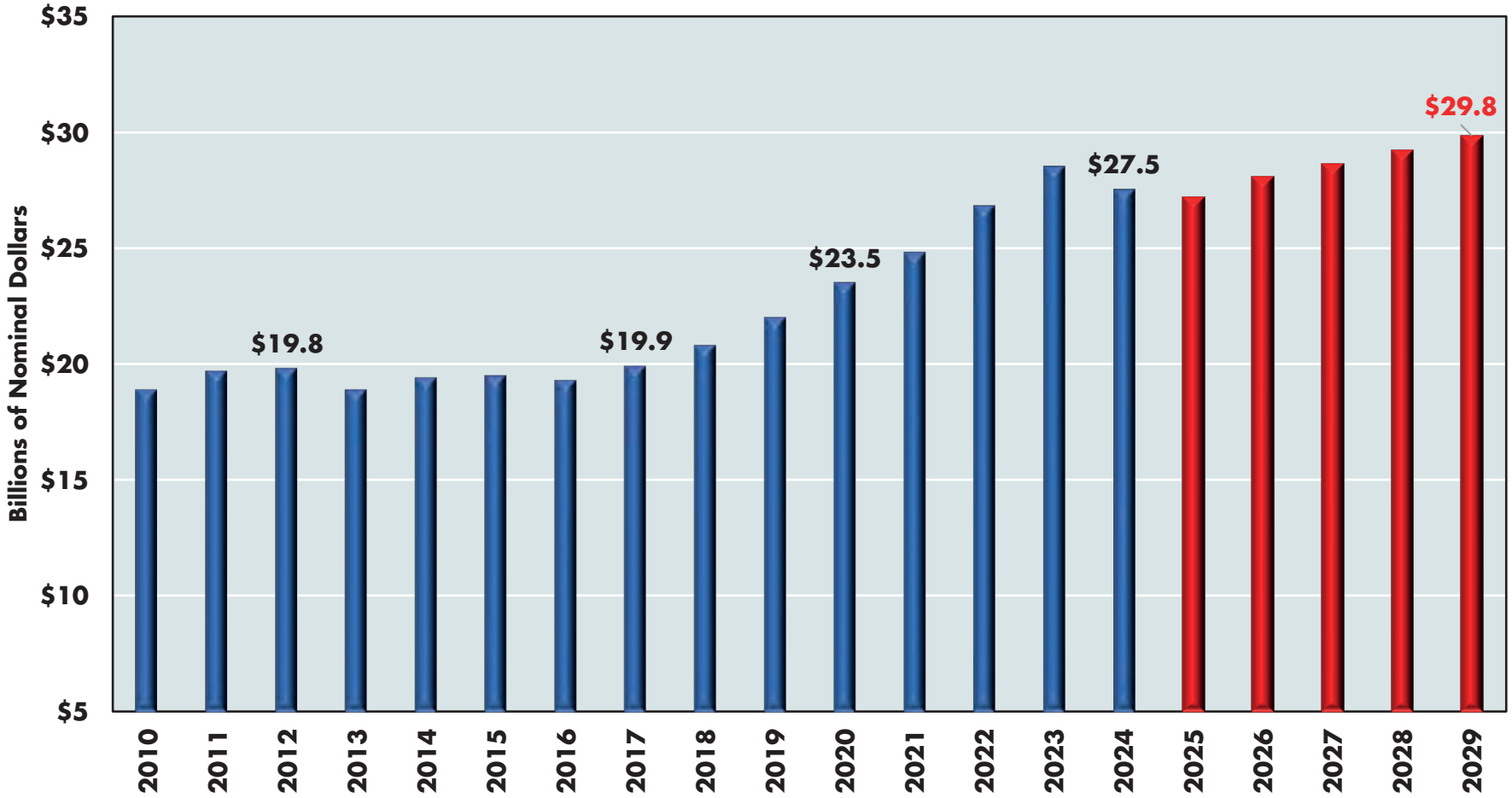
DEPARTMENT OF DEFENSE TOTAL OBLIGATION AUTHORITY
FISCAL YEAR 2010 - FISCAL YEAR 2029



Sources: Dragas Center for Economic Analysis and Policy, Old Dominion University; Office of the Secretary of Defense (Comptroller) Department of Defense, Defense Budget Materials – FY 2025. Inclusive of supplementals and overseas contingency operations funding. FY 2025 – FY 2029 projections do not include potential supplemental appropriations.

GRAPH 2

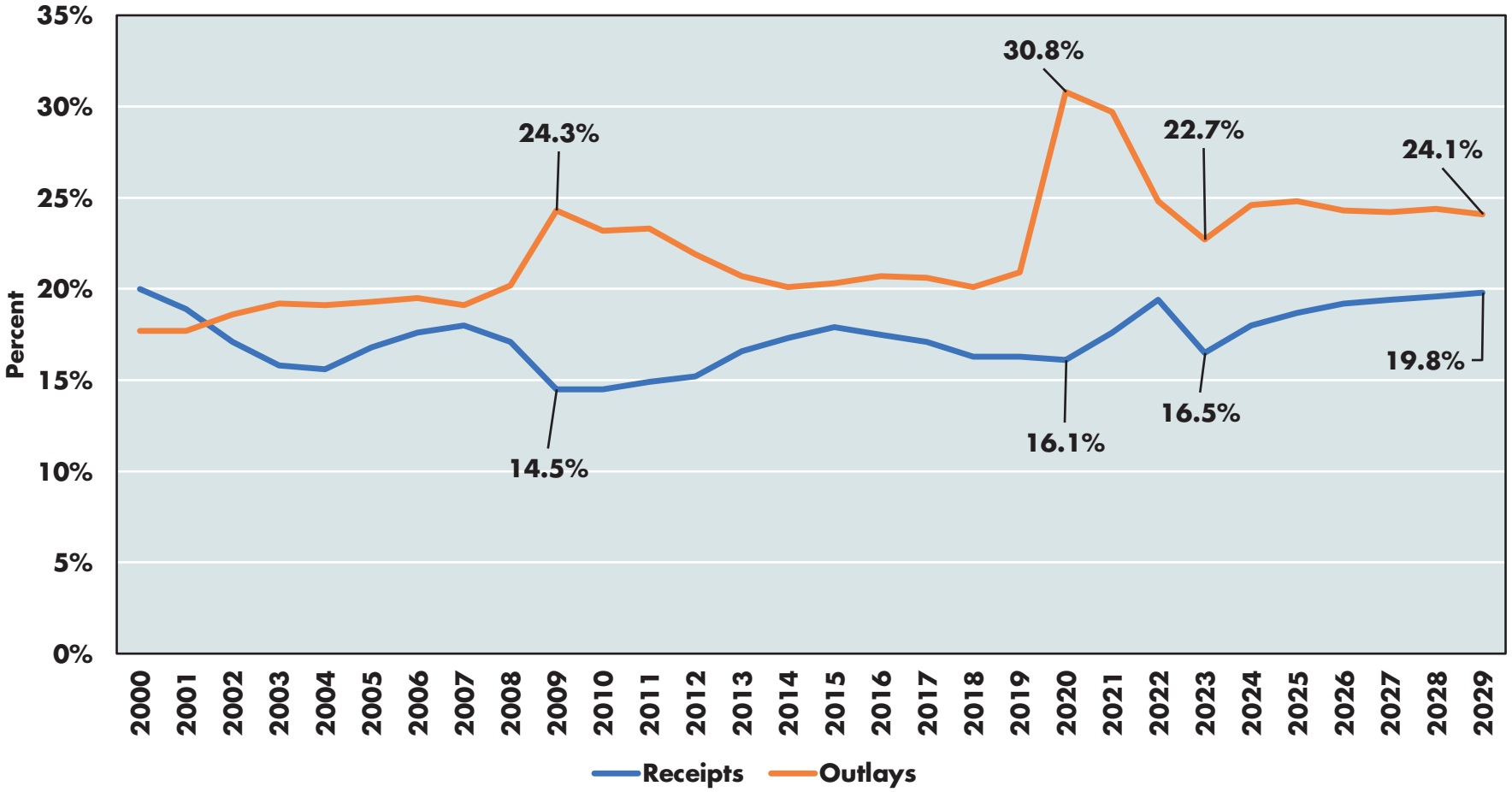
ESTIMATED DIRECT DEPARTMENT OF DEFENSE SPENDING
HAMPTON ROADS, 2010 - 2029



Sources: Department of Defense and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Includes federal civilian and military personnel and procurement. *FY 2010 – 2023 are actual expenditures, 2024 is our estimate, and 2025 – 2029 are our forecasts.

GRAPH 3

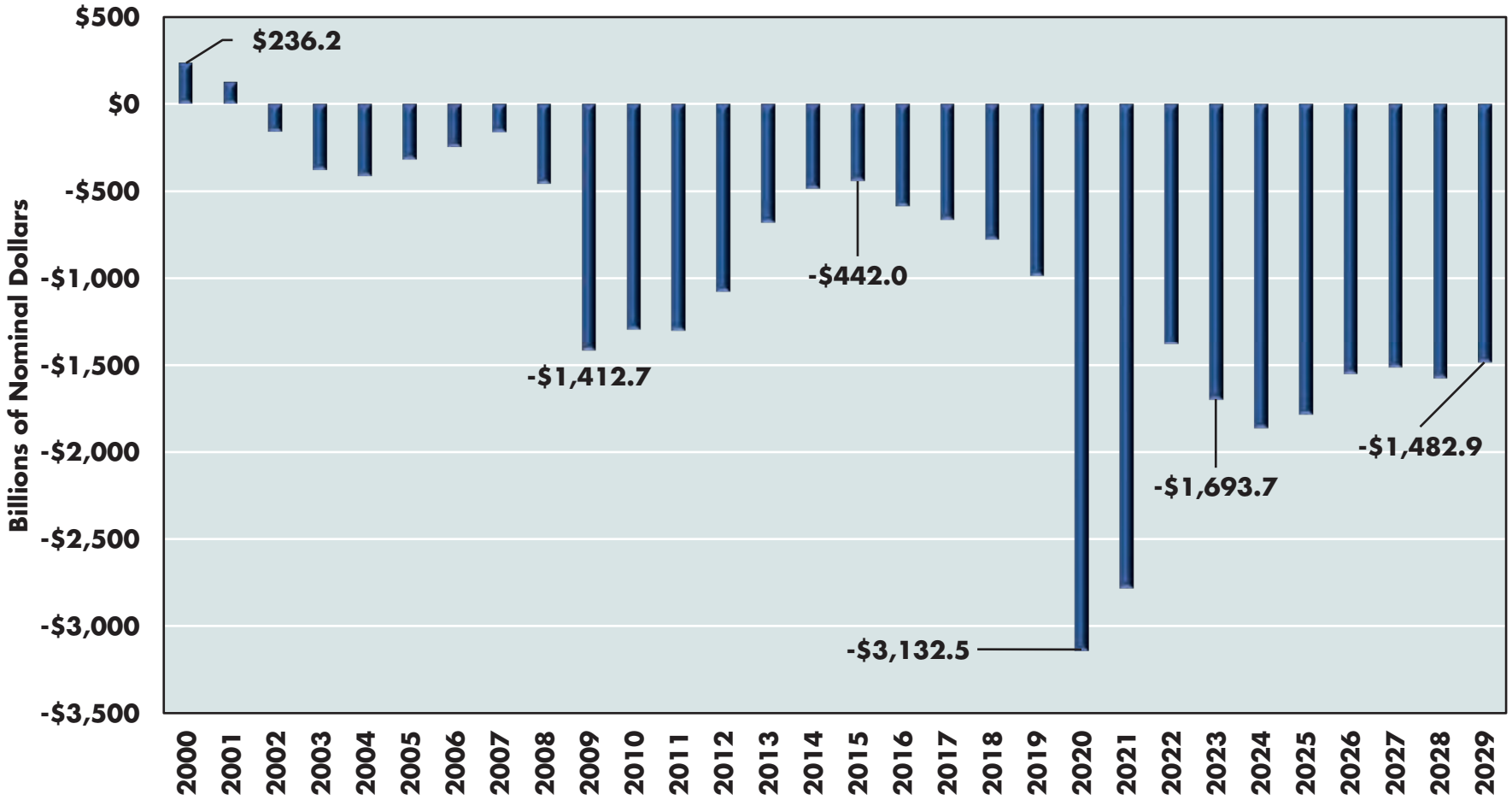
RECEIPTS AND OUTLAYS AS A PERCENT OF GROSS DOMESTIC PRODUCT
FISCAL YEAR 2000 - FISCAL YEAR 2029



Sources: Dragas Center for Economic Analysis and Policy, Old Dominion University, and Office of Management and Budget FY 2025 Presidential Budget (Table 1.2 – Summary of Receipts, Outlays, and Surpluses or Deficits as Percentages of GDP: 1930 – 2029). Total on and of budget surplus and/or deficit.

GRAPH 4

FEDERAL BUDGET SURPLUS OR DEFICIT IN BILLIONS OF NOMINAL DOLLARS, FISCAL YEAR 2000 - FISCAL YEAR 2029



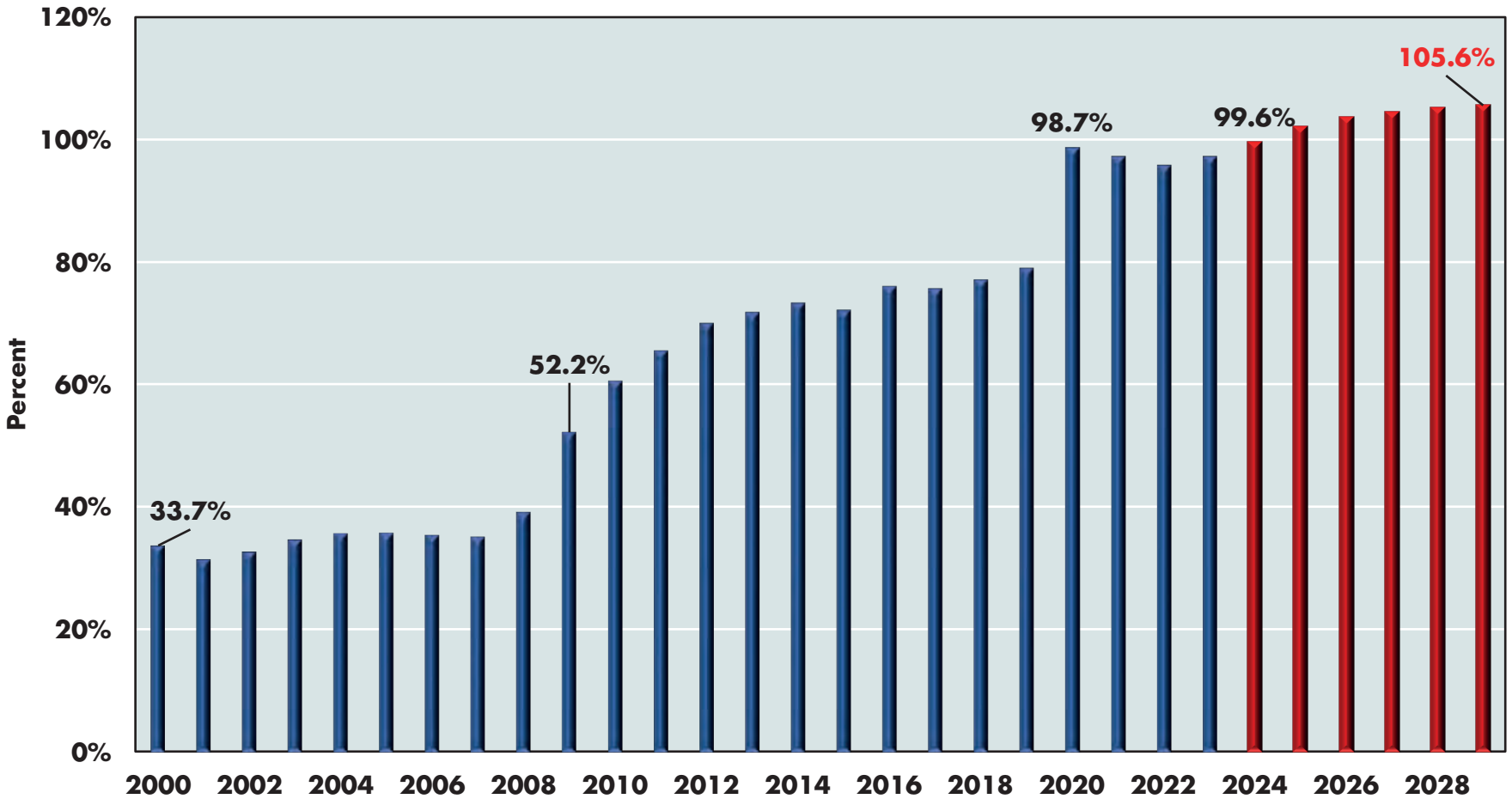
Sources: Dragas Center for Economic Analysis and Policy, Old Dominion University, and Office of Management and Budget FY 2025 Presidential Budget (Table 1.1 – Summary of Receipts, Outlays, and Surpluses or Deficits: 1789 – 2029). Total on and of budget surplus and/or deficit.

Annual deficits must be financed through the sale of debt. Some federal debt is held by federal government accounts (one part of the government promises to pay back another part of the government) and some is held by the Federal Reserve System. The remainder of the debt is held by the public, both domestically and internationally. Graph 5 illustrates the growth of federal debt by the public and the Federal Reserve System from FY 2000 to FY 2029. In 2023, the publicly held federal debt equals 78.9% of GDP ($21.3 trillion) while the Federal Reserve System held debt equals to 18.4% of GDP ($5.0 trillion). Federal government accounts held debt equal to 25.0% of GDP ($6.7 trillion). In total, at the end of FY 2023, gross federal debt was equal to $32,988,990,000,000.

Accumulating debt means the debt must be serviced and the cost of servicing the debt is interest. Graph 6 displays net interest outlays for the federal government from FY 2000 to FY 2029. The first observation is that net interest outlays are projected to exceed $1 trillion by the end of the decade (if not much sooner). Higher levels of federal debt, all else being equal, equate to higher net interest outlays. Yet, this is not the whole story. At the same time the federal government's fiscal balance is hemorrhaging, interest rates have risen on new debt. Simply put, as the Federal Reserve increased interest rates to combat inflation, it also increased the cost to the federal government of issuing new debt. Higher interest rates lead to increasing net interest payments, which, in turn, increase the budget deficit, which then leads to an increasing demand for new debt. Unless there is a major course correction in the halls of Congress, we are unlikely to escape this vicious cycle anytime soon. The question remains: when do these costs become unsustainable? When that happens, the impact on defense expenditures in Hampton Roads is likely to be significant, which, in turn, will negatively impact the economy of the region.

GRAPH 5

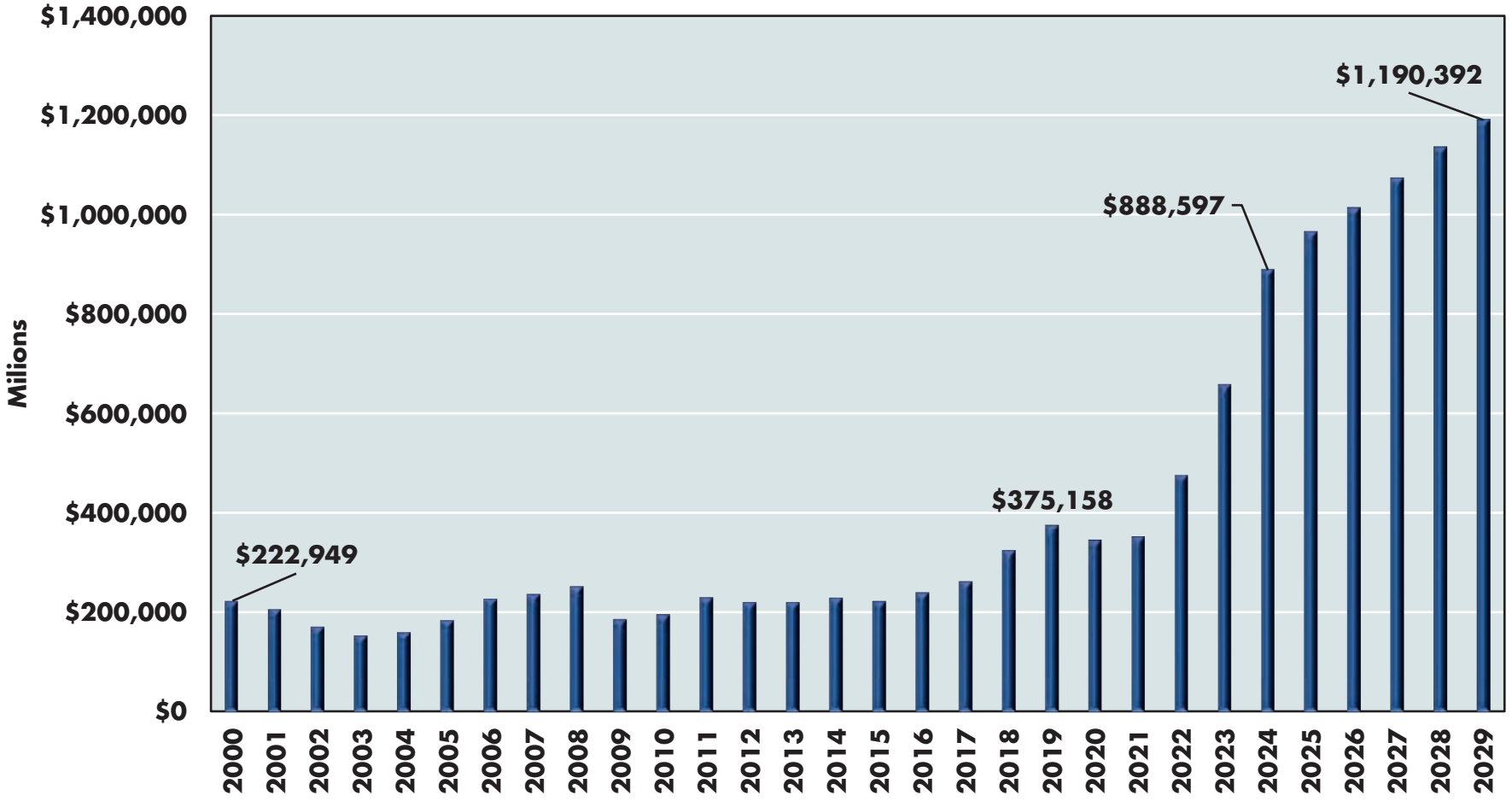
TOTAL FEDERAL DEBT HELD BY THE PUBLIC AND FEDERAL RESERVE SYSTEM AS A PERCENT OF GDP
FISCAL YEAR 2000 - FISCAL YEAR 2029



Sources: Dragas Center for Economic Analysis and Policy, Old Dominion University, and Office of Management and Budget FY 2025 Presidential Budget (Table 7.1– Federal Debt at the End of the Year: 1940 - 2029). Gross federal debt minus debt held by federal government accounts. Includes debt held by the Federal Reserve System.

GRAPH 6

NET INTEREST OUTLAYS
FISCAL YEAR 2000 - FISCAL YEAR 2029



Sources: Dragas Center for Economic Analysis and Policy, Old Dominion University, and Office of Management and Budget FY 2025 Presidential Budget (Table 3.2 Outlays by Function and Subfunction: 1962 - 2029).

The Port of Virginia

In 2008, general cargo traffic at the Port of Virginia reached a record of 17.8 million tons (Graph 7). Global trade volumes and traffic at the Port of Virginia declined in 2009 due to the impact of a synchronized global financial crisis (known in the United States as the Great Recession). After falling to 14.9 million tons in 2009, traffic rebounded and had completely recovered by 2013. In 2019, after peaking at 21.9 million tons, traffic dipped to 21.1 million tons in 2020 (-3.7%) and then set records in 2021 (25.4 million tons) and 2022 (26.2 million tons). In 2023, however, general cargo traffic at the Port of Virginia declined by approximately 5.2% to 24.8 million tons.

Graph 8 displays the total number of Twenty-Foot Equivalent Container Units (TEUs) moved through the Port of Virginia from 2000 to 2023. In 2000, the Port moved approximately 1.35 million TEUs. In 2007, TEU movement through the Port peaked at about 2.13 million before falling to 1.75 million in 2009. By 2013, total TEUs had recovered from the Great Recession and continued to grow, reaching 2.94 million in 2019. After falling slightly to 2.81 million (-4.4%) in 2020, total TEUs set records in 2021 (3.52 million) and 2022 (3.70 million) before declining by 11.2% to 3.29 million in 2023.

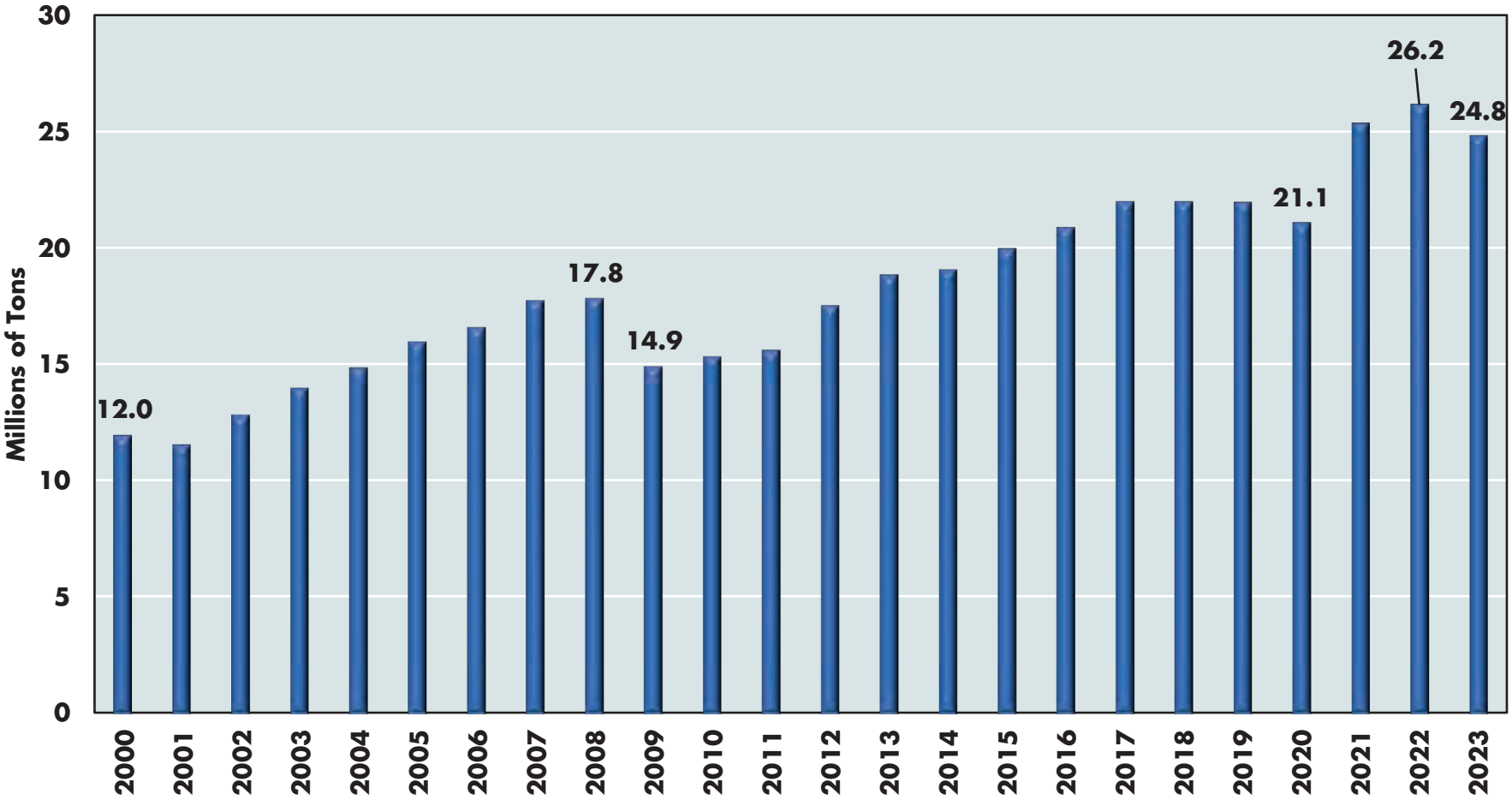
If overall cargo traffic and total TEUs declined in 2023, can we determine from where the declines originated? Graph 9 provides some insight by illustrating the levels of **loaded** inbound and outbound TEUs from 2010 to 2023. Before 2015, the flows of loaded inbound and outbound TEUs were roughly equivalent. From 2015 to 2022, loaded inbound TEUs grew by 59.7% (from 1.08 million to 1.73 million) while loaded outbound TEUs increased by about 7.8% (from 1.00 million to 1.08 million). In 2023, inbound loaded TEUs declined to 1.53 million while outbound loaded TEUs increased slightly to 1.10 million. In other words, the decline in total TEUs in 2023 was driven by a decline in empty TEU traffic and a fall in loaded inbound TEUs.

The decline in empty TEU traffic has a smaller impact on the economy of the region than a decline in loaded TEU traffic. Empty TEUS are moved from port to port and do not, since they are empty, carry goods. If a port ends up with too many empty TEUs in one year, the reallocation of those TEUs in another year would appear, on the surface, to be an increase (or decrease) in trade volumes. From our perspective, the increase in outbound loaded TEUs is a signal of the strength of the Port and its ability to compete. In other words, imports traveling by TEUs fell while exports traveling by TEUs increased, with the net change in traffic being negligible.

There is an additional point to be made: the Port of Virginia outperformed most other major ports across the United States. Graph 10 displays the percent change in total loaded TEUs from 2022 to 2023. While total TEU traffic declined by 6.3% for the Port of Virginia, this decline was less than Los Angeles (-7.0%), Savannah (-11.5%), and New York/New Jersey (-13.6%), among others. We note that Charleston experienced a similar decline (-6.1%) while Houston (-0.3%) appears to have weathered the decline in TEUs.

GRAPH 7

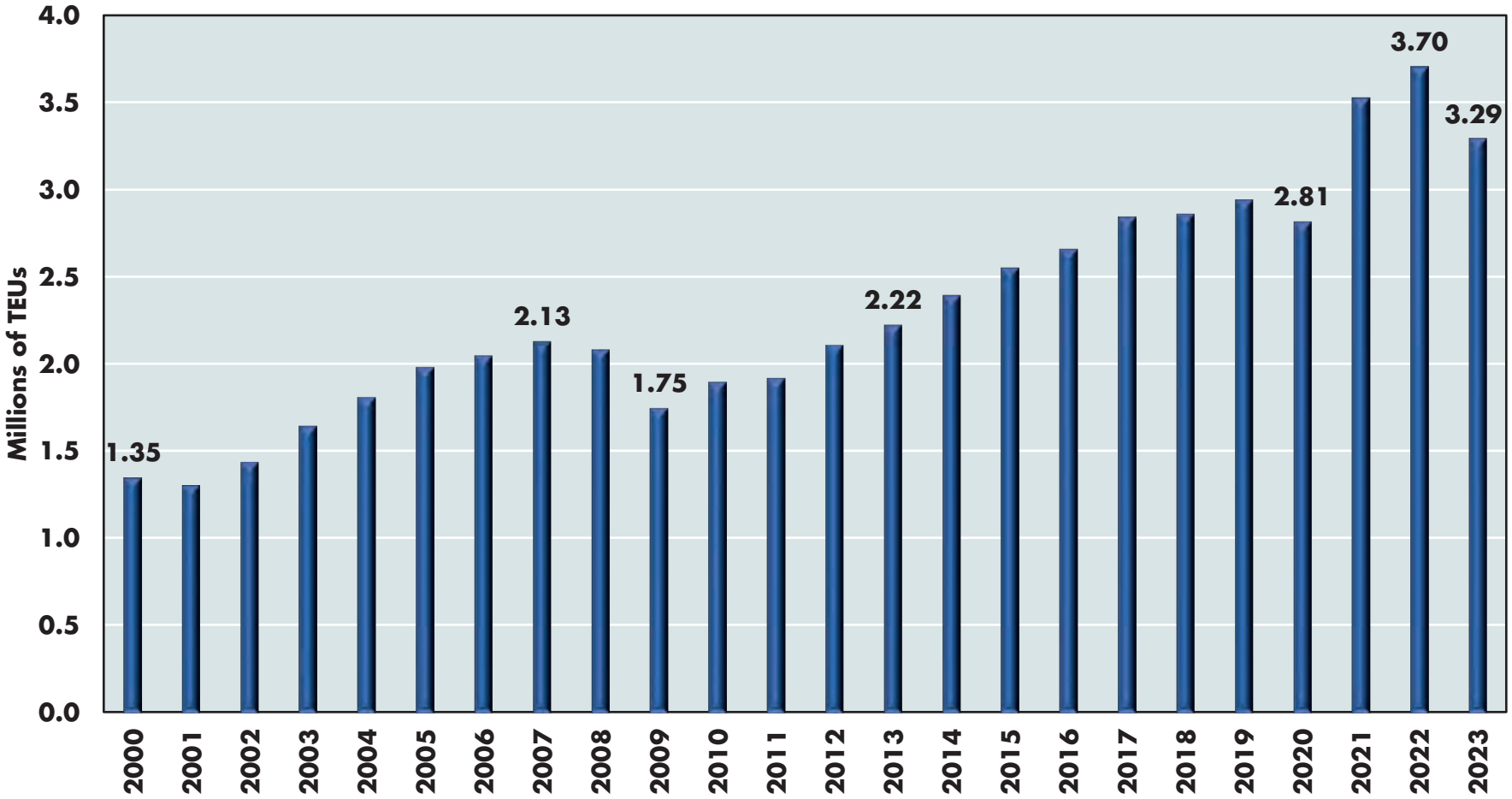
GENERAL CARGO TONNAGE
PORT OF VIRGINIA, 2000 - 2023



Sources: Virginia Port Authority and the Dragas Center for Economic Analysis and Policy, Old Dominion University.

GRAPH 8

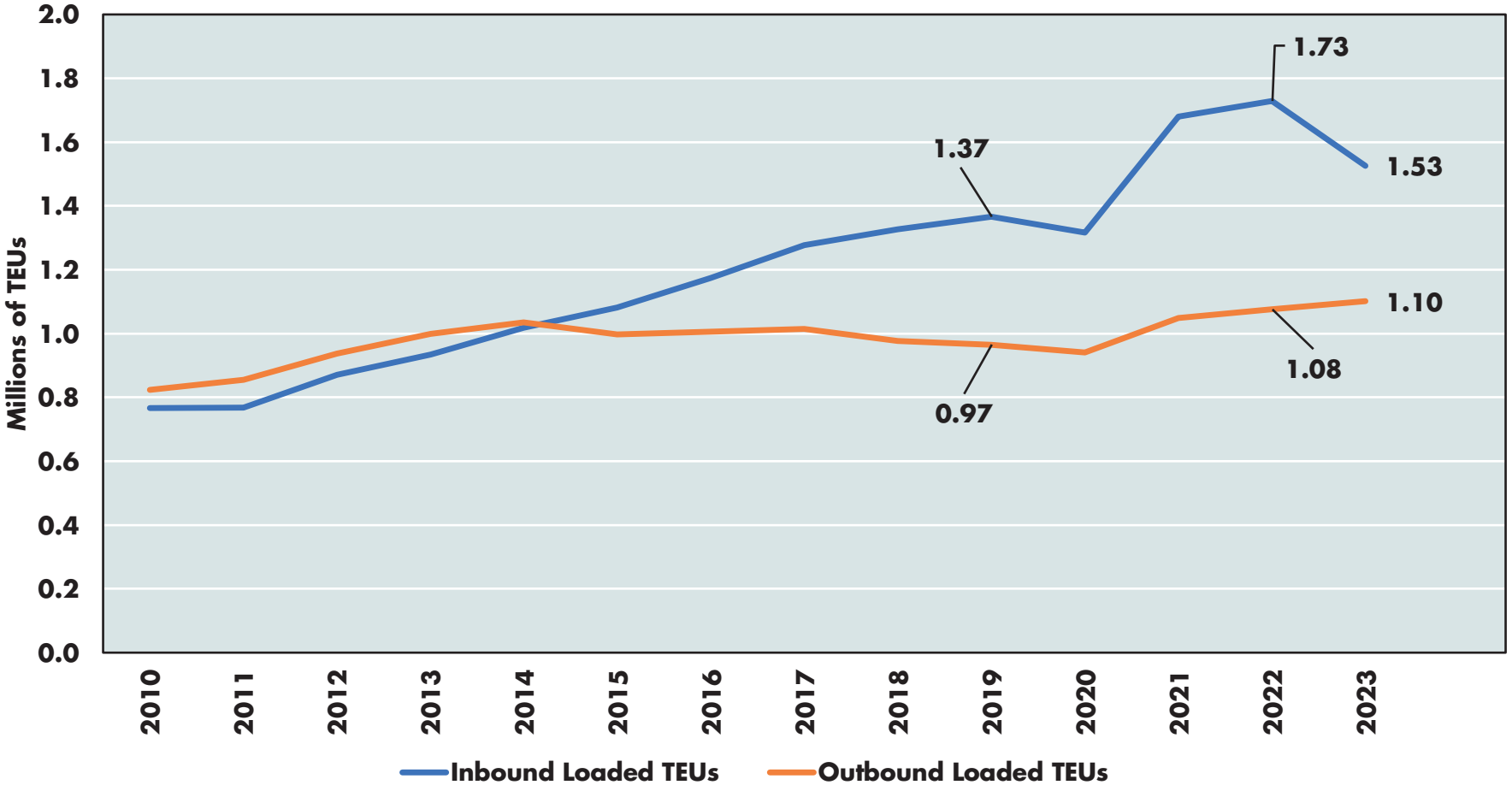
TWENTY-FOOT EQUIVALENT CONTAINER UNITS (TEUS)
PORT OF VIRGINIA, 2000 - 2023



Sources: Virginia Port Authority and the Dragas Center for Economic Analysis and Policy, Old Dominion University.

GRAPH 9

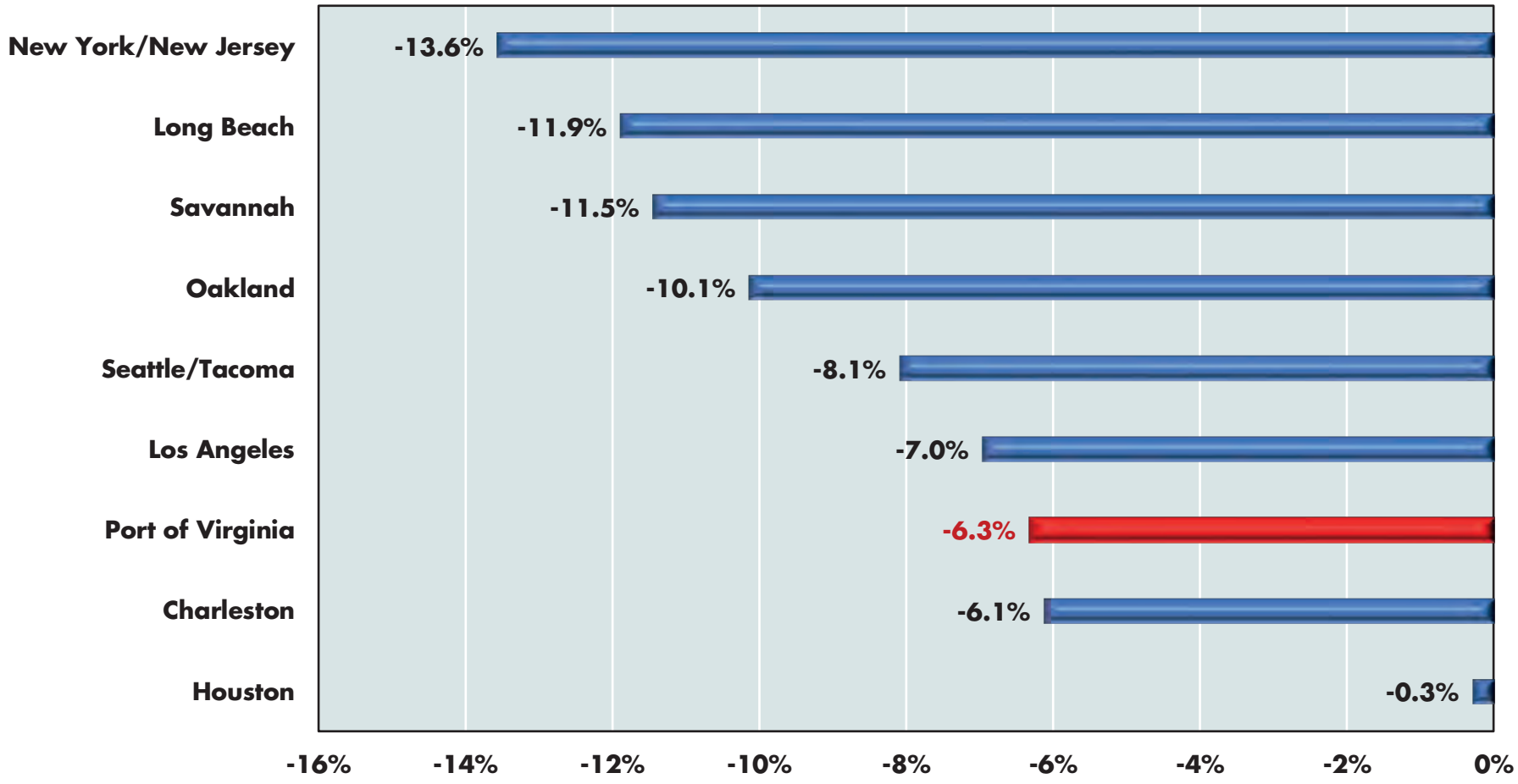
LOADED TWENTY-FOOT EQUIVALENT CONTAINER UNITS (TEUS)
PORT OF VIRGINIA, 2000 - 2023



Sources: Virginia Port Authority and the Dragas Center for Economic Analysis and Policy, Old Dominion University.

GRAPH 10

PERCENT CHANGE IN TOTAL LOADED TEUS
SELECTED PORTS IN THE UNITED STATES, 2022 - 2023



Sources: Port websites and the Dragas Center for Economic Analysis and Policy, Old Dominion University.

Graphs 11 and 12 illustrate the percent change in inbound and outbound loaded TEUs, respectively, from 2022 to 2023. We observe declines in inbound TEUs traffic across all the selected ports for this period. Houston (-6.7%) experienced the lowest decline in inbound TEUs, followed by Los Angeles (-10.7%), the Port of Virginia (-11.7%), and Charleston (-11.8%). Savannah (-16.4%) and New York/New Jersey (-16.9%) saw the largest declines in inbound TEUs. With respect to outbound loaded TEUs, the Port of Virginia experienced growth (2.4%), outperforming Savannah (-0.9%) and New York/New Jersey (-1.1%), but lagged Charleston (5.6%). Houston experienced the largest increase (9.4%) while Long Beach (-9.4%) observed the most significant decline in outbound loaded TEUs from 2022 to 2023.

Graph 13 displays the share of total loaded TEUs for four major East Coast ports from 2006 through 2023. After peaking at 18.3% of loaded TEU traffic among the four ports in 2013, the Port of Virginia's market share declined to a low of 16.1% in 2020. In other words, while total loaded TEU traffic increased during this period, it also grew faster for the port of Savannah and the port of Charleston (and slower for New York/New Jersey). Since 2020, the Port of Virginia's share of total loaded TEUs has increased, climbing to 18.1% in 2023. It would appear that these increases in the share of total loaded TEUs are persistent, and this bodes well for the competitiveness of the Port of Virginia in 2024 and beyond.

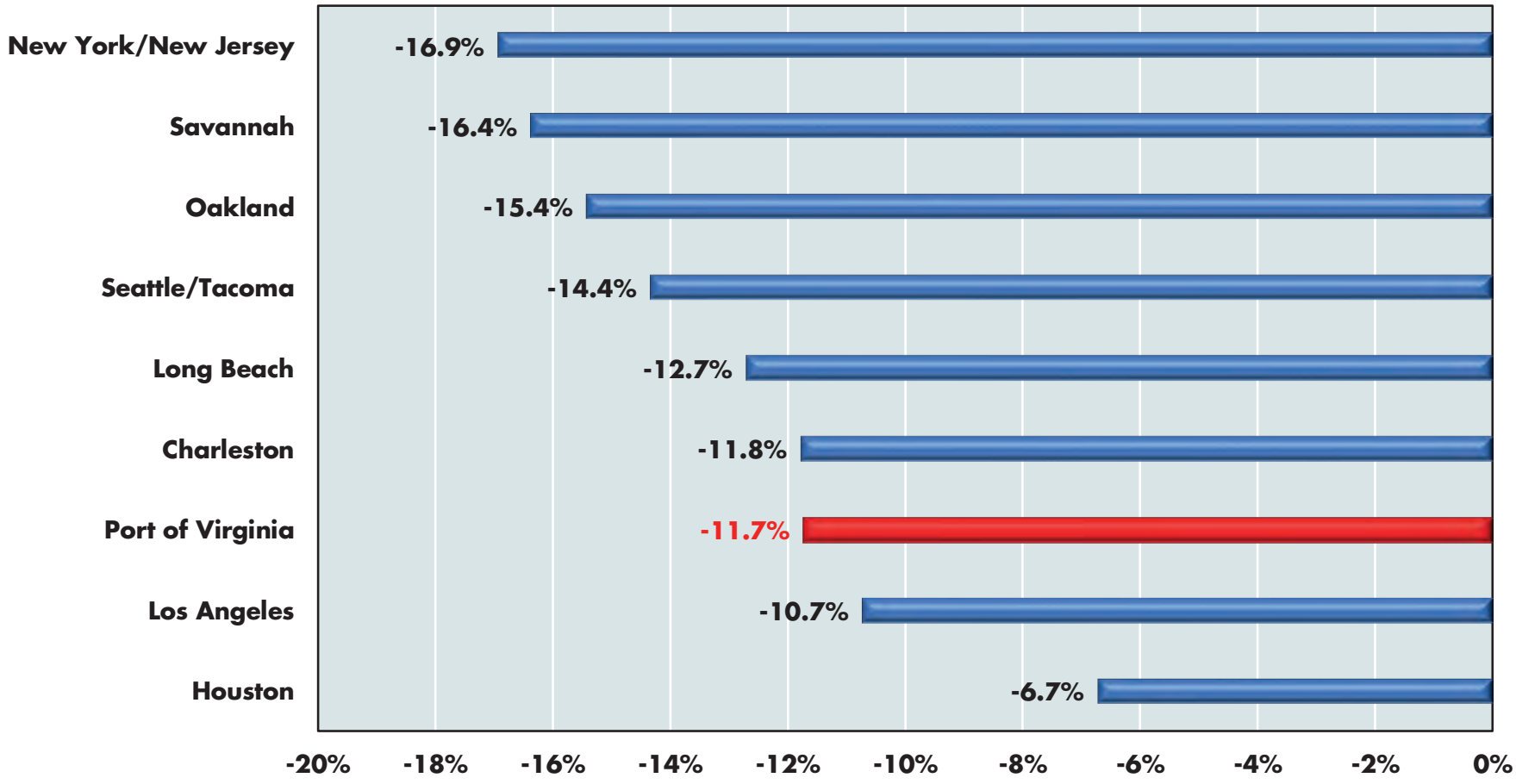
One measure of how traffic at the Port of Virginia has changed is the average number of TEUs per container vessel call. As illustrated in Graph 14, the average number of TEUs per call increased by 122.0% from 2011 to 2022. Larger ships were transporting more TEUs through the Port of Virginia. The average number of TEUs per call, however, declined from 2,569.9 in 2022 to 1,976.9 (-23.1%) in 2023. We would caution using the one-year decline in TEUs per container vessel call to make inferences about the performance of the Port of Virginia. Given the decade-plus increase in average TEUs per call, we will need to wait to determine whether the decline was only for one year or will be persistent. Data through June 2024 indicate that TEUs per container vessel call were12.5% higher compared to the same time in 2023.

While cargo traffic and inbound loaded TEUs declined in 2023, we must place the data in context. The declines in traffic at the Port of Virginia were smaller than most other ports across the United States. In other words, in an environment where consumers and producers demanded fewer imports, the Port of Virginia outperformed many of its peers.

This led to gains in market share relative to its competitors on the Eastern Seaboard. These indicators suggest that investments made in the Port of Virginia over the last decade have borne fruit, and the Port is well positioned for expansion in the future. However, as we have noted in previous reports, the Port is also dependent on actions outside its gates. It's time for the Commonwealth to move forward with the construction of I-87, which would connect Hampton Roads and the Raleigh-Durham metro areas. These infrastructure improvements would not only benefit the Port but also boost the broader regional economy.

GRAPH 11

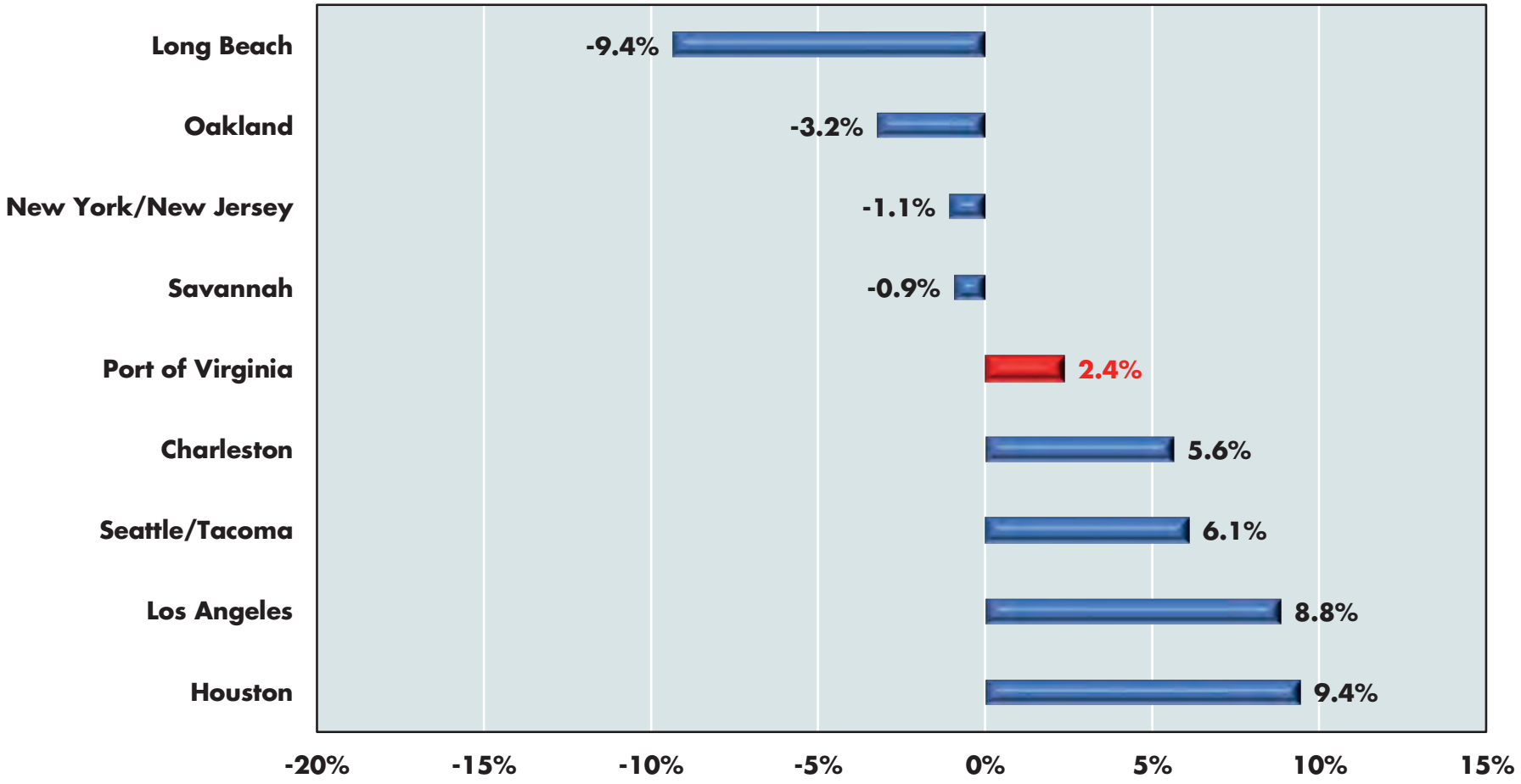
PERCENT CHANGE IN INBOUND LOADED TEUS
SELECTED PORTS IN THE UNITED STATES, 2022 - 2023



Sources: Port websites and the Dragas Center for Economic Analysis and Policy, Old Dominion University.

GRAPH 12

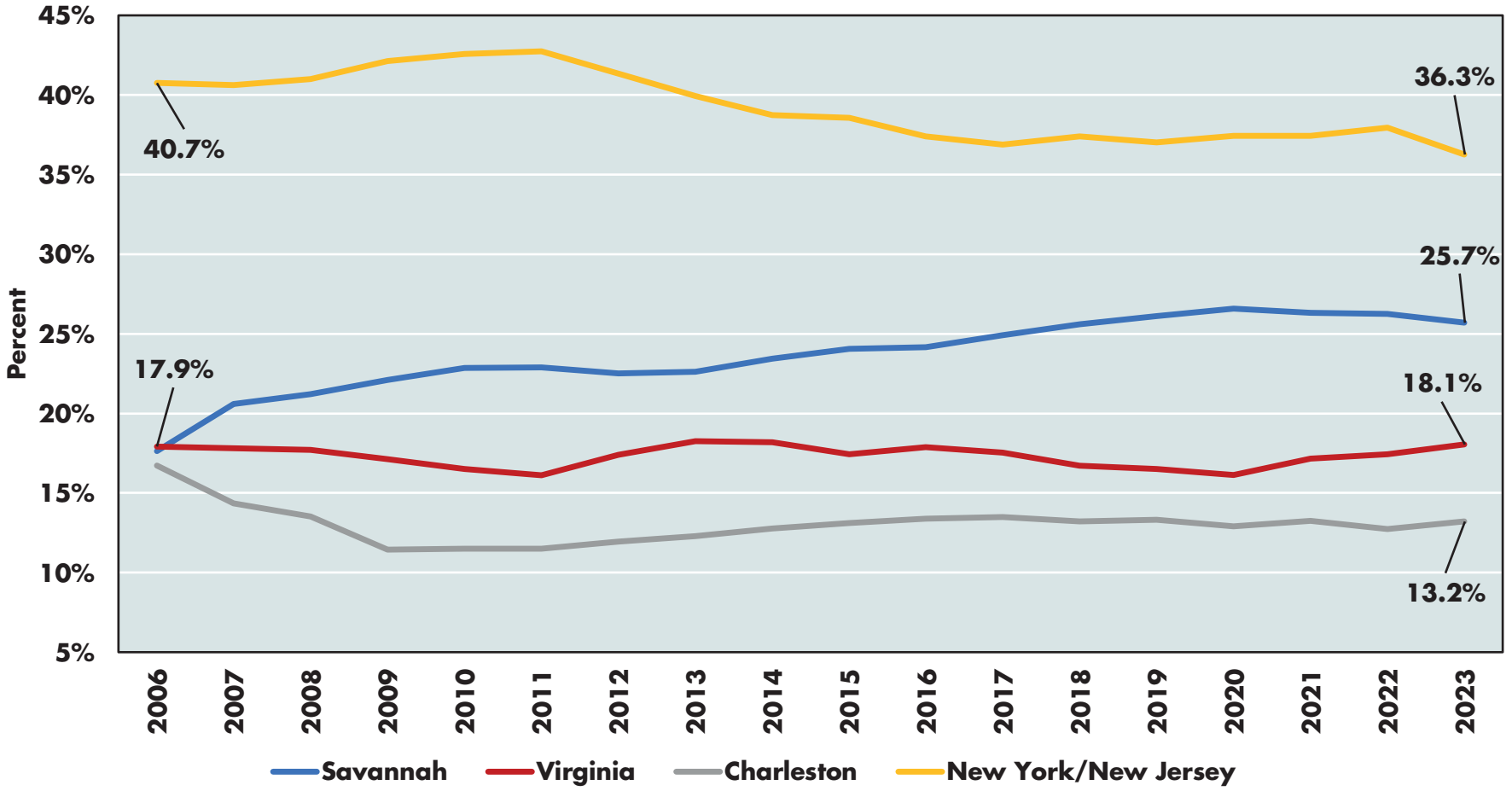
PERCENT CHANGE IN OUTBOUND LOADED TEUS
SELECTED PORTS IN THE UNITED STATES, 2022 - 2023



Sources: Port websites and the Dragas Center for Economic Analysis and Policy, Old Dominion University.

GRAPH 13

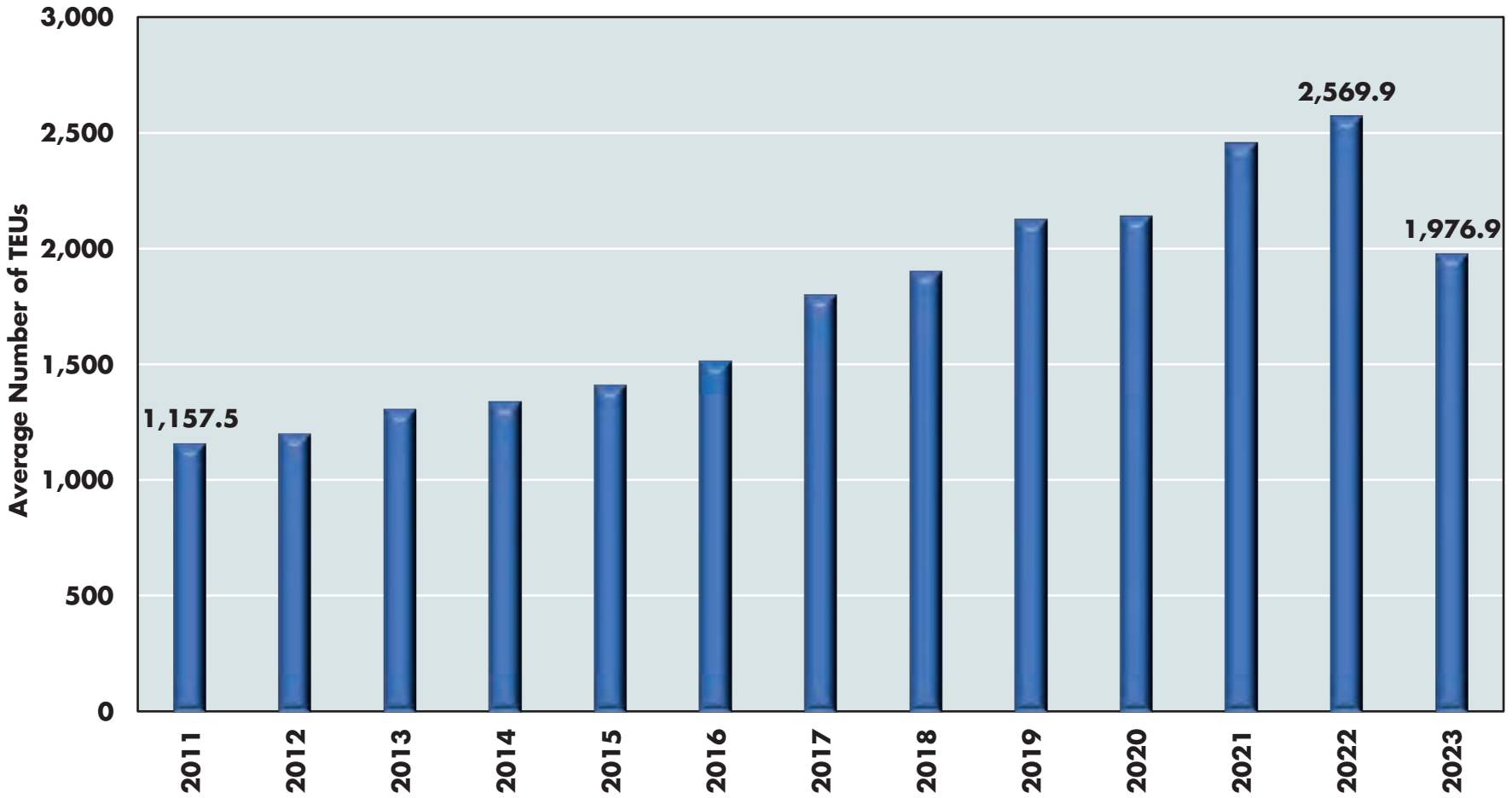
SHARE OF TOTAL LOADED TEUS
SELECTED EAST COAST PORTS, 2006 - 2023



Sources: American Association of Port Authorities, port websites and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Market shares are based on TEUs for Baltimore, Boston, Charleston, Virginia, New York/ New Jersey and Savannah.

GRAPH 14

AVERAGE TEUS PER CONTAINER VESSEL CALL
PORT OF VIRGINIA, 2011 - 2023



Sources: Virginia Port Authority and the Dragas Center for Economic Analysis and Policy, Old Dominion University.

The Hotel Industry: Good News Continues

The third pillar of the Hampton Roads economy is the travel and tourism industry. Here, we discuss the performance of the hotel industry as many travel and tourism measures rely on survey data. The data for the hotel industry is based on rooms, room nights sold, and the rate at which rooms were sold. Since the demand for hotel rooms in Hampton Roads is tightly correlated with how many tourists (and business people) visit the region, the health of the hotel industry is a key indicator of the health of the travel and tourism pillar. Graph 15 illustrates the average annual supply of hotel rooms in Hampton Roads from 2000 to 2023. The number of hotel rooms in the region increased by 283 rooms from 2022 to 2023 yet remained about 1,953 rooms below the peak of 2010.

While there were about 4.8% fewer hotel rooms in 2023 than 2010, this did not mean that the demand for rooms was weakened. Graph 16 displays the average annual occupancy rate for hotel rooms in Hampton Roads from 2000 to 2023. Post-COVID occupancy rates remain above those observed in many years in the previous decade. In other words, hoteliers were able to sell a higher proportion of their rooms post-COVID than pre-COVID.

Graph 17 displays nominal and real (inflation-adjusted) hotel revenues for Hampton Roads from 2000 to 2023. At first glance, it would appear that 2023 was a record year, with nominal hotel revenues exceeding $1.1 billion dollars. However, we must account for the impact of inflation and turn our discussion to real revenues. After the 37.0% decline in real revenues in 2020, hoteliers enjoyed a 64.1% increase in revenues in 2021. Real revenues increased by 0.9% in 2022, but then fell by 1.3% in 2023. The decline in occupancy in 2023 means that hoteliers' pricing power waned relative to 2022, which, in turn, indicates that they could not increase room rates sufficiently to account for inflation.

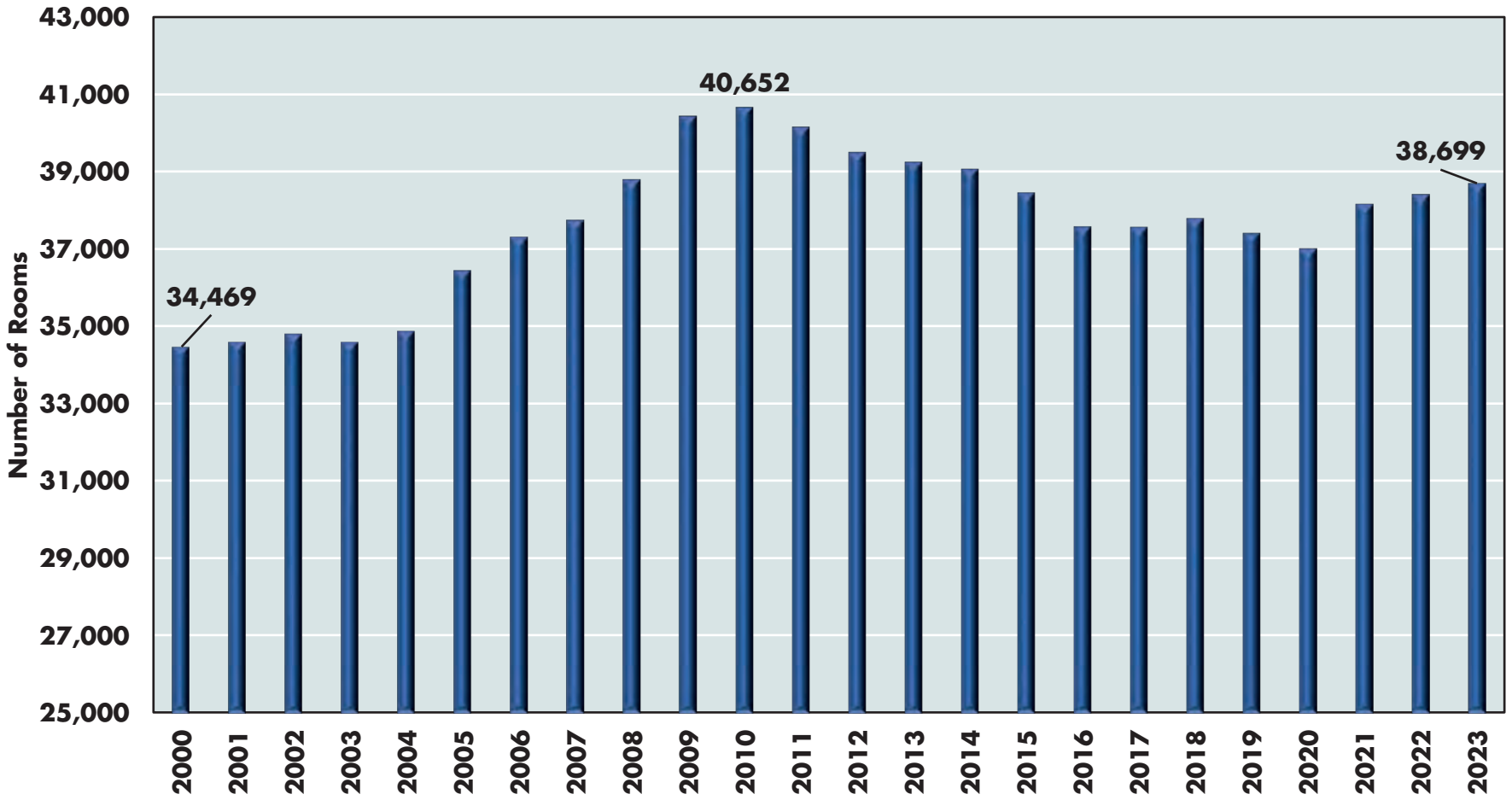
To examine whether the hotel sector has been improving or declining, we need a measure that captures revenue, demand, and the supply of rooms. The industry standard indicator in this regard is Revenue per Available Room (RevPAR). If revenue increases, either due to higher demand for rooms or due to higher room rates, but the supply of rooms remains the same, then RevPAR increases as each available room is generating more revenue. On the other hand, if revenue increases but the supply of rooms increases at a greater rate, then RevPAR falls, as each available room on average is bringing less money. RevPAR is a valuable metric because it incorporates both demand and supply influences.

How has Hampton Roads fared relative to the Commonwealth and the nation? Graph 18 contains a number of performance indicators for the hotel industry. From 2019 to 2023, the hotel industry in Hampton Roads outperformed the state and the nation. Over this period, the region saw a higher growth in supply of rooms, in demand for rooms, in Average Daily Rate (ADR), and in Revenue per Available Room (RevPAR) compared to the Commonwealth and the nation.

Let's turn to how the local markets are faring in Hampton Roads relative to Virginia and the nation (Table 1). Our first observation is that every sub-market in Hampton Roads, with the exception of the Williamsburg sub-market, experienced higher hotel revenue growth than the state or the nation from 2019 to 2023. The Virginia Beach sub-market experienced the highest rate of revenue growth (29.2%) and highest growth in supply of rooms (10.8%). The Chesapeake/Suffolk sub-market experienced the second highest growth in hotel revenue and the highest RevPAR growth over this period. The Norfolk/Portsmouth sub-market saw robust growth in the supply of rooms, revenue, and RevPAR as well.

GRAPH 15

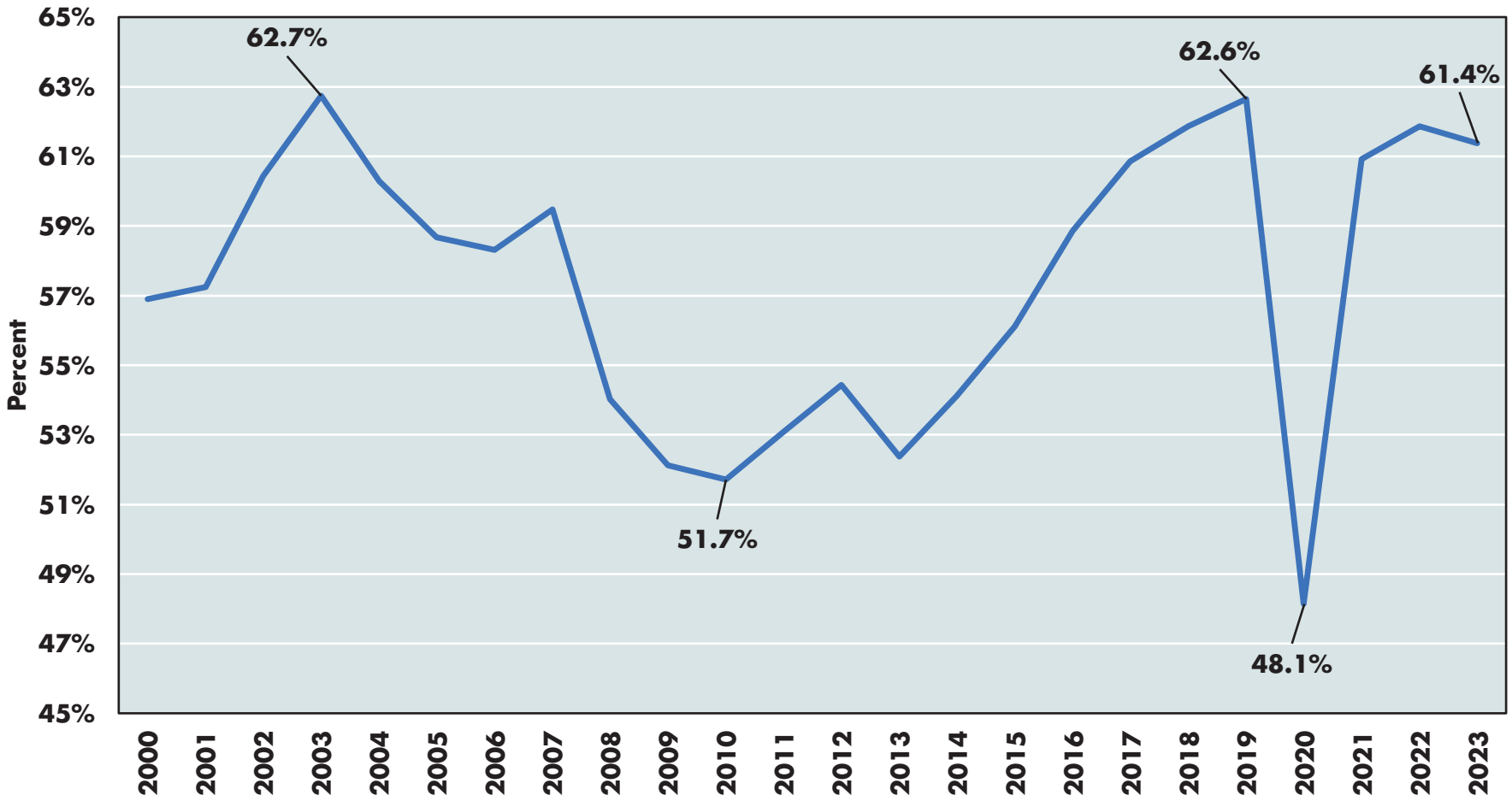
AVERAGE ANNUAL SUPPLY OF HOTEL ROOMS
HAMPTON ROADS, 2000 - 2023



Source: STR Trend Report, January 2024.

GRAPH 16

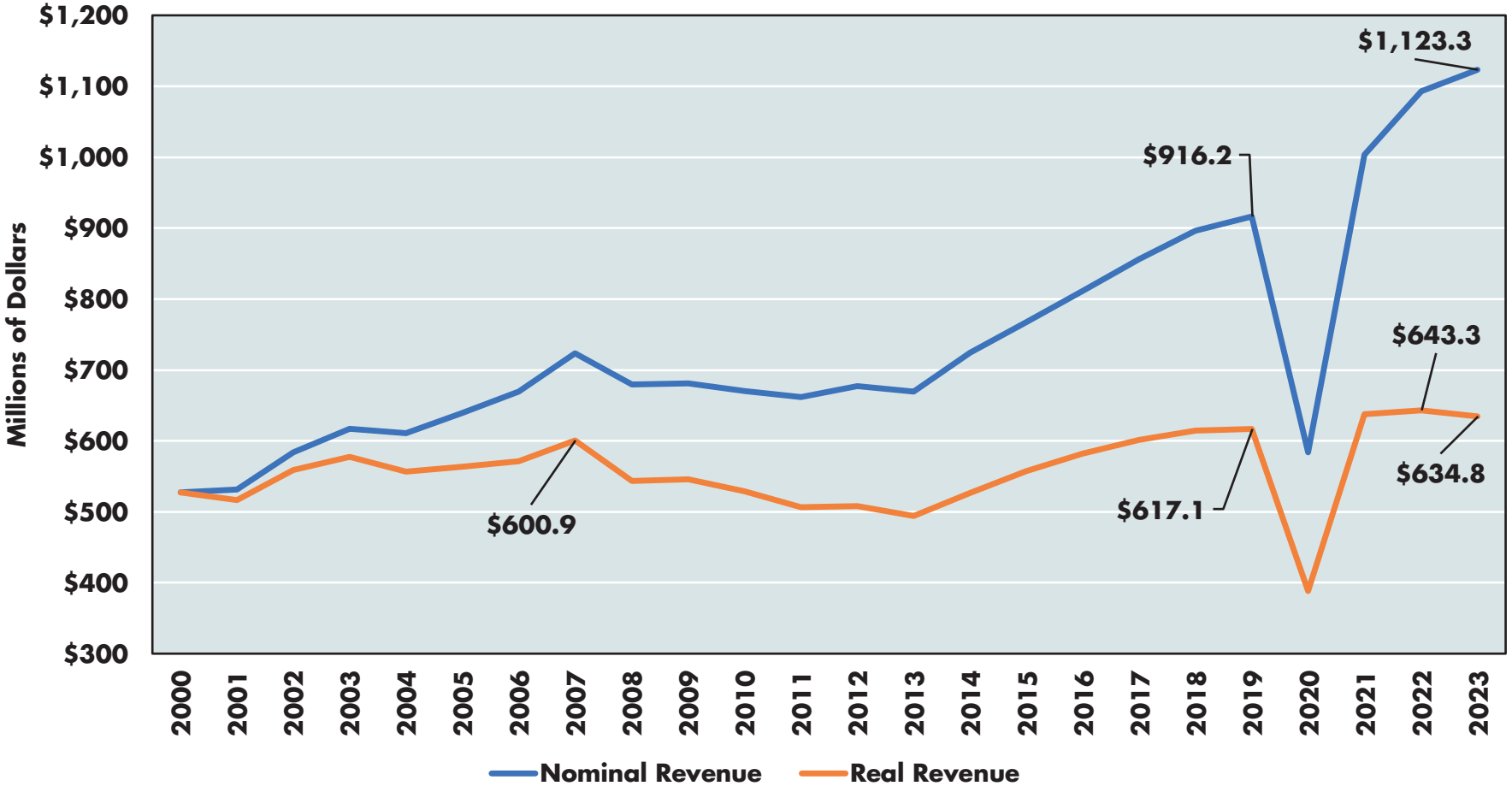
AVERAGE ANNUAL HOTEL ROOM OCCUPANCY
HAMPTON ROADS, 2000 - 2023



Source: STR Trend Report, January 2024.

GRAPH 17

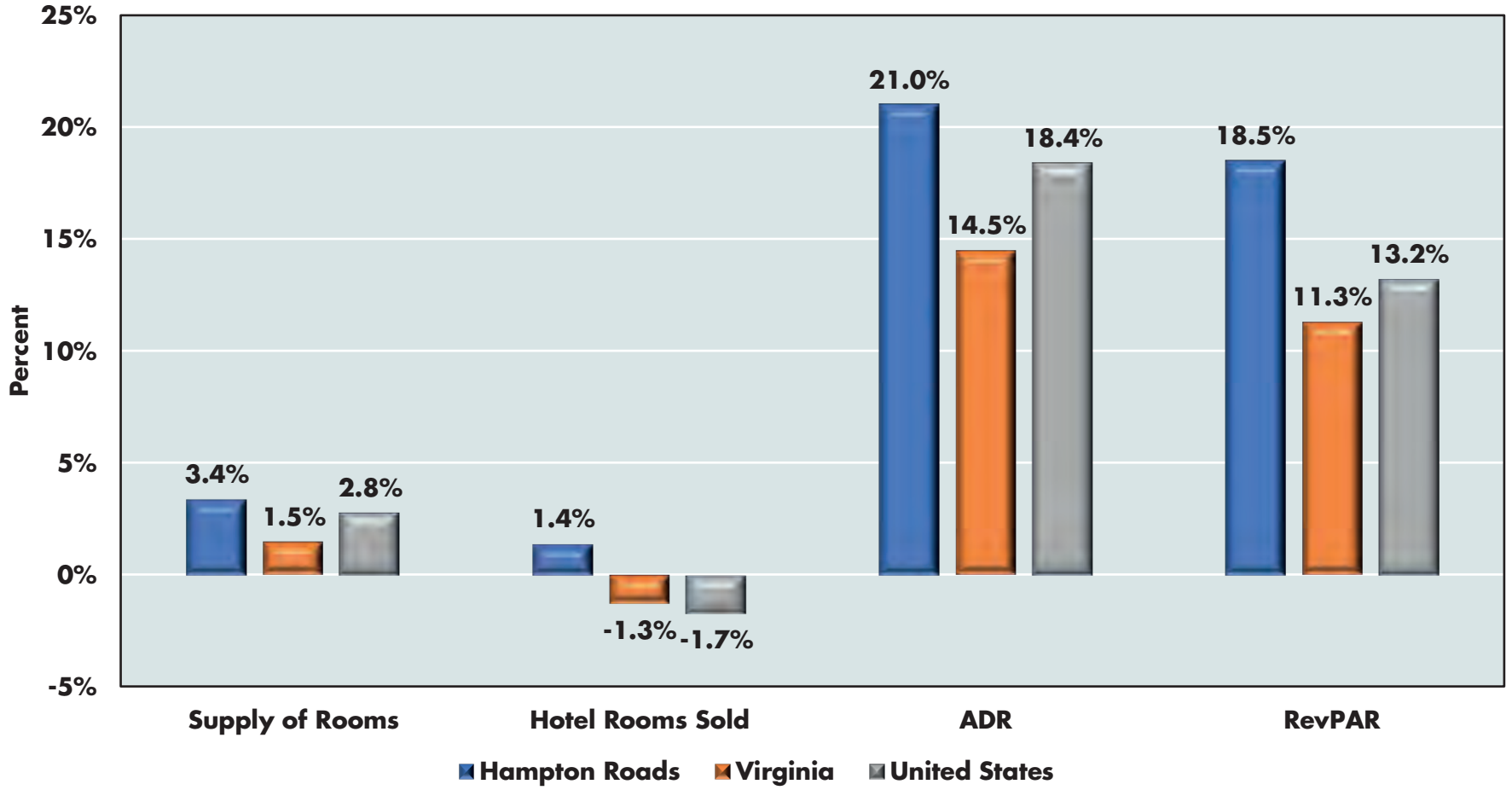
NOMINAL AND REAL HOTEL REVENUE IN MILLIONS OF DOLLARS
HAMPTON ROADS, 2000 - 2023



Source: STR Trend Report, January 2024, U.S. Bureau of Economic Analysis, Consumer Price Index for all Urban Consumers (Base Year = 2000), and the Dragas Center for Economic Analysis and Policy, Old Dominion University.

GRAPH 18

PERCENT CHANGE IN SELECTED HOTEL INDUSTRY INDICATORS
HAMPTON ROADS, VIRGINIA, AND THE UNITED STATES, 2019 - 2023



Source: STR Trend Report, January 2024.

TABLE 1

PERCENT CHANGE IN SELECTED HOTEL PERFORMANCE INDICATORS HAMPTON ROADS, VIRGINIA, AND THE UNITED STATES 2019 TO 2023

Sub-markets	Hotel Revenue	Revenue per Available Room	Supply of Rooms	Hotel Rooms Sold
Chesapeake/ Suffolk	26.4%	25.9%	0.4%	2.0%
Newport News/ Hampton	18.5%	20.7%	-1.8%	-2.1%
Norfolk/ Portsmouth	25.7%	18.5%	6.1%	5.4%
Virginia Beach	29.2%	16.6%	10.8%	4.3%
Williamsburg*	8.7%	11.0%	-2.1%	-3.9%
Hampton Roads	**22.6%**	**18.5%**	**3.4%**	**1.4%**
Northern Virginia	-2.3%	4.0%	-6.1%	-10.4%
Virginia	13.0%	11.3%	1.5%	-1.3%
USA	16.4%	13.2%	2.8%	-1.7%

Source: STR Trend Report January 2024 and the Dragas Center for Economic Analysis and Policy, Old Dominion University. *Williamsburg market includes City of Williamsburg and James City County.

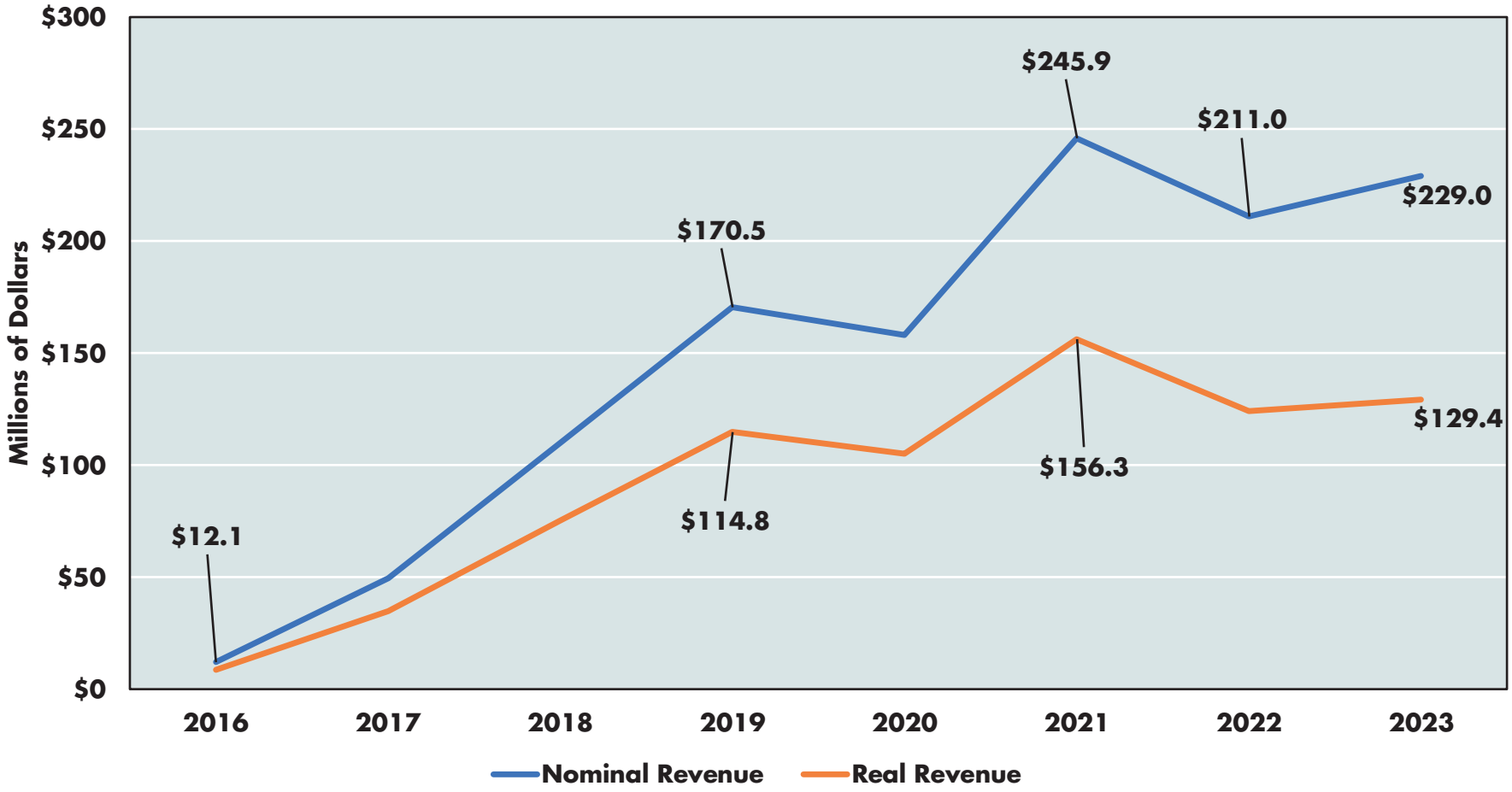
One potential constraint on the hotel industry has been the rise of the short-term rental industry. Graph 19 displays nominal and real Airbnb and Vrbo revenues for Hampton Roads from 2016 to 2023. In 2016, nominal revenues were approximately $12.1 million, climbing to $170.5 million in 2019 and to $245.9 million in 2021. Nominal revenues, however, dipped to $211.0 million in 2022 before recovering to $229.0 million in 2023.

However, the rise (and fall) of short-term rental nominal revenues may be misleading since it does not account for inflation. Real revenues in 2000 dollars increased by nearly 300% from 2016 to 2017, about 117% in 2018, and then around 52% in 2019. In 2020, not surprisingly, real revenues declined by 8% before jumping 49% in 2021. Real revenues then declined by 21% in 2022 and enjoyed a modest recovery of 4% in 2023. Nominal and real revenues in 2023 were below the peak observed in 2021. Almost all the rentals since 2018 (more than 93%) have been from whole-house rentals.

The question is whether we have seen 'peak Airbnb' and 'peak Vrbo.' As the rental price of short-term lodgings has neared (if not passed) traditional hotels, the open question is what is the advantage of short-term rentals, especially if you have to pay a cleaning fee and clean the property before departure? Perhaps there is an equilibrium that is emerging, where short-term rentals and traditional hotels operate in somewhat peaceful co-existence. Time will tell.

GRAPH 19

NOMINAL AND REAL AIRBNB AND VRBO REVENUES
HAMPTON ROADS, 2016 - 2023



Source: AirDNA data received in March 2024, Bureau of labor Statistics, and the Dragas Center for Economic Policy and Analysis. AirDNA data excludes revenue from shared rooms.

Final Thoughts

The pillars of the economy in Hampton Roads have fared well since the onset of the COVID-19 pandemic in 2020. Defense spending in the region continued to increase and will likely rise in 2024 and 2025. Increasing levels of spending will fuel regional economic growth, yet the question remains: how long can this last? Increasing deficits and debt will, at some point, become due, and we must work to diversify the economy before the proverbial butcher's bill arrives.

For the Port of Virginia, the story is one of relative competitiveness and performance. While cargo traffic decreased in 2023 compared to 2022, it decreased more significantly for many other major ports across the United States. It appears the declines were primarily concentrated among empty TEUs and loaded inbound TEUs. Given the economic slowdown in many destinations serviced by the Port of Virginia, the fact that it has grown the outbound loaded TEUs should be a point of emphasis and celebration. As we have noted in previous reports and stated here again, increasing investments in the Port infrastructure as well as the regional transportation infrastructure are a smart bet that is likely to pay significant dividends for the Port and the economy as a whole.

The hotel industry in Hampton Roads has performed well, especially when compared to the industry in Virginia and across the United States. Occupancy rates were lower in 2023 than 2022 and real revenues declined slightly in 2023. However, when compared to pre-pandemic peaks, the hotel industry remains larger in 2023 than in 2019. While short-term rentals grew significantly during pre-pandemic, this growth appears to have moderated remarkedly in 2022 and 2023. The conditions are right for 2024 to be a growth year for the hotel industry.

As we prepare to enter 2025, the pillars of the Hampton Roads economy remain strong. We can build upon these pillars to spur growth in the key industry clusters to diversify the economy of the region and to bolster private sector job growth. Doing so will require investments in the Port, improving transportation in and around the region, and addressing challenges related to workforce housing. These are not easy tasks, but if every journey begins with a first step, now is the time to start moving forward.


MSC CRISTINA
MONROVIA
M S C

If You Zone It, They Will Come: Housing Supply in Hampton Roads

IF YOU ZONE IT, THEY WILL COME: HOUSING SUPPLY IN HAMPTON ROADS

"The best time to buy a home is always five years ago."
Ray Brown, Musician, 1926-2002

By December 2023, according to Zillow Research, median home values in the Virginia Beach – Chesapeake – Norfolk ("Hampton Roads") metropolitan statistical area (MSA) were 56.7% higher than January 2015. The rise was overshadowed by the 89.7% increase in median home values for the United States over the same period. While single-family home values grew more slowly in Hampton Roads than the nation, the same could not be said for median multifamily rents. From January 2015 to December 2023, median multi-family rents were 52.6% and 49.5% higher for Hampton Roads and the nation, respectively. The increases in single-family home values and multifamily rents outstripped gains in average weekly wages, which rose approximately 36.4% from the first quarter of 2015 to the last quarter of 2023. Pliny the Elder once aptly observed, "Home is where the heart is," but, for many residents of the region, the idea of 'home' is increasingly out of reach.

In January 2024, the Norfolk Redevelopment and Housing Authority began offering first-time homebuyers up to $40,000 in down payment and closing cost assistance. LaShawn Fortes, head of the authority's HomeNet Homeownership Center, said, "While there is a widespread housing need, funding to support essential workers like schoolteachers, police officers and city employees is often limited."[1] In April 2024, Portsmouth Mayor Shannon Glover echoed these comments, noting that "As you create a stable housing community, you create opportunities for other things to come, particularly business."[2] Bobby Dyer, Virginia Beach's mayor, observed in April 2024 that many residents may support more housing as long as it is built elsewhere, commonly known as 'Not in My Backyard' or NIMBY opposition. Dyer, at a meeting of regional mayors, argued, "It takes courage of conviction from your elected leaders to ignore the NIMBY crowd and say, 'We're going to do what's right.'" [3]

The upward pressure on single and multifamily housing prices is not likely to ease in the short term. The Harvard Joint Center for Housing Studies noted that most of the recent acceleration in household formation has been driven by a pickup in growth among millennials, continuing a longer-term trend that has been building since 2016. Nationally, from 2011 to 2016, the number of households headed by individuals aged 25 to 34 years increased, on average, by 45,000 annually. From 2016 to 2021, the number of households in this age group grew by approximately 300,000 per year. For the 35 to 44 years age group, household formation rose even more rapidly. From 2011 to 2016, the average annual increase in the number of households headed by someone aged 35 to 44 years was 150,000. From 2016 to 2021, the average annual increase jumped to about 400,000 a year.

1 Tara Bozick, "Norfolk offers first-time homebuyers up to $40,000 amid rising costs," Daily Press, January 26, 2024.
2 Trevor Metcalfe, "Hampton Roads city leaders working to address affordable housing shortage with limited resources, officials say," Virginian-Pilot, April 11, 2024.
3 Ryan Murphy, "Hampton Roads mayors talk obstacles, solutions to affordable housing crisis." WHRO, April 10, 2024.

In Hampton Roads, the number of households headed by individuals aged 25 to 34 years increased by an average of 1,500 per year from 2011 to 2016. Over the same period, the number of households headed by individuals aged 35 to 44 years decreased by an average of 1,800 per year.

In comparison, the number of households headed by individuals aged 25 to 34 years saw an approximate annual average increase of 4,100 for the period 2016 to 2021 and number of households headed by individuals aged 35 to 44 years, experienced an average increase of 5,200 units yearly for the same period.

The rate of household formation cannot be solely explained by population growth, and it suggests that older millennials were (finally) forming households, which, in turn, boosted demand for housing. [4]

While we laud recent efforts to reduce the cost of purchasing a home, these actions will not address the underlying issue in Hampton Roads: we are not building single and multifamily housing at a sufficient pace to meet demand. What follows is a simple lesson in economics: if demand is increasing, and supply is increasingly constrained, prices will rise. The question is simple: why has the supply of new single-family homes and multifamily residences not kept pace with demand in Hampton Roads over the last two decades?

There are examples to draw upon that hold valuable lessons about housing supply. Minneapolis, Minnesota, reformed its land use policies last decade and subsequently added 12% to its housing stock between 2017 and 2022. Over the same period, the rest of the state's housing stock increased by only 4%. While both the state and city experienced population and household growth, average rents only increased by 1% in Minneapolis compared to 14% for the rest of the state. Homelessness also declined by 12% in the city while rising 14% across the state.[5]

There is no single factor that, by itself, will resolve the fall in new single and multifamily construction regionally, across the state, and nationally. Rising interest rates over the last two years, for example, impacted the cost of new housing developments. As the population of the region becomes older, the demand for certain types of housing (senior living communities) will increase rapidly relative to the demand for new 'starter' homes.

We argue, however, that there is one determinant of housing supply that cities and counties in Hampton Roads can change: regulations and policies regarding land use. Each locality in the region has the ability to reduce restrictions (or impose new ones) on how land is developed, and these decisions directly influence the ability of developers to build new housing stock. To quote the cartoon character Pogo, "We have met the enemy, and he is us."

In this chapter, we examine how housing supply has changed in Hampton Roads. We first discuss market conditions over the last two decades and the recent evolution of single and multifamily housing prices. The third section reviews the principles of land use and zoning and how these policies and regulations can impact housing supply. The fourth section reviews the evidence on local regulations on housing supply. The last section concludes and asks what can be done to increase the supply of housing in Hampton Roads.

4 Harvard Joint Center for Housing Studies, "The Surge in Household Growth and What It Suggests About the Future of Housing Demand," January 17, 2023. See https://www.jchs.harvard.edu/blog/surge-household-growth-and-what-it-suggests-about-future-housing-demand.

5 "Minneapolis Land Use Reforms Offer a Blueprint for Housing Affordability," Pew Charitable Trusts, January 4, 2024. https://www.pewtrusts.org/en/research-and-analysis/articles/2024/01/04/minneapolis-land-use-reforms-offer-a-blueprint-for-housing-affordability

National Market Conditions: How Did We Get Here?

Graph 1 illustrates the issuance of privately-owned single-family housing unit permits for the United States from January 2000 to April 2024. Single-family permits climbed before the onset of the Great Recession of 2007 – 2009, reaching a peak of approximately 1.8 million units in September 2005.[6] By January 2009, single-family permits had fallen to approximately 337,000 units, a decline of 81.3%. What followed this trough was an incomplete recovery, as permits only exceeded 1.0 million in the aftermath of the COVID-19 pandemic more than a decade later. Even this recovery was short-lived as single-family permits fell when the Federal Reserve began to raise the Federal Funds rate in 2022 in response to rising inflation.[7]

While single-family housing permits never fully recovered from the Great Recession of 2007 – 2009, the same cannot be said about multifamily housing permits. Graph 2 shows that multifamily permits declined in 2008 and 2009 but then recovered to pre-recession levels by the middle of the next decade. Multifamily permits increased in late 2020 and continued to rise through early 2023. While multifamily permits declined in the second half of 2023 and into 2024, the number of issued permits were still higher than prior to the Great Recession. The increase in multifamily permits, however, did not make up for the shortfall in single-family permits, so the country is producing fewer total housing units than two decades ago.

Graph 3 illustrates the homeowner and rental vacancy rates for the United States from the first quarter of 2000 to the first quarter of 2024. The rental vacancy rate peaked at 11.1% during the Great Recession and declined to 5.6% in the fourth quarter of 2021. The homeowner vacancy rate also climbed during the Great Recession, reaching 2.9% in the fourth quarter of 2008. The homeowner vacancy rate then fell during the longest peacetime expansion in U.S. history. Except for one quarter, the homeowner vacancy rate has hovered below 1% this decade.

In other words, for almost the entire current decade, less than 1 in 100 homes has been vacant, illustrating the relative tightness of the single-family market. While the rental vacancy rate has rebounded slightly off its recent lows, the homeowner vacancy rate was 0.8% in the first quarter of 2024.

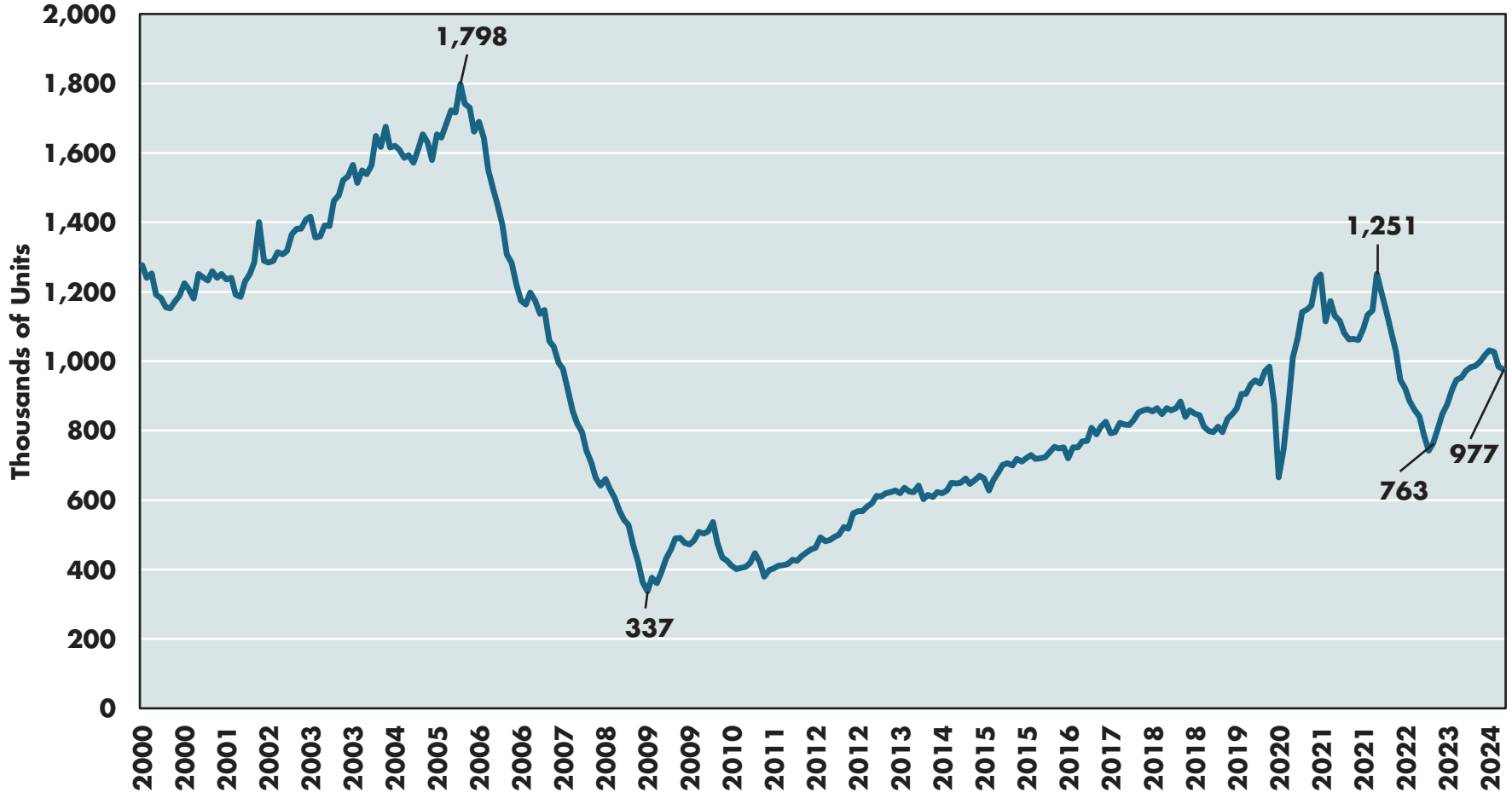
Graph 4 illustrates how home values have accelerated this decade. Here we use data from Zillow Research to investigate 'typical' home values. In January 2000, the typical home in the United States was worth approximately $123,045. From January 2000 to April 2007, nominal home values increased by approximately 68.7%. Typical home values then fell by 23.3% to $159,248 in February 2012. From the bottom of the trough following the Great Recession to February 2020, typical home values in the United States rose 56.8% to $249,710. So, in less than a decade, typical home values recovered and then continued to increase. However, this growth was overshadowed by what occurred in the aftermath of the COVID-19 pandemic. As the Federal Reserve significantly lowered the federal funds rate (lowering the cost of borrowing to prospective and existing homeowners), there was also a shift in demand. Many higher-income occupations shifted to remote or hybrid work. As the pandemic eased, robust economic growth fueled housing demand. Following the 56.8% increase from 2012 to 2020, typical home values in the United States increased by another 43.9% from February 2020 to April 2024.

We can take a longer view to place the recent 'run-up' in house prices in context. The U.S. Federal Housing Finance Agency's All-Transactions House Price Index measures changes in single-family home values. Starting in 1976, the national index is a weighted, repeat-sales index, measuring average price changes in repeat sales or refinancings on the same properties.[8] The largest year-over-year increase in the index occurred in 2022 (16.9%). The third highest year-over-year growth occurred in 2021 (13.7%). In other words, the recent increases in home prices were historic.

6 The U.S. Census reports data on new residential permits, construction, and sales on a seasonally adjusted annual basis. For more information, see https://www.census.gov/construction/nrc/index.html.
7 The discount rate is the rate at which the Federal Reserve lends to banks while the Federal Funds rate is the interest rate at which banks may lend to each other overnight. The Federal Funds rate is the primary rate for the Federal Open Market Committee.
8 https://www.fhfa.gov/DataTools/Downloads/Pages/House-Price-Index.aspx

GRAPH 1

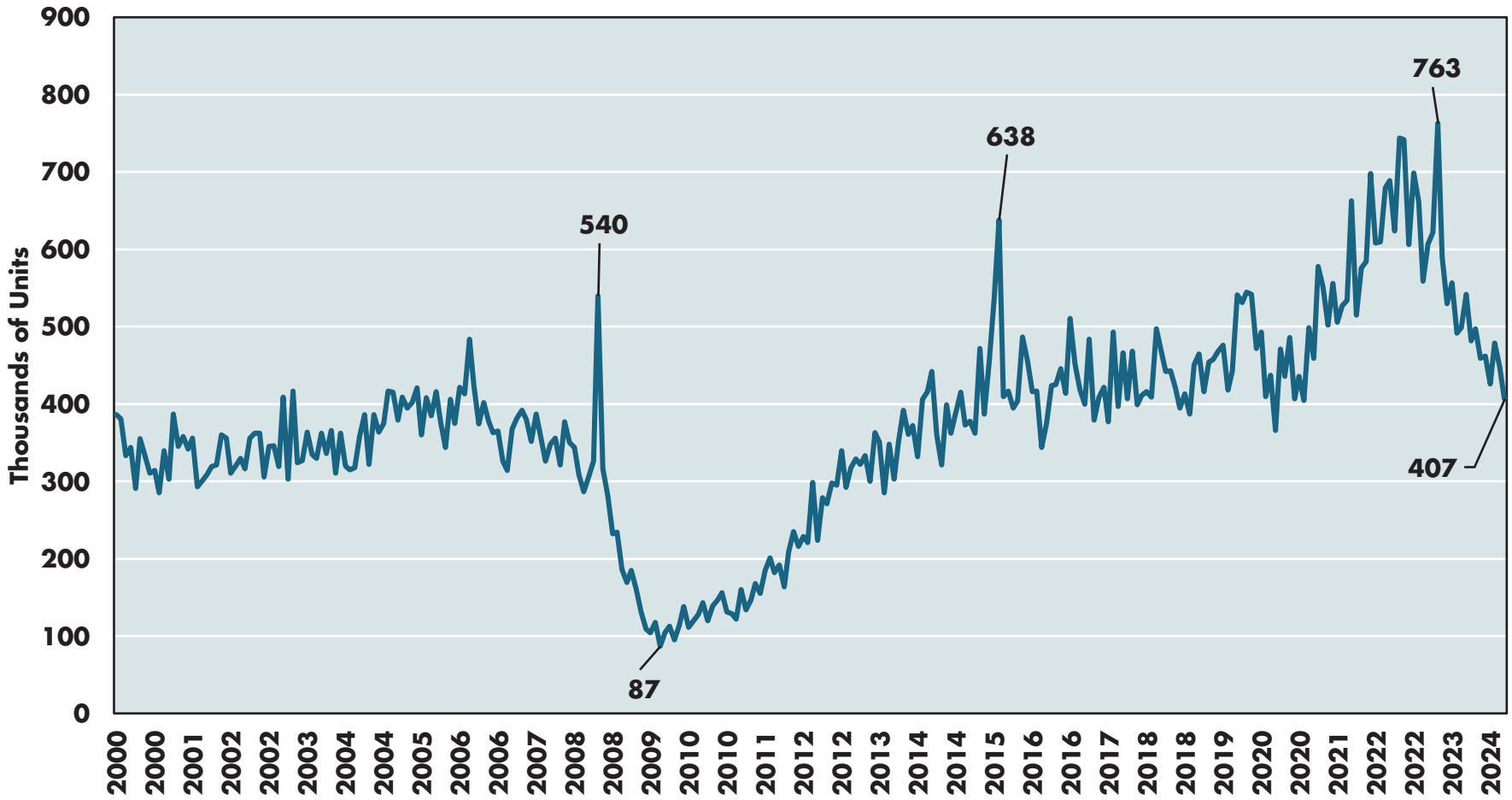
NEW PRIVATELY-OWNED HOUSING UNITS AUTHORIZED IN PERMIT-ISSUING PLACES
SINGLE-FAMILY UNITS, UNITED STATES
JANUARY 2000 - APRIL 2024



Source: U.S. Census Bureau and U.S. Department of Housing and Urban Development, New Residential Construction. Seasonally adjusted data at annual rate.

GRAPH 2

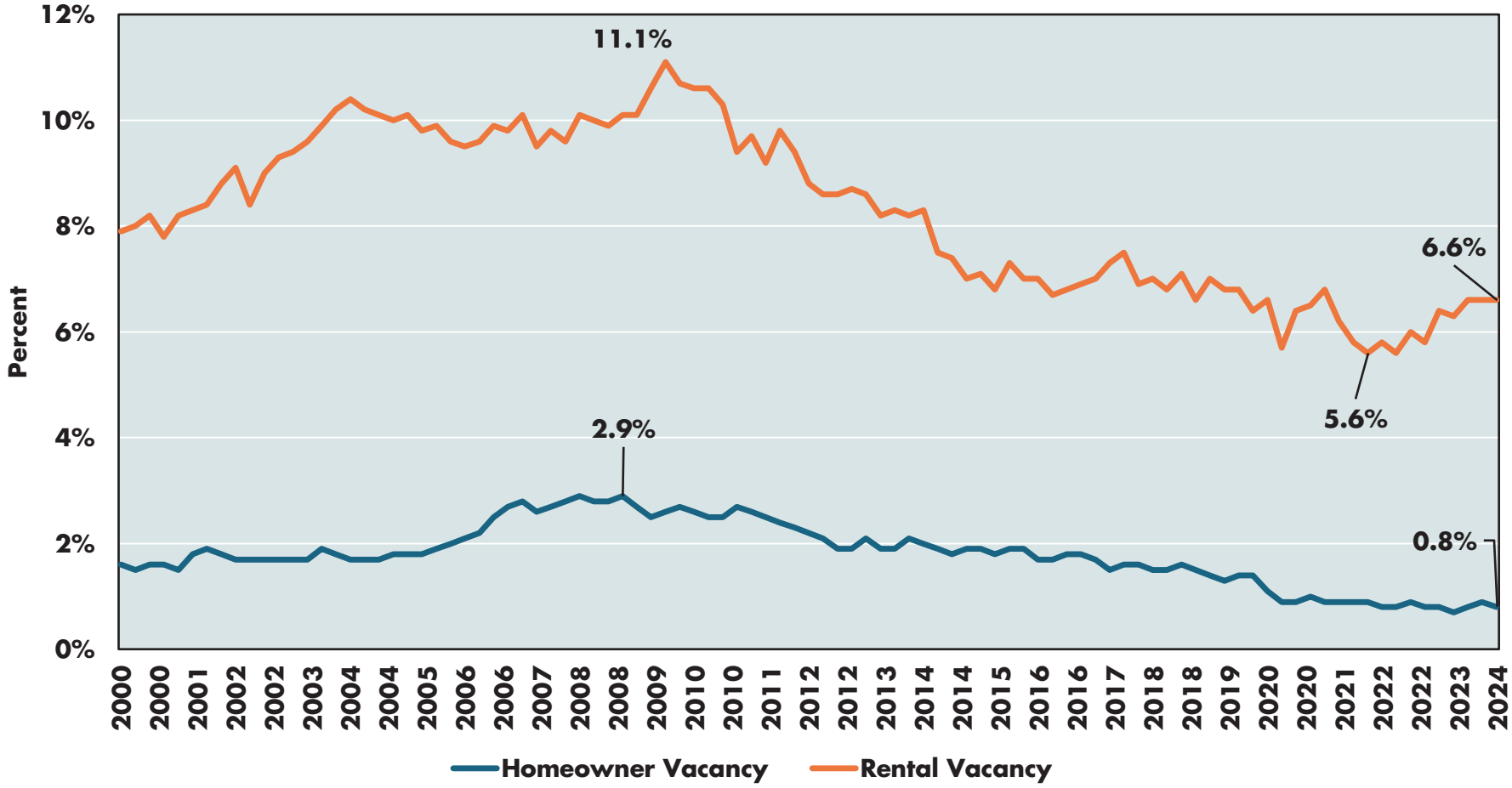
NEW PRIVATELY-OWNED HOUSING UNITS AUTHORIZED IN PERMIT-ISSUING PLACES FIVE OR MORE UNITS, UNITED STATES JANUARY 2000 - APRIL 2024



Source: U.S. Census Bureau and U.S. Department of Housing and Urban Development, New Residential Construction. Seasonally adjusted data at annual rate.

GRAPH 3

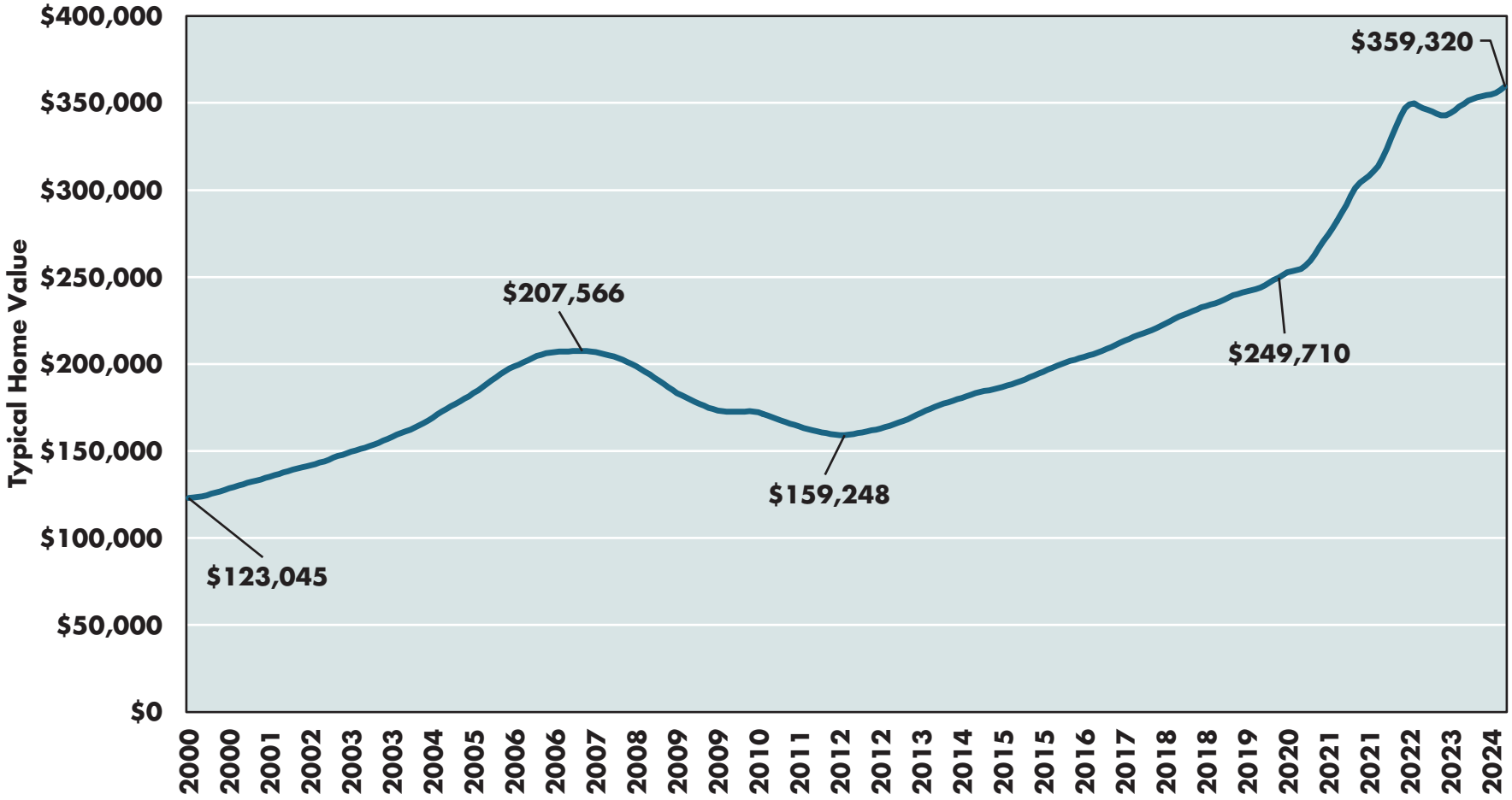
HOMEOWNER AND RENTAL VACANCY RATE
UNITED STATES, Q1 2000 - Q1 2024



Source: U.S. Census Bureau, Residential Vacancies and Homeownership Annual Statistics, not seasonally adjusted data. The rental vacancy rate is the proportion of the rental inventory that is vacant for rent. The homeowner vacancy rate is the proportion of the homeowner inventory that is vacant for sale.

GRAPH 4

ZILLOW HOME VALUE INDEX (ZHVI) FOR SINGLE-FAMILY HOMES
UNITED STATES, JANUARY 2000 - APRIL 2024



Source: Zillow (2024). The Zillow Home Value Index (ZHVI) is a measure of the typical home value in the 35th to 65th percentile range. Smoothed, seasonally adjusted data.

With home values rising, it should be no surprise that median mortgage values have also risen. As shown in Graph 5, the median mortgage amount in the United States in 2010 was $197,300. By 2019, the median mortgage had risen to $264,200, increasing at an annual average rate of 3.3%. From 2019 to 2022, the median mortgage in the United States grew at an annual average rate of 15.8%, from $264,200 in 2019 to $354,100 in 2022. Simply put, the median mortgage nationally grew much faster from 2019 to 2022 than it did from 2010 to 2019.

Given the previously illustrated increase in home values, we expect the median mortgage nationally will continue to increase in 2024. At the same time, interest rates have risen, 'locking in' some existing homeowners who, when interest rates were lower, refinanced their existing mortgages and are now reluctant to re-enter the single-family housing market. These 'locked in' homeowners are further constraining supply, creating resistance to median home values falling, even in the face of higher interest rates and lower demand. While median values may decline in some metropolitan areas in 2024 and 2025, these declines are likely to be small relative to the run-up in home values over the past decade.

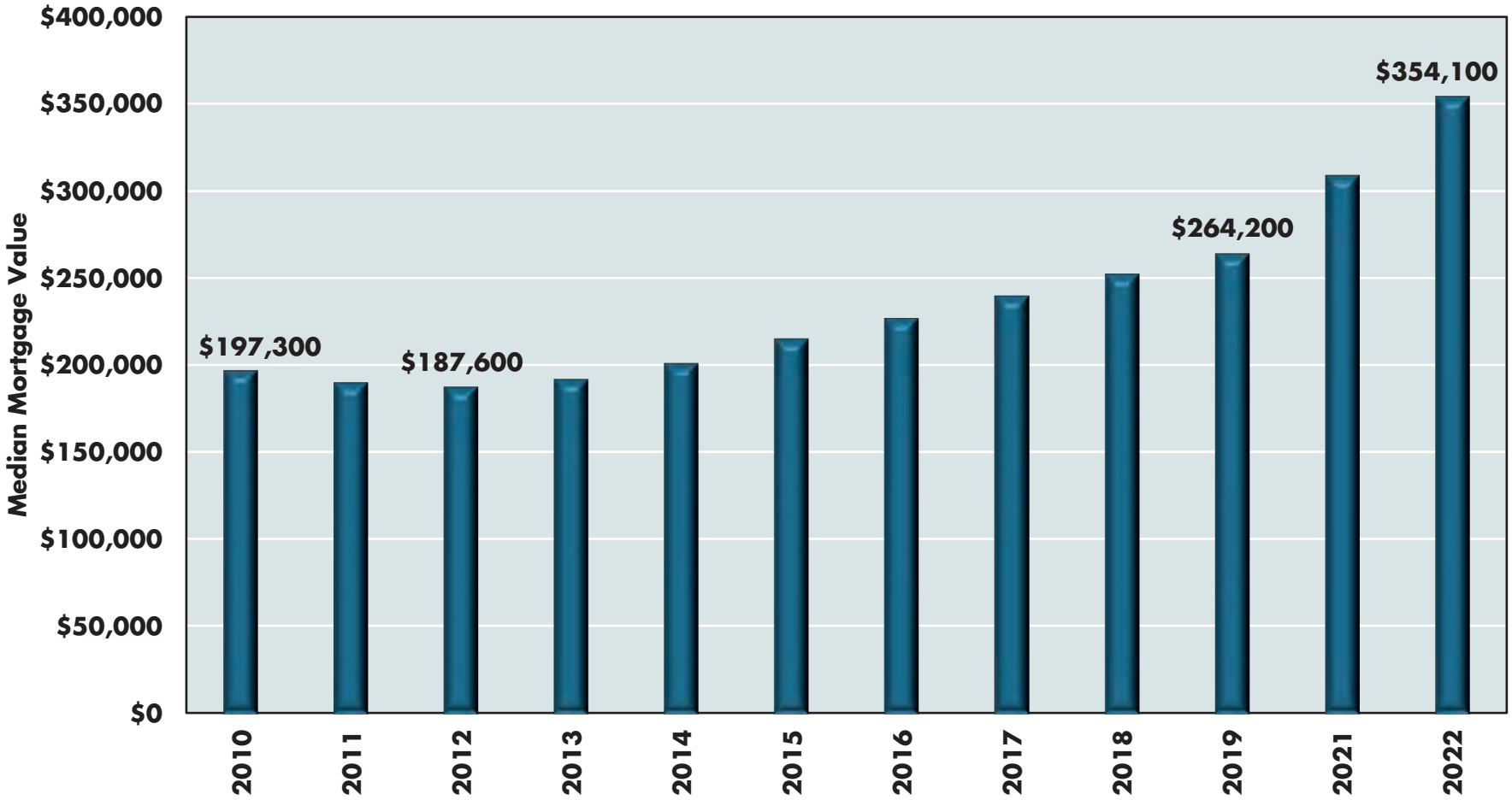
Graph 6 presents the Zillow Observed Rent Index (ZORI) for multifamily residents for the United States from January 2015 to April 2024. From January 2015 to March 2020, the monthly national rent estimate increased from $1,229 to $1,487, a rise of 21.0%. While observed rents declined from March 2020 to October 2020, rents fully recovered by April 2021. From April 2021 to April 2024, the observed rent index increased by 24.9%. Over the entire span of data in Graph 6, observed rents nationally increased, on average, by 51.5%.

Nationally, housing market conditions have been characterized by some as a 'perfect storm' since single-family and multifamily housing supply has not kept pace with household formation. The increases in single-family housing values, coupled with higher interest rates, have increased the cost of entry for prospective buyers. Some of these prospective buyers find themselves unable to transition from multifamily rentals to single-family ownership thereby increasing the demand for multifamily housing. The rising cost of housing impacts mobility and household formation. In 2000, 12.9% of men and 8.3% of women aged 25 to 34 years lived in their parental household. In 2023, 19.7% of men and 12.3% of women aged 25 to 34 years lived in their parental household.[9]

9 United States Census Bureau, Historical Living Arrangements of Adults, November 2023. https://www.census.gov/data/tables/time-series/demo/families/adults.html

GRAPH 5

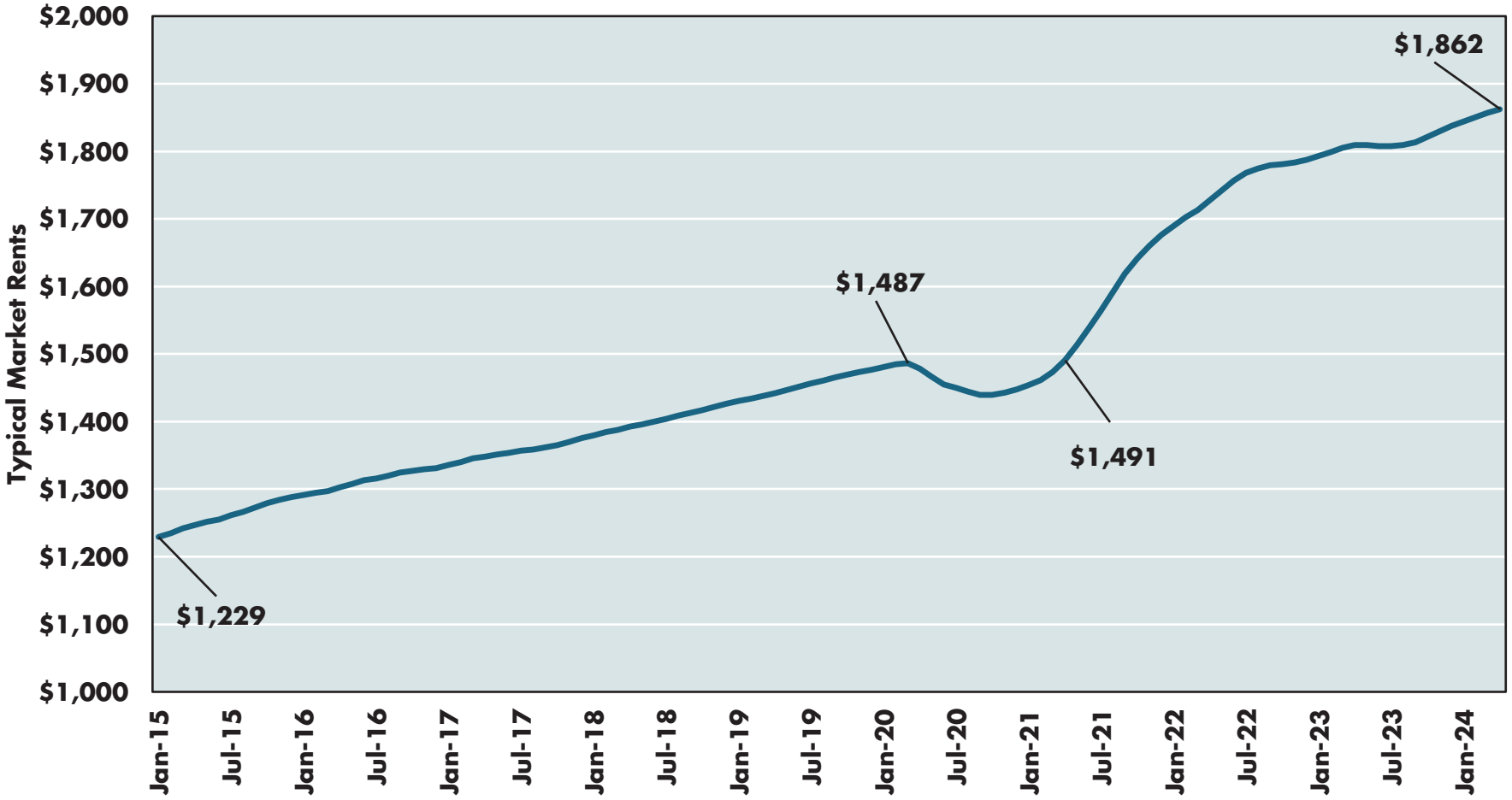
MEDIAN MORTGAGE VALUE FOR OWNER-OCCUPIED UNITS WITH A MORTGAGE
UNITED STATES, 2010 - 2022*



Source: United States Census Bureau, American Community Survey 1-Year estimates, various years. *2020 estimates are not available for metropolitan areas and are experimental for the state and nation. We exclude these experimental estimates from the graph and our discussion.

GRAPH 6

ZILLOW OBSERVED RENT INDEX (ZORI) FOR MULTIFAMILY RESIDENCES
UNITED STATES, JANUARY 2015 - APRIL 2024



Source: Zillow (2024). The Zillow Observed Rent Index (ZORI) is a smoothed measure of the typical market rent and is constructed by computing mean listed rents in the 40th to 60th percentiles which is weighted to reflect rental housing stock. Smoothed, seasonally adjusted data.

Market Conditions in Hampton Roads

Graph 7 presents the average number of new private housing unit permits issued in Hampton Roads from 2000 to 2023. While new single-family housing permits peaked nationally in late 2005, new single-family housing permits in the region reached their highest level in 2003. Total permits also reached their highest level in 2004, also earlier than the United States. In short, builders in Hampton Roads were seeking fewer building permits sooner than their national counterparts prior to the Great Recession of 2007 – 2009.

Graph 8 contains the Zillow Home Value Index (ZHVI) for Hampton Roads from January 2000 to April 2024. From January 2000 to June 2007, the ZHVI increased from $119,453 to $255,954. The 114.3% jump in the ZHVI was larger than the United States over a similar period. As housing demand weakened during the Great Recession, the ZHVI fell to $210,537 in February 2012, a decline of 17.7%. This decline in housing prices was more substantial than the nation. From February 2012 to February 2020, the ZHVI increased by 21.8% and then price growth accelerated in the aftermath of the pandemic. From February 2020 to April 2024, the ZHVI jumped 38.4%, that is, single-family home values increased more in 4 years this decade than in the decade prior to the COVID-19 pandemic. Taken together, Graphs 7 and 8 clearly illustrate the connection between supply, demand, and home prices. As permits (i.e. supply) have fallen over the last 20 years, prices have predictably continued to escalate.

Graph 9 illustrates how the rise in typical home values was reflected in the median mortgage value for Hampton Roads from 2010 to 2022. Hampton Roads recovered relatively slowly when compared to the nation from the Great Recession of 2007 – 2009 and budget sequestration in the early part of the 2010s. The median mortgage value in the region fell by 6.7% from 2010 to 2013 and then rose by 11.3% from 2013 to 2019. In other words, median mortgage values increased on an annual basis by only 0.4% from 2010 to 2019. From 2019 to 2022, the median mortgage value, on average, increased by 12.1% in the region as opposed to an average annual increase of 15.8% in the United States. In summary, while median mortgage values have risen regionally, the increase was less than the national average.

Graph 10 illustrates the change in the Zillow Observed Rent Index for multifamily residences in Hampton Roads from January 2015 to April 2024. From January 2015 to February 2020, the typical rent in the region increased from $1,002 a month to $1,151 a month. Rent growth accelerated sharply in 2021 and continued into 2022 and 2023. By April 2024, the typical multifamily rent in the region was $1,561, an increase of 35.6% from February 2020.

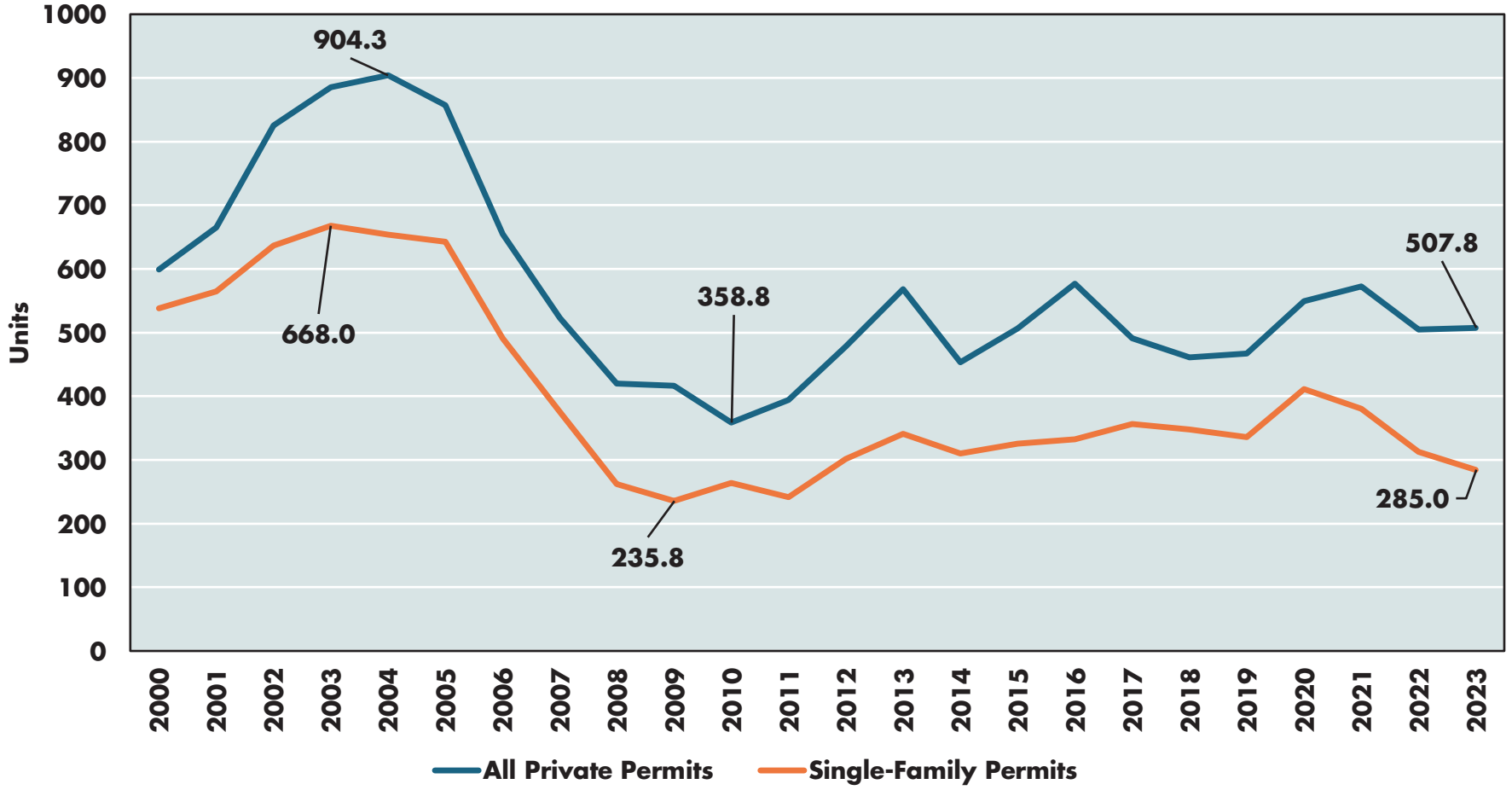
Not only did rent growth accelerate recently across Hampton Roads, it outpaced rent growth across the nation (Graph 11). Prior to September 2020, rent growth in the region was slower than the nation, but in 2021 and into 2022, rent growth in Hampton Roads was higher than the nation. More recently, however, rents have increased at roughly the same pace locally and nationally.

The rise in single-family housing prices and multifamily rents is undoubtedly a function of supply. Much like the United States, we are building single and multifamily homes at a significantly slower pace than prior to the Great Recession. While economic conditions undoubtedly influence the decision to build housing, the policy framework within which these decisions occur is important as well. The open question is whether the land use framework should start with the presumption of 'no,' that is, developers must overcome regulatory hurdles and public opposition to secure permission to start construction. There has been some positive movement of late, however, as city councils struggle to cope with the housing shortage; a couple of contentious higher-density residential rezonings have recently been approved.

In a late 2023 meeting, Virginia Beach City Council considered rezoning for a proposed apartment community with a workforce housing component, Mayor Bobby Dyer noted, "This won't be the last argument in any district going forward. If we're going to be committed to workforce affordable housing as we intend to be, one of the strategies is density." Higher density development lowers the per unit land cost, making housing affordable to a broader segment of the population, and it is also a sound strategy to increase supply more quickly.

GRAPH 7

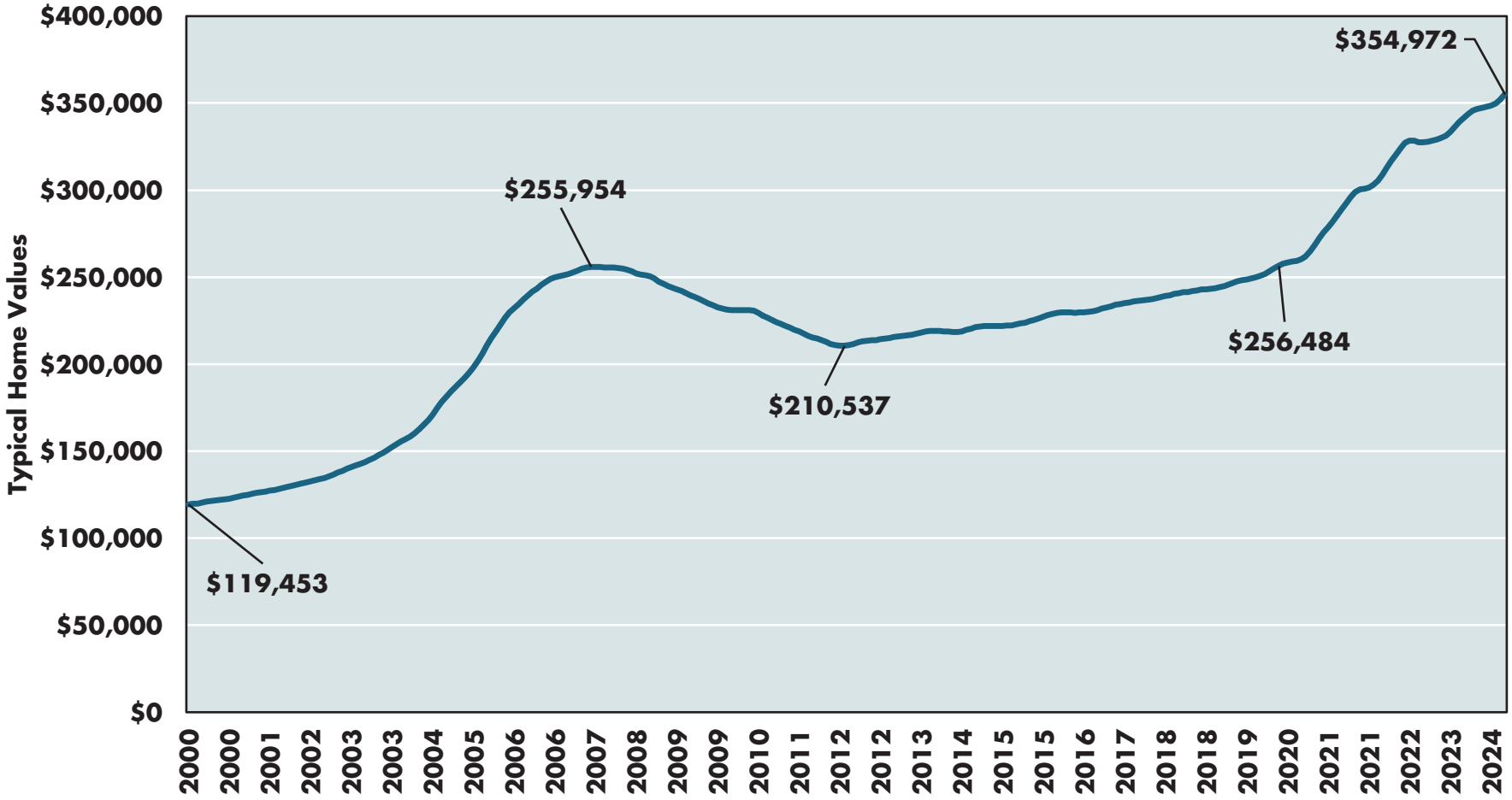
AVERAGE MONTHLY NEW PRIVATE HOUSING UNITS AUTHORIZED BY BUILDING PERMITS
ALL PERMITS AND SINGLE-FAMILY PERMITS
HAMPTON ROADS, 2000 - 2023



Source: U.S. Census Bureau, Housing Units Authorized by Building Permits. Annual averages of non-seasonally adjusted data.

GRAPH 8

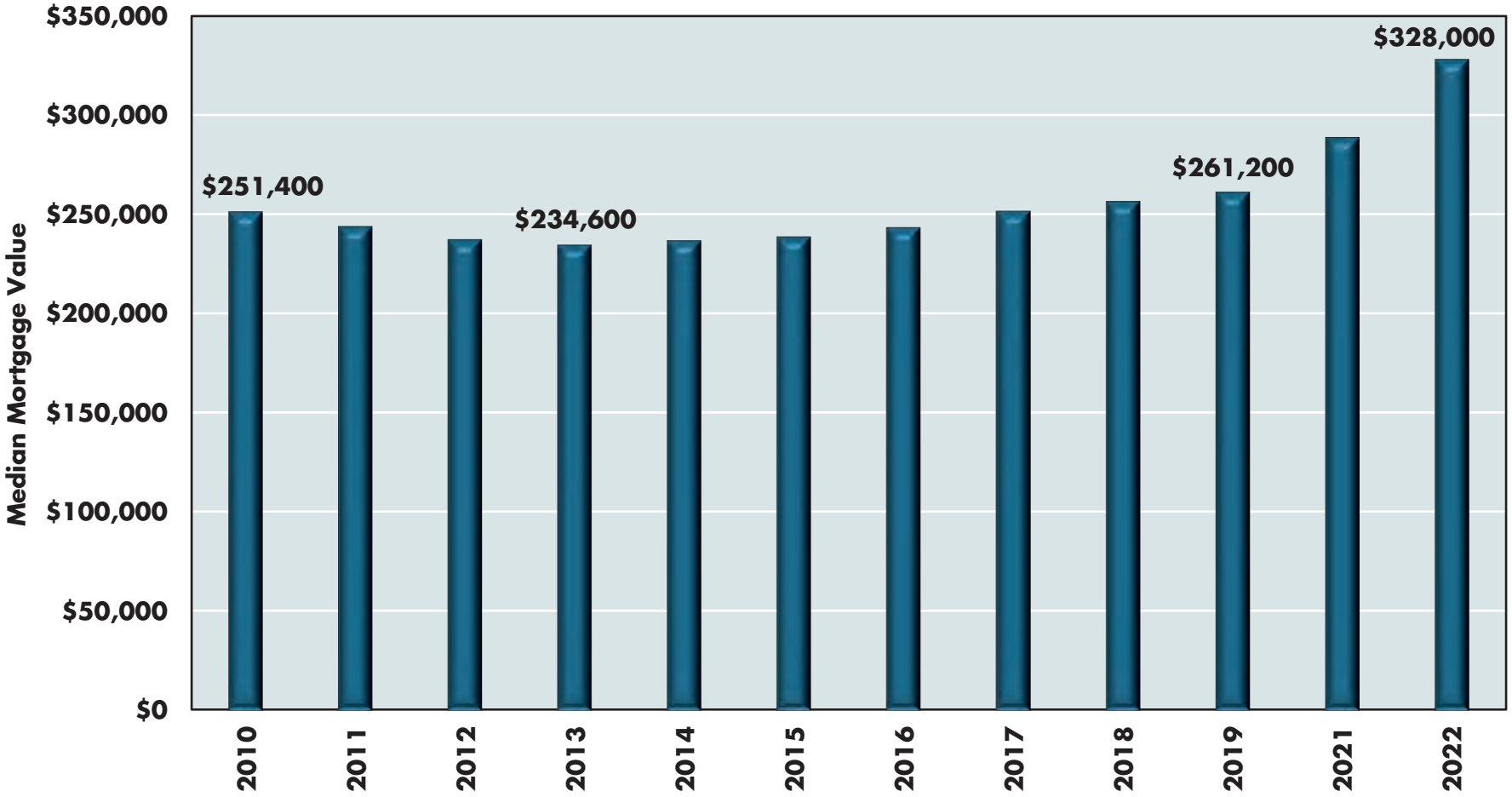
ZILLOW HOME VALUE INDEX (ZHVI) FOR SINGLE-FAMILY HOMES
HAMPTON ROADS, JANUARY 2000 - APRIL 2024



Source: Zillow (2024). The Zillow Home Value Index (ZHVI) is a measure of the typical home value in the 35th to 65th percentile range. Smoothed, seasonally adjusted data.

GRAPH 9

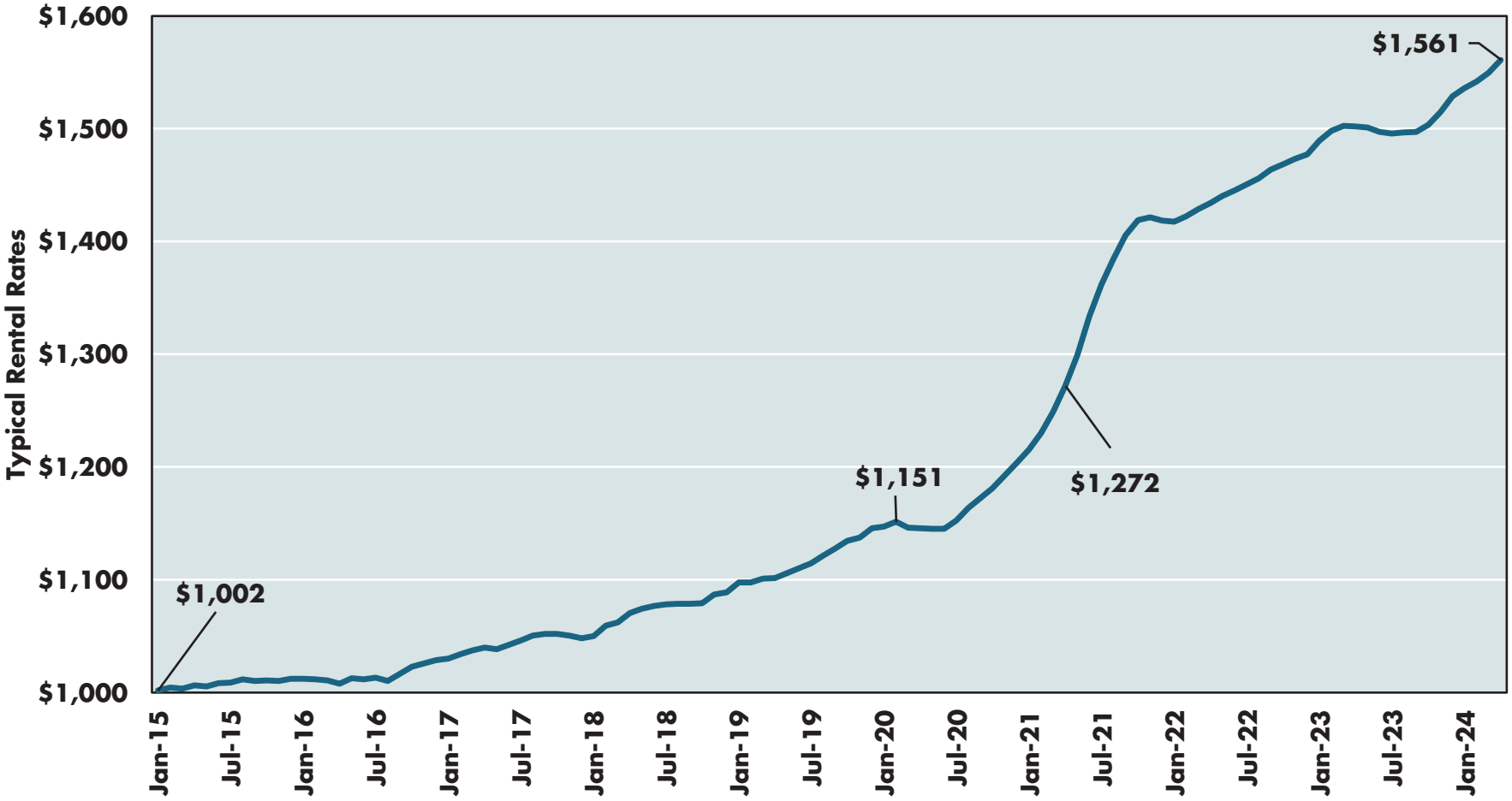
MEDIAN MORTGAGE VALUE FOR OWNER-OCCUPIED UNITS WITH A MORTGAGE
HAMPTON ROADS, 2010 - 2022*



Source: United States Census Bureau, American Community Survey 1-Year estimates, various years. *2020 estimates are not available for metropolitan areas and are experimental for the state and nation. We exclude these experimental estimates from the graph and our discussion.

GRAPH 10

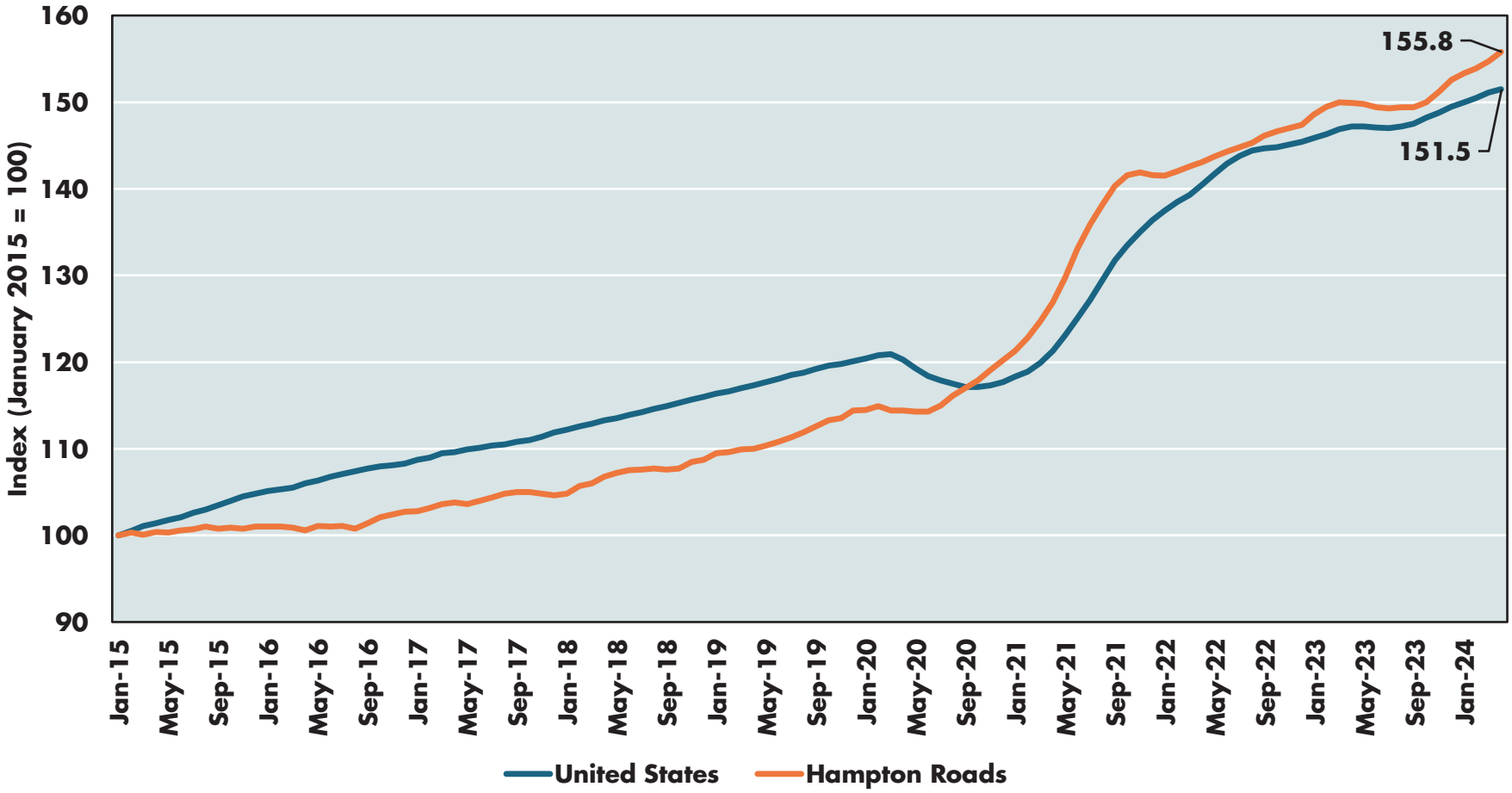
ZILLOW OBSERVED RENT INDEX (ZORI) FOR MULTIFAMILY RESIDENCES
HAMPTON ROADS, JANUARY 2015 - APRIL 2024



Source: Zillow (2024). The Zillow Observed Rent Index (ZORI) is a smoothed measure of the typical market rent and is constructed by computing mean listed rents in the 40th to 60th percentiles which is weighted to reflect rental housing stock. Smoothed, seasonally adjusted data.

GRAPH 11

INDEX OF ZILLOW OBSERVED RENT INDEX (ZORI) FOR MULTIFAMILY RESIDENCES HAMPTON ROADS AND THE UNITED STATES, JANUARY 2015 - APRIL 2024



Source: Zillow (2024). The Zillow Observed Rent Index (ZORI) is a smoothed measure of the typical market rent and is constructed by computing mean listed rents in the 40th to 60th percentiles which is weighted to reflect rental housing stock. Smoothed, seasonally adjusted data.

Zoning and Land Use Primer

The terms 'land use' and 'zoning' are often used interchangeably, but there is a difference. Land use is more generally how a community adapts the land to suit its needs, whereas zoning is how the government specifically regulates the land, typically through ordinance and law. The first step in the land use process is the development of a locality's master or 'comprehensive' plan, a formal document that considers the future use of land within the municipality. This typically includes an official map illustrating existing and proposed future land uses for each area. In Virginia, state law directs each city's Planning Commission to prepare a 'Comprehensive Plan' that addresses physical development of the territory under its jurisdiction and includes a transportation plan, urban development areas, coastal resource management, sea level rise and recurrent flooding data, transit-oriented development, and manufactured housing.[10] The Comprehensive Plan must recommend how its components are to be implemented, including a subdivision ordinance, a zoning ordinance, and a zoning district map. Finally, the plan must be updated every 5 years.

Zoning ordinances are how the Comprehensive Plan is implemented and spell out in great detail what can and cannot be constructed on any parcel in the city as well as which uses are allowed on that parcel. The development of approximately 75% of all residential land nationwide is limited only to single-family use, and this number is much higher in newer and more suburban cities like many of those in Hampton Roads.[11] Furthermore, very little, if any, vacant land in the average city is zoned for higher density uses at any given time. The zoning for this land must be changed for it to be built upon, and that is a long and complicated process. If an owner desires a different zoning for a parcel, they must appeal to the Planning Commission for a change in zoning classification. This requires a formal submission to the city's planning department, who refers it to the Planning Commission with their recommendation for approval or denial. The Planning Commission then holds a public hearing discussing the merits of the application and recommends approval or denial to the City Council. Applications need not receive planning staff approval or Planning Commission approval to be brought before the City Council, but recommendation for denial at either level creates a real impediment to the final approval.

The rezoning process is managed by the city's Planning Department and typically includes a pre-application conference with planning staff, meetings with the local or adjacent civic leagues, an application prepared by a land-use attorney experienced in the jurisdiction, a site plan designed by a civil engineer, and the architectural design and renderings. For a project with more than a specified number of units or one in an historical district, the Planning Commission process may also include an Architectural Review Board. After a thorough review and often numerous resubmittals to address requested changes and subsequent negotiations, the Planning Commission considers the application in a public meeting and recommends approval or denial to City Council. The application is then placed on the agenda for a future City Council meeting if the applicant so requests. Submissions receiving a denial from the Planning Commission are rarely brought before Council, usually being abandoned or fundamentally scaled back to resubmit later should the project remain feasible. Some cities also require a second reading before Council for the zoning change to be considered final, which further delays the outcome.

On the business side of this process, an applicant needs to perform a considerable amount of investigatory work before spending the substantial funds necessary to submit a rezoning application. This preliminary due diligence typically costs $50,000 and includes negotiating a contract for the land, a Phase I environmental report, a survey, a geotechnical subsurface soils report, legal and title search, a wetlands report, and a traffic study. If no adverse conditions are found in the preliminary due diligence reports, then the applicant contracts their lawyer, civil engineer, and architect to prepare the necessary application materials, which together carries a price tag of $125,000 to $150,000. If the project succeeds in receiving zoning approval, it must then move into the site and building plan approval phase.

At this point the development applicant must enter into contracts for complete construction-ready plans from the civil engineer, architect, plumbing/mechanical/electrical engineers, and landscape architects. Excluding the

10 Code of Virginia §15.2-2223. Comprehensive plan to be prepared and adopted; scope and purpose. See https://law.lis.virginia.gov/vacodefull/title15.2/chapter22/article3/.
11 Emily Badger et al, "Cities Start to Question an American Ideal: A House With a Yard on Every Lot," New York Times, June 18, 2019.

internal staff time and overhead incurred, these contracts will increase the total cost committed to the project to an amount between $750,000 and $1,250,000 for a single-family development of approximately 40 to 50 lots or a multifamily development of 125 to 175 units.[12] If market conditions or development requirements change substantially during the approval process, these funds are entirely at risk.

While zoning codes are the primary regulatory constraint on new housing supply, the site and building plan approval process described above is also a very real barrier to production. Obtaining the necessary approvals to build a new community is both enormously complex and notoriously uncertain, and the timeframe for bringing housing development projects to market is now measured in years, not months. The need for expert advice in this process is driven both by the complexity of the local guidelines and by the extreme variety of regulatory oversight. Building projects are not only subject to local ordinances and regulations, but also to state building codes and myriad other state and federal requirements governing road design and construction, accessibility, wetlands, endangered species, and many other areas. This, of course, makes the process more expensive and riskier, but Hampton Roads is also a particularly difficult area for builders because our region encompasses so many different cities and counties. Even though most of our localities follow the same basic approval process, the individual differences are numerous.

Each municipality has its own comprehensive plan, zoning code (including zoning classifications, maps, overlays etc.), planning commission, design guidelines, architectural review board, building permitting process, building inspections process, other individual preferences, and specific hot buttons. Most zoning codes are at least several hundred pages in length, and some approach a thousand pages before considering the numerous associated plans, maps, and other applicable guidelines.[13] Given the number of different cities, counties, and the two states in the Hampton Roads MSA, even a small building business must necessarily work in multiple localities and thus is forced learn the hard stops and subtle nuances of each.

To work in the rapidly growing part of our MSA that is in North Carolina, a builder must also contend with a completely different construction licensing regime and a different building code as well. To navigate the sheer number of jurisdictions, the industry must lean heavily on costly professional consultants for their process expertise and relationships. This includes land use attorneys, environmental consultants, traffic consultants, wetland consultants, civil engineers, architects, plumbing/mechanical/electrical engineers, and landscape architects, just to name a few.

12 No source of data could be found for committed development costs. These figures are gathered from interviews with experienced developers in April 2024.
13 Zoning Ordinances for Norfolk, Chesapeake, Suffolk, and Virginia Beach printed from https://library.municode.com/va on April 30, 2024.

How Does Regulation Influence Supply?

The persistent and large increases in home prices and rents over the last few years empirically prove the imbalance of supply and demand, but if we need more evidence, we do not have to look far. Hampton Roads is not alone in this crisis – reports from the National Association of Realtors,[14] Freddie Mac,[15] and the National Low Income Housing Coalition[16] estimate the nationwide housing shortage at between 3.8 and 7.3 million housing units. In a 2021 report on Affordable Housing in Virginia, the Joint Legislative Audit & Review Commission (JLARC) found that the Commonwealth has a shortage of at least 200,000 affordable rental units, with the shortage in Hampton Roads representing 53,000 of those units.[17] As prices and rents have continued to rise and home production has fallen,[18] we can be confident that the shortage has grown more dire in the intervening 3 years.

The regulatory environment is certainly a major driver of the supply shortfall, and that is getting worse. The Wharton School of Business at the University of Pennsylvania surveyed local residential land use regulatory regimes for over 2,450 primarily suburban communities across the United States in both 2006 and 2018. Using these surveys, the National Bureau of Economic Research reports that in 2018, the share of communities requiring land use approval from one or two different regulatory entities dropped by 10 percentage points, and communities requiring approval from three regulatory entities increased by 19 percentage points (Graph 12).

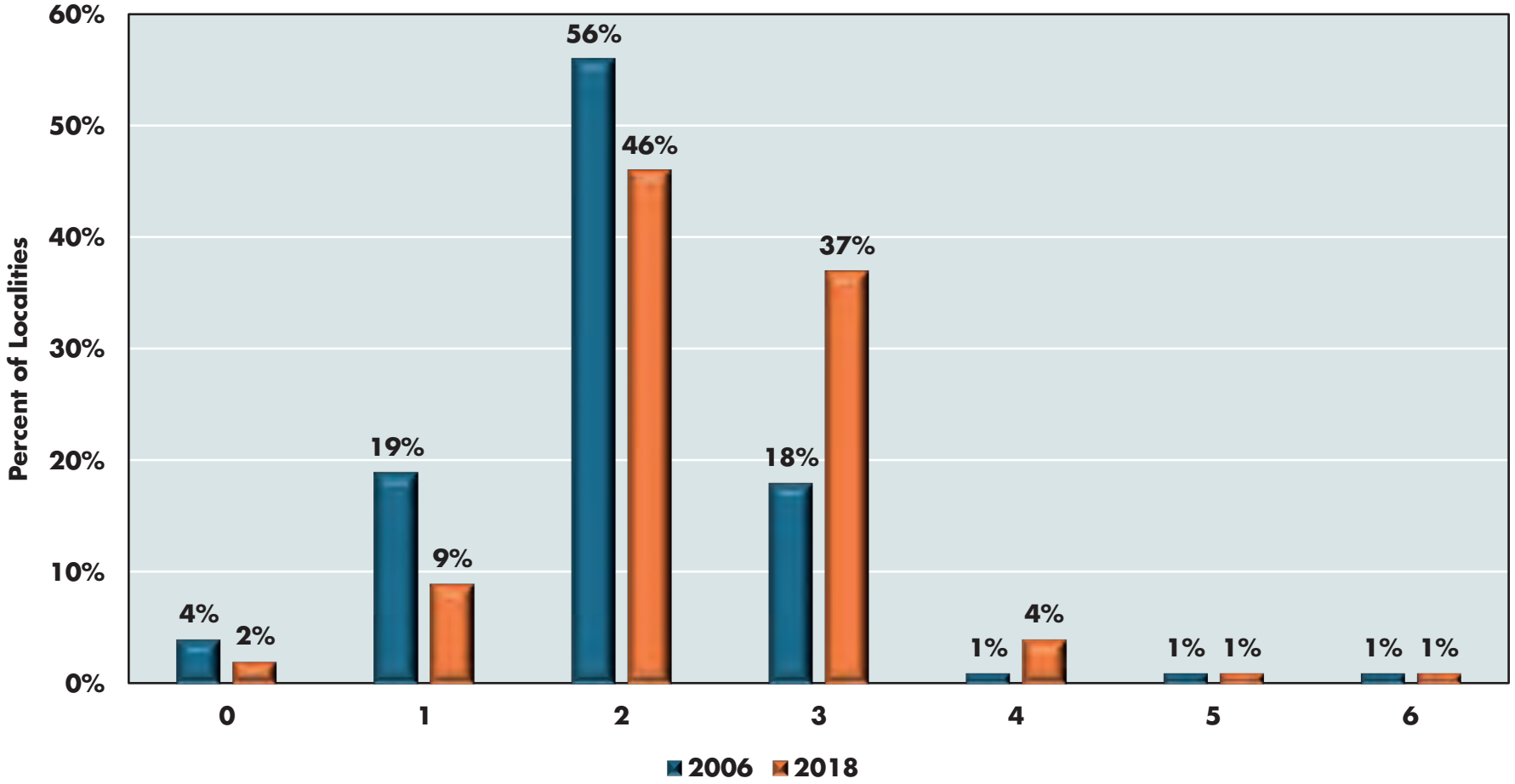
To explain this impact the report states "In terms of the regulatory process, the number of entities needed to approve projects requiring a zoning variance is increasing in the typical place. This makes the process more cumbersome and increases the potential for projects to be vetoed." Furthermore, 84% of communities mandated minimum lot size restrictions in at least one neighborhood in 2006, and by 2018 that share grew to 94%, or virtually omnipresent across the country.[19] Unfortunately, municipalities are increasing regulatory hurdles, not clearing a path for increased housing production.

Regulations are necessary, of course, but overregulation has economic consequences. In a 2021 update of their national study on the cost of regulation in housing, The National Association of Home Builders (NAHB) found that regulation accounts for $93,870 of the cost of the average $394,300 new home price, or 23.8%.[20] For multifamily, an April 2022 survey conducted by the National Multifamily Housing Council (NMHC) and NAHB found that regulation at all levels of government accounts for an average of 40.6% of the cost to build an apartment community.[21] Research has also found that stricter project-level land use regulation causes the average project size to shrink, which then causes building firm size to shrink. These smaller firms must pursue fewer projects and are thus less efficient, which makes building costs in the United States much higher compared to other countries. This same study finds that construction sector efficiency declined sharply over the last 50 years after it peaked in the early 1970s, coinciding with a marked increase in land use regulation over the same period.[22] A comprehensive review and recalibration of the regulatory framework around housing could drive efficiency and lower the cost to build more houses.

14 Rosen Consulting Group, "Housing is Critical Infrastructure: Social and Economic Benefits of Building More Housing," June 2021.
15 Freddie Mac, "Economic & Housing Research Note," May 2021.
16 National Low Income Housing Coalition, "The Gap, A Shortage of Affordable Homes," March 2024.
17 Virginia Joint Legislative Audit and Review Commission (JLARC), "Affordable Housing in Virginia, 2021," December 13, 2021.
18 Real Estate Information Network and Old Dominion University Economic Forecasting Project.
19 National Bureau of Economic Research, "The Local Residential Land Use Regulatory Environment Across U.S. Housing Markets: Evidence From A New Wharton Index," December 2019. Working Paper 26573 http://www.nber.org/papers/w26573.
20 National Association of Home Builders, "Government Regulation in the Price of a New Home: 2021," May 5, 2021. See https://www.nahb.org/-/media/NAHB/news-and-economics/docs/housing-economics-plus/special-studies/2021/special-study-government-regulation-in-the-price-of-a-new-home-may-2021.pdf.
21 National Multifamily Housing Council and the National Association of Home Builders, "Regulation: 40.6 Percent of the Cost of Multifamily Development," April 2022. See https://www.nmhc.org/globalassets/research--insight/research-reports/cost-of-regulations/2022-nahb-nmhc-cost-of-regulations-report.pdf.
22 D'Amico, Glaser et al, "Why Has Construction Productivity Stagnated? The Role of Land-Use Regulation," Research performed at a Federal Statistical Research Data Center under FSRDC Project Number 2396, December 30, 2023.

GRAPH 12

NUMBER OF APPROVALS FOR PROJECTS REQUIRING REZONING
SELECTED SUBURBAN COMMUNITIES IN THE UNITED STATES, 2006 AND 2018



Source: National Bureau of Economic Research (2019). "The Local Residential Land Use Regulatory Environment Across U.S. Housing Markets: Evidence From A New Wharton Index."

Some Thoughts Regarding Land Use in Hampton Roads

Too few municipalities in Hampton Roads participated in the Wharton School of Business survey mentioned above to reach a statistically sound conclusion for the region as a whole, but one of those responding qualified as a 'highly-regulated' community with an index score higher than that of San Francisco or New York, which are considered the most regulated cities in the country.[23] The takeaways from the National Bureau of Economic Research (NBER) paper on the Wharton survey data are also very instructive to those unfamiliar with the land use process. Observations like "There is no place (on average) where residential development is simple and quick in the sense that projects are reviewed quickly by a single entity that has final approval rights" apply universally across our region. In 2021 the NBER dug deeper into the 2018 Wharton Regulatory Index and found that the "zoning tax" for a given area (i.e. the amount of land cost attributable to supply-side regulations) is strongly positively correlated with the amount of land use regulation.[24] Simply put, more restrictive regulation equals higher land costs and, in turn, higher housing costs.

A well-functioning housing market will have adequate supply at every price point, but like many other metropolitan areas, Hampton Roads is significantly undersupplied at low and moderate home prices and rent levels creating a real burden to many working families. Unfortunately, the depth of the shortage of housing at every price point has also created an incentive for owners and investors to renovate older homes and apartments to serve a more affluent clientele, thus shifting supply from a lower price point to the upper end of the market.

Reporting from Attom Data shows that national single family and condo house flipping volume has risen steadily over the years to represent almost 10% of total sales volume in 2022 and 2023.[25] The pressure on multifamily assets has been particularly intense, as outlined in a 2021 CoStar Analytics article, "National Investors Are Targeting Coastal Virginia Apartments for Value-Add Plays," which observes that national multifamily investors have flocked to the Hampton Roads apartment market looking to revamp properties so they can boost rents.[26] Along with the increased cost to finance and produce new housing, this exacerbates the shortage of workforce housing and drives up prices and rents at the more affordable end of the spectrum.

The increase in short-term rentals (STRs) on platforms such as Airbnb and Vrbo also limits the housing supply available for traditional long-term rentals. Researchers from the College of William & Mary, Purdue University, and the University of Hong Kong documented the impact of a complete ban on STRs in Irvine, California, finding that rents were reduced by 2.7% after the ban was enacted (meaning that the prior introduction of STRs to the market increased rents by 2.7%).[27] Using national data, Harvard Business Review found in 2019 that "the growth in home-sharing through Airbnb contributes to about one-fifth of the average annual increase in U.S. rents and about one-seventh of the average annual increase in U.S. housing prices."[28] In 2021 research, Harvard Business Review also found that a 1% increase in STR listings drove a 0.769% increase in building permit applications.[29] Further study is needed to balance these somewhat contradictory conclusions, but given the regulatory barriers to housing production, it stands to reason that unchecked short-term rentals will reduce the supply of long-term rental units. The Harvard Business Review authors recommend thoughtful regulation and tracking of this market to understand the impact on housing supply and affordability.

23 Wharton School of Business, "Wharton Residential Land Use Regulation Index (WRLURI)," WHARTON LAND REGULATION DATA_1_15_2020. See https://real-faculty.wharton.upenn.edu/gyourko/land-use-survey/ .
24 Joseph Gyourko et al, "The Impact of Local Land Use Restrictions on Land Values Across and Within Single-Family Housing Markets," National Bureau of Economic Research, Working Paper 28993. See https://www.nber.org/papers/w28993.
25 ATTOM Data, "Home Flipping Activity Remains High Across Nation As Investor Profits Show Signs of Improving in First Quarter of 2023," June 22, 2203. See https://www.attomdata.com/news/market-trends/flipping/attom-q1-2023-u-s-home-flipping-report/.
26 CoStar Analytics, "National Investors Are Targeting Coastal Virginia Apartments for Value-Add Plays," March 12, 2021. See https://www.costar.com/article/1915383997/national-investors-are-targeting-coastal-virginia-apartments-for-value-add-plays.
27 Michael Seiler et al, "Airbnb or Not Airbnb? That is the Question: How Airbnb Bans Disrupt Rental Markets," 2023. Submitted to a top field journal for review. See https://www.purdue.edu/research/features/stories/short-term-rentals-make-housing-less-affordable/.
28 Kyle Barron et al, "Research: When Airbnb Listings in a City Increase, So Do Rent Prices," Harvard Business Review, April 17, 2019. See https://hbr.org/2019/04/research-when-airbnb-listings-in-a-city-increase-so-do-rent-prices.
29 Ron Bekkerman et al, "Research: Restricting Airbnb Rentals Reduces Development," Harvard Business Review, November 17, 2021. See https://hbr.org/2021/11/research-restricting-airbnb-rentals-reduces-development.

Final Thoughts

To address housing prices in Hampton Roads, we must recognize that the demand side of the market is difficult to address at the city and county level. Localities have little (or no) influence over economic conditions, consumer sentiment, interest rates, federally backed mortgage assistance, and federal housing incentives, among others. Localities can provide housing assistance, but demand often outstrips resources and, in some cases, may further exacerbate pressures on rents and single-family home values. We laud such efforts but also argue that localities can help increase the supply of homes – if they choose to do so.

To better balance supply and demand, we need much more housing of all types, but workforce housing is the greatest need by far. It may seem counterintuitive, but also remember that all new supply is desirable, even at luxury price points, since these new apartments and houses relieve pressure on older, more affordable properties that are the targets of renovations and repositioning. There are a number of ways to increase the supply of housing, and none are more powerful than changing the way we think about housing in our communities. We must adopt a new municipal paradigm around land use, moving away from the 'gatekeeper of growth' model and toward acceptance of the responsibility to allow enough housing to be built. This means revamping zoning codes to allow more housing to be built without going through the laborious, expensive, and, sometimes, risky rezoning process (i.e. "by right").

Changes must include the preemptive zoning of more land for higher density uses that are less expensive to build and more desirable to younger generations. More than 90% of land in Hampton Roads is restricted to single-family homes.[30] Localities should allow more Accessory Dwelling Units (ADU's), 'Missing Middle' buildings (2-8 units), garden apartments, mid- and high-rises, and mixed-use developments. This concept is not new or radical, as many of our historic, pre-zoning neighborhoods such as the Ghent area in Norfolk seamlessly blend housing of very different styles and densities.

The remedy is not new either. A 2007 report on zoning barriers by the American Planning Association states the obvious but forgotten truth "jurisdictions with more land zoned for residential development had more residential development; and jurisdictions with more land zoned for multifamily development had more multifamily development."[31] In other words, the zoning 'on the ground' today is the law of the land and defines what can most readily be built. New housing supply then necessarily begins with a proactive approach land use policy, not the status quo.

We must also commit to streamlining the approval, permitting, and inspection processes to provide quick turnarounds with an emphasis on production. Standardizing processes among localities would create great efficiencies and allow builders to bring more homes to market. Consistency and certainty of outcome are paramount. Citizens and business leaders need to be the catalyst for this. YIMBY (Yes In My Back Yard) groups have been instrumental in fostering change in some communities, but we must all commit to spreading the word that all hardworking people in our community deserve a safe place to call home and access to other vital resources. We all have a shared, public stake in managing the cost of housing in our community. The health of our regional economy literally depends upon it.

30 HousingForward Virginia Zoning Atlas, https://housingforwardva.org/focused-initiatives/zoning/atlas/, All Hampton Roads Municipal Jurisdictions, 1-Family Housing checking "Allowed/Conditional" and "Public Hearing." Accessed March 15, 2024.

31 Gerritt Knaap et al, "Zoning as a Barrier to Multifamily Housing Development," American Planning Association Planning Advisory Service Report Number 548, July 2007. See https://planning-org-uploaded-media.s3.amazonaws.com/publication/download_pdf/PAS-Report-548.pdf

In addition to zoning and approval process reform, cities can also create incentives for the production of qualified workforce housing in return for enforceable long-term use restrictions. To incentivize qualified workforce housing, some municipalities have contributed city-owned land for qualified developments, reduced or eliminated real estate taxes, reduced or eliminated municipal fees and costs, established and funded local or regional housing trust funds to provide gap financing, established a community land trust, issued municipal housing bonds, and expedited development and building permit approvals.

Solving our housing supply problem goes well beyond being good neighbors to our fellow working families in Hampton Roads and creating a community where our children can live and thrive – it is simply good economics. Housing is a major economic driver that creates jobs that cannot be outsourced overseas.[32] Studies show that housing affordability supports economic growth and social benefits that create a more productive workforce,[33] but we are ignoring this advice – our current housing shortage is hurting families and creating a real drag on our economy.

There are models of success for us to learn from. Minneapolis was mentioned earlier, but New Rochelle, New York, Portland, Oregon, and Tysons, Virginia, have all relaxed zoning rules. From 2017 to 2021, Minneapolis increased the supply of homes by about 8%, New Rochelle by 12%, Portland by 7%, and Tysons by 23%. From February 2017 to February 2023, median rents increased by 1% in Minneapolis, 7% in New Rochelle, 2% in Portland, and 4% in Tysons. As a basis of comparison, from 2017 to 2021, the number of homes nationally increased by 3%. From February 2017 to February 2023, median rents nationally increased by 31%. [34] Increasing supply is not the only answer, but it is certainly one of the answers to workforce housing in Hampton Roads.

The lesson here is that we can succeed in driving down home prices and rents in Hampton Roads (or, at a minimum, reduce the rate of growth in home values and median rents) if we have the courage to attack the supply shortage head on and at scale. While increasing housing supply will not solve all our problems, the research is also clear: affordable housing impacts economic growth. A recent analysis across the 100 most population metropolitan areas found that decreases in housing affordability in rental and homeownership markets negatively influenced rates of growth. In other words, housing supply is one 'lever' we can use to improve our regional economy over the coming decade.

We can decide to act or not, but the cost of doing nothing is abundantly clear. We can choose to learn from other cities that have succeeded in increasing housing supply or we can remain 'stuck' in a market characterized by limited supply and increasing prices. If we want to run faster in the economic growth race, now is the time to embrace increasing housing supply.[35]

32 Chmura Economics & Analytics, "Housing as an Economic Development Strategy for Virginia," November 10, 2023. See Appendix 2 for a summary of relevant economic analyses.
33 Chmura Economics & Analytics, "Housing as an Economic Development Strategy for Virginia," November 10, 2023.
34 2023, Pew Charitable Trusts.
35 Source: Jerry Anthony (2022): Housing Affordability and Economic Growth, Housing Policy Debate, DOI: 10.1080/10511482.2022.2065328

Public Libraries: Enriching Lives In Hampton Roads

PUBLIC LIBRARIES: ENRICHING LIVES IN HAMPTON ROADS

"The only thing that you absolutely have to know is the location of the library."
Albert Einstein

Hampton Roads is home to 63 public libraries across 13 library systems. These public libraries do much, much more than simply lend out books. Libraries provide people with access to information and media of all kinds, while also serving as career and business development sites, creative spaces, technology hubs, play spaces for young children, and all-purpose community centers. Access is free, and everyone is welcome. It is difficult to think of another local institution that is so broadly inclusive—serving residents (and even non-residents) of all ages, interests, classes, and levels of education in pursuit of overarching goals such as enriching lives and promoting lifelong learning.

Libraries have passionate followings. A recent *New York Times* photo essay on public libraries triggered hundreds of reader responses, forming "a warm tidal wave of adoration for libraries and all they represent: freedom, independence, adventure, exploration, experimentation, ideas, ingenuity and so much more."[1] At the same time, libraries have also become a target of passionate criticism. In just the last few years, libraries across the United States have confronted an unprecedented number of challenges to books in their collections, particularly those dealing with LGBTQIA+ or racial themes. Librarians themselves have been harassed and threatened, and some citizens' groups and public officials have sought to intervene in library operations or eliminate library funding altogether. In April 2024, the Alabama House advanced a bill to make school and library staff criminally liable for distributing "sexual or gender oriented" materials without parental consent. In the same month, Idaho passed a law requiring libraries to move materials deemed harmful to children to an adults-only section and require libraries to have a form to request a review of materials. In response, some libraries have become adults-only to avoid potential litigation.[2]

In the summer of 2023, Samuels Public Library in Warren County, Virginia, found itself embroiled in a controversy about books that a group, Clean Up Samuels Library, deemed objectionable. In response to complaints, the Warren County Board of Supervisors voted to withhold 75% of the library's budget allocation for the coming fiscal year. The library director resigned in the midst of the controversy, which consumed hours of public meetings. In October 2023, the library agreed to include one of the county supervisors on its executive committee and to consider candidates suggested by the Board of Supervisors when seeking to appoint new library board members. For all the turmoil, the library's funding and holdings were not changed. By October, visitors were up by 15%, and the number of donors had increased by 25% compared to 2022.[3]

This chapter provides an overview of Hampton Roads' public libraries—how they function and how they are funded—and the diversity of services and resources they offer to our residents. We focus on the innovative ways that public libraries have evolved to meet their communities' changing needs.

1 Elisabeth Egan and Erica Ackerberg, "A Love Letter to Libraries, Long Overdue," *The New York Times* (February 14, 2023), https://www.nytimes.com/2023/02/14/books/review/library-public-local.html; and "'Libraries, You Are My Heroes': Readers Share Memories of a Favorite Haven," The New York Times (February 19, 2023), https://www.nytimes.com/2023/02/19/books/library-memories.html.
2 https://alabamareflector.com/2024/04/25/alabama-house-passes-bill-that-could-lead-to-prosecutions-of-librarians/
https://idahocapitalsun.com/2024/04/10/idaho-libraries-must-move-materials-deemed-harmful-to-children-or-face-lawsuits-under-new-law/
https://komonews.com/news/offbeat/public-library-to-become-adults-only-due-to-new-idaho-law-donnelly-public-library-house-bill-710-library-porn-effective-july-1-2024-adult-material-obscene-content-governor-brad-little
3 https://www.washingtonpost.com/dc-md-va/2023/10/04/virginia-samuels-library-lgbtq-books/

Finally, we assess the extent to which the library culture wars have reached Hampton Roads, and we show how our region's libraries are negotiating these challenging times.

In preparing this chapter, we reached out to the directors of all thirteen Hampton Roads library systems. We are grateful for the substantive feedback we received from Amanda Jackson (Chesapeake), Sonal Rastogi (Norfolk), Anita Jennings (Newport News), Neva White (Hampton), Clint Rudy (Suffolk), Sandy Towers (Williamsburg Regional), Ben Neal (Blackwater Regional), Kevin Smith (York County), and Jessica Hartley (Poquoson). We also spoke with Lisa Varga, Executive Director of the Virginia Library Association, and staff members at the Library of Virginia.

Governance and Funding

Every Hampton Roads locality is home to at least one public library. Most of our region's localities operate their own dedicated library system. Two of Hampton Roads' library systems are cooperatively funded by multiple localities. As illustrated in Table 1, Blackwater Regional Library encompasses nine facilities in Franklin, Isle of Wight County, Southampton County, Surry County, and Sussex County. Williamsburg Regional Library serves Williamsburg, James City County, and York County. (York County also maintains two libraries of its own—Tabb Library and Yorktown Library, both in the southern part of the county.)

The largest libraries in Virginia Beach and Norfolk are distinctively organized. Virginia Beach's Joint-Use Library is cooperatively administered by Virginia Beach Public Library and Tidewater Community College. In Norfolk, The Slover (formerly known as Slover Library) provides a home for the downtown branch of Norfolk Public Library and the Sargeant Memorial Collection for local history. The Slover cooperates and shares services with Norfolk Public Library but also has its own budget and staff.

Directors of the city/county libraries report to the governments of their respective localities. Library boards, which are appointed by the city council or county board of supervisors, help to oversee library policies and advise the library director. Library board meetings are typically held monthly or quarterly, and are open to the public. Hampton Roads' two regional library systems are overseen by governing (rather than advisory) boards of trustees, with members who are similarly appointed by the cooperating localities.

Library funding is overwhelmingly local. As highlighted in Table 2, Hampton Roads' three most populous localities—Virginia Beach, Chesapeake, and Norfolk—also maintain the largest library systems, each with eight or more facilities and total operating expenditures of more than $11 million in Fiscal Year (FY) 2022. At the other end of the spectrum, Hampton Roads' smallest localities—Gloucester County, Poquoson, and Mathews County—each maintains just one or two libraries; these systems' total operating expenditures are less than $1.5 million.

TABLE 1

LIBRARIES IN HAMPTON ROADS

System	Facilities	Hours/week (main library)	Staffing (FTE)	Library Foundation	Creative Space	Overdue Fines	Checkout Limit
Blackwater Regional Library*	9	47	30	No	No	No	Unlimited
Chesapeake Public Library	8	60	125.9	Yes	Yes	No	30
Gloucester County Public Library	2	51	11.7	Yes	No	Yes	20
Hampton Public Library	4	56	25	Yes	Yes	No	30
Mathews Memorial Library	1	46	N/A	No	No	No	15
Newport News Public Library	4	56	55	Yes	Yes	No	50
Norfolk Public Library / Slover Library	12	50	149.5	Yes	Yes	No	25
Portsmouth Public Library	4	46	N/A	Yes	No	Yes	30
Poquoson Public Library	1	62	12.45	No	No	No	50
Suffolk Public Library	3	54	33	No	No	No	Unlimited
Virginia Beach Public Library	10	58	245.5	Yes	Yes	No	30
Williamsburg Regional Library**	3	64	85	Yes	Yes	No	40
York County Public Library	2	58	34.5	Yes	Yes	No	50

*Blackwater Regional Library serves Franklin, Isle of Wight, Southampton, Surry, and Sussex counties.**Williamsburg Regional Library serves Williamsburg, James City County, and York County.

TABLE 2

CHARACTERISTICS OF LIBRARIES IN HAMPTON ROADS
FISCAL YEAR 2022

System	Total Circulation	Circulation per capita	Total Materials	Materials per capita	Library Visits	Visits per capita	Total Expenditures (Millions)	Expenditures per capita
Blackwater Regional Library*	306,407	3.8	1,684,555	20.6	165,088	2.0	$2.6	$31.5
Chesapeake Public Library	1,258,954	5.1	453,621	1.9	619,346	2.5	$11.3	$45.9
Gloucester County Public Library	126,779	3.4	2,624,337	70.8	87,996	2.4	$1.2	$32.6
Hampton Public Library	117,121	0.9	287,720	2.1	227,226	1.7	$2.8	$20.9
Mathews Memorial Library	24,368	2.8	302,713	35.0	29,330	3.4	$0.5	$59.2
Newport News Public Library	556,635	3.1	490,090	2.7	236,265	1.3	$5.7	$31.2
Norfolk Public Library / Slover Library	558,196	2.3	1,664,122	6.8	205,127	0.8	$11.0	$45.0
Portsmouth Public Library	101,741	1.1	1,774,324	18.8	136,246	1.4	$2.4	$24.8
Poquoson Public Library	129,762	10.4	158,366	12.8	58,576	4.7	$0.9	$74.8
Suffolk Public Library	331,294	3.5	165,876	1.8	79,484	0.9	$3.6	$37.8
Virginia Beach Public Library	1,725,580	3.8	1,858,591	4.1	760,064	1.7	$18.5	$40.8
Williamsburg Regional Library**	1,136,138	12.4	305,846	3.4	439,688	4.8	$7.2	$79.0
York County Public Library***	434,411	6.2	195,807	2.8	237,016	3.4	$3.5	$50.8
Virginia Median	---	3.7	---	7.2	---	1.9	---	$31.0

Source: Library of Virginia (2024). *Blackwater Regional Library serves Franklin, Isle of Wight, Southampton, Surry, and Sussex counties.**Williamsburg Regional Library serves Williamsburg, James City County, and York County. *** Expenditures include contractual services to Williamsburg Regional Library.

Graph 1 shows that Poquoson and Mathews County, the two single-library systems, have higher per capita library expenditures ($74.8 and $59.2, respectively) than anywhere else in the region except Williamsburg/James City County ($79.0). Hampton, Portsmouth, and Newport News have the lowest per capita expenditures ($20.9, $24.8, and $31.2). Overall, Hampton Roads localities spend more on libraries than do other places in the Commonwealth; the median per capita expenditure for all Virginia libraries is just $31.0.

Beyond local funding, each Virginia public library receives a formula-based state aid grant, which is chiefly used for purchasing books and other materials. State assistance is proportionately more significant for the smaller library systems. In fiscal year (FY) 2023, the amount of state aid received by Hampton Roads libraries ranged between $569,082 (Blackwater Regional Library) and $104,326 (Mathews Memorial Library).[4]

Every Hampton Roads system has a Friends of the Library organization that, in addition to rallying volunteers, also helps to raise money for library programs and special projects. (Blackwater Regional Library has a separate Friends group for each of its nine locations.) Friends members pay annual dues (typically less than $20 per year, although larger contributions are always welcome), and Friends used book sales are an evergreen fundraiser. The amount of money raised by Friends organizations varies widely from place to place. Friends of the Suffolk Public Library contributed $10,000 to their library system in FY 2023, while Friends of the Virginia Beach Library book sales have raised a total of $1 million over the past ten years.[5]

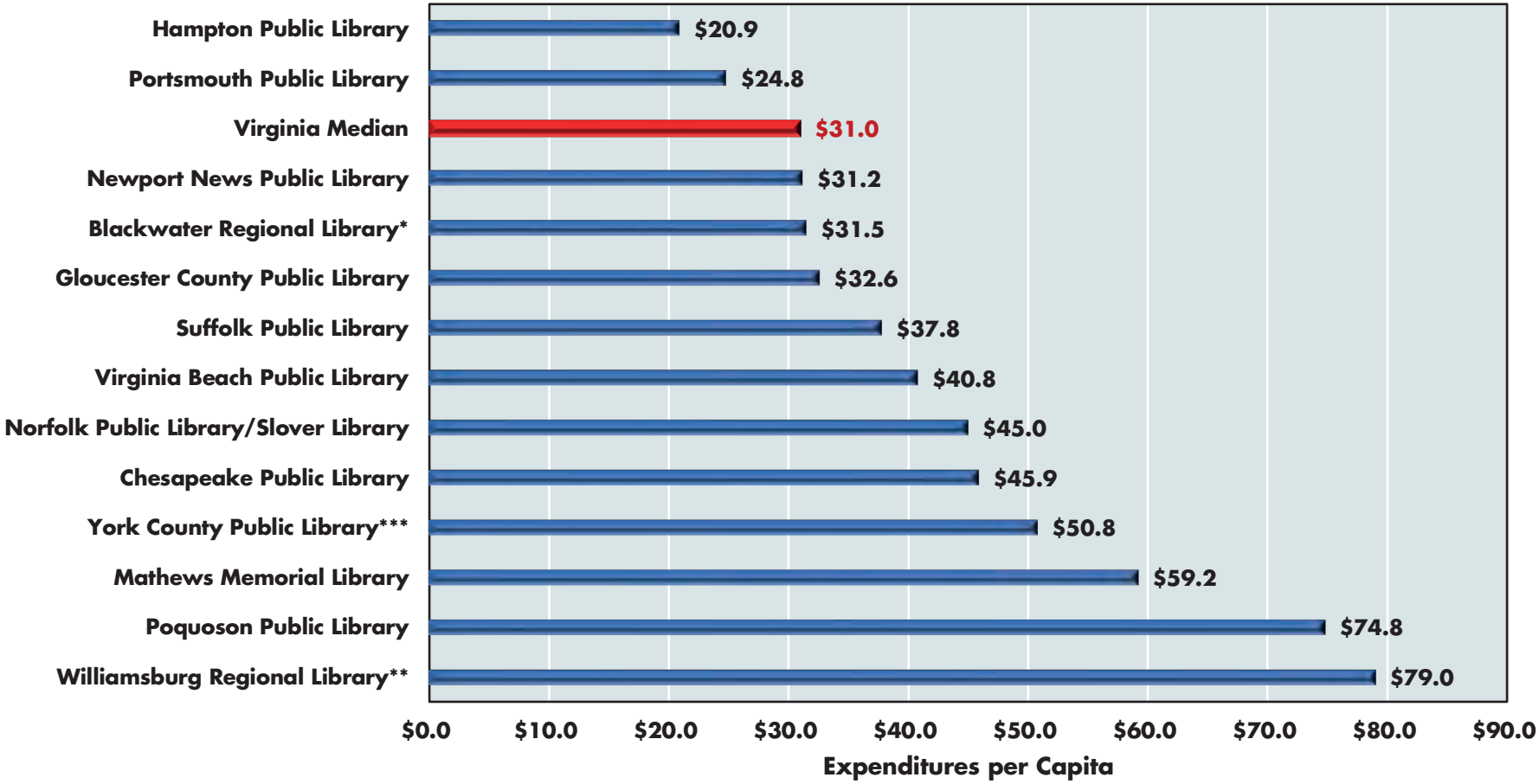
Supplementing the longstanding work of Friends organizations, charitable library foundations provide additional support to several Hampton Roads library systems. Most of these foundations were established in the 1990s or 2000s, as public libraries everywhere sought new means to raise money and fill budget gaps. The goal of these foundations is "to raise large amounts of private funding for their library from individuals, [other] foundations, and corporations."[6]

Hampton Roads' library foundations are organized in different ways. The Gloucester Library Endowment Fund, for example, is part of the Gloucester Community Foundation. Williamsburg Regional Library merged its foundation and its Friends organization in 2018, seeking to create a single structure for charitable initiatives. Norfolk, meanwhile, is home to the Norfolk Public Library Foundation and the Friends of the Norfolk Public Library, and also to the Slover Library Foundation and Slover Library Guild (with a proposed membership contribution of $1,000 per year). The assets and grant-giving capacity of Hampton Roads' library foundations are similarly diverse. The Slover Library Foundation is easily the largest foundation, reporting assets of $9.9 million in 2022, while one of the smallest, the Portsmouth Library Foundation, reported just $120,559 that same year.[7]

4 The Library of Virginia Library Development and Networking Division InfoCenter, at: https://vpl.lib.va.us/grants/state-aid/
5 Suffolk Public Library, Annual Impact Report 2022–2023, at: https://www.suffolkpubliclibrary.com/152/Annual-Reports; and Stacy Parker, "Virginia Beach library store used books sales have raised $1 million for program," *The Virginian-Pilot* (1 January 2024), at: https://www.pilotonline.com/2024/01/01/virginia-beach-library-store-used-books-sales-has-raised-1-million-for-programs/
6 Library Strategies, "Library Foundations Raise Money for Libraries… Right?", at: https://www.librarystrategiesconsulting.org/2016/04/library-foundations-raise-money-for-libraries-right/
7 https://www.causeiq.com/organizations/norfolk-public-library-foundation,541758183/ and https://www.causeiq.com/organizations/portsmouth-public-library-foundation,541556607/

GRAPH 1

EXPENDITURES PER CAPITA OF LIBRARY SYSTEMS
HAMPTON ROADS AND VIRGINIA, FISCAL YEAR 2022



Source: Library of Virginia (2024). *Blackwater Regional Library serves Franklin, Isle of Wight, Southampton, Surry, and Sussex counties. **Williamsburg Regional Library serves Williamsburg, James City County, and York County. ***Includes contractual services to Williamsburg Regional Library.

Library Collections: Books and Much, Much More

Public libraries, in a sense, are the original "sharing economy." Libraries were lending books long before internet startups like Airbnb, Uber, and Lime began encouraging consumers to rent or share assets they might not need all the time. While much has changed since Hampton Roads' first public libraries opened their doors over a century ago, promoting literacy and providing access to reliable information remain core to their institutional mission. Physical books are therefore still the centerpiece of library collections. However, public libraries have long responded to changing technologies and popular demand by supplementing their book collections with other kinds of media. DVDs, audiobooks, ebooks, and various kinds of streaming media are library mainstays today.

Library Journal's most recent Public Library Materials Survey, which was released in 2022, provides an interesting snapshot of U.S. library collections (Graph 2). As of 2021, nearly half of public libraries' materials budgets continued to be spent on physical books, while ebooks claimed a distant second place (between 12% and 17%), and DVDs/Blu-rays an even more distant third place (between 9% and 12%). Notably, 11% of librarians said they planned to stop purchasing audiobook CDs in the next two years, and 9% planned to stop purchasing music CDs—a sign of library users' growing preference for streaming and downloadable media.[8]

Every Hampton Roads library director we interviewed reported steadily growing demand for ebooks, which now represent as much as 30 to 40 percent of all book circulation in some library systems. This has significant consequences not only for library shelves, but also library budgets. Unlike physical books, which are purchased outright and may remain in a library's collection indefinitely, ebook rights are leased (for a limited period of time, and/or a limited number of downloads) from vendors such as Hoopla and OverDrive (which operates the Libby app). The economics of ebooks are complicated and evolving, but, for now, ebooks are a much more expensive resource for libraries than are their paper counterparts.

All kinds of useful items can be found in library collections. At least seven Hampton Roads systems now tout a 'library of things,' which typically includes recreational, science, and crafting equipment that users might not need all the time or might not want to purchase themselves. Loanable wifi hotspots are in high demand wherever they are offered, helping to bridge the digital divide. Williamsburg Regional Library users may check out a Roku or Firestick device with popular streaming services for up to one week at a time. Chesapeake, Hampton, Virginia Beach, and Williamsburg all host 'seed libraries' for giving away seeds and plant cuttings.

Not all library holdings are intended to circulate. Virginia Beach, Chesapeake, and Portsmouth have specialized law libraries. Several of our libraries have 'Virginiana rooms' or other special collections and archives that are used by genealogy and local history researchers. These include the Edgar T. Brown Local History Archive in Virginia Beach, the Wallace History Room in Chesapeake, the Sargeant Memorial Collection in Norfolk, and the Martha Woodruff Hiden Virginiana Room Collection in Newport News.

Graph 3 shows that Gloucester County, Virginia Beach, and Portsmouth have the largest overall collections (including ebooks) in Hampton Roads, according to the Library of Virginia. The largest per capita holdings are at Gloucester County Public Library, Mathews Memorial Library, and Blackwater Regional Library. But do Hampton Roads residents make the most of these collections? The Library of Virginia also tracks circulation per capita—that is, "the average number of items checked out in a year by each member of the community."

8 Neal Wyatt, "Collection Rebalance | 2022 Materials Survey," *Library Journal* (July 11, 2022), at: https://www.libraryjournal.com/story/Collection-Rebalance-2022-Materials-Survey

Hampton Roads' libraries of things

Here are some of the most interesting items we found in the catalogs of our region's libraries, all free to borrow with a library card:

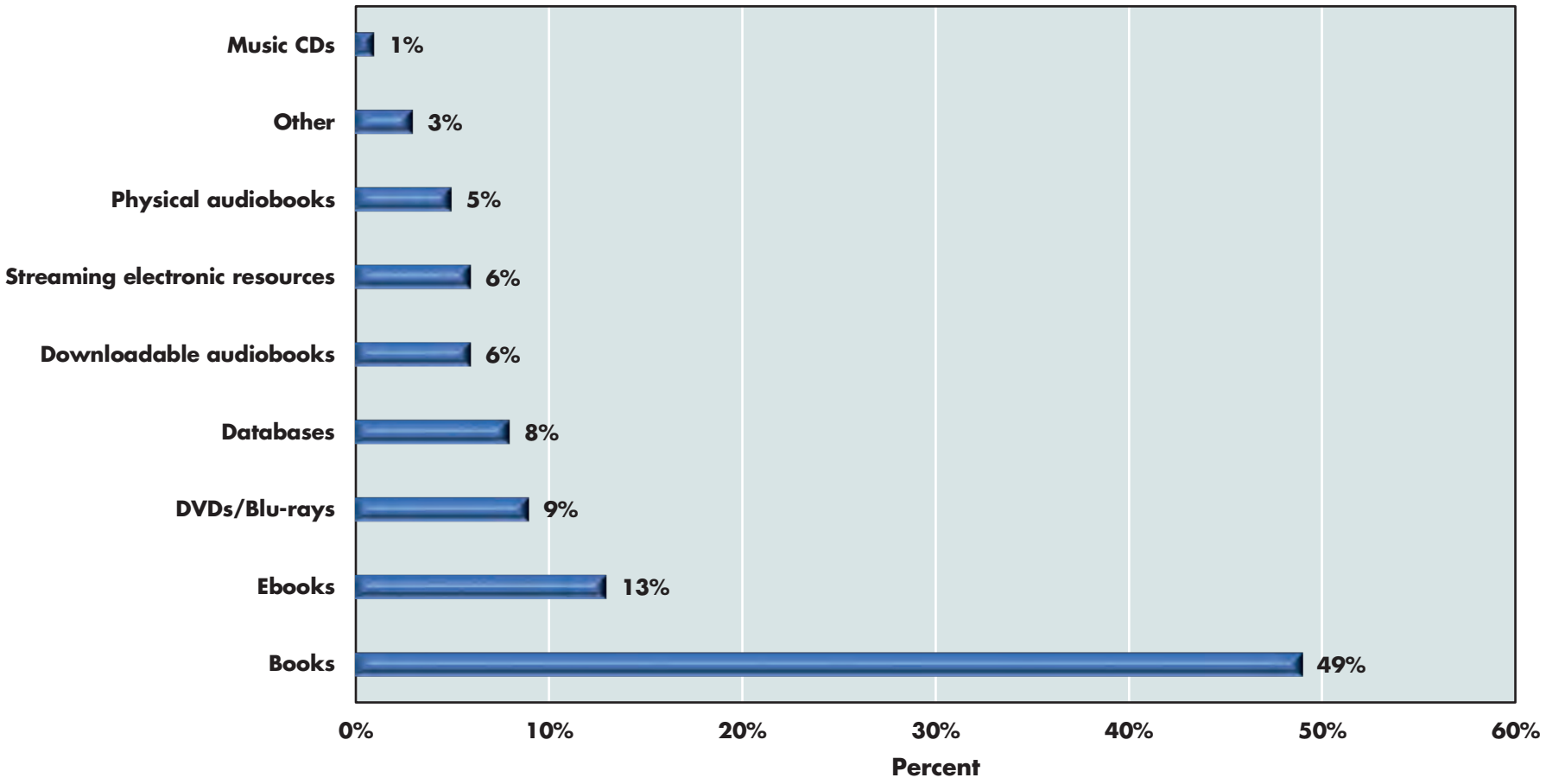
- Air fryer (Blackwater)
- American Girl Doll kit (Norfolk)
- Bird-watching kit (Virginia Beach)
- Blood pressure kit (Chesapeake)
- Cake pans (Suffolk)
- Children's Museum of Virginia passes (Portsmouth)
- Electric guitar kit (Norfolk)
- Car diagnostic scanner (WRL)
- Green screen kit (WRL)
- Hot glue gun (Blackwater)
- Kids scavenger hunt in a box (York)
- Litter clean-up kit (Newport News)
- Metal detector (Chesapeake)
- Noise canceling headphones (Virginia Beach)
- Pickleball set (York)
- Surfboard (Virginia Beach)

Eliminating library fines

Almost everyone who has borrowed books from a library has sometimes forgotten to return them on time. Until very recently, most libraries imposed daily fines for each overdue book; if the accumulated fines grew too large, a user's library account would be blocked. Several years ago, libraries began noting that overdue fines disproportionately deterred lower-income residents from using their services. Libraries that lifted fines not only saw more visitors, but also more overdue materials were returned. The financial impact of eliminating fines was comparatively minor. In 2019 the American Library Association (ALA) adopted a formal resolution on Monetary Library Fines as a Form of Social Inequity, noting that fines created "a barrier in public relations," absorbed "valuable staff time," and distracted from libraries' core mission. Only two of Hampton Roads' library systems (Portsmouth and Gloucester County) still charge late fines. In this regards, Suffolk was a pioneer, eliminating fines in the early 2000s. More libraries stopped collecting fines during the pandemic and later made this change permanent. All libraries, of course, still charge users for materials that are damaged, lost, or otherwise unreturned after a month or more.

GRAPH 2

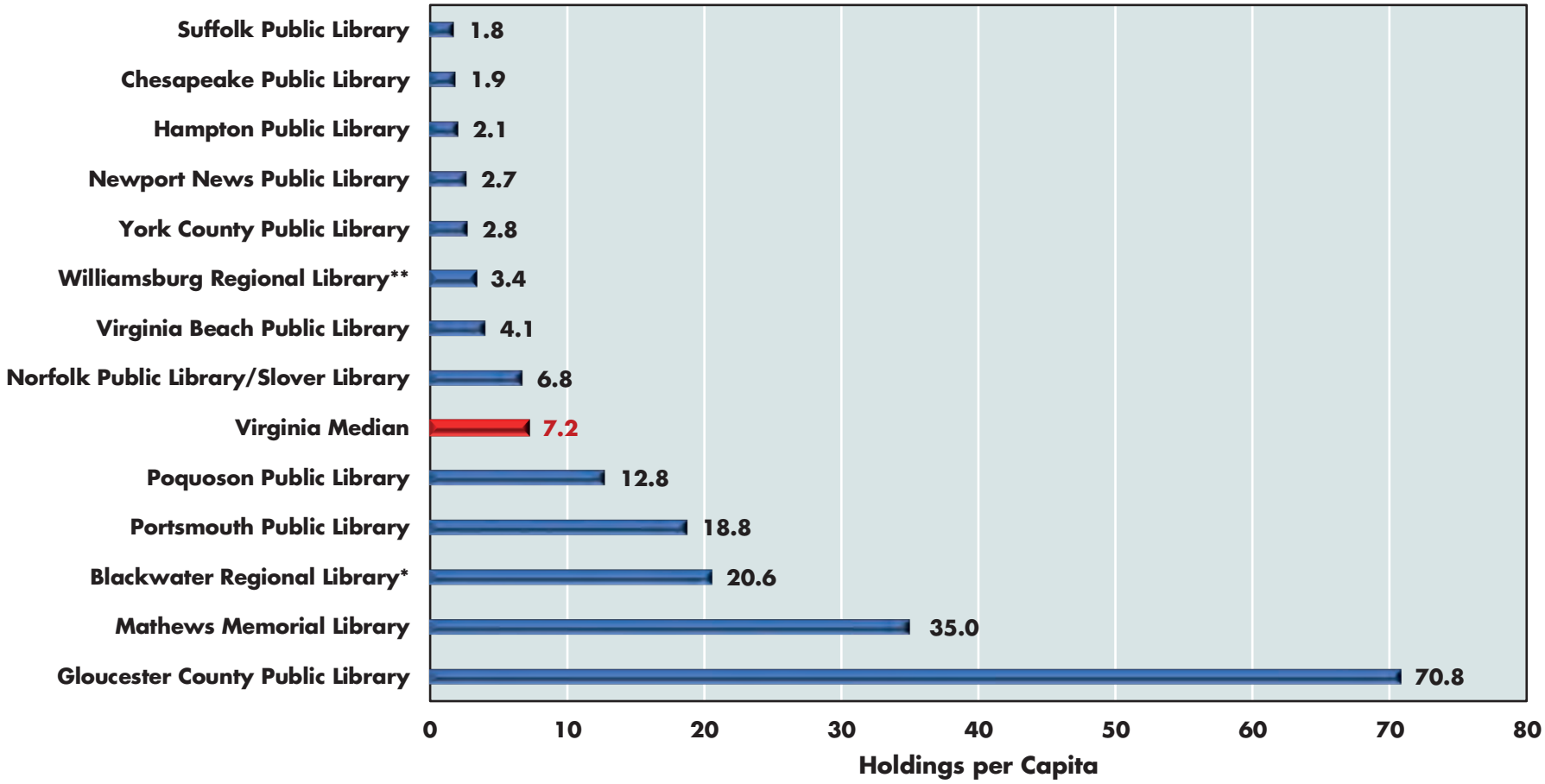
BUDGET ALLOCATION FOR LIBRARY MATERIALS, 2021



Source: Library Journal (2022).

GRAPH 3

VIRGINIA AND HAMPTON ROADS LIBRARY SYSTEMS
HOLDINGS PER CAPITA, FISCAL YEAR 2022



Source: Library of Virginia (2024). *Blackwater Regional Library serves Franklin, Isle of Wight, Southampton, Surry, and Sussex counties. **Williamsburg Regional Library serves Williamsburg, James City County, and York County.

A high number "indicates heavy use of the library's circulating materials"—as shown in Table 2, Williamsburg Regional Library (12.4 items), Poquoson Public Library (10.4), and York County Public Library (6.2). A low number, on the other hand, might indicate "(1) the library's collection may not meet the community's needs or interest; (2) residents may be unaware of the library's resources; [or] (3) the library may have an extensive collection of noncirculating materials."[9] Hampton, Portsmouth, and Norfolk have our region's lowest per capita circulations.

Here it is also important to note that a growing proportion of library resources are not actually captured by these numbers. For example, streaming movies and music, and magazines and newspapers accessed through the digital newsstand Magzter, are not part of library "holdings"—although they may be tracked by library "circulation." And neither of these statistics capture the use of other popular library resources—for example, New York Times Digital Access, ancestry.com, and all kinds of online databases. Thus, "holdings per capita" and "circulation per capita" are an incomplete, and perhaps somewhat old-fashioned, way of measuring library resources and how frequently these are used.

Creative Hubs and Third Places

In the past decade or two, public libraries have undergone a broad cultural shift, increasingly styling themselves as 'people-centered,' rather than 'collections-centered,' institutions.[10] This transition was undoubtedly hastened by the digital revolution. Now that many traditional library resources have moved online (where public libraries still have a critical role to play, ensuring access for all), the function of library buildings as repositories of information has become less important. Libraries increasingly view themselves as creative hubs and sites for developing new skills and also as 'third places.'

Seven of Hampton Roads' library systems now host maker spaces or other creative studios where users can craft and engage in all kinds of hands-on projects. Laser cutters, 3D printers, Cricut machines, and sewing machines are not only used by amateurs to create art projects, clothing, and other household items, but also by entrepreneurs and small businesses for producing promotional items and prototypes. The creative spaces at The Slover in Norfolk are the most extensive in our region, including four separate studios for design, maker technology, sound, and photography/video production. Norfolk, Chesapeake, and Williamsburg also have memory labs for preserving family photos and digitizing older media. All of these libraries offer classes, training, and workshops for users of all levels.

Libraries have also become sites for career development and working remotely. Libraries provide comfortable work space with reliable wifi, high-quality printers, and meeting and conference rooms. Several of our libraries offer job counseling and other kinds of professional development. The Roy E. Hendrix Business Center at the Slover in Norfolk provides "resources for people in all phases of the business cycle, from startup to expansion to economic growth." Several libraries offer free notary service, and Newport News' Main Street Library and Poquoson Public Library are U.S. passport acceptance facilities.

9 Library of Virginia, 2013–2022 Statistical Data for Virginia Public Libraries, at: https://www.lva.virginia.gov/lib-edu/ldnd/libstats/
10 Gensler Research Institute, *A New Model for the Public Library* (2019), 4, at: https://www.gensler.com/gri/a-new-model-for-the-public-library

Public libraries are increasingly leaning into their identity as "third places"—that is, as physical locations "other than work or home where there's little to no financial barrier to entry and where conversation is the primary activity."[11] Libraries foster actual conversations by sponsoring book clubs, hosting community meetings, and connecting people with shared interests. More broadly, libraries provide a site where people from all walks of life mingle, and where community ties are forged. Living and working patterns in the 21st century can be isolating, and the experience of the pandemic underscored our need for social connectivity and human interaction. Already in 2018, author Susan Orlean wrote that "the publicness of the public library is an increasingly rare commodity. It becomes harder all the time to think of places that welcome everyone and don't charge any money for that warm embrace."[12]

Graph 4 shows the two most visited library systems in Hampton Roads are in the two largest cities—Virginia Beach, which counted 760,064 visits in 2022, and Chesapeake Public Library (619,346 visits). The next busiest system, Williamsburg Regional Library (439,688 visits) serves a significantly smaller population, but boasts the highest visits per capita (4.8). Hampton Roads' two single-library systems, Poquoson and Mathews, had the next-highest visits per capita (4.7 and 3.3, respectively), but the smallest total number of visitors. The systems with the lowest per capita visits are Norfolk, Suffolk, and Newport News. According to the Library of Virgina a low number of visits may indicate several things: "For example, (1) the hours the library is open does not fit the needs of the community; (2) the library's collection and programming does not meet the interest or needs of the community; (3) residents may be unaware of what the library has to offer; (4) the facility may be uninviting; (5) the location may be inconvenient."[13]

Here, too, we note that 'library visits'—people walking through the doors of a building—may no longer reflect how much a library is actually used. People who download ebooks, stream movies, or use other online services may be avid library users but rarely visit one in person. Likewise, patrons who utilize curbside pickup (a service that some libraries introduced during the pandemic and continue to offer) may not be counted as library 'visitors.'

A week in the life of Hampton Roads' libraries

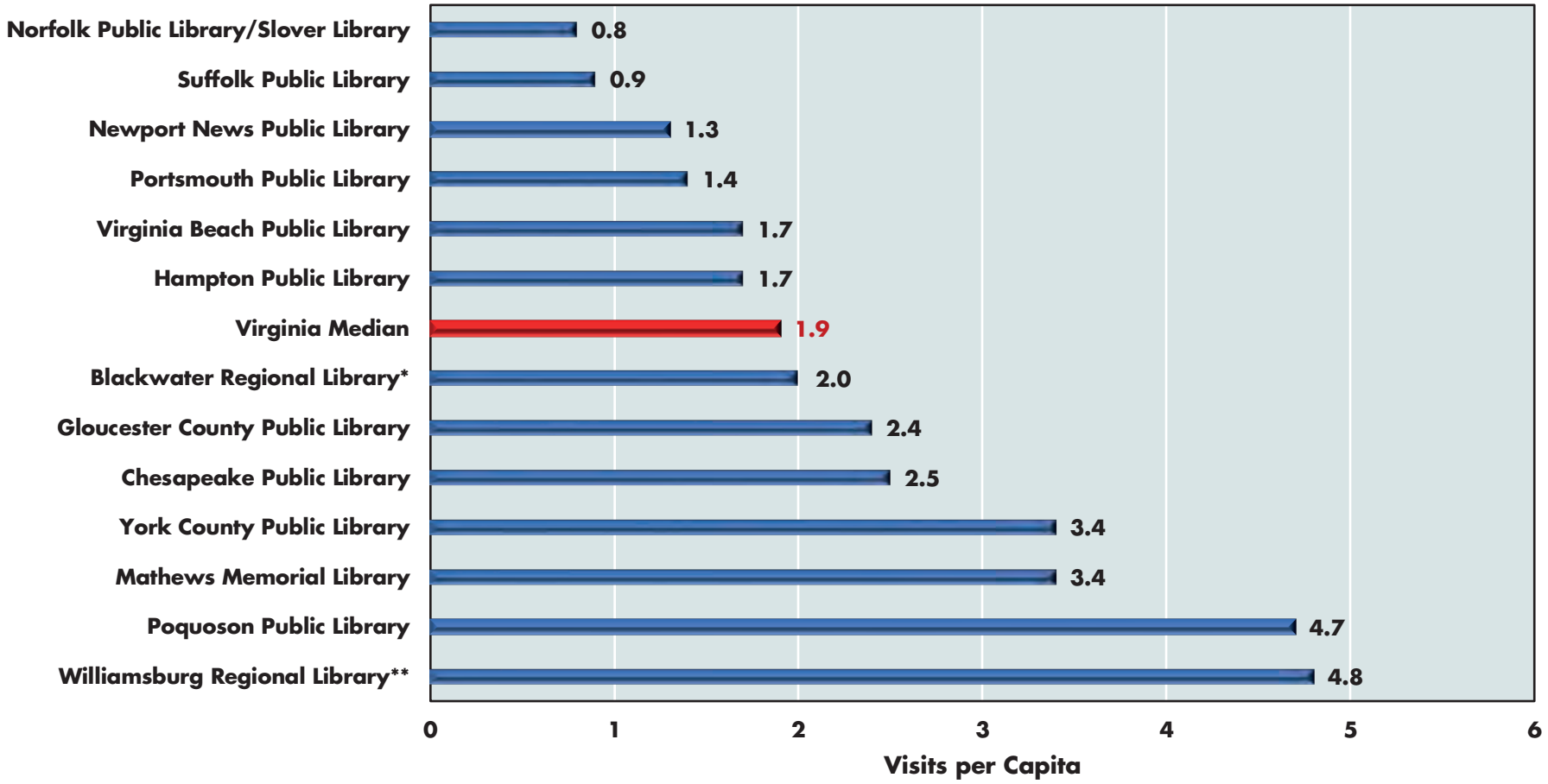
Hampton Roads' 63 libraries regularly host public programs and special events for people of all ages. Here's a very small selection of the activities in just one week, March 1–March 7, 2024:

- Anime club (Norfolk)
- Art workshop with the Suffolk Art League (Suffolk)
- Author visit and book signing with Jeffrey Blount (Blackwater)
- Battle of the Books, 5th-grade finale (Virginia Beach)
- Cena con Cuentos, story time program in Spanish (WRL)
- Chesapeake Yarn Guild (Chesapeake)
- Coffee and Crosswords (Blackwater)
- Dr. Seuss Day (Hampton)
- ESL Casual Conversations (Norfolk)
- Female Pirates That Roamed the Seven Seas: Mariners' Museum presentation (Newport News)
- Free math clinic (Chesapeake)
- Getting Started in Beekeeping (York)
- Introduction to Mahjong (Poquoson)
- John Jorgenson Bluegrass Band concert (WRL)
- Medicare benefits counseling (Suffolk)
- Meet up Monday: Activities for adults with intellectual disabilities (Newport News)
- Mobile Monday: Cellphone and tablet assistance (Hampton)
- Let's Code! Grades K-2 (Virginia Beach)
- Super Smash Bros Ultimate Tournament (Poquoson)
- Toddlers on the loose (Gloucester)
- Ukulele for homeschoolers (York)
- Who's Your Granddaddy? Local genealogist offers free assistance (Gloucester)
- Yoga at the Main Library (Portsmouth)

11 Allie Conti, "Do Yourself a Favor and Go Find a 'Third Place,'" *The Atlantic* (April 4, 2022), at: https://www.theatlantic.com/family/archive/2022/04/third-places-meet-new-people-pandemic/629468/
12 Susan Orlean, *The Library Book* (New York: Simon & Schuster, 2018), 67.
13 Library of Virginia, 2013–2022 Statistical Data for Virginia Public Libraries, at: https://www.lva.virginia.gov/lib-edu/ldnd/libstats/

GRAPH 4

VISITS PER CAPITA OF LIBRARY SYSTEMS HAMPTON ROADS AND VIRGINIA, 2022



Sources: Library of Virginia (2024). *Blackwater Regional Library serves Franklin, Isle of Wight, Southampton, Surry, and Sussex counties. **Williamsburg Regional Library serves Williamsburg, James City County, and York County.

Library Facilities

Libraries are symbols of their communities. Some are beloved and popular destinations, celebrated landmarks or even architectural showpieces; their resources are a source of civic pride. Others show signs of neglect and the effects of long years of lean budgeting—dated technology, stained carpets, and physical spaces that have fallen out of step with the needs of their communities. We have witnessed aspects of both types of libraries in Hampton Roads, sometimes within a single system or even under a single roof.

Libraries, like public schools, make due with limited public funds. Many of our libraries were constructed in an era when long rows of bookshelves were expected to dominate their physical space. Others were repurposed decades ago from different kinds of buildings, including a 1950s furniture store (Suffolk's Morgan Memorial Library) and an early 20th-century beaux-arts post office (Portsmouth's Main Library). By contrast, today's new or newly renovated libraries have typically been designed as multi-purpose community hubs—with flexible work, study, and play spaces; bright interiors with plenty of natural light; meeting rooms; creative studios; computer labs; and separate areas for children, teens, and adults. Two of our region's largest and newest libraries—The Slover in Norfolk, and the Joint-Use Library in Virginia Beach—offer all of these amenities in facilities that are larger than 120,000 square feet. Most of our libraries, however, are much smaller, and a few—such as Chuckatuck Library (Suffolk) and the Claremont Branch Library (Blackwater Regional)—are under 3,000 square feet.

We heard from our region's library directors that new buildings or major renovations are planned—or already underway—in Chesapeake, Newport News, Norfolk, Suffolk, Williamsburg, and Gloucester County. Here are other new and notable facilities, built or renovated in the past decade:

- **The Kiwanis Kids Idea Studio** opened within James City County Library (part of Williamsburg Regional Library) in 2021. This space hosts the library's children's collection, along with "children's museum-style interactive elements" such as pneumatic air tubes, illuminated pixel peg and gear walls, a Lego building station, and a play village with a supermarket and veterinarian's office. Construction is scheduled to begin this fall on the Idea Studio's second phase, an outdoor natural playground that will use elements like sand, boulders, and "hobbit hole caves" to encourage physical activity and imaginative play.

- **The Dr. Clarence V. Cuffee Outreach & Innovation Library** is a 2020 reimagination of the library space that shares a building with the Dr. Clarence V. Cuffee Community Center in Chesapeake. The library has a small book/media collection and an outdoor book locker that can be accessed day and night. However, the majority of the library's space is dedicated to other functions—including a dedicated tutoring area, business center, art gallery, maker space and digital media lab, and an outdoor community garden. The reallocation of space and resources was a tailored response to input from the surrounding community.

- **The Slover Library** opened in downtown Norfolk in 2015, with a striking design that joined the historic Seaboard building and Selden Arcade with a large glass atrium and modern six-story addition. It now serves as the downtown branch of Norfolk Public Library and seeks to create "a vital and dynamic center of community learning, leading-edge technology and civic engagement." It is home to the creative studios, Hendrix Business Center, and Sargeant Memorial Collection mentioned earlier in this chapter.

- **Virginia Beach's Joint-Use Library**, located on the Tidewater Community College campus, is the fruit of a partnership between Virginia Beach Public Library and TCC. It opened in 2013. The facility is both an academic research library and a full-service public library, complete with a children's room and young adult section. The building includes two large computer labs, multiple classrooms and study rooms, and also a café. The spacious facility is lined with large picture windows and received Leadership in Energy and Environmental Design (LEED) Gold certification.

Finally, we note that a significant portion of our public libraries' work occurs outside their walls. Bookmobiles and smaller outreach vehicles visit underserved neighborhoods and sites like preschools and senior living facilities. Williamsburg Regional Library brings children's activities on Saturdays to the Abram Frink Jr. Community Center. Suffolk Public Library offers 'pop-up libraries' and home delivery to homebound residents. Chesapeake Public Library maintains a 24-7 Library Express (similar to a Redbox, but for loaning books) and carts of free books at various sites around the city. And Blackwater Regional Library holds story times in local coffee shops and book clubs in pubs.

Book Battles

The past two years have been difficult ones for public libraries around the country. The culture wars around school materials and policies involving LGBTQIA+ students crossed over to public libraries in 2022: The American Library Association (ALA) counted 1,269 attempts to ban or restrict school and public library materials around the country, "nearly double the then-record total from 2021 and by far the most since the ALA began keeping data 20 years ago."[14] Data from 2023 showed a 92% increase in the number of book titles challenged at public libraries over the previous year.[15]

In contrast to the book controversies of years past, these new efforts at censorship are sometimes coordinated by national political groups and may target dozens of books at a time, overwhelming libraries' formal review process and becoming the flashpoint of angry public meetings. Librarians have been harassed and threatened, and some states and localities have sought to withdraw funding or intervene in library operations. Several state and local libraries have announced plans to leave the ALA over its defense of disputed books.

An ALA map shows that more book challenges were issued in Virginia in 2023 (25 attempts to restrict access to books; 387 titles challenged in those attempts) than in any other state except for Florida, Texas, Kentucky, and Wisconsin.[16] Many of these challenges originated in Front Royal, where a community group's Beer, Babysitting, and Cleaning Up the Samuels Library event in a local park led to 590 book reconsideration requests, which were filed by 53 individuals about 134 different books. Most of the books were cited because of LGBTQIA+ themes. In June 2023, the Warren County Board of Supervisors voted to withhold 75% of its appropriation to the library unless the library board revised its bylaws to give the county a larger role. (Unlike the Hampton Roads public libraries, the Samuels Library is an independent nonprofit organization, although it relies on Warren County for most of its funding.) Library director Michelle Ross resigned in August. The library's board of

14 Hillel Italie, "Book ban attempts hit record high in 2022, library org says," *Associated Press* (March 23, 2023), at: https://apnews.com/article/book-bans-american-library-association-f84ac6fe3f8e3238fc54931bc1a5e054
15 "American Library Association reports record number of unique book titles challenged in 2023," ALAnews (March 14, 2024), at: https://www.ala.org/news/press-releases/2024/03/american-library-association-reports-record-number-unique-book-titles
16 https://www.ala.org/advocacy/bbooks/book-ban-data

trustees ultimately staved off the county's takeover attempt and rejected "further steps that they regarded as discriminating against LGBTQ patrons,"[17] but the trustees did grant some concessions—a new 'Adult' section with restricted juvenile access for books with mature themes, and a means for parents to restrict their children's borrowing.

The Samuels Library remained open and preserved its public funding, while keeping disputed books on its shelves. However, its new restrictions on young readers depart from standard public library practices and from the ALA Library Bill of Rights, which states, in part, that "Libraries should provide materials and information presenting all points of view and current and historical issues. Materials should not be proscribed or removed because of partisan or doctrinal disapproval," and "A person's right to use a library should not be denied or abridged because of origin, age, background, or views."[18]

Despite the emotional controversies around policies toward transgender students and sexually explicit school library materials that have preoccupied some Hampton Roads school districts, our region's public libraries have thus far avoided becoming a culture war battleground. The directors we interviewed said that formal book challenges remained quite rare, although a handful of patrons have recently questioned why certain books (generally with LGBTQIA+ themes) are on library shelves. In Hampton Roads and elsewhere, formal policies guide the selection of public library materials and the procedures around reconsidering them. Most of these policies are explicitly informed by the ALA Library Bill of Rights and Freedom to Read Statement,[19] and most are posted on the library websites. Some Hampton Roads libraries have recently updated these policies in response to controversies elsewhere; others have provided extra training for staff in how to deal with displeased patrons or questions about their collections.

The directors we interviewed emphasized the importance of knowing the communities they serve. A library collection in Norfolk or Hampton, for example, is apt to look different than in Suffolk or York County. Librarians want to provide access to books that their users want to read. In general, libraries seek to welcome and include, not to antagonize—although pleasing all patrons, of course, is impossible. As one library policy forthrightly states, "it is not expected that all of the collection will appeal to everyone."[20] More than anything else, we heard that our librarians want their institutions to be known not (just) for controversial books, but for the full spectrum of library services that enrich their communities in myriad ways.

17 Gregory S. Schneider, "Public libraries are the latest front in culture war battle over books," *The Washington Post* (July 25, 2023), at: https://www.washingtonpost.com/dc-md-va/2023/07/25/library-books-bans-lgbtq-virginia/; and Matthew Barakat, "Virginia library faces potential shutdown over funding after children's books are challenged," *Associated Press* (September 12, 2023), at: https://apnews.com/article/library-book-challenge-closure-virginia-lgbtq-183baafd5b5533108b5fd92b650d78c1; and Gregory S. Schneider, "Samuels library in Va. has funding restored with LGBTQ policies unchanged," *The Washington Post* (October 4, 2023), at: https://www.washingtonpost.com/dc-md-va/2023/10/04/virginia-samuels-library-lgbtq-books/

18 ALA, Library Bill of Rights, at: https://www.ala.org/advocacy/intfreedom/librarybill

19 ALA, Freedom to Read Statement, at: https://www.ala.org/advocacy/intfreedom/freedomreadstatement

20 Hampton Public Library, Request for Reconsideration Policy (September 8, 2022), at: https://hampton.gov/1244/Policies

Final Thoughts

Hampton Roads' largest library systems—in terms of total library visits, circulation, and operating expenditures—are in the southside localities of Virginia Beach and Chesapeake. The busiest, most widely used, and best funded libraries per capita are in the Peninsula localities of Williamsburg/James City County, York County, and Poquoson. These Peninsula localities also possess some of the highest median household incomes in our region and the highest proportion of persons holding a Bachelor's degree or higher.

Williamsburg Regional Library stands out for all of these reasons, as well as for its visionary leadership and dedicated staff and volunteers. It was named the Virginia Library Association's Virginia Library of the Year in 2023, an award based on factors including "creativity and innovation in library programming, the development of community partnerships, the implementation of services that other libraries emulate, and job satisfaction for all employees."[21] Further, it is one of just 258 libraries in the United States—and one of only six in Virginia—to receive Star Library status from *Library Journal* in 2022. The Star Library index is based on eight per capita output measures: physical circulation, e-material circulation, library visits, program attendance, public computer users, wifi sessions, and electronic retrievals.

Prosperous communities are apt to have strong public libraries, but it is also true that strong public libraries benefit all communities, especially lesser-resourced ones. These benefits are educational, cultural, social, and economic. A recent big data study of North Carolina public libraries found "consistent, causal relationships between certain library inputs and outputs and higher educational attainment, increased salaries, increased jobs, and decreased poverty."[22] And an Institute of Museum and Library Services report identified statistically significant relationships between library presence/usage and school effectiveness and community health; these relationships were strongest in rural areas.[23]

One way of measuring the economic benefit of public libraries is Return on Investment (ROI)—that is, the dollar value of direct and indirect benefits produced for every dollar spent. Direct benefits of public libraries include access to books and other library resources, while indirect or intangible benefits (which are much harder to quantify) might include personal well-being and stronger community ties. A 2018 ODU student project proposed that a "reasonable estimate" of Norfolk Public Library's ROI was between $3.33 and $4.72. This suggests that every dollar spent by the library produces roughly three to five times that amount in direct and indirect benefits to the larger community. Other studies in localities across the country, using various methodologies, have estimated similar, or higher, public library ROIs.[24]

Given the wide-ranging advantages that strong public libraries can bring to their communities, public policies that facilitate library access ought to be commended. This need not necessarily entail expensive facility construction. Chesapeake, Hampton, Newport News, and Virginia Beach stand out for providing all local public school students with public library privileges. Students in these localities can use their school ID numbers to access online resources anywhere, anytime, year-round; parents may opt out for their children if they desire. Young people receive an early orientation in library services, and the libraries and schools share resources in a cost-effective way.

One of the geographic peculiarities of our region is that the nearest or most appealing public library might not necessarily be in the locality where a user lives and pays taxes. We heard from several libraries that a significant proportion of their clientele come from different localities. Some libraries, such as Hampton and Newport News, allow patrons to use the same card number in both systems and regularly swap items that are returned to the wrong place. The Williamsburg Regional Library card policy is the most geographically restrictive in the region. While anyone may visit the library and use its resources on site, only Williamsburg, James City County, and York County business or property owners or public employees, and members of the College of William and Mary community are eligible to hold a library card. Norfolk

21 Williamsburg Regional Library press release, "WRL Named Virginia Library of the Year" (August 24, 2023), at: https://www.wrl.org/wp-content/uploads/2023/08/PRESS-RELEASE-WRL-Named-Virginia-Library-of-the-Year.pdf
22 Anthony Chow and Qianfei Tian, "Public Libraries Positively Impact Quality of Life: A Big Data Study" *Public Library Quarterly* 40, no. 1 (2021), 28.
23 Institute of Museum and Library Services, *Understanding the Social Wellbeing Impacts of the Nation's Libraries and Museums* (2021), at: https://www.imls.gov/publications/understanding-social-wellbeing-impacts-nations-libraries-and-museums
24 City of Norfolk, "Norfolk Public Library Teams Up with Old Dominion University for Economic Impact Study" (April 3, 2018), at: https://www.norfolk.gov/CivicAlerts.aspx?AID=3798&ARC=7740

Public Library charges an annual fee of $35 to people who do not live or work in Norfolk and would like to use its electronic collection.

As libraries' most popular (and expensive to provide) resources are increasingly moving online, a growing challenge will be balancing libraries' mission to serve and welcome everyone with the finite budgets they receive from their supporting localities. What is evident, however, is there is a clear demand for public libraries and the value they provide to their communities.

If there is a consistent weakness we identified across our region's library systems, it is surely public relations. This is no small matter for institutions that aim to be 'people-centric.' Persons who work full-time may have difficulty visiting a nearby library in person, as many facilities are closed in the evenings and on Sundays. Library websites can be difficult to navigate, particularly on a mobile phone. Many of the resources we outlined in this chapter may not be readily evident to a casual or first-time user or to someone who hasn't visited a library in some time. Some librarians we spoke with felt constrained by social media policies that limit their outreach to younger users. The digital revolution has transformed how we live, work, read, and access information. Libraries have changed, too, although some have responded more nimbly than others. We suspect that many Hampton Roads residents may not be aware of the breadth of resources that their libraries have to offer.

Are Disability Rates Rising in Hampton Roads?

ARE DISABILITY RATES RISING IN HAMPTON ROADS?

"The care of human life and happiness, and not their destruction, is the first and only object of good government."
Thomas Jefferson

'Disabled' is a term that can mean different things to different people. To some, it describes a situation in which unfortunate individuals, through no fault of their own, are afflicted with maladies that prevent them from undertaking vital life activities such as walking or working. They need and deserve the support of society. To others, however, disability can be a red flag that may signal persons who illegitimately have parlayed their questionable disabled status into the receipt of long-term financial assistance from the government. Many other points of view inhabit the territory between these polarized approaches to the subject. We will see that reality resides somewhere in between these points of view. Both have legitimacy, but neither is the whole story.

We may forget how economic life was prior to the onset of the COVID-19 pandemic. According to the Bureau of Labor Statistics (BLS), unemployment rates were near or at record lows in Hampton Roads. A record (for that time) number of residents were in the labor force and gainfully employed. Job openings across the Commonwealth were plentiful. While unemployment spiked in 2020 as a result of the pandemic, the job losses were temporary. As Hampton Roads has recovered, employers find themselves again challenged by the tightness of the labor market.

This 'full employment' situation caused a decline in economic adversity that, in turn, led to a reduction in the number of requests received by the SSA for worker disability income. Simply put, workers appear to be less likely to file for disability benefits when economic conditions are good. But, as we shall see, significant differences continue to exist in this regard across the cities and counties of Hampton Roads.

In this chapter, we examine one particular corner of a much larger disability story – those individuals who have a work history and subsequently seek to receive income from the Social Security Administration (SSA) because of that disability. Contrary to what many people believe, both the number of applications for worker disability and rates of approval of those applications have trended downward in recent years. One reason for this is that the previous decade was part of the longest ever post-World War II economic expansion, the one that lasted from June 2009 to February 2020, and came to a halt when the COVID pandemic hit.

What Is a Disability?

President George H.W. Bush signed the Americans with Disabilities Act (ADA) in 1990, and it prohibits discrimination against individuals with disabilities in many areas of public life. Among other things, the ADA requires employers with 15 or more employees to make "reasonable accommodations" to qualified candidates for employment so that they can hold jobs.[1]

Section 12102 of the ADA provides an exceedingly general definition of what constitutes a disability:

- A physical or mental impairment that substantially limits one or more major life activities of such individual;
- A record of such impairment; or
- Being regarded as having such an impairment.[2]

It has been left to other federal government agencies to give concrete meaning to these broad definitions. In the area of employment, the Equal Employment Opportunity Commission (EEOC) usually holds sway, while in the area of disability income, it is the Social Security Administration (SSA) that provides specificity. State and local governments largely are reactive agents in this process. As we will see, state government agencies do make the initial screening recommendations with respect to who will receive disability income (usually referred to as Social Security Disability Insurance or SSDI) from the federal government which makes the final decisions. One reason for this is that the federal government provides the budgetary dollars that support these state agencies, so it is a case of 'those that have the money make the rules.'

How Do We Know Who is Disabled?

In 2021, the Centers for Disease Control and Prevention (CDC) reported that 27.2% of adults in the United States cope with some type of disability, a prevalence that was slightly higher than the Commonwealth of Virginia (24.4%) (Graph 1). Males appeared to experience disabilities at a lower rate than females and, as one might expect, individuals aged 18 to 44 experienced lower disabilities rates than those aged 45 to 64. Nationally, in 2021, 43.8% of those aged 65 and older experienced a disability compared to 39.0% of Virginians.

Graph 2 illustrates the types of disabilities prevalent among those with a disability. We note that many individuals have one or more disabilities and therefore must deal with the consequences of those multiple disabilities on a daily basis. Approximately 12.8% of Americans and 11.7% of Virginians have a cognitive disability. Of those with a disability, 12.1% of the national residents and 10.9% of Virginians have a mobility disability.

Merely having what might be termed a 'disability condition' is not sufficient to guarantee the approval of an individual's disability claim. First, one must demonstrate eligibility, and there are two fundamental routes that one travels to pursue a claim. Based upon age, work history, and medical condition, one might be eligible either for a Supplemental Security Income (SSI) payment, which is not related to any work history, or for a Social Security Administration Disability Insurance (SSDI) payment, which depends upon the applicant having a verifiable work history.

With respect to work history, the Social Security Administration usually requires that an individual must have worked five out of the past 10 years in order to be eligible for work-based SSDI payments. In contrast to SSDI payments, SSI payments are not based upon work histories and are limited to individuals 65 years or older, adults who are disabled or blind, or children who are disabled or blind.

1 ADA.gov. United States Department of Justice, "Americans with Disabilities Act of 1990, As Amended," www.ada.gov/law-and-regs/ada/.
2 ADA.gov.

Of the approximately 11 million individuals receiving some form of disability payment from the SSA in December 2022, about 62.0% (6.8 million) received benefits from the SSI program only, 29.0% (3.2 million) received benefits from the SSDI program only, and 9.0% (1.0 million) received benefits from the SSI and SSDI programs concurrently.[3] Individuals receiving concurrent payments not only met one of the SSI disability criteria such as age or blindness, but also had a work history.

In December 2022, according to the SSA's *Annual Statistical Supplement*, 85% of SSI recipients were disabled. The non-disabled SSI recipients (the remaining 15%) typically were members of the disabled SSI recipients' families. As of December 2022, there were approximately 7.5 million SSI recipients, with about 1.0 million under the age of 18, 4.2 million between the ages of 18 and 64, and 2.3 million aged 65 and older.

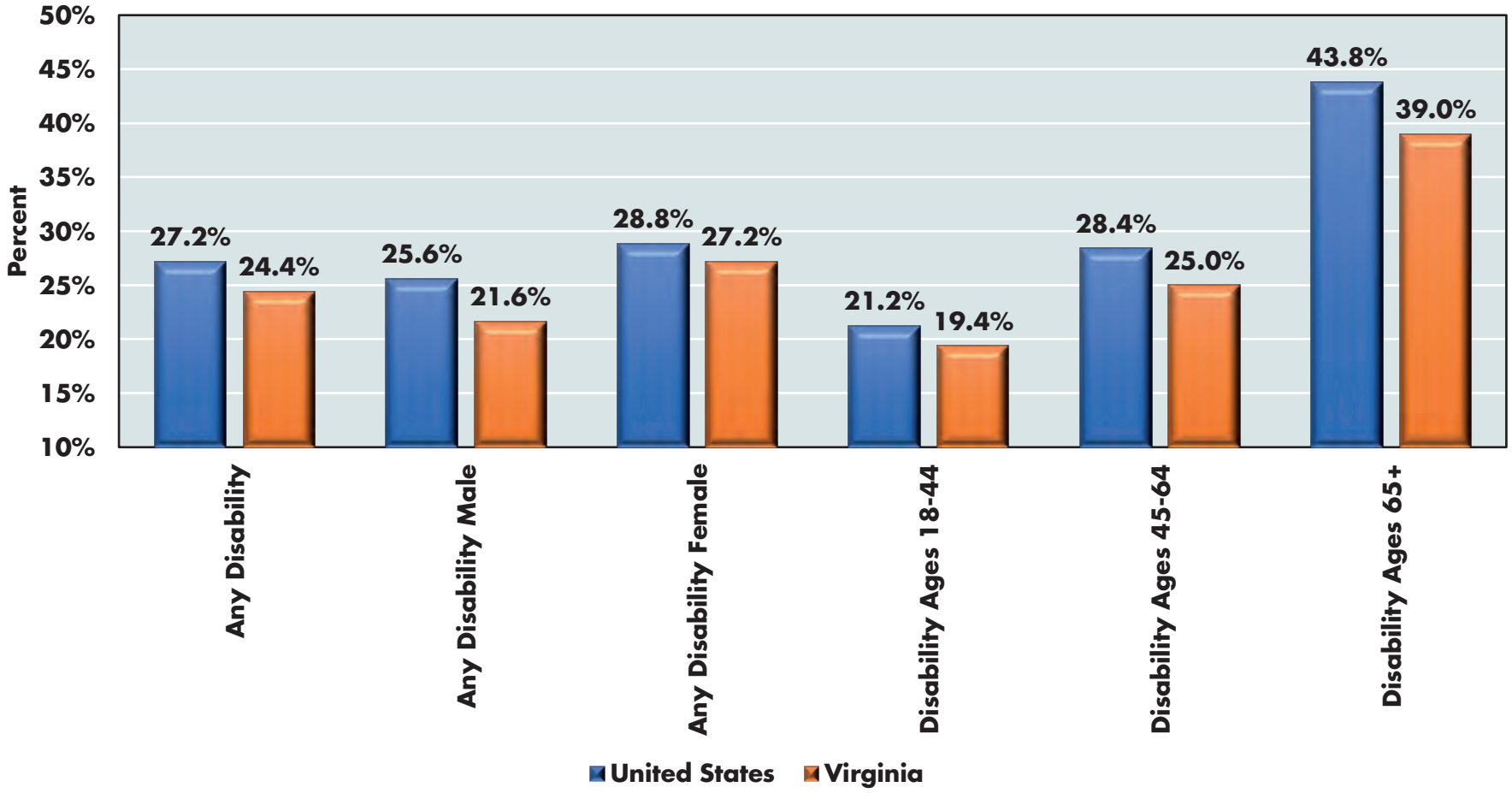
In 2022, the SSA reported that, of the 8,955,174 Americans receiving SSDI payments in December 2022, 84.9% (7,604,098) were disabled workers, 12.7% were disabled adult children (1,139,775), and 2.4% (211,301) were disabled widows or widowers. 1.0 million individuals were receiving both SSI and SSDI payments.

Graph 3 illustrates the percent of disabled workers receiving SSDI payments as a percent of the population. In 2004, about 6.20 million individuals nationally received SSDI payments (2.1% of the resident population), rising to a peak of 8.95 million (2.8% of the population) in 2014. The number of SSDI recipients fell in every subsequent year, reaching 7.60 million (2.3 % of the population) in 2022. While the proportion of disabled workers receiving SSDI was about the same nationally and in Virginia in 2004, the share of disabled workers relative to the resident population did not rise as quickly for the Commonwealth, peaking at 2.6% of Virginia's population in 2012. Since then, the share of disabled workers in Virginia has declined, reaching 2.2% of Virginia's population in 2022. Interestingly, the number of applications for disability status received by Social Security field offices also declined during this period, as did the incremental number of awards (an award means the individual begins to receive a check from the government).

3 Social Security Administration, *Annual Statistical Report on the Social Security Disability Insurance Program, 2022*, Table 66.

GRAPH 1

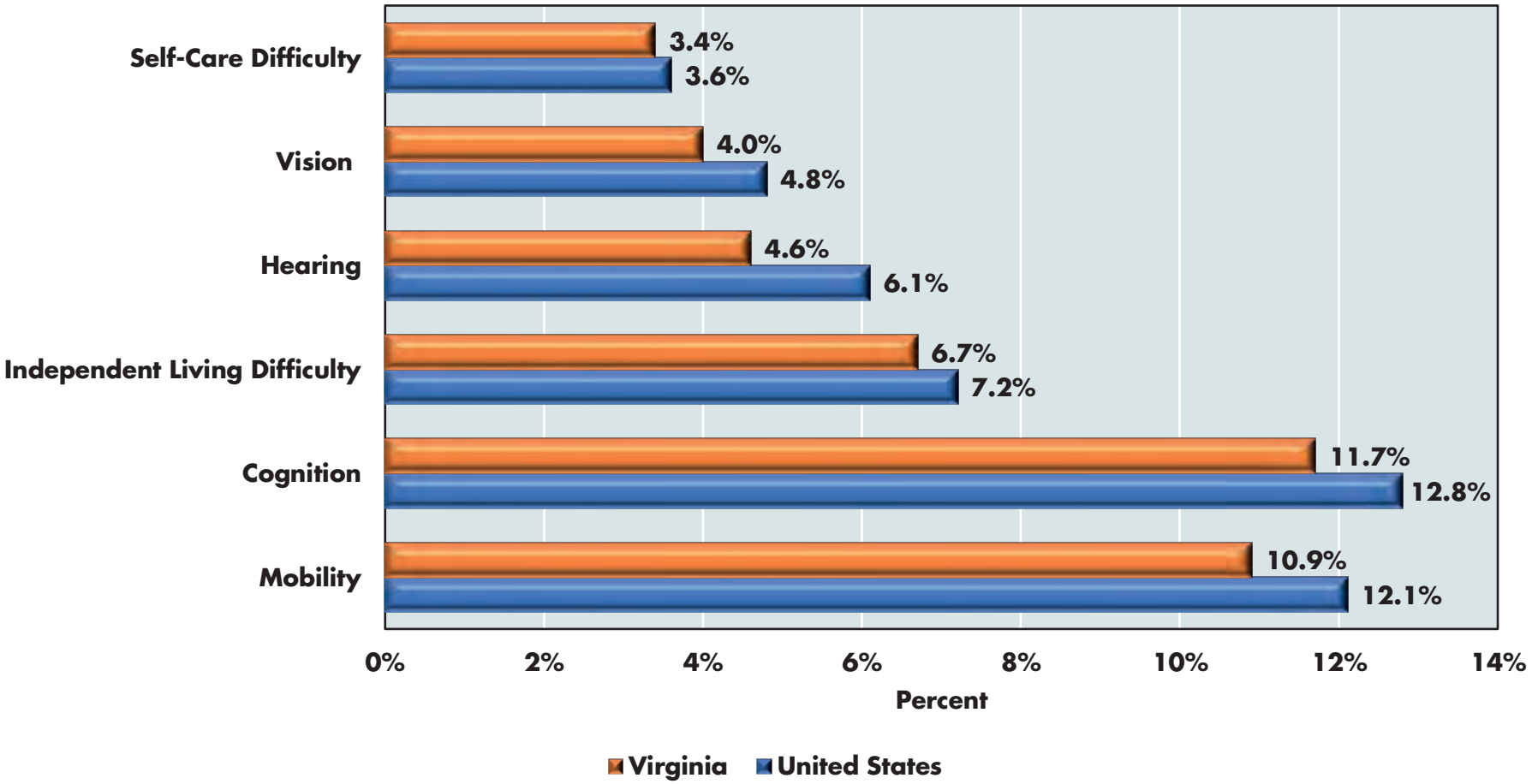
DISABILITY STATUS AMONG ADULTS AGED 18 YEARS AND OLDER
UNITED STATES AND VIRGINIA, 2021



Sources: Centers for Disease Control and Prevention, National Center on Birth Defects and Developmental Disabilities, Division of Human Development and Disability. Disability and Health Data System (DHDS), https://dhds.cdc.gov. Estimates do not include the state of Florida.

GRAPH 2

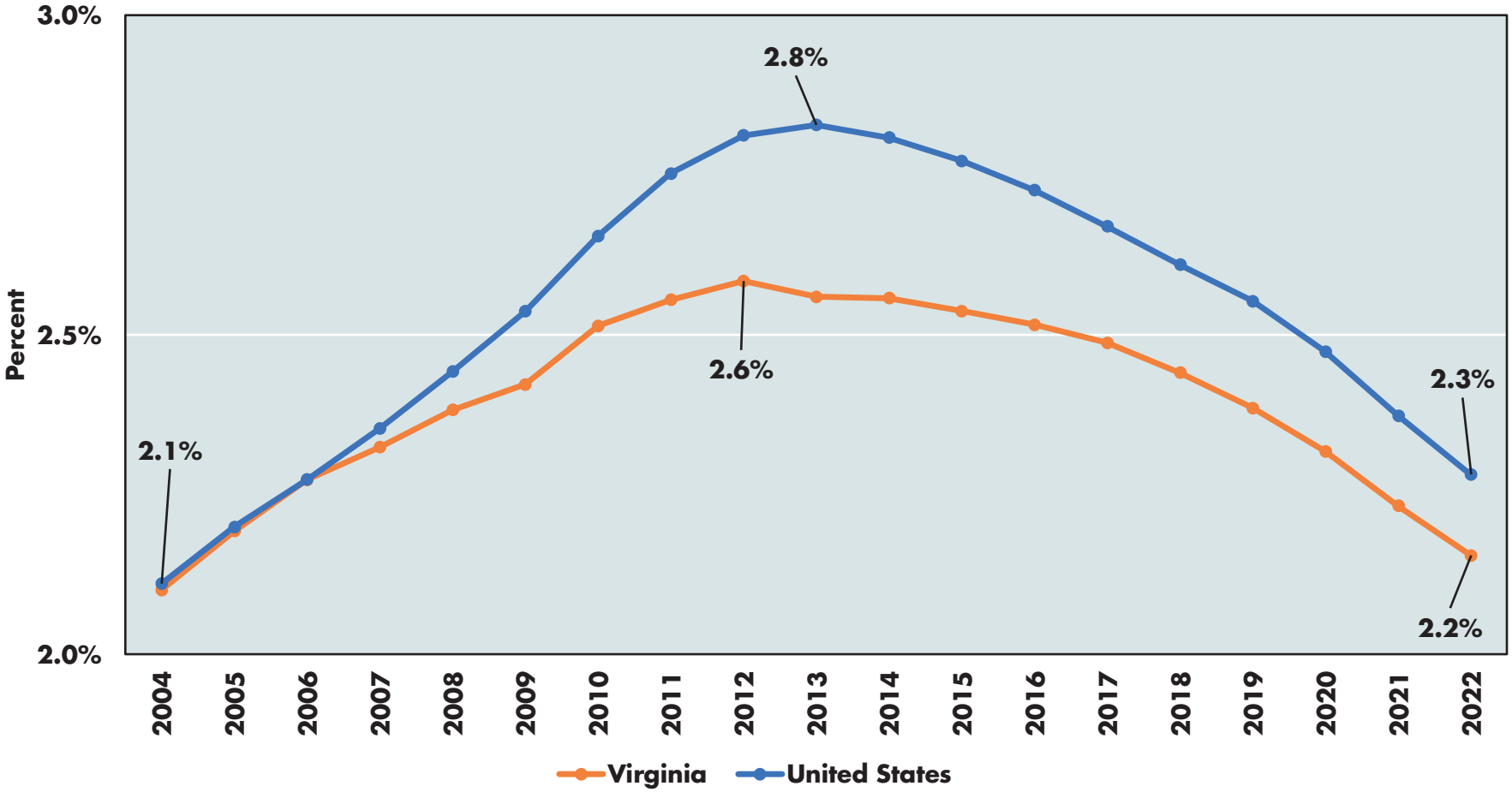
TYPES OF DISABILITIES AMONG ADULTS AGED 18 YEARS AND OLDER
UNITED STATES AND VIRGINIA, 2021



Sources: Centers for Disease Control and Prevention, National Center on Birth Defects and Developmental Disabilities, Division of Human Development and Disability. Disability and Health Data System (DHDS), https://dhds.cdc.gov. Estimates do not include the state of Florida.

GRAPH 3

DISABLED WORKERS RECEIVING SSDI PAYMENTS AS A PERCENT OF THE RESIDENT POPULATION UNITED STATES AND VIRGINIA, 2004 - 2022



Source: Social Security Administration (2023), "Disabled worker beneficiary statistics by calendar year, quarter, and month." Social Security Administration (2023), "OASDI Beneficiaries by State and County, 2022." United States Census Bureau (2023), 2022 American Community Survey 1-Year Estimates.

How Does the SSDI Application Process Work?

'No application, no aid' – one must apply in order to receive disability income. The process for doing so involves multiple admittedly bureaucratic steps and usually begins with an individual applying to his/her state's Disability Determination Services (DDS) office for an initial request hearing. This is the first of many steps. We present these steps below so that readers will understand that gaining SSDI income ordinarily is a multi-step, drawn-out process requiring time and effort.

Virginia's Disability Determination Services (DDS) office is a division within the Commonwealth's Department for Aging and Rehabilitative Services (DARS), and it works in partnership with the Social Security Administration and the Virginia Department of Social Services to make decisions on disability claims for benefits under the Social Security Disability Insurance, Supplemental Security Income, and Medicaid Programs. Following rather extensive federal regulations, the DDS attempts to make accurate and prompt disability recommendations based on medical and psychological evidence. DDS also considers school information and vocational criteria as appropriate. Ultimately, relying heavily on state units such as Virginia's DDS, the Social Security Administration makes a decision concerning an individual's application for disability status and support. **Virginia's DDS denies more than one-half of the first-round requests it receives.**

The following are the things that an applicant typically must do to receive SSDI income, and most often, these must be done in the order described.[4] During any or all of these steps, both the applicant and the Commonwealth's DDS office, which supervises the evaluation of an application, may utilize experts and advocates who provide opinions and evidence.

A SIX-STEP SEQUENTIAL EVALUATION PROCESS[5]

The Social Security Administration (SSA) offers prolific information[6] that tells individuals how to apply for benefits, ways to maximize one's possibility of success, and even how to appeal adverse decisions. The SSA's website is user oriented and contains step-by-step information that we summarize here.

Step 1: Virginia's DDS considers the applicant's work activity, if such exists. If the applicant is performing substantial gainful activity (often referred to as SGA), then the applicant will be found to be not disabled and the process ends. If the applicant is not performing SGA (essentially not working), then DDS continues to Step 2. In economic terms, this requirement constitutes a disincentive for applicants to work.

Step 2: The DDS considers the medical severity of the applicant's impairment(s). These impairments must interfere with basic work-related activities for the claim to be considered. If they do not, then DDS will find the applicant is not disabled, and the process ends. If the conditions do interfere with basic work-related activities, DDS continues to Step 3. Applicants often introduce advocates and/or their evidence at this stage.

Step 3: DDS considers the medical severity of the applicant's impairment(s) from Step 2. For each of the major body systems, DDS maintains a list of medical conditions so severe that they automatically mean that the applicant is disabled. If that is the case, then the process ends, and the applicant now qualifies for disability benefits. However, if the applicant's condition is not on the list, DDS must decide if the condition is of equal severity to a medical condition that is on the list. If the impairment(s) meets or equals the requirements of one of its Listings of Impairment and also meets the duration requirement (expected to last at least 12 months or until death), then the SSA will find the applicant disabled. The process ends here, and the applicant now qualifies for disability benefits. If the impairment does not meet or equal a listing, DDS continues to Step 4.

4 Office of the State Inspector General (February 2018). Department for Aging and Rehabilitative Services: Disability Determination Services Program: Performance Audit. Available at: https://www.osig.virginia.gov/media/governorvirginiagov/office-of-the-state-inspector-general/pdf/performance-audits/dars-disability-determination-services-performance-audit.pdfsocia
5 The DDS and the SSA advertise only five steps; however, since both agencies reject high percentages of the applications they receive, there is an effective sixth step, and that is an appeal.
6 Social Security Administration, "Disability Benefits: How You Apply" Available at: https://www.ssa.gov/disability

Step 4: If the applicant's condition is severe but not at the same or equal level of severity as a medical condition on the list in Step 3, then DDS will render a judgment whether the condition interferes with the applicant's ability to do the work he/she did previously ("past relevant work"). DDS assesses the abilities retained by the applicant despite his/her disabilities. When the applicant remains able to do their past relevant work, then the SSA will find the applicant is not disabled and the process ends. If the applicant cannot perform his/her past relevant work, then the DDS continues to Step 5.

Step 5: The SSA now decides if the applicant is able to adjust to perform other work in the national economy. It considers the applicant's medical condition(s), age, education, past work experience, any transferable skills he/she may have, and evidence provided by the applicant's advocates. The SSA may utilize its own panel of experts. If the applicant cannot adjust to perform other work, the claim will be approved. The process ends, and the applicant now qualifies for disability benefits (though this does not mean he/she will always receive them!). If the applicant can adjust to other work, the claim will be denied, and the process ends.

The previous five steps have been identified by the SSA. More than one-half of all original applications for disability status and payments are rejected somewhere along the line described above. What the SSA does not immediately reveal is that more than one-half of applications are rejected, and so there is often a sixth step – appeal.

Step 6: Applicants can appeal for reconsideration by their state's DDS; they can request a hearing before an administrative law judge; they can request a hearing before a SSA Appeals Council; and they can appeal to a federal district court. Some applicants who are denied utilize all these avenues.

Disability Applications and Award Rates Are Falling

Individuals applying for disabled-worker benefits may file applications at Social Security Field Offices, teleservice centers, and online. Graph 4 illustrates the number of these applications and the amount forwarded to state Disability Determination Services (DDS), Federal Disability Units, Disability Processing Branches, and Extended Service Team Sites. Graph 4 reveals that the number of applications and those forwarded for an initial determination of whether a claimant's disability meets the standards set forth in the Social Security Act and federal regulations peaked at almost 3 million applications in 2010.

The 2013 National Public Radio segment on disability lent the impression that disability approval processes may be lax. While this could be the case in some states and likely at some locations inside states, this does not seem to hold true generally. In 2000, 83.7% of field office receipts were forwarded for an initial determination. By 2010, this forwarding rate had fallen to 65.6%. Since 2010, the forwarding rate has vacillated between 63 and 66%. Either more applicants were not qualified, standards were more stringent, or a combination of both factors were possibly at play over this period.

An application for disabled worker benefits is by no means a guarantee of a disability determination and award. Graph 5 illustrates the ratio of awards to Field Office receipts and the ratio of awards to initial DDS receipts. Given that Field Office receipts include applications for which the applicant is not qualified for work benefits, it should be no surprise that the awards ratio is lower. In 2001, approximately 46.1% of applications received by a Field Office ultimately resulted in an award. By 2010, only 35.9% of applications received an award. And in 2022, only 3 in 10 applicants to a Field Office received an award.

We observe a similar decline in award rates when we examine the ratio of awards to initial DDS receipts. In 2001, more than half (55.1%) of applications received by DDS offices received an award. From 2001 to 2013, this ratio remained at or above 50% before falling to 49.6% in 2014 and then rising above 50% from 2015 to 2020. This decade, the awards to initial DDS receipts rate has declined from 47.2% in 2021 to 45.1% in 2022. **State DDS offices not only received fewer applications for SSDI in 2022 than any other year this century, but they also approved with a lower percentage of those applications for awards.**

Turning to Virginia, Graph 6 discloses the average initial claims approval rate and reconsideration allowance rate from 2000 to 2022. On average, Virginia's DDS gave initial approval to 44.7% of applications over this period, ranging from 43.0% (2011) to 54.5% (2005). More recently, Virginia's approval rate has hovered in a smaller range, between 45.0% (2017) and 48.6% (2021).

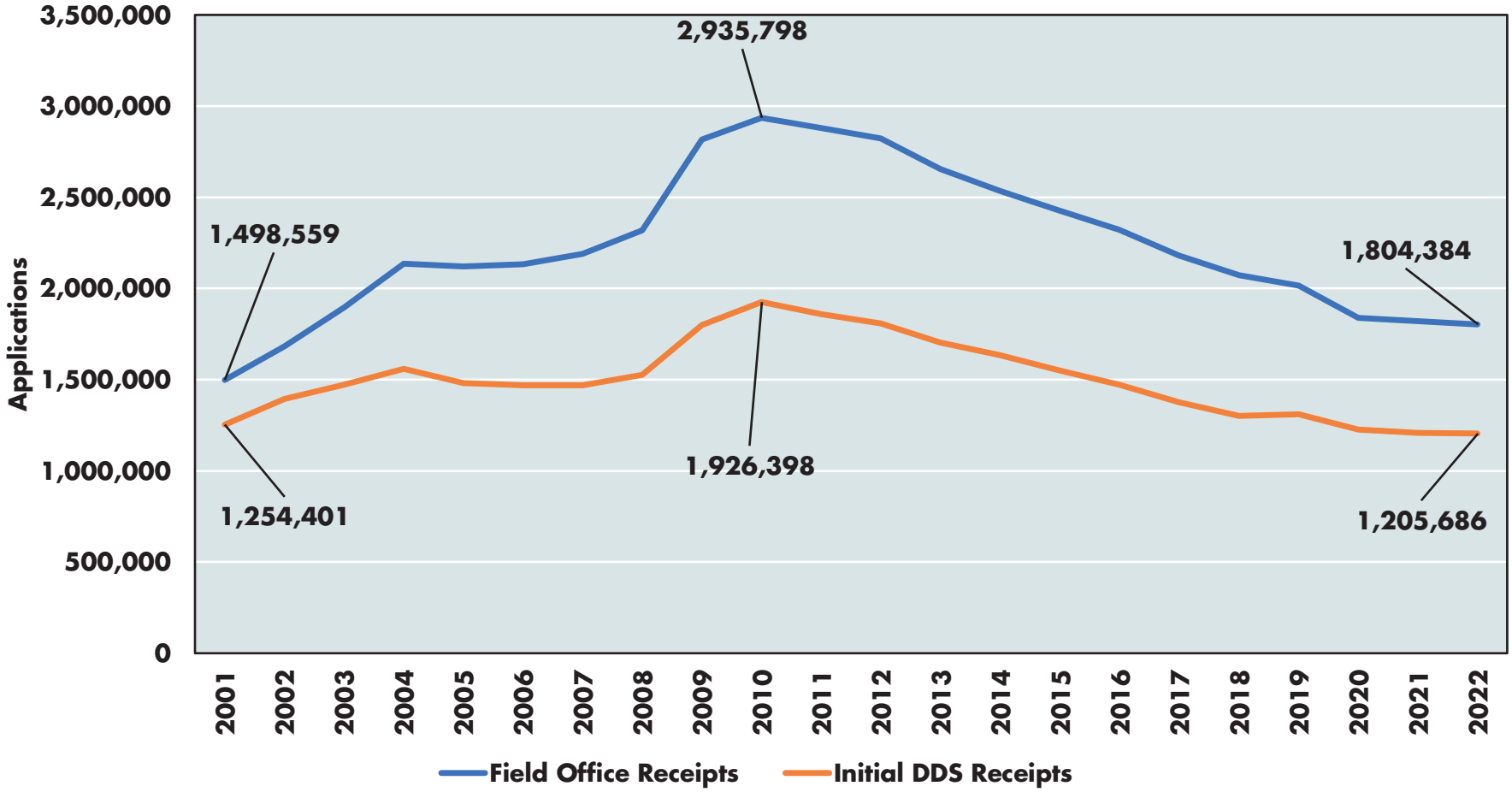
Meanwhile, over the same period, but involving SSDI only claims, Virginia's DDS appears to be more stringent with regards to reconsideration approvals.[7] The annual reconsideration approval rate varied between a low of 14.2% (2015) and a peak of 20.2% (2012). More recently, it has varied between 15.6% (2021) and 18.3% (2022). Thus, on a consistent basis, more than one-half of all applications for SSDI-only support are not approved in the Commonwealth.

Some observations about the preceding discussion. First, even though the flow of applicants peaked in 2010 and since has declined, there continues to be a large annual flow of applications for disability. Second, these numbers do not account for terminations of disability benefits that occur because a recipient's circumstances have changed (improvement in an applicant's condition or death, for example). These are not insignificant in number. Third, reality is that large proportions of applicants are rejected, and this propels them to appeal that rejection. Persistence can pay off. From an economic standpoint, the appeals process seems biased in favor of applicants who have the resources to hire lawyers, physicians, and other appropriate personnel to advocate for them. Fourth, appeals hearings before administrative law judges (usually the final step) have the reputation of generating more favorable results for appellants than hearings before DDS and SSA tribunals. Alas, we have no evidence to contribute here.

7 The two approval rates (initial action and reconsideration) cannot be added together because they involve different applicants.

GRAPH 4

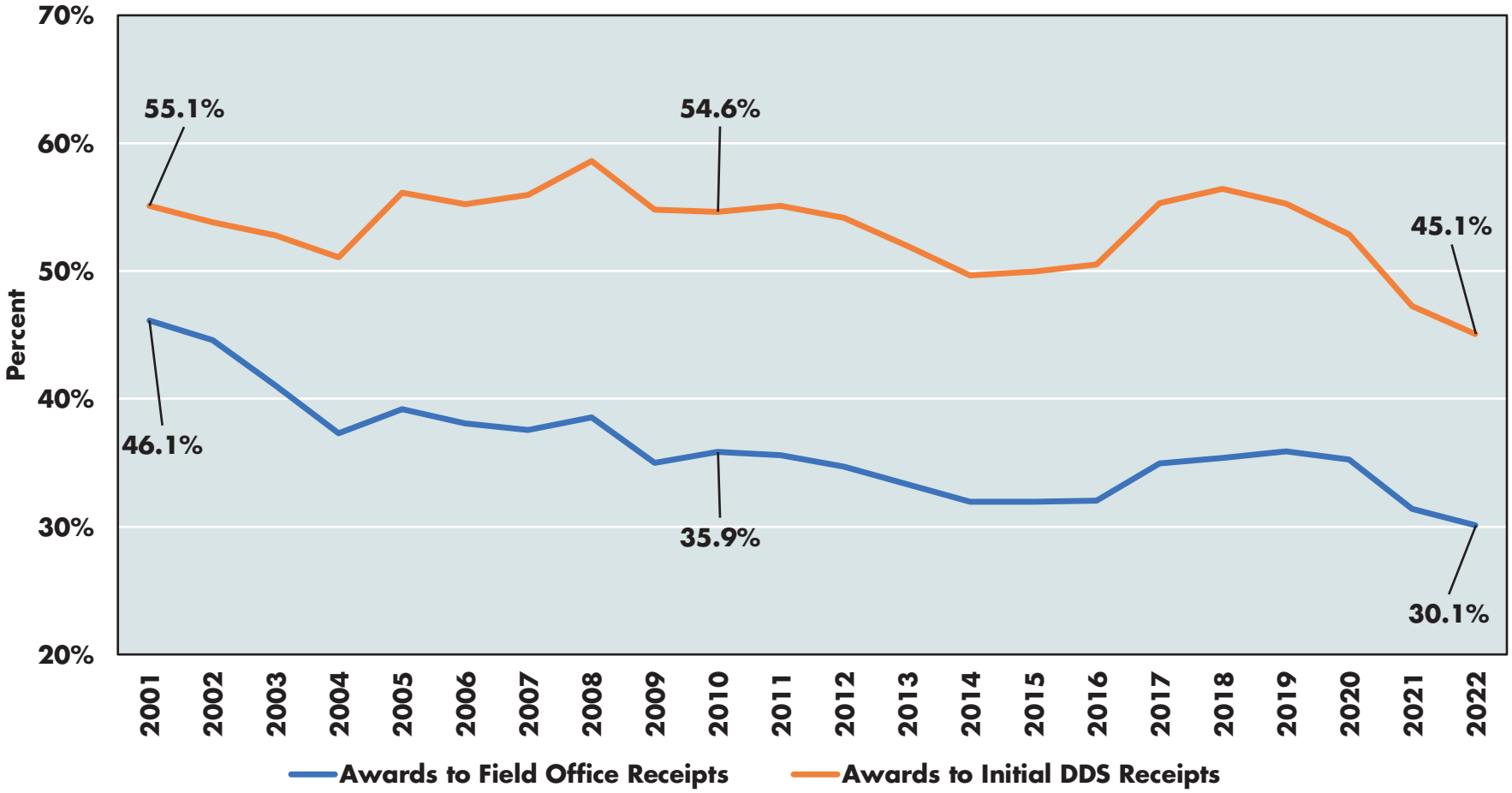
NUMBER OF APPLICATIONS FOR DISABLED-WORKER BENEFITS
UNITED STATES, 2001 - 2022



Source: Office of the Chief Actuary, Social Security Administration, "Applications for disability benefits and number awarded." Field office receipts include applications from workers who are not insured for disability benefits and are counted as denied as these workers are not considered eligible for benefits.

GRAPH 5

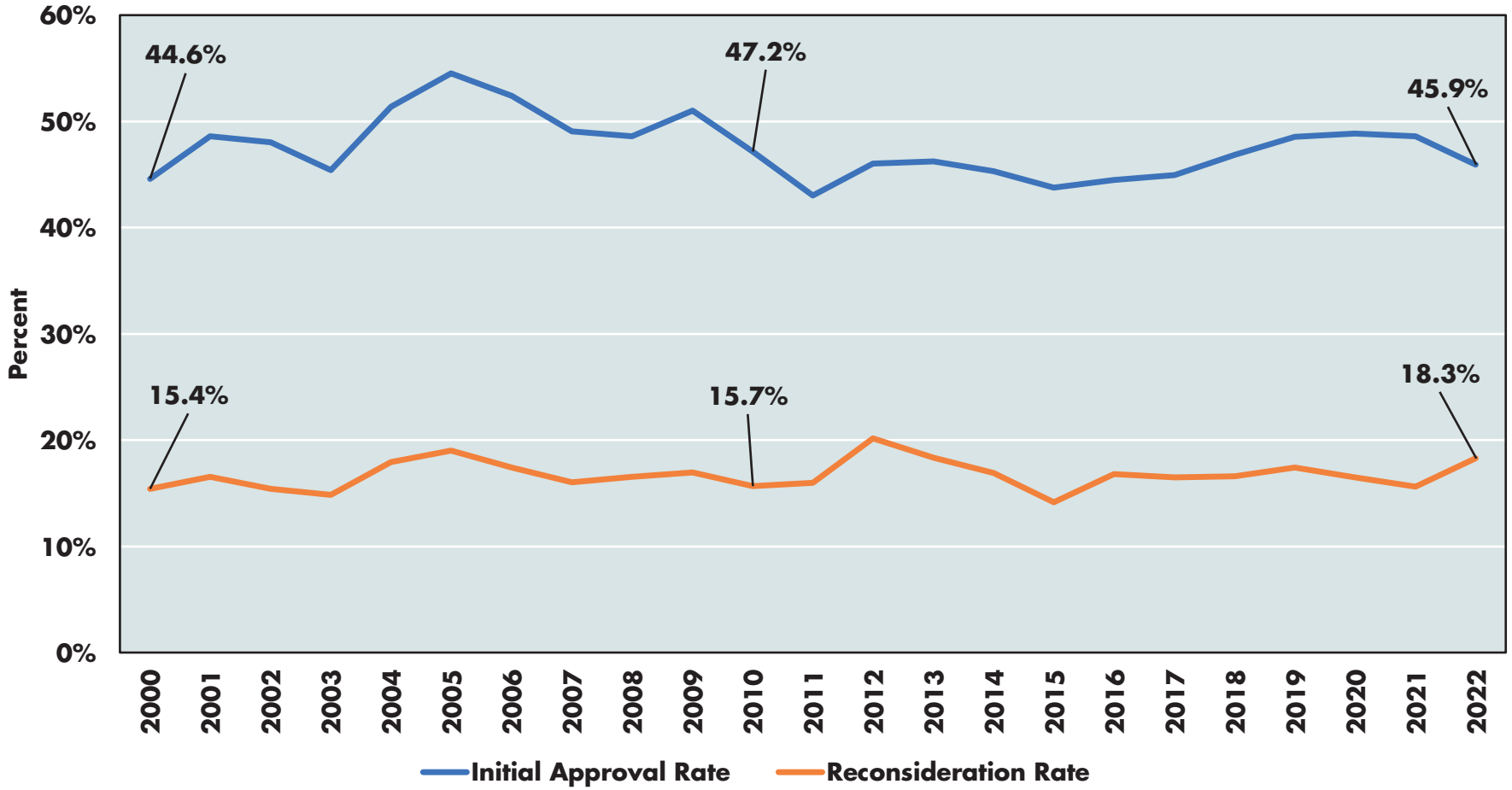
PERCENT OF AWARDS TO FIELD OFFICE RECEIPTS AND INITIAL DDS RECEIPTS
UNITED STATES, 2001 - 2022



Source: Office of the Chief Actuary, Social Security Administration, "Applications for disability benefits and number awarded." Field office receipts include applications from workers who are not insured for disability benefits and are counted as denied as these workers are not considered eligible for benefits.

GRAPH 6

SSDI ONLY INITIAL CLAIMS AND RECONSIDERATION ALLOWANCE RATES
VIRGINIA, 2000 - 2022*



Source: Social Security Administration, SSA State Agency Monthly Workload Data, www.ssa.gov/disability/data/ssa-sa-mowl.htm. * Data for 2020 is from October 2020 to December 2020 only. Annual averages.

Disability Rates Vary Significantly Among Cities and States

Obviously, one first must be disabled in order to receive SSDI income payments. However, reported disability rates vary substantially from one state to another and from one city or county to another. Here, we rely on estimates from the U.S. Census Bureau American Community Survey 5-Year which asks respondents to identify whether they have one or more specific disabilities. Graph 7 illustrates this variability among the United States, Virginia and selected states. In this regard, Arkansas and West Virginia have rates that are triple those of California, Colorado, and Utah.

Until July 2023, the area commonly known as Hampton Roads was the Virginia Beach – Norfolk – Newport News MSA consisting of the independent cities of Chesapeake, Franklin, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, and Williamsburg. The counties included in the MSA are Camden County (North Carolina), Currituck County (North Carolina), Gates County (North Carolina), Gloucester County, Isle of Wight County, James City County, Mathews County, Southampton County, and York County. In July 2023, the OMB revised the delineations for the nation's MSAs. As part of this revision, the Virginia Beach – Norfolk – Newport News MSA became the Virginia Beach – Chesapeake – Norfolk MSA. Southampton County, Virginia was removed from the metro area while Surry County, Virginia was added to the MSA as part of the July 2023 change.

To maintain consistency with previously published estimates, we will use the older definition of the cities and counties in Hampton Roads. We also note that while our discussion focuses on the processes for applying for SSDI in Virginia, similar processes exist in North Carolina. For more information about North Carolina, see the North Carolina Department of Health and Human Services, Disability Determination Services.

Table 1 reports similar data for cities and counties in Hampton Roads as well as median household income. A variety of studies inform that lower income communities consistently report higher rates of disability among adults, with higher rates of SSDI applications per adult, and subsequently, higher proportions of their adult populations receiving SSDI income support from the Social Security Administration.[8] Table 1 illustrates a portion of this relationship between median houshold income and reported disability rates to the U.S. Census Bureau (which we remind the reader are self-reported disabilitiy rates). As median household income rises there is a tendency for disability rates to decline.

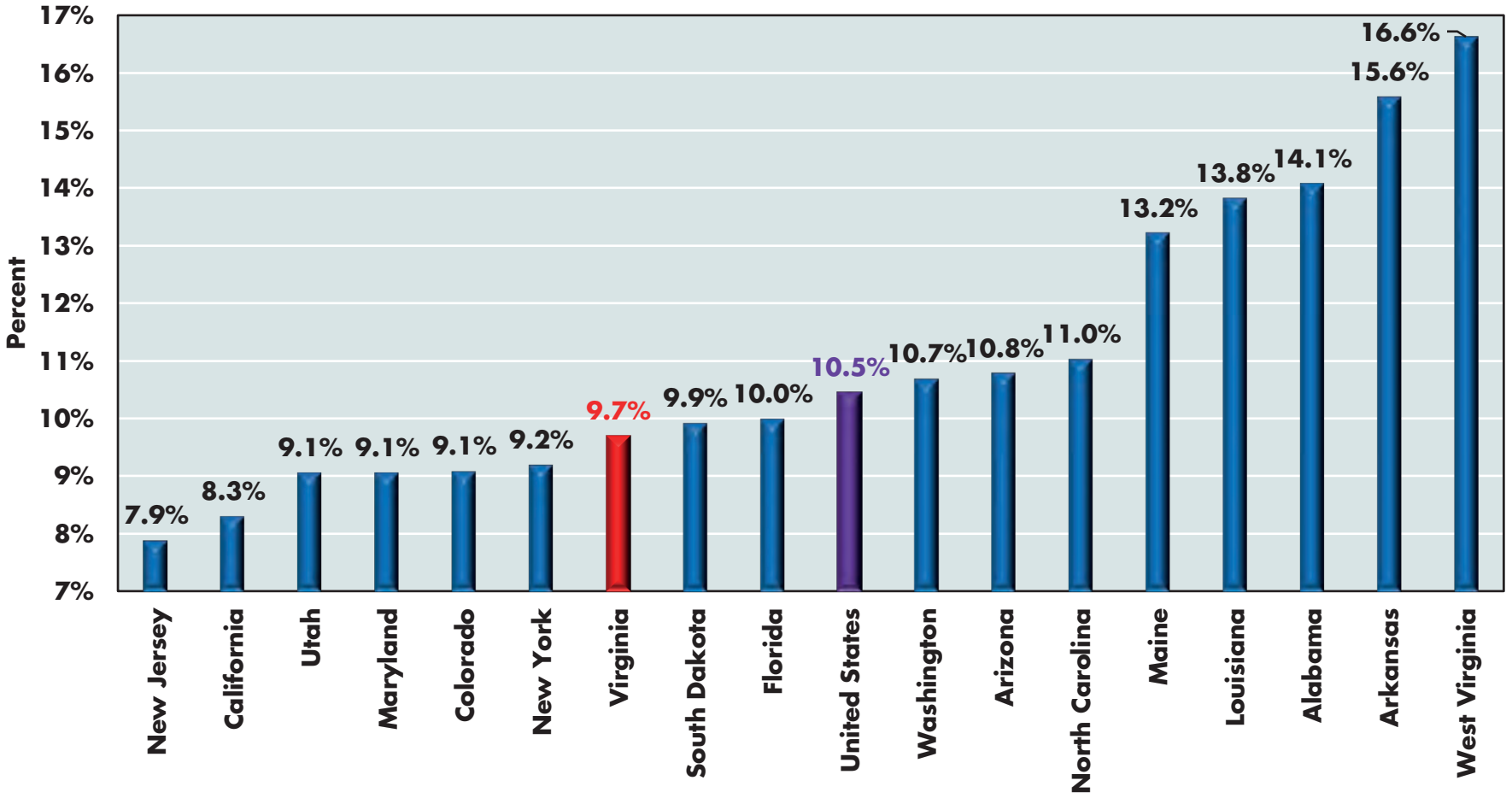
Only some of these disabled individuals also will be receiving disability payments, but they represent the population of possibilities. Being recorded as having a disability is no guarantee of receiving SSDI income from the federal government, which consistently denies more than one-half of the applications that it receives. If we look at Hampton Roads (see Graph 8), then by the end of 2022, the percentages of workers aged 18 to 64 who were receiving SSDI support varied from a low of 2.3% in York County to a high of 8.9% in the City of Franklin.

8 Among many, see John Bound, Richard V. Burkhauser, and Austin Nichols, "Tracking the Household Income of SSDI and SSI Applicants," in S.W. Polachek (ed.), *Worker Well-Being and Public Policy: Research in Labor Economics, Vol. 22*, 113-58. Leeds, England: Emerald Group, 2003.

TABLE 1 PERCENT OF POPULATION AGED 18 TO 64 WITH A DISABILITY CITIES AND COUNTIES IN HAMPTON ROADS, 2018 - 2022		
City or County	**Median Household Income**	**Percent of Population Reported as Disabled Aged 18 to 64**
Camden County	$79,120	13.7%
Currituck County	$82,793	9.3%
Gates County	$55,750	17.3%
Gloucester County	$83,750	13.4%
Isle of Wight County	$91,680	11.9%
James City County	$100,711	9.7%
Mathews County	$79,054	19.2%
Southampton County	$67,813	14.6%
York County	$105,154	8.8%
Chesapeake city	$92,703	9.5%
Franklin city	$57,537	16.9%
Hampton city	$64,430	14.0%
Newport News city	$63,355	12.5%
Norfolk city	$60,998	13.2%
Poquoson city	$114,503	10.9%
Portsmouth city	$57,154	13.3%
Suffolk city	$87,758	10.0%
Virginia Beach city	$87,544	9.7%
Williamsburg city	$66,815	7.8%
Source: United States Census Bureau, American Community Survey, 5-Year Estimates.		

GRAPH 7

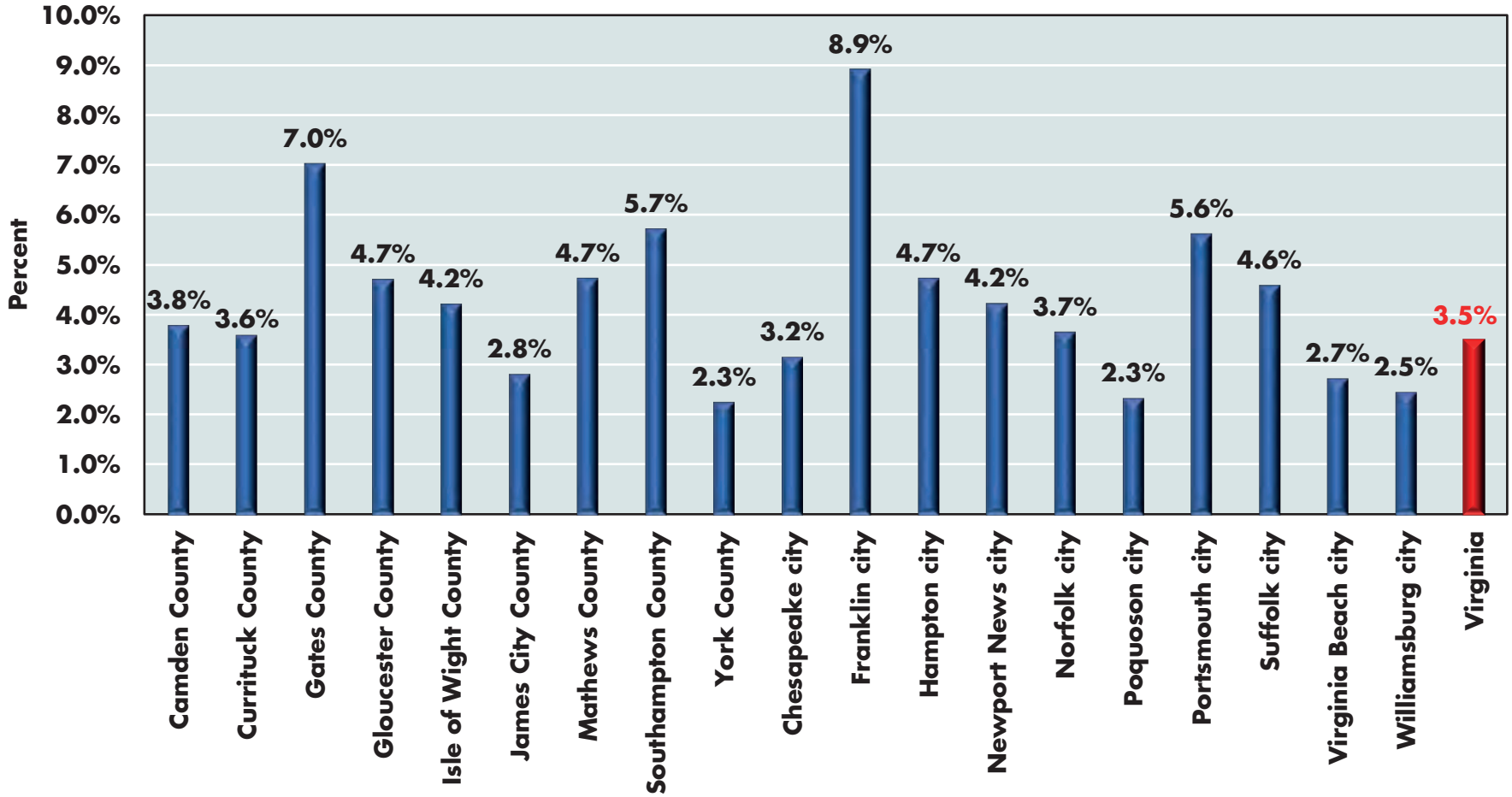
PERCENT OF POPULATION AGED 18 TO 64 WITH A DISABILITY
UNITED STATES, VIRGINIA, AND SELECTED STATES, 2018 - 2022



Source: United States Census Bureau, American Community Survey, 5-Year Estimates.

GRAPH 8

DISABLED WORKERS RECEIVING SSDI INCOME AS PERCENT OF POPULATION AGED 18 TO 64
CITIES AND COUNTIES IN HAMPTON ROADS, DECEMBER 2022



Sources: Social Security Administration, Disabled Worker Statistics, and U.S. Census Bureau, 2022 Vintage Population Estimates.

What Determines SSDI Percentages?

Why do some states (such as West Virginia) have reported rates of citizen disability and subsequent SSDI support rates that are substantially higher than those of other states (such as California)? Inside Hampton Roads, why do some cities and counties (such as Franklin) exhibit disability rates and subsequent SSDI rates that are many multiples higher than those like York County?

Our answer to the 'Why?' question should not come as a major surprise – two economic factors dominate the ups and downs in SSDI rates. The riskiness of a job and an individual's economic circumstances in general call the tune. Jobs such as coal mining that carry with them heightened risks of injury are a prime determinant of the flow of applications for SSDI coverage in any community. Specific jobs (say, working as a carpenter building new homes) carry the risks that are readily obvious. Mining in general is riskier physically, and probably mentally, than working in an office as an accountant. We should therefore expect to find a larger flow of SSDI applications from mining workers than from accountants.

It also is reasonable to expect that the flow of SSDI applications will grow when economic conditions deteriorate, and poverty rates are elevated. Individuals facing such circumstances seek ways to keep their economic ships afloat, and SSDI not only offers that possibility but also could turn out to provide seemingly permanent income. However, we should not discount the impact of local culture on SSDI applications. Not holding or seeking a job may be acceptable behavior in some communities but not in others. Thus, two states or cities with roughly equivalent levels of job risk, incomes, and unemployment rates may exhibit quite different SSDI application rates.

Consider that median household income (2018-2022 estimates) in New York State was $81,400, while it was only $70,600 in Iowa. Further, New Yorkers aged 25 or older were more highly educated than the typical Iowan (38.8% in New York held a bachelor's degree or more compared to Iowa's 30.3%).[9] Yet, Iowa reported only 8.4% of its adult population as being disabled, while New York State reported a higher 9.8% disability rate.[10] Neither state is heavily devoted to mining or extraction activities, and Iowa's agricultural economic emphasis might be more conducive to on-the-job injuries that lead to disabilities. What is there about Iowans that causes them to eschew disability? Culture seems to provide part of the answer.

Addressing in detail the cultural roots of SSDI behavior is beyond the scope of this chapter, but we will return to the more easily understood economic explanations for the disability behaviors we observe. We begin by exploring the relationship in Hampton Roads between median household income and the percent of each jurisdiction's population that is 18 to 64 years of age and receiving SSDI income (Table 2). We remind the readers that the receipt of SSDI income requires verification of a disability that prevents gainful employment by the state DDS and SSA, and thus, these disability rates are typically much lower than the self-reported disability rates estimated by the U.S. Census Bureau.

The correlation between median household income and the proportion of disabled workers relative to the population aged 18 to 64 is -0.54; that is, it would appear that as median household incomes rise, the share of disabled workers tends to fall. This tells us (no surprise, really) that more wealthy households do not opt for SSDI as frequently as less wealthy households. This does not represent a complete explanation but does furnish some valuable information.

9 https://www.census.gov/data.html
10 https://www.census.gov/data.html

TABLE 2

MEDIAN HOUSEHOLD INCOME AND DISABLED WORKERS AS PERCENT OF POPULATION AGED 18 TO 64
HAMPTON ROADS, 2018 - 2022

City or County	Median Household Income 2018 - 2022	Percent of Disabled Workers Aged 18 to 64 in 2022
Camden County	$ 79,120	3.8%
Currituck County	$ 82,793	3.6%
Gates County	$ 55,750	7.0%
Gloucester County	$ 83,750	4.7%
Isle of Wight County	$ 91,680	4.2%
James City County	$ 100,711	2.8%
Mathews County	$ 79,054	4.8%
Southampton County	$ 67,813	5.7%
York County	$ 105,154	2.3%
Chesapeake city	$ 92,703	3.2%
Franklin city	$ 57,537	8.9%
Hampton city	$ 64,430	4.7%
Newport News city	$ 63,355	4.2%
Norfolk city	$ 60,998	3.7%
Poquoson city	$ 114,503	2.3%
Portsmouth city	$ 57,154	5.6%
Suffolk city	$ 87,758	4.6%
Virginia Beach city	$ 87,544	2.7%
Williamsburg city	$ 66,815	2.5%
Virginia	$ 87,249	3.5%

Sources: Data for median household income are from American Community Survey, 5-Year Estimates and U.S. Census Bureau, Population Estimates Program, 2022 Vintage Estimates.

Let's give this finding some context. The federal and state regulations concerning granting disability seldom address the income levels of the applicants except that in order to receive SSDI benefits, one must have assembled some consistent record of paid work. Nevertheless, statistically speaking, both the volume of applications and the eventual grants of SSDI payments clearly reflect household incomes – higher incomes lead to lower application levels. This leads some to an uncomfortable induction – that some lower-income individuals may utilize SSDI as a form of long-term, more permanent unemployment compensation. Further, from the standpoint of applicants, SSDI constitutes an income source that they will lose if they return to work. It is for this reason that some critics of SSDI argue that it disincentivizes work even while it also takes care of legitimately and obviously incapacitated former workers.

The flip side of median household income in any community is its poverty rate. Rising median household incomes are associated with falling poverty rates, though the correlation (0.77) between disability rates and poverty rates is not as robust as that between SSDI rates and median household income. Table 3 illustrates the relationship between disability rates and poverty rates in Hampton Roads. SSDI disability rates and poverty rates are likely related in some fashion, and this relationship appears to be somewhat stronger than that between SSDI disability rates and median household incomes.

One might also expect to find some connection between the education level of individuals and whether they end up applying for SSDI. For one thing, less educated individuals are more likely to occupy more physically demanding and risky occupations (such as coal mining).[11] Hence, we would anticipate finding a smaller flow of SSDI applications from, and approvals for, office workers than for miners. Table 4, which compares the share of the adult population that has completed high school with SSDI disability rates among the population aged 18 to 64, in general, supports these observations. One can see that higher levels of educational attainment (in this case, earning a high school diploma or more) are associated with lower rates of SSDI in the cities and counties that comprise Hampton Roads, with an estimated correlation of -0.72. That is, as education levels rise, SSDI disability rates tend to fall in the region.

Do the SSDI regulations that decision-makers rely upon contain preferences or regulations that speak to educational levels? Only indirectly. Educational attainment could come into play when state officials evaluate the ability of an applicant to return to work. Higher levels of education might translate to applicants finding it easier to find work (such as office work or work from home) that does not conflict with their identified disabilities. However, whatever weights state and federal decision-makers place upon an applicant's education, we can see in Table 4 that higher levels of educational attainment are associated with lower SSDI rates in Hampton Roads. More highly educated individuals are more likely to avoid injury-prone employments and, in addition, to be somewhat less likely to regard SSDI income as the long-run solution to their economic needs.

Collectively, what did Tables 2, 3, and 4 tell us? That, intentionally or not, SSDI decision making is related statistically to economic conditions, especially those that reflect the general economic viability of SSDI applicants at a given point in time.[12] When the economy sours, additional individuals have an economic incentive to explore disability benefits. This helps explain why there were more than 1.7 million fewer DDS disability applications (requests) in 2022 (when the national average unemployment rate was 3.6%) than in 2010 (when the unemployment rate was 9.5%). We agree with the hypothesis that SSDI programs likely generate work disincentives and that SSDI programs serve some citizens as a form of long-term unemployment compensation. However, by no means should one conclude that this judgment applies to a majority of SSDI applicants and ultimate SSDI recipients. A large majority of recipients are legitimately disabled, and the rather demanding processes developed by the Social Security Administration, plus its high application rejection rates, tell us that while the disincentive problem exists, it is not endemic.

11 Miners may fall victim to forms of pneumoconiosis and silicosis, both of which relate to the inhalation of dust particles or exposure to asbestos. Cancer is a frequent outcome of these maladies.

12 Because disability is so costly to society and so impactful to individuals, quite a bit of empirical research has been done that focuses of the causes of disability. See, among many, Kalman Rupp and David Stapleton, "Determinants of the Growth in the Social Security Administration's Disability Programs – An Overview," *Social Security Bulletin*, 58 (Winter, 1995), 43, ff; Jahangiri Khan, Ulf-G. Gerdtham, and Bjarne Jansson, "Effects of Macroeconomic Trends on Social Security Spending Due to Sickness and Disability," *American Journal of Public Health*, 94 (November 2004), 2004-9.

TABLE 3

PERCENT OF POPULATION IN POVERTY AND DISABLED WORKERS AS PERCENT OF POPULATION AGED 18 TO 64 HAMPTON ROADS, 2018 - 2022

City or County	Percent of Population in Poverty 2018-2022	Percent of Disabled Workers Aged 18 to 64 in 2022
Camden County	5.9%	3.8%
Currituck County	8.5%	3.6%
Gates County	14.3%	7.0%
Gloucester County	7.5%	4.7%
Isle of Wight County	9.8%	4.2%
James City County	7.3%	2.8%
Mathews County	6.8%	4.8%
Southampton County	8.4%	5.7%
York County	4.7%	2.3%
Chesapeake city	7.6%	3.2%
Franklin city	18.7%	8.9%
Hampton city	13.5%	4.7%
Newport News city	14.7%	4.2%
Norfolk city	16.9%	3.7%
Poquoson city	4.5%	2.3%
Portsmouth city	17.4%	5.6%
Suffolk city	9.4%	4.6%
Virginia Beach city	8.0%	2.7%
Williamsburg city	13.7%	2.5%
Virginia	10.0%	3.5%

Sources: Data for poverty rates are from American Community Survey, 5-Year Estimates, U.S. Census Bureau, Population Estimates Program, 2022 Vintage Estimates.

TABLE 4

SHARE OF HIGH SCHOOL GRADUATES AMONG THE ADULT POPULATION AND DISABLED WORKERS AS PERCENT OF POPULATION AGED 18 TO 64 HAMPTON ROADS, 2018 - 2022

City or County	Percent of High School Graduate or More	Percent of Disabled Workers Aged 18 to 64
Camden County	92.3%	3.8%
Currituck County	92.8%	3.6%
Gates County	90.5%	7.0%
Gloucester County	89.9%	4.7%
Isle of Wight County	91.2%	4.2%
James City County	95.7%	2.8%
Mathews County	94.3%	4.8%
Southampton County	86.8%	5.7%
York County	95.3%	2.3%
Chesapeake city	93.3%	3.2%
Franklin city	84.3%	8.9%
Hampton city	92.8%	4.8%
Newport News city	91.7%	4.2%
Norfolk city	89.3%	3.7%
Poquoson city	96.2%	2.3%
Portsmouth city	89.5%	5.6%
Suffolk city	91.2%	4.6%
Virginia Beach city	94.5%	2.7%
Williamsburg city	93.3%	2.5%
Virginia	91.1%	3.5%

Sources: Data for educational attainment are from American Community Survey, 5-Year Estimates, and U.S. Census Bureau, Population Estimates Program, 2022 Vintage Estimates.

The preceding analysis, however, serves to remind us that most governmental policies generate economic impacts, only some of which the original policy makers may have intended. In the long run, even the most upstanding, patriotic Americans usually respond to economic incentives and make their decisions accordingly. When legislators fashion laws that have economic consequences (such as involving SSDI), they may have in mind a simple relationship – "if we make A less expensive, then more of B will occur." And this may be the way events develop, but this may happen in concert with additional developments of C, D, and E, that either were unanticipated or ignored. Administrators (including those at universities!) on occasion forget this.

Witness the variety of responses of the public to the COVID-19 pandemic economic stimulus programs that were designed to avert a severe economic downturn. Did those who implemented federal and state government COVID financial stimulus programs fully anticipate the emptying of downtown office buildings, falling office building rental rates, the bidding up of home prices outside of the largest metropolitan regions, or the sustained difficulty that many employers had in convincing some Americans to come to work for them or even to look for jobs in the first place? The answer, of course, is no. But, having rendered this judgment, we should not be overly critical because both public and private decision-makers constantly must cope with developments that are unlikely to be forecast or foreseen.

Is There a 'Disability-Industrial Complex?'

Most individuals of goodwill subscribe to some form of the notion that those who are better off financially in society should extend help to those who are less fortunate. Persons coping with disabilities usually are included among those deserving of assistance. Thus, in 2013, when National Public Radio's well-regarded Planet Money program aired what many considered an exposé of governmental disability programs, this broadcast rattled many symbolic cages. In this presentation, Chana Joffe-Walt of National Public Radio (NPR) used phrases such as "The Disability-Industrial Complex" to describe a series of profit-motivated parties whose goals, she argued, were to "push more people on to disability." The indicted parties in this regard were lawyers, physicians, and key personnel in local and state governmental units – the latter realizing that an individual constituent who is on disability costs their governmental unit little or nothing because the federal government picks up the cost, while the same individual on welfare imposes a variety of costs on their surrounding populations and governmental jurisdictions.

What can we say now about Joffe-Walt's assertion that a "Disability-Industrial Complex" exists that feeds on the disability system and the mechanisms it has developed for consideration and approval? A perusal of the many Internet websites that provide material relating to disability reveals one with a smiling face of an anonymous individual who identifies herself as "the lead Social Security Disability Benefits (SSDI) attorney." This smiling face informs viewers that it can see if an applicant qualifies for benefits in "less than 3 minutes." The website is up-front about its interest in your situation – we work "for a share of the money you win (usually 15-33%) and charge nothing if you lose." Curiously, this firm does not list a physical address for itself on its website, though if one does search for it, one would find it has an office suite in Los Angeles. The firm in question has been in business only for about five years, but now manages hundreds of disability claim cases in a well-organized, syncopated fashion.

One needs to spend only a few minutes on the Internet to discover that dozens of similarly focused law firms exist in the United States. Our December 2023 internet search for Virginia law firms specializing in disability claims generated about 60 hits. No Virginians are more than a few miles away from a law firm that will represent them in their claim for disability financial support. The Social Security Administration, in 2021, reported $671.4 million in fee payments to the top 300 firms engaged in disability practice.[13]

We do not argue that these (or other) firms are engaged in any illegal or unethical activities. These groups of attorneys, as one might expect, have mastered the relevant laws, regulations, and procedures that relate to obtaining and maintaining disability status. However, this also results in these firms acquiring a direct financial interest in increasing the number of individuals who qualify for disability benefits. Thus, their successes (and even their failures) impose additional costs on society. Resources expended here might have been used elsewhere in the community to produce outputs and improve living standards. There is empirical evidence available that beyond certain levels, expenditures upon lawyers and legal services reduce economic growth rates.[14]

Without question, significant proportions of the individuals who pursue disability claims deserve positive responses to their meritorious requests. And those positive responses are a sign of a just and caring society that looks after the welfare of all its members. But not all claims are equally meritorious, and some are bogus. Ideally, the processes that sort out these matters should be legal, economically efficient, and equitable. However, the sheer size and expansion of the disability industry in certain locales suggest that these goals do not always translate to outcomes.

13 Social Security Administration, 2021 Top Firms and Reps by Payment (June 9, 2022).
14 A good summary of this research may be found in James V. Koch and Richard J. Cebula, "Do Lawyers Inhibit Economic Growth?" New Evidence from the 50 U.S. States," *Journal of Economic Development*, 48(September 2023), 157-75.

Consider the role of physicians, the medical professionals who evaluate professionally the medical condition of applicants and infer from that condition the applicants' abilities to undertake work that might be available and for which they are qualified. Not surprisingly, two well-trained and equally well-intentioned physicians may end up assessing an applicant differently. What emerges is a world in which some physicians reputationally become known as 'friendly' to disability applicants. News of this spreads and these physicians gradually become magnets for disability applicants, who also learn which physicians to avoid. If they do not know the names of these physicians, then their law firm will tell them.

Much the same dynamic applies to rehabilitation consultants, who often file highly detailed reports in which they opine about the range of physical and mental activities that an individual reasonably can undertake. Such reports can be invaluable, but sometimes represent recycled information that adds little to decision-making. When an insurance company is involved, it may hire its own physicians and experts, and understandably these individuals are more likely to cast a jaundiced eye on the claims of certain applicants.

By now, the reader should have gathered that whether or not the notion of a 'Disability-Industrial Complex' is on target, the disability claims process is a several act play in which many different actors perform at a variety of levels. Obviously, a major player is the Commonwealth's Disability Determination Services (DDS) office, which has a central office in Richmond, four regional centers, and about 450 employees.[15] In addition, Statista reported that there were 2,010 rehabilitation counselors employed in Virginia in 2022.[16] At least 50 law firms in Virginia tout specializations relating to disability claims cases. Each of these actors gets a piece of the action.

Our point here is not that the resources used by these parties either are excessive or wasted; we cannot render that judgment here. Rather, it is that processes such as these are costly. They are not free goods, and they reduce the funds available for governments and other parties to spend on alternatives that might include education, transportation, and law enforcement. Like most other governmental endeavors, disability claims processes over time tend to become institutionalized, meaning that they develop voluminous written procedures and work-arounds. These processes nurture a set of sympathetic political advocates who make their case to the Governor and General Assembly. Over time, this usually means they acquire additional resources and employees.

15 Office of the State Inspector General, Audit of the Disability Determination Services Program, February 18, 2018),
16 Statistica, "Number of rehabilitation counselors employed in the United States in 2022, by state," www.statista.com/statistics/1303996/number-of-employed-rehabilitation-counselors-by-us-state.

Final Thoughts

It does not appear in 2024 that the United States, Virginia, or Hampton Roads are witnessing floods of individuals who have successfully sought SSDI disability status and the income that accompanies it. Rejection rates that apply to requests for disability support remain credibly high. However, had we addressed this situation 10 years ago, our answer would have been different because the United States witnessed an upsurge in disability claims and coverage between 2000 and roughly 2015.

In 2022, according to the U.S. Census American Community Survey 1-Year estimates, 12.7% of Virginians were disabled in some fashion (compared to 13.4% nationally).[17] In Hampton Roads, however, 14.4% of individuals identified as disabled. These demographics have fiscal implications. The CDC's most recent estimates suggest that Virginia spends up to $21.2 billion annually on its disabled residents or about $18,212 per disabled person.[18] In 2022, the U.S. Census estimated there were 245,236 individuals with some kind of disability in Hampton Roads. If the national average cost per disabled resident ($18,212) applies in Hampton Roads, then our region spent up to $4.5 billion annually to care for those with disabilities. Though the federal government picks up many of these costs, Virginians pay federal taxes, and therefore these expenditures are not free, and they necessarily reduce funding for other worthy activities and endeavors.

Location, culture, and tradition matter. One observes that the percentage of disabled adult workers in West Virginia that are receiving SSDI payments from the federal government is 2.3 times as high as holds true in South Dakota.[19] Even after one uses statistical analysis to take account of differences between these two states' economic and educational situations, an unexplained gap still exists between these states' disability rates. We conclude that culture and tradition (notions that resist quantification) do play significant roles. What one citizen expects of another citizen still counts even in our more impersonal, disposable age. Behavior that provokes comment or even shame in one locale may hardly elicit any notice in another.

Further, our populations are aging gradually, and thus we should expect to see disability rates in Hampton Roads drift upward over time because disability rates rise with age. Between 2010 and 2022, the percent of Virginians 65 years of age and older increased from 12.2% to 16.8%, while the ranks of Virginians less than 18 years of age declined from 23.1% to 21.4%. These demographic changes are especially evident in the mostly rural areas of Virginia, and they tell us that we should not expect disability rates in most counties and independent cities to decline. Instead, they bode to increase.

We conclude by observing that disability policies in Hampton Roads and the Commonwealth reflect a classic social quandary – abuses may exist, but the intent of the programs is admirable in the eyes of most. Expenditures typically are skewed in favor of less fortunate counties and independent cities, and the dollar costs attached to rooting out the abuses might exceed the benefits. Thus, no groundswell exists that would alter this situation.

17 www.data.census.gov
18 Khavjou OA, Anderson WL, Honeycutt AA, et al. State-Level Health Care Expenditures Associated With Disability. *Public Health Reports.* 2021;136(4):441-450. doi:10.1177/0033354920979807. We convert the estimates into 2023 constant dollars using the CPI medical care index.
19 Social Security Administration, SSI Recipients by State and County, 2022, Table 3, www.ssa.gov/policy/docs/statcomps/ssi_sc.

The Graying of Hampton Roads

THE GRAYING OF HAMPTON ROADS

"If I'd been out till quarter to three,
Would you lock the door?
Will you still need me, will you still feed me,
When I'm sixty-four?"

The Beatles, When I'm Sixty-Four, 1967

In 1900, according to the Centers of Disease Control and Prevention (CDC), life expectancy at birth in the United States was 47.3 years. Today, according to popular culture, reaching this age would result in a midlife crisis in which one would buy a new sports car or take a journey abroad on a mission of self-discovery. By 1970, life expectancy in the United States had increased to 70.8 years, largely due to improvements in medical care, public health, and changes in lifestyle. By 2019, life expectancy had climbed to 78.8 years, with male life expectancy at 76.3 years and female life expectancy at 81.4 years.

In what is, by now, a familiar refrain, the onset of the COVID-19 pandemic in 2020 negatively impacted economic, social, and demographic conditions nationally. Life expectancy fell to 77.0 years in 2020 and, again, to 76.4 years in 2021. The decline in life expectancy reversed nearly three decades of progress. If there is a modicum of good news, it is that the provisional life expectancy estimates for 2022 showed an increase to 77.5 years. There is no doubt, even with the fall in life expectancy in 2020 and 2021, that we are living longer lives than our predecessors.

Living longer lives also means that the United States and Virginia have become older over time. In 1960, according to the U.S. Census Bureau, the median age of the resident population of the United States and Virginia were 29.5 years and 27.1 years, respectively. By 2000, the median age of the nation and Virginia had increased to 35.3 years and 35.7 years, respectively. According to the United States Census Bureau's 2022 American Community Survey (ACS) 1-Year estimates, the median age of the nation and the Commonwealth was 39.0 years.

In 2010, the median age of the resident population of Hampton Roads was 35.7 years. By 2019, the median age had increased to 36.8 years, rising to 37.1 years in 2021 and 37.3 years in 2022.[1] In 2022, the median age of the resident population in Hampton Roads was 1.7 years lower than the median age of residents of Virginia and the United States. In other words, while the median age has increased by 1.6 years in Hampton Roads from 2010 to 2022, the median resident of the metro area remains younger than the state or the nation.

How the aging of the population impacts the economy is becoming increasingly clear. Aviva Pembroke is a new retirement community in Virginia Beach. This new development, along with others across the region, is a signal of how changing demographics can drive decision-making. Ramsay Smith, president of Pembroke Realty Group, who was hired as the development manager of the project noted: "We found that senior living communities were in higher demand than age-restricted apartments due to the aging population (demographics) and need for future services as they age."

1 We use the 1-year ACS estimates for the median age of Hampton Roads. Due to the COVID-19 pandemic, 1-year estimates for 2020 are not available.

Steve Zollos, CEO of Senior Services of Southeastern Virginia, said, "The older adult population, not just in our area, but also across the country is the fastest-growing segment of our population… We have to have affordable housing so that when it's time for them to downsize, they can do that and hopefully stay in their communities where they have friends and relationships."[2] Demographics influence destiny, as some economists are fond of saying, and how we age will change how we live in the come decades.

As we age, our preferences change. With the region, state, and nation becoming older and projected to grow even older, what does this mean for Hampton Roads? Can the region spur population and job growth as it ages or are we demographically destined to grow more slowly than our peers? The identification of the key industry clusters of advanced manufacturing, clean energy, health care and biomedical research, shipbuilding and ship repair, uncrewed systems, and others requires talent to grow. If Hampton Roads is not producing enough talent (or producing talent that then leaves for other metro areas), our potential for growth will be limited unless we develop strategies to adapt to an aging population.

In this chapter, we examine how the population of Hampton Roads has changed over time, with a specific focus on the resident population aged 65 and above. We break down the population aged 65 and above by sex and race and ask how these differences may impact wealth accumulation over time. We then ask how the population of the region may change in the future and how these changes may impact property values, economic growth, and the demand for health care and other services in the future.

The U.S. Census Bureau conducts three American Community Survey (ACS) programs, the 1-year, 5-year, and annual supplements on special topics. We rely primarily on the ACS to glean insights about the population of the region, state, and nation. Unlike the decennial census, the ACS is conducted every month of every year and provides inter-censal estimates of topics such as population, education, employment, health, and poverty.

The COVID-19 pandemic disrupted the collecting of survey data for the 1-year program in 2020. The variations in response rates and limitations on in-person surveys meant the ACS, in the words of the Census, "began to look less like a continual monthly survey stemming from a common design and more like 12 independent monthly surveys, each with its own data collection strategy."[3] The Census Bureau determined that the estimates generated by the 2020 surveys did not meet the statistical quality standards and should not be released to the public. Instead, a set of experimental results were made available only for the nation, all 50 states, and the District of Columbia. The absence of estimates for metropolitan areas and countries, along with the existing concerns about data quality, means that we do not report the 2020 ACS 1-year experimental estimates in this chapter. The Census Bureau did release the 2020 5-year estimates after adjusting the responses to account for non-response bias in 2020. For communities with a population of less than 65,000, we use the ACS 5-year estimates.

2 "Senior living communities on the rise in Hampton Roads, but experts say more are needed" *The Virginian Pilot*, February 27, 2023.
3 https://www.census.gov/newsroom/blogs/random-samplings/2021/10/pandemic-impact-on-2020-acs-1-year-data.html

The Population of Hampton Roads

The United States Census Bureau's Population Estimates Program (PEP) provides estimates of the population for the nation, states, cities, counties, and towns. The PEP utilizes information on births, deaths, and migration to generate annual estimates of intercensal population change. The PEP's annual estimates begin with the most recent decennial census and extend to the most recent year available. Estimates are provided for July 1st of the corresponding year, except for the decennial census year, where estimates are provided on April 1st and July 1st. Each decennial census 'resets' the population estimates to the new population base, thus care must be taken when comparing population levels prior to and during a census year.

The U.S. Census Bureau estimated there were approximately 1,717,036 residents in Hampton Roads on July 1, 2010 (Graph 1). By July 1, 2019, the region's population had increased by approximately 3.0% to 1,768,901 residents. The resident population climbed to 1,781,712 on July 1, 2020, however, there is a strong likelihood that a preponderance of the increase of 12,811 residents was due to the decennial census and not an influx of new residents. The population of the region increased by 3,819 residents from July 1, 2020 to July 1, 2021 and then dipped by 141 residents over the subsequent year. On July 1, 2023, the estimated population was 1,787,169, an increase of 1,779 from the previous year.

In Graph 2, we compare population growth for Hampton Roads, Virginia, and the nation from 2010 to 2023. From July 1, 2010, to July 1, 2023, the resident population of the metro region grew by 4.1%. Over the same period, the resident population of the nation and Commonwealth grew by 8.3% and 8.6%, respectively. In other words, for every new resident of Hampton Roads, the state and the nation added, on average, more than two residents.

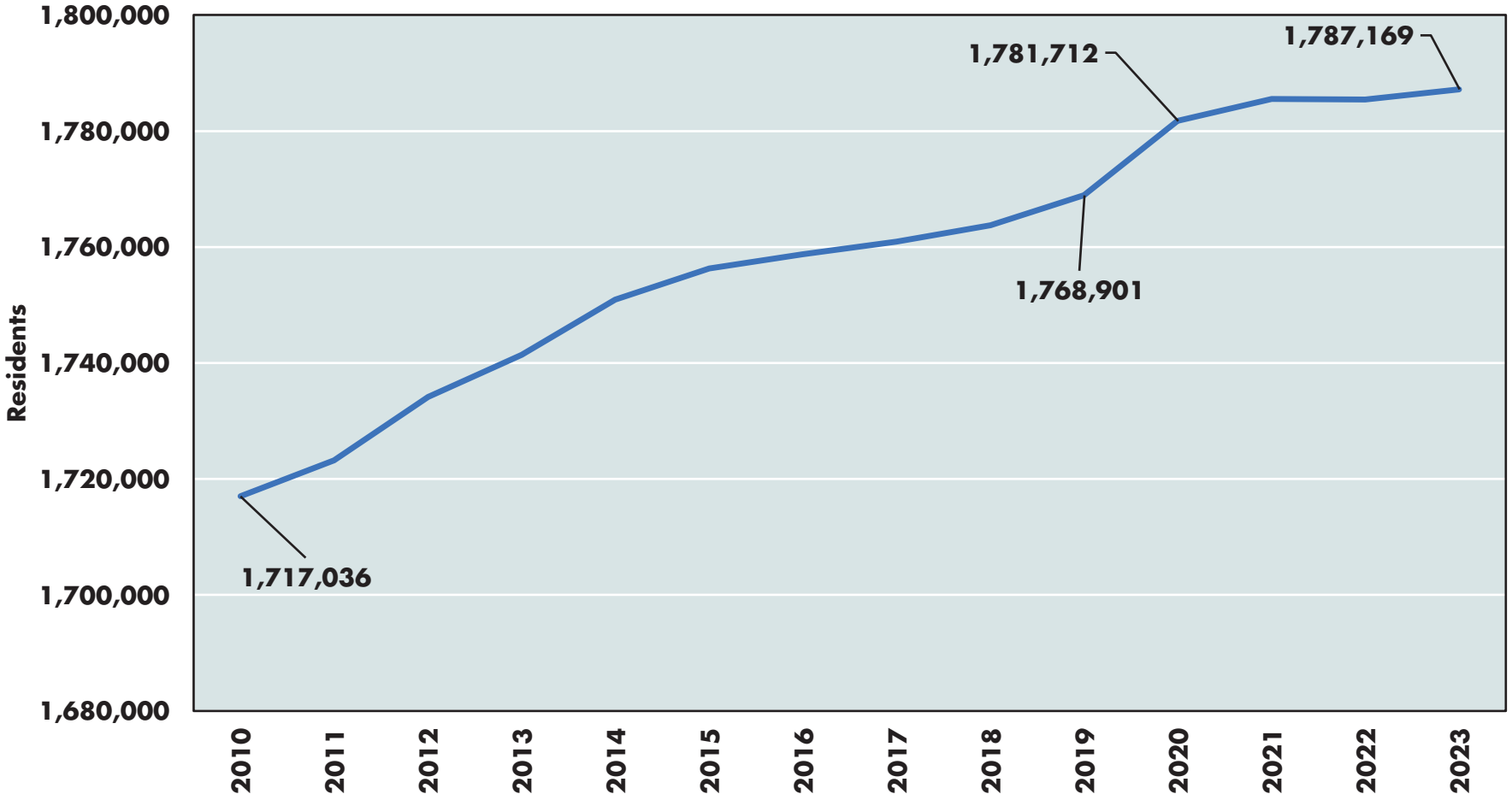
Why is Hampton Roads growing slower than the state or nation? One possible explanation is that economic growth in the region has lagged the state and the nation so residents 'pull up their stakes' to seek out opportunities elsewhere. Internal Revenue Service migration data for 2020 - 2021 suggests that more high-income households are leaving the region than coming to the region, lending substance to this argument. Another possibility is that the region is older, on average, than the state or nation, leading to lower birth rates, higher death rates, and a lower rate of population growth.

Graph 3 compares the median age of the resident population of Hampton Roads, Virginia, and the nation. The median age in the metro area was lower than the state and nation over the entire period, starting at 35.4 years in 2005 and ending at 37.3 years in 2022. While the median resident of the nation was slightly younger than the median Virginian in 2005, by 2022, the median age in the Commonwealth and nation was equal. Thus, at first glance, it does not appear that Hampton Roads' lack of economic vitality is driven by an aging population relative to that of the state or the nation.

The question then becomes: how is Hampton Roads younger than Virginia or the United States? The presence of a large military population undoubtedly contributes to this phenomenon. The number of institutions of higher education also helps lower the median age of the region. When we consider the distribution of the population with respect to age, how does the region compare? Let's dive into the numbers.

GRAPH 1

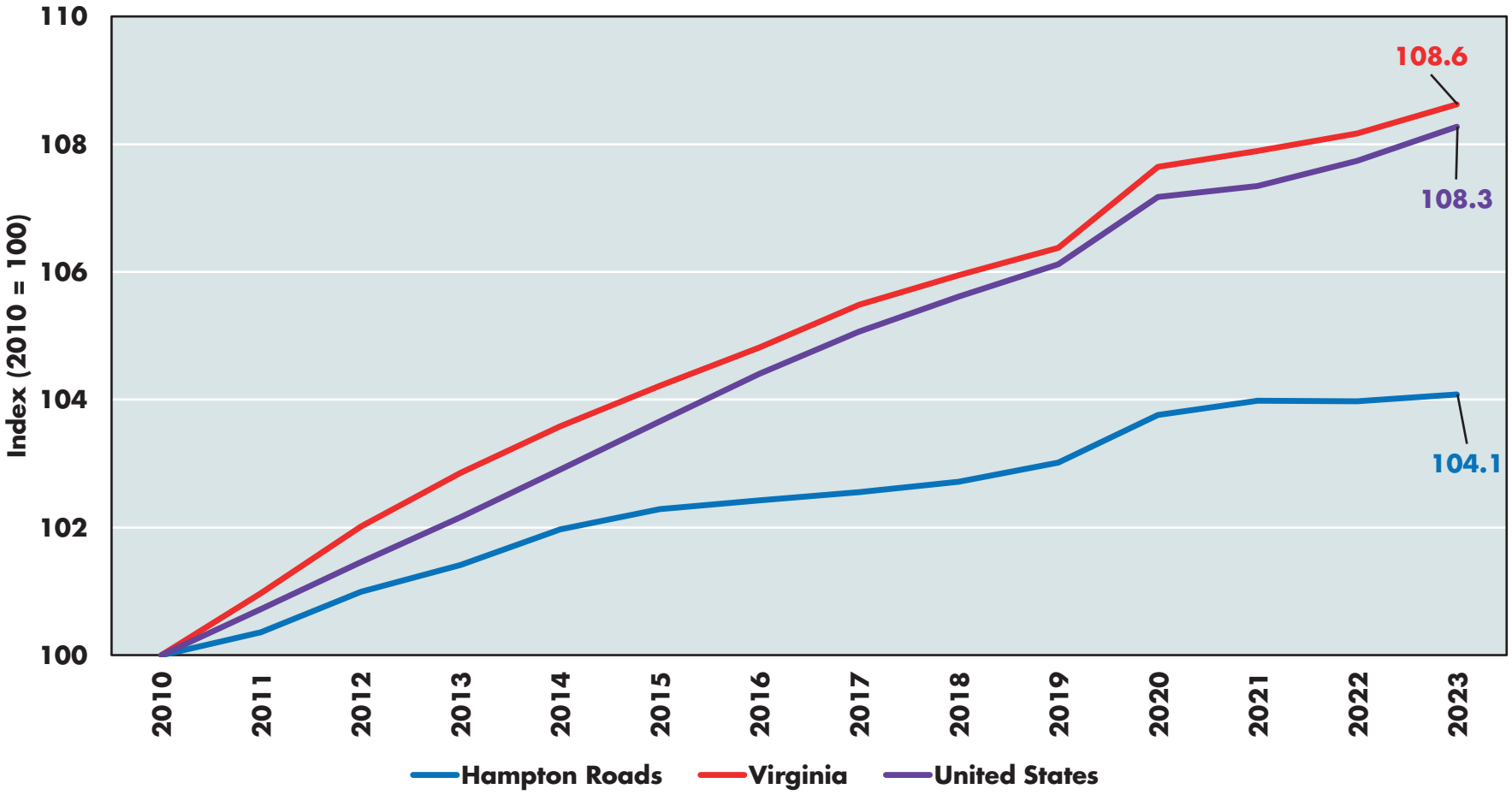
RESIDENT POPULATION
HAMPTON ROADS, 2010 - 2023



Source: United States Census Bureau, 2019 and 2023 Population Estimates. Population estimates as of July 1st of the corresponding year.

GRAPH 2

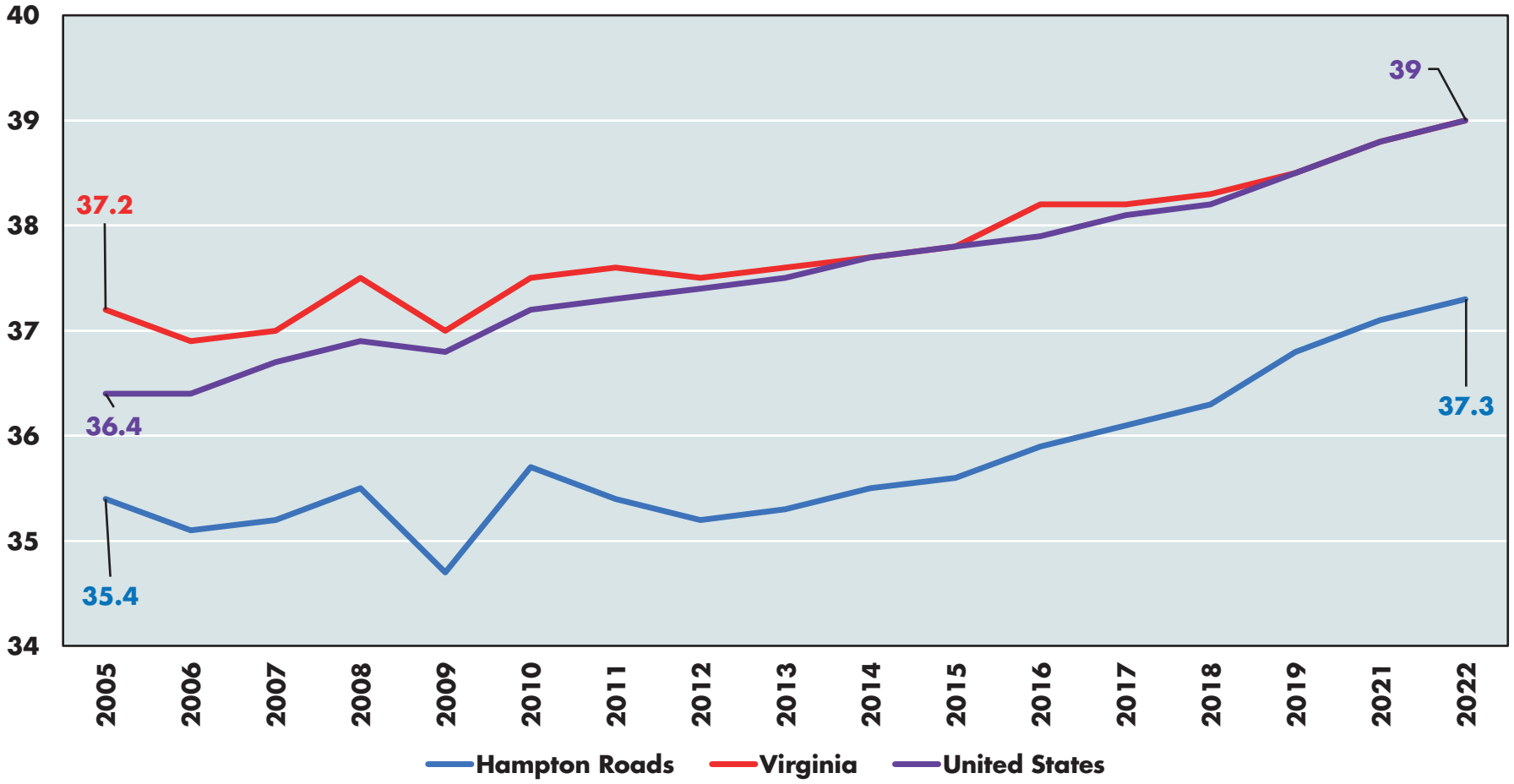
INDEX OF RESIDENT POPULATION
HAMPTON ROADS, VIRGINIA, AND THE UNITED STATES, 2010 - 2023



Source: United States Census Bureau, 2019 and 2023 Population Estimates. Population estimates as of July 1st of the corresponding year.

GRAPH 3

MEDIAN AGE OF THE RESIDENT POPULATION
HAMPTON ROADS, VIRGINIA, AND THE UNITED STATES, 2005 - 2022*



Source: United States Census Bureau, American Community Survey 1-Year estimates, various years. *2020 estimates are not available for metropolitan areas and are experimental for the state and nation. We exclude these experimental estimates from the graph and our discussion.

The Population Age Distribution: Hampton Roads

In Graph 4, we can see that Hampton Roads had a slightly higher proportion of residents under the age of 18 (21.9%) than the nation (21.7%) in 2022. Why? The region had a larger share of residents aged 0 to 9 (12.2%) than the United States (11.4%) (Graph 5). On the other hand, the nation had a larger share of residents aged 10 to 19 (12.9%) than the region (12.2%). Proportionally, there were also fewer teenagers (10 to 17 years) and young adults (18 to 19 years) in Hampton Roads than the state or nation.

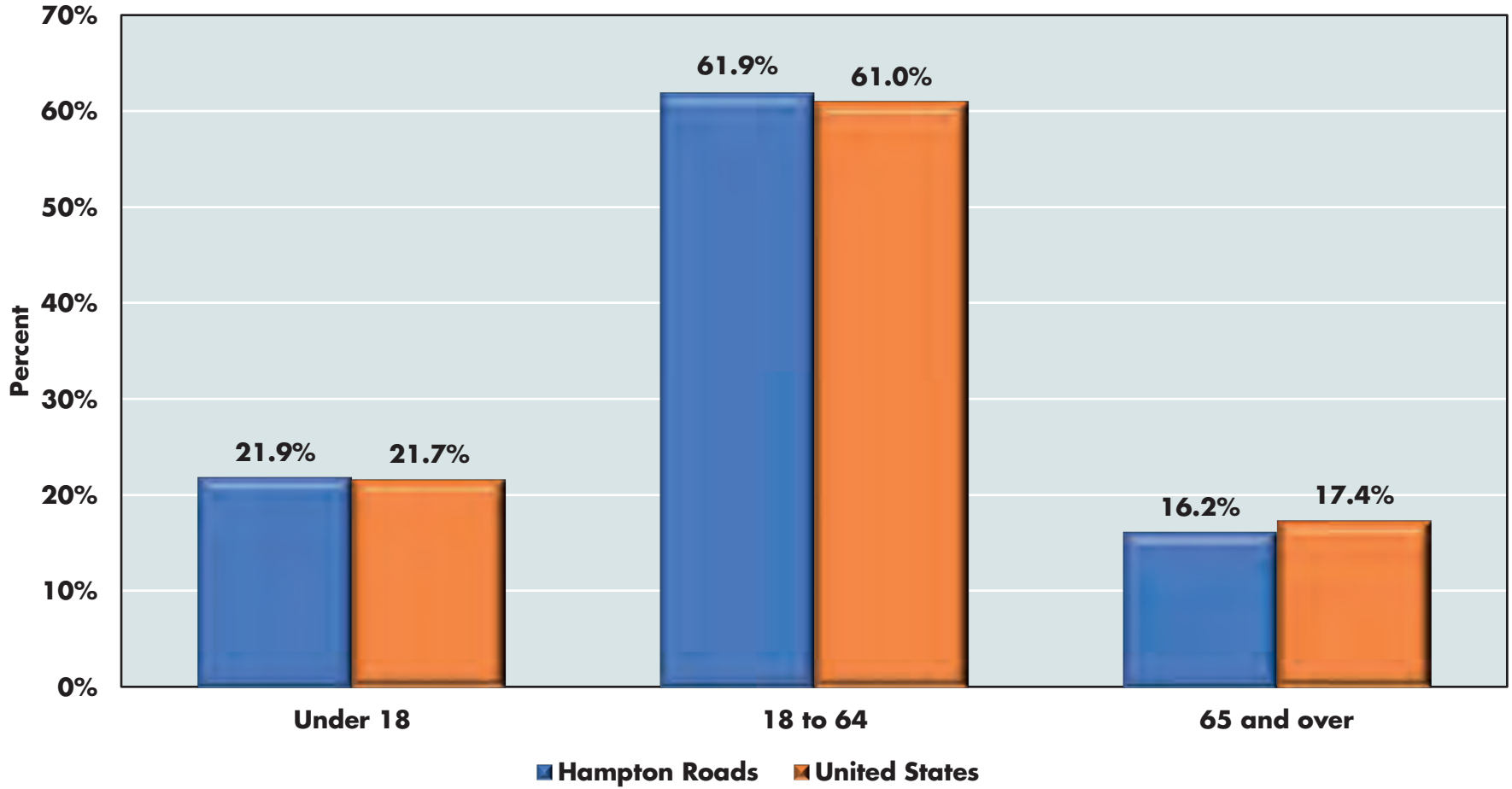
Adults aged 18 to 64 were 61.9% of the population in Hampton Roads in 2022, almost one percentage point higher than the nation (61.0%). When we turn to the population aged 65 and older, we observe that the share of the residual population is lower in the region (16.2%) compared to the nation (17.4%). Now we can infer why the median age of the population is lower in Hampton Roads than the nation; proportionally there are more people under the age of 65 in the region than the nation.

Graph 5 breaks down the resident population in 2022 by age decile. Graph 5 appears to reinforce a common narrative about Hampton Roads: younger adults are here for college and military service, and then move away to start families. Approximately 14.7% of the resident population was aged 20 to 29 in 2022, compared to 13.3% for the nation. Likewise, around 14.5% of the resident population was aged 30 to 39 in 2022, compared to 13.7% of the nation. For the 40 to 49 and 50 to 59 age groups in Hampton Roads, however, the share of the population (11.8% for each group) was 0.6 percentage points below the national average. Curiously, the proportion of residents in Hampton Roads aged 60 to 69 was slightly higher than the nation in 2022.

The last two deciles in Graph 5 highlight the 'younger' nature of the resident population in the region relative to the nation. In 2022, the share of the resident population aged 70 to 79 in Hampton Roads (7.3%) was 0.6 percentage points less than the United States (7.9%). We observe similar differences for the 80 and above age group where the region's share was 3.5% and the national average was 3.9%. Let's now turn our focus to the population aged 65 and above in Hampton Roads.

GRAPH 4

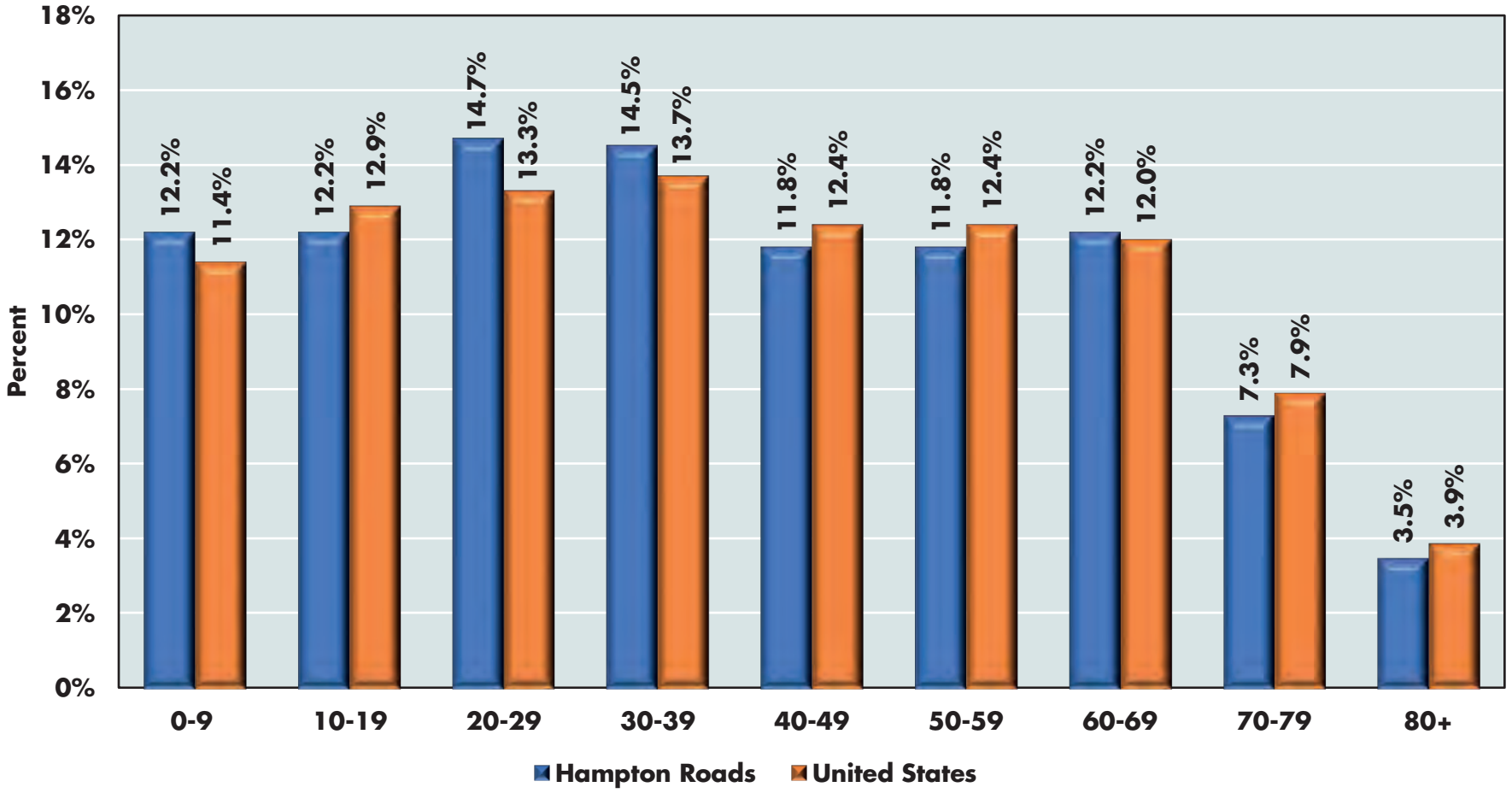
DISTRIBUTION OF RESIDENT POPULATION BY BROAD AGE GROUP
HAMPTON ROADS AND THE UNITED STATES, 2022



Source: United States Census Bureau, American Community Survey, 2022 1-Year Estimates (2023).

GRAPH 5

DISTRIBUTION OF RESIDENT POPULATION BY AGE GROUP
HAMPTON ROADS AND THE UNITED STATES, 2022



Source: United States Census Bureau, American Community Survey, 2022 1-Year Estimates (2023).

Residents Aged 65 and Above in Hampton Roads

Graph 6 illustrates the resident population of Hampton Roads aged 65 and above from 2005 to 2022. In 2005, according to the U.S. Census Bureau's American Community Survey, approximately 10.6% of the resident population was aged 65 and over, rising to approximately 11.6% of the population by 2010. By 2019, the aged 65 and above population was 15.2% of the population. In 2022, the latest data available from the ACS, there were 292,903 residents in Hampton Roads aged 65 and above, about 16.2% of the overall population.

How does the growth for the age 65 and over population in Hampton Roads compare to Virginia and the United States? In Graph 7, we observe that, from 2005 to 2022, the resident population aged 65 and over has grown faster here than across the Commonwealth or the nation. From 2005 to 2019, the growth profiles of the nation and region were roughly the same. In the most recent years, the growth of the population aged 65 and above in Hampton Roads outpaced the Commonwealth and nation. In other words, while the share of the population aged 65 and above is smaller in Hampton Roads when compared to the state and nation in 2022, the pace at which this age group has grown over recent years suggests Hampton Roads is growing older and at a faster rate than the nation.

Graph 8 illustrates how the resident population of Hampton Roads is distributed by race for the entire population and the aged 65 and over population in 2022.[4] According to the 2022 ACS 1-year estimates, approximately 54.1% of the resident population of the metro area identified as white compared to 66.6% of the aged 65 and over population. While 29.4% of the population identified as Black or African American, about 25.3% of those aged 65 and over identified as Black or African American in 2022. Of note is that while almost 10% of the population self-identified as two or more races in 2022, only about 3% of the population 65 and over identified in the same category.

In Graph 9, we break down the resident population aged 65 and above in Hampton Roads by sex.[5] The female population for this age group was consistently larger than the male age group, as one might expect given the longer life expectancy of the female population aged 65 and above nationally. The sex ratio, which is equal to ratio of the number of males to females, was 0.73 in 2005, rising to 0.77 in 2022. In other words, while the male and female population have grown over time in the region, the male population has grown more quickly than the female population.

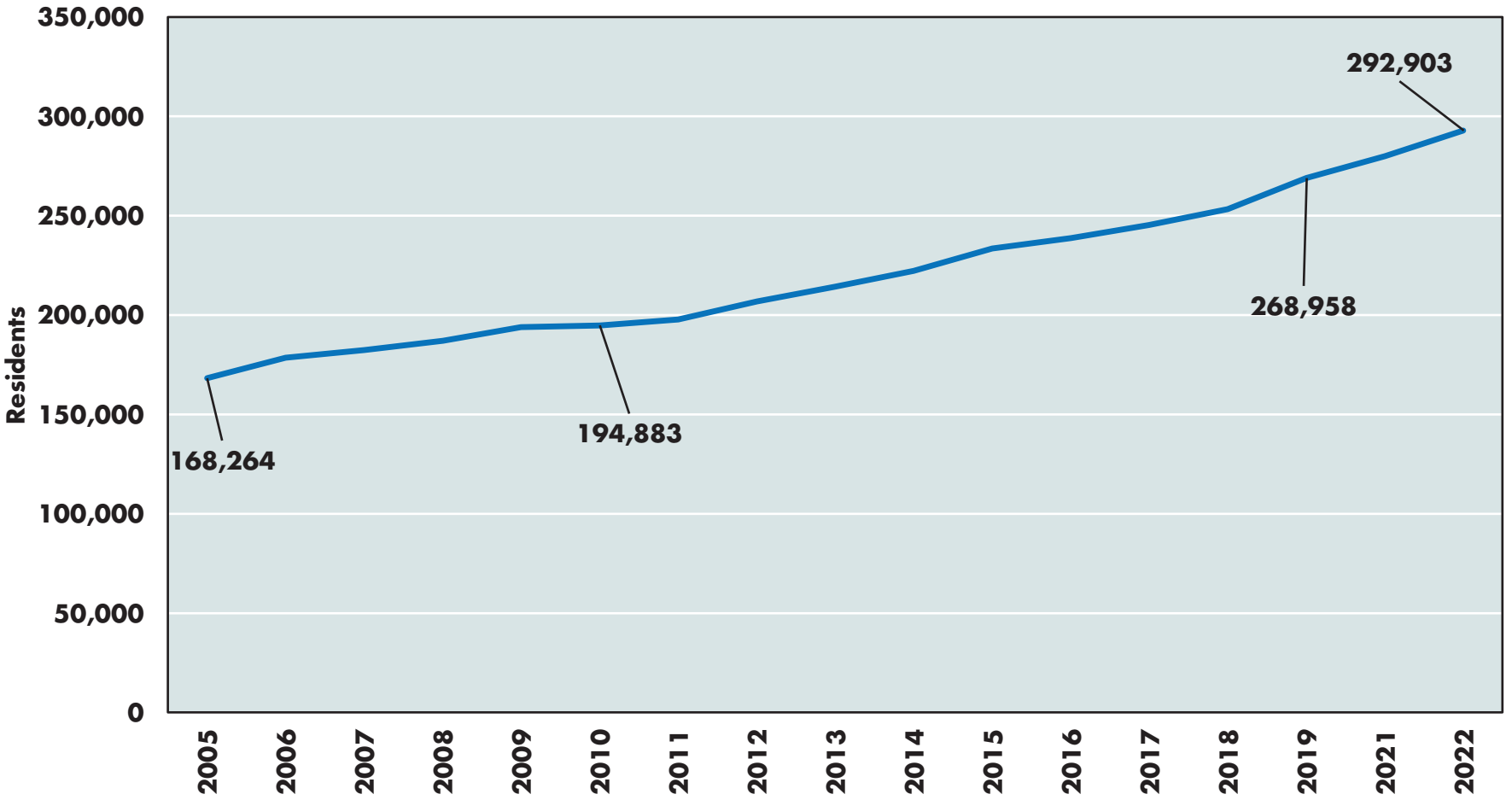
In Graph 10, we present an index of the change in the male resident population for Hampton Roads, Virginia, and the United States from 2005 to 2022. Over this period, the male population in the region grew by 79.3%, slower than the 86.2% for the Commonwealth. Nationally, the male population aged 65 and above grew by 74.6% from 2005 to 2022. It would appear that, over the period in question, the growth profile of the male population of this age group for Hampton Roads roughly mirrored that of the nation.

4 The Census Bureau follows guidance from the Office of Management and Budget regarding standards for race or ethnicity. The Census Bureau asks individuals to self-identify their race, and individuals may identify with more than one race. For more information, see https://www.census.gov/topics/population/race/about.html.

5 According to the U.S. Census Bureau, the American Community Survey asks a question about the sex of each respondent. This information is used to create statistics about males and females in the population and to provide other data, such as education and occupation by sex. The survey instrument includes a question about current sex and respondents are instructed to respond either "male" or "female" based on how they currently identify their sex. We follow the Census Bureau's conventions in this regard. More information is available at: https://www.census.gov/acs/www/about/why-we-ask-each-question/sex/

GRAPH 6

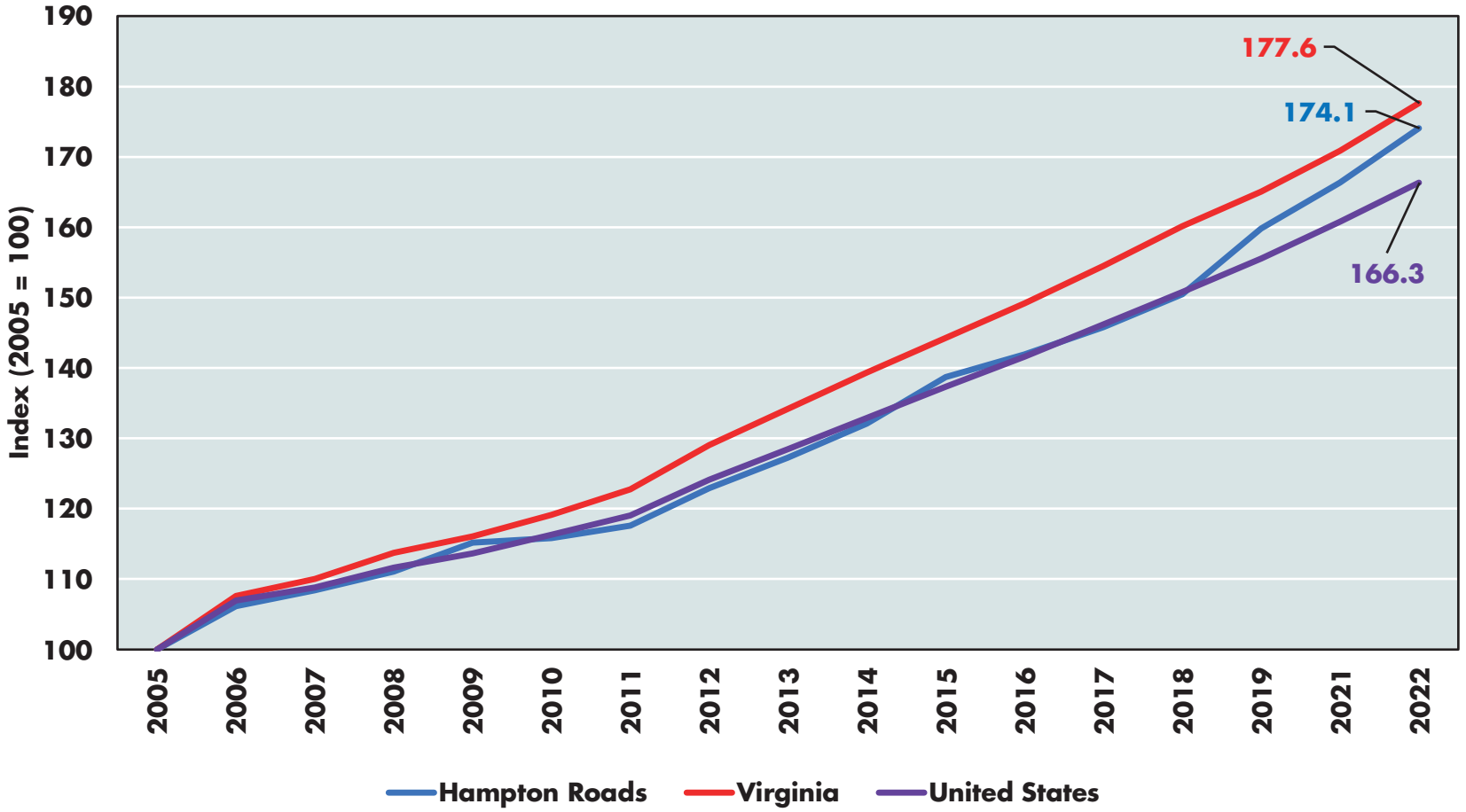
RESIDENT POPULATION AGED 65 AND ABOVE
HAMPTON ROADS, 2005 - 2022*



Source: United States Census Bureau, American Community Survey 1-Year estimates, various years. *2020 estimates are not available for metropolitan areas and are experimental for the state and nation. We exclude these experimental estimates from the graph and our discussion.

GRAPH 7

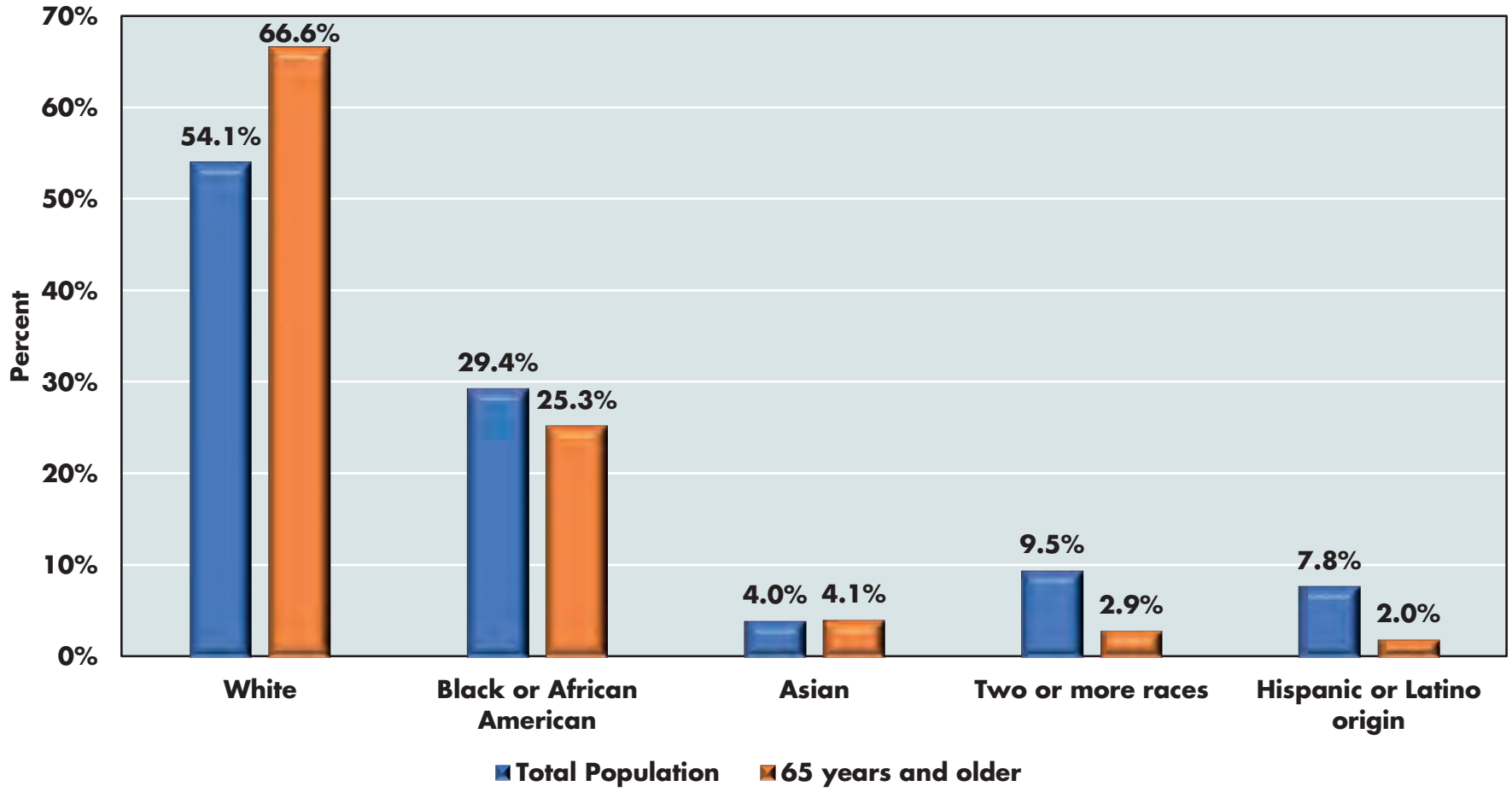
INDEX OF POPULATION GROWTH
RESIDENT POPULATION AGED 65 AND ABOVE
HAMPTON ROADS, VIRGINIA, AND THE UNITED STATES, 2005 - 2022*



Source: United States Census Bureau, American Community Survey 1-Year estimates, various years. *2020 estimates are not available for metropolitan areas and are experimental for the state and nation. We exclude these experimental estimates from the graph and our discussion.

GRAPH 8

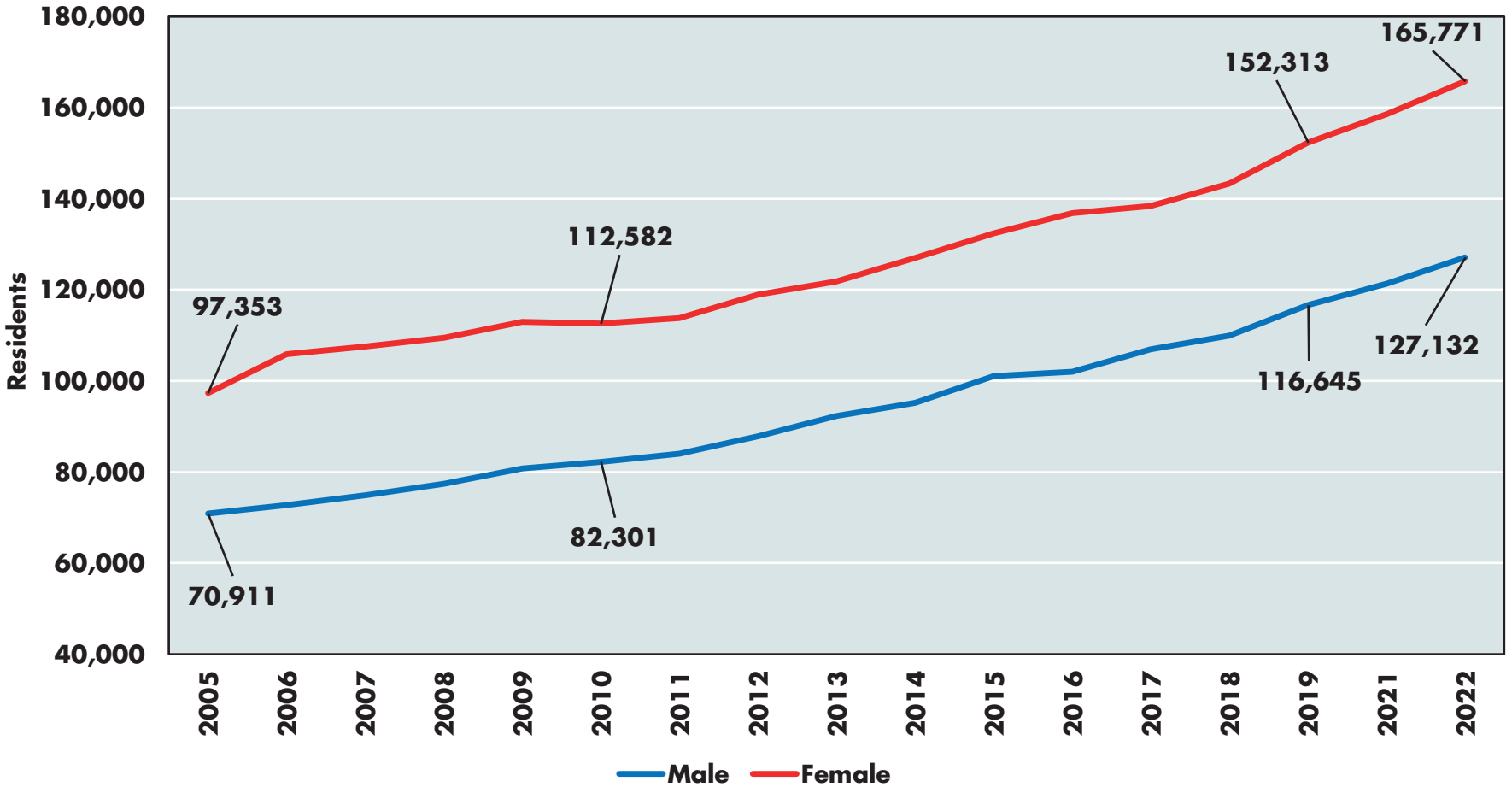
DISTRIBUTION OF THE RESIDENT POPULATION BY RACE
TOTAL AND AGED 65 AND ABOVE
HAMPTON ROADS, 2022



Source: United States Census Bureau, American Community Survey 2022 1-Year estimates.

GRAPH 9

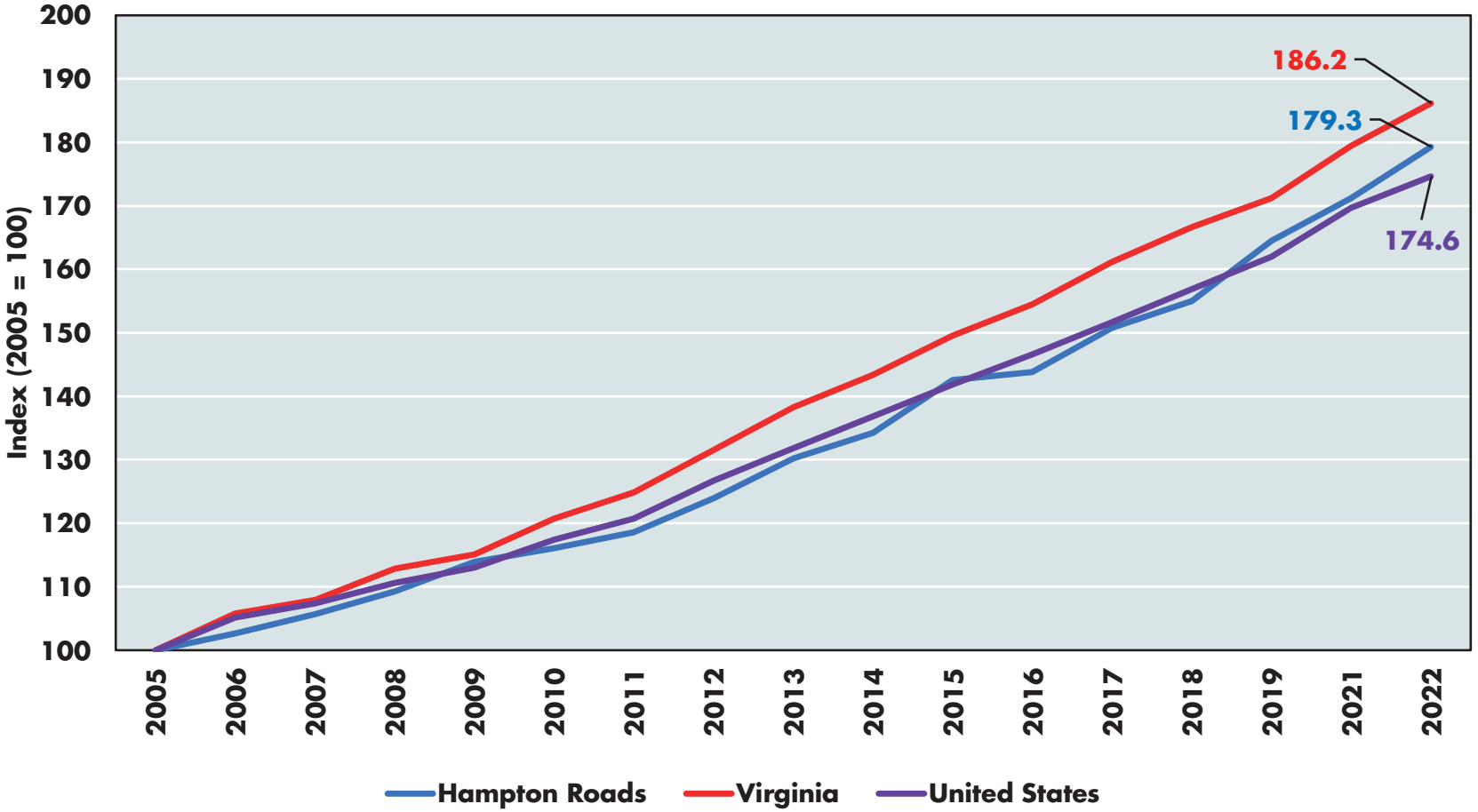
RESIDENT POPULATION AGED 65 AND ABOVE BY SEX
HAMPTON ROADS, 2005 - 2022*



Source: United States Census Bureau, American Community Survey 1-Year estimates, various years. *2020 estimates are not available for metropolitan areas and are experimental for the state and nation. We exclude these experimental estimates from the graph and our discussion.

GRAPH 10

INDEX OF POPULATION GROWTH
MALE RESIDENT POPULATION AGED 65 AND ABOVE
HAMPTON ROADS, VIRGINIA, AND THE UNITED STATES, 2005 - 2022*



Source: United States Census Bureau, American Community Survey 1-Year estimates, various years. *2020 estimates are not available for metropolitan areas and are experimental for the state and nation. We exclude these experimental estimates from the graph and our discussion.

When we compare this to Graph 11, the difference in growth profiles between the male and female populations aged 65 and above becomes starker. From 2005 to 2022, the female resident population in Hampton Roads aged 65 and above grew by 71.3%, 8.0 percentage points less than the male resident population of the same age group. More recently, the female population of this age group grew faster than the state or nation but its growth still lagged the male population of the same age group. From 2019 to 2022, the female population in the region aged 65 and older grew by 8.9%, faster than Virginia (6.8%) and the United States (6.2%). Over the same period, the male population of the region 65 and older grew by 9.0%, also faster than the state (8.7%) and the nation (7.8%). In other words, both the male and female population in Hampton Roads aged 65 and older increased more rapidly over this period than the state or nation. There were still more females aged 65 and older than males in the region, but the number of males was increasing more rapidly.

Table 1 lends insight into how the resident population 65 years and older has grown from 2005 to 2022 in Hampton Roads. Over this period, the total population of the region increased by 14.0% while the age 65 and older population increased by 77.1%. While each of the age groups in Table 1 increased more than the overall population, we note that the population aged 65 to 69 years more than doubled (105.2%) from 2005 to 2022, followed by 85 years and above (81.6%), 75 to 79 years (71.1%) and then 70 to 74 years (65.8%).

Graph 12 shows how the male and female population of each age group changed in Hampton Roads from 2005 to 2022. First, both the male and female population aged 65 to 69 more than doubled over this period. Secondly, the male population aged 85 and above grew by 164.7%, more than three times the female population for this age group. While the percentage change was smaller, the female population aged 80 to 84 years grew more significantly over the period than the male population of the same age group. Except for the 80 to 84 years old age group, the male resident population in Graph 11 outpaced the female population from 2005 to 2022.

TABLE 1

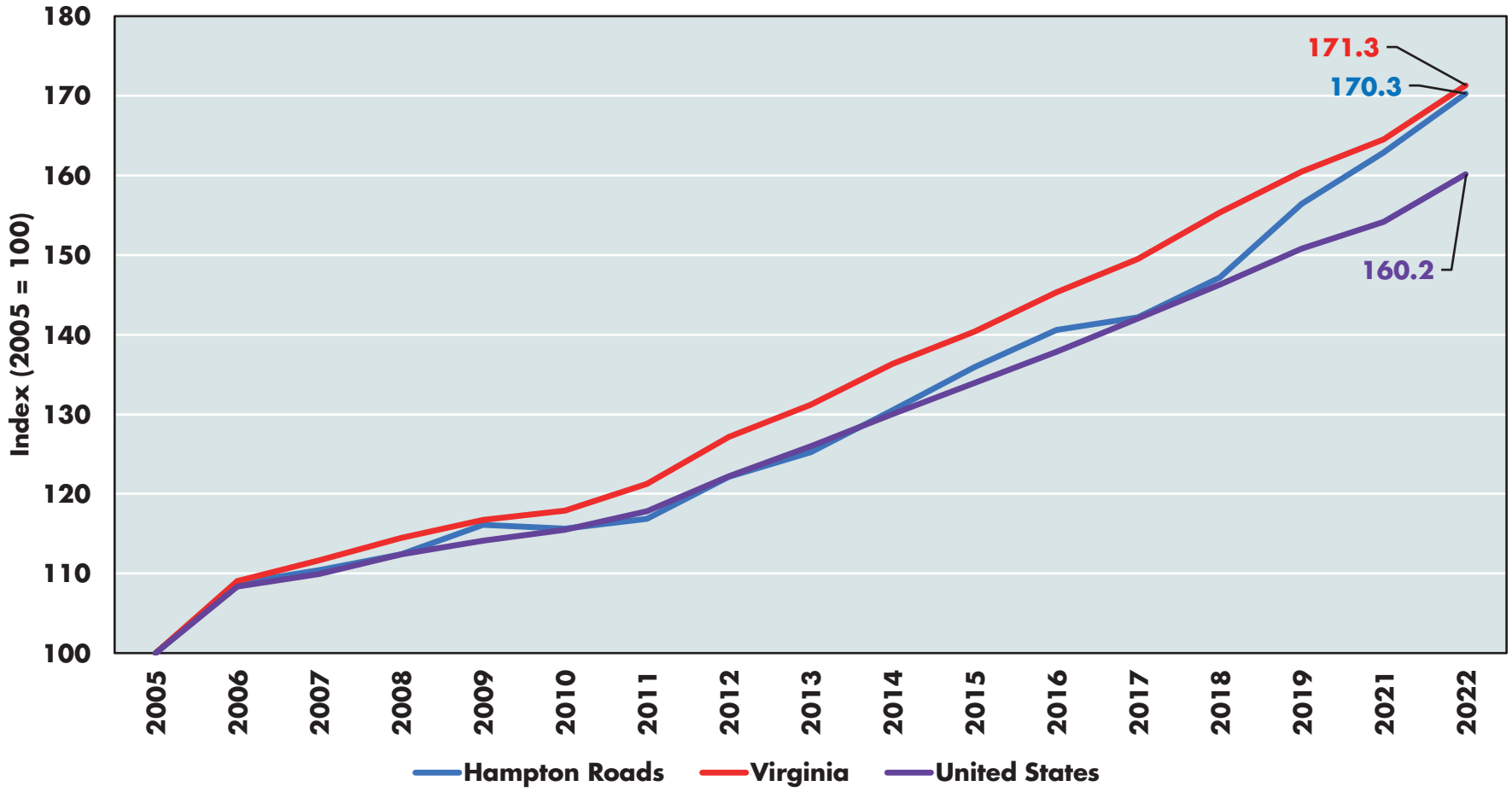
PERCENT CHANGE IN RESIDENT POPULATION BY SELECTED AGE GROUP HAMPTON ROADS, 2005 - 2022*

Age Group	2005 Population	2022 Population	Percent Change
65 to 69 Years	47,933	98,335	105.2%
70 to 74 Years	45,144	74,869	65.8%
75 to 79 Years	32,917	56,322	71.1%
80 to 84 Years	25,975	33.791	30.1%
85 Years and Above	16,295	29,586	81.6%
Age 65 and Older	168,264	292,903	74.1%
Total Population	1,585,416	1,808,102	14.0%

Source: United States Census Bureau, American Community Survey 1-Year estimates, various years. *2020 estimates are not available for metropolitan areas and are experimental for the state and nation. We exclude these experimental estimates from the graph and our discussion.

GRAPH 11

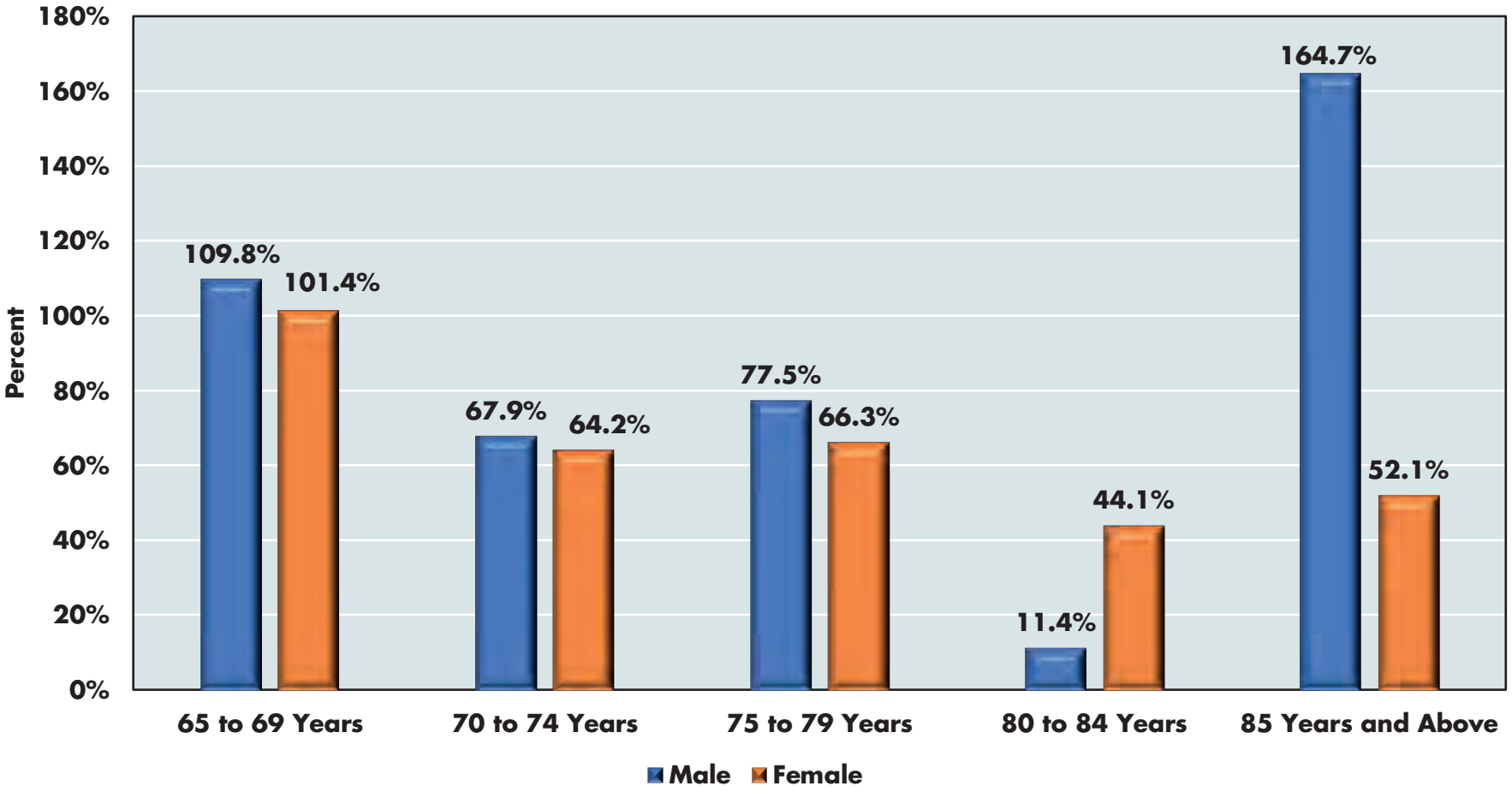
INDEX OF POPULATION GROWTH
FEMALE RESIDENT POPULATION AGED 65 AND ABOVE
HAMPTON ROADS, VIRGINIA, AND THE UNITED STATES, 2005 - 2022*



Source: United States Census Bureau, American Community Survey 1-Year estimates, various years. *2020 estimates are not available for metropolitan areas and are experimental for the state and nation. We exclude these experimental estimates from the graph and our discussion.

GRAPH 12

PERCENT CHANGE IN RESIDENT POPULATION BY AGE GROUP AND SEX
RESIDENT POPULATION AGED 65 AND ABOVE
HAMPTON ROADS, 2005 AND 2022*



Source: United States Census Bureau, American Community Survey 1-Year estimates, various years. *2020 estimates are not available for metropolitan areas and are experimental for the state and nation. We exclude these experimental estimates from the graph and our discussion.

Let's dive into the 85 years and above age group and compare Hampton Roads, Virginia, and the United States in Graph 13. While the female population of this age group in Hampton Roads grew by 52.1% from 2005 to 2022, this pace was behind that of Virginia (67.0%) and the United States (55.4%). On the other hand, the male population aged 85 years and above in Hampton Roads grew more substantially over the same period (164.7%) when compared to the state (122.8%) and the nation (74.0%).

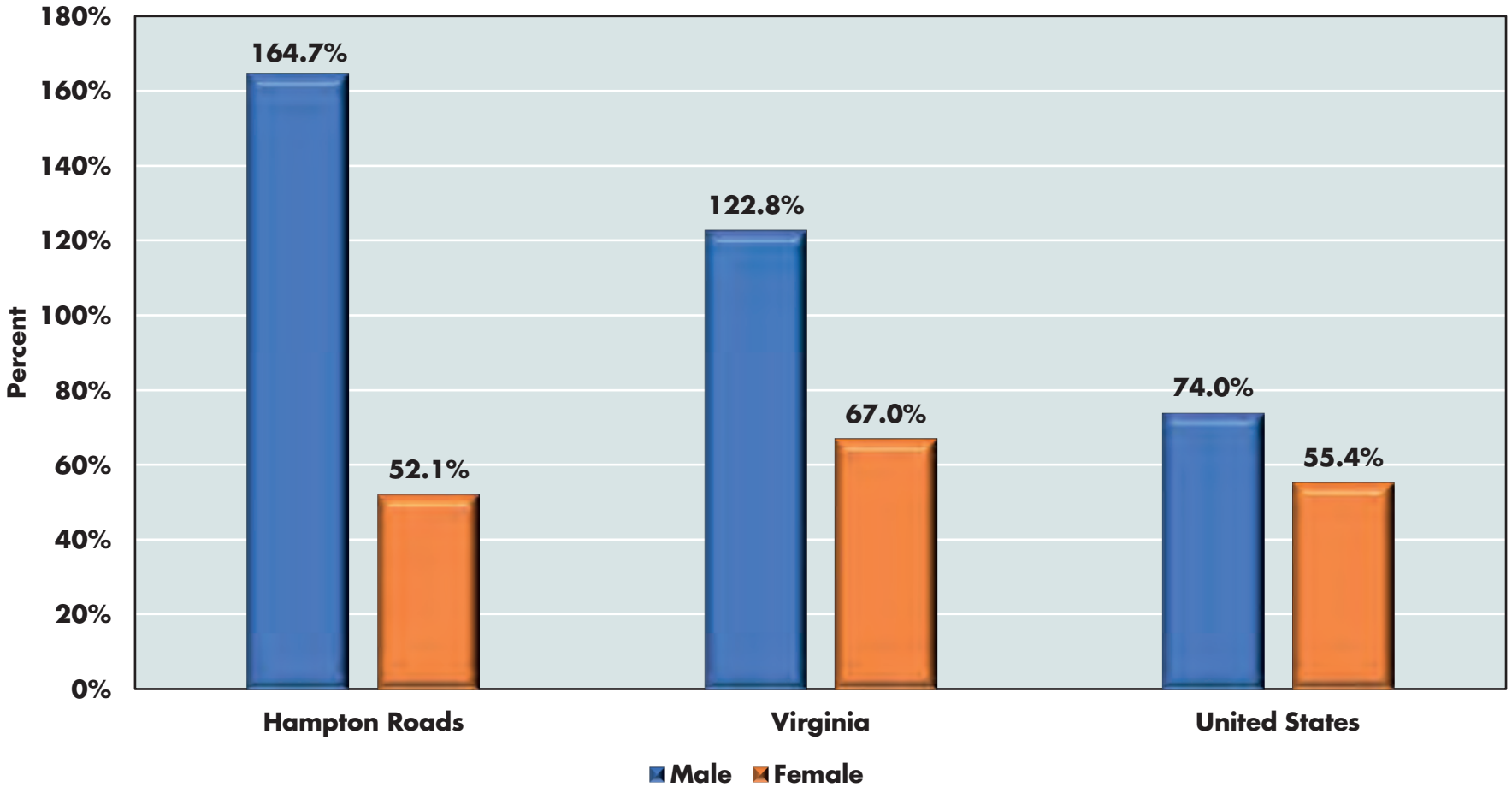
How is the resident population aged 65 and older distributed across Hampton Roads? Here we use the ACS 5-year estimates to gain insight into large and small localities across the region. Approximately 25.5% of the resident population lived in Virginia Beach, followed by Chesapeake (13.9%), Norfolk (13.2%), Newport News (10.3%), Hampton (7.6%), and Portsmouth (5.4%). The population over the age of 65 roughly mirrored the distribution of the total population, however, there are some interesting insights to be gleaned by asking what percentage of each locality's population is aged 65 and over.

Our first observation is that the more populated areas of Hampton Roads have smaller shares for the aged 65 and older population. In 2022, Norfolk had the smallest share of its total population that was aged 65 and over (12.3%), followed by Newport News (13.4%), Chesapeake, (13.8%), Suffolk (14.8%), Virginia Beach (15.0%), and Portsmouth (15.1%). The second (and corresponding) observation is that the less populated localities in Hampton Roads have larger shares of the 65 and older population. In some cases, the share of the 65 and older population is two times that of the urban jurisdictions in the metro area. Almost 1 in 3 residents in Mathews County (30.7%) was aged 65 and over in 2022, followed by more than 1 in 4 residents of James City County (26.1%), and about 1 in 5 residents of Gates County (21.2%), Southampton County (20.8%), Poquoson (19.7%), Gloucester County (19.6%), Isle of Wight County (19.3%), and Franklin city (19.0%).

Demographics shape the demand for public (and private) goods and services. Younger localities will typically see stronger preferences for goods and services associated with children and young people. Public schools, athletic facilities, playgrounds, and other services in support of young families will typically take precedence in these locations. Localities with older populations will see residents prefer goods and services in support of an aging population. Here, we might observe increased demand for transportation to/from medical appointments, senior activities, as well as other related services. The challenge for localities in Hampton Roads is to meet the needs of their current residents and to understand how these preferences will change over time.

GRAPH 13

PERCENT CHANGE IN RESIDENT POPULATION AGED 85 YEARS AND ABOVE BY SEX
HAMPTON ROADS, VIRGINIA, AND THE UNITED STATES, 2005 AND 2022*



Source: United States Census Bureau, American Community Survey 1-Year estimates, various years. *2020 estimates are not available for metropolitan areas and are experimental for the state and nation. We exclude these experimental estimates from the graph and our discussion.

TABLE 2

TOTAL POPULATION AND POPULATION AGED 65 YEARS AND ABOVE BY GENDER CITIES AND COUNTIES IN HAMPTON ROADS MSA, 2022

Location	Total Population	Over 65 Population	Over 65 Male Population	Over 65 Female Population
Camden County	10,547	1,662	14.0%	17.7%
Currituck County	28,616	4,792	15.5%	18.0%
Gates County	10,509	2,229	19.4%	23.0%
Gloucester County	38,875	7,602	18.3%	20.8%
Isle of Wight County	38,898	7,496	17.7%	20.8%
James City County	78,818	20,608	24.1%	28.1%
Mathews County	8,537	2,623	27.2%	34.0%
Southampton County	18,003	3,752	19.2%	22.6%
York County	70,238	11,958	15.5%	18.5%
Chesapeake City	249,377	34,375	12.1%	15.4%
Franklin City	8,194	1,553	16.0%	21.6%
Hampton City	137,217	21,761	13.8%	17.8%
Newport News City	185,118	24,794	11.3%	15.4%
Norfolk City	236,973	29,116	10.2%	14.4%
Poquoson City	12,479	2,454	18.3%	21.0%
Portsmouth City	97,384	14,703	12.7%	17.3%
Suffolk City	94,856	14,013	13.3%	16.2%
Virginia Beach City	457,900	68,485	13.1%	16.8%
Williamsburg City	15,486	2,597	16.6%	16.9%

Source: United States Census Bureau, American Community Survey 2022 5-Year estimates. 2020 definition of the Virginia Beach – Norfolk – Newport News metropolitan statistical area.

Selected Characteristics of the 65 and Above Ages Population in Hampton Roads

How does the population aged 65 and above compare to the total population? As illustrated in Table 3, an individual who is aged 65 and over in the Hampton Roads metro area was more likely to be a veteran than the population at large. This should not be surprising given that Hampton Roads has the highest share of veterans in the adult population among large metropolitan areas in the nation. As noted in previous *State of the Region Reports*, the presence of veterans generates billions of dollars of economic impact due to the inflow of federal and state funding to provide income, goods, and services to these military retirees.

It also should not be surprising that, when asked by the Census Bureau if they have a disability, almost 1 in 3 individuals in Hampton Roads aged 65 and over responded in the affirmative. For the general population, the disability rate was 14.4% in 2022. Again, this is not surprising as disability rates tend to be positively correlated with age. It is equally important to note that as the share of the adult population that is 65 and older has increased, this rise also likely translates into an increased demand for services associated with disability.

From a labor market perspective, approximately 63.4% of the civilian resident population aged 16 and older participated in the labor force (working or actively looking for work) in 2022, a rate that was about 3 times higher than the population aged 65 and above. While not a shattering observation, the data also highlight an interesting fact about those older adults who decide to participate in the labor force: they are less likely to be unemployed than the general population. The reported unemployment rate in 2022 for the working-age population was 3.0% compared to 0.5% for the population aged 65 and above. For those older adults who decided to work, they did not appear to have difficulties in finding gainful employment.

TABLE 3

SELECTED CHARACTERISTICS OF THE POPULATION HAMPTON ROADS, 2022

Characteristic	Resident Population	Population 65 and Older
Veteran Status	14.3%	21.8%
Disability Status	14.4%	32.9%
In Labor Force	63.4%	20.8%
Employed	60.4%	20.3%
Unemployed	3.0%	0.5%
Below 100% of Poverty Level	11.8%	9.0%
Same Residence 1 Year Ago	84.9%	93.1%
Owner-Occupied Housing	64.2%	78.4%

Source: United States Census Bureau, American Community Survey 2022 1-Year estimates.

In 2022, 11.8% of residents in Hampton Roads had incomes below 100% of the federal poverty level compared to 9.0% of the aged 65 and over population. Approximately 7.1% of all individuals had incomes between 100% and 149% of the federal poverty level compared to 6.1% of older adults. Consequently, 81.0% of the population had incomes at or above 150% of the poverty level in 2022, compared to 84.9% of the population aged 65 and above.

The older population in Hampton Roads is more likely to own their home and less likely to move residences. In 2022, more than 9 in 10 adults aged 65 and over were in the same residence that they were in the previous year. The homeownership rate was also higher for this age group, with 78.4% occupying their own home compared to 64.2% of the region's resident population. However, we note that the percentage of homeowners that were considered housing-cost-burdened was higher for the older population (28.4%) than the overall population (24.7%).[6] Turning to residents who rent, we observe a similar phenomenon. In 2022, approximately 59.5% of renting households by someone aged 65 and over were rental-cost burdened compared to 52.8% of the population.

Median Household Income

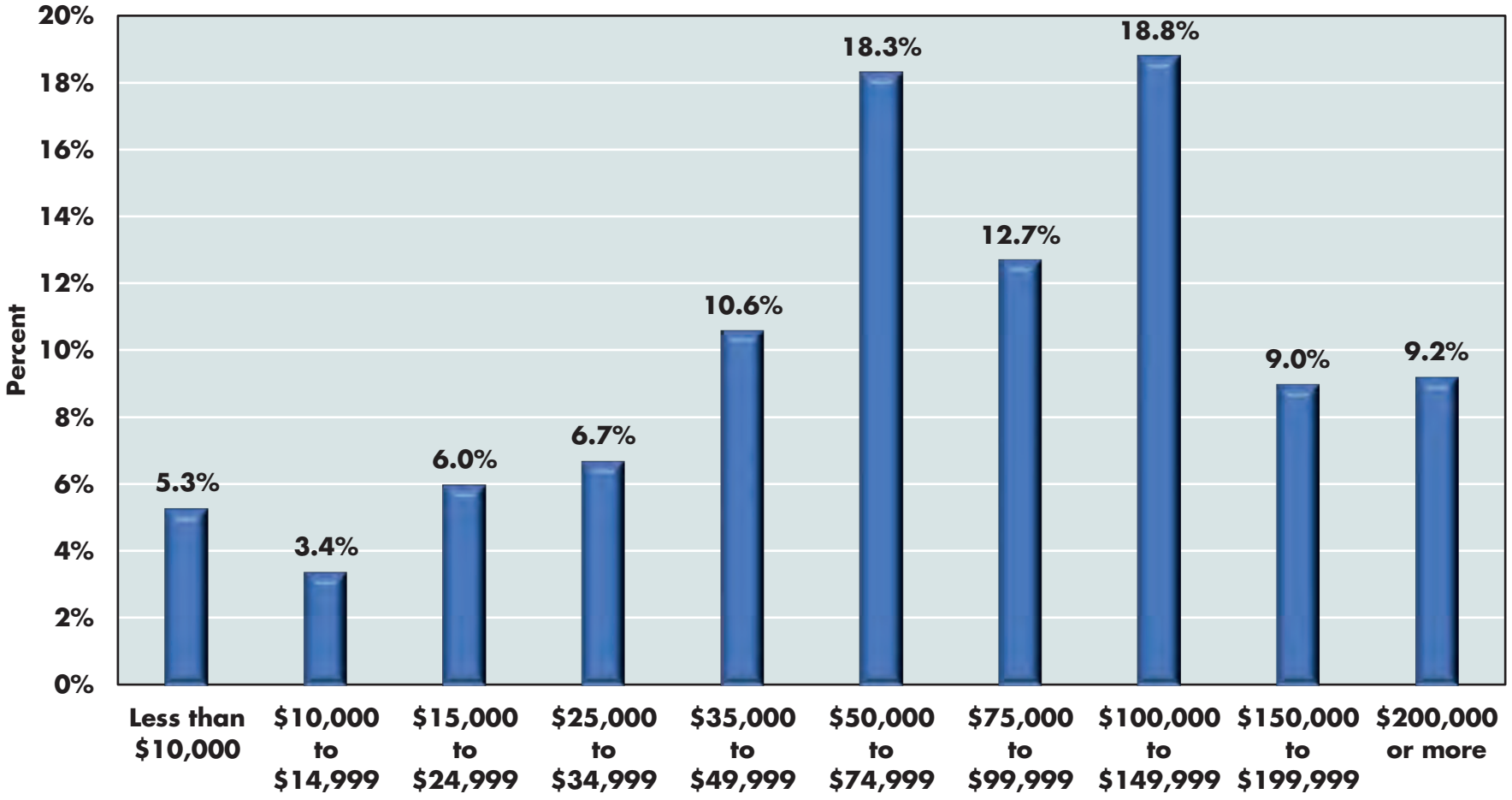
Graph 14 illustrates how household income in the past 12 months varied by income group. Approximately 21.4% of households in the region had incomes less than $35,000 in 2022. About 4 in 10 households earned between $35,000 and $99,999 in 2022. On the opposite end of the income spectrum, 37.0% of households had incomes greater than $100,000 in 2022.

How did household income vary by age group in 2022? In Graph 15, the median household income in Hampton Roads was $74,556. Households aged 45 to 64 years, who are typically in their highest earning years, not surprisingly, had the highest level of median household income at $93,452. The youngest households, as one might expect, had the lowest median household income at $48,023. The median household headed by someone aged 65 and over had an income of $61,592.

6 The housing cost burden is estimated as selected owner monthly costs as a percentage of household income. A household is considered cost-burdened if it expends more than 30% of monthly income on housing costs.

GRAPH 14

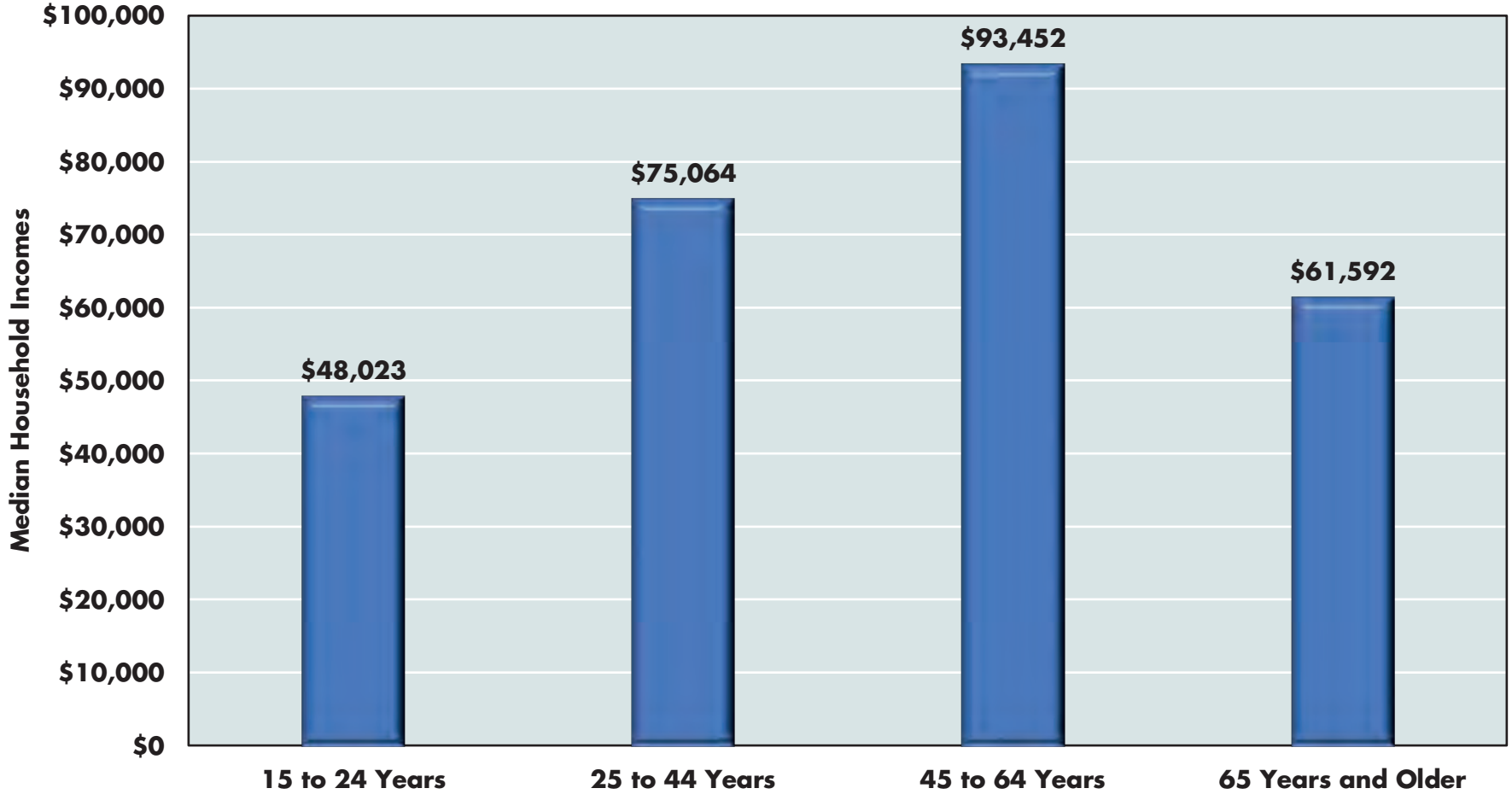
INCOME IN THE PAST 12 MONTHS BY INCOME GROUP
HAMPTON ROADS, 2022



Source: United States Census Bureau, American Community Survey 2022 1-Year estimates.

GRAPH 15

MEDIAN HOUSEHOLD INCOME BY AGE GROUP
HAMPTON ROADS, 2022



Source: United States Census Bureau, American Community Survey 2022 1-Year estimates.

Population Projections

How will the population of Hampton Roads change over the coming decades? To answer this question, we first examine the U.S. Census Bureau's population projections for the United States. These projections show the 'graying' of the nation over the remainder of the current century.

In 2022, there were approximately 57.8 million individuals in the nation who were aged 65 years and older or about 17.4% of the total population (Graph 16). By 2050, the Census Bureau projects that this segment of the population will grow to 82.1 million individuals which will be 22.8% of the population. By 2100, the population aged 65 and older will grow to over 106.3 million individuals or 29.1% of the projected population.

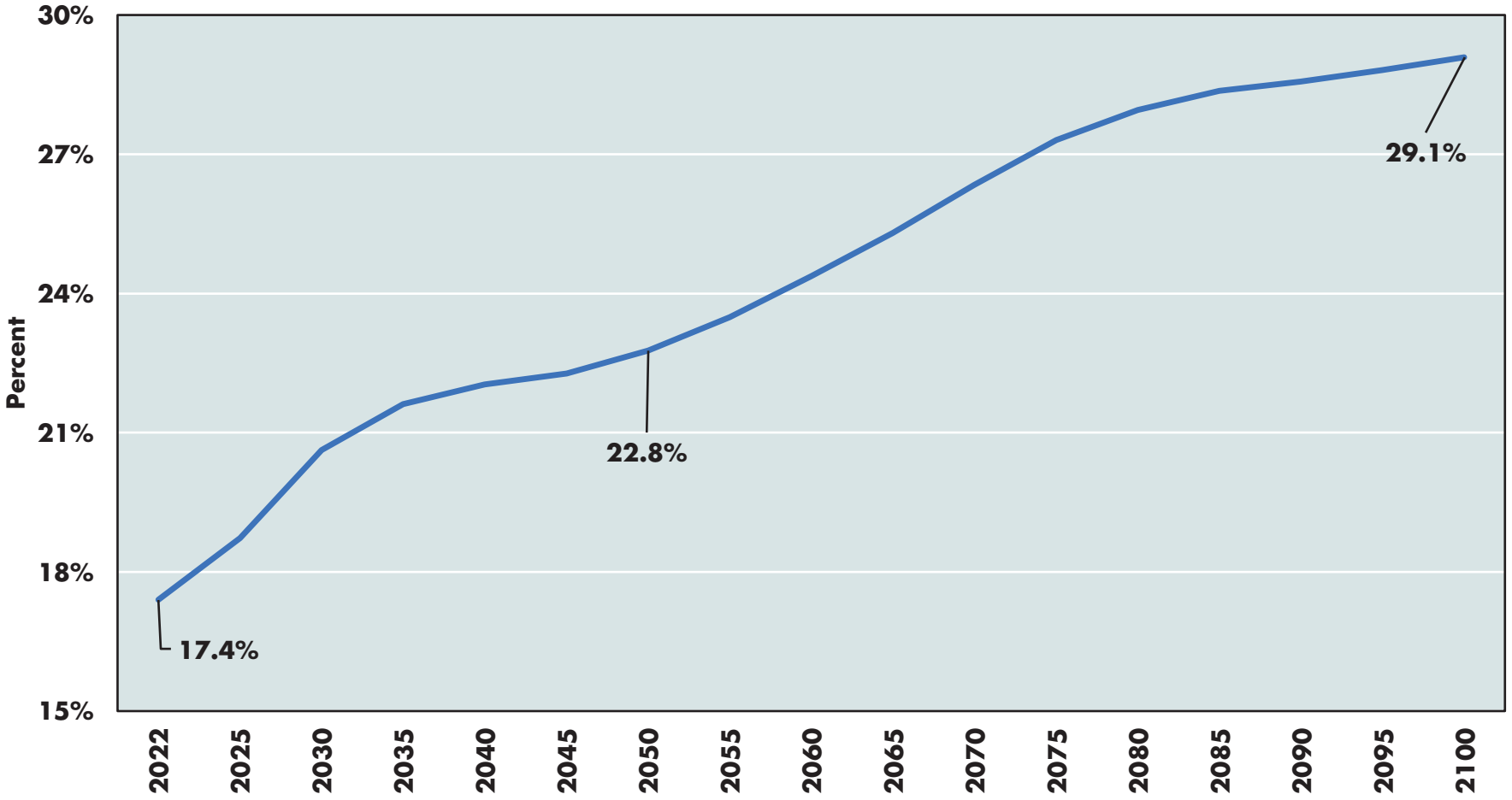
In Graph 17, we provide the projection for the nation by sex. In 2022, there are estimates of 25.9 million males and 31.9 million females aged 65 and over in the United States. The Census Bureau projects that, over the remainder of the century, the female population will grow to 56.8 million, an increase of 78.8%. The male population aged 65 and over, however, will grow to 49.5 million, an increase of 90.8%. For those 85 years and older, the female population will increase from 4.2 million in 2022 to 15.9 million in 2100 (278.0%). Over the same period, the male population is projected to climb from 2.3 million in 2022 to 11.4 million in 2100. In other words, the male population over the age of 85 is expected to jump by 398.5% by the end of the century. Over the same period, the national population aged 65 years and older is expected to climb by approximately 9.7%. The sex ratio for the 65 and older population will decline from 1.22 in 2022 to 1.15 by 2100. Likewise, the sex ratio for the 85 and older population will fall from 1.84 in 2022 to 1.40 in 2100 as the male population over the age of 85 is expected to grow more rapidly than the female population of the same age group.

The Weldon Cooper Center at the University of Virginia produces population estimates and projections for Virginia.[7] For the Virginia cities and counties in the Hampton Roads metropolitan area, total population is projected to rise from about 1.76 million to approximately 1.81 million by 2030 and then to 1.95 million by 2050. In Table 4, we present the estimated population for the Virginia cities and counties in Hampton Roads for 2023, 2030, and 2050.

7 For more information, see https://demographics.coopercenter.org/virginia-population-estimates

GRAPH 16

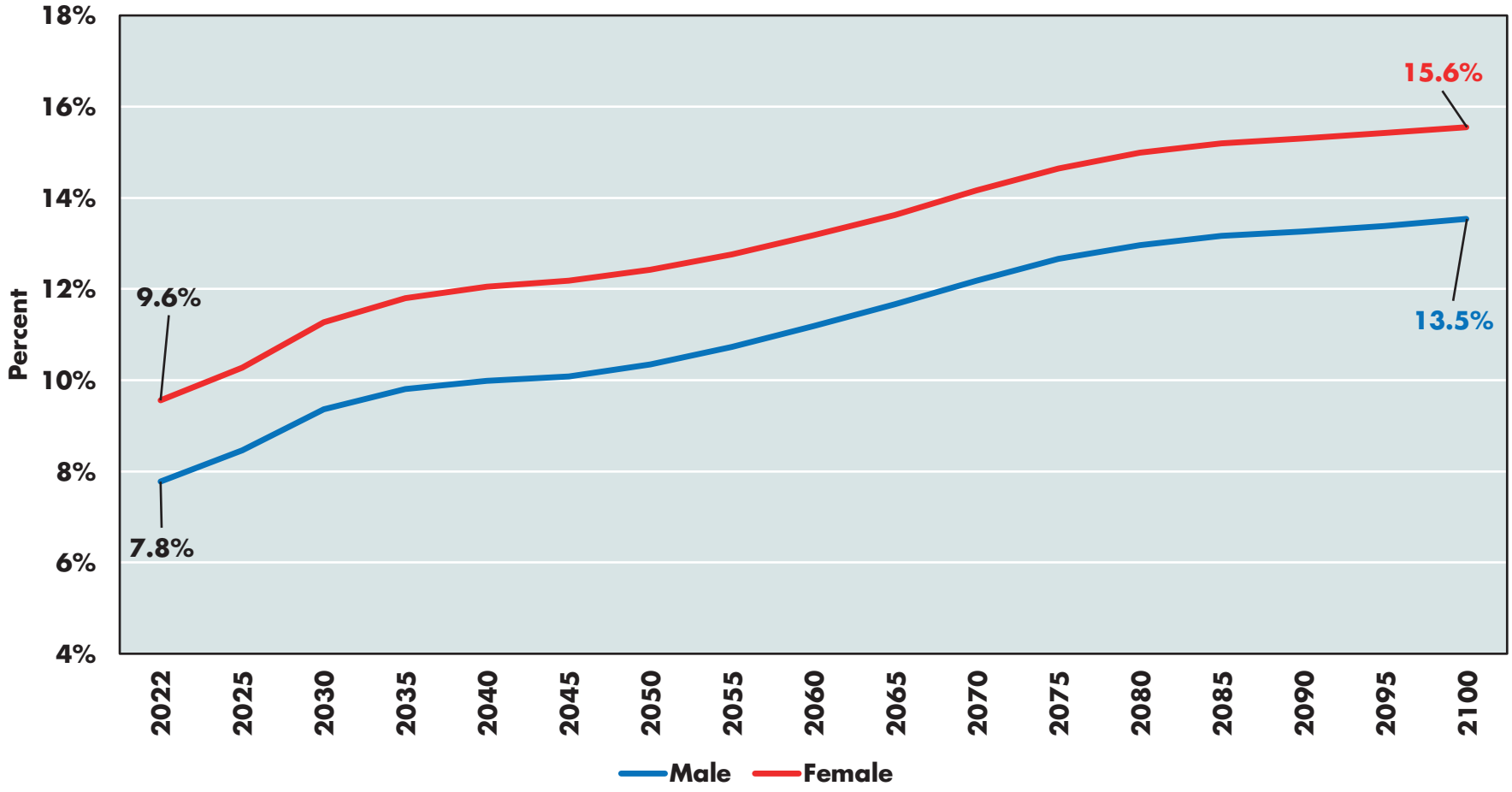
POPULATION PROJECTION FOR THE POPULATION AGED 65 YEARS AND OLDER
UNITED STATES, 2022 - 2100



Source: United States Census Bureau, Projected Population by Age Group and Sex, 2023.

GRAPH 17

POPULATION PROJECTIONS FOR POPULATION AGED 65 AND OLDER BY SEX
UNITED STATES, 2022 - 2100



Source: United States Census Bureau, Projected Population by Age Group and Sex, 2023.

TABLE 4

TOTAL POPULATION VIRGINIA CITIES AND COUNTIES IN HAMPTON ROADS MSA 2023, 2030, AND 2050

Location	2023 Population	2030 Population	2050 Population
Gloucester County	39,161	39,983	43,295
Isle of Wight County	40,873	41,341	49,544
James City County	80,678	88,216	116,845
Mathews County	8,376	7,972	7,185
Southampton County	17,754	17,172	17,429
York County	71,806	73,556	86,118
Chesapeake City	252,478	272,670	318,516
Franklin City	7,987	7,667	7,389
Hampton City	136,895	134,898	123,688
Newport News City	182,268	189,026	192,291
Norfolk City	238,112	229,864	230,050
Poquoson City	12,648	12,587	13,289
Portsmouth City	96,085	98,857	94,769
Suffolk City	100,690	102,571	131,480
Virginia Beach City	453,605	474,052	501,022
Williamsburg City	15,675	16,541	19,699
Hampton Roads	1,755,091	1,806,974	1,952,640

Source: University of Virginia Weldon Cooper Center for Public Service. (2022). Virginia Population Projections. Retrieved from https://coopercenter.org/virginia-population-projections, Virginia cities and countries in the Virginia Beach – Norfolk – Newport News MSA only.

In Table 5, using the population projections from Weldon Center, we estimate the shape of the population for males and females aged 65 and older in 2030 and 2050. As we have already observed, the 65 and older population has grown over time in Hampton Roads. The Weldon Cooper Center projects that, by 2030, there will be over 363,000 individuals aged 65 and older in the region. By 2050, this number will increase to almost 388,000.

One of the reasons that the older adult population may not grow as swiftly for Hampton Roads relative to the nation is that the total population of the region has grown slowly over the last two decades and is projected to grow even more slowly over the next two decades. Some Virginia cities and counties in the region are expected to continue to decline in population over the coming years as evidenced by the projections in Table 4. One would have to be quite optimistic to observe the region's anemic population growth rate and argue that is a good thing because it means the region will not age as fast as the nation.

TABLE 5

SHARE OF THE POPULATION AGED 65 YEARS AND OLDER BY SEX
VIRGINIA CITIES AND COUNTIES IN HAMPTON ROADS MSA, 2030 AND 2050

Location	65 and older Male Share of Total Population 2030	65 and older Female Share of Total Population 2030	65 and older Male Share of Total Population 2050	65 and older Female Share of Total Population 2050
Gloucester County	14.7%	12.5%	14.4%	11.6%
Isle of Wight County	13.7%	11.4%	12.5%	9.9%
James City County	16.6%	13.9%	15.8%	13.0%
Mathews County	19.1%	16.6%	17.2%	14.8%
Southampton County	14.2%	13.5%	14.8%	13.2%
York County	11.7%	9.5%	10.6%	8.3%
Chesapeake City	10.6%	8.1%	10.5%	7.6%
Franklin City	15.5%	10.4%	14.1%	9.0%
Hampton City	12.4%	9.4%	12.1%	8.8%
Newport News City	10.4%	7.5%	10.3%	7.1%
Norfolk City	9.1%	6.9%	8.9%	6.4%
Poquoson City	12.7%	10.4%	11.2%	8.9%
Portsmouth City	11.3%	8.2%	11.4%	8.1%
Suffolk City	10.7%	8.3%	10.0%	7.5%
Virginia Beach City	11.5%	8.6%	12.5%	9.0%
Williamsburg City	9.1%	7.6%	8.3%	6.9%
Hampton Roads	11.4%	8.7%	11.4%	8.4%

Source: University of Virginia Weldon Cooper Center for Public Service. (2022). Virginia Population Projections. Retrieved from https://coopercenter.org/virginia-population-projections, Virginia cities and countries in the Virginia Beach – Norfolk – Newport News MSA only.

Final Thoughts

There is no doubt that we have grown older as a region, state, and nation. Over the coming decades, we will likely observe a continued increase in the population aged 65 and older driven, in part, by the number of males that are living to the age of 85 and beyond. As we age, discussions of what is the appropriate age for retirement will only increase, as well as demands for medical care and other services related to aging.

For Hampton Roads, how we age as a region and economic development are hand-in-hand processes. We must work in concert to lean into key industry clusters not only to spur growth in higher-income jobs but to attract (and retain) residents to spur population growth. There is unlikely one 'home run' that will drive economic growth to the region. Looking southwards, we can observe how our peer and aspirant regions have built up a diverse foundation of growth over time by prioritizing regional interests over parochial, local ones.

For localities in Hampton Roads, this means furthering existing conversations about senior housing and folding those talks into a regional strategy to improve workforce (and other types) of housing. These conversations will need to involve the multiple public and non-profit agencies operating in this space. As housing costs rise in the near term, these agencies are likely to face increased demands for assistance from both younger and older households in the region. Given that older households may have more complex needs, we need to move forward now rather than wait for solutions to appear from the state or federal government.

Cover: The Norfolk Naval Shipyard, Portsmouth, Virginia, USA, on the Elizabeth River. Shutterstock

Inside Front Cover: Dragas Center for Economic Analysis and Policy

Table of Contents: Dvidshub.net

Page 33: Virginia Beach Virginia - July 3 2023: Aerial View of the Virginia Beach Oceanfront With Crowds and Hotels Seen from the Atlantic Ocean. Shutterstock

Page 61: Norfolk, Virginia, USA - April 20 2021: cargo container ship "MSC Cristina" in port of Norfolk. She finished loading cargo and is ready to began her international trade route. Shutterstock

Page 91: Norfolk, VA, USA - June 22, 2022: Photo of the Slover Library Downtown Norfolk VA. Shutterstock

Pages 131 and 135: Shutterstock

Pages 3, 40, 60, 63, 87, 89, 104, 107, 109, 112, 117, 137, 160, 167, 169, 170 and 172: AdobeStock

TOWNE BANK