

**COASTAL ZONE CONVERSION PERMIT ACT
ECONOMIC EFFECT WORK GROUP MEETING #1
SEPTEMBER 11, 2018
MEETING SUMMARY**

APPROVED BY THE ECONOMIC EFFECT WORK GROUP ON OCTOBER 9, 2018

MEETING IN BRIEF

The meeting covered: 1) an introduction to the statutory language regarding economic effect, 2) a review of the existing CZA permit reporting requirements at DNREC, 3) discussion of the scope of issues to cover, and 4) next steps. Presentations and background can be found at the DNREC Work Groups webpage at: de.gov/czcpaworkgroups.

SUMMARY OF KEY POINTS

DNREC noted that the Work Group is not bound to the existing economic effect reporting requirements under the existing CZA permit application and may present options to the RAC for an entirely different approach for conversion permits.

Key Statutory Language and Definitions

1. CZA section 7004(a) states that economic effect should include:
 - a. The number of jobs created
 - b. Income which will be generated by the wages and salaries of these jobs in relation to the amount of land required, and
 - c. The amount of tax revenues potentially accruing to state and local government.
2. CZA section 7014 states that “economic effect of the existing or previous use” should be considered in the permit application.
3. CAZ section 7014 states that the “net economic improvement” should be reported “as compared to the most recent heavy industry use engaged in at that site.”

The Work Group felt that defining and reporting information on the existing use of heavy industry use sites should be relatively straightforward.

Conversely, the Work Group noted that reporting previous use on an inactive site is not particularly helpful to understanding the impacts of the current applicant’s activity. The Work Group discussed a number of challenges related to reporting previous use information, including determining for what point in time such information would be gathered, whether sources of such information would exist, and, if such information does exist, whether technological and other changes since time of operations would render such information irrelevant.

The Work Group discussed whether a reasonable interpretation of the statute could be that the most recent heavy industry use engaged at an inactive site could be that there is none. The Work Group was also skeptical that reporting economic metrics about previous use of an active site would be relevant.

In the next meeting, the Work Group will further discuss the topic of previous use and refine the option or options that will be presented to the RAC on this topic. Going forward, the Work Group will assess

practical options for reporting economic metrics that would be helpful for understanding economic effect while not unduly burdening the applicant.

The Work Group discussed considerations for required reporting of economic information, including:

- Whether direct employment, direct/indirect/induced employment should also be reported.
- Whether construction and operation costs/expenditures should be kept separate.
- Whether Delaware-specific expenditures/employment should be identified.
- Whether some existing use information could/should be kept confidential, noting that information about existing employment and revenues is reported to the state currently but in a confidential manner.

The Work Group discussed a number of potential options for verification of data that would be provided by the applicant on a conversion permit application. The Work Group questioned whether the statute contemplates a threshold for approval that should be determined for project viability.

Other discussion points brought up by Work Group members are noted below:

- Metrics and permit applications:
 - The current CZA permit application is missing a key tax estimate: Gross receipts taxes
 - The current CZA permit application asks for the applicant to estimate state personal income taxes; this is very difficult to project, as the number will be based on wages but rates are variable
 - Many of the required economic effect variables are correlated; the one factor that may really matter to the state is tax revenue
 - It is concerning to ask a developer to provide jobs estimates without a basis; numbers given may be very fanciful; perhaps an option is to require an applicant to provide a case study of a similar development project to justify jobs numbers (i.e., good faith estimates)
 - It is important to keep in mind that a conversion applicant may be a company that the state and county has been working to attract, not just any applicant out of the blue; as such, the county may have an interest in moving the conversion permit process forward
- Measuring effects:
 - The conversion permit requirement to offset negative environmental impacts seems to indicate that environmental impacts will always be a net positive; as such, economic effect should not be weighed against environmental impact in the application process, as even a \$1 investment in a heavy industry site could make the project a net positive
 - Secondary effects of a new heavy industry use project (e.g., economic enhancement of a region due to the presence of a new development) may be more important than primary effects
 - One way to reasonably judge positive and negative economic effect is to weigh economic benefits against tax credits and other incentives provided by the state/county/etc.

The Work Group members also raised the following comments and questions for further discussion:

- What if a site is partially active? How are the boundaries of “existing activities” to be defined geographically?

- Should only ongoing heavy industry activities be reported (i.e., should other activities not be reported)?
- Should “alternative heavy industry use” and “additional heavy industry use” be treated differently?
- Could a range of values be provided in reporting metrics?
- Should anticipated tax incentives be reported?

Questions/notes for DNREC/RAC

- What is the boundary of the permit and its effects?
- How often is the permit applicant likely to be the same as the site owner?
- How prescriptive should regulations be about requirements: guidance vs. regulations
- Some Work Group members stated that the Delaware Prosperity Partnership should be part of working group or be involved in this process in some manner.

Next Steps

Next steps include IEc (the technical consultant) bringing forward options under various issues named in the scoping paper distributed the meeting. The Work Group will discuss other examples of reporting requirements in other states. In time for the next RAC Meeting, the Work Group will put forth options before the RAC that address the inputs for assessing the economic effect of a proposed conversion permit project.

The next Economic Effects WG meeting is: **Tuesday, September 25, 9:00am to 12:00pm, New Castle County Government Center, Executive Office Conference Room.** Members should forward any agenda ideas to IEc through Ian within one week.

APPENDIX A: PARTICIPANT LIST

Work Group member attendance

Name	Affiliation
Vince D’Anna	Self
Jennifer Hudson	Department of Finance, Division of Revenue
Paul Morrill	The Committee of 100
Tamara Morris	New Castle County, Economic Development
Ed Ratledge	University of Delaware, Center for Applied Demography & Survey Research
Brett Saddler	Claymont Renaissance Development Corporation
George Sharpley	Department of Labor, Office of Occupational and Labor Market Information

Others in attendance

Name	Affiliation
Leslie Genova	Industrial Economics (staff)
Ian Yue	DNREC Division of Climate, Coastal, & Energy (staff)