



INDUSTRIAL ECONOMICS, INCORPORATED

Measuring Economic Effect in Coastal Zone Conversion Permits: Preliminary Findings

PREPARED FOR
Regulatory Advisory Committee

October 9, 2018

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Our Part of Section 7014

(c)(1). The ...economic effect of the existing or previous use. If the application is for a subsequent conversion permit, the Secretary of the Department of DNREC has the discretion to direct the applicant to provide information on the ... economic effect of any of the previous uses at the site.

 **Baseline**

(c)(2). The ...economic effect of the alternative or additional heavy industry use or bulk product transfer activity.

 **Effect of Proposed Action**

(c)(3). 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.

 **Change**

Economic Effect Work Group Goals

To provide the RAC with options for regulations that:

1. Meet statutory requirements
2. Gather data that can be meaningfully assessed
3. Do not overly burden permit applicants

Key Question: How will economic effect data be used by decision-makers? Will approvals be made based on economics?

Underlying Issues Raised by Economic Effect WG

- The WG does not want to discourage applicants from considering Delaware as a location for business;
- The WG is concerned that excessive requirements will keep businesses away;
- The WG feels that providing information about past uses in particular is not useful to decision-makers.

Initial Scope Issues Addressed by Economic Effect WG

Develop options for:

1. Determining “existing or previous use”
2. Assumptions and data for estimating “existing or previous use”
3. Assumptions and data for estimating effects of the proposed action
4. How to estimate “economic effect”
5. How to estimate “net economic improvement”

Initial Scope Issue #1: Options for determining economic effect of “existing or previous use”

- The WG evaluated options for whether existing or previous use would be reported for different types of sites, as follows:

Option	Active Sites	Inactive Sites
1	Existing use	None
2	Existing use	Taxes
3	Existing use	Previous use
4	Existing and previous use (Applicant burden)	Existing and previous use (Applicant burden)
5	Existing and previous use (State burden)	Existing and previous use (State burden)

Initial Scope Issue #2: Assumptions for Existing or Previous Use [Part 1]

- The WG evaluated assumptions that should be made about geography and use type

Option	Geographic Limit	Use Type
1	Permit	Heavy industry use
2	Permit	All
3	Tax parcel	Heavy industry use
4	Tax parcel	All

Initial Scope Issue #2: Assumptions for Previous Use

- The WG also discussed additional assumptions that would be needed to evaluate economic effect of previous use

Option	Additional Previous Use Assumption
1	Report effects for one historic year
2	Report average annual effects
3	Report range of historical estimates
4	Report using Economics Baseline Report (from Issue #1)
5	Report no existing or previous use

Initial Scope Issue #3: Assumptions for Proposed Action

- The WG discussed assumptions related to economic effect metrics for the “alternative or additional heavy industry use or bulk product transfer activity” and whether those need to match existing or previous use measures.

Option	Assumptions for Proposed Action
1	Match geographic and use assumptions to Issue #2
2	Allow reporting of metrics limited to the permit boundary even if tax parcel data is reported under previous use
3	Allow additional reporting metrics than are provided for previous and existing use

Initial Scope Issue #4, Economic Effects Measures

- The WG discussed whether the statutory minimum required metrics should be provided or whether others should be provided.

Option	Direct Metrics	Indirect/Induced Metrics
1	Jobs, income, tax revenues	NO
2	Jobs, income, tax revenues	YES
3	Additional metrics	NO
4	Additional metrics	YES

*This will be further discussed at today's WG meeting.

Initial Scope Issue #5 [Part 1]: Net Economic Improvement

- The WG has discussed defining “net economic improvement” as the difference between the economic effect of the most recent heavy industry use and the economic effect of the planned action, where “most recent heavy industry use” is reported as:

Option	Active Sites	Inactive Sites
1	Existing Use	Zero reported
2	Existing Use	Effects during a previous point in time
3	Existing Use	Average annual historic effects
4	Existing Use	Effects for range of historical estimates
5	Existing Use	Effects from Economics Baseline Report (from Issue #1)

Initial Scope Issue #5 [Part 2]: Reporting Metrics

- WG noted that net economic improvement is not explicitly tied to economic effect metrics.
- As such, it is separately considering economic metrics that could be used to measure net economic improvement.

Option	
1	Use direct economic effect metrics
2	Use direct, indirect, and induced economic effect metrics
3	Direct, indirect, and induced jobs, income, tax revenues and other measures, such as community-level effect and environmental justice considerations

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Thank You!