

SC, Inc.
P.O Box 16722
Chapel Hill, N.C 27514
919 401-3554

April 20, 2004

Mr. C. Horton
Town of Chapel Hill Manager
306 N. Columbia Street
Chapel Hill, N.C 27516

Reference:

- 1) Sunrise Coalition Letter Dated February 23, 2004 – Habitat for Humanity Sunrise Road Development Funding Request
- 2) Habitat For Humanity Funding Request Dated April 5, 2004 – Habitat For Humanity of Orange County (HHOC)Funding Petition \$ 60,000 Chapel Hill Land Trust

Subject: Habitat for Humanity Sunrise Road Pre-Development Funding Request

Dear Mr. Horton:

On February 26, 2004 HHOC of Orange County submitted an application for HOME and CDBG funds in the amount of \$ 200,000. The review committee recommended not funding this project because the request was for pre-development costs, which do not comply with the Federal Guidelines for these funds. Our assumption is that pre-development costs are not covered because of the "risk" that the Federal Government might not be able to recapture these costs if anything happens to the project.

On April 5, 2004 HHOC submitted a petition to the Town of Chapel Hill, requesting \$60,000 for pre-development costs. The petition requests money for HHOC to conduct a traffic study, environmental assessment, noise study, soil testing, surveying and engineering. Typically, these kinds of costs are incurred for activities conducted during the "option" and feasibility period of a contract, not after the investment is made. The studies are generally conducted to assure that the "land purchase" is capable of supporting a particular design. In the case of Sunrise Road no design has been submitted to the Town of Chapel Hill nor have the neighbors been actively enough involved in the design process to reach agreement on what the design might be. As a result, we feel that the expenditures requested by HHOC should be incurred by the developer of the property

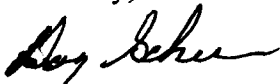
-- in this case HHOC, not by the public. The pre-development costs requested by HHOC are not a "value added" to the property. Approving HHOC's request would leave the Town of Chapel Hill "at risk" of recapturing any of the funds in the event the project is not viable.

The Sunrise Coalition has already requested that Chapel Hill hold off on any funding decisions until after a plan for the site is approved. We believe that 1) any request for funding without an approved concept plan, formal application, final plan application, approved site plan/permits is premature, and 2) public funding should not be provided prior to the approved site plan given the fact that the Town of Chapel Hill and Orange County are the regulatory authorities that in fact will be approving the site/development plans. This could be viewed as a conflict of interest. We believe the approval of the requested pre-development funds for this project by the Town of Chapel Hill presents a more serious issue than the use of Federal Funds because the Town of Chapel Hill would be directly participating in the project.

In closing, we request that as you evaluate HHOC's request, you take into consideration our February 23 letter, in which we requested that no "public funds" be approved for the Sunrise Road project until there is an approved plan for it.

If you have any questions please give me a call at 401-3554. Thank you.

Sincerely,



Doug Schworer
President of the Board
Sunrise Coalition

CC: Mayor Foy
Loryn Barnes
Chapel Hill Town Council
Brough Law Firm – Mike Brough
Chapel Hill Town Clerk