

City of Capitola

Special City Council Meeting Minutes

Monday, March 16, 2026 – 5:30 PM



City Council Chambers
420 Capitola Avenue, Capitola, CA 95010

Mayor: Margaux Morgan
Vice Mayor: Gerry Jensen
Council Members: Joe Clarke, Melinda Orbach, Susan Westman

Closed Session – 5:00 PM

- A. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION
Initiation of litigation pursuant to Gov't Code § 54956.9(d)(4)
One Case

Special Meeting of the Capitola City Council – 5:30 PM

1. **Roll Call and Pledge of Allegiance** – *In attendance: Council Members Clarke, Orbach, Westman, Vice Mayor Jensen, and Mayor Morgan.*
Mayor Morgan invited Public Works Director Kahn to provide a brief update on the Stockton Bridge closure and associated traffic impacts.
2. **Report on Closed Session** – *The City Council met and discussed one item on the Closed Session agenda. No reportable action was taken.*
3. **Additional Materials**
 - A. *Item 5A – Seven emails received after publication of the agenda packet.*
4. **Oral Communications by Members of the Public**
 - *Goran Klepic*
5. **Public Hearings**
 - A. Capitola Mall and Objective Standards Zoning Code Amendments
Recommended Action: 1) Adopt a resolution amending the General Plan Land Use Element; 2) introduce for first reading, by title only, waiving further reading, an ordinance amending Capitola Municipal Code Title 17: Zoning; and 3) adopt a resolution authorizing submittal to the California Coastal Commission for the certification of an amendment to the Local Coastal Program. *(Continued from the February 23, 2026, Special City Council Meeting)*
Community and Economic Development Director Herlihy presented the staff report.
Public Comment:
 - ***Hector Aspilcueta, Unite Here Local 19 Union***
 - ***Martha Hernandez, Unite Here Local 19 Union***
 - ***Daya Kunkun, Unite Here Local 19 Union***
 - ***Daniel Alvarez, Nor Cal Carpenters Union***
 - ***Cheryl***
 - ***Kevin Maguire***
 - ***Jamas Gwilliam, Merlone Geier Partners***

The City Council discussed the perimeter zone and tiers and reached consensus on three tiers for standard development objectives (listed below). The Council discussed an additional condition imposed upon commercial use in potential developments to create a desirable and dynamic area for residents and visitors. The Council reviewed a draft additional requirement to this effect and added medical offices and clinics:

“The minimum required commercial floor area for a Tier 2 or Tier 3 project shall be occupied by active, publicly accessible commercial, cultural, or entertainment uses open to the general public, including retail sales, restaurants, food and beverage establishments, and similar visitor-serving uses. Medical offices and clinics and uses that are membership-based personal service uses, including gyms, fitness centers, and yoga studios, shall not count toward the minimum required commercial floor area. Alternative uses consistent with underlying zoning may be permitted with the issuance of a Conditional Use Permit upon a finding by Planning Commission that the above uses are not viable in the current market.”

The Council agreed with staff’s recommendation for ground floor commercial height and bike lanes. The Council recommended maintaining the existing bike parking rules and directed staff to include a discussion on the Citywide requirements for bicycle parking within the next round of Zoning Code updates.

	Tier 1	Tier 2	Tier 3
Min. Density (du/ac)	20	20	20
Max Density (du/ac)	48	53	53
Perimeter Zone			
41 st Ave. (ft)	125	75	75
Capitola Rd. (ft)	125	75	75
Clares St. (ft)	125	125	125
Perimeter Height (ft)	55	65*	65
Core Height (ft)	75	85	85
Open Space	5%	2.5%	2.5%
Affordable Housing	20%	20%	20%
Commercial sf	0	35,000	200,000
Hotel Rooms	0	120	0
Meeting Space sf	0	3,600	0

** A hotel with a height up to 85 feet is allowed in the perimeter zone.*

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Motion to adopt Resolution No. 4476 amending the General Plan Land Use Element; introduce Ordinance No. 1075 amending CMC Title 17 with the changes discussed by the Council during tonight’s hearing; and adopt Resolution No. 4477 authorizing submittal to the Coastal Commission for certification: Council Member Orbach

Second: Council Member Westman

Voting Yea: Council Member Clarke, Orbach, Westman, Vice Mayor Jensen, Mayor Morgan

6. Adjournment

The meeting adjourned at 7:19 PM. The next regularly scheduled City Council meeting is on March 26, 2026, at 6:00 PM.

Signed by:

Margaux Morgan

Margaux Morgan, Mayor

ATTEST:

Signed by:

Julia Gautho

Julia Gautho, City Clerk

Thank you..... Katie and the team

This is could be one of the biggest decisions that the city council might have ever made.

Bear with me for a moment and imagine that we are back in the summer of 2019.

What we had in front of us for the mall site was a project built on partnership between the developer, the city, and the community. It was referred to as the "Capitola Town Square."

The Capitola Town Square concept included:

- An open-air layout with a main thoroughfare, a large water feature, outdoor gathering areas, a new movie theater, and improved bicycle and pedestrian paths.
- 800 residential units and roughly 335,000 square feet of commercial space, including retail, restaurants, and entertainment.
- Building heights of 50 feet.
- An economic impact study suggesting the project could generate between \$850,000 and \$1.2 million in annual revenue (in 2019 dollars).

On top of the proposed project, the Sears building — Merlone Geier's property — was being worked on with the city to approve permits for TJ Maxx HomeGoods and Petco, which would have brought in additional revenue on top of the projected \$1.2 million.

That project did not display a "Not In My Backyard" approach, as

some might want to attach to Capitola. It was a collaboration of all parties working together as a community to meet our collective interests and the financial needs of the city.

And now, as we wake up from that dream, it's 325 Fridays later, with this mall development project idea in front of us this evening — and it looks quite different.

- Building heights are now being proposed at 85 feet. We should note that the city moved from 50 feet to 60 feet, then to 70 feet, and now to 85 feet in some areas in an effort to help bring development forward.
- A request from the developer that the project does not have to include dedicated bike safety lanes.
- Only 35,000 square feet of retail is being proposed, of which an estimated 35–40% will simply be the relocation of existing tenants, effectively removing what was once envisioned as a countywide retail destination center.

At the same time, I read an article in The Wall Street Journal last weekend stating that Gen Z is now being referred to as “Mall Rats” again, as they are seeking the mall experience once more to ways of shopping. We are seeing this reflected in development just 25 miles away at Santana Row, Valley Fair, Sunnyvale Town Center, and the former Valco site in Cupertino.

- The proposal includes approximately 1,100 new apartment units.
- As the state mandates us to focus on affordable housing, only 266 low-income units and 90 moderate-income units will be deemed affordable, while the rest will be market-rate. I don't hear people advocating for market-rate housing. What I hear consistently is that housing is too expensive, and I'm not

convinced that the “build more to lower prices” supply-and-demand analogy is the best action plan for our community.

Another piece of data we don't often reflect on when discussing the need for housing is that, as of yesterday, there were 630 housing units available in Santa Cruz that are not currently filled.

The rate of housing absorption in some projects is estimated at about only 20 units per month.

Development already in progress in Santa Cruz totals 1,648 units, and that does not include the estimated 1,100 units being proposed this evening.

And remember, as we are all being told, we are trying to develop housing within our local neighborhoods for the live and work environment — often referred to as the “15-minute city” concept — yet on the mall project we will probably see a reduction of more than 200 jobs just from the mall site due to the loss of retail.

There is little to no focus on the “missing middle,” which includes teachers, classified school staff, first responders, food and hospitality workers, and even our own city staff members.

On the positive side, one element that could help the project be financially beneficial to the city is the inclusion of a 120-room hotel and conference center proposed within the tiered development.

We hope this will not detract from other hotels in the community, nor that the state will alter the TOT tax distribution formula in the future, which could severely impact the city's budget.

We also need to acknowledge that the city continues, in good faith, to make concessions without a clear project vision, while we are told the developer will not spend money until those

concessions are granted. That makes this process extremely difficult.

Let's be honest: the developer has pushed the state mandates to the fullest extent, yet without presenting a single conceptual drawing to the community or the city — unlike what was done with the previous project team in 2019. A project that was ultimately canceled by the developer.

So the elephant-in-the-room question is this:

Are they simply going through this process in order to sell the project to another developer? I hope not.

As council members, our backs are against the wall due to state regulations and mandates.

I support the need for housing. As I have stated many times, housing has separated my own family — my three oldest daughters had to move out of the area to raise their families — but those are sacrifices they decided to make.

We must be completely transparent about what is happening. Capitola is already more densely populated than San Diego, San Jose, Santa Cruz, Scotts Valley and Carmel-By-The Sea, and the state-assigned housing numbers that were assigned to Capitola were outrageous.

This is not a YIMBY issue, and it is not a NIMBY issue.

This is 100 percent a SIMBY problem —

Yes, SIMBY - **S**acramento **I**n **M**y **B**ack**Y**ard.

It is now time for Merlone Geier, our “committed partner,” to take the feedback they have heard tonight and return with a project that not only meets their needs, but truly reflects the needs of our city, our neighbors, and our county.

At the same time, it is our responsibility as council members to ensure that whatever is ultimately built does not place Capitola in financial distress.

We owe that to our residents, to our local businesses, and to the future of this community.

I appreciate my fellow council members for allowing me the opportunity to share my thoughts this evening during this deliberation session.