

HAMPTON ROADS PLANNING DISTRICT COMMISSION
QUARTERLY COMMISSION MEETING – JANUARY 16, 2008

The Quarterly Commission Meeting of the Hampton Roads Planning District Commission was called to order at 9:32 a.m. at The Hampton Roads Convention Center, 1610 Coliseum Drive, Hampton, Virginia, with the following in attendance:

COMMISSIONERS:

Paul D. Fraim, Chairman (NO)	Randy W. Hildebrandt (NN)
Bruce Goodson, Vice Chairman (JC)	Charles W. Burgess, Jr. (PQ)
James O. McReynolds, Treasurer (YK)	Gordon C. Helsel, Jr. (PQ)
Amar Dwarkanath (CH)	Kenneth L. Chandler (PO)
Ella P. Ward (CH)	Douglas L. Smith (PO)
Rowland L. Taylor (FR)	Michael W. Johnson (SH)
Lacy R. Smith (GL)*	James G. Vacalis (SU)*
Randall A. Gilliland (HA)	Tyrone W. Franklin (SY)
Ross A. Kearney II (HA)	Judy S. Lyttle (SY)
Jesse T. Wallace, Jr. (HA)	Robert M. Dyer (VB)*
W. Douglas Caskey (IW)	Louis R. Jones (VB)
Stan D. Clark (IW)*	Jackson C. Tuttle II (WM)
Sanford B. Wanner (JC)	Jeanne Zeidler (WM)

*Late arrival or early departure.

OTHERS RECORDED ATTENDING:

Earl Sorey - Chesapeake; Keith Cannady - Hampton; Charles Sapp - HRTA/Hampton City Council; Anne Odell, Bryan Pennington, Jeff Raliski, Keisha Whitley - Norfolk; Selena Cuffee-Glenn - Suffolk; Chuck Cayton, Jack Gergely, Tom Best, Charles Flynn, Linda Wright, Robert Wright - Private Citizens; W. Dewey Hurley - Branscome, Inc.; Dennis Heuer, Irene Shuman - VDOT; Ivan Rucker - FHWA; Peter Huber - Wilcox Savage; Ray Taylor, Vince Thomas - FHR; Jayne Whitney - HRT; Richard Drumwright - WAT; Dana Dickens - HRP; Jerry Bridges - VPA; Ellis W. James - Sierra Club Observer; Tom Holden - The Virginian-Pilot; Matt Sabo - Daily Press; Germaine Fleet - Biggs & Fleet; Staff: Arthur Collins, John Carlock, Robert Case, James Clary, Nancy Collins, Dwight Farmer, Marla Frye, Greg Grootendorst, Frances Hughey, Jim Hummer, Rob Jacobs, Brett Kerns, Mike Kimbrel, Joe Paulus, Kelli Peterson, Joe Turner and Chris Vaigneur.

CONSENT AGENDA

Chairman Fraim asked for additions or corrections to the Minutes of December 19, 2007. There were none.

The Consent Agenda contained the following items:

Minutes of December 19, 2007

Ratification of Executive Committee Actions

Treasurer's Report

Regional Reviews

A. PNRS Items (Initial Review)

There were no outstanding issues or problems to be resolved.

B. Environmental Impact Assessment/Statement Review

Adult Mental Health Treatment Center at Eastern State - Phase II, Dept. of Mental Health, Retardation, Substance Abuse; James City County

Executive Director Search Update

Hampton Roads Transportation Modeling and Simulation

Multimodal Grant Application Isle of Wight and Suffolk: Letter of Endorsement

Mayor Kearney Moved to approve the Consent Agenda; seconded by Comr. Caskey. The Motion Carried.

2008 ECONOMIC FORECAST

Greg Grootendorst, Deputy Executive Director of Economics, was asked to present the forecast.

Mr. Grootendorst commented that since Hampton Roads tracks closely with the nation, he would provide a quick review of the 2007 national economy. The national economy grew at a rate of 2.2 percent in 2007, relatively slow when compared with the historic rate of 3.3 percent. Numerous factors contributed to the slow growth such as construction decline in response to an overpriced real estate market. High risk loans brought about foreclosures that will impact financial markets. Increasing energy and food prices pushed up inflation in the latter half of the year. The Federal Reserve began a series of rate cuts in an attempt to prevent further economic turmoil. Year-end employment figures were down. The national economy grew 18,000 jobs in December, much less than the 120,000 jobs required to maintain the status quo.

He reviewed the 2007 Hampton Roads economy and stated that despite the Ford Plant closure and slow population growth, the region was able to grow the employment base in 2007. Employment declines in manufacturing and information sectors were more than offset by increases in retail, leisure and hospitality, professional business services and education and health services. Initial unemployment claims decreased for 2007, an indication of stability in the region's employment base. The region has historically had a low unemployment rate due to the large military presence and industry mix. The current unemployment rate is about 3.2 percent compared to the national average of 5 percent.

Growth in retail sales has been declining with internet sales having an increased impact on regional and statewide receipts. Increased fuel and food prices have decreased expendable income, putting additional pressure on retail sales. A shift from high-end retailers to cost-conscious retailers like Wal-Mart and Target indicate consumers are attempting to stretch their dollar. Large ticket items are often a reflection of consumer sentiment. Families who are unsure of what the future holds are less likely to purchase expensive items. Decreased sales occurred following 2004 and 2005 when large financing incentives and discounts boosted sales in the region. Residential construction declined drastically in 2007. The number of new homes under construction and value of buildings permits have declined for the second straight year.

The 400th Anniversary in Jamestown helped increase hotel revenues in 2007. Parity with the Canadian dollar also helped the region's tourist industry growth. The port experienced continued growth through 2007. The cheaper American dollar also increased exports.

A combination of military pay increases, changes in defense housing policy, expansive credit opportunities and low mortgage rates fueled the region's housing boom. The number of home sales has declined and the average number of days to sell a house has increased. Low mortgage rates, restricted supply and optimistic sellers have helped to maintain the region's housing prices. Sellers are opting for large concessions rather than lowering their selling prices in hopes of enticing buyers which is keeping prices steady.

(Comr. Vacalis arrived.)

Mr. Grootendorst stated that Moody's has estimated the probability of a national recession at 50 percent, Global Insight says 40 percent, and Greenspan has also suggested there might be a recession. Although there are some prominent forecasts of a recession, the consensus is a little more optimistic. The blue chip consensus forecast made up of a group of highly skilled and historically accurate economists forecasted a national growth rate of 2.2 percent for 2008, still notably less than the 3.3 percent historic average. The consensus is this year will start slow and slowly improve with the biggest risk of recession taking place during the first two quarters of 2008.

The consensus is that short-term interest rates will move along with economic growth. Already high inflationary pressures have increased due in part to decreasing interest rates. As inflationary pressures continue to mount, the Federal Reserve will be forced to increase interest rates.

Mr. Grootendorst reviewed strengths and weaknesses for the year ahead. Strengths include growth in earnings and an expected decline in oil prices. Weaknesses include the real estate market posing some continued threats and falling consumer demand. People are carrying more credit card debt and energy and food prices are high. Low interest rates and the falling dollar are all adding to inflationary pressures.

Consumer confidence is the key in 2008 with consumer spending accounting for as much as 70 percent of gross daily product. If consumption continues at the current rate, there is a good chance the economy will follow along. If consumer confidence is shaken, there could be a domino effect that would cause a recession for both the nation and the region.

The confidence survey has been sliding for four months. There was a slight bump up in December but the index is still below the average.

Another unknown is the dollar. There have undoubtedly been some benefits to the decreased dollar including narrowing the trade deficit and increased exports that have helped manufacturers. The costs associated with the decreasing dollar carries with it substantial inflationary pressures and could lead to higher interest rates and reduced productivity.

There are several other international threats: political instability throughout the world of which we have little control, changes in the demand and supply of energy, and potential turmoil for markets all pose very real threats to our economy.

Mr. Grootendorst reviewed the HRPDC 2008 forecast for Hampton Roads, stating he believed the region's favorable industry mix will help to slightly outpace the national growth rate in the coming year with Hampton Roads' rate growing at 2.3 percent versus the national rate of 2.2. Civilian employment will continue its slow and steady growth by going a small amount higher than last year's 1.8 percent. The unemployment rate in the region will stay virtually the same at 3.2 percent with a slight decline in the growth rate of retail sales to 3.6 percent. Auto and truck sales will decline for the first part of the year, picking up at the end of the year for a net growth rate of 1.2 percent. The housing market will continue to shrink. The decline in 2007 was 16 percent. It is believed it will drop to about 8 percent. Hotel revenues will increase but not at the same rate as last year, going from 8.5 percent in 2007 to 4.3 percent in 2008.

He concluded the forecast by offering to answer questions.

(Comr. Dyer arrived.)

Comr. Hildebrandt asked when it is believed that the recession will begin.

Mr. Grootendorst answered that the consensus among forecasters is there will not be a recession, but if there is it will take place in the first half of 2008.

(Comr. L. Smith arrived.)

MODELING AND SIMULATION CONTRACT

Mr. Collins reported this contract was approved at the December meeting dependent upon additional review by PDC legal counsel to ensure appropriate procurement procedures. All procedures have been followed and he recommended that the sole source determination be approved and the contract with BreakAway be reapproved.

Comr. Gilliland asked if there was funding for this contract.

Mr. Collins replied it would come from the PDC's surplus funds.

Mayor Kearney Moved to approve the sole source determination and reapprove the contract with BreakAway; seconded by Comr. Jones. The Motion Carried.

PROJECT STATUS REPORT

Chairman Fraim asked for questions or comments regarding the Project Status Report. None were noted.

FOR YOUR INFORMATION

The Chairman asked for questions or comments regarding the informational items.

Mr. Collins noted that due to a printing error, Item A, an item from several months before, was inadvertently included in the packet.

Comr. Gilliland asked what type of information would be received in advance for the February Retreat.

Mr. Collins answered that the Commissioners would receive a package the week before the Retreat with the information required for deliberations. It would include staff and technical committee recommendations for the work program for next year as well as the budget considerations and options. If members would like to bring up work program elements or other priorities, the Retreat is the opportunity to do that.

HAMPTON ROADS METROPOLITAN PLANNING ORGANIZATION

Chairman Fraim called for a recess of the Hampton Roads Planning District Commission, while the Hampton Roads Metropolitan Planning Organization was called into session.

(Comr. Clark arrived during the meeting of the Metropolitan Planning Organization.)

RATIFY MPO ACTIONS

Comr. Hildebrandt Moved to ratify the actions of the Hampton Roads Metropolitan Planning Organization; seconded by Comr. D. Smith. The Motion Carried.

OLD/NEW BUSINESS

The Chairman asked for old or new business. None was discussed.

ADJOURNMENT

With no further business to come before the Hampton Roads Planning District Commission, the meeting adjourned at 10:09 a.m.

Arthur L. Collins
Executive Director/Secretary

Paul D. Fraim
Chairman