

## MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Guidance Letter No. 7, Cost Sharing for Shore Protection Projects

## 1. References:

a. Revised ER 1165-2-130, Federal Participation in Shore, Hurricane, Tidal, and Lake Flood Protection.

b. New EC 1165-2-149, Cost Sharing for Shore Protection.

2. Referenced guidance is not finalized to reflect changes brought about by Section 103 of the WRDA of 1986. Several situations have occurred which prompt a need for interim guidance on evaluation and cost assignment issues pending issuance of formal guidance.

3. Shore protection projects will be formulated for hurricane and sharing will apply. Recreation benefits associated with these projects are creditable to the project for the purpose of the benefit cost analysis, but will not affect the cost sharing. Subsection 103(c)(4) cost sharing would be applicable to any additional (separable) beach needed for recreation; however, current policies related to recreation preclude budgeting Civil Works funds for the provision of such additional beach.

4. Recreation benefits produced as a consequence of the basic HSDR project may exceed 50 percent of total project benefits, but economic justification must be demonstrated on the basis of recreation benefits limited to 50 percent of total project benefits.

5. Subsection 103(d) precludes Federal participation in costs assigned to benefits to privately-owned shores where the use of such shores is limited to private interests. Accordingly, HSDR projects must contain an item of local cooperation that assures the realization of public use throughout the economic life of the project. Lack of sufficient parking facilities for the general public (including non-resident users) located reasonably nearby, - and with reasonable public access to the project, will constitute de facto restriction on public use, thereby precluding eligibility for Federal participation.

6. Subsection 103(d) assigns to non-federal interests the costs of preventing losses of private lands. This limitation against federal participation applies to undeveloped private land, even though the beach may be public. Federal participation may be recommended for the protection of developed private shores, if the use of such shore is not limited to private interests. Benefits from beach erosion control projects on developed private land should be treated as storm damage reduction benefits. Determinations of the market value for the land loss component must be based upon the value of near-shore land. Near-shore land is sufficiently removed from the shore to lose its significant increment of value because of its proximity to the shore, when compared to adjacent parcels that are more

distant from the shore. No land loss benefit will be claimed for beach areas, or for shorefront lands subject to temporary shoreline recessions.

7. Subsection IO3(d) assigns the cost of protecting Federally-owned shores to the United States. The Act does not specifically address cost sharing for protecting non-Federal public shores. Evaluation of land loss benefits at Federal shores and non-Federal public shores will reflect the special use to which the land is dedicated, and the value of the output produced by that use. Consequently, lands dedicated to non-Federal park and conservation areas will normally be valued on the basis of loss in recreation outputs, with cost sharing 50/50, and Federal participation limited by current budget policy. In cases where the use of the land cannot be accurately calculated in economic terms, the value of near-shore land may be used, determined on the basis described in paragraph 6.

8. When the cost of construction per unit of benefited shore length is not reasonably uniform for the entire project area, the project should be subdivided into elements (reaches) within which this condition is met. The first cost for HSDR measures for the project, or each of the subdivided reaches, will then be allocated to the various categories of directly benefited shore properties. The costs, so allocated, will be shared between the Federal government and the non-Federal sponsor according to its function (e.g. non-Federal parks and recreation areas, 50-50; transportation facilities, 65 percent Federal and 35 percent non-Federal; private developed shore, with criteria of public use met, minimum of 35 percent non-federal; and, private undeveloped shore, 100 percent non-Federal).

9. Questions on cost sharing policy for shore protection projects should be brought to the attention of CECW-RP.

FOR THE COMMANDER:

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Directorate of Civil Works