

**COASTAL ZONE CONVERSION PERMIT ACT
ECONOMIC EFFECT WORK GROUP MEETING #3
OCTOBER 9, 2018**

APPROVED BY THE ECONOMIC EFFECT WORK GROUP ON OCTOBER 23, 2018

MEETING IN BRIEF

The meeting covered: 1) a review of the RAC meeting held earlier that day, 2) a review and discussion of the revised draft scope options, and 3) 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 the presentation that occurred at the October 9 RAC meeting (that morning). The group then discussed refinements to the strawmen options papers in response to comments and questions from the RAC, which included: 1) potential streamlining of options to reduce unintended repetition, 2) concerns about community-level economic effect, and 3) information about a conversion permit project's economic cost to the state.

The WG discussed that the RAC was receptive to the issues and options presented at the RAC Meeting. Issues raised at the RAC Meeting are summarized in the Meeting Summary to that meeting and are not summarized here.¹ The WG discussed whether the issues and options raised could be addressed in future revisions to the options papers.

The WG discussed that it may be difficult for the RAC to digest all of the issues, options, and pros and cons raised by the WG. As such, the WG felt that it may be helpful to the RAC for the WG to identify the specific options the WG feels are most technically feasible. These options are noted below by Initial Scope Issue number.

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

Most technically feasible options:

- **Option 1: Report effect of existing site uses for active sites, nothing for inactive sites.** For active sites, economic effect of “existing or previous” use would include effect of existing uses. For inactive sites, economic effect of “existing or previous use” would be reported as “none” or “zero.”
- **Option 2: Report effect of existing site uses for active sites, include current taxes for inactive sites.** For active sites, economic effect of “existing or previous use” would include effect of existing uses. For inactive sites, economic effect of “existing or previous use” reported as current property taxes.

¹ The Meeting Summary for the October 9, 2018 RAC Meeting can be found at de.gov/czcpa-rac.

- **Option 5: Report effect of existing and previous use for all sites (State burden).** Existing use would be reported for active sites. For both active and inactive sites, economic effect of “previous use” would be reported using a State-produced report of previous use. Example title: “Economics Baseline Report.”

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.”

Most technically feasible options regarding Issue #2A – Previous and Existing Use Scope:

- **Option 1: Report all heavy industry use of property in permit boundary.** Report economic effect of existing or previous heavy industry use within permit boundary.
- **Option 3: Report heavy industry use of property in parcel boundary.** Report economic effect of ongoing heavy industry use within parcel boundary.

Most technically feasible options regarding Issue #2B – Previous Use Assumptions:

- **Option 1: Ask applicants to provide “previous use” economic effect measures for one historic year.** A single year would be determined as a baseline for all applicants (e.g., 2015, or three years prior to the application). Data would be reported for that specified year for all economic effect measures requested in the application.

The WG suggested that an option for the historic year reported is the last year of operation of the most recent heavy industry use on the site for both active and inactive/abandoned sites.

- **Option 4: Ask applicants to report “previous use” economic effect measures using the Economics Baseline Report outlined in Issue #1.**
- **Option 5: Ask applicants to report no “existing or previous use” economic effect measures where sites have been abandoned or are inactive.** For sites with no active heavy industry uses, no data would be specified or reported.

Initial Scope Issue #3: Options for identifying specific assumptions, sources of data, or other information to be used by the applicant to develop economic effect estimates for “alternative or additional heavy industry use or bulk product transfer activity.”

All of these options are technically feasible.

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 discussed metrics for measuring economic effect and thought it would be helpful to explore these metrics more fully by drafting up example questions that could appear on a conversion permit application (i.e., rather than identifying which of the originally proposed four options are most technically feasible). For example, the WG discussed that the following project cost information could

be asked for in a conversion permit application: remediation, demolition, construction, operations, capital costs, Total investment. For information on taxes: property taxes, gross receipts tax, personal income tax, corporate income tax, and identification of any tax incentives (i.e., tax credits) received. (A WG member mentioned that property taxes may be zero or low for a number of years after the facility's launch due to infrastructure investment being eligible for corporate income tax write-offs.) For information on the number of jobs and wages: Job count, wage, and occupation distribution for: 1) all jobs expected to be created, 2) jobs expected to go to Delaware residents, and 3) jobs expected to go to residents in the surrounding communities (e.g., within an X mile radius of the site); information could also be requested regarding how often Delaware-based companies will be awarded business contracts with the site. It was also discussed that having applicants provide case study examples of built projects with measured impacts (e.g., number of jobs created) could be helpful for a permit analyst to understand the reasonableness of economic metric estimates provided by the applicant (i.e., a way for the permit analysts to truth-test applicant claims).

Collectively, these metrics take into account the statutorily required economic effect information (direct jobs created, income generated by wages and salaries, and tax revenues), some indirect/induced economic effect metrics, and some community-level economic effect metrics. Moreover, the WG discussed there being an option for applicants to provide additional economic effect information. This proposed approach is essentially an amalgamation of Initial Scope Issue #4 Options 1-4 and Initial Scope Issue #5B Options 1-3.

It was discussed that some economic information could be deemed proprietary or sensitive, so options could be provided that would allow for protecting some application information from public distribution (e.g., ensuring some application information could be redacted in the event of a FOIA request) or, alternatively, providing that such would not be required to disclose for in a conversion permit application. It is not certain that these issues would fall under the scope of regulatory requirements; rather, they could be application requests.

The WG also discussed options for verifying reported results, which could include: 1) developing simplistic calculations that could be done by DNREC to arrive at "back of the envelope" expectations about impacts, 2) case study examples and comparisons (as stated above), 3) hiring an expert economist contractor to review and comment on a conversion permit application, 4) using a standing panel of experts (e.g., employees from Division of Revenue and Department of Labor) to review and comment on a conversion permit application, or 5) having DNREC informally circulate the application to relevant agencies on an individual basis (e.g., to review financial information and tax information).

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."

Most technically feasible options for Issue #5A – Options for Defining Net Economic Improvement:

- **Option 1:** Define "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 assumed to be "zero" or "none" for inactive sites and current use at active sites.
- **Option 2:** Define "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 defined as the heavy industry use at the site during a particular previous point in time (e.g., five years ago).

The WG suggested that an option for the historic year reported is the last year of operation of the most recent heavy industry use on the site for both active and inactive/abandoned sites.

- **Option 5:** Define “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 the economic effect measures from the Economics Baseline Report outlined in Issue #1.

For all these options, the metrics used for “net economic improvement” are the same as those used for “economic effect”. As such, for Issue #5B – Options for Reporting Metrics, the most technically feasible option is that proposed for Issue #4.

Next Steps

Next steps include IEC (the technical consultant) bringing forward refined issues and options. The WG will discuss examples of reporting requirements in other states. The WG will also prepare to present revised materials to the RAC that will be in a more easily digestible form for the RAC.

The next Economic Effects WG meeting is: **Tuesday, October 23, 9:00am to 12:00pm, New Castle County Government Center, Executive Office Conference 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
Ed Ratledge	University of Delaware, Center for Applied Demography & Survey Research
Brett Saddler	Claymont Renaissance Development Corporation

Others in attendance

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