

# Topic #1: Economic Effect

## Background Information

### What is Economic Effect?

Economic effect is the economic benefit a development project brings to Delaware.

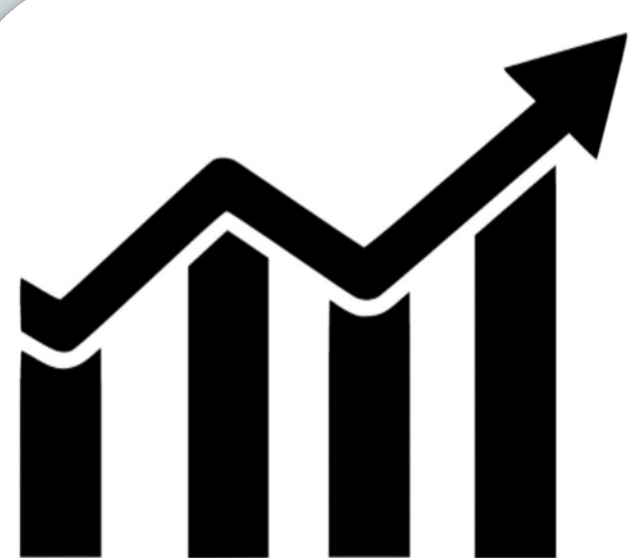
Economic effect has three components:

- (1) Direct Effect** – Jobs and revenue (such as taxes) generated by the site preparation, construction, and operation of the developed facility.
- (2) Indirect Effect** – Jobs and revenue generated by the suppliers of goods and services for the developed facility (such as raw goods or cleaning services). In other words, the indirect workforce generates jobs and revenue by providing goods and services to the direct workforce.
- (3) Induced Effect** – Jobs and revenue generated by industries that benefit from the wages of employees of the developed facility being “re-circulated” into the local economy. In other words, the direct workforce earns wages, and those wages are spent locally on other things (like food, entertainment, or healthcare), which generates jobs and revenue.



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### What does the Coastal Zone Act say about Economic Effect?



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The Act states that economic effect must account for:

- Jobs created
- Income generated by the wages or salaries of new jobs (in relation to the land required for development)
- Potential tax revenues accrued to state and local government

Conversion permit applicants must do the following in their application:

- Provide economic effect information for two scenarios:
  - Their development project, and
  - The most recent heavy industrial use on the site
- Compare the economic effect of the two scenarios above



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## Preliminary Recommendations

### What did the Regulatory Advisory Committee recommend?



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The Act states that conversion permit applicants must provide information on the economic effect of the most recent heavy industrial use on the site to be developed. This type of information may be difficult to locate for some of the 14 heavy industry use sites.

Because of this, the Committee recommended that DNREC produce a report of the economic effect of the most recent heavy industrial use on all 14 heavy industry use sites. The Committee noted that this would put all conversion permit applicants on an “even playing field” for reporting economic effect.

The Committee also recommended that conversion permit applicants submit (and that DNREC verify) the following information in a permit application:

Category	Specific Project Information Requested
Project Cost	Remediation, demolition, construction, operations, and capital costs; total investment costs
Tax Revenue	Property tax, gross receipts tax, personal income tax, corporate income tax, and other taxes; tax incentives or credits received or anticipated, as well as income tax write-offs in the tax numbers provided
Employment	Number of jobs, wages, and occupation distribution for all jobs expected to be created for site preparation, construction, and facility operations
State- and Community-Level Effect	Identification of local hiring preferences; local purchasing preferences; and investments in community benefit agreements, workforce development programs, or educational programs
Other Costs to the State	Tax incentives and credits; required infrastructure investment

### *How did the Committee come up with its preliminary recommendations?*

In August 2018, the Regulatory Advisory Committee formed a Work Group of Delaware experts with experience in economic effect, who outlined options for the Committee to consider. The Committee deliberated these options over two meetings and made preliminary recommendations in November 2018.

The Committee stated that robust, local hiring is an intent and goal of new heavy industrial development. Because of this, the Committee recommended that the DNREC Secretary, to the degree their role and authorities allow, encourage and ensure local hiring preferences and actions.

**For the full set of the Committee’s preliminary recommendations on economic effect, please see the Preliminary Recommendations Packet.**