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OFFICE OF THE TOWN ATTORNEY

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December 9, 2004

Mr. Chuck Kitchen
Durham County Attorney
Post Office Box 3508
Durham, North Carolina 27701

**Re: University of North Carolina Faculty
Staff Recreation Association, Inc.**

Dear Mr. Kitchen:

The Town of Chapel Hill is in the process of considering a special use permit application for modification of the facilities of the University of North Carolina Faculty Staff Recreation Association, Inc. (the "Association"). The Association is a non-profit corporation organized under Chapter 55A of the General Statutes of North Carolina. Its facilities are located on land owned by the State of North Carolina in Durham County. Effective June 30, 2000, this property was annexed by the Town of Chapel Hill.

During the course of reviewing the special use permit application materials submitted by the Association, information came to the Town's attention regarding the lease for this property between the Association and the State of North Carolina. The original lease, for a 99 year term, was entered into in 1976. The lease was subsequently modified in 1978 and again in 1986. The lease, as well as the two amendments, are recorded in the Durham County Register of Deeds Office. The lease and the second amendment to the lease contain language regarding the issue of payment of ad valorem property taxes. Our review of the background on this property indicates that neither the land nor the improvements are presently being assessed ad valorem property taxes.

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Durham County and the Town of Chapel Hill have an Interlocal Cooperation Agreement for the Collection of Taxes. Under that agreement, the County serves as the tax collector for the Town for those parts of Chapel Hill which are in Durham County. I am writing to request that the County review this specific case and take whatever steps are appropriate under applicable law to collect whatever taxes may be legally owed on this property and any improvements thereon.

Sincerely,

Ralph D. Karpinos
Town Attorney

RDK/tcp

cc: Mayor and Town Council
W. Calvin Horton, Town Manager