

1999-05-17 CA

Battery Island  
Bird Habitat  
EC 1105-2-209  
31 August 95

UNITED STATES ARMY CORPS OF ENGINEERS

SECTION 204

ECOSYSTEM RESTORATION IN CONNECTION

WITH DREDGING FOR CONSTRUCTION, OPERATION, OR MAINTENANCE

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PROJECT COOPERATION AGREEMENT

BETWEEN

THE DEPARTMENT OF THE ARMY

AND

STATE OF NORTH CAROLINA

FOR CONSTRUCTION OF THE

BATTERY ISLAND BIRD HABITAT PRESERVATION, NORTH CAROLINA

USING DREDGED MATERIAL FROM

WILMINGTON HARBOR NAVIGATION PROJECT

THIS AGREEMENT is entered into this 17<sup>th</sup> day of May, 1999,  
by and between the DEPARTMENT OF THE ARMY (hereinafter the  
"Government"), represented by the U.S. Army Engineer for the  
Wilmington District (hereinafter the "District] Engineer"), and  
State of North Carolina (hereinafter the "Non-Federal Sponsor"),  
represented by the Secretary, Department of Environment and  
Natural Resources.

WITNESSETH, THAT:

WHEREAS, Section 204 of the Water Resources Development Act  
of 1992, Public Law 102-580 (33 U.S.C. section 2326), authorizes  
projects for the protection, restoration, and creation of aquatic  
and ecologically related habitats (including wetlands) in  
connection with dredging for construction, operation, or  
maintenance by the Government of an authorized navigation  
project, which projects include this project using material  
dredged from the Wilmington Harbor Navigation Project, as defined  
in Article I.B., of this Agreement; and

WHEREAS, Section 204(c) of the Water Resources Development Act of 1992, Public Law 102-580, specifies the cost sharing requirements applicable to the Ecosystem Restoration Project; and,

WHEREAS, Section 221 of the Flood Control Act of 1970, Public Law 91-611, as amended, provides that the Secretary of the Army shall not commence construction of any water resources project or separable element thereof until each non-Federal sponsor has entered into a written agreement to furnish its required cooperation for the project or separable element; and,

WHEREAS, the Government and the Non-Federal Sponsor have the full authority and capability to perform as hereinafter set forth and intend to cooperate in cost-sharing and financing of the Ecosystem Restoration Project in accordance with the terms of this Agreement.

NOW, THEREFORE, the Government and the Non-Federal Sponsor agree as follows:

#### ARTICLE I - DEFINITIONS AND GENERAL PROVISIONS

For purposes of this Agreement:

A. The term "authorized navigation project" shall mean the Wilmington Harbor, North Carolina navigation project located on the Cape Fear River, on the southeast coast of North Carolina. Wilmington Harbor was first authorized by the River and Harbor Acts of July 3, 1930 (River and Harbor Committee Document 39/71/2) and has since been modified many times to meet changing navigation needs. The project was last modified by the Water Resources Development Act of 1996 to provide a commercial navigation channel, and related features, that is 44 feet deep across the bar from the Atlantic Ocean and 42 feet deep to Wilmington, North Carolina.

B. The term "Ecosystem Restoration Project" shall mean: protection of 10 acres of upland nesting habitat for colonial water birds from further erosion by placement of approximately 5400 linear feet of geotubes along the southern and western shorelines of Battery Island, which is located in the Cape Fear

River about ½ mile east of Southport and 24 miles south of Wilmington; and restoration of 5.5 acres of valuable colonial water bird nesting habitat by placement behind the filled geotubes of dredged material from periodic maintenance dredging of the Wilmington Harbor, North Carolina navigation project, as generally described in the "Battery Island Bird Habitat Preservation Section 204 Feasibility Study and Finding of No Significant Impact" dated October 1998 and the "Environmental Assessment and Draft Finding of No Significant Impact" dated May 1998, and approved by Commander, South Atlantic Division on January 13, 1999.

C. The term "total ecosystem restoration project costs" shall mean all costs incurred by the Non-Federal Sponsor and the Government directly related to construction of the Ecosystem Restoration Project Habitat Project in accordance with the terms of this Agreement. Subject to the provisions of this Agreement, the term shall include, but not necessarily be limited to: feasibility phase planning and engineering costs; applicable engineering and design costs; the costs of investigations to identify the existence and extent of hazardous substances in accordance with Article XV. A. of this Agreement; costs of historic preservation activities in accordance with Article XVIII; actual construction costs, including dredging and disposal costs; supervision and administration costs; costs of participation in the Ecosystem Restoration Project Coordination Team in accordance with Article V of this Agreement; costs of contract dispute settlements or awards; the value of lands, easements, rights-of-way, and relocations for which the Government affords credit in accordance with Article IV of this Agreement; and costs of audit in accordance with Article X of this Agreement. The term does not include any costs for operation, maintenance, repair, replacement, or rehabilitation; any costs due to betterments; or any costs of dispute resolution under Article VII of this Agreement.

D. The term "total base disposal plan costs" shall mean all costs of the Government or of the Non-Federal Sponsor of the authorized navigation project that would have been necessary to carry out the dredging and disposal for operation and maintenance of the authorized navigation project in the most cost effective way, consistent with economic, engineering, and environmental criteria, for the quantity of dredged material to be used for the

Ecosystem Restoration Project. Such costs shall include, but not necessarily be limited to: feasibility phase planning and engineering costs; applicable engineering and design costs; the costs of investigations to identify the existence and extent of hazardous substances necessary to carry out the dredging and disposal for operation and maintenance of the authorized navigation project; construction costs; supervision and administration costs; and the value of lands, easements, rights-of-way, and relocations necessary to carry out the dredging and disposal for operation and maintenance of the authorized navigation project. The term does not include any costs for operation, maintenance, repair, replacement, or rehabilitation, costs due to betterments, or any costs of dispute resolution necessary to carry out the dredging and disposal for operation and maintenance of the authorized navigation project.

E. The term "incremental ecosystem restoration project costs" shall mean the difference between the total ecosystem restoration project costs and the total base disposal plan costs.

F. The term "financial obligation for construction" shall mean a financial obligation of the Government other than an obligation pertaining to the provision of lands, easements, rights-of-way and relocations that results or would result in a cost that is or would be included in incremental ecosystem restoration project costs.

G. The term "non-Federal proportionate share" shall mean the ratio of the Non-Federal Sponsor's total cash contribution required in accordance with Article II.D. to total financial obligations for construction.

H. The term "period of construction" shall mean the time from the date the Government first notifies the Non-Federal Sponsor in writing, in accordance with Article VI.B. of this Agreement, of the scheduled date for the issuance of the solicitation for the first construction contract to the date that the District Engineer notifies the Non-Federal Sponsor in writing of the Government's determination that the construction of the Ecosystem Restoration Project is complete.

I. The term "highway" shall mean any public highway, roadway, street, or way, including any bridge thereof.

J. The term "relocations" shall mean providing a functionally equivalent facility to the owner of an existing utility, cemetery, highway or other public facility, or railroad when such action is authorized in accordance with applicable legal principles of just compensation. Providing a functionally equivalent facility may take the form of alteration, modification, lowering, raising, or replacement and attendant removal of the affected facility or part thereof.

K. The term "fiscal year" shall mean one fiscal year of the Government. The Government fiscal year begins on October 1 and ends on September 30.

L. The term "functional portion of the Ecosystem Restoration Project" shall mean a portion of the Ecosystem Restoration Project that is suitable for tender to the Non-Federal Sponsor to operate and maintain in advance of completion of the entire Ecosystem Restoration Project. For a portion of the Ecosystem Restoration Project to be suitable for tender, the District Engineer must notify the Non-Federal Sponsor in writing of the Government's determination that the portion of the Ecosystem Restoration Project is complete and can function independently and is performing the intended purpose, although the balance of the Ecosystem Restoration Project is not complete.

M. The term "betterment" shall mean a change in the design and construction of an element of the Ecosystem Restoration Project resulting from the application of standards that the Government determines exceed those that the Government would otherwise apply for accomplishing the design and construction of that element.

## ARTICLE II - OBLIGATIONS OF THE GOVERNMENT AND THE NON-FEDERAL SPONSOR

A. The Government, subject to receiving funds appropriated by the Congress of the United States (hereinafter, the "Congress") and using those funds and funds provided by the Non-Federal Sponsor, shall expeditiously construct the Ecosystem Restoration Project applying those procedures usually applied to Federal projects, pursuant to Federal laws, regulations, and policies.

1. The Government shall afford the Non-Federal Sponsor the opportunity to review and comment on the solicitations for all contracts, including relevant plans and specifications, prior to the Government's issuance of such solicitations. The Government shall not issue the solicitation for the first construction contract until the Non-Federal Sponsor has confirmed in writing its willingness to proceed with the Ecosystem Restoration Project. To the extent possible, the Government shall afford the Non-Federal Sponsor the opportunity to review and comment on all contract modifications, including change orders, prior to the issuance to the contractor of a Notice to Proceed. In any instance where providing the Non-Federal Sponsor with notification of a contract modification or change order is not possible prior to issuance of the Notice to Proceed, the Government shall provide such notification in writing at the earliest date possible. To the extent possible, the Government also shall afford the Non-Federal Sponsor the opportunity to review and comment on all contract claims prior to resolution thereof. The Government shall consider in good faith the comments of the Non-Federal Sponsor, but the contents issuance of solicitations, award of contracts, execution of contract modifications, issuance of change orders, resolution of contract claims, and performance of all work on the Ecosystem Restoration Habitat Project (whether the work is performed under contract or by Government personnel), shall be exclusively within the control of the Government.

2. Throughout the period of construction, the Government shall furnish the Non-Federal Sponsor with a copy of the Government's Written Notice of Acceptance of Completed Work for each contract for the Ecosystem Restoration Project.

B. The Non-Federal Sponsor may request the Government to accomplish betterments. Such requests shall be in writing and shall describe the betterments requested to be accomplished. If the Government in its sole discretion elects to accomplish the requested betterments or any portion thereof, it shall so notify the Non-Federal Sponsor in a writing that sets forth any applicable terms and conditions, which must be consistent with this Agreement. In the event of a conflict between such a writing and this Agreement, this Agreement shall control. The Non-Federal Sponsor shall be solely responsible for all costs due to the requested betterments and shall pay all such costs in accordance with Article VI.C. of this Agreement.

C. When the District Engineer determines that the entire Ecosystem Restoration Project is complete or that a portion of the Ecosystem Restoration Project has become a functional portion of the Ecosystem Restoration Project, the District Engineer shall so notify the Non-Federal Sponsor in writing and furnish the Non-Federal Sponsor with an Operation, Maintenance, Repair, Replacement, and Rehabilitation Manual (hereinafter the "OMRR&R Manual" ) and copies of all of the Government's Written Notices of Acceptance of Completed Work for all contracts for the Ecosystem Restoration Project or the functional portion of the Ecosystem Restoration Project that have not been provided previously. Upon such notification, the Non-Federal Sponsor shall operate, maintain, repair, replace, and rehabilitate the entire Ecosystem Restoration Project or the functional portion of the Ecosystem Restoration Project in accordance with Article VIII of this Agreement.

D. The Non-Federal Sponsor shall contribute 25 percent of the incremental ecosystem restoration project costs in accordance with the provisions of this paragraph.

1. In accordance with Article III of this Agreement, the Non-Federal Sponsor shall provide all lands, easements, and rights-of-way that the Government determines the Non-Federal Sponsor must provide for the construction, operation, and maintenance of the Ecosystem Restoration Project, and shall perform or ensure performance of all relocations that the Government determines to be necessary for the construction, operation and maintenance of the Ecosystem Restoration Project.

2. If the Government projects that the value of the Non-Federal Sponsors's contributions under paragraph D.1. of this Article and Articles V, X, and XV.A of this Agreement will be less than 25 percent of the incremental ecosystem restoration project costs, the Non-Federal Sponsor shall provide an additional cash contribution, in accordance with Article VI.B of this Agreement, in the amount necessary to make the Non-Federal Sponsor's total contribution equal to 25 percent of the incremental ecosystem restoration project costs.

3. If the Government determines that the value of the Non-Federal Sponsor's contributions provided under paragraphs

D.1. and D.2. of this Article and Articles V, X, and XV.A. of this Agreement has exceeded 25 percent of the incremental ecosystem restoration costs, the Government, subject to the availability of funds, shall reimburse the Non-Federal Sponsor for any such value in excess of 25 percent of the incremental ecosystem restoration project costs. After such a determination, the Government, in its sole discretion, may provide any remaining Ecosystem Restoration Project lands, easements, and rights-of-way and perform any remaining Ecosystem Restoration Project relocations on behalf of the Non-Federal Sponsor.

E. The Non-Federal Sponsor may request the Government to provide lands, easements, or rights-of-way, or perform relocations on behalf of the Non-Federal Sponsor. Such requests shall be in writing and shall describe the services requested to be performed. If in its sole discretion the Government elects to perform the requested services or any portion thereof, it shall so notify the Non-Federal Sponsor in a writing that sets forth any applicable terms and conditions, which must be consistent with this Agreement. In the event of a conflict between such a writing and this Agreement, this Agreement shall control. The Non-Federal Sponsor shall be solely responsible for all costs of the requested services and shall pay all such costs in accordance with Article VI.C. of this Agreement. Notwithstanding the provision of lands, easements, and rights-of-way or performance of relocations by the Government, the Non-Federal Sponsor shall be responsible, as between the Government and the Non-Federal Sponsor, for the costs of cleanup and response in accordance with Article XV.C. of this Agreement.

F. The Government shall perform a final accounting in accordance with Article VI.D. of this Agreement to determine the contributions provided by the Non-Federal Sponsor in accordance with paragraphs B., D., and E. of this Article and Articles V, X, and XV.A. of this Agreement and to determine whether the Non-Federal Sponsor has met its obligations under paragraphs B., D., and E. of this Article.

G. The Non-Federal Sponsor shall not use Federal funds to meet the Non-Federal Sponsor's share of incremental ecosystem restoration project costs under this Agreement unless the Federal granting agency verifies in writing that expenditure of such funds is expressly authorized by statute.

ARTICLE III - LANDS, RELOCATIONS, AND PUBLIC LAW 91-646

A. The Government, after consultation with the Non-Federal Sponsor, shall determine the lands, easements, and rights-of-way required for the construction, operation, and maintenance of the Ecosystem Restoration Project including those required for relocations and borrow materials. The Government, in a timely manner, shall provide the Non-Federal Sponsor with general written descriptions, including maps as appropriate, of the lands, easements, and rights-of-way that the Government determines the Non-Federal Sponsor must provide, in detail sufficient to enable the Non-Federal Sponsor to fulfill its obligations under this paragraph, and shall provide the Non-Federal Sponsor with a written notice to proceed with acquisition of such lands, easements, and rights-of-way. Prior to the end of the period of construction, the Non-Federal Sponsor shall acquire all lands, easements, and rights-of-way set forth in such descriptions. Furthermore, prior to the issuance of the solicitation for each construction contract, the Non-Federal Sponsor shall provide the Government with authorization for entry to all lands, easements, and rights-of-way the Government determines the Non-Federal Sponsor must provide for that contract. For so long as the Ecosystem Restoration Project remains authorized, the Non-Federal Sponsor shall ensure that Project lands, easements, and rights-of-way that the Government determines to be required for the operation and maintenance of the Ecosystem Restoration Project and that were provided by the Non-Federal Sponsor are retained in public ownership for uses compatible with the authorized purposes of the Ecosystem Restoration Project.

B. The Government, after consultation with the Non-Federal Sponsor, shall determine the relocations necessary for the construction, operation, and maintenance of the Ecosystem Restoration Project including those necessary to enable the removal of borrow materials. The Government in a timely manner shall provide the Non-Federal Sponsor with general written descriptions, including maps as appropriate, of such relocations in detail sufficient to enable the Non-Federal Sponsor to fulfill its obligations under this paragraph, and shall provide the Non-Federal Sponsor with a written notice to proceed with such

relocations. Prior to the end of the period of construction, the Non-Federal Sponsor shall perform or ensure the performance of all relocations as set forth in such descriptions. Furthermore, prior to issuance of the solicitation for each Government construction contract, the Non-Federal Sponsor shall prepare or ensure the preparation of plans and specifications for, and perform or ensure the performance of all relocations the Government determines to be necessary for that contract.

C. The Non-Federal Sponsor in a timely manner shall provide the Government with such documents as are sufficient to enable the Government to determine the value of any contribution provided pursuant to paragraphs A. and B. of this Article. Upon receipt of such documents the Government, in accordance with Article IV of this Agreement and in a timely manner, shall determine the value of such contribution, include such value in total ecosystem restoration project costs, and afford credit for such value toward the Non-Federal Sponsor's share of incremental ecosystem restoration project costs.

D. The Non-Federal Sponsor shall comply with the applicable provisions of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, Public Law 91-646, as amended by Title IV of the Surface Transportation and Uniform Relocation Assistance Act of 1987 (Public Law 100-17), and the Uniform Regulations contained in 49 CFR Part 24, in acquiring lands, easements, and rights-of-way required for the construction and subsequent operation and maintenance of the Ecosystem Restoration Habitat Project, including those necessary for relocations and borrow materials, and, to the extent required by that Act, and those Regulation, shall inform all affected persons of applicable benefits, policies and procedures in connection with that Act.

#### ARTICLE IV - CREDIT FOR VALUE OF LANDS AND RELOCATIONS

A. The Non-Federal Sponsor shall receive credit toward its share of incremental ecosystem restoration project costs for the value of the lands, easements, rights-of-way, that the Non-Federal Sponsor must provide pursuant to Article III of this Agreement, and for the value of relocations that the Non-Federal Sponsor must perform or for which it must ensure performance pursuant to Article III of this Agreement. However, the Non-

Federal Sponsor shall not receive credit for the value of any lands, easements, and rights-of-way, relocations, or borrow and dredged or excavated material disposal areas, that have been provided previously as an item of cooperation for another Federal project. The Non-Federal Sponsor also shall not receive credit for the value of lands, easements, rights-of-way, relocations, or borrow areas to the extent such items are provided using Federal funds unless the Federal granting agency verifies in writing that such credit is expressly authorized by statute.

B. For the sole purpose of affording credit in accordance with this Agreement, the value of lands, easements, and rights-of-way, including those necessary for relocations and borrow materials, shall be the fair market value of the real property interests, plus certain incidental costs of acquiring those interests, as determined in accordance with the provisions of this paragraph.

1. Date of Valuation. The fair market value of lands, easements, or rights-of-way owned by the Non-Federal Sponsor on the effective date of this Agreement shall be the fair market value of such real property interests as of the date the Non-Federal Sponsor provides the Government with authorization for entry thereto. The fair market value of lands, easements, or rights-of-way acquired by the Non-Federal Sponsor after the effective date of this Agreement shall be the fair market value of such real property interests at the time the interests are acquired.

2. General Valuation Procedure. Except as provided in paragraph B.3. of this Article, the fair market value of lands, easements, or rights-of-way shall be determined in accordance with paragraph B.2.a. of this Article, unless thereafter a different amount is determined to represent fair market value in accordance with paragraph B.2.b. of this Article.

a. The Non-Federal Sponsor shall obtain, for each real property interest, an appraisal that is prepared by a qualified appraiser who is acceptable to the Non-Federal Sponsor and the Government. The appraisal must be prepared in accordance with the applicable rules of just compensation, as specified by the Government. The fair market value shall be the amount set forth in the Non-Federal Sponsor's appraisal, if such appraisal is

approved by the Government. In the event the Government does not approve the Non-Federal Sponsor's appraisal, the Non-Federal Sponsor may obtain a second appraisal, and the fair market value shall be the amount set forth in the Non-Federal Sponsor's second appraisal, if such appraisal is approved by the Government. In the event the Government does not approve the Non-Federal Sponsor's second appraisal, or the Non-Federal Sponsor chooses not to obtain a second appraisal, the Government shall obtain an appraisal, and the fair market value shall be the amount set forth in the Government's appraisal, if such appraisal is approved by the Non-Federal Sponsor. In the event the Non-Federal Sponsor does not approve the Government's appraisal, the Government, after consultation with the Non-Federal Sponsor, shall consider the Government's and the Non-Federal Sponsor's appraisals and determine an amount thereon, which shall be deemed to be the fair market value.

b. Where the amount paid or proposed to be paid by the Non-Federal Sponsor for the real property interest exceeds the amount determined pursuant to paragraph B.2.a. of this Article, the Government, at the request of the Non-Federal Sponsor, shall consider all factors relevant to determining fair market value and, in its sole discretion, after consultation with the Non-Federal Sponsor, may approve in writing an amount greater than the amount determined pursuant to paragraph B.2.a. of this Article, but not to exceed the amount actually paid or proposed to be paid. If the Government approves such an amount, the fair market value shall be the lesser of the approved amount or the amount paid by the Non-Federal Sponsor, but no less than the amount determined pursuant to paragraph B.2.a. of this Article.

3. Eminent Domain Valuation Procedure. For lands, easements, or rights-of-way acquired by eminent domain proceedings instituted after the effective date of this Agreement, the Non-Federal Sponsor shall, prior to instituting such proceedings, submit to the Government notification in writing of its intent to institute such proceeding and an appraisal of the specific real property interests to be acquired in such proceedings. The Government shall have 60 days after receipt of such a notice and appraisal within which to review the appraisal, if not previously approved by the Government in writing.

a. If the Government already has approved the appraisal in writing, or if the Government provides written approval of, or takes no action on, the appraisal within such 60-day period, the appraisal shall be considered approved and the Non-Federal Sponsor shall use the amount set forth in such appraisal as the estimate of just compensation for the purpose of instituting the eminent domain proceeding.

b. If the Government provides written disapproval of the appraisal, including the reasons for disapproval, within such 60-day period, the Government and the Non-Federal Sponsor shall consult in good faith to promptly resolve the issues or areas of disagreement that are identified in the Government's written disapproval. If, after such good faith consultation, the Government and the Non-Federal Sponsor agree as to an appropriate amount, then the Non-Federal Sponsor shall use that amount as the estimate of just compensation for the purpose of instituting the eminent domain proceeding. If, after such good faith consultation, the Government and the Non-Federal Sponsor cannot agree as to an appropriate amount, then the Non-Federal Sponsor may use the amount set forth in its appraisal as the estimate of just compensation for the purpose of instituting the eminent domain proceeding.

c. For lands, easements, or rights-of-way acquired by eminent domain proceedings instituted in accordance with paragraph B.3 of this Article, fair market value shall be either the amount of the court award for the real property interests taken, to the extent the Government determined such interests are required for the construction, operation, and maintenance of the Ecosystem Restoration Project, or the amount of any stipulated settlement or portion thereof that the Government approves in writing.

4. Incidental Costs. For lands, easements, or rights-of-way acquired by the Non-Federal Sponsor within a five-year period preceding the effective date of this Agreement, or at any time after the effective date of this Agreement, the value of the interest shall include the documented incidental costs of acquiring the interest, as determined by the Government subject to an audit in accordance with Article X.C. of this Agreement to determine reasonableness, allocability, and allowability of costs. Such incidental costs shall include, but are not

necessarily limited to, closing and title costs, appraisal costs, survey costs, attorney's fees, plat maps, and mapping costs, as well as the actual amounts expended for payment of any Public Law 91-646 relocation assistance benefits provided in accordance with Article III.D. of this Agreement.

C. After consultation with the Non-Federal Sponsor, the Government shall determine the value of relocations in accordance with the provisions of this paragraph.

1. For a relocation other than a highway, the value shall be only that portion of relocation costs that the Government determines is necessary to provide a functionally equivalent facility, reduced by depreciation as applicable, and by the salvage value of any removed items.

2. For a relocation of a highway, the value shall be only that portion of relocation costs that would be necessary to accomplish the relocation in accordance with the design standard that the State of North Carolina would apply under similar conditions of geography and traffic load, reduced by the salvage value of any removed items.

3. Relocation costs shall include, but not necessarily be limited to, planning, engineering and design costs; actual costs of performing the relocation; supervision and administration costs; and documented incidental costs associated with performance of the relocation, but shall not include any costs due to betterments, as determined by the Government, nor any additional cost of using new material when suitable used material is available. Relocation costs shall be subject to an audit in accordance with Article X.C. of this Agreement to determine reasonableness, allocability, and the allowability of costs.

#### ARTICLE V - ECOSYSTEM RESTORATION PROJECT COORDINATION TEAM

A. To provide for consistent and effective communication, the Non-Federal Sponsor and the Government, not later than 30 days after the effective date of this Agreement, shall appoint named senior representatives to an Ecosystem Restoration Project Coordination Team. Thereafter, the Ecosystem Restoration Project Coordination Team shall meet regularly until the end of the

period of construction. The Government's senior representative and a counterpart named by the Non-Federal Sponsor shall co-chair the Ecosystem Restoration Project Coordination Team.

B. The Government's senior representative and the Non-Federal Sponsor's counterpart shall keep the Ecosystem Restoration Project Coordination Team informed of the progress of construction and of significant pending issues and actions, and shall seek the views of the Ecosystem Restoration Project Coordination Team on matters that the Ecosystem Restoration Project Coordination Team generally oversees.

C. Until the end of the period of construction, the Ecosystem Restoration Project Coordination Team shall generally oversee construction of the Ecosystem Restoration Project including matters related to design; plans and specifications; scheduling; real property and relocation requirements; contract awards and modifications; real property acquisition; contract costs; the Government's cost projections; and final inspections of the entire Ecosystem Restoration Project or functional part of the Ecosystem Restoration Project; preparation of the proposed OMRR&R manual; anticipated requirements and needed capabilities for performance of operation, maintenance, repair, replacement, and rehabilitation of the Ecosystem Restoration Project; and other related matters.

D. The Ecosystem Restoration Project Coordination Team may make recommendations that it deems are warranted to the District Engineer on matters that the Ecosystem Restoration Project Coordination Team generally oversees, including suggestions to avoid potential sources of dispute. The Government in good faith shall consider the recommendations of the Ecosystem Restoration Project Coordination Team. The Government, having the legal authority and responsibility for construction of the Ecosystem Restoration Project, has the discretion to accept, reject, or modify the Ecosystem Restoration Project Coordination Team's recommendations.

E. The costs of participation in the Ecosystem Restoration Project Coordination Team shall be included in the total ecosystem restoration project costs and cost shared in accordance with the provisions of this Agreement.

ARTICLE VI - METHOD OF PAYMENT

A. The Government shall maintain current records of contributions provided by the parties and current projections of incremental ecosystem restoration project costs and costs due to betterments. At least quarterly, the Government shall provide the Non-Federal Sponsor with a report setting forth all contributions provided to date and the current projections of incremental ecosystem restoration project costs, of total costs due to betterments, of the components of incremental ecosystem restoration project costs, of each party's share of incremental ecosystem restoration project costs, and of the Non-Federal Sponsor's total cash contributions required in accordance with Articles II.B., II.D., and II.E. of this Agreement and of the Non-Federal proportionate share. On the effective date of this Agreement, incremental ecosystem restoration project costs are projected to be \$ 1,272,000, and the Non-Federal Sponsor's cash contribution under Article II.D. of this Agreement is projected to be \$ 311,000. Such amounts are estimates subject to adjustments by the Government and are not to be construed as the total financial responsibilities of the Government and the Non-Federal Sponsor.

B. The Non-Federal Sponsor shall provide the cash contribution required under Article II.D. of this Agreement in accordance with the following provisions: Not less than 30 calendar days prior to the scheduled date for issuance of the solicitation for the first construction contract, the Government shall notify the Non-Federal Sponsor in writing of such scheduled date and the funds the Government determines to be required from the Non-Federal Sponsor to meet its projected cash contribution under Articles II.D.2 of this Agreement. Not later than that scheduled date, the Non-Federal Sponsor shall provide the Government with the full amount of the required funds by delivering a check payable to "FAO, USAED, Wilmington" to the District Engineer. The Government shall draw from the funds provided by the Non-Federal Sponsor such sums as the Government deems necessary to cover: (a) the Non-Federal proportionate share of financial obligations for construction incurred prior to the commencement of the period of construction; and (b) the non-Federal proportionate share of financial obligations for construction as they are incurred during the period of

construction. In the event the Government determines that the Non-Federal Sponsor must provide additional funds to meet the Non-Federal Sponsor's cash contribution, the Government shall notify the Non-Federal Sponsor in writing of the additional funds required. Within 60 calendar days thereafter, the Non-Federal Sponsor shall provide the Government with a check for the full amount of the additional required funds.

C. In advance of the Government incurring any financial obligation associated with additional work under Article II.B. or II.E. of this Agreement, the Non-Federal Sponsor shall provide the Government with the full amount of the funds required to pay for such additional work by delivering a check payable to "FAO, USAED Wilmington" to the District Engineer. The Government shall draw from the funds provided by the Non-Federal Sponsor such sums as the Government deems necessary to cover the Government's financial obligations for such additional work as they are incurred. In the event the Government determines that the Non-Federal Sponsor must provide additional funds to meet its cash contribution, the Government in writing shall notify the Non-Federal Sponsor of the additional funds required. Within 30 calendar days thereafter, the Non-Federal Sponsor shall provide the Government with a check for the full amount of the additional required funds.

D. Upon completion of the Ecosystem Restoration Project or termination of this Agreement and upon resolution of all relevant claims and appeals, the Government shall conduct a final accounting and furnish the Non-Federal Sponsor with the results of the final accounting. The final accounting shall determine incremental ecosystem restoration project costs, each party's contribution provided thereto, and each party's required share thereof. The final accounting also shall determine costs due to betterments and the Non-Federal Sponsor's cash contribution provided pursuant to Article II.B. of this Agreement.

1. In the event the final accounting shows that the total contribution provided by the Non-Federal Sponsor is less than the Non-Federal Sponsor's required share of incremental ecosystem restoration project costs plus costs due to any betterments provided in accordance with Article II.B. of this Agreement, the Non-Federal Sponsor shall, no later than 90 calendar days after receipt of written notice, make a cash payment to the Government

of whatever sum is required to meet the Non-Federal Sponsor's required share of incremental ecosystem restoration project costs plus costs due to any betterments provided in accordance with Article II.B. of this Agreement.

2. In the event the final accounting shows that the total contribution provided by the Non-Federal Sponsor exceeds its required share of incremental ecosystem restoration project costs plus costs due to any betterments provided in accordance with Article II.B. of this Agreement, the Government shall, subject to the availability of funds, refund the excess to the Non-Federal Sponsor no later than 90 calendar days after the final accounting is complete. In the event existing funds are not available to refund the excess to the Non-Federal Sponsor, the Government shall seek such appropriations as are necessary to make the refund.

#### ARTICLE VII - DISPUTE RESOLUTION

As a condition precedent to a party bringing any suit for breach of this Agreement, that party must first notify the other party in writing of the nature of the purported breach and seek in good faith to resolve the dispute through negotiation. If the parties cannot resolve the dispute through negotiation, they may agree to a mutually acceptable method of non-binding alternative dispute resolution with a qualified third party acceptable to both parties. The parties shall each pay 50 percent of any costs for the services provided by such a third party as such costs are incurred. The existence of a dispute shall not excuse the parties from performance pursuant to this Agreement.

#### ARTICLE VIII - OPERATION, MAINTENANCE, REPAIR, REPLACEMENT, AND REHABILITATION (OMRR&R)

A. Upon notification in accordance with Article II.C. of this Agreement and for so long as the Ecosystem Restoration Habitat remains authorized, the Non-Federal Sponsor shall operate, maintain, repair, replace, and rehabilitate the completed Ecosystem Restoration Project, or the functional portion of the Ecosystem Restoration Project, at no cost to the Government, in a manner compatible with the Ecosystem Restoration Habitat Project's purposes and in accordance with applicable

Federal and State laws as provided in Article XI of this Agreement and specific directions prescribed by the Government in the OMRR&R Manual and any subsequent amendments thereto.

B. The Non-Federal Sponsor hereby gives the Government a right to enter, at reasonable times and in a reasonable manner, upon property that the Non-Federal Sponsor owns or controls for access to the Ecosystem Restoration Project for the purpose of inspection, and, if necessary, for the purpose of completing, operating, maintaining, repairing, replacing, or rehabilitating the Ecosystem Restoration Project. If an inspection shows that the Non-Federal Sponsor for any reason is failing to perform its obligations under this Agreement, the Government shall send a written notice describing the non-performance to the Non-Federal Sponsor. If after 30 calendar days from receipt of notice, the Non-Federal Sponsor continues to fail to perform, then the Government shall have the right to enter, at reasonable times and in a reasonable manner, upon property that the Non-Federal Sponsor owns or controls for access to the Ecosystem Restoration Project for the purpose of completing, operating, maintaining, repairing, replacing, or rehabilitating the Ecosystem Restoration Project. No completion, operation, maintenance, repair, replacement, or rehabilitation by the Government shall operate to relieve the Non-Federal Sponsor of responsibility to meet the Non-Federal Sponsor's obligations as set forth in this Agreement, or to preclude the Government from pursuing any other remedy at law or equity to ensure faithful performance pursuant to this Agreement.

#### ARTICLE IX - INDEMNIFICATION

The Non-Federal Sponsor shall hold and save the Government free from all damages arising from the construction, operation, maintenance, repair, replacement and rehabilitation of the Ecosystem Restoration Project and any Ecosystem Restoration Project-related betterments, except for damages due to the fault or negligence of the Government or its contractors.

#### ARTICLE X - MAINTENANCE OF RECORDS AND AUDIT

A. Not later than 60 calendar days after the effective date

of this Agreement, the Government and the Non-Federal Sponsor shall develop procedures for keeping books, records, documents, and other evidence pertaining to costs and expenses incurred pursuant to this Agreement. These procedures shall incorporate, and apply as appropriate, the standards for financial management systems set forth in the Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments at 32 C.F.R. Section 33.20. The Government and the Non-Federal Sponsor shall maintain such books, records, documents, and other evidence in accordance with these procedures and for a minimum of three years after the period of construction and resolution of all relevant claims arising therefrom. To the extent permitted under applicable Federal laws and regulations, the Government and the Non-Federal Sponsor shall each allow the other to inspect such books, documents, records, and other evidence.

B. Pursuant to 32 C.F.R. Section 33.26, the Non-Federal Sponsor is responsible for complying with the Single Audit Act of 1984, 31 U.S.C. Sections 7501-7507, as implemented by Office of Management and Budget (OMB) Circular No. A-133 and Department of Defense Directive 7600.10. Upon request of the Non-Federal Sponsor and to the extent permitted under applicable Federal laws and regulations, the Government shall provide to the Non-Federal Sponsor and independent auditors any information necessary to enable an audit of the Non-Federal Sponsor's activities under this Agreement. The costs of any non-Federal audits performed in accordance with this paragraph shall be allocated in accordance with the provisions of OMB Circulars A-87 and A-133, and such costs as are allocated to the Ecosystem Restoration Project shall be included in total ecosystem restoration project costs and cost shared in accordance with the provisions of this Agreement.

C. In accordance with 31 U.S.C. section 7503, the Government may conduct audits in addition to any audit that the Non-Federal Sponsor is required to conduct under the Single Audit Act. Any such Government audits shall be conducted in accordance with Government Auditing Standards and the cost principles in OMB Circular No. A-87 and other applicable cost principles and regulations. The costs of Government audits performed in accordance with this paragraph shall be included in total ecosystem restoration project costs and cost shared in accordance with the provisions of this Agreement.

ARTICLE XI - FEDERAL AND STATE LAWS

In the exercise of their respective rights and obligations under this Agreement, the Non-Federal Sponsor and the Government agree to comply with all applicable Federal and State laws and regulations, including, but not limited to, Section 601 of the Civil Rights Act of 1964, Public Law 88-352, as amended, and Department of Defense Directive 5500.11 issued pursuant thereto, as well as Army Regulation 600-7, entitled "Nondiscrimination on the Basis of Handicap in Programs and Activities Assisted or Conducted by the Department of the Army".

ARTICLE XII - RELATIONSHIP OF PARTIES

A. In the exercise of their respective rights and obligations under this Agreement, the Government and the Non-Federal Sponsor each act in an independent capacity, and neither party is to be considered the officer, agent, or employee of the other.

B. In the exercise of its rights and obligations under this Agreement, neither party shall provide, without the consent of the other party, any contractor with a release that waives or purports to waive any rights such other party may have to seek relief or redress against such contractor either pursuant to any cause of action that such other party may have or for violation of any law.

ARTICLE XIII - OFFICIALS NOT TO BENEFIT

No member of or delegate to the Congress, or any resident commissioner, shall be admitted to any share or part of this Agreement, or to any benefit that may arise therefrom.

ARTICLE XIV - TERMINATION OR SUSPENSION

A. If at any time the Non-Federal Sponsor fails to fulfil its obligations under Article II.B., II.D., II.E., or VI of this Agreement, the Assistant Secretary of the Army (Civil Works)

shall terminate this Agreement or suspend future performance under this Agreement unless he determines that continuation of work on the Ecosystem Restoration Project is in the interest of the United States or is necessary in order to satisfy agreements with any other non-Federal interests in connection with the Ecosystem Restoration Project.

B. If the Government fails to receive annual appropriations in amounts sufficient to meet Ecosystem Restoration Project expenditures for the then-current or upcoming fiscal year, the Government shall so notify the Non-Federal Sponsor in writing and 60 calendar days thereafter either party may elect without penalty to terminate this Agreement or to suspend future performance under this Agreement. In the event that either party elects to defer future performance under this Agreement pursuant to this paragraph, such suspension shall remain in effect until such time as the Government receives sufficient appropriations or until either the Government or the Non-Federal Sponsor elects to terminate this Agreement.

C. In the event that either party elects to terminate this Agreement pursuant to this Article or Article XV of this Agreement, both parties shall conclude their activities relating to the Ecosystem Restoration Project and proceed to a final accounting in accordance with Article VI.D. of this Agreement.

D. Any termination of this Agreement or suspension of future performance under this Agreement in accordance with this Article or Article XV of this Agreement shall not relieve the parties of liability for any obligation previously incurred. Any delinquent payment shall be charged interest at a rate, to be determined by the Secretary of the Treasury, equal to 150 per centum of the average bond equivalent rate of the 13-week Treasury bills auctioned immediately prior to the date on which such payment became delinquent, or auctioned immediately prior to the beginning of each additional 3-month period if the period of delinquency exceeds 3 months.

ARTICLE XV - HAZARDOUS SUBSTANCES

A. After execution of this Agreement and upon direction by the District Engineer, the Non-Federal Sponsor shall perform, or cause to be performed, any investigations for hazardous substances that the Government or the Non-Federal Sponsor determines to be necessary to identify the existence and extent of any hazardous substances regulated under the Comprehensive Environmental Response, Compensation and Liability Act (hereinafter "CERCLA"), 42 USC Sections 9601-9675, that may exist in, on, or under lands, easements and rights-of-way that the Government determines pursuant to Article III of this Agreement to be required necessary for the construction, operation, and maintenance of the Ecosystem Restoration Project. However, for lands that the Government determines to be subject to the navigation servitude, only the Government shall perform such investigations unless the District Engineer provides the Non-Federal Sponsor with prior specific written direction, in which case the Non-Federal Sponsor shall perform such investigations in accordance with such written direction. All actual costs incurred by the Non-Federal Sponsor for such investigations for hazardous substances shall be included in total ecosystem restoration Habitat project costs and cost shared in accordance with the provisions of this Agreement, subject to an audit in accordance with Article X.C. of this Agreement to determine reasonableness, allocability, and allowability of costs.

B. In the event it is discovered through any investigation for hazardous substances or other means that hazardous substances regulated under CERCLA exist in, on, or under any lands, easements, or rights-of-way that the Government determines pursuant to Article III of this Agreement to be required necessary for the construction, operation, and maintenance of the Ecosystem Restoration Project, the Non-Federal Sponsor and the Government shall provide prompt written notice to each other, and the Non-Federal Sponsor shall not proceed with the acquisition of the real property interests until both parties agree that the Non-Federal Sponsor should proceed.

C. The Government and the Non-Federal Sponsor shall determine whether to initiate construction of the Ecosystem Restoration Project, or, if already in construction, whether to continue with work on the Ecosystem Restoration Project, suspend

future performance under this Agreement, or terminate this Agreement, which shall be considered to be for the convenience of the Government in any case where hazardous substances regulated under CERCLA are found to exist in, on, or under any lands, easements, or rights-of-way, that the Government determines, pursuant to Article III of this Agreement to be required for the construction, operation, and maintenance of the Ecosystem Restoration Project. Should the Government and the Non-Federal Sponsor determine to initiate or continue with construction after considering any liability that may arise under CERCLA, the Non-Federal Sponsor shall be responsible, as between the Government and the Non-Federal Sponsor, for the costs of clean-up and response, to include the costs of any studies and investigations necessary to determine an appropriate response to the contamination. Such costs shall not be considered a part of total habitat project costs. In the event the Non-Federal Sponsor fails to provide any funds necessary to pay for clean up and response costs or to otherwise discharge the Non-Federal Sponsor's responsibilities under this paragraph upon direction by the Government, the Government may, in its sole discretion, either terminate this Agreement for the convenience of the Government, suspend future performance under this Agreement, or continue work on the Ecosystem Restoration Project.

D. The Non-Federal Sponsor and the Government shall consult with each other in accordance with Article V of this Agreement in an effort to ensure that responsible parties bear any necessary cleanup and response costs as defined in CERCLA. Any decision made pursuant to paragraph C. of this Article shall not relieve any third party from any liability that may arise under CERCLA.

E. As between the Government and the Non-Federal Sponsor, the Non-Federal Sponsor shall be considered the operator of the Ecosystem Restoration Project for purposes of CERCLA liability. To the maximum extent practicable, the Non-Federal Sponsor shall operate, maintain, repair, replace, and rehabilitate the Ecosystem Restoration Project in a manner that will not cause liability to arise under the CERCLA.

ARTICLE XVI - NOTICES

A. Any notice, request, demand, and other communication required or permitted to be given under this Agreement shall be deemed to have been duly given if in writing and either delivered personally or by telegram or mailed by first-class, registered, or certified mail, as follows:

If to the Non-Federal Sponsor:

Director, Division of Water Resources  
North Carolina Department of Environment  
and Natural Resources  
Post Office Box 27687  
Raleigh, North Carolina 27611-7687

If to the Government:

District Engineer  
U.S. Army Engineer District, Wilmington  
Post Office Box 1890  
Wilmington, North Carolina 28402-1890

B. A party may change the address to which such communications are to be directed by giving written notice to the other party in the manner provided in this Article.

C. Any notice, request, demand, or other communication made pursuant to this Article shall be deemed to have been received by the addressee at the earlier of such time as it is actually received or seven calendar days after it is mailed.

ARTICLE XVII - CONFIDENTIALITY

To the extent permitted by the laws governing each party, the parties agree to maintain the confidentiality of exchanged information when requested to do so by the providing party.

ARTICLE XVIII - HISTORIC PRESERVATION

A. The costs of identification, survey and evaluation of historic properties shall be included in total ecosystem restoration project costs and cost shared in accordance with the provisions of this Agreement.

B. As specified in Section 7(a) of Public Law 93-291 (16 U.S.C. Section 469c(a)), the costs of mitigation and data recovery activities associated with historic preservation shall be borne entirely by the Government and shall not be included in the total ecosystem restoration project costs, up to the statutory limit of one percent of the total amount the Government authorized to expend for the Ecosystem Restoration Project.

C. The Government shall not incur costs for mitigation and data recovery that exceed the statutory one percent limit specified in paragraph B. of this Article unless and until the Assistant Secretary of the Army (Civil Works) has waived that limit in accordance with Section 208(3) of Public Law 96-515 (16 U.S.C. Section 469c-2(3)). Any costs of mitigation and data recovery that exceed the one percent limit shall be included in total ecosystem restoration project costs and cost shared in accordance with the provisions of this Agreement.


ARTICLE XIX - OBLIGATION OF FUTURE APPROPRIATIONS

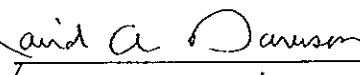
Nothing herein shall constitute, nor be deemed to constitute, an obligation of future appropriations by the legislature of the State of North Carolina.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, as of the day and year first above written.

THE DEPARTMENT OF THE ARMY

THE STATE OF NORTH CAROLINA

BY:   
Terry R. Youngbluth  
Colonel, Corps of Engineers  
District Engineer

BY:  **DIRECTOR**  
Wayne McDevitt  
Secretary, DENR  
State of North Carolina  
**DIV. OF PURCHASE AND SERVICE**

DATE: 17 May 1999

DATE: 5-11-99

CERTIFICATE OF AUTHORITY

I, Daniel C. Oakley do hereby certify that I am a Senior Deputy Attorney General for the State of North Carolina, that the State of North Carolina is a legally constituted public body with full authority and legal capability to perform the terms of the Agreement between the Department of the Army and the State of North Carolina in connection with Battery Island Bird Habitat Preservation, North Carolina, and to pay damages in accordance with the terms of the Agreement, if necessary, in the event of the failure to perform, consistent with Section 221 of Public Law 91-611 (42 U.S.C. Section 1962d-5b), and that the persons who have executed this Agreement on behalf of the State of North Carolina have acted within their statutory authority.

IN WITNESS WHEREOF, I have made and executed this certification this  
13<sup>th</sup> day of May 1999.

Daniel C. Oakley  
Daniel C. Oakley  
Senior Deputy Attorney General  
State of North Carolina

CERTIFICATION REGARDING LOBBYING

The undersigned certifies, to the best of his or her knowledge and belief that:

(1) No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

(2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

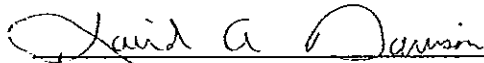
(3) The undersigned shall require that the language of this certification be included in the award documents of all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the

EC 1105-2-209  
31 August 95

required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

DIRECTOR  
DIV. OF PURCHASE AND SERVICES




for Wayne McDevitt  
Secretary DENR  
State Of North Carolina

DATE: 5-11-99

CERTIFICATION OF LEGAL REVIEW

The Section 204 Project Cooperation Agreement for Battery Island Bird Habitat Preservation, North Carolina has been fully reviewed by the Office of Counsel, USAED, Wilmington, and is legally sufficient.



*for*  
James W. Stirling  
District Counsel