

**COASTAL ZONE CONVERSION PERMIT ACT
ECONOMIC EFFECT WORK GROUP MEETING #4
OCTOBER 23, 2018**

APPROVED BY THE ECONOMIC EFFECT WORK GROUP ON NOVEMBER 16, 2018

MEETING IN BRIEF

The meeting covered: 1) a review and discussion of the revised draft scope options, 2) a review of example economic effect application questions, 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 refinements to the strawmen options papers that were made following the last meeting in response to comments and questions from the RAC, which included: 1) 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 because it may be difficult for the RAC to digest all of the issues, options, and pros and cons raised by the WG, perhaps refining the list of options even more would be helpful, being aware that the RAC should have all issues and options considered at their disposal, in case they are needed.

The WG also discussed that it should present to the RAC how the group arrived at its streamlined options and the issues the group struggled with to arrive at these final options. The WG would like the applicant to be able to "tell the story" as to why their project would benefit Delaware. The WG continued to emphasize that the RAC should consider the ultimate purpose of asking conversion applicants to provide certain economic information on their permit application (e.g., will it actually be used to approve or deny a permit?). Moreover, the WG expressed hope that the RAC would take this consideration to heart when weighing the paperwork burden on applicants against the usefulness (i.e., necessity) of economic information that an applicant must provide.

The WG suggested combining the issues from section 7014(c)(1)-(3) so that economic effect is defined consistently. The WG is aware that section 7014(c)(3) uses the term "net economic improvement" but does not use the term "economic effect." However, the WG believes it would be confusing to the applicant and to DNREC to interpret that "net economic improvement" uses metrics that are different than those used for economic effect. Refinements to proposed initial scope issues and options are summarized below.

Most technically feasible options for reporting economic effect of "existing or previous" use AND the "alternative or additional heavy industry use or bulk product transfer activity" AND "net economic improvement" [Initial Scope Issues 1, 2B, 3, and 5A]:

- **Report economic 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. [*WG preferred]

- **Report economic effect of existing site uses for active sites, report no effects 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.”
- **Report effect of existing site uses for active sites; report economic effect of previous use for inactive sites via a state-prepared Economic Baseline Report.** Existing use would be reported for active sites. For inactive sites, economic effect of “previous use” would be reported using a State-produced report of previous use. Example title: “Economic Baseline Report.” This report could be referenced in conversion permit applications.
 - **If the development of an Economic Baseline Report is rejected, then applicants could provide “previous use” economic effect measures for the most recent year for which data is available.** Under this option, data would be reported for the most recent year of production for all economic effect measures requested in the conversion permit application. However, the WG believes that there are significant issues with this option, including that it is not a logical point of comparison for economic effect, that there would likely be a lack of availability of data for some sites, and that using the most recent year of operations is a subjective time point. As such, the WG does not support using this option; it is provided here in case the RAC rejects the other options.

Most technically feasible options for identifying geographic scope [Initial Scope Issue 2A]

- **Report all heavy industry use of property in permit boundary.** Report economic effect of existing or previous heavy industry use within permit boundary.
- **Report heavy industry use of property in tax parcel(s) boundary.** Report economic effect of ongoing heavy industry use within parcel boundary.

The group discussed that the CZA footprints of the 14 sites (i.e., the “heavy industry use sites,” as defined by the CZCPA) does not line up with tax parcel boundaries. As such, there are three potential geographic boundaries that may be relevant for conversion permits: the heavy industry use site footprint, tax parcel(s), and a proposed permit area (which may be a subset of the heavy industry use site).

Most technically feasible options for metrics to measure economic effect and net economic improvement [Initial Scope Issues 4 and 5B]

The WG discussed the types of metrics that could be asked for on a conversion permit application as a way to address all the options laid out for Issues 4 and 5B. The WG felt it would be easiest to explore these metrics by drafting up and reviewing example conversion permit application questions (simply as an illustrative tool, not as anything prescriptive to provide to the RAC or DNREC). The metrics the WG discussed included:

- **Project Cost Information:** Remediation, demolition, construction, operations, capital costs, total investment
- **Tax Revenue Information:** Property taxes, gross receipts tax, personal income tax, corporate income tax, and other taxes; applicants could be asked to take into account tax incentives/credits received/anticipated and income tax write-offs in the tax numbers they provide
- **Employment Information:** Job count, wage, and occupation distribution for all jobs expected to be created for both site preparation/construction and facility operations
- **State- and Community-Level Effect:** Applicants could provide information on local hiring preferences, local purchasing preferences, and investments in community benefit agreements, workforce development programs, or educational programs
- **Costs to the State:** Primarily accounted for in the tax revenue information; the RAC may also want to consider infrastructure investment, though the WG believes this is out of the scope of what is called for in the CZCPA because: 1) such infrastructure investment decisions are made in other permit or decision-making processes, and 2) companies may oftentimes pay for these investments themselves.

Options for Verification of Reported Economic Effect

The WG also discussed options for verifying applicant-reported economic information, which could include:

- developing simplistic calculations that could be carried out by DNREC to arrive at “back of the envelope” expectations about economic effect,
- applicant-provided case study examples, comparisons, and data points that demonstrate how the economic information provided by applicants is within reasonable range ,
- hiring an expert economist contractor to review and comment on a conversion permit application,
- 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
- having DNREC informally circulate the application to relevant agencies on an individual basis (e.g., to review financial information and tax information).

An additional potential option to request annual monitoring/reporting of economic effect metrics was discussed. It was discussed that such information should only be requested if it will actually be used in conversion permit decision-making and that its usefulness should be weighed against the increased cost to the applicant to provide it.

Next Steps

Next steps include IEc (the technical consultant) working with DNREC to prepare revised materials for the RAC to be presented at the November 7, 2018 meeting.

The next Economic Effects WG meeting has not been scheduled. There will not be a meeting the week of November 5. There may be a meeting during the last week of November.

APPENDIX A: PARTICIPANT LIST

Work Group member attendance

Name	Affiliation
Bill Freeborn	KBF Advisors, LLC
Paul Morrill	The Committee of 100
Ed Ratledge	University of Delaware, Center for Applied Demography & Survey Research
Brett Saddler	Claymont Renaissance Development Corporation
Tamarra Morris	New Castle County Economic Development
George Sharpley	Department of Labor, Office of Occupational and Labor Market Information

Others in attendance

Name	Affiliation
Bryon Short	Delaware Contractors Association
Jameson Tweedie	Department of Justice (staff)
Ian Yue	DNREC Division of Climate, Coastal, & Energy (staff)
Leslie Genova	Industrial Economics (staff)