

**COASTAL ZONE CONVERSION PERMIT ACT
ECONOMIC EFFECT WORK GROUP MEETING #2
SEPTEMBER 25, 2018
MEETING SUMMARY**

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

MEETING IN BRIEF

The meeting covered: 1) a discussion of what should be delivered to the RAC for the October 9th meeting, 2) a review and discussion of draft initial scope options, 3) a review and discussion of key economic metrics, and 4) next steps. Presentations and background can be found at the DNREC Work Groups webpage at: de.gov/czcpaworkgroups.

SUMMARY OF KEY POINTS

The Work Group (WG) discussed that a 20-minute “update” on WG progress would be presented at the October 9 RAC meeting, along with a revised draft Issue Paper. The WG meeting that immediately follows that meeting will provide a debrief of any questions or new direction provided by the RAC at the meeting.

Next, the WG reviewed an initial draft of options related to the Initial Scope of Work document handed out at the previous WG meeting.

Initial Scope Issue #1: Options for determining economic effect of “existing or previous” use for which the economic effect is estimated by the applicant.

The WG discussed making some revisions to the pros and cons list to the current table. In particular, it was suggested that requiring applicants to report previous use would raise costs to the applicant.

The WG asked again whether the RAC intends to set a threshold over which economic effects of a proposal would be deemed sufficient on the basis of economic effect of the proposed use and net economic improvement. The WG commented that providing predictability to applicants would be helpful in attracting applicants to the process. Conversely, uncertainty about what to anticipate may act as a deterrent.

The WG wondered about whether economic impacts associated with required offsets should be reported. The WG discussed that increasing the costs of the application and permit requirements affects the competitiveness of Delaware attracting new business versus other states.

The WG discussed potentially reorganizing the table to pair active and inactive options.

The WG discussed that because the number of heavy industry use sites is small (14), it would be possible to have someone create a summary of the economic effect of all past uses that could be utilized by all applicants in future applications. The advantages of doing this would be that it would ensure consistency in the approach to summarizing past actions and would reduce the burden on future applicants. However, it would also require DNREC to acquire funds for carry out such a task. The WG discussed what data assumptions applicants should use to report previous use. Options discussed include reporting average annual metrics, a range or distribution of metrics, the historical

pattern of metrics, or metrics from a particular point in time (e.g., 5 years before the application submission date). These options will be added to what is presented for Initial Scope Issue #2 in the next options document draft because they relate to data and assumptions.

Initial Scope Issue #2: Options for identifying specific assumptions, sources of data, or other information to be used by the Applicant to develop economic effect estimates for “existing or previous use”.

The WG discussed various hypothetical examples for future applicants to examine whether parcel or permit level data is likely to be available for previous or existing uses. The WG also discussed examples of reporting all uses versus only heavy industry uses on the site. The WG generally agreed with the existing table of pros and cons on these issues.

The WG also discussed some complexities a permit applicant may face providing economic effect data. Issues raised include:

- Permit boundaries for the 14 heavy industry use sites do not necessarily match up with tax parcel boundaries.
- A conversion permit could propose that a new unit be built on a parcel, but that new unit may not significantly raise property taxes or the number of jobs supported at the site. As such, economic effect measurements that rely on tax revenue and job counts may not fully account for the economic effect of the new development.
- When estimating and reporting employment for current state reporting purposes, companies do not typically separate out employment at each work site (not to mention employment on sites within a particular parcel). As such, in some circumstances, it may be difficult for applicants to provide, or for the State to verify, estimates of current employment at particular project sites.

One WG member asked whether applications that propose an additional heavy industry use need to be treated differently than those that propose a conversion from an existing use (i.e., alternative heavy industry use) with regard to reporting requirements.

Initial Scope Issue #4: Options for how applicants can estimate “economic effect” in a manner that, at the very least, addresses the economic effect “components” identified §7004(b)(2).

The WG noted that, whether or not an applicant is asked to calculate regional economic impacts of proposed projects, such impacts are important to consider. The WG stated that if a weighing process between economic effect and environmental impact is going to be considered by a permit analyst, then calculating regional economic effect may be important.

It was agreed that reporting direct economic metrics require the fewest assumptions on the part of applicants, although forecasting such metrics involves uncertainty. It was discussed that having applicants provide examples of similar projects with established facilities (i.e., case studies) could provide some useful guidance to DNREC about whether the metrics applicants provide in a permit application are reasonable.

The WG deliberated about whether applicants should be required to provide only the minimum information required by statute or whether they should provide additional information to more fully capture economic effect. Disagreement on this issue stemmed from a tension between not wanting to burden the applicant with providing more information than necessary and ensuring that DNREC has enough information on an application for the permit analyst to understand the full extent of the economic effect of the proposed use. The WG noted that it would be helpful to have someone evaluate the application who could understand the regional economic implications of a proposed project without excessive requirements for calculations that would need to be made by an applicant. Two possible options to achieve this are: 1) having DNREC hire a consultant with economic expertise to help evaluate regional economic impacts of conversion permit applications, or 2) having DNREC assemble an advisory panel of economic experts to evaluate the application's economic merit (e.g., panel experts from Delaware Prosperity Partnership, Department of Insurance, and/or Division of Revenue).

Initial Scope Issue #5. Options for how applicants can estimate “the net economic improvement inherent in the alternative or additional heavy industry use or bulk product transfer activity as compared to the most recent heavy industry use engaged in at that site.”

The WG discussed that options for determining net economic improvement could include not reporting this information if the net environmental improvement is reported. Some group members expressed their assumption that net environmental improvement will always be neutral or positive after offsets.

Metrics

WG members expressed that providing simpler metrics is better because it is easier to report and requires fewer assumptions to be made by the applicant. However, it does not provide as complete a picture of economic effect.

The WG discussed that one approach to measuring economic effect is to examine effect from a return on investment perspective. However, it was also discussed that the state is focused on the state effect rather than the profitability of a project for an owner-operator and this perspective is reflected in the statutory requirements for economic effect measurements in the CZA.

Additional Information

The WG discussed that providing a note to the RAC that describes concerns that the WG has about the process could be prepared for items that the WG wishes to raise that do not fit squarely within the WG charge.

Next Steps

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

The next Economic Effects WG meeting is: **Tuesday, October 9, 1:00pm – 4:00pm, Buena Vista Conference Center, Dining Room.** Members should forward any additional agenda ideas to IEC through Ian.

APPENDIX A: PARTICIPANT LIST

Work Group member attendance

Name	Affiliation
Vince D'Anna	Self
Bill Freeborn	KBF Advisors, LLC
Jennifer Hudson	Department of Finance, Division of Revenue
Paul Morrill	The Committee of 100
Tamarra 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)