

Home Depot eyes Kmart site

Home-improvement giant on schedule in Watsonville

SENTINEL STAFF REPORT

WATSONVILLE — The city's future Home Depot is taking shape and is on schedule for an Oct. 28 opening, according to a company representative.

After months of grading on a 14-acre parcel at the intersection of Green Valley Road and Loma Prieta Avenue, a concrete pad marks the spot where the 98,000-square-foot building will sit among 450 parking spaces.

The home-improvement store likely will start hiring in mid-September, said spokeswoman Catherine Gallagher.

It generally hires about 125

people for a new store, she said.

Some jobs will require no experience, while others will be filled by people with carpentry, plumbing and other construction skills.

The company will post a sign at the construction site when it starts hiring.

City officials are anxiously awaiting the opening of the retail store, which is expected to generate \$360,000 in sales-tax revenue in 2005.

Lawyers made final arguments in a lawsuit aimed at halting the home-improvement store in May, and a decision is pending.

Stores negotiating 41st Avenue lease

By JENNIFER PITTMAN
SENTINEL CORRESPONDENT

SOQUEL — The world's largest home-improvement store, which has been trying to open a store in Mid-County for years, is discussing the possibility of taking over the Kmart Holding Corp. lease at 2600 41st Ave., according to John McNellis, managing partner of McNellis Partners, which owns the property.

"The rumors are rampant, but nothing's solid right now," says McNellis.

McNellis Partners is based in Palo Alto.

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Kmart announced June 4 that the company was planning to sell up to 24 of its stores to Home Depot at a total cost of up to \$365 million. The

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final sales price will be based on discussions in the ensuing 60 days. Kmart did not return repeated calls. A local store manager said Wednesday that employees have received no update on the discussions.

Home Depot spokeswoman Kathryn Gallagher said no decisions have been made public to date, but the company definitely

still wants a Mid-County presence if it's feasible.

Santa Cruz County has a particularly rich history of rebuffing Home Depot from various locations.

Home Depot tried to get a site on Soquel Avenue, which parallels the ocean (south) side of Highway 1 near 17th Avenue. Then the company set its sights on the north end of 41st Avenue between Greenbrae and Carriker lanes, where it negotiated for more than five years with owners of residential and commercial properties and the county for access to a site there. After that effort failed, Home Depot won a battle to build a store in Watsonville, which is under way, and the company is also gearing up for a campaign to occupy the former Lipton

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Co. building in Westside Santa Cruz.

Santa Cruz County "is definitely an area that Home Depot has a high interest in getting into," Gallagher said, noting economic demographics and the high percentage of owner-occupied homes in the county.

"All signs point to yes," Gallagher said, "but I can't confirm it. What we're doing is taking the next 60 days (from Kmart's June 4 announcement of the deal) to work with respective landlords and municipalities."

'There are so few of these large retailer opportunities in the county I think there would be almost a conga line of interested tenants.'

JOHN MCNELLIS, MANAGING PARTNER, MCNELLIS PARTNERS

McNellis said he has been contacted by both parties, but Kmart has a long-term lease and controls the cards.

"I think there are all kinds of tenants interested in going into that space," McNellis said, listing a roster of popular national chains. "There are so few of these large retailers in the county."

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McNellis noted that Home Depot said "they wanted to make their decision fairly quickly."

If Home Depot was to buy the lease for the Kmart building, there could be interesting discussions about its future use. The Kmart building is

ners say plans to remodel the shopping center are under way and do not include additional parking, which would be needed for a larger retail store. Safeway plans to double its size and a couple more buildings will be built for new retailers.

The average prototype Home Depot store is 102,000 square feet with an additional 35,000-square-foot garden area.

"The smallest (store) is about 90,000 square feet," Gallagher said. "I have never heard of a Home Depot smaller than 90,000 square feet, especially with all of our newest merchandising ideas."

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