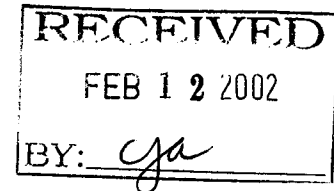




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F E D E R A L R E A L T Y I N V E S T M E N T T R U S T

February 6, 2002



Mr. Cal Horton
 Town Manager
 Town of Chapel Hill
 306 N. Columbia Street
 Chapel Hill, NC 27516-2124

Re: Eastgate Shopping Center

Dear Mr. Horton:

As we have discussed, it is my understanding that you will be submitting to Town Council for approval your recommendation that Chapel Hill contribute \$50,000 toward Phase I of the stormwater improvement program at Eastgate Shopping Center. Phase I includes repairing and improving the Franklin Street junction box and the 48" stormwater pipe adjacent to the Staples property that conveys stormwater run-off from the 60-acre water shed upstream of Eastgate through the shopping center and into Booker Creek. Additionally, during the Phase I construction we will be correcting the Staples stormwater pipe that drains improperly onto the shopping center, and rerouting the stormwater drainage ditch through the proposed Linear Park at the Town's request. The total cost of Phase I is approximately \$335,000, \$285,000 for construction and \$50,000 for engineering and design services.

Last February, Federal Realty requested that Chapel Hill participate substantially in this improvement program. Approximately 97% of the stormwater conveyed through the junction box and the sewer pipe is generated from the 60-acre watershed located upstream of Eastgate, and less than 3% of the stormwater in this system originates from Eastgate Shopping Center. It was our opinion that the financial obligation of both parties should be relative to the percentage of water conveyed through this system. We still believe that to be the case.

Through meetings with you and other Town officials during the past twelve months we learned that as policy Chapel Hill does not involve itself in stormwater improvements on private property. We were also advised that Chapel Hill does not have the financial means by which to contribute more substantially toward the construction costs even if it elected to do so.

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In light of these issues, Federal Realty appreciates your recommendation to Town Council that Chapel Hill contributes \$50,000 toward the Phase I construction costs. Although we strongly feel that the Town should be contributing more than that, Federal Realty would accept \$50,000 as the Town's contribution in connection with Phase I.

Sincerely,



Jeanne Connor
Chief Operating Officer Mid-Atlantic Region

cc: Gregg Birdsall
Joseph Ernst, Esq.
Patrick Dillon