



# Analytics

Published by the Caesar Rodney Institute

---

**RELEASE:** CRI - Center for Economic Policy and Analysis

**RE:** Beach replenishment—Get the price right

**DATE:** March 28, 2010

It has longed been recognized by economists, engineers and consumers that there is a spatial component to costs that is or should be recognized in prices. For example, all other things being equal, land values fall the closer a property is to a noisy highway or a noxious landfill. Because of line leakage, it costs more to deliver water and electricity the farther a house or a business is from the generating station. By persisting to charge average prices regardless of location, state and local government has significantly subsidized sprawl.

Now, thanks to research from George Parsons of the University of Delaware and Joelle Noailly of The Free University of Amsterdam, the state of Delaware can make one area of public pricing more efficient. Using data from Delaware's beaches, Parsons and Noailly show that homes closer to Delaware's beaches receive a greater benefit from the semi-annual beach renourishment program of the Army Corp than do homes further away, and that the size of the benefit can be captured through the selling price of the homes.

Currently, the state's share of beach widening expenses is paid for primarily through a special tax on Delaware hotel and motel visitors, even though the vast majority of these visits are outside the beach communities. Parsons and Noailly's analysis demonstrates that ocean frontage, all other things constant, increases the value of a house by 42%...and that the boost to house values declines proportionately with distance from the beach.

Parsons and Noailly also demonstrate how these value bonuses from beach proximity can be easily converted into a declining fee schedule that can be used to pay the state's portion of beach replenishment costs. Shifting the cost of replenishment away from all Delaware tourists to those property owners who benefit the most would be one small and easy step to increase the efficiency of Delaware's taxes.