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**JAMES A. HEAVNER**  
PRESIDENT

September 09, 2004

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

Dear Cal,

Pursuant to our discussions on the matter of the future of The Campus on VilCom Circle, this is my request to the Town for another five-year period within which to complete the building permitted in our Special Use Permit Modification.

It stipulates that construction of all three buildings be completed by November 8, 2004. Although we understand that the Town Manager is authorized to grant a one-year extension, it will not be sufficient to permit prudent development of The Campus. We currently have no scenarios that would complete the project by November 8, 2005.

Most of the reasons for this are obvious. While Chapel Hill's business climate is healthy, this project was approved at the same time as the development of largest supply of new Class A office space in our history. Meadowmont and The Exchange alone dwarfed our project in size.

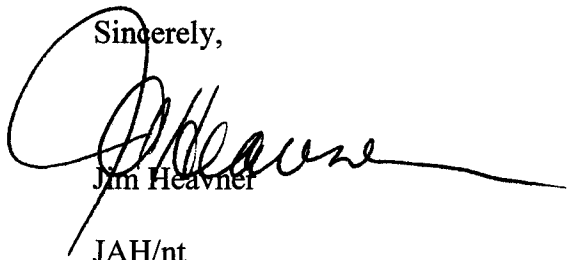
We have built one of the three permitted buildings (Boyd Hall) and we are happy to have substantially filled it. However, there are still about 8,000 square feet vacant in Boyd Hall and about 4,000 feet in McClamroch Hall, the older building on The Campus. My understanding is that there are still about 20,000 square feet of vacant office space in other class A locations, such as The Exchange, Europa Center and Meadowmont.

In time, the market demand will catch up with the supply. Generally, there is no activity directed toward recruiting large, single users to come to Chapel Hill, so the demand is likely to be incremental. Thus, it may very well take most of the five-year period to absorb what is now permitted at The Campus on VilCom Circle.

We were happy to have a project that was approved by a 9-0 vote previously and ask for no change in the permit. We believe that it is a credit to the community and that the community will have a continuing need for quality office space that The Campus can supply. There would be significant cost and risk in applying for and undertaking a new project, so we think it just makes sense to stay the course and wait out the market.

I will appreciate your timely consideration of this request and will be happy to provide more information or to appear before the council to answer any questions that may arise. Thank you.

Sincerely,



Jim Heavner

JAH/nt