



December 11, 2008

Dear Los Angeles-Area Community Leaders:

As you may already be aware, there have been some recent developments in our efforts to remodel and open our Sunland-Tujunga-area Home Depot store. I am writing because we greatly appreciate your continued interest and support and I wanted to keep you updated on these emerging events.

On Friday, December 5, 2008, the City of Los Angeles' Planning Department issued a determination stating that The Home Depot's updated permit application (filed June 2008) for the proposed Sunland store is not eligible for a categorical exemption under the California Environmental Quality Act (CEQA). We are deeply disappointed by the determination, feel we have been treated unfairly and believe the Planning Department misinterpreted the law.

The City's determination came months after The Home Depot voluntarily submitted a CEQA Preliminary Review Document, which included five technical studies that assessed traffic, noise, land use, air quality, and economic issues associated with the reuse of the existing building. This exhaustive analysis, which went far beyond requirements for any normal remodel application, reviewed the potential impacts of the reuse even assuming that the existing building was vacant and determined that the proposed project would not have a significant environmental impact. However, in an unprecedented move, the Planning Department inexplicably and incorrectly focused on the vacancy of the existing building rather than any impact associated with the reuse.

And, as you know, we work hard to ensure our stores fit within the community and have designed this store to be nearly one-third smaller than an average Home Depot store. In fact, the average Los Angeles-area Home Depot store is 135,000 square feet (112,000 square-foot store and a 23,000 square-foot garden center), compared to this site, which is planned as a 94,500 store and a 4,607 square-foot garden center.

Beyond directly impacting our company, there are far-reaching implications of the Planning Department's incorrect determination that sets a dangerous precedent for any future reuse of an existing building in the City of Los Angeles. The Home Depot applied for a categorical exemption after confirming through technical studies that its reuse of the existing building, which for decades operated as a Kmart store, would not have a significant environmental impact. Using the Planning Department's incorrect logic, even if the prior tenant, Kmart, wanted to reuse the building, it would need to go through a lengthy and exhaustive environmental review prior to occupancy because the building had been vacant at some time. This has never been the rule in the City of Los Angeles.

If applied consistently throughout the City, this puts at risk the reuse of any future existing buildings or portions of buildings that may go vacant for a period of time, such as stores that have recently entered bankruptcy like Mervyn's, Linens' N Things, Shoe Pavilion and Circuit City. In these uncertain economic times, this misguided vacancy interpretation will serve to

further disable our local economy and delay the reuse of existing buildings and economic recovery in areas that need it most.

Given that we're experiencing a deep economic crisis, we believe the City of Los Angeles should be finding ways to maintain and attract businesses and putting vacant existing buildings back into productive use as soon as possible, rather than new ways of discouraging investments and reuses of existing buildings. The Home Depot is committed to improving local economies and generating jobs. This decision unfortunately risks new jobs and revenue for our City and seriously discourages future business growth.

You also may be aware that The Home Depot's litigation against the City of Los Angeles has been resumed. That litigation seeks to reinstate our company's original remodeling permit (filed July 2006) for our Sunland-Tujunga store.

As background, The Home Depot acquired this site from Kmart in 2004 as part of a multi-store transaction. The Home Depot applied for and received remodeling permits in July of 2006 to reuse the existing building, which were later revoked by the Los Angeles City Council. The Home Depot sued the City of Los Angeles on November 9, 2007, asking the California Superior Court (Court of Los Angeles, Central District) to reinstate the incorrectly revoked permits. On March 4, 2008, The Home Depot and the City of Los Angeles agreed to stay that litigation, allowing us to work toward finding solutions other than litigation. The updated permit application, filed June 19, 2008, was part of the stipulation to the stay of litigation.

Though The Home Depot applied for a new permit in accordance with the agreement, the Court lifted the litigation stay earlier this week. That stay had to be lifted because the City did not process our application as it had committed to do and because the Court had warned the City twice before that the stay could not remain in place unless real progress was made. The Court set a trial date of July 13, 2009, for the portion of the case that seeks to reinstate our company's original remodeling permit.

To be clear, resuming the lawsuit does not preclude The Home Depot from continuing to process its June 2008 updated permit application, which was filed in an effort to resolve this matter.

We had certainly hoped that we would be able to resolve this matter through collaborative solutions, rather than litigation. We are now considering our options and will carefully decide how best to proceed.

I appreciate you taking the time to keep up-to-date on these recent developments. If you have any comments or questions, please feel free to contact us at (818) 276-1280 or via e-mail at [info@homedepotsunlandtujunga.com](mailto:info@homedepotsunlandtujunga.com).

Sincerely,



Jeff Nichols  
Real Estate Director, Western Region