

City of Capitola

Special City Council Meeting Agenda

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

Closed Sessions are not open to the public and held only on specific topics allowed by State Law (noticed below). An announcement regarding the items to be discussed in Closed Session will be made in the City Hall Council Chambers prior to the Closed Session. Members of the public may, at this time, address the City Council on closed session items only. There will be a report of any final decisions in City Council Chambers during the Open Session Meeting.

- 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

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

2. Report on Closed Session

3. Additional Materials

Additional information related to an agenda item on this agenda and submitted to the City after distribution of the agenda packet pursuant to Government Code §54957.5. All correspondence received prior to 5:00 p.m. on the Friday preceding a Council Meeting will be distributed to Councilmembers to review prior to the meeting. Information submitted after 5 p.m. on that Friday may not have time to reach Councilmembers, nor be read by them prior to consideration of an item.

- A. Item 5A - Correspondence Received

4. Oral Communications by Members of the Public

*Oral Communications allows time for members of the Public to address the City Council on any topic within the jurisdiction of the City that is not on the "Public Hearings" section of the Agenda. Members of the public may speak for up to three minutes, unless otherwise specified by the Mayor. Individuals may not speak more than once during Oral Communications. All speakers must address the entire legislative body and will not be permitted to engage in dialogue. **A maximum of 30 minutes** is set aside for Oral Communications.*

5. Public Hearings

All items listed in “Public Hearings” are intended to provide an opportunity for public discussion of each item listed. The following procedure pertains to each General Government item: 1) Staff explanation; 2) Council questions; 3) Public comment; 4) Council deliberation; 5) Decision.

- 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)*

6. Adjournment

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

How to View the Meeting

Meetings are open to the public for in-person attendance at the Capitola City Council Chambers located at 420 Capitola Avenue, Capitola, California, 95010.

Other ways to Watch:

Spectrum Cable Television channel 8

City of Capitola, California YouTube Channel

To Join Zoom Application or Call in to Zoom:

Meeting

link: <https://us02web.zoom.us/j/83328173113?pwd=aVRwcWN3RU03Zzc2dkNpQzRWVXAydz09>

Or dial one of these phone numbers: **1 (669) 900 6833, 1 (408) 638 0968, 1 (346) 248 7799**

Meeting ID: **833 2817 3113**

Meeting Passcode: **678550**

How to Provide Comments to the City Council

Members of the public may provide public comments to the City Council in-person during the meeting. If you are unable to attend in-person, please email your comments to citycouncil@ci.capitola.ca.us and they will be included as a part of the record for the meeting. Please be aware that the City Council will not accept comments via Zoom.

Notice regarding City Council: The City Council regularly meets on the 2nd and 4th Thursday of each month at 6:00 p.m. in the City Hall Council Chambers located at 420 Capitola Avenue, Capitola.

Agenda and Agenda Packet Materials: The City Council Agenda and the complete Agenda Packet are available for review on the City’s website and at Capitola City Hall prior to the meeting. Need more information? Contact the City Clerk’s office at 831-475-7300.

Agenda Materials Distributed after Distribution of the Agenda Packet: Pursuant to Government Code §54957.5, materials related to an agenda item submitted after distribution of the agenda packet are available for public inspection at the Reception Office at City Hall, 420 Capitola Avenue, Capitola, California, during normal business hours.

Americans with Disabilities Act: Disability-related aids or services are available to enable persons with a disability to participate in this meeting consistent with the Federal Americans with Disabilities Act of 1990. Assisted listening devices are available for individuals with hearing

impairments at the meeting in the City Council Chambers. Should you require special accommodations to participate in the meeting due to a disability, please contact the City Clerk’s office at least 24 hours in advance of the meeting at 831-475-7300. In an effort to accommodate individuals with environmental sensitivities, attendees are requested to refrain from wearing perfumes and other scented products.

Si desea asistir a esta reunión pública y necesita ayuda - como un intérprete de lenguaje de señas americano, español u otro equipo especial - favor de llamar al Departamento de la Secretaría de la Ciudad al 831-475-7300 al menos tres días antes para que podamos coordinar dicha asistencia especial o envíe un correo electrónico a jgautho@ci.capitola.ca.us.

Televised Meetings: City Council meetings are cablecast “Live” on Charter Communications Cable TV Channel 8 and are recorded to be rebroadcasted at 8:00 a.m. on the Wednesday following the meetings and at 1:00 p.m. on Saturday following the first rebroadcast on Community Television of Santa Cruz County (Charter Channel 71 and Comcast Channel 25). Meetings are streamed “Live” on the City’s website by clicking on the Home Page link “Meeting Agendas/Videos.” Archived meetings can be viewed from the website at any time.

Gautho, Julia

From: Heidi <Heidy@cwo.com>
Sent: Thursday, March 12, 2026 5:15 PM
To: City Council
Subject: Capitola Mall

Follow Up Flag: Follow up
Flag Status: Flagged

Dear Capitola City Council,

I'm writing regarding your special meeting scheduled for Monday, March 16, 2026 regarding Capitola Mall.

I previously raised concerns regarding a councilmember's participation in deliberations concerning the Capitola Mall due to her spouse's formal complaint to the State's Housing and Community Development on the same matter.

Because the councilmember chose not to recuse, the issue before you now extends beyond any one individual. The question is whether the integrity of the Council's decision-making on the Capitola Mall can reasonably be trusted by stakeholders and the public. Put differently, can these decisions withstand scrutiny if later challenged on procedural grounds?

Even where a legal conflict may be debated, the appearance of partiality can undermine confidence in the process. When a close family member engages the State over the very project the Council is considering, legitimate questions about impartiality arise.

For that reason, I respectfully urge the Council to address how it will safeguard the integrity of its deliberations moving forward.

The redevelopment of the Capitola Mall is one of the most consequential decisions facing our community. It deserves a fair process that is beyond reproach.

Best Regards,

Heidy Kellison

Gautho, Julia

From: Kevin Maguire <kmaguire831@gmail.com>
Sent: Thursday, March 12, 2026 11:06 PM
To: City Clerk
Subject: [PDF] Public Comment for the Record – Capitola Mall Rezoning, March 16 Council Meeting
Attachments: request_for_qualifications_fo_economic_development_on-call_services (1).pdf; Kosmont Capitola Fiscal - 11-7-19 (1).pdf; KMA Capitola MAll Retail and Hotel Market Overview (1).pdf
Follow Up Flag: Follow up
Flag Status: Flagged

Dear City Clerk,

Please include the following in the public record for the March 16 City Council meeting on the Capitola Mall rezoning.

I am a lifelong Capitola resident writing to urge the Council to address five specific fiscal concerns before adopting final zoning standards for the mall site.

With the most recent tragic accident due to the fire at 204 Monterey, over 21 fire resources from 5 agencies responding, this sad event should raise some flags about capacity, response times, ability to server our community, and what a major redevelopment, traffic issues, and high buildings we dont have equipment to serve.

1. CORRECT THE RESIDENTS-PER-UNIT ASSUMPTION

Can we confirmed the 2.1 residents/unit figure will be addressed in the upcoming staff report. This correction is essential. The City Manager's model used 1.5 — below Kosmont's own 2019 range of 1.75–2.0, and well below Capitola's actual renter household density of 2.18. Correcting to 2.1 reduces projected City revenues by approximately \$300,000 per development tier. That figure must be front and center in the March 16 analysis, not a footnote.

2. THE KMA RETAIL FIGURE IS BEING MISAPPLIED

The Keyser Marston study identified 25,000–35,000 sf of **new or additional retail demand** — not as a replacement for the 289,436 sf being demolished. The 2019 Kosmont plan **retained 200,000–300,000** sf of existing retail while adding new commercial. The current proposal eliminates nearly all of it. Director Herlihy confirmed the demolition scope (Sears + interior spine = 289,436 sf) and the \$350/sf performance of existing larger-format retail. Applying the KMA figure as a total replacement produces a permanent structural revenue loss of ~\$720,000–\$750,000/year — a reduction the General Fund **cannot absorb without service cuts**.

3. THE MALL IS STILL PERFORMING — AND THAT REVENUE IS AT RISK

In 2019, mall-wide sales averaged ~\$200/sf. Director Herlihy confirmed current larger-format retail now averages ~\$350/sf, with high-performing tenants like Ulta Beauty and Chili's exceeding \$800/sf. The City's own budget (page 36) shows sales tax has not kept pace with inflation — which makes protecting the existing revenue base even more critical, not less. This is real money the City is collecting today. Demolishing it without a fiscally sound replacement plan is not a neutral decision.

4. THE \$1.7M PERS FUND IS A START — BUT NOT SUFFICIENT

The City has established a special fund of approximately \$1.7 million to help cover PERS costs during the construction period. This planning is commendable. However, Kosmont's 2019 analysis projected \$500,000+/year in lost sales tax revenue during a 3–4 year construction window — a cumulative gap of \$1.5M–\$2M before a single new resident moves in. The PERS fund does not fully bridge that gap. The Council should ensure the staff report addresses the full reserve drawdown projection and the replenishment timeline, and should require clear phasing triggers so commercial and hotel space is delivered before — not years after — residential units.

5. CAPITOLA IS IN COMPLIANCE — THERE IS NO REASON TO RUSH

The City's certified Housing Element already meets RHNA obligations. Housing Element compliance does not expire if the Council takes additional time to demand a fiscally sound project. A poorly structured project that permanently cuts the revenue base by \$750K/year while underestimating service costs by \$300,000–\$900,000/year does not serve Capitola's residents — it slowly dismantles the services that make this community worth living in.

The proven standard exists: Santana Row in San Jose — 42 acres, 50+ shops, 30+ restaurants, a 215-room hotel, and hundreds of housing units — has thrived for over 20 years because commercial viability was built into the foundation of the project. MGP proposed ~340,000 sf of commercial in 2019. We are asking for 200,000 sf minimum and a 105-room hotel as Tier 3 conditions. That is 60% of what the developer offered six years ago.

Capitola has one chance to get this right. I respectfully ask the Council to correct the modeling assumptions, require phasing protections, and set commercial and hotel minimums that reflect what this city actually needs to remain fiscally solvent.

Thank you for your service and for including this comment in the record.

Respectfully,
 Kevin Maguire
 Lifelong Capitola Resident (Third Generation)
kmaguire831@gmail.com



Request for Qualifications (RFQ) Economic Development Consultant – On-Call Services

Issued By:

City of Capitola
Community and Economic Development Department
Attn: Katie Herlihy, Community and Economic Development Director
Email: kherlihy@ci.capitola.ca.us

**RFQ Submission Due Date:
October 10, 2025, by 5:00 PM (PST)**

I. Purpose of the RFQ

The City of Capitola (the City) is seeking qualifications from qualified Economic Development Consultants to provide on-call services for a range of economic development tasks. These may include addressing commercial vacancies, conducting fiscal analyses of population projections and development applications, and identifying strategies to incentivize new hotel development. The selected consultant will work under the direction of the Community and Economic Development Director to support the City's goals of long-term economic stability and vitality.

II. Scope of Work

The consultant will provide on-call services, including but not limited to:

1. Addressing Commercial Vacancies

- Analyze vacancy patterns and impacts on the local economy.
- Recommend strategies for retail attraction, tenant diversification, and corridor revitalization.
- Assist with identifying incentives or partnerships to fill key vacancies.

2. Fiscal Analysis of Population Projections and Development Applications



- Evaluate long-term fiscal impacts of population growth on City revenues and expenditures.
- Conduct fiscal impact assessments of proposed residential, commercial, and mixed-use developments.
- **Example:** A prior fiscal analysis completed for a mixed-use development indicated net revenue gains of \$300,000 annually, offset by \$180,000 in new service costs. This informed City Council decisions on phasing and infrastructure contributions in the development agreement.

3. Incentivizing New Hotel Development

- Identify feasible hotel development opportunities within the City.
- Analyze market conditions and tourism trends to determine lodging needs.
- Recommend strategies and incentive structures to attract new hotel investment.

4. Other On-Call Economic Development Support

- Provide data analysis, policy review, and strategic recommendations.

III. Background and Challenges

Capitola has experienced a notable shift in its commercial landscape in recent years, with rising vacancies in key retail areas due to evolving consumer behaviors and increased competition from e-commerce. The City is actively seeking to reduce commercial vacancies and revitalize retail corridors to support local business vitality.

At the same time, population growth and development pressure raise important fiscal questions. New development has the potential to both increase City revenues and create new service demands. The City requires expert support to assess the net fiscal impact of proposed developments and ensure long-term sustainability.

Finally, with increasing tourism, Capitola is looking to strengthen its hospitality sector. However, the City currently lacks sufficient hotel inventory to meet peak-season demand. A proactive strategy is needed to attract appropriate hotel development and maximize transient occupancy tax (TOT) revenue.



IV. Budget

The City has allocated a budget of **\$20,000 per year** for these on-call services. This budget is inclusive of all costs, including consultant time, travel, materials, and overhead.

V. Submission Requirements

Interested consultants must submit a proposal that includes:

- 1. Firm/Consultant Overview**
 - Description of the firm or individual, organizational structure, and areas of expertise.
 - Key personnel, roles, and relevant qualifications.

- 2. Relevant Experience**
 - Examples of past work addressing commercial vacancies, performing fiscal analyses (especially development applications), and incentivizing hotel or tourism-related development.

- 3. Proposed Approach**
 - Methodology for providing on-call support in the areas outlined.
 - Understanding of Capitola’s context and challenges.

- 4. Work Plan and Availability**
 - General availability for on-call support.
 - Description of how requests will be managed and responded to in a timely manner.

- 5. Cost Proposal**
 - Hourly billing rates by staff level.
 - Confirmation that proposed costs align with the annual \$20,000 budget.



6. References

- Contact information for at least three public agency clients or similar assignments.

VI. Proposal Format and Deadline

- Proposals must not exceed **10 pages** in length (including any appendices or supplemental materials).
- Submit proposals in **PDF format via email** to:

Katie Herlihy

Community and Economic Development Director

Email: kherlihy@ci.capitola.ca.us

Deadline: October 10, 2025, by 5:00 PM (PST)

Late submissions will not be accepted.

VII. Evaluation Criteria

Proposals will be evaluated based on:

- Demonstrated experience with similar economic development issues.
- Clarity and effectiveness of proposed approach.
- Qualifications of key personnel.
- Cost-effectiveness and ability to stay within budget.
- Responsiveness and availability for on-call work.
- Positive references and past performance.
- Familiarity with Capitola, CA

VIII. Terms and Conditions



- The City reserves the right to reject any or all submissions.
- The City may negotiate contract terms and scope with the selected consultant.
- All submitted materials become the property of the City and are subject to public records law.
- Consultants are responsible for all costs incurred in preparing and submitting their proposals.

IX. Questions

Questions regarding this RFQ may be directed to:

Katie Herlihy

Community and Economic Development Director

Email: kherlihy@ci.capitola.ca.us

Phone: 831-475-7300

We appreciate your interest and look forward to reviewing your proposal.

Sincerely,

Katie Herlihy

Community and Economic Development Director

City of Capitola

MEMORANDUM

To: Jamie Goldstein, City Manager City of Capitola

From: Ken K. Hira, President Kosmont Companies
Tom Jirovsky, Senior Advisor Kosmont Companies

Date: November 7, 2019

Re: **Capitola Town Square – Analysis of Fiscal Impact**

Kosmont & Associates, Inc. doing business as Kosmont Companies (“Consultant” or “Kosmont”) is pleased to present our findings from a Fiscal Impact Analysis (“Analysis”) in connection with proposed 637 residential units and 600,000 square feet of commercial in the proposed mixed/blended use Capitola Town Square (“Project”).

BACKGROUND

Merlone Geier Partners (“MGP”), owner of the Capitola Mall (“Mall”) are seeking approval of a major redevelopment plan. As part of ongoing discussions / negotiations between MGP and the City for a new Project Concept Application and Development Agreement, it is important to understand the marginal impact the residential and commercial components will have on General Fund revenues and expenditures.

For purposes of this analysis only, Kosmont assumes that the average household size, based on the proposed average unit sizes ranging from 600 to 800 square feet, will range from 1.75 to 2.0 persons per unit. Prospective renters are expected to range from UC Santa Cruz students sharing units, to young professional, to empty nester households.

The City has compiled historic retail sales data for the Mall and surrounding block to help establish a base year amount. The data shows a significant annual decline in retail sales throughout the entire mall area since 2016. The 2018-19 annual sales for the entire mall area were approximately \$130 million, or a little more than \$200 per square foot.

- The 3rd party anchor stores (Macy’s, Target, Ross Center, Olive Garden) totaling 270,000 square feet generated approximately \$65 million in sales.
- The 370,000 square feet within MGP control generated \$65 million in sales

The MGP Project calls for a reduction of 34,000 square feet of retail space versus the 640,000 square feet currently contained within in the Mall block. In order to finance construction of new retail, MGP has estimated gross annual sales will average \$300 per square foot for MGP’s

336,000 square feet (including Kohl's) of retail space following redevelopment. Assuming a 10% bump in sales at the major stores, the total annual mall block sales could reach \$180 million, a \$50 million increase. However, with no new tenants under contract, this should be considered a somewhat optimistic forecast.

SUMMARY

The proposed reconfiguration of the mall into a mix of residential and retail uses will improve the economic health of the overall shopping center, but depending on the growth in taxable retail sales, it may result in annual fiscal deficit to the City, as compared to the 2018 Mall fiscal impact.

FISCAL REVENUE ANALYSIS

Property Tax & In-Lieu of VLF

Secured property tax revenues are estimated based on the anticipated assessed value of the Project upon full build-out and the applicable property tax rates for the City. Acquisition costs were not included as part of the analysis, as the subject property is already on the tax rolls and title is vested under MGP's name. The City general fund receives an approximate 7.5% share of the annual 1.0% secured property tax general levy placed by the County.

Prior to 2004, a percentage of State motor vehicle license fees (VLF) were distributed to cities and counties. In 2005, the State of California instituted a revenue swap, guaranteeing that municipalities and counties within California receive a distribution equal to the VLF collected the prior year, plus a percentage equal to the annual increase in assessed value. Property tax in-lieu of VLF resulting from the Project is estimated based on the incremental amount of assessed value will add to the City; thereby increasing the City's apportionment. Based on review of the City CAFR, Kosmont estimates VLF will add an amount equal to 4.3% of assessed value.

Kosmont's survey of higher-end apartments in the area indicates monthly rents of +\$4.00 psf, which would support assessed value of \$400,000 to \$500,000 per unit. At an average of \$450,000, the total assessed value from new residential would be \$290 million. With a combined tax of 0.113%, the City General Fund would receive an additional \$325,000 annually from property taxes.

Sales Tax (Off-Site / Indirect)

Off-site / indirect sales tax revenue is based on the taxable sales generated by the Citywide spending of Project residents, based on average household incomes and BLS Consumer Expenditure Survey data.

Kosmont's preliminary analysis indicates that the 637 residential units are expected to spend an average of \$10,000 to \$15,000 per unit on local serving goods and services, excluding the general merchandise expenditures at Macy's, Kohl's and Target that would be captured irrespective of

the resident location. At an average of \$12,500, this would result in approximately \$8 million in incremental taxable sales, which would result in an estimated \$80,000 in annual sales tax revenues for the City.

Measure O District Tax of 0.25% will result in an additional \$20,000 in annual offsite sales taxes to City, while Measure F's 0.25% tax will yield additional \$20,000 per year thru Dec. 2027.

On-site Sales Taxes

For this analysis, Kosmont is illustrating the impact from growth in retail sales above the 2018-19 base year. As mentioned earlier, the optimistic forecast for retail sales is a gain of \$50 million, which could result in an additional \$500,000 in annual sales taxes to the City.

Measure O District Tax of 0.25% could result in an additional \$125,000 in annual offsite sales taxes to City, while Measure F's 0.25% tax could yield additional \$125,000 per year thru 2027, for a potential total of \$750,000.

Since the actual tenant mix is not determined and to allow for potential non-taxable uses such large tenants as movie theater and fitness center, Kosmont suggests using a more conservative \$30 million increase in mall retail sales, which would yield \$450,000 annually (including Measure O and Measure F).

Franchise Taxes

For 2019-20 budget, the City is estimated to collect \$560,000 in Franchise taxes. For purposes of preliminary estimates, incremental franchise taxes are estimated on a per capita basis assuming 50% of revenue comes from non-residential uses. Based on estimated population of 10,100, the Franchise tax revenue factor is \$28 per resident. Therefore, at full Project buildout of 637 units, Franchise taxes are estimated to bring \$30,000 to the City General Fund annually.

Total Annual Fiscal Revenue

The total annual incremental fiscal revenues from the mall redevelopment are estimated to range from \$900,000 (to \$1.2 million per year under MGP optimistic forecast).

	<u>Annual Taxes</u>
Property Taxes	\$325,000
Offsite Sales	120,000
Onsite Sales	450,000 /1
Franchise Taxes	<u>30,000</u>
Subtotal	\$925,000

/1 Assumes 30% growth in onsite sales

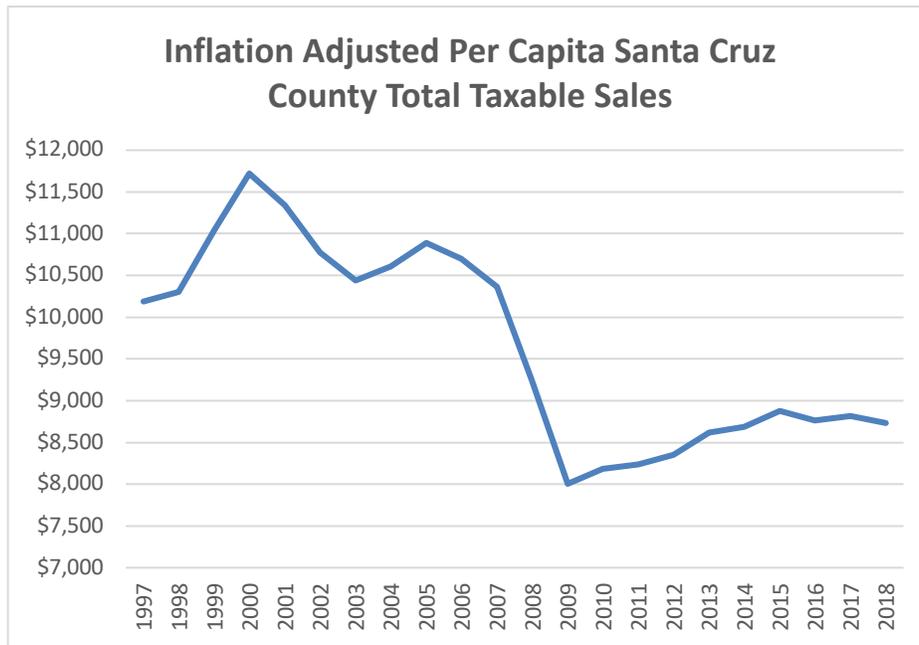


The analyses, projections, assumptions, rates of return, and any examples presented herein are for illustrative purposes and are not a guarantee of actual and/or future results. Project pro forma and tax analyses are projections only. Actual results may differ from those expressed in this analysis.
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Long Term Growth

Given the national trends in retail sales being captured by e-commerce and big box discounters, it is likely that the future retail sales may not keep pace with cost inflation, resulting in greater risk to the City General Fund. In addition to the risks of economic recession, this potential long term deterioration is evidenced by historic Santa Cruz County per capita taxable sales, adjusted for inflation, have declined by 20 percent in the past 20 years.

Exhibit 1



For these reasons, it may be prudent for Capitola to conservatively estimate sales tax growth when considering the impact of a large-scale long-term project, such as mall redevelopment.

FISCAL EXPENDITURE ANALYSIS

The proposed Capitola Town Square project will substantially increase the population of the City. As noted earlier, the 637 units are estimated to increase the resident population by 1,115 to 1,275 people, a 12% increase above current population of 10,080, which has remained relatively flat for years.

Over 80% of the City’s total expenditures represent salaries, benefits and contract services, indicating a high degree of sensitivity to increased service demands from the new population. Expenditures such as police/protective services, public safety, and other fiscal expenditures are usually measured on a per capita basis based on the City’s Budget, and the relevant resident and employee populations within the City. However, complicating the analysis is the impact of tourists.

For this analysis, Kosmont interviewed City department heads. It was determined that the appropriate method to determine incremental per capita costs is to examine current budget by major category,



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and factor in current population of 10,080 plus an estimated 5,700 employees who work in the City, plus summer tourism. For each category, excluding police and public works, it was assumed that per capita incremental cost is derived by dividing the annual budget by 10,080 residents plus 5,700 employees x 50% (reflect reduced demand as compared to a resident).

The Police Chief estimated that 50% of annual cost is derived from resident population, while the Public Works Director estimated that 40% of costs during summer are related to residents and 70% of costs the rest of the year, for an average of 60%.

General Fund expenditures and allocated per resident cost estimates are summarized below:

General Fund Expenditures

	<u>Annual</u>	<u>New Resident</u>
Administrative	\$2,582,000	\$200
Police	6,152,000	305
Public Works	2,879,000	171
Community Development	363,000	28
CIP Funding	650,000	50
Recreation, Arts and Cultural	398,000	31
Subtotal (Before Transfers)	\$13,024,000	\$785

With 1,115 to 1,275 net new residents in Capitola Town Square, there could be an increase in General Fund cost of \$875,000 to \$1 million per year, assuming a similar level of service.

NET FISCAL IMPACT

To give the City a better understanding of the potential impact, Kosmont provided a table that summarizes the net fiscal impact to the City using a range of net new residents. As shown in Exhibit 2, the Project could generate a \$50,000 per year positive fiscal impact to a **negative** fiscal impact of **\$75,000 per year**. The deficit can be attributed to the extremely low property tax share the City receives and nominal off-site sales taxes.

Exhibit 2
Capitola Town Square
Based on Net New Residents

	1,115 Residents	1,275 Residents
GF Revenues	\$925,000	\$925,000
GF Expenditures	(\$875,000)	(\$1,000,000)
Net Fiscal Surplus (Deficit)	\$50,000	(\$75,000)



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OTHER TOOLS TO GENERATE REVENUES

There are several potential financial tools available to improve the City's revenue picture:

1. Build New Hotel
2. Establish a (Community Facilities District (CFD) Maintenance Fee
3. Enact an Entertainment Tax
4. Negotiate Sales Tax Assessment Revenues Upfront Payment

Hotel

While no hotel is included in the initial plan, it is our understanding that MGP has preliminarily explored a 105-room select service hotel concept. Kosmont and the City have done preliminary market research indicating a 105 room upscale hotel could be supported within the next few years. Assuming a range of \$160 to \$190 Average Daily Rate (ADR) and 75% to 80% occupancy, Kosmont projects hotel tax revenues of over \$550,000 to as much as \$700,000 per year at 12% Transient Occupancy Tax (TOT) rate.

CFD Maintenance Fee

When large projects result in an increase in municipal service costs, some cities require a CFD maintenance district. A nominal \$25 per month fee for each residential unit would generate almost \$190,000 per year.

Entertainment Tax

Many new commercial uses, such as theaters, bowling alleys, arcades etc. do not generate taxable retail sales. By establishing a 5% tax on admission to such entertainment uses the City might generate \$50,000 to \$100,000 per year.

Sales Tax Assessment Revenue (STAR*)[®]

The City stands to lose \$500,000 or more each year during the estimated three year demolition and reconstruction of the retail shops. Under a Development Agreement process, the City can negotiate an upfront payment from MGP to offset that loss, and protect themselves in the event that the redevelopment is delayed.

City of Capitola

Capitola Mall - Retail & Hotel Market Overview



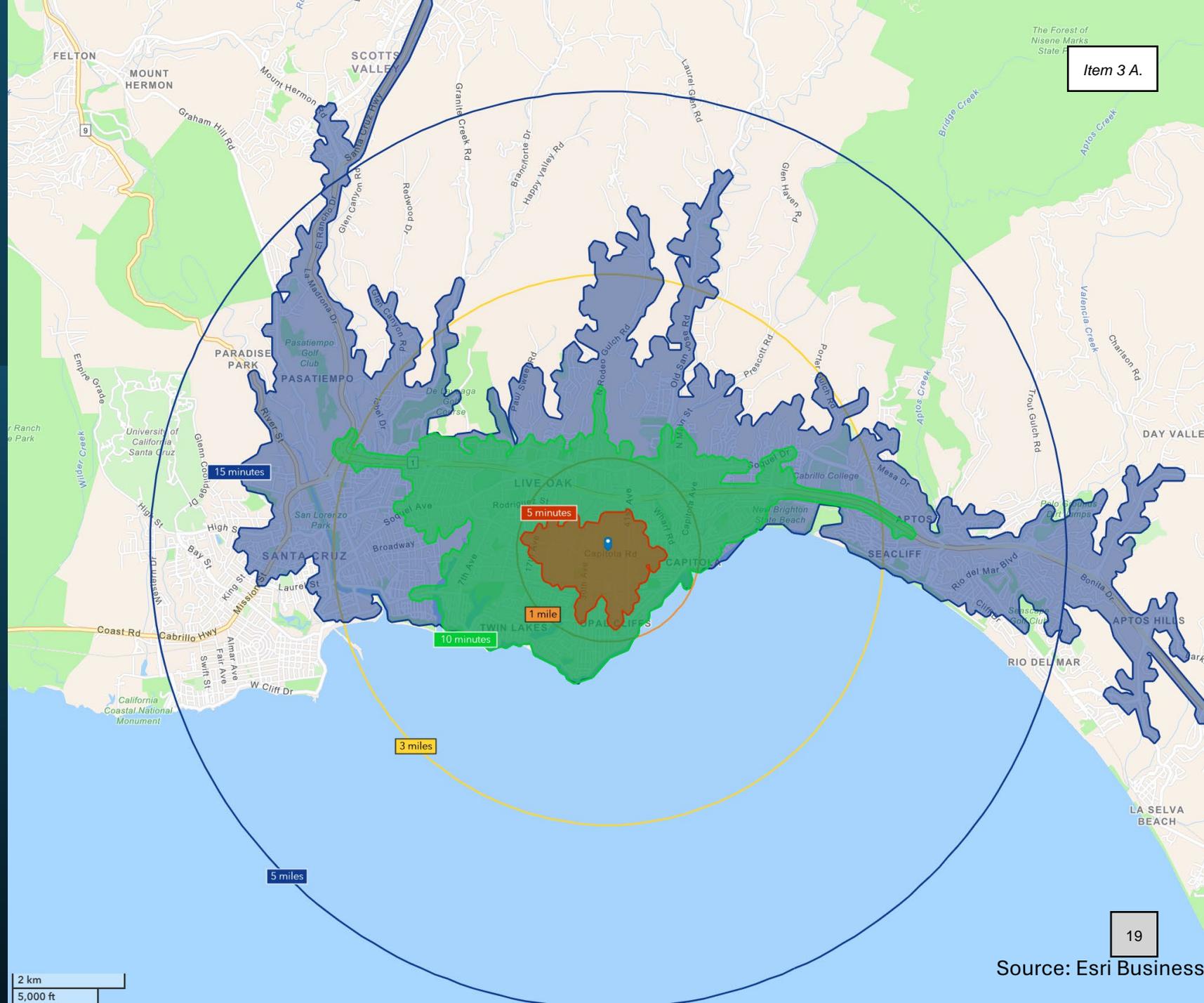
KEYSER MARSTON
ASSOCIATES

Item 3 A.



January 2026

Study Area – Site Radius and Drive-Time



Item 3 A.



Population

Population & Households 2025 - 2030

Item 3 A.

	2025	2030	% Change
Capitola			
Population	9,598	9,410	-1.96%
Households	4,574	4,548	-0.52%
5-mile Radius			
Population	120,724	120,273	-0.37%
Households	49,549	48,870	-0.77%
Santa Cruz County			
Population	262,934	260,654	-0.87%
Households	95,037	95,204	0.18%

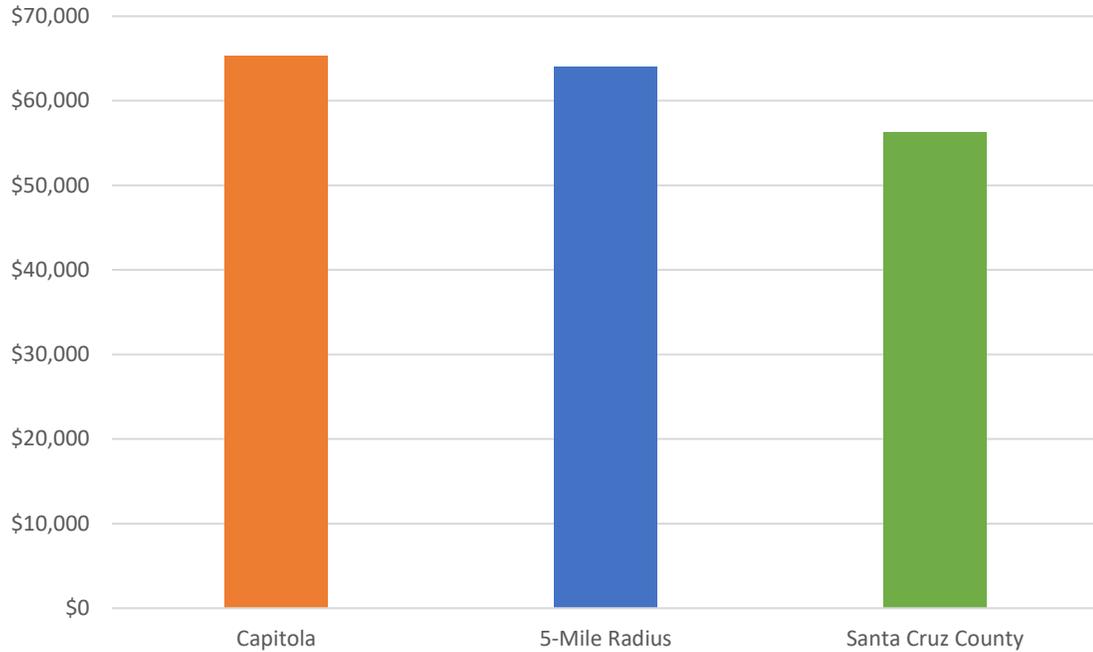
Average Persons per Household

Capitola	2.11
5-mile Radius	2.37
Santa Cruz County	2.62

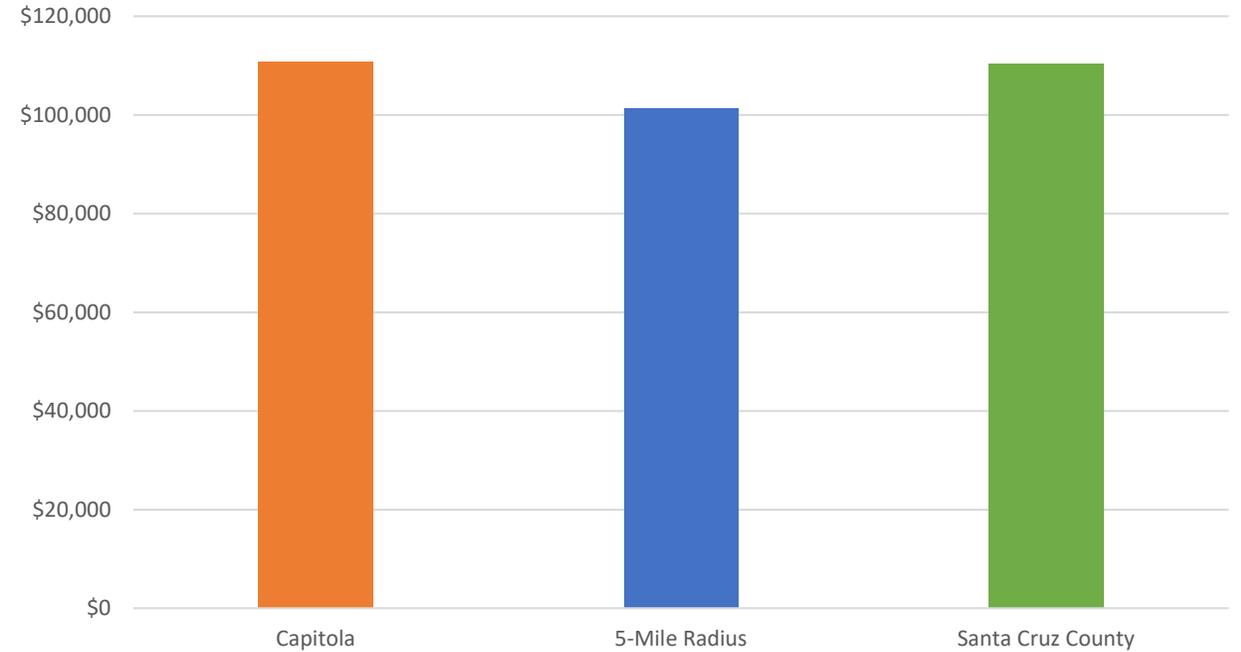


Income

Per Capita Income



Median Household Income

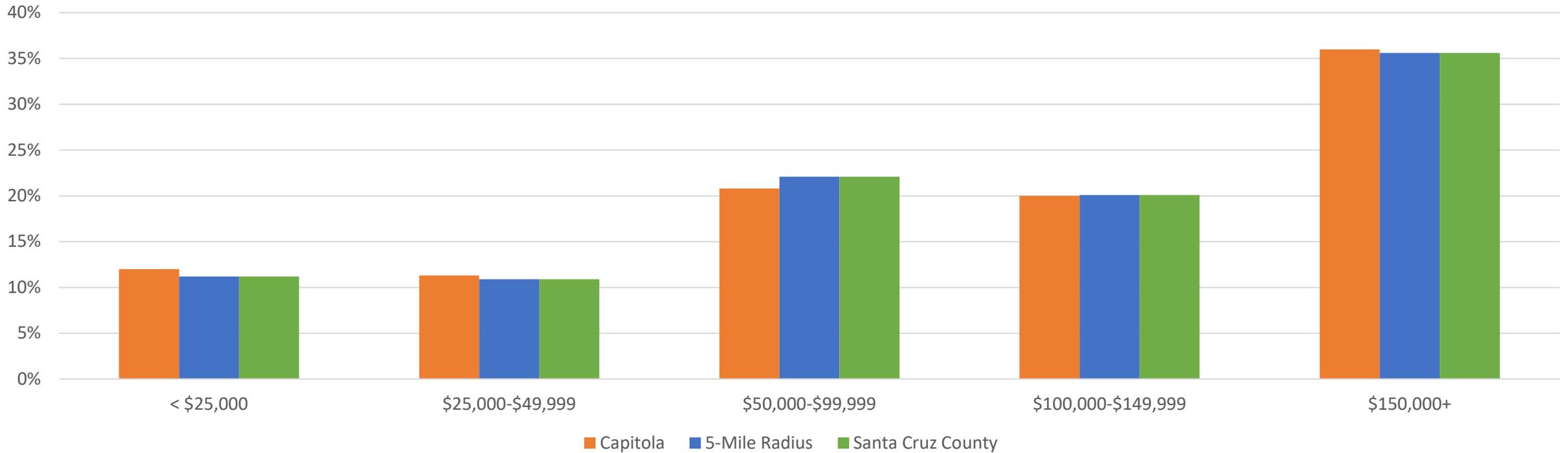


<i>Income (2025)</i>	Per Capita	Median Household
Capitola	\$65,271	\$110,864
5-mile Radius	\$64,064	\$101,409
Santa Cruz County	\$56,250	\$110,320



Income Distribution

Income Distribution

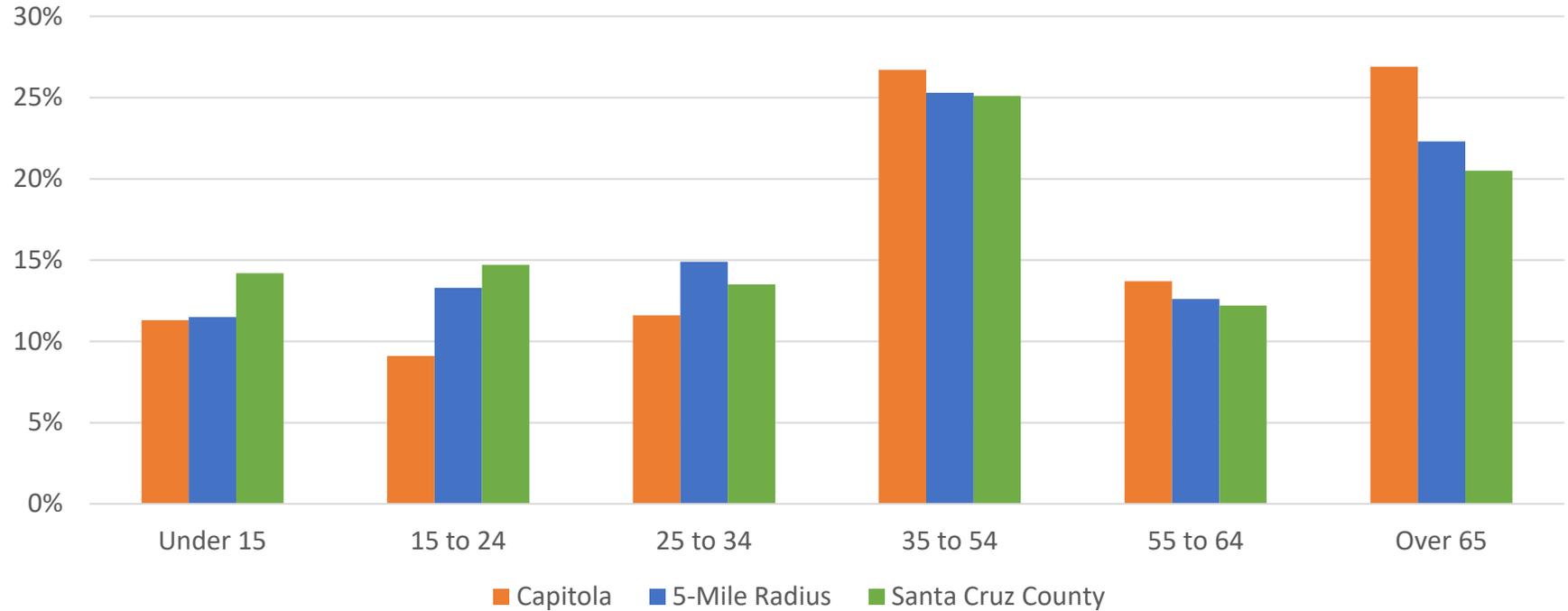


<i>Household Income Distribution</i>	< \$25k	\$25k-\$49k	\$50k-\$99k	\$100k-\$149k	\$150k+
Capitola	12%	11%	21%	20%	36%
5-mile Radius	10%	12%	27%	25%	26%
Santa Cruz County	11%	11%	22%	20%	36%



Age Distribution

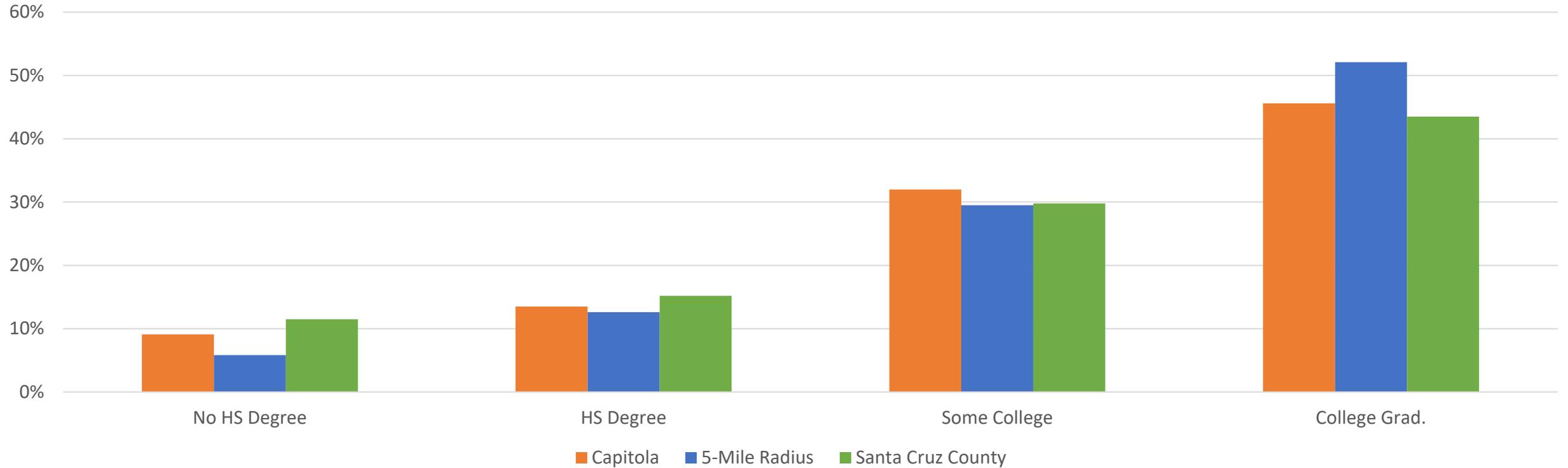
47.6
City
Median Age



Age Distribution	Under 15	15 to 24	25 to 34	35 to 54	55 to 64	Over 65
Capitola	11%	9%	12%	27%	14%	27%
5-mile Radius	12%	13%	15%	25%	13%	22%
Santa Cruz County	14%	15%	14%	25%	12%	21%



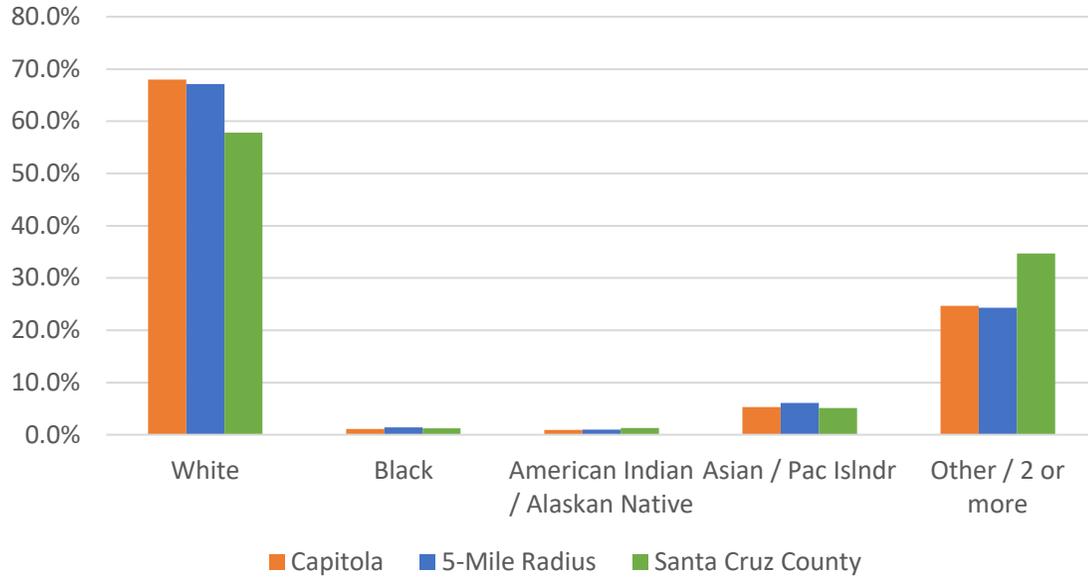
Educational Attainment



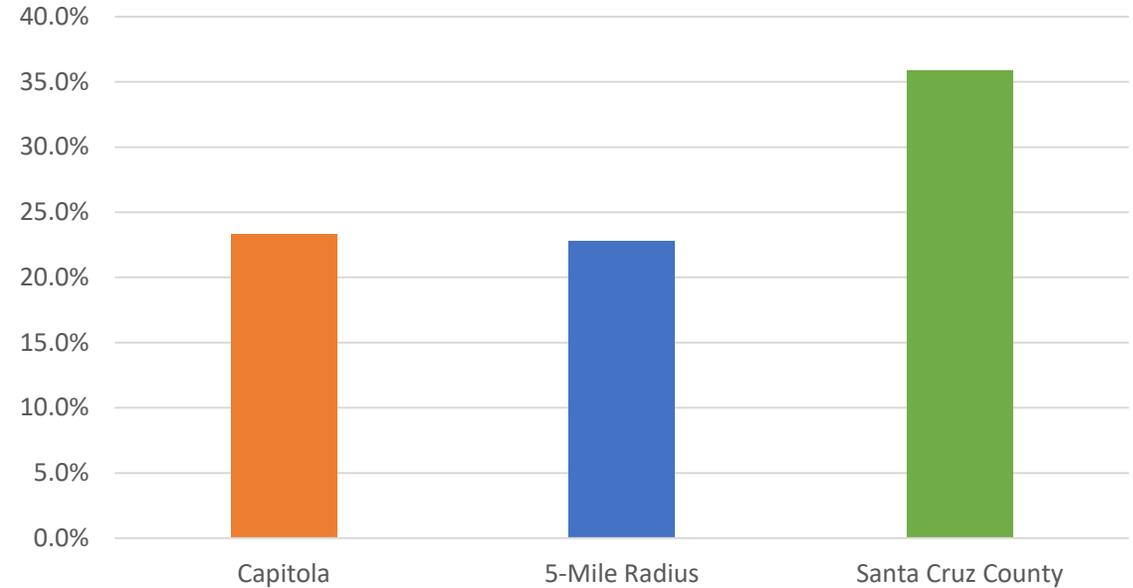
	No HS Degree	HS Degree	Some College	College Grad
Capitola	9%	14%	32%	46%
5-mile Radius	6%	13%	30%	52%
Santa Cruz County	12%	15%	30%	44%

Race & Ethnicity

Race Classification



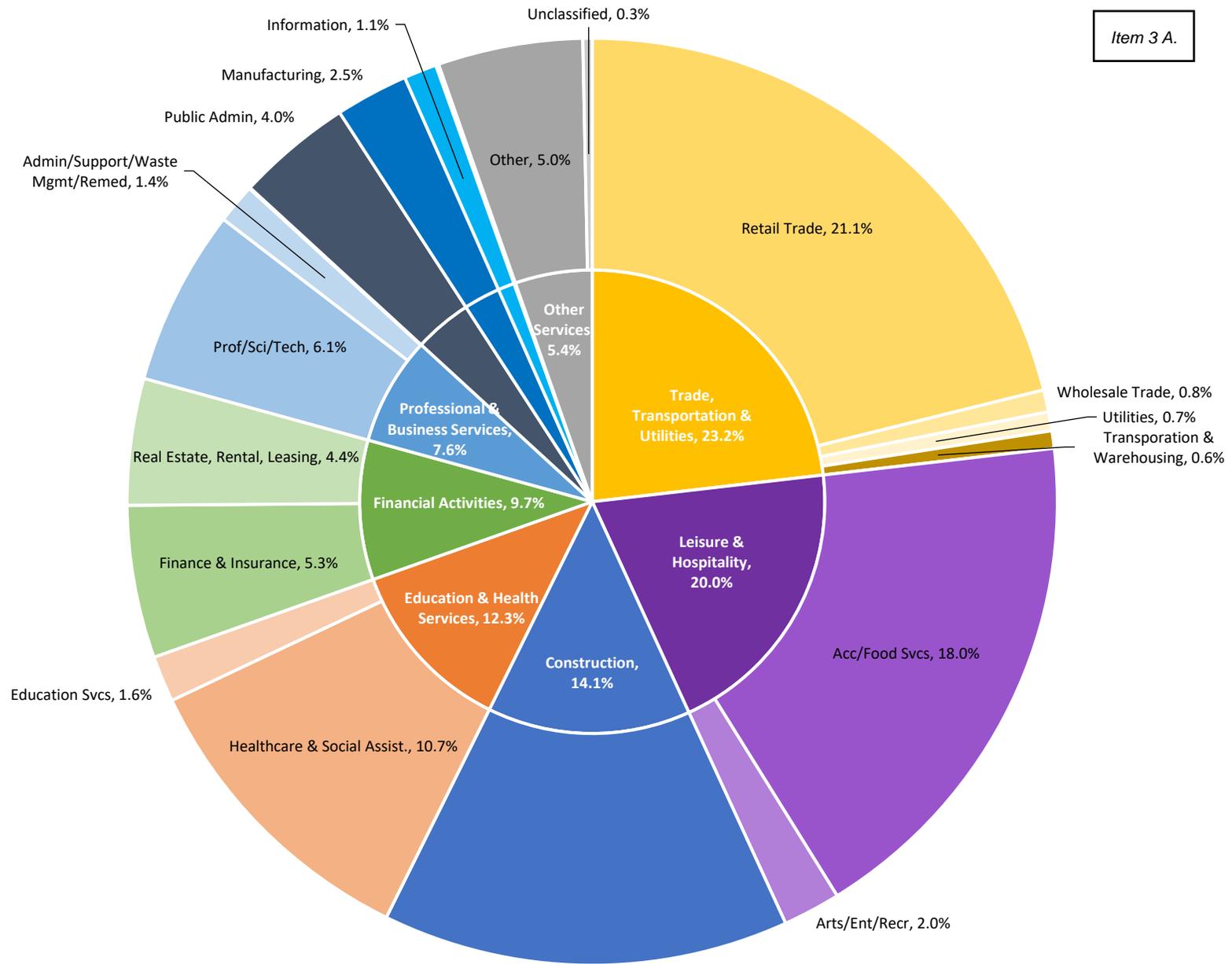
% Hispanic



<i>Race & Ethnicity</i>	White	Black	AIAN	AAPI	Other / 2+	% Hispanic
Capitola	68.0%	1.1%	0.9%	5.3%	24.7%	23.3%
5-mile Radius	67.1%	1.4%	1.0%	6.1%	24.3%	22.8%
Santa Cruz County	57.8%	1.2%	1.3%	5.1%	34.7%	35.9%

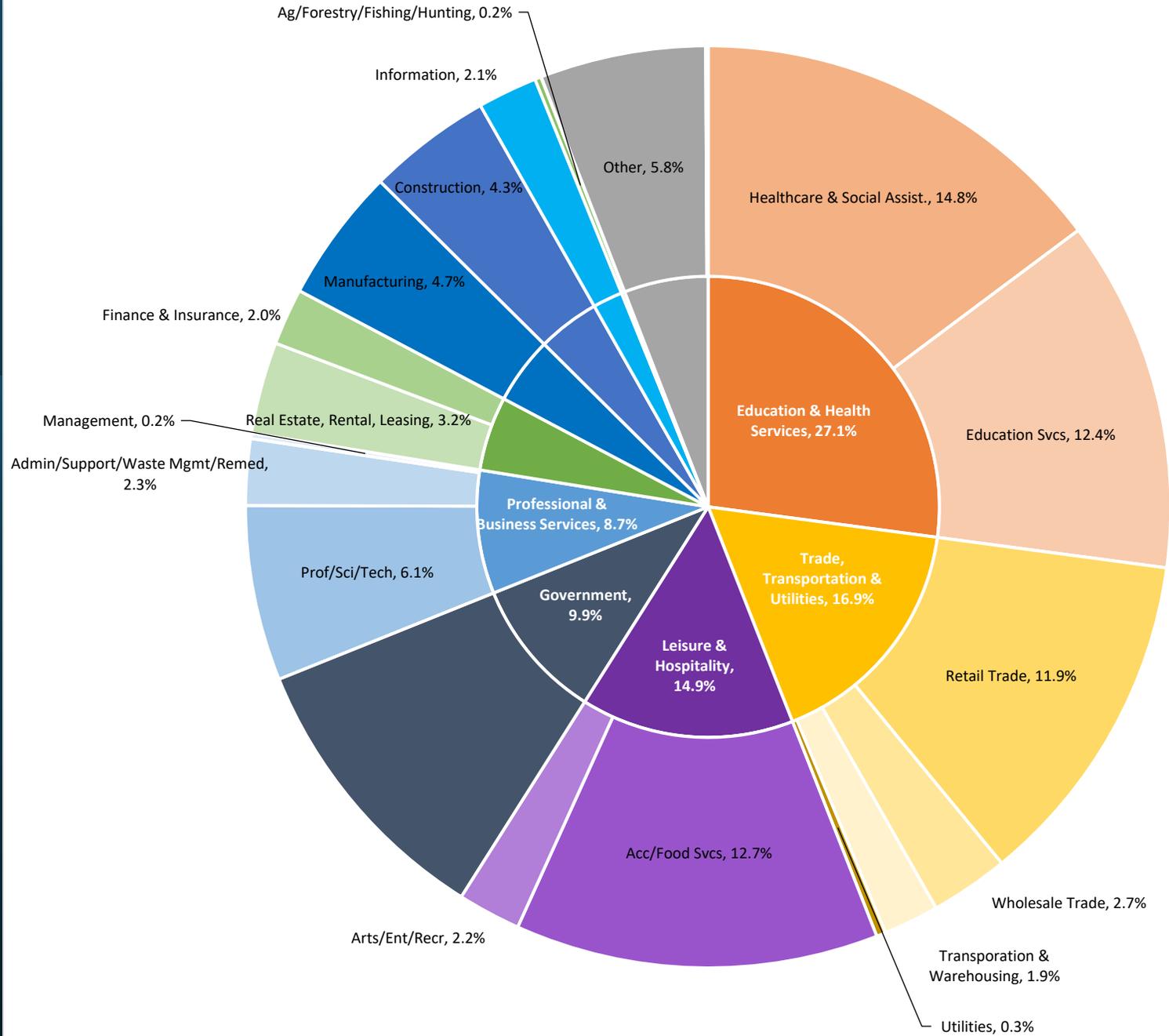


Employment - City

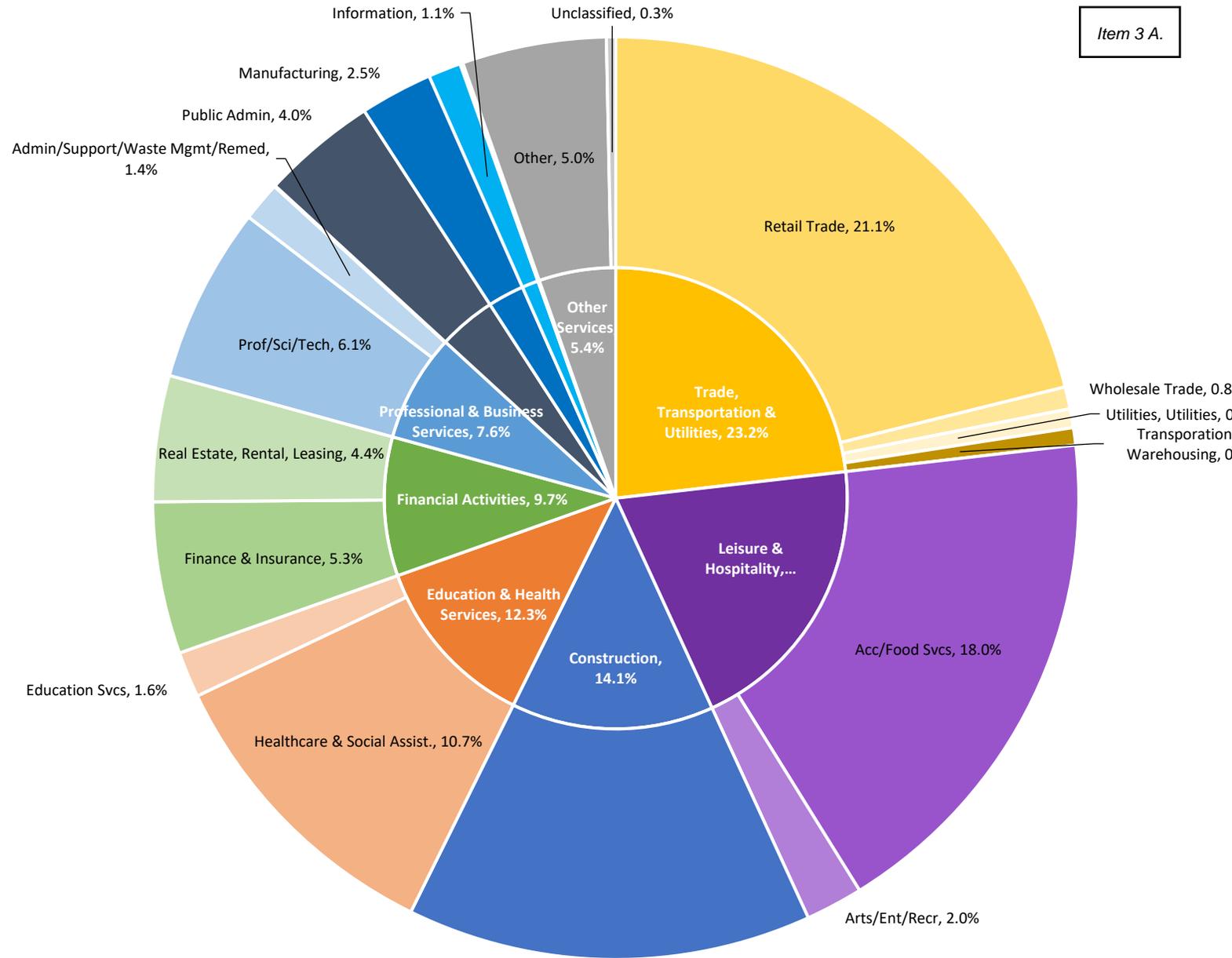


Item 3 A.

Employment - 5-Mile Market Area

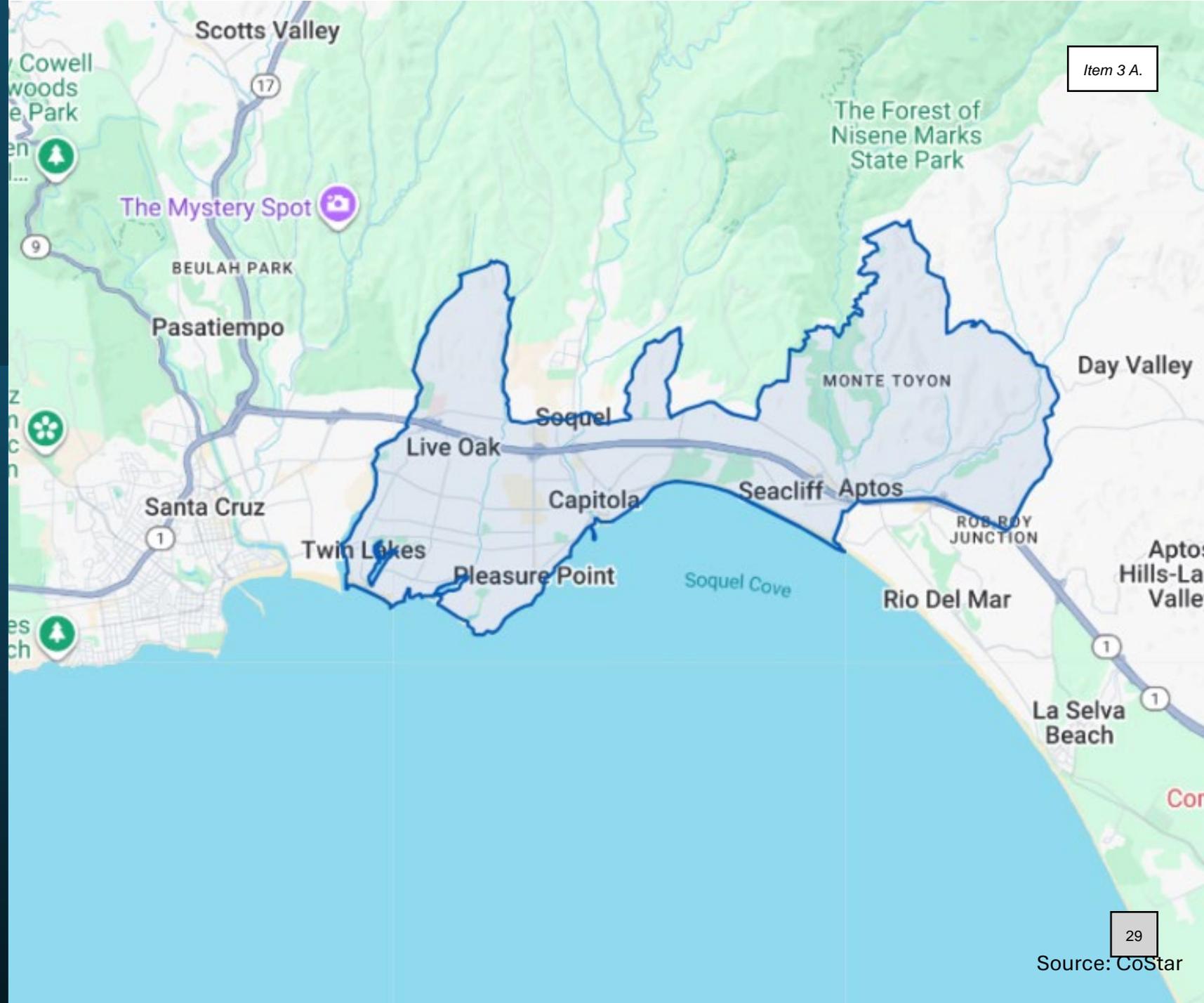


Employment – County



Item 3 A.

Study Area – CoStar Mid-County Retail Submarket



Retail Market - Submarket

Item 3 A.

Mid-County Submarket

<i>Product Type</i>	Total Inventory (sf)	SF Vacant	Vacancy Rate	Net Absorption (sf)	SF Under Construction	Market Rent/mo
Malls	679,068	143,962	21.2%	6,643	-	\$2.35
Power Centers	-	-	-	-	-	-
Neighborhood Centers	697,918	35,594	5.1%	9,757	-	\$2.52
Strip Centers	300,339	4,205	1.4%	(222)	-	\$2.56
General Retail	1,857,854	22,294	1.2%	(7,015)	-	\$2.74
Other	-	-	-	-	-	-
Total	3,535,179	206,055	5.8%	9,163	-	\$2.61



Retail Market - County

Item 3 A.

Santa Cruz County

<i>Product Type</i>	Total Inventory (sf)	SF Vacant	Vacancy Rate	Net Absorption (sf)	SF Under Construction	Market Rent/mo
Malls	679,068	143,962	21.2%	6,643	-	\$2.35
Power Centers	-	-	-	-	-	-
Neighborhood Centers	2,863,945	137,469	4.8%	45,604	4,770	\$2.31
Strip Centers	876,043	24,529	2.8%	(222)	-	\$2.32
General Retail	7,363,229	125,175	1.7%	1,021	-	\$2.22
Other	72,760	11,496	15.8%	-	-	\$2.38
Total	11,855,045	442,632	3.7%	53,046	4,770	\$2.26



Retail Market Inventory

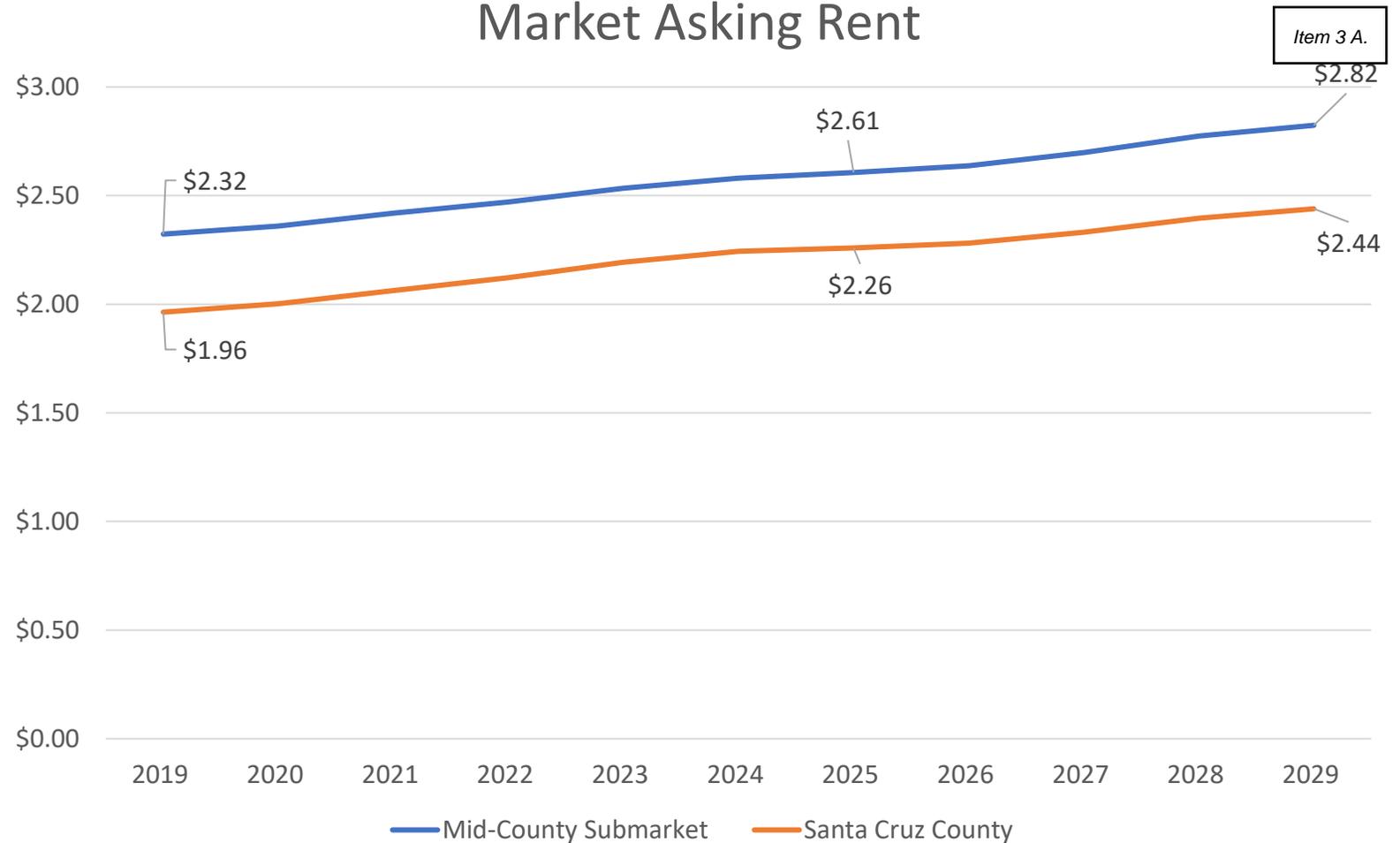
Market Inventory (sf) 2025 YTD

	Capitola	Mid-County	Santa Cruz County
Total Retail SF	1,661,979	3,555,677	11,883,610
Net SF Leased	29,248	50,600	128,514
Net SF Built	-	14,060	29,532
SF Under Construction	-	-	-



Rent Trends

Market Asking Rent



Item 3 A.

Market Asking Rent /sf per Month			
	2019	2025	2029
Mid-County Submarket	\$2.32	\$2.61	\$2.82
Santa Cruz County	\$1.96	\$2.26	\$2.44

Retail Rent Survey

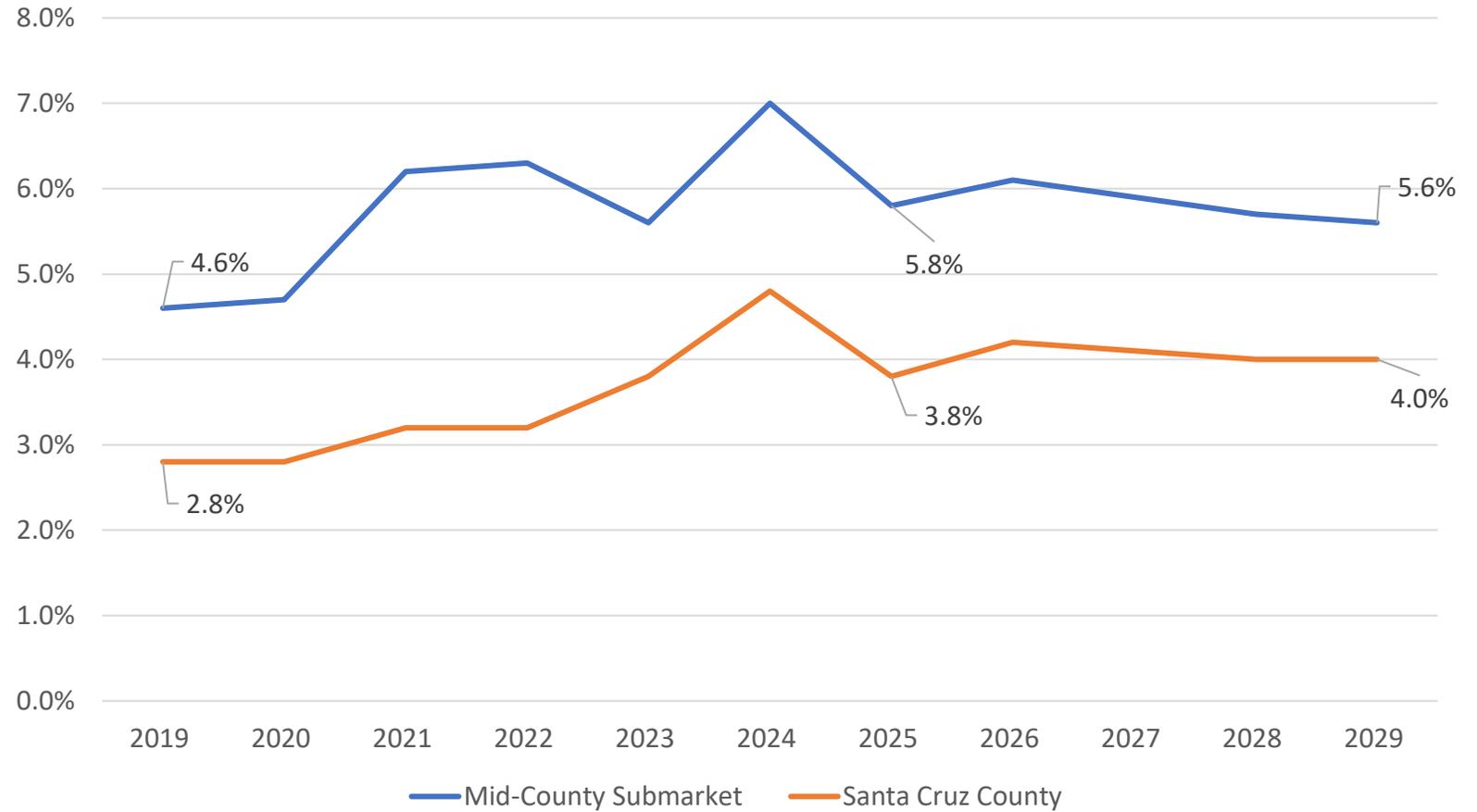
Retail Lease Rates



Retail Vacancy Trends

Retail Vacancy Rate

Item 3 A.



Retail Vacancy Rate			
	2019	2025	2029
Mid-County Submarket	4.6%	5.8%	5.6%
Santa Cruz County	2.8%	3.8%	4.0%

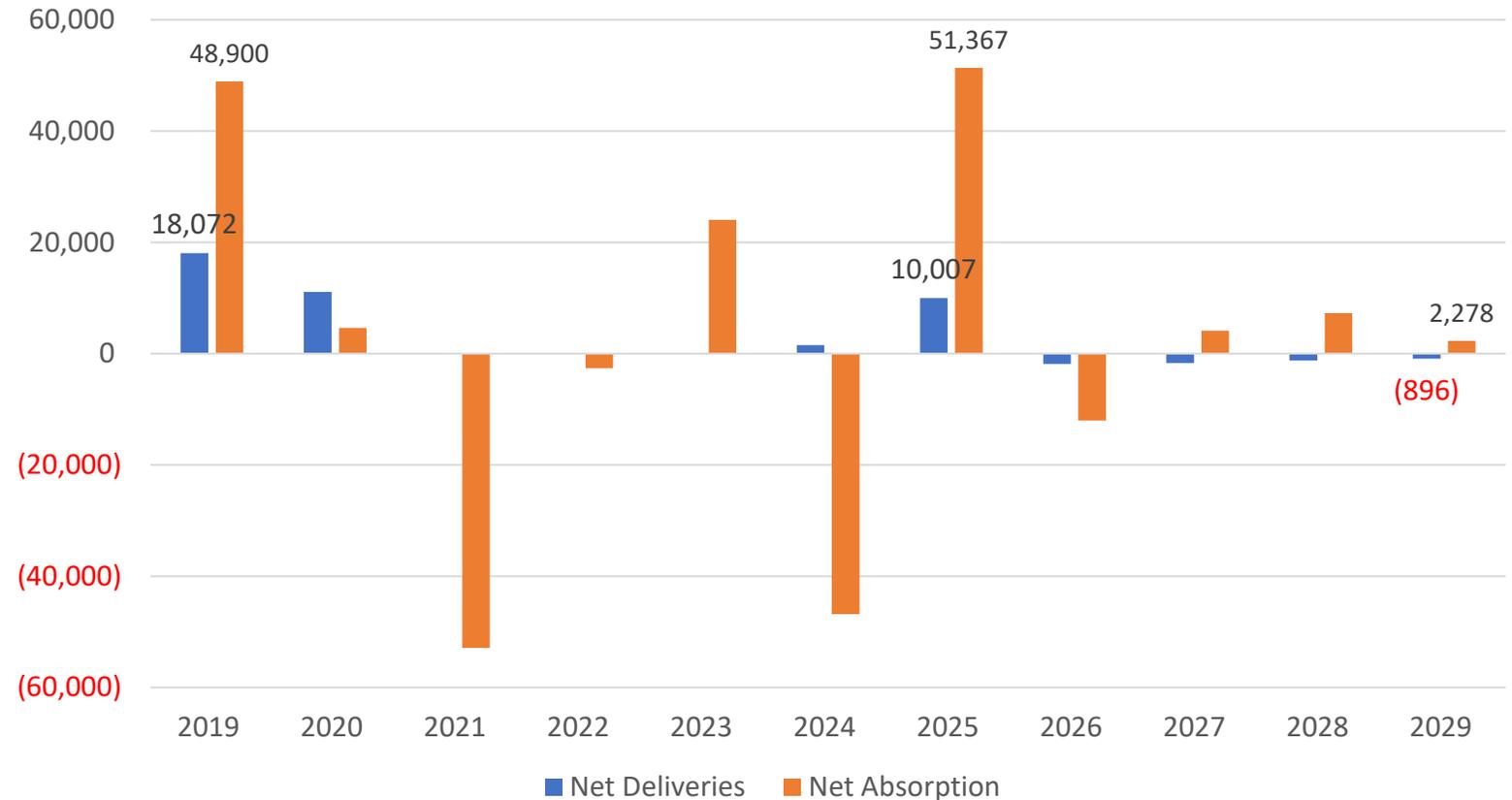


Retail Delivery & Absorption:

Mid-County Submarket

Net SF Delivered & Absorbed

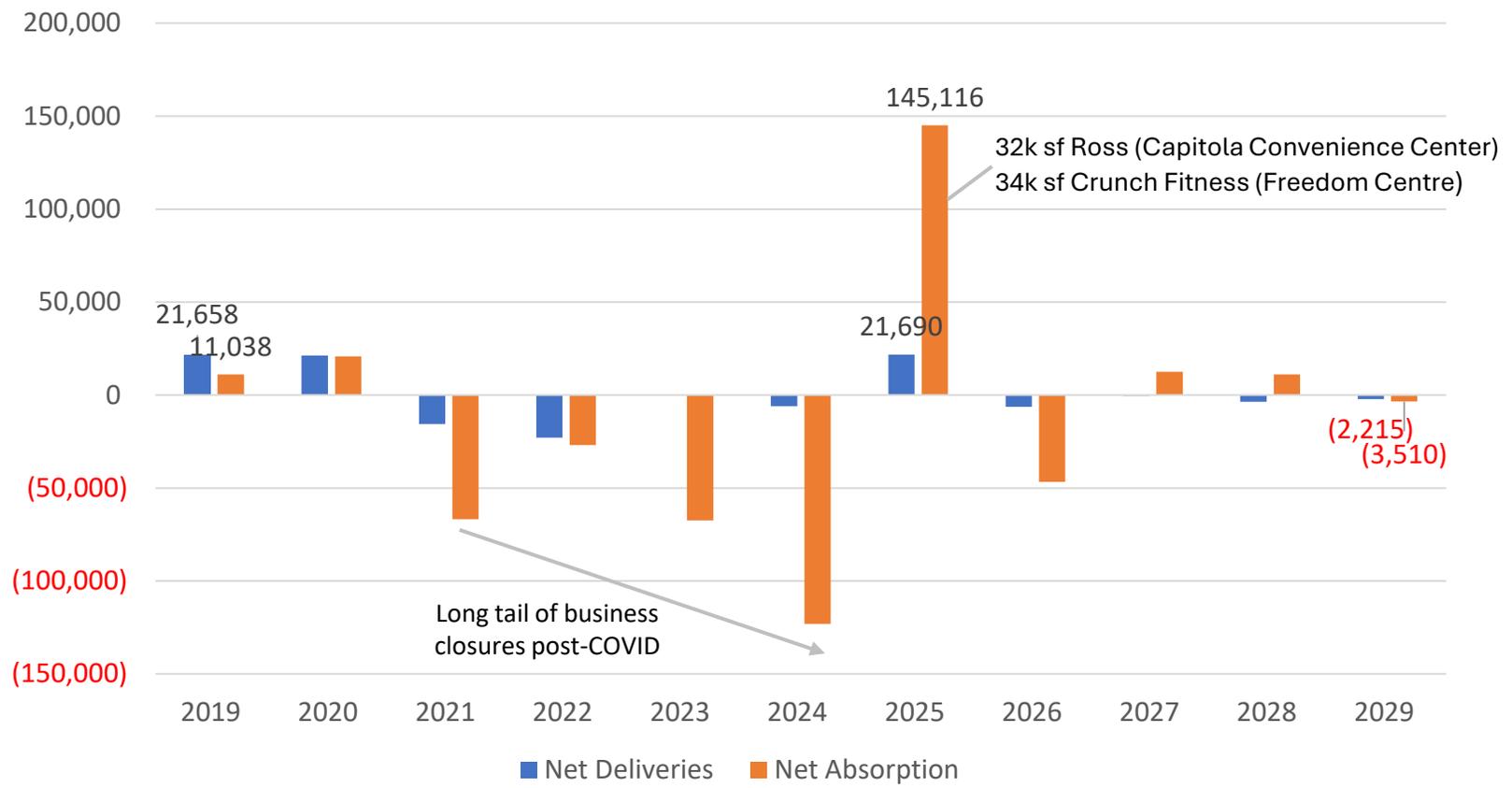
Item 3 A.



Net Retail Delivery & Absorption		
	Net Deliveries (SF Built)	Net Absorption (SF Leased)
2019	18,072	48,900
2025	10,007	51,367
2029	(896)	2,278

Net SF Delivered & Absorbed

Item 3 A.



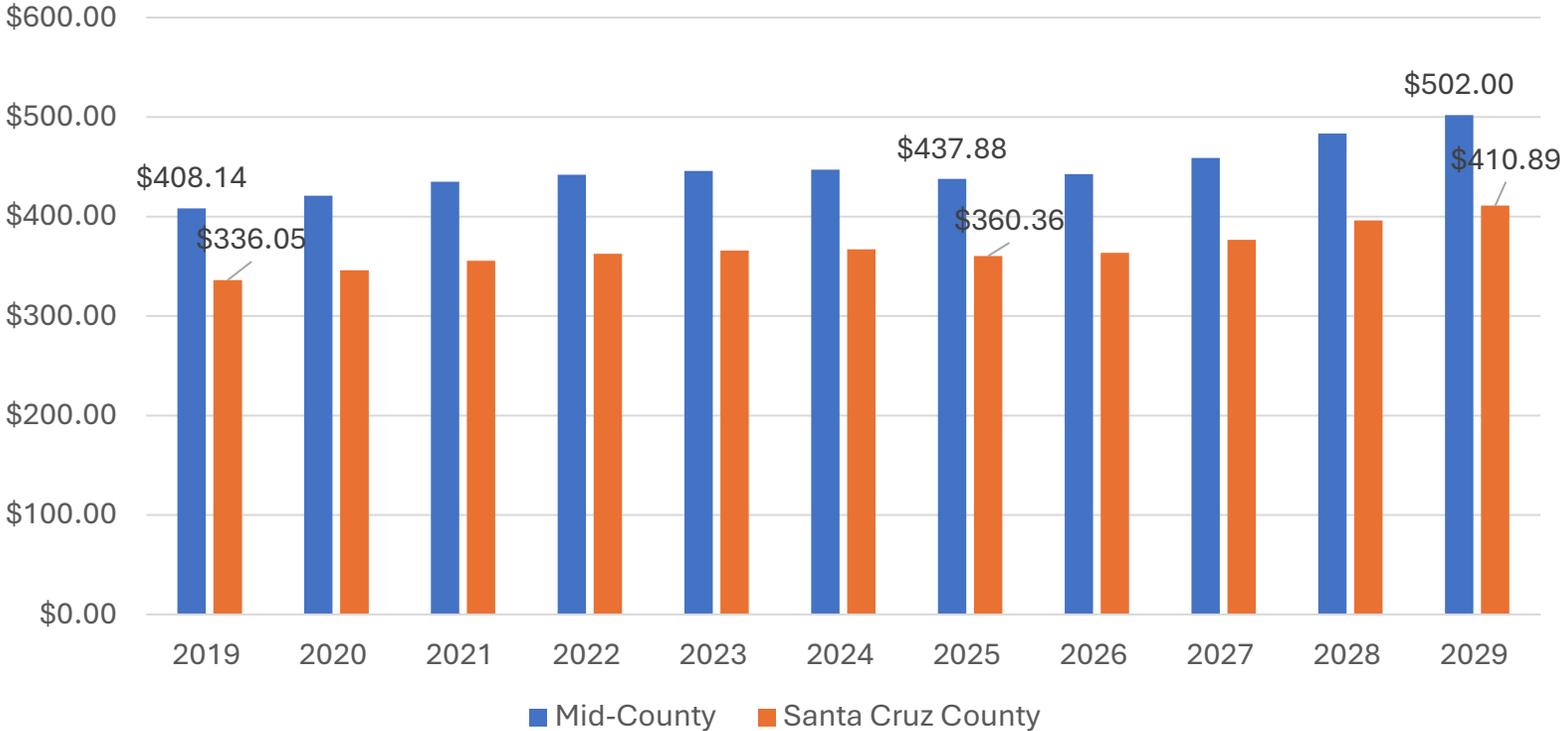
Retail Delivery & Absorption:

Santa Cruz County

Net Retail Delivery & Absorption		
	Net Deliveries (SF Built)	Net Absorption (SF Leased)
2019	21,658	11,038
2025	21,690	145,116
2029	(2,215)	(3,510)

Retail Property Sales Price /sf

Item 3 A.



Retail Property Sales

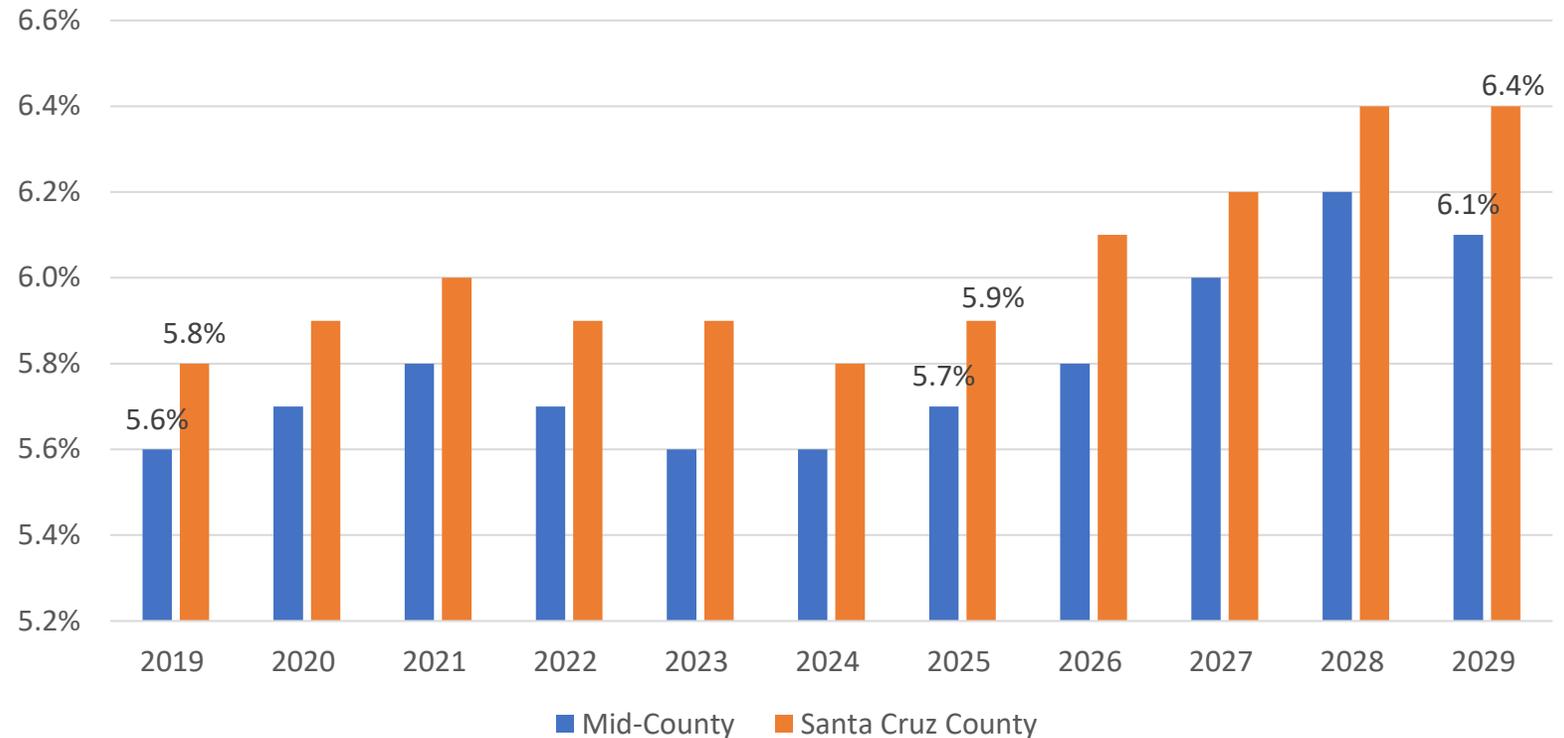
Market Pricing Trends – Retail Property Sales Price (/sf)

	Mid-County Submarket	Santa Cruz County
2019	\$408.14	\$336.05
2025	\$437.88	\$360.36
2029	\$502.00	\$410.89

Retail Property Sales

Capitalization Rate

Item 3 A.



Market Pricing Trends Capitalization Rate

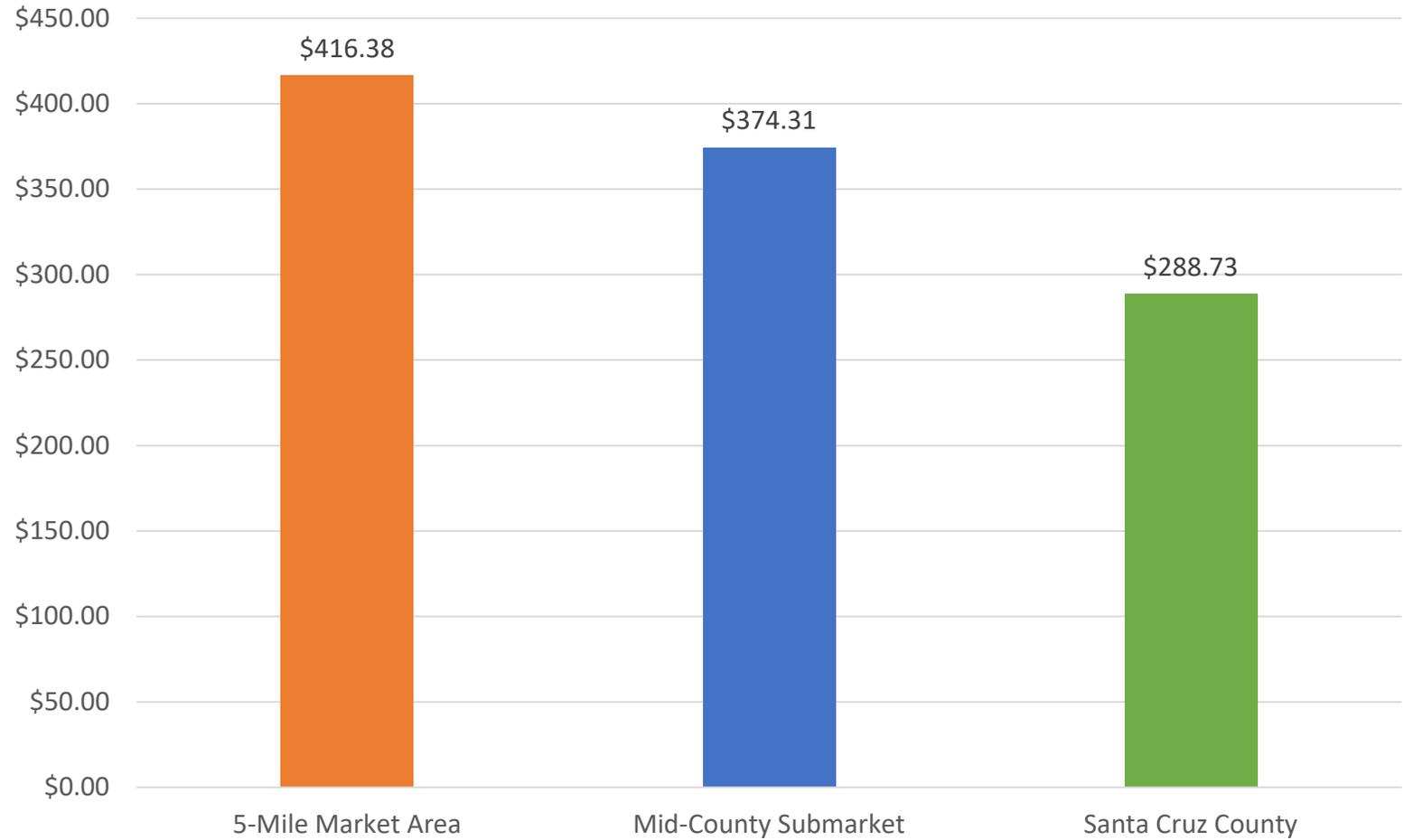
	Mid-County Submarket	Santa Cruz County
2019	5.6%	5.8%
2025	5.7%	5.9%
2029	6.1%	6.4%

Capitalization Rate is the anticipated annual return on investment on an investment property.



Retail Property Sales Survey

Average Retail Property Sales Price /sf



Retail Surplus/ Leakage

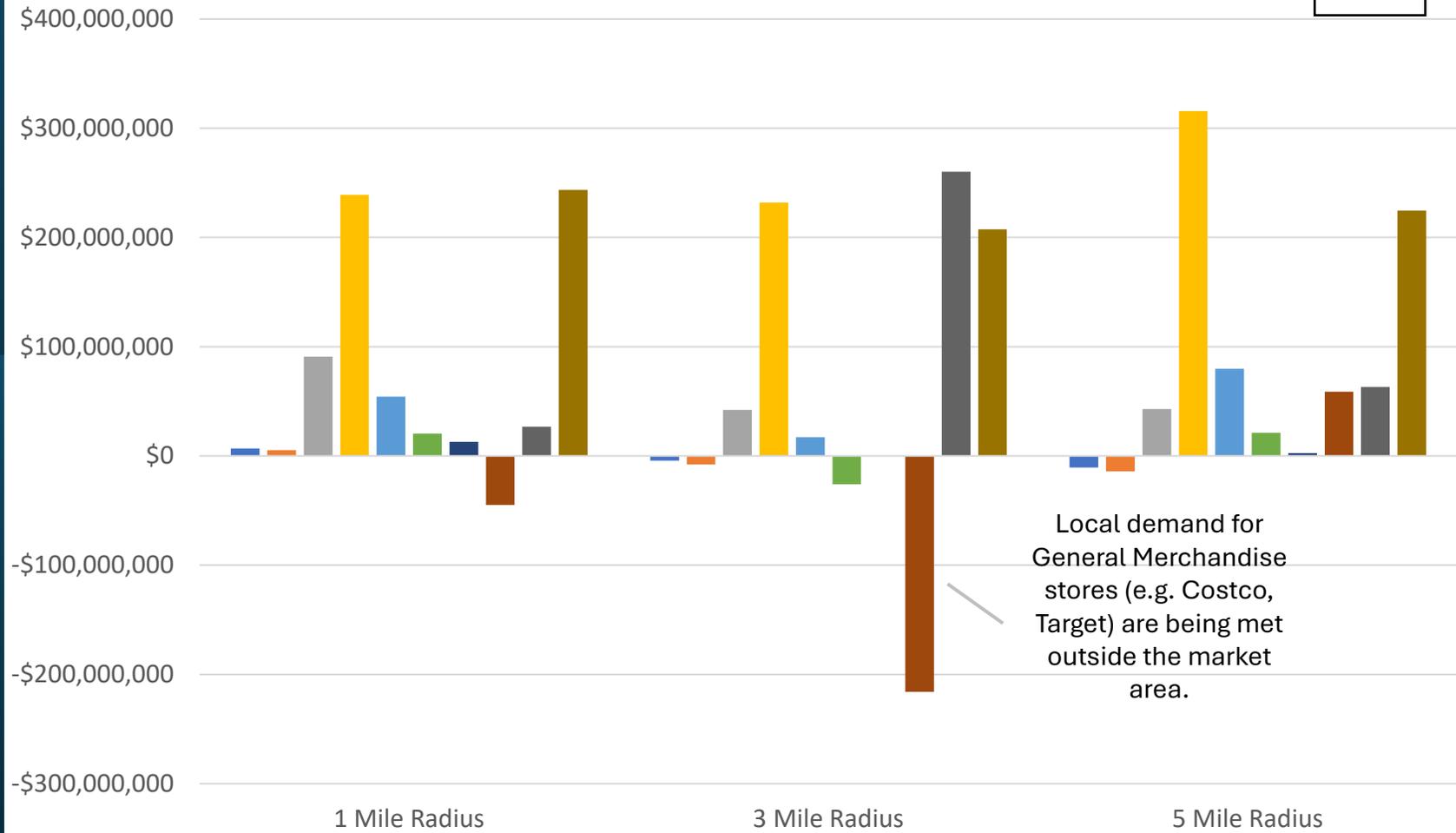
- **Retail Surplus:** Retail sales in an area greater than the anticipated spending by area residents. **Customers are traveling into the area to purchase this good/service.**
- **Retail Leakage:** Retail sales in an area below than the anticipated spending by area residents. **Customers demand is not being met by existing establishments. Demand exists in the area for businesses providing this good/service.**



Retail Surplus/ Leakage

Retail Sales Surplus (+) / Leakage (-)

Item 3 A.



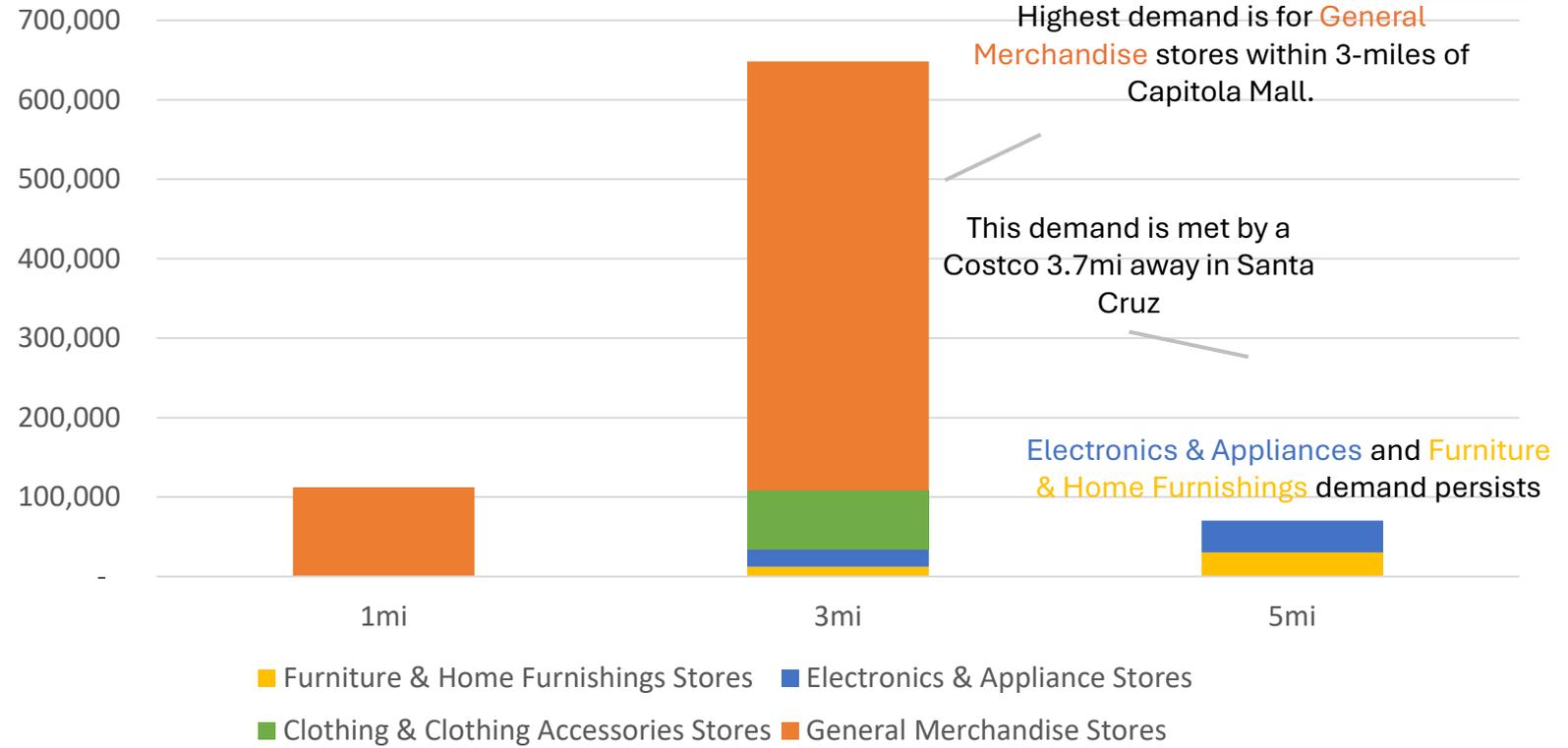
Local demand for General Merchandise stores (e.g. Costco, Target) are being met outside the market area.

- Furniture & Home Furnishings Stores
- Electronics & Appliance Stores
- Bldg Materials, Garden Equip. & Supply Stores
- Food & Beverage Stores
- Health & Personal Care Stores
- Clothing & Clothing Accessories Stores
- Sporting Goods, Hobby, Book & Music Stores
- General Merchandise Stores
- Miscellaneous Store Retailers
- Food Services & Drinking Places

Retail Leakage – Space Demand

Retail Space Demand (sf)

Item 3 A.



Retail Space Demand (sf)

	1mi Radius	3mi Radius	5mi Radius
Furniture & Home Furnishing	-	12,264	30,229
Electronics & Appliances	-	22,179	39,995
Clothing & Accessories	-	73,862	-
General Merchandise	112,468	539,762	-



Broker Perspectives – Market Overview

Item 3 A.

- KMA reached out to over 20 brokers active in the local market area to gain insights into current and future commercial opportunities at the Mall.
- Retail demand is modest Countywide– vacancies are low, but so are rents
- Santa Cruz County is perceived to be a seasonal market, with greater summer sales.
- The Mall is well-situated for redevelopment. 41st Ave is a regional retail destination that draws visitors from across the County.
- Local brokers are skeptical of retail demand at the site.
- Brokers recommended mixed-use development with high residential density and some food service tailored to the site plan



Broker Perspectives – Retail Product

- Market demand greatest for small space
- Unfortunately, small space is financially more challenging to develop
- Limited interest from national and regional tenants for large space.



Broker Perspectives – Tenant Types

- Food service is a highly desirable retail use for the site.
- Development types demonstrating potential include:
 - Small cafes with outdoor seating
 - Indoor/outdoor food hall with live entertainment programming,
 - Quick-serve restaurant.



Broker Perspectives - Challenges

- Mall area and County as a whole have low daytime populations, which can prove challenging.
- Smaller local tenants may not have strong credit.
- Limited national/credit/larger scale retail demand.



Broker Perspectives – Development Patterns

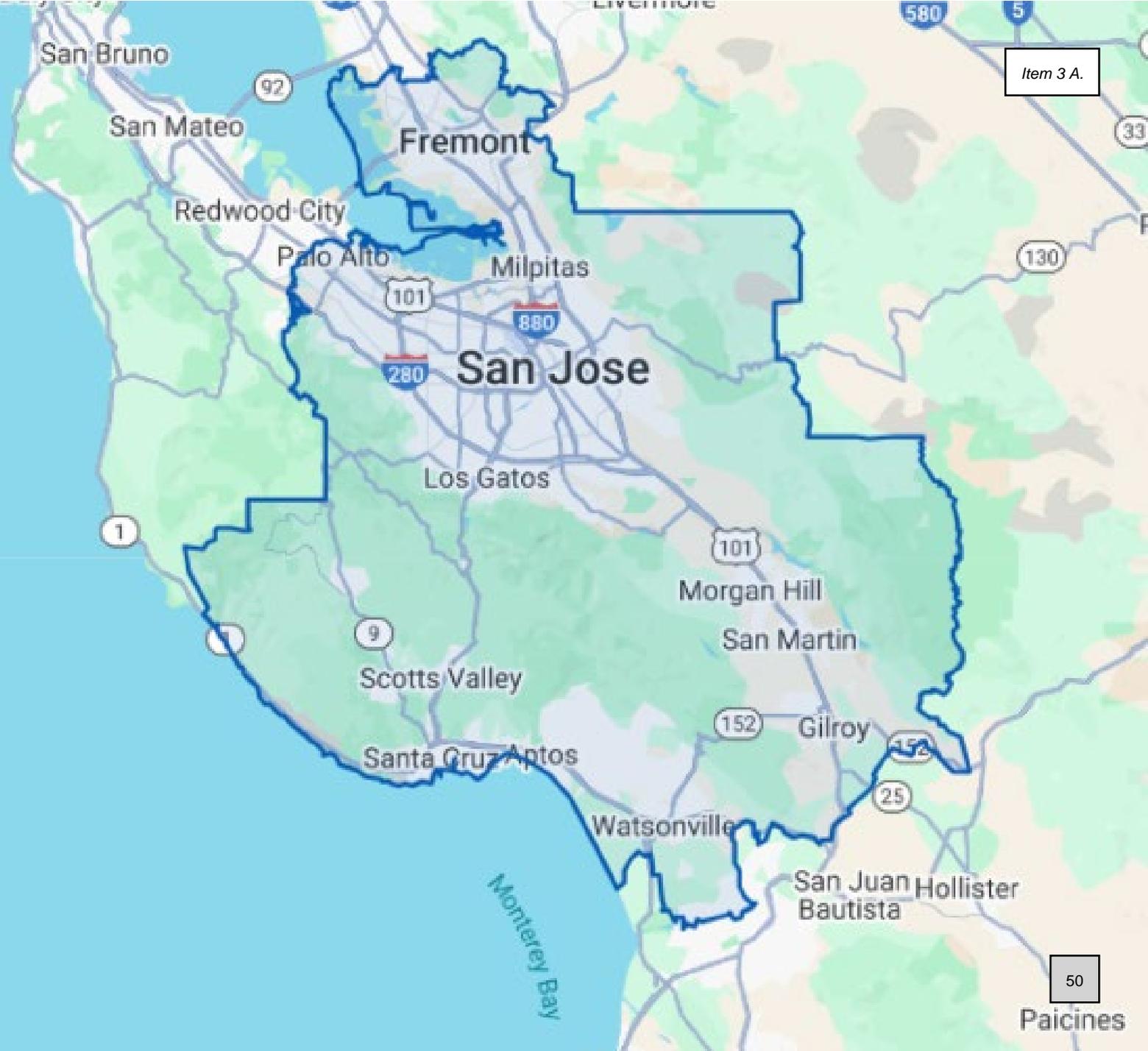
- Hotel – Existing demand. Development would support retail. Likely mid/select service property type.
- Residential – The large number of proposed residential units will support retail at the site and across the region.
- Mixed-Use - Highest and best use for the site, with many brokers citing Santana Row as an example the site could replicate.



Study Area – CoStar Santa Cruz / Scotts Valley Hospitality Submarket

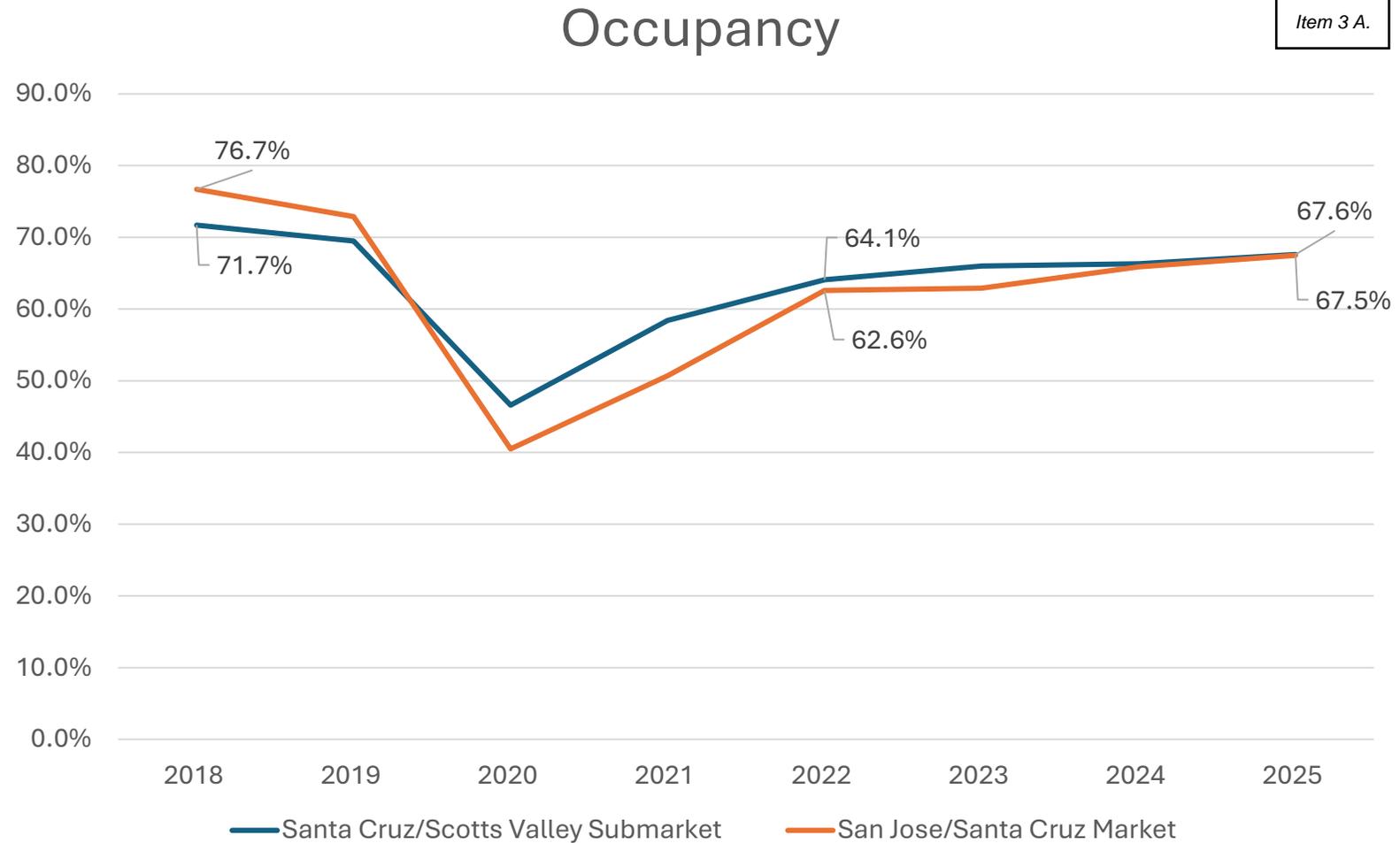


Study Area – CoStar San Jose / Santa Cruz Hospitality Market



Hotel Performance – Occupancy

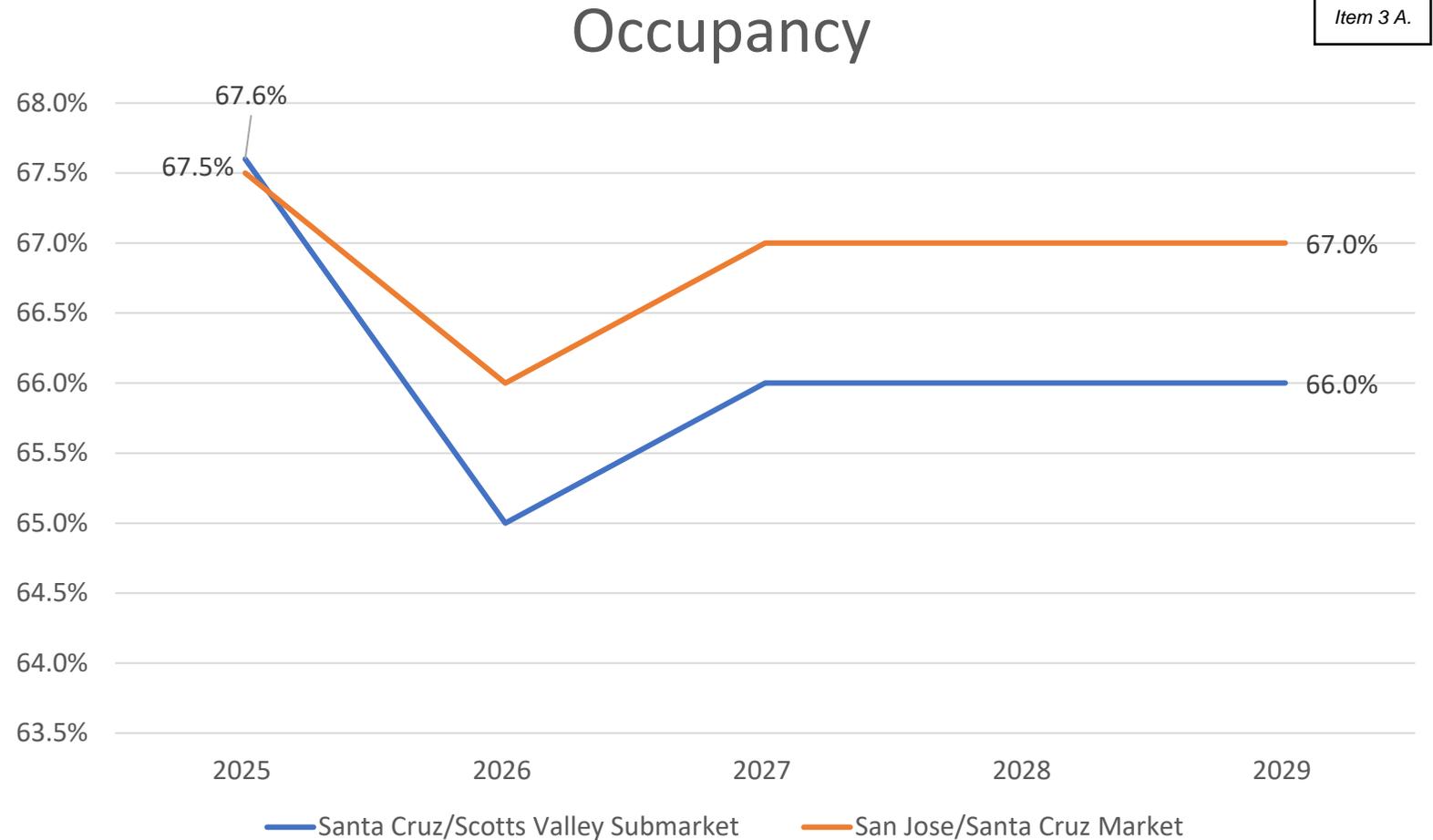
Item 3 A.



Occupancy			
	2018	2022	2025
Santa Cruz/Scotts Valley Submarket	71.7%	64.1%	67.6%
San Jose/Santa Cruz Market	76.7%	62.6%	67.5%

Hotel Performance – Occupancy Projection

Item 3 A.

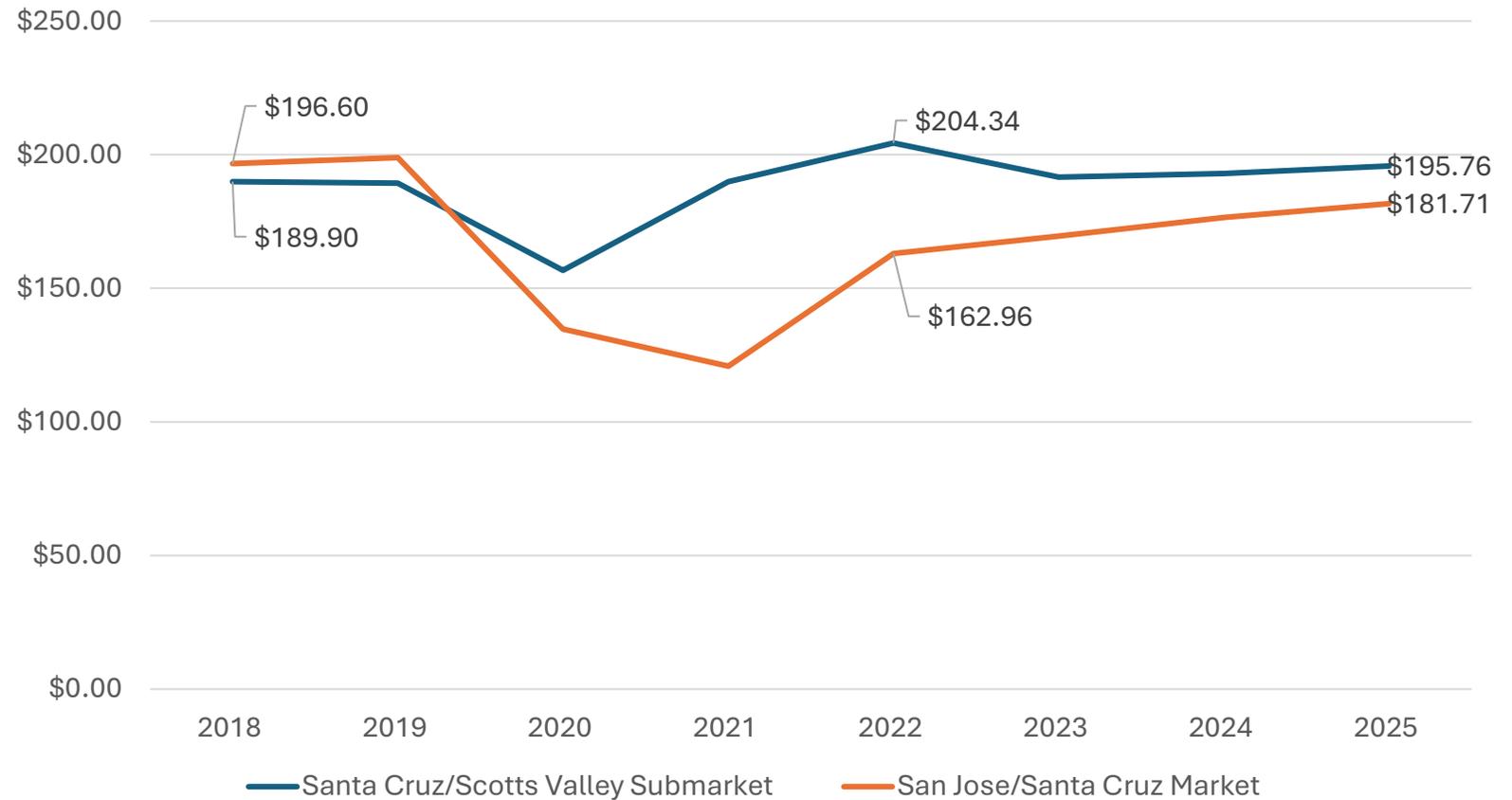


Occupancy		
	2025	2029
Santa Cruz/Scotts Valley Submarket	67.6%	67.0%
San Jose/Santa Cruz Market	67.5%	66.0%

Hotel Performance – ADR

ADR

Item 3 A.



Average Daily Rate (ADR)

	2018	2022	2025
Santa Cruz/Scotts Valley Submarket	\$189.90	\$204.34	\$195.76
San Jose/Santa Cruz Market	\$196.60	\$162.96	\$181.71

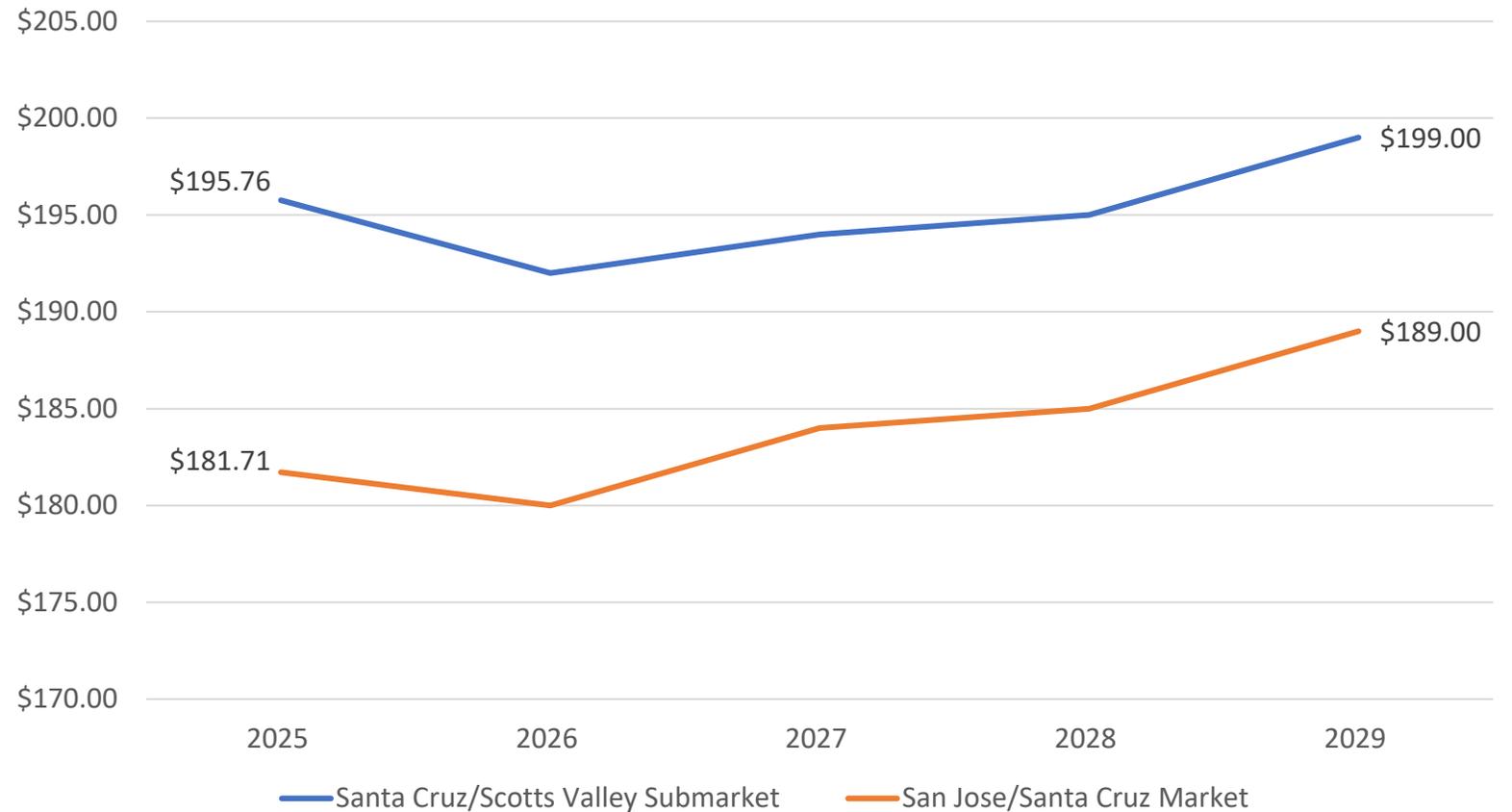
Average Daily Rate (ADR) is the average price guests pay per night for a hotel room.



Hotel Performance – ADR Projection

ADR

Item 3 A.

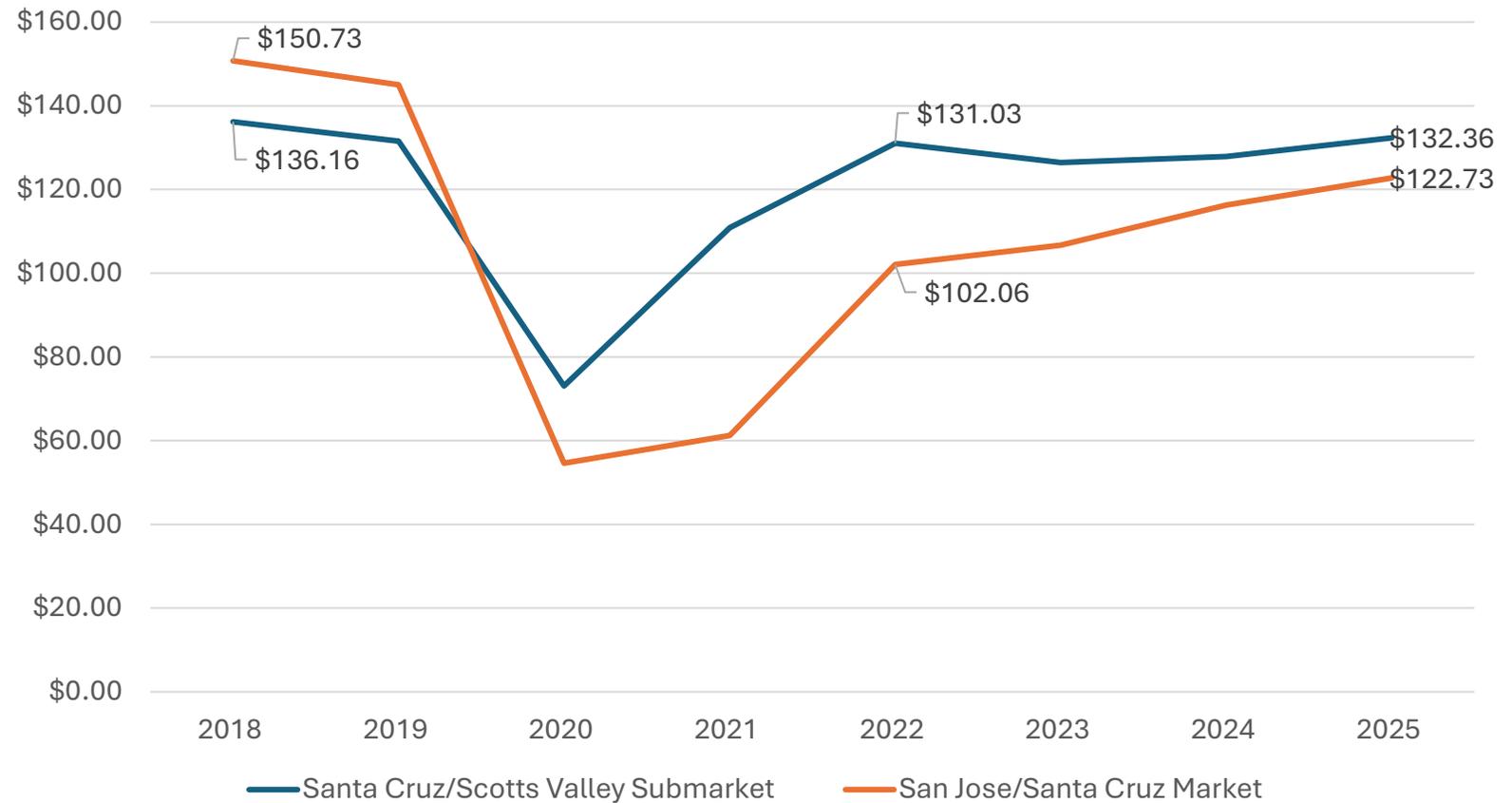


Average Daily Rate (ADR)		
	2025	2029
Santa Cruz/Scotts Valley Submarket	\$195.76	\$199.00
San Jose/Santa Cruz Market	\$181.71	\$189.00

Hotel Performance – RevPAR

RevPAR

Item 3 A.



Revenue Per Available Room (RevPAR)

	2018	2022	2025
Santa Cruz/Scotts Valley Submarket	\$136.16	\$131.03	\$132.36
San Jose/Santa Cruz Market	\$150.73	\$102.06	\$122.73

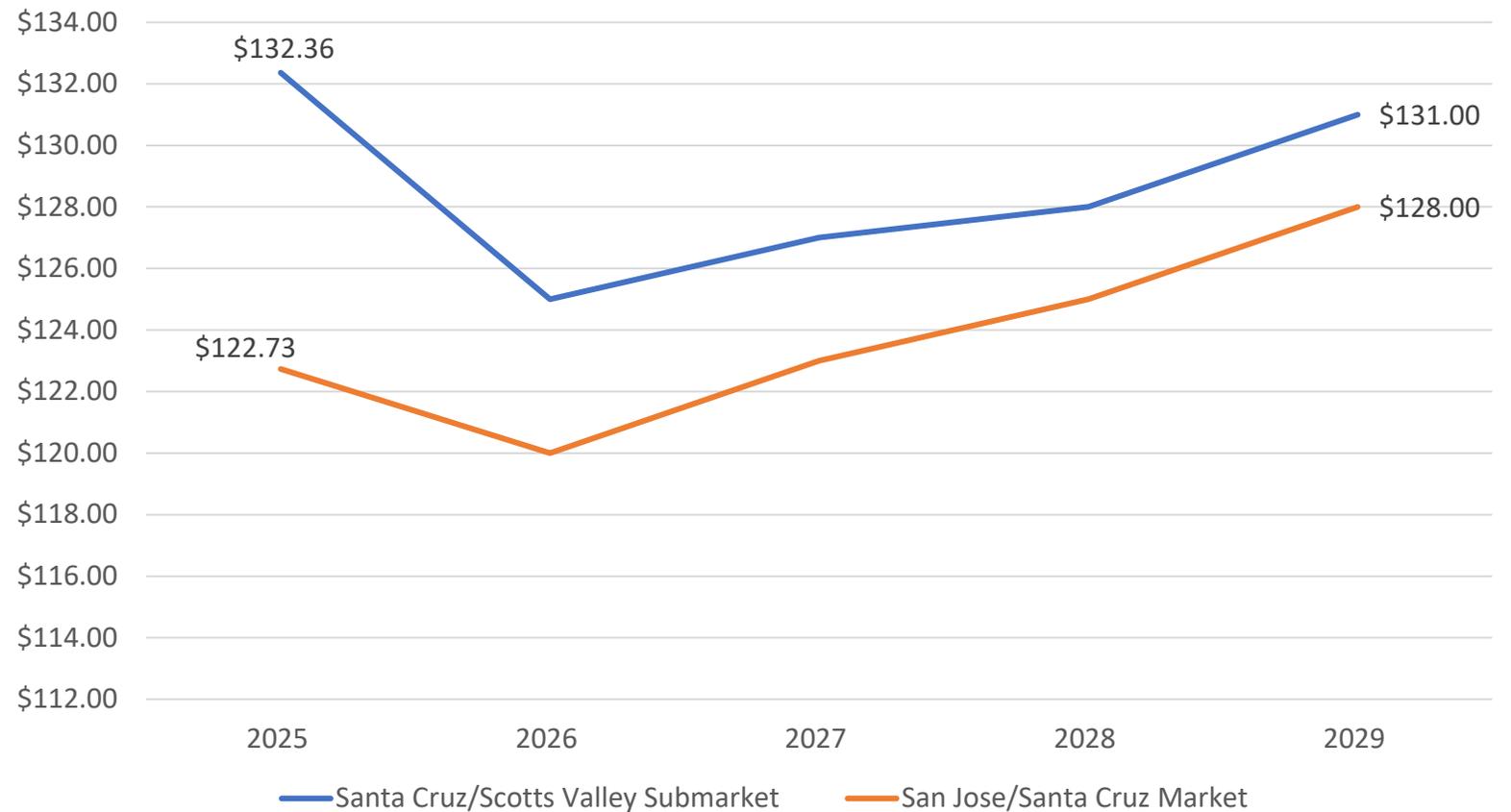
Revenue Per Available Room (RevPAR) is calculated as follows: Average Daily Rate * Occupancy



Hotel Performance – RevPAR Projection

RevPAR

Item 3 A.



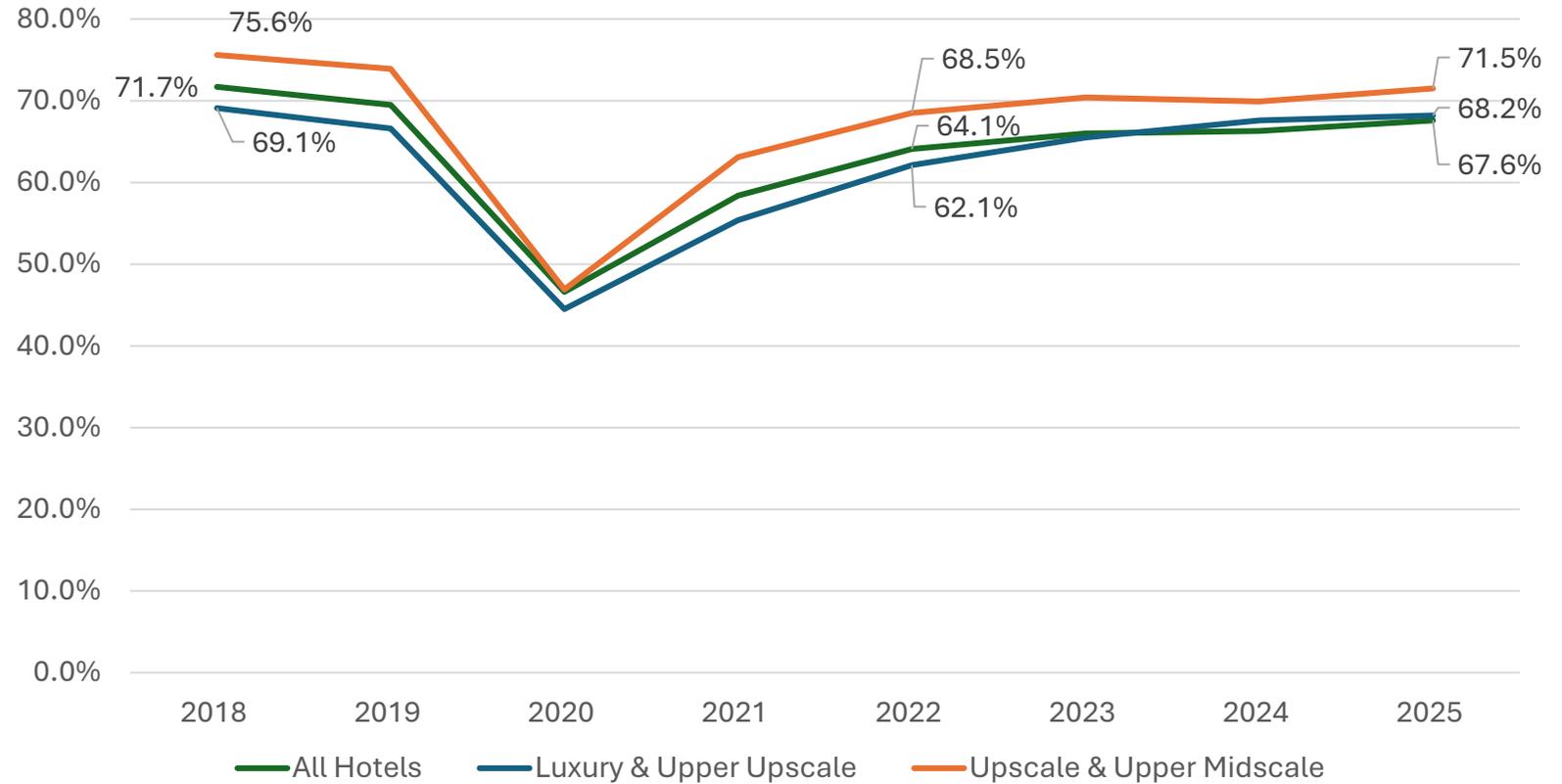
Revenue Per Available Room (RevPAR)		
	2025	2029
Santa Cruz/Scotts Valley Submarket	\$132.36	\$131.00
San Jose/Santa Cruz Market	\$122.73	\$128.00



Hotel Performance – Submarket Occupancy

Submarket Occupancy

Item 3 A.

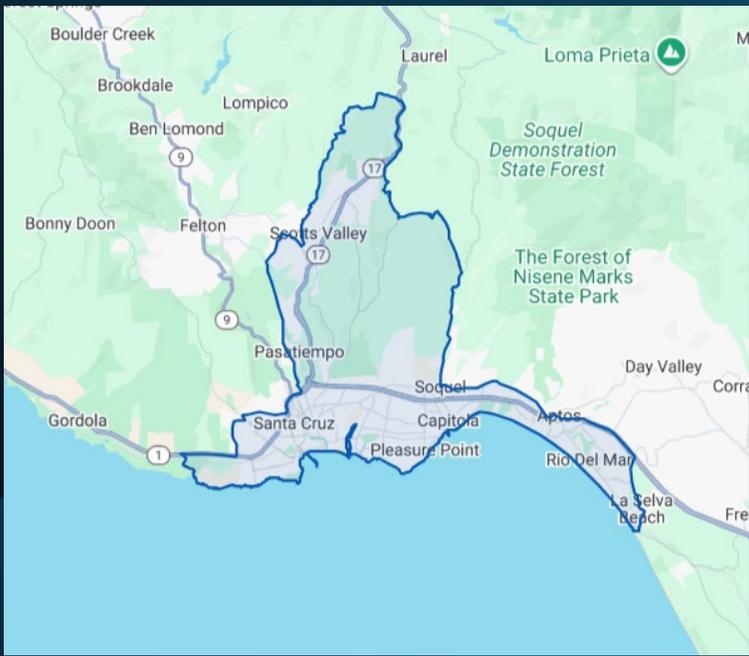


Santa Cruz / Scotts Valley Submarket Occupancy

	2018	2022	2025
All Hotels	71.7%	64.1%	67.6%
Luxury & Upper Upscale Hotels	69.1%	62.1%	68.2%
Upscale & Upper Midscale Hotels	75.6%	68.5%	71.5%

Luxury Hotels: Four Seasons, Ritz Carlton, St. Regis, Chaminade, La Bahia
 Upscale: Marriott, Sheraton, Hilton

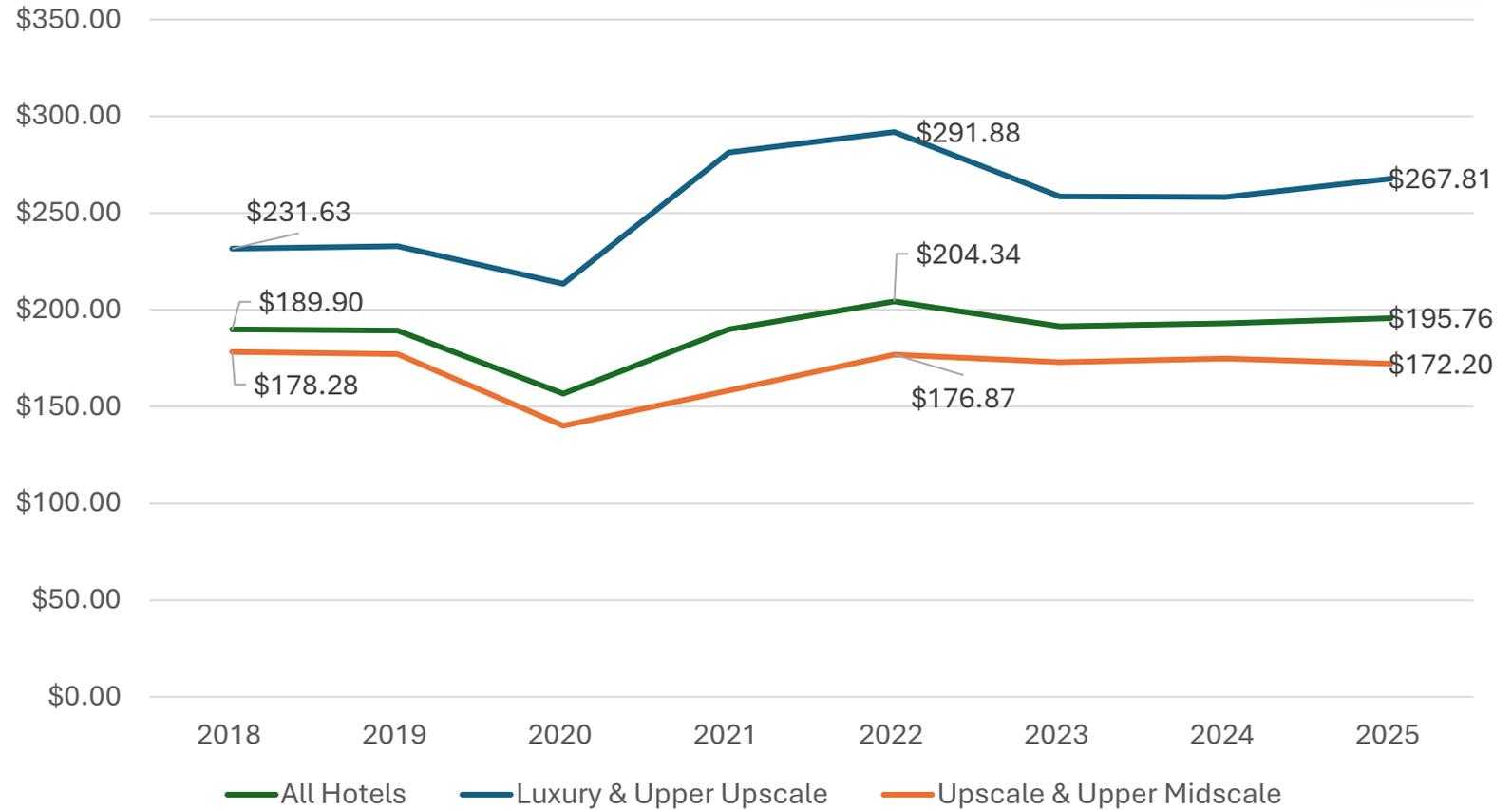
Upper Midscale: Courtyard by Marriott, Fairfield Inn & Suites, Hotel Paradox



Hotel Performance – Submarket ADR

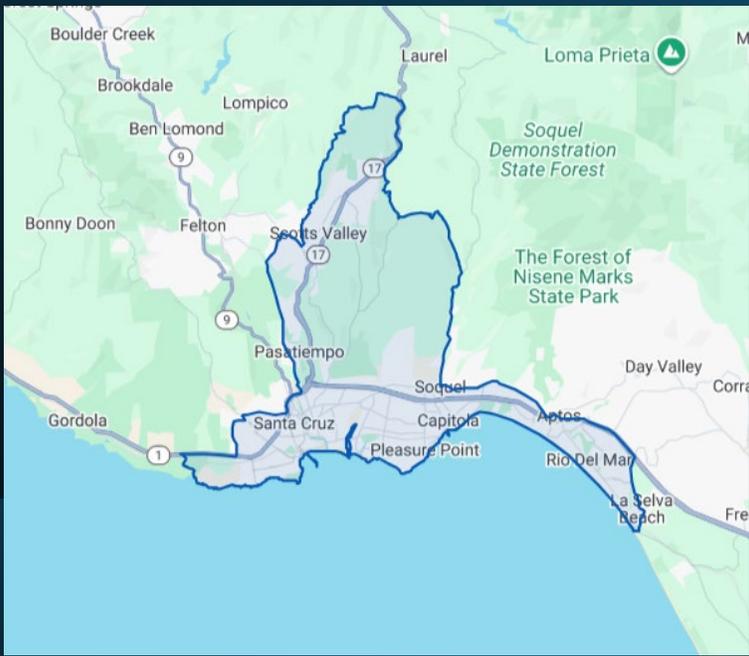
Submarket ADR

Item 3 A.



Santa Cruz / Scotts Valley Submarket ADR

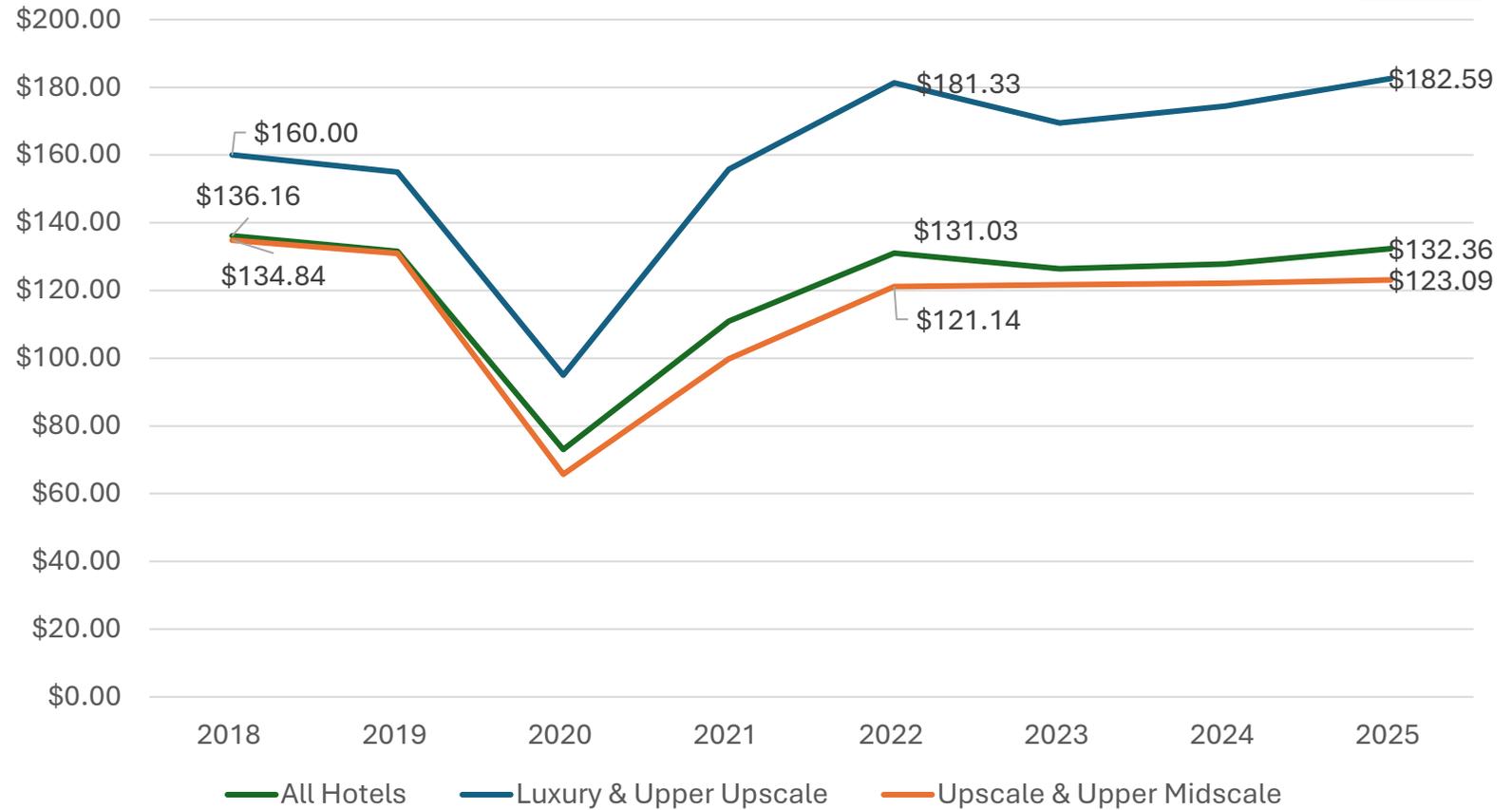
	2018	2022	2025
All Hotels	\$189.90	\$204.34	\$195.76
Luxury & Upper Upscale Hotels	\$231.63	\$291.88	\$267.81
Upscale & Upper Midscale Hotels	\$178.28	\$176.87	\$172.20



Hotel Performance – Submarket RevPAR

Submarket RevPAR

Item 3 A.



Santa Cruz / Scotts Valley Submarket RevPAR

	2018	2022	2025
All Hotels	\$136.16	\$131.03	\$132.36
Luxury & Upper Upscale Hotels	\$160.00	\$181.33	\$182.59
Upscale & Upper Midscale Hotels	\$134.84	\$121.14	\$123.09

Event Space Trends

Item 3 A.

Santa Cruz / Scotts Valley Submarket

	Rooms	Meeting Space (sf)	Meeting Space (sf) /Room
Minimum	54	990	12
Median	128	2,600	23
(Weighted) Average	122	4,027	30
Maximum	178	9,210	72

National

	Meeting Space per Guest Room	Typical Total for a 150-room Hotel
Upper Upscale	50 – 75+ sq. ft	7,500 – 11,000+ sq. ft
Upscale	20 – 40+ sq. ft.	3,000 – 6,000 sq. ft
Upper Midscale	5 – 15 sq. ft	750 – 2,250 sq. ft.



Event Space Trends

- Meeting rooms are generally categorized by capacity, but physical footprint varies based on set-up (theater-style vs. boardroom)
- **Boardroom (8-12 people):** 250 – 400sf
 - *Upscale:* Usually have permanent boardroom tables and high-end AV.
 - *Upper Midscale:* Often a “flex” room with a standard table
- **Small Breakout (20-40 people):** 500 – 800sf
 - Common in both segments for team training or small workshops
- **Large Meeting Room/Junior Ballroom (100-150 people):** 1,500 – 2,500sf
 - Found frequently in *Upscale* hotels. These are often divisible by a “partition” wall



Findings

- Population is projected to contract throughout the region.
- Capitola has high incomes, education levels and median age
- The largest employment sectors include Retail Trade, Accommodation & Food Service, and Construction.



Findings

- Retail vacancy rates are healthy with modest rents in the market area.
- Rents projected to increase 8% over next five years, with vacancy rates remaining stable
- Limited retail market area development with *11,500 SF* of new commercial construction during past 5 years. The market area is projected to see a net loss of 5,700 SF of retail space by 2029.



Findings

- Three-mile retail leakage is primarily General Merchandise (Costco, Marshalls, World Market, etc.).
- Five-mile shows no leakage, indicating greater market is in balance.
- Mall repositioning will likely benefit Target and additional general merchandise on site is challenging.



Findings

- Food Service industry weathered pandemic well and continues to expand.
- Site residential will enhance demand for Food Service (i.e. restaurants) and Food & Beverage (i.e. grocery stores)
- Quantitative analysis and broker feedback indicates challenging retail environment.



Findings

- Opportunities likely limited to smaller tenants, primarily food & beverage
- Modest amount of new retail demand for site reflecting current and future market conditions.
- Retail demand likely ranges from 25,000 – 35,000 SF. Only 11,500 SF was delivered over the past 5 years.
- Financial feasibility will be challenging due to modest rents, non-credit tenants and smaller spaces



Findings

- Average occupancy of higher quality hotels (Upper Midscale+) in submarket approaches 70%
- Average ADR of higher quality hotels exceeds \$200 per night with a \$145 RevPAR
- Modest amount of meeting space in local hotels.



Findings

- Without a brand or operator, hotel performance is difficult to project.
- Assuming a strong operator and brand, a hotel on Site could hypothetically exceed market average
- Hypothetical performance assuming a 10% - 20% premium over the market area average would suggest a RevPAR of \$165 to \$180 per key with 25 – 30 SF of meeting space per key
- Meeting space in hotels likely range from 25-30 SF per key, indicating up to 2,550 SF for an 85 room hotel and 3,900 SF for a 130 room hotel

Item 3 A.





Capitola Mall Zoning Changes

From Terre Thomas <terra12@cruzio.com>

Date Sat 3/14/2026 12:03 PM

To City Council <citycouncil@ci.capitola.ca.us>

Dear Council Members,
I'm sorry for the late submittal of my comments, but I did not receive the meeting notice until Thursday.

My concerns are as follows:

- 1) Height restrictions on the perimeter streets of 41st Avenue and Capitola Road should be five stories maximum as shown in the agenda packet on pages 73 and 181, especially since an additional 10 feet in height will be allowed for mechanical equipment on buildings. That even seems exceedingly tall for such a small town. Consequently, building height for Tier 2 should remain at 65 feet inclusive.
- 2) Please remove the Public Open Space on rooftops. It will be hard to access, unpatrollable, and a problem due to not knowing what may go on up there. See page 129 regarding Publically Accessible Open Space 17.57.050 B. 2. b. (2)
- 3) Affordable Housing should be built when the Mall is redeveloped, not as land dedication, and not be exempt from Project Phasing, as shown on Page 115.
- 4) Will the maintenance of landscaping and open space be the responsibility of the City?
If so, is that included in the fiscal impact for the City?

Thank you for taking these issues into consideration on such short notice.

Terre Thomas, resident of 53 years.

Sent from my iPhone



1700 units

From Barbara Sunday <bbsunman@gmail.com>

Date Sat 3/14/2026 6:38 PM

To City Council <citycouncil@ci.capitola.ca.us>

I am a 75 year old and its very dificult to get health care. Not enogh doctors. Your proposal will cause seniors to die. Killing seniors to house immigrants and whoever is wrong. Build clinics and schools first.



Capitola Mall Development Input

From Suzanne Cochran <smb.cochran@gmail.com>

Date Sun 3/15/2026 8:20 AM

To City Council <citycouncil@ci.capitola.ca.us>

Dear Council Members,

Please include tax revenue for any future development of the Capitola Mall. Additional housing is important but so is tax revenue to support the additional housing cost to the city of Capitola. I support a hotel, retail and housing on a smaller scale than Santana Row, a scale that would fit our community.

Regards,

Suzanne Cochran

A full time resident and home owner in Capitola.



[PDF] MGP 3.14.26 Comment Letter

From Jamas Gwilliam <jgwilliam@merlonegeier.com>

Date Sun 3/15/2026 3:19 PM

To Herlihy, Katie (kherlihy@ci.capitola.ca.us) <kherlihy@ci.capitola.ca.us>

Cc City Council <citycouncil@ci.capitola.ca.us>

 2 attachments (228 KB)

Outlook-xkmdk0fs; Capitola Comment Letter-MGP 3.14.26.pdf;

Katie,

Please find attached a follow up comment letter based on the staff report for Monday's meeting.

See you tomorrow.

Jamas Gwilliam
Managing Director

MerloneGeier
Partners

4365 Executive Drive
Suite 1400
San Diego, CA 92121

Tel: 858 / 259 / 9909

www.MerloneGeier.com

March 14, 2026

BY ELECTRONIC MAIL

Katie Herlihy
Community and Economic Development Director
City of Capitola
420 Capitola Ave
Capitola, CA 95010

kherlihy@ci.capitola.ca.us

**Re: Proposed General Plan and Zoning Code Amendments Relating to Capitola Mall;
March 16, 2026 Special Meeting of the Capitola City Council**

Dear Ms. Herlihy:

On behalf of Merlone Geier Partners (MGP), we would like to thank City staff for their professional and collaborative approach during this process. We appreciate that many of our technical recommendations have been incorporated into the revised Staff Report and Zoning Code Amendments, including the inclusion of street rights-of-way and public easements in density calculations, the clarification of a site-wide deviation process, and the reduction of the perimeter zone to 75 feet along 41st Avenue and Capitola Road. These changes significantly improve the technical feasibility of redeveloping the Mall site.

However, as the Council considers the "pending direction" for Tier 2 and Tier 3 development minimums, we urge you to adopt the thresholds recommended in our March 11th letter, which are directly supported by the Keyser Marsten Associates (KMA) January 2026 analysis. We also wish to address several points raised in recent public comment letters to ensure the final code remains a viable tool for redevelopment.

1. Market-Responsive Development Thresholds

To ensure the Tier 2 incentive structure is usable, requirements must align with current market demand as identified in the KMA report and provide necessary design flexibility:

- **Hotel Keys and Meeting Space:** KMA's findings suggest that 85 keys represent a feasible minimum consistent with an Upper-Midscale hotel, which typically supports approximately 2,550 square feet of meeting space. Tying Tier 2 to an "Upscale" prototype (120+ rooms and 4,000+ sf of meeting space) jeopardizes the incentive structure because market demand for that level of service is not guaranteed at this location. We also think that staff's recommendation to base the meeting space on 25-30 sf per hotel room is reasonable given the number of hotel rooms is yet to be determined.
- **Commercial Retail & Fiscal Balance:** While some public comments express concern about reducing the Mall's retail footprint, the KMA analysis concludes that supportable demand for *new* specialty retail is specifically in the 25,000–35,000 square foot range.

Setting retail minimums higher than what the market can support would lead to empty storefronts rather than fiscal stability.

- **Building Height and Perimeter Zone:** We appreciate the staff recommendation to reduce the perimeter zone width to 75 feet. However, as noted in our March 11th recommendation table, we urge the Council to permit a building height of 75 feet within this 75-foot perimeter zone for Tier 2 and Tier 3 projects. This adjustment is critical for achieving the density goals of the mixed-use tiers while maintaining a high-quality urban design. There is no basis or justification for the 65' maximum within that 75' perimeter zone setback, especially under a Tier 2 or Tier 3 project that is required to deliver on the hotel, open space, affordable housing and commercial minimum requirements that are going to reduce the amount of buildable land area for market rate housing. Placing this unsubstantiated minimum may have unintended consequences of disincentivizing the Tier 2 or Tier 3 alternatives.
- **Commercial Ground Floor Height Minimums:** We would ask that the City Council reference our March 12, 2026 letter and associated exhibits demonstrating a 14' floor-to-ceiling height along with our ongoing concerns with requiring any minimum greater than that dimension. Simply changing the reference from floor-to-floor to floor-to-ceiling does not adequately address this seemingly minor issue that can have major implications.

2. Addressing Community Feedback and Project Feasibility

We have reviewed the public comment letters and offer the following developer perspectives:

- **Hotel Permitting (Conditional Use Permit vs. Permitted by Right):** Commenters have urged the City to maintain a CUP requirement for hotels. However, the "permitted by right" status in Tiers 2 and 3 is a critical incentive necessary to offset the high costs and risks of hospitality development, especially given the new deed restriction requirement for phasing. Adding discretionary uncertainty could disincentivize a hotel project from proceeding, resulting in zero new hotel tax (TOT) revenue.
- **Unit Mix and Mandates:** We strongly support the Staff Report's position against resident-proposed mandates for specific unit mixes (e.g., 25% 2-bedroom) or minimum average unit sizes. Such rigid standards reduce development flexibility, increase construction costs, and conflict with Housing Element goals to facilitate production. The unit mix and unit sizes (along with amenity space, parking ratios, etc.) will all be vetted during the project design development and building permit phases which will play out over multiple phases. Maintaining flexibility to adapt to the market demands at the time each building proceeds is important.
- **Open Space Quality:** To address concerns that open spaces may be too small, we note that the code already requires a central gathering place of at least 12,000 square feet for large sites. Furthermore, our recommendation to include rights-of-way in density calculations actually encourages developers to dedicate more land for public use without being penalized.

3. Sharrow Lanes and Site Safety (Section 17.57.050.A.2.f)

We continue to believe the current draft is too restrictive regarding bicycle circulation. Limiting sharrow lanes only to streets abutting ground-floor commercial is unnecessary and creates unsafe conditions where existing retail and surface parking remain. As demonstrated at our Village at San Antonio project, Class II bike lanes traversing through retail parking lots—with constant vehicle turning movements—are infeasible and unsafe. Sharrows provide a standard, flexible tool

to connect perimeter streets while maintaining safety in high-conflict areas and are widely used in projects of this scale and scope. The staff report argument that greater density on the site somehow necessitates dedicated bike-lanes running through the site, is not supported. More residents means more pedestrians. Bikes should navigate slowly through this project. Providing a dedicated bike lane sends a false message to bikers that they have the right-of-way. Sharrows, when incorporated with other traffic calming measures, is the right approach for these types of projects.

4. Bike Parking

The proposed amendments reference the bicycle parking requirements contained in Capitola Municipal Code §17.76.080. While the provision establishes minimum bicycle parking ratios intended to support alternative transportation, we recommend that the City incorporate additional flexibility in how these requirements are satisfied for large mixed-use and residential redevelopment projects such as Capitola Mall potentially with a new section in 17.57 related to the mall property requirements or design standards.

Experience from numerous coastal California communities—including Santa Cruz, Monterey, and other jurisdictions within Santa Cruz County—demonstrates that rigid application of high bicycle parking ratios often results in significant over-supply of bicycle parking facilities that remain underutilized.

As a result, many jurisdictions have implemented approaches that focus on providing convenient, high-quality bicycle parking while allowing flexibility in quantity and configuration, particularly for large mixed-use or residential projects.

Recommended Implementation Approach

To ensure the bicycle parking standards achieve their intended purpose while maintaining project feasibility and efficient site planning, we recommend the City clarify that bicycle parking requirements may be satisfied through a combination of the following design strategies, without requiring a formal modification or deviation:

- **Baseline Resident Bicycle Parking Ratio:** For residential uses within large mixed-use redevelopment projects, a baseline provision of approximately 0.5 long-term bicycle parking spaces per dwelling unit and 1 short-term space per 20 units would provide a practical and reasonable standard for bicycle storage that reflects observed demand in comparable coastal residential environments. Importantly, projects should be permitted to scale bicycle parking capacity up or down over time by utilizing convertible storage areas within the development. This approach allows projects to respond to actual bicycle usage patterns rather than installing large amounts of unused infrastructure at the time of initial construction that end up being passed on to residents in the form of higher rent to justify the cost associated with excessive bike parking space that may never be used.
- **Flexible Configuration of Long-Term Bicycle Parking:** Long-term bicycle parking requirements should be permitted to be satisfied through a range of secure storage options including:
 - private residential garages
 - secure bicycle storage rooms within residential buildings
 - vertical or stacked bicycle racks
 - bicycle storage integrated within residential storage lockers
 - distributed bicycle storage areas within parking garages or building cores

- Allowing these configurations is consistent with best practices used in nearby jurisdictions (Santa Cruz, Monterrey, etc.) and ensures bicycle parking remains accessible, convenient, and secure while minimizing inefficient use of expensive parking / building area.
- **Distributed Bicycle Parking Facilities:** For large mixed-use redevelopment sites such as Capitola Mall, bicycle parking should be allowed to be distributed across multiple buildings or parking areas within the site, rather than concentrated in a single location. This approach improves usability and reflects the scale and circulation patterns of master-planned redevelopment projects.
- **Recognition of Private Storage as Bicycle Parking:** Consistent with practices commonly accepted in Santa Cruz and other coastal jurisdictions, private residential storage areas or garages should be allowed to count toward long-term bicycle parking requirements when they provide adequate space for bicycle storage.
- **Visitor Bicycle Parking:** Short-term bicycle parking should be focused near primary building entrances, commercial areas, and public spaces where visitor bicycle access is most likely to occur, rather than applied uniformly throughout the project.
- **Benefits of This Approach:** Providing flexibility in how bicycle parking requirements are satisfied will encourage practical and usable bicycle storage rather than oversized, underutilized bike rooms; support efficient building design and ground-floor activation within mixed-use environments; align with observed bicycle utilization patterns in coastal residential communities; and remain fully consistent with the City's broader goals of promoting multimodal transportation.

Clarifying these implementation options within the code will allow projects to comply with the bicycle parking requirements without the need for project-specific modifications or deviations, providing greater certainty for both applicants and City staff during project review.

We look forward to a productive discussion and ongoing collaboration.

Sincerely,



James Gwilliam
Managing Director
Merlone Geier Partners

Gautho, Julia

From: Janine Canada <jcanada26@gmail.com>
Sent: Monday, March 16, 2026 12:28 PM
To: City Council
Subject: Capitola Mall re-development

Do we really need another hotel?? What about affordable, Independent Senior Housing? We do need that, sooner than later. Valley Heights in Watsonville is a good example.

J. Canada
Live Oak

Capitola City Council

Agenda Report



Meeting: March 16, 2026

From: Community and Economic Development Department

Subject: Capitola Mall and Objective Standards Zoning Code

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, 2025, Special City Council Meeting*)

Background: On February 23, 2026, the City Council held a public hearing to consider proposed Zoning Code and General Plan amendments to facilitate housing production on the Capitola Mall Site consistent with the City's General Plan Housing Element. The February 23, 2026, staff report covers the background on the Housing Element, the Planning Commission work sessions and public hearings on the updates, and a thorough explanation of the draft ordinance. Attachment 10 includes a link to the agenda materials to the February City Council meeting.

At the meeting on February 23, 2026, the City Council received public comments on the amendments, including a letter submitted by the majority property owner for the Capitola Mall, Merlone Geier Partners (MGP), requesting revisions to address ten topics (Attachment 5). The City Council discussed the amendments and continued the hearing until March 16, 2026, to further consider the amendments and public comments received. The City Council also requested that staff return with additional information and analysis, which is provided in the discussion below.

Following the meeting on February 23, 2026, City staff met with MGP to discuss their letter. The discussion below provides a summary of each of the ten topics followed by staff recommendation on how to address the comment. Staff recommended revisions to the proposed amendments to address the MGP letter and other items raised City Council are shown with yellow highlight in the draft ordinance (Attachment 2A).

Discussion: City Council requested additional information on several topics, including: the mall redevelopment tiers, open space requirements, future development phasing and associated revenue loss, incentives for Metro development of an affordable housing project, minimum bedroom standards, and the ten topics identified by MGP. Each of these topics is analyzed further within this section.

Mall Redevelopment Tiers

State housing law requires the City to allow residential-only development in commercial zones on properties identified in the City's Housing Element sites inventory. For this reason, the Zoning Code amendments establish a tiered system to incentivize mixed-use redevelopment on the Capitola Mall property. The Planning Commission recommendation included Tier 1, which would allow residential-only development subject to new minimum development standards that the City committed to in its Housing Element. The Planning Commission's recommended Tiers 2, 3A, and 3B would allow for additional building height and residential density for mixed-use redevelopment projects that include specified amounts of new hotel and commercial development.

On February 23, 2026, Council Member Westman proposed revisions to the Planning Commission's recommended incentive-based development tiers (Attachment 8). This proposal would maintain Tier 1 as recommended by Planning Commission and create new standards to incentivize development at Tier 2 and Tier 3 levels. Following the City Council meeting, Council Member Westman informed staff of a correction to SW Tier 2 for Perimeter Zone Maximum Height to be 65 feet, not 75. Table 1 includes the

original Planning Commission recommended tiers, as well as the Council Member Westman's proposal (SW Proposal).

Table 1: Proposed Mall Redevelopment Tiers

	Planning Commission Recommendation				SW Proposal**	
	Tier 1	Tier 2	Tier 3A	Tier 3B	SW Tier 2	SW Tier 3
Density						
Min.	20 du/ac	20 du/ac	20 du/ac	20 du/ac	20 du/ac	20 du/ac
Max.	48 du/ac	48 du/ac	53 du/ac	53 du/ac	53 du/ac	53 du/ac
FAR	2.0	2.0	2.0***	2.0***	2.0***	2.0
Perimeter Zone						
41 st Ave.	125 ft	125 ft	125 ft	125 ft	75 ft	125 ft
Capitola Rd.	125 ft	125 ft	125 ft.	125 ft	75 ft	125 ft
Clares St.	125 ft	125 ft	125 ft	125 ft	125 ft	125 ft
Height						
Perimeter Zone	55 ft	65 ft*	65 ft*	65 ft*	75 65 ft*	55 ft
Core Area	75 ft	75 ft	85 ft	85 ft	85 ft	85 ft
Open Space	5%	2.5%	2.5%	2.5%	2.5%	2.5%
Affordable Housing	20%	20%	20%	20%	20%	20%
Commercial	0	30,000 sf	40,000 sf	200,000 sf	35,000 sf	200,000 sf
Hotel Rooms	0	85	125	0	120	0
Meeting Space	0	3,000	4,000	0	4,000	0

* Max 85 ft. for hotel

SW Tier 1 is the same as the Planning Commission's Tier 1 recommendation.

*** FAR excludes rooftop decks

With the shift in the anticipated land uses, staff developed an updated financial model to evaluate the potential fiscal impacts from Capitola Mall redevelopment on the MPG properties. The model was introduced to the City Council on February 23, 2026. At the meeting, the City Council indicated a desire to further consider the proposed tiers and requested staff provide a fiscal impact analysis of the additional tiers.

Table 2 includes the fiscal impact analysis results for the Planning Commission recommendation and the additional tiers proposed during the council meeting. Six development scenarios were analyzed in the model, based on the maximum allowed density and minimum required nonresidential uses for the three Capitola Mall redevelopment tiers.

For each scenario, the model estimates the annual cost to the City to provide services based on the Capitola Mall Fiscal Impact Analysis prepared by Kosmont & Associates in 2019, with adjustments for inflation and updated project details (reduced commercial footprint and private parks/streets). In addition, Department Directors evaluated assumed staffing and workload impacts based on MGP updated land uses and found the Kosmont Study cost assumptions to be on the high end, but a good tool to understand the potential financial impacts of each tier.

The model estimates the annual revenue expected to be generated under each scenario from sales taxes, hotel taxes, and all other applicable revenue sources. The revenue generation assumptions were

developed in collaboration with the City's economic development consultant, Keyser Marsten and Associates. The net fiscal impact (revenue minus cost) for each scenario is shown in Table 2. The figures represent the fiscal impact assuming full buildout of each tier. However, if the tiers are not economically feasible, or market demand causes development to occur below the full buildout, the revenue estimates shown in Table 2 would be reduced.

Table 2: Financial Impacts Analysis

	Planning Commission Recommendation				SW Proposal**	
	Tier 1	Tier 2	Tier 3A	Tier 3B	SW Tier 2	SW Tier 3
Development Assumptions	48 du/ac	48 du/ac	53 du/ac	53 du/ac	53 du/ac	53 du/ac
New Units	1,256	1,256	1,326	1,326	1,326	1,326
Specialty Retail	0	30,000 sf	40,000 sf	40,000 sf	35,000 sf	40,000 sf
General Retail	0	0	0	160,000 sf	0	160,000 sf
New Hotel	0	85 rooms	125 rooms	0	120 rooms	
Meeting Space	0	3,000 sf	4,000 sf	0	4,000 sf	
Fiscal Impact						
Cost	\$1,225,509	\$1,225,509	\$1,293,810	\$1,293,365	\$1,293,810	\$1,293,365
Revenue	\$448,840	\$1,496,277	\$1,981,392	\$2,053,580	\$1,873,392	\$2,012,517
Net Impact*	\$(776,669)	\$270,768	\$687,583	\$759,770	\$579,583	\$718,708

* Impacts estimated using assumed household size of 1.5 persons/unit. Using a 2.1 persons/unit household size negatively impacts the net impact by approximately \$300,000 in each option.

** SW Tier 1 same as Planning Commission recommendation Tier 1.

At the City Council meeting on February 23, 2026, some members questioned the need for a third tier. Planning Commission Tier 1 is included to comply with state law requiring a 100% residential mall redevelopment option. Planning Commission Tier 2 reflects the results of the Keyser Marston market demand analysis and accommodates what is projected to be an attainable mixed-use project under current economic conditions. Planning Commission Tier 3A and 3B reflect the City's desire to see a substantial amount of new commercial, if supported by future market demand and development feasibility, despite current market conditions not supporting those levels of development. Council has discretion to modify the incentives within each tier, establish criteria for tier eligibility, and/or add or remove tiers of development.

Merlone Geier Partners Comment Letter

MGP submitted a letter on February 23, 2026, requesting revisions to the proposed amendments related to ten topics (Attachment 5). On February 23, 2026, the City Council provided input on MGP-requested revisions for several topics. Following the City Council meeting, staff met with MGP to discuss the letter. Based on these discussions and City Council input, staff has revised the proposed amendments to address the MGP letter with changes shown in yellow highlighting in the draft ordinance (Attachment 2A). The following analysis includes a summary of MGP requested revisions, an overview of the topic, staff recommendation, and the relevant code section with redlines when staff is recommending changes.

1. Deviation Review and Approval Process

MGP's Initial Request: Exempt market-rate housing development from the City's discretionary deviation review process where land is dedicated for affordable units that would otherwise qualify for

concession/incentive/waiver under the State Density Bonus Law if the affordable units were part of a mixed-income development.

Overview: The proposed code updates include objective standards to guide future development, but to allow for future flexibility, they also provide for deviations approved by the Planning Commission via a discretionary review process and for modifications necessary to comply with the State Density Bonus Law for qualifying projects. MGP’s proposed language would have required the City to award state density bonus incentives, waivers and concessions to stand-alone market rate housing development projects that dedicate land for affordable housing to satisfy the City’s inclusionary requirements, even if such projects are not otherwise eligible for the state density bonus. This would allow a future market-rate housing developer to bypass the discretionary deviation process included in the proposed Zoning Code, which otherwise requires Planning Commission approval for deviations from adopted objective development standards.

After meeting and discussing this topic with MGP, MGP clarified that they are comfortable with the City maintaining discretionary review over deviation requests, but once such approval is granted, MGP would like confirmation that the project would be considered consistent with the City’s applicable objective development standards.

Staff Recommendation: Incorporate clarifying language into the draft ordinance that would allow MGP to obtain approval for sitewide deviations in connection with their first Planning Commission approvals. Any deviations Planning Commission approved would then carry forward to site-specific entitlement approvals MGP pursues for future phases of development, consistent with those initial site-wide approvals. This clarifying language would preserve the City’s discretion to consider deviation requests in the context of the overall proposed redevelopment project – approving deviations where they result in a desirable overall development pattern – while giving MGP additional predictability with respect to how subsequent approvals will be processed and approved.

17.57.040.B. Deviations.

1. An applicant may request deviation from one or more standards in this chapter through the design permit process. The planning commission may approve a deviation upon finding that:

- a. The project incorporates an alternative method to achieve the intent statement that proceeds the standard; and
- b. The request is needed due to unique site conditions and/or to provide for a superior project design.

2. Unless the deviation is approved by the Planning Commission pursuant to Paragraph (1) above (which may be sought and obtained in connection with an applicant’s initial subdivision map, conditional use permit, and design permit application for a mall redevelopment project), a project requesting a deviation pursuant to this Section 17.57.040.B shall not be considered consistent with applicable, objective development standards for the purposes of qualifying for streamlined approval under Government Code Section 65913.4, Government Code Chapter 4.1, or other state laws providing a ministerial approval process for qualifying projects consistent with applicable, objective development standards. This paragraph does not apply to any benefits or modifications approved pursuant to the State Density Bonus Law (Government Code Section 65915).

3. A request for deviation pursuant to this Section 17.57.040.B shall not affect a housing development project’s eligibility for a density bonus, incentives, concessions, waivers, and/or parking reductions under Government Code Section 65915. An applicant may apply for and receive deviations pursuant to this Section 17.57.040.B regardless of whether the proposed project is eligible for a density bonus.

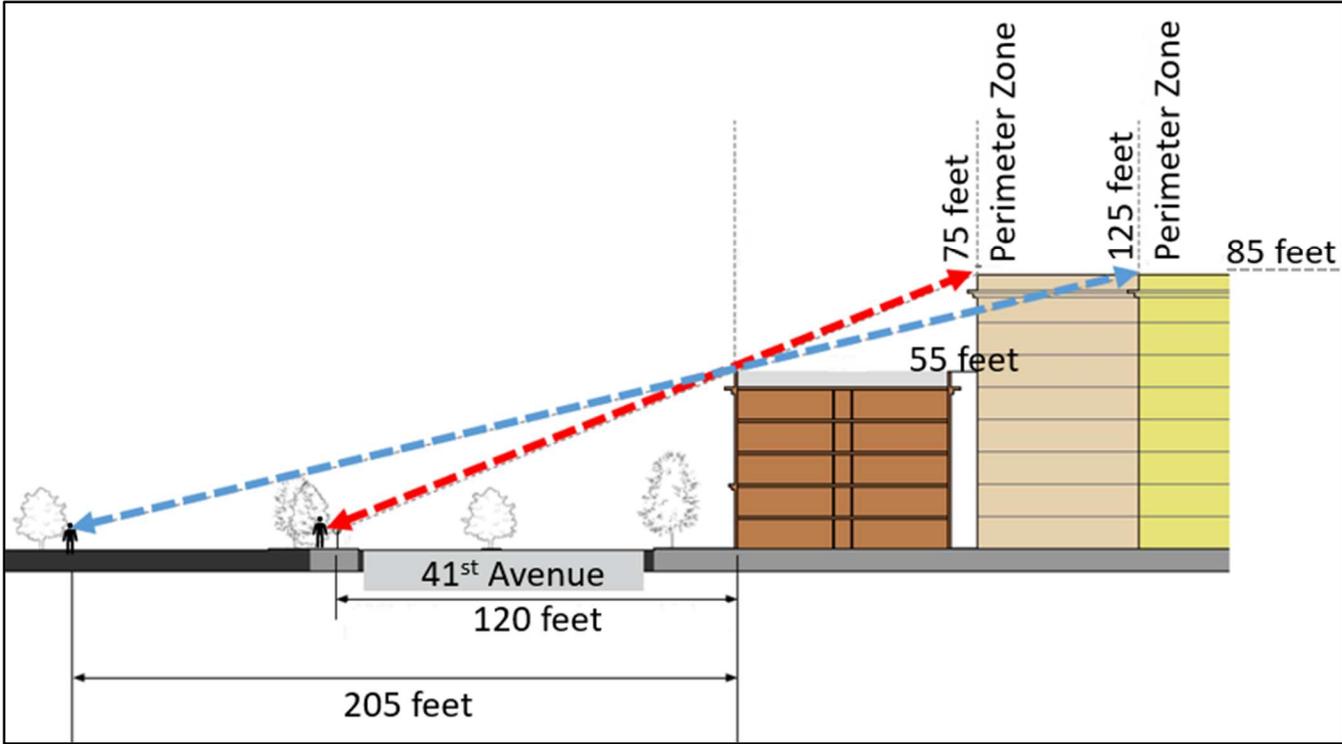
2. Perimeter Zone

MGP Request: Reduce perimeter zone to 75 feet.

Overview: The draft ordinance includes lower maximum height limits in the perimeter zones to screen the massing of the taller buildings within the core area of the Capitola Mall properties. For instance, the maximum height for Tier 1 projects is 55 feet in the perimeter zone (within 125 feet of 41st Avenue, Capitola Road, and Clares Street) and 75 feet in the core zone (areas other than the perimeter zone).

Figure 1 shows a 55 feet tall structure in the perimeter zone and an 85 feet tall structure located 75 feet and 125 feet from the property line. With a 75 feet perimeter zone, the 55 feet structure screens the 85 feet structure as viewed from sidewalk on the opposite side of 41st Avenue. With a 125 feet perimeter zone, the core area 85 feet buildings are screened up to 205 feet away.

Figure 1. Comparison of 75 feet and 125 feet Perimeter Zone



City Council Input: Several Council Members supported reducing the perimeter zone to 75 feet fronting 41st Avenue and Capitola Road as part of Council Member Westman’s Tier 2 proposal. Council Member Westman also included a height limit of 75 feet within the perimeter zone, which she later informed staff should have been 65 feet.

Staff Recommendation: Staff recommends reducing the perimeter zone to 75 feet for Tier 2 and Tier 3 fronting 41st Avenue and Capitola Road and maintaining the perimeter zone of 125 feet along Clares Street.

Section: 17.24.035.C.5 (Definitions) includes definitions for Core Area, Perimeter Streets, and Perimeter Zone, as follows:

“Core area” means all areas on the Capitola Mall property that are not in the perimeter zone.

“Perimeter street” means 41st Avenue, Capitola Road and Clares Street. 5.

“Perimeter zone” means all areas on the Capitola Mall property that are within 75-125 feet of a property line abutting 41st Avenue or Capitola Road and within 125 feet of a property line abutting Clares Street.

3. Tier Minimums for Commercial, Hotel, and Hotel Meeting Space

MGP Request: In the February 23rd letter, MGP requested the City Council reduce minimum new commercial requirement to 25,000 square feet for Tier 2 projects and 35,000 square feet for Tier 3 projects. Since the February 23, 2026, Council Meeting, MGP has continued to express concern to staff that the proposed modification to Tier 2 would not adequately incentivize a hotel or commercial development on the site, and that setting development thresholds to qualify for Tier 2 at the high end of feasibility (or beyond what is currently feasible) would result in a Tier 1 project. On March 12, 2026, MGP wrote a letter to the City that included a request for Tier 2 to have the following minimums: 25,000 square feet commercial, 85-room hotel, and 2,500 square feet of meeting space, a Tier 3A with 35,000 square feet commercial, 120-room hotel, and 4,000 square feet of meeting space, and a Tier 3B with 200,000 square feet commercial and no hotel (Attachment 6).

Overview: Table 3 represents the tiers recommended by the Planning Commission and the two tiers suggested by Councilmember Westman.

Table 3: Abbreviated Mall Redevelopment Tiers

	Planning Commission Recommendation				SW Proposal**	
	Tier 1	Tier 2	Tier 3A	Tier 3B	SW Tier 2	SW Tier 3
Development Assumptions	48 du/ac	48 du/ac	53 du/ac	53 du/ac	53 du/ac	53 du/ac
New Units	1,256	1,256	1,326	1,326	1,326	1,326
Specialty Retail	0	30,000 sf	40,000 sf	40,000 sf	35,000 sf	40,000 sf
General Retail	0	0	0	160,000 sf	0	160,000 sf
New Hotel	0	85 rooms	125 rooms	0	120 rooms	
Meeting Space	0	3,000 sf	4,000 sf	0	4,000 sf	

Keyser Marston Associates (KMA), the City’s economic development consultant, prepared a Capitola Mall Retail and Hotel Market Overview to inform decision-making on the Zoning Code amendments (Attachment 7). The report suggests that the Mall properties continue to have strong redevelopment potential, and the introduction of residential and hotel uses will help the overall retail environment within the block. The report finds that retail demand likely will be strongest in the food and beverage sector and cater to smaller tenants, with an expected demand for new retail development ranging between 25,000 and 35,000 square feet. PC Tier 3A and 3 B exceed KMA’s recommendation for retail.

The KMA study also found that a hotel on the site would have the opportunity to exceed market average revenues with a strong operator and brand, with an 85-room hotel likely to support approximately 2,550

square feet of meeting and event space, and a 130-room hotel likely to support approximately 3,900 square feet of meeting and event space. The KMA study did not provide a recommendation on specific room count, however, the consultant advised the Planning Commission during their presentation that an 85-room hotel is typical and would likely be supported by market demand.

The Planning Commission recommended hotels ranging from 85 rooms (Tier 2) to 125 rooms (Tier 3). Councilmember Westman's Tier 2 suggested 120 rooms. In their March 12, 2026, letter, MGP noted additional concerns related to tier requirements for minimum hotel rooms and meeting space. More specifically requesting minimum Tier 2 requirements for a hotel to be set at 85 hotel rooms and 2,500 square feet meeting space, and minimum Tier 3A requirements for a hotel to be set at 120 hotel rooms and 4,000 square feet meeting space. MGP noted there is no guarantee that there is demand for a hotel beyond 85 rooms.

The following table includes the recommended amount of meeting space related to the Tiers per the analysis completed by KMA, suggesting 25 – 30 sf per hotel room.

Table 4: Hotel Rooms and Meeting Space

Hotel Rooms	Meeting Space Supported by KMA
85	2,125 – 2,550
120	3,000 – 3,600
125	3,125 – 3,750

City Council Input: Several Council members supported requiring 35,000 square feet of new commercial space as part of Council Member Westman's Tier 2 proposal, which aligns with the high end of Keyser Marston Associates' projections for market demand.

Staff Recommendation: Require minimum new commercial space between 25,000 - 35,000 square feet for a Tier 2 project and meeting space between 25 – 30 square feet per hotel room, consistent with KMA's recommendation.

For hotel land use, consider if minimum hotel room requirements are set too high, a future developer may opt for a Tier 1 development rather than take advantage of the development incentives offered at Tier 2 or above.

The draft ordinance includes the Planning Commission's recommendation, with no modifications to minimum commercial space, hotel rooms, or meeting space.

Section: 17.24.035.C.5 (Definitions)

7. “Tier 2 mixed-use project” means a proposed mixed-use development project with all of the following:
- a. Residential development that meets or exceeds the affordability requirements specified in Section 17.24.035.D.7. Inclusionary Housing Requirement).
 - b. A hotel with a minimum of 85 rooms and a minimum of 3,000 square feet of meeting space and conference facilities.
 - c. 30,000 square feet or more of new commercial space.
8. “Tier 3 mixed-use project” means a proposed mixed-use development project that:
- a. Meets or exceeds the affordability requirements specified in Section 17.24.035.D.7. Inclusionary Housing Requirement); and
 - b. Complies with one or both of the following options:
 - Option 1: The project includes both a hotel with a minimum of 125 rooms and a minimum of 4,000 square feet of meeting space and 40,000 square feet or more of new commercial space.
 - Option 2: The project includes 200,000 square feet or more of new commercial space.

4. Commercial Ground Floor Height Minimums

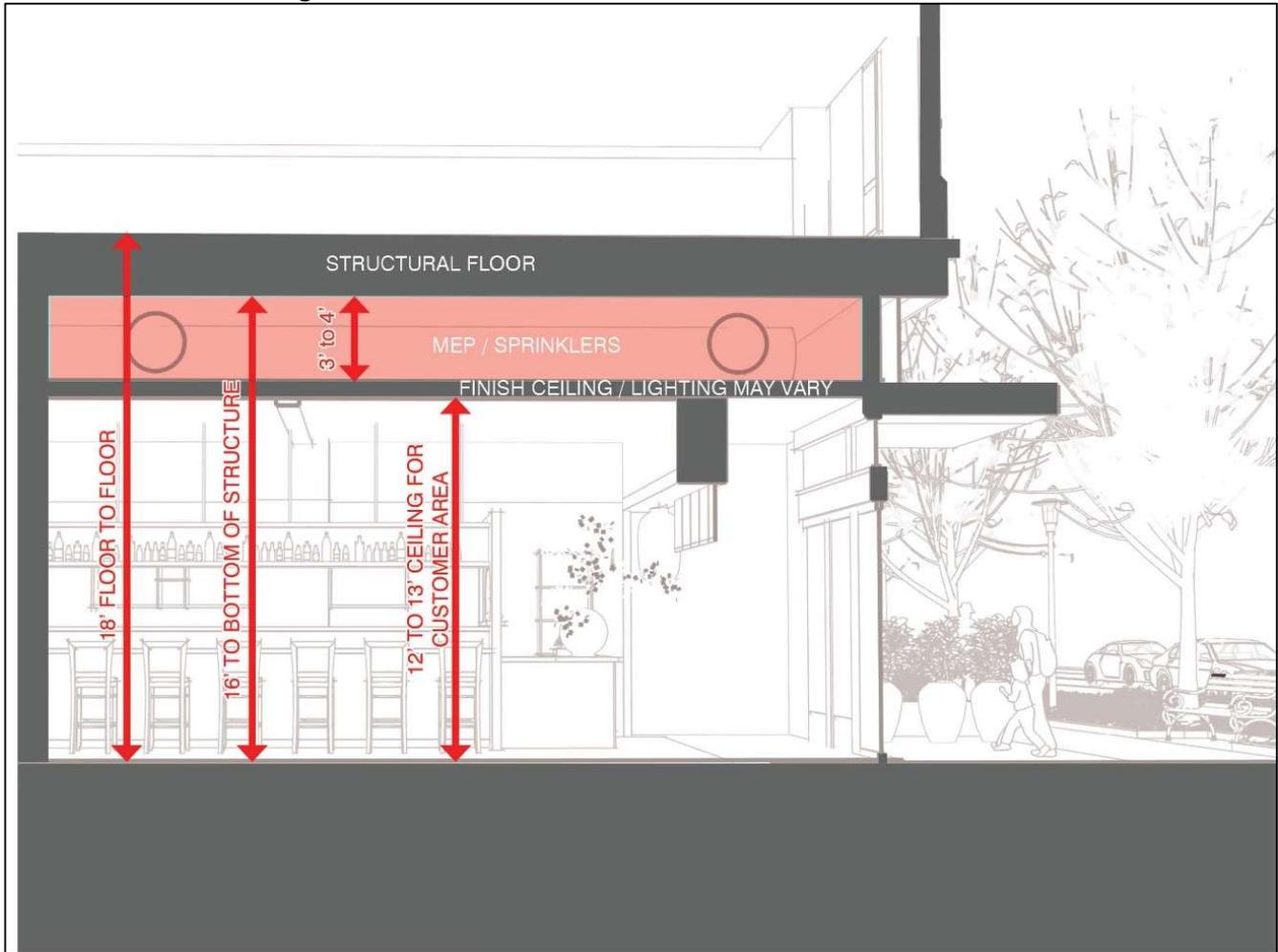
MGP Request: Reduce minimum ground-floor height for non-restaurant commercial and hotel uses to 14 feet.

Overview: The original draft code required a minimum commercial ground floor height. Specifically, the ground level would have minimum floor-to-floor height of 18 feet. For single-story buildings, minimum ground floor height is measured to the top of structure. Floor-to-floor height is a planning term that refers to the vertical distance from the top surface of one finished floor to the top surface of the finished floor above it. A typical floor-to-floor dimension incorporates the occupied space above the finished floor, a finished ceiling, the area above the finished ceiling utilized for mechanical, electrical, and plumbing, and the structural floor above.

The intent of the code is to have commercial structures with higher ceiling heights, which provides long-term tenant flexibility and market competitiveness. Retailers have specifications that must be met to lease a space, often including floor-to-ceiling heights. The reason for this is that higher ceilings improve natural light, allow better storefront glazing proportions, and allow for future conversions between uses (retail to restaurant). Higher ceilings help attract and retain a range of quality tenants in new commercial space.

Figure 2 below shows dimensions for floor-to-floor measurements with the 18 foot requirement.

Figure 2 Commercial 18 feet floor-to-floor measurement



Staff Recommendation: Staff recommends modifying the ceiling heights to be measured from the finished floor to the bottom of the structure. For any tier-required new commercial space, require a minimum 16 feet clear from the ground floor to bottom of structure, as shown in Diagram 2. Also, update the code so new commercial space provided which exceeds the minimum tier-required amount is exempt from this minimum height requirement. For example, if the City Council required 35,000 square feet of commercial to qualify for Tier 2, any commercial space beyond the required 35,000 square feet would not be required to meet the minimum height standard. The draft ordinance includes the updated language recommended by staff.

Section: 17.57.050.F.2.c.1 (Ground Floor Height)

c. Commercial Ground-Floor Design (Excludes Hotels). The following standards apply to both vertical mixed-use and stand-alone commercial buildings.

(1) Ground Floor Height. For all required new commercial space required for a Tier 2 or Tier 3 project, the ground level shall have minimum floor to floor height of 18 feet 16 feet clear from the ground floor to the bottom of the structure above. See Figure 17.57-9. This minimum ground floor height standard does not apply to commercial space provided in excess of the required new commercial minimum. For single-story buildings, minimum ground floor height is measured to top of structure.

5. Density Calculation and Definition

MGP Request: Include street right-of-way, public easements, and public open space dedicated to City in the land area used to calculate permitted density.

Overview: The draft code does not include street right-of-way, public easements, and public open space dedicated to the City in land area used to calculate permitted density. If the City were to seek right-of-way, public easement, or open space dedications, a property owner is more likely willing to accept the request if they retain the underlying density.

Staff Recommendation: Accept MGP request.

Section: 17.24.035.D.3.a (Density Calculation)

3. Density.

a. Calculation.

i. The density of a proposed development on the Capitola Mall property is calculated on a project wide basis as the number of dwelling units per acre of land, using the total combined land area for all contiguous parcels under single ownership regardless of whether dwelling units are proposed on an individual parcel.

ii. The land area used to calculate density includes the following:

(a) Privately owned and maintained publicly accessible open space; and

(b) Public open space dedicated to the City; and

(c) Private streets, sidewalks, pathways and other similar private circulation improvements except where dedicated for public use consistent with paragraph iii below and

(d) Areas subject to tenant lease controls and private easements.

(e) Perimeter street frontage improvements on privately owned property subject to a public access easement or dedication pursuant to Section 17.57.050.A.h.3.d.

(f) Public rights of way; and

(g) Public easements.

~~iii. The land area used to calculate density excludes public rights of way, public easements, and public open space dedicated to the City~~

iii. The “density” definition in Section 17.160.020.D.6 does not apply to the Capitola Mall property.

6. Internal Street Connectivity

MGP Request: Soften new internal street requirement and expand circumstances to grant exceptions. Internal streets can only be developed in an incremental, phase-by-phase manner.

Overview: This section of code requires the developer to create a circulation plan showing new internal streets that provide a vehicular connection between all perimeter streets abutting the development site. This requirement is followed by seven additional standards related to internal street connectivity. Staff agrees that street buildout can only be accomplished in a phased manner. The standards allow for incremental phasing of streets.

Staff Recommendation: Allow for the Planning Commission to grant an exception to the new internal street requirement upon findings that establishing the new internal street is infeasible. The draft ordinance has been updated to include the staff recommendation.

Section: 17.57.050.A.2.c.1 (Internal Street Connectivity)

c. Internal Street Connectivity.

(1) A mall redevelopment project shall create new internal streets that provide a vehicular connection between all perimeter streets abutting the development site except where the Planning Commission finds that the establishment of new internal streets would be infeasible (e.g., presence of existing structures and improvements on the site).

(2) A mall redevelopment project application shall include a circulation diagram that shows how future potential internal streets on adjacent parcels can:

(a) Connect to new internal streets on the development site; and

(b) Provide a vehicular connection to perimeter streets that do not abut the development site.

(3) New internal streets shall be designed to allow for connections to existing internal circulation and future internal streets on adjacent properties within the mall block.

(4) Where an adjacent property within the mall block was previously redeveloped, a mall redevelopment project shall provide one or more vehicular connection between the development site and the adjacent property.

(5) If a new internal street cannot yet connect to an existing public street or other public way, the property owner may temporarily restrict public access to that street until such a connection becomes feasible through future adjacent development. Once a connection to another public street or public way is established, the internal street shall be opened for public use. The property owner shall remove any gates or other physical barriers to ensure permanent unrestricted public access.

(6) If the parcel on which mall redevelopment will occur contains an existing street, pedestrian path, or other public connection, that connection will be preserved or replaced on the parcel to maintain public access and circulation through the property.

(7) In all areas of the Capitola Mall property, where a project site includes an existing street or other public connection, this public connection will be maintained or relocated within the project site.

~~(8) The City may grant an exception to the standards in this Paragraph b (Internal Street Connectivity)~~

7. Bike Circulation

MGP Request: Allow required internal bicycle connections with sharrows throughout the project.

Overview: The Capitola Mall Properties is a 46-acre block with 14 parcels and seven property owners. The majority owner, MGP, owns 31.5 acres, of which they plan to redevelop 20 acres. The two sites with 11 acres that will remain as-is include the Kohl's site, due to a long-term lease, and the parking area around Target and the food court, due to parking and circulation agreements.

Capitola's General Plan includes Policy LU-8.5 for New Interior Street. Specifically, it states, "As a long-term vision for Capitola Mall, support the addition of a new interior street within the mall property lined with sidewalk-oriented retail, outdoor dining, and pedestrian amenities. This new street should be connected with the existing street network surrounding the Mall property to enhance mall access for all modes of transportation."

There are currently no streets, bike lanes/paths, or housing in the 46-acre block. MGP intends to develop new private streets through the project. With density allowed up to 53 dwelling units per acre, the Capitola Mall properties will become a high-density area with more residents and increased pedestrian and bicycle activity. Bike lanes provide a safe, dedicated space for cyclists and reduce conflicts with cars and pedestrians. If the streets are developed without bike lanes, there likely will not be a future opportunity to add bike lanes.

Bicycle Facilities: On February 23, 2026, Councilmember Orbach expressed support for standards that require bicycle parking and other bicycle-related facilities for residents and visitors. Zoning Code Section 17.76.080 (Bicycle Parking) contains standards for bicycle parking, including the minimum number of required bicycle parking spaces. These standards would apply to mall redevelopment projects.

Table 4: Required Bicycle Parking Spaces

Land Use	Required Bicycle Parking Spaces	
	Short-Term Spaces	Long-Term Spaces
Multifamily Dwellings and Group Housing	10% of required automobile spaces; minimum of 4 spaces	1 per unit
Nonresidential Uses	10% of required automobile spaces	1 per 20 required automobile spaces for uses 10,000 sq. ft. or greater

Staff Recommendation: Staff recommends no changes to the Planning Commission recommendation, and continuing to require bike lanes on new internal streets. It is worth noting the Deviation section of the code would apply and provide flexibility if warranted.

Section: 17.57.050.A.2.f.3 (Pedestrian and Bicycle Circulation)

1. Pedestrian and Bicycle Circulation.

- A mall redevelopment project shall include a network of pedestrian and bicycle facilities that connect all new and existing buildings on the site to each other, to publicly-accessible open space areas, to commercial uses on adjacent properties, and to perimeter streets.

2. All pedestrian and bicycle facilities shall comply with the City of Capitola Public Improvement Design Standards and the adopted 41st Avenue and Clares Street Corridor Plan. Where sidewalk and pedestrian realm standards in this chapter conflict with the Public Improvement Design Standards, this chapter governs.

3. The following requirement applies when an internal street is established that connects two abutting perimeter streets:

- a. At least one continuous bike lane or bike path shall also connect the two abutting perimeter streets.
- b. For any portion of the internal street that abuts ground-floor commercial uses, sharrows may be provided as an alternative to the bike lane or path.

8. Street Frontage Improvements

MGP Request: Exempt undeveloped side of new internal streets from frontage improvement requirements.

Overview: The objective standards require new street frontage improvements, including a building frontage zone, a pedestrian clear path, and a landscape/street furniture zone. Street frontage improvements are required for all internal streets created on a development site. The code further requires that frontage improvements on abutting parcels controlled by the developer but outside the development site are required if necessary to provide complete pedestrian facilities on both sides of the street and be consistent with the required circulation plan. The purpose of this requirement is to ensure complete streets within a future high-density, mixed-use neighborhood.

Figure 3 provides an example development scenario of when this standard would apply. MGP has previously stated they do not intend to redevelop the Kohl's site in the initial phase of a project due to the long-term lease with the retail establishment. If development is proposed on the parking lots in front of Ulta Beauty and adjacent to Kohl's parking (shown in blue) and the circulation plan were to include new internal streets around the development site, this standard would require the new street frontage improvements (yellow) be required on both side of the street as MGP owns the adjacent land (green).

Figure 3. Example of new street frontage requirement



Staff Recommendation: Allow the Planning Commission to approve an exception to the frontage improvements requirement on abutting parcels upon finding that installing the frontage improvements on the abutting parcel would be infeasible.

Section: 17.57.050.A.2.h.1 (When Required – Internal Streets)

(1) When Required – Internal Streets.

(a) Frontage improvements described in this section are required for all internal streets created on a development site.

(b) Frontage improvements described in this section are required on an abutting parcel controlled by the developer but outside the development site if the improvements are:

i. Necessary to provide complete pedestrian facilities on both sides of a new internal street included in the development; and

ii. Consistent with the circulation plan required by paragraph g (Circulation Plan) above.

(c) Planning Commission may grant an exception to the requirement in Paragraph (b) above upon finding that installing the frontage improvements on the abutting parcel would be infeasible (e.g., presence of existing buildings within the minimum frontage improvement dimensions).

9. Internal Street Parking

MGP Request: Allow existing surface parking lots between a new building and an internal street.

Overview: Staff intended to allow existing surface parking lots to remain. This error is easily resolved by updating the requirement to clarify “new” surface parking.

Staff Recommendation: Clarify that new surface parking may not be located between a building and an internal street. This standard does not apply to existing surface parking lots.

Section: 17.57.050.C.2.a.1 (Internal Streets)

a. Surface Parking Lots.

(1) Internal Streets.

(a) Excluding hotels, new surface parking may not be located between a building and an internal street. Parking must be behind or adjacent to a street-facing building.

10. Hotel Street Presence

MGP Request: Allow a carve out for existing surface parking lots. Also, the standard is too vague in the context of existing surface parking lots.

Staff Response: Continue to require hotel presence on at least one street with no new surface parking lots permitted between the building wall and the street-adjacent sidewalk. Clarify that surface parking is permitted along the three other building facades that do not provide the required street presence.

Section: 17.57.050.F.2.d (Hotel Street Presence)

d. Hotel Street Presence. A minimum of one hotel building facade shall front a perimeter street or internal street in compliance with the following requirements:

- (1) Surface parking lots are prohibited between the building facade and the street adjacent sidewalk.
- (2) Street parking and porte-cochères drop-off areas are permitted between the building facade and the street.
- (3) A building entrance accessed from the sidewalk shall provide access to the hotel lobby.
- (4) Loading docks and service areas may not front the street.

(5) Parking Location. Existing and new surface parking is permitted along all other building facades that do not provide the street presence as required by Paragraph 1 above.

The remainder of the staff report provides additional information on topics raised during the February 23, 2026, City Council meeting.

Open Space Requirement: On February 23, 2026, the City Council requested that staff clarify the minimum open space requirement for a mall redevelopment project. Proposed Zoning Code Section 17.26.035.D.1 requires a minimum open space of 5 percent of the total site area for Tier 1 projects and 2.5 percent of the total site area for Tier 2 and Tier 3 projects. For a proposed project on a 20-acre site, this standard would require 1 acre of open space for a Tier 1 project and 0.5 acres for a Tier 2 or Tier 3 project. Reduced open space requirements for Tier 2 and Tier 3 projects is intended to incentivize and reduce barriers to new commercial uses on the mall property.

Proposed Zoning Code Section 17.57.050.B (Publicly Accessible Open Space) establishes additional standards for required open space areas. To count towards the minimum amount of required open space, the open space area must have a minimum area of 3,000 square feet and a minimum dimension of 20 feet in any direction. A project on a development site greater than 10 acres must include a central gathering place of at least 12,000 square feet that supports civic and commercial activities such as farmers' markets, performances, and seasonal events.

Rooftop Open Space: Section 17.57.050.B.2.b.2 in the proposed Zoning Code amendments states that "Permitted types of publicly accessible open space include rooftop open space located above a building which is open to the general public without charge and utilized for outdoor recreation, leisure, and/or public gathering functions. Section 17.24.035.D.5b also states that "for Tier 2 and Tier 3 projects, rooftop decks are excluded from the floor area calculation." These provisions were included in the proposed Zoning Code amendments as requested by the Planning Commission.

Publicly accessible open space on a building rooftop does exist, primarily in dense urban cities such as San Francisco or New York. In these places, land available for open space is limited or nonexistent, and rooftop spaces are the only available option to provide public open space. On the Capitola Mall property, land is available for public open space on the ground level. Rooftop open space may be problematic as it may not be easily accessed by the public. For these reasons, the City Council may wish to remove language from the proposed Zoning Code amendments that allow rooftop spaces to count as required publicly accessible open space. Staff recommends keeping the rooftop deck exception to counting toward floor area from the Tier 2 and Tier 3 project as it adds desirable amenities to the project.

Revenue Gap: Redevelopment of the mall site will temporarily reduce sales tax revenue as existing commercial uses are removed before new hotels, residential development, and commercial uses are constructed and occupied. This creates a short-term fiscal gap in which the City loses ongoing revenue while incurring the one-time costs associated with redevelopment and infrastructure. One potential

strategy to bridge this gap is the use of the City’s PERS Trust Fund as a temporary financial buffer. While the PERS Trust is restricted to pension-related expenditures, the City has significant annual PERS obligations, which allows the City to offset those costs from the Trust in a given year and free up General Fund resources to maintain service levels during the redevelopment period.

To prepare for this transition, the City would need to model and forecast the anticipated reduction in sales tax revenue during the construction period and identify the likely duration of the gap, which could extend multiple years, while new commercial uses are constructed and begin generating revenue. Based on this analysis, the City could utilize reserves to maintain service levels during the interim period. Eliminating sales tax revenue from the MGP properties (excluding Kohl’s), would reduce the City’s sales tax revenue by approximately \$400,000 year. Existing balances in the PERS Trust would allow the City to offset these losses for approximately 4-5 years, assuming future investment returns.

Other potential strategies include temporarily reducing service levels to align expenditures with reduced revenues, pursuing a short-term voter-approved revenue measure to help bridge the fiscal gap until redevelopment is complete and new economic activity begins generating tax revenue, or a developer fee during the phasing of the project to cover a portion of the gap until a certificate of occupancy is issued for hotel and/or commercial.

Project Phasing: The City Council requested additional information on the phasing of non-residential development in a mixed-use mall redevelopment project. The ordinance has been updated to require project phasing for all Tier 2 and Tier 3 mixed-use projects, with an exception for 100% affordable development projects.

Proposed project phasing includes a first step requirement that following entitlements, deed restrictions be placed on the parcels that contains the hotel and/or new commercial space required for a Tier 2 or Tier 3 project and prohibit development of such parcels for other uses. After recording the deed restrictions, the project may either be phased through certificate of occupancy restrictions or annual fee payments. Table 5 outlines the steps of phasing for certificate of occupancy restrictions.

Table 5. Certificate of Occupancy Phasing

Phase	Building Permit	Timing
1	First Multifamily Residential Building Permit	Upon entitlement
2.	First Multifamily Residential Certificate of Occupancy and/or Second Multifamily Residential Building Permit Issuance	Upon issuance of building permit of Tier 2 qualifying hotel / commercial
3.	Second Multifamily Residential Occupancy	With Tier 2 or Tier 3 qualifying hotel and/or commercial certificate of occupancy

The following requirements have been added to the Zoning Code amendments to ensure that hotel and commercial development is constructed concurrently with residential development.

H. Project Phasing. 100% affordable development projects are exempt from the project phasing requirement in this section. The following project phasing requirements apply to all Tier 2 and Tier 3 mixed use projects.

- a) Deed Restriction. Prior to recording of a final subdivision map or issuing Building Permits for any market rate housing on the site, whichever occurs first, the applicant shall record a 10 year deed restriction on the parcel(s), or portions of a parcel, in a form approved by the City Attorney that designates the parcel that contain the hotel and/or new commercial space required for a Tier 2 or Tier 3 project and prohibit development of such parcels for other uses.
- b) Phasing Alternatives. All Tier 2 and Tier 3 projects shall be subject to phasing requirements, which shall include either Certificate of Occupancy Restrictions or Annual Fee Restrictions, as provided below:
 - i) Phases for Certificate of Occupancy Restriction.
 - (1) The City shall issue a building permit for the first market rate multifamily building in the development project following entitlement.
 - (2) The City shall issue a Certificate of Occupancy for the first market rate multifamily building and issue a Building Permit for the second market rate multifamily building in the development project only after the City issues a building permit for a Tier 2 or Tier 3 qualifying hotel and/or new commercial space within the development site, and
 - (3) The City shall issue a Certificate of Occupancy for the second market rate multifamily building in the development project only after the City issues Certificate of Occupancy for the Tier 2 or Tier 3 qualifying hotel and/or new commercial space within the development site.
 - ii. Annual Fee Payment
 - (1) A project utilizing the Tier 2 or Tier 3 incentives may enter a contract with the City to pay an annual fee to the City per market rate unit for which a Certificate of Occupancy has been issued.
 - (2) The required per unit fee amount shall be calculated during the entitlement of the project within the Fiscal Impact Analysis prepared pursuant to Section 17.24.035.F, in a form approved by the City Attorney.
 - (3) The first payment of such fees shall be due one year after the issuance of Certificate of Occupancy, and annually thereafter. The contract shall terminate immediately upon issuance of Certificate of Occupancy for the hotel and/or commercial development necessary to qualify for Tier 2 or Tier 3 incentives.

Objective Standards Applied to Village and Industrial District: The proposed amendments include a change to Section 17.82.020 that would apply existing citywide objective design standards to residential and mixed-use development in the Mixed Use Village (MU-V) and Industrial (I) zoning districts. Currently, objective design standards for the Village are in Section 17.20.030.E (General Design Standards). However, these standards apply only outside of the Village Residential Overlay (see blue hatched area in Figure 4 below).

Figure 4: Village Residential Overlay



Staff recommends applying objective design standards in Chapter 17.82 to the MU-V zoning district to ensure that development in the Village Residential Overlay preserves and enhances the unique design characteristics of this area. All standards in Chapter 17.82 would apply in the Village, including provisions in Section 17.82.030 that allow the Planning Commission to approve deviations from standards through the design permit process.

Applying objective design standards to the MU-V and I Zoning Districts will not interfere with the Capitola Mall Zoning Code updates. The Capitola Mall property is outside of the Coastal Zone and, as such, the proposed amendments will become effective on the Mall property 30 days after Council adoption. The Coastal Commission process to certify amendments within the coastal zone will have no effect on zoning for the Mall property.

Public comment on February 23, 2026, questioned using the Housing Element rezoning CEQA exemption for the proposed amendments that apply objective design standards MU-V and I Zoning Districts. Staff notes these amendments do advance Policy 1.4 Mixed-Use Development, which encourages mixed-use development and calls for the City to utilize the City's newly established Objective Design Standards to streamline review of mixed-use development. In addition, staff recommends the City Council find these amendments exempt from CEQA pursuant to CEQA Guidelines Section 15060(c)(2), which applies to projects will not result in a direct or reasonably foreseeable indirect physical change in the environment, and CEQA Guidelines Section 15061(b)(3) which provides that a project is exempt from CEQA if the activity is covered by the common sense exemption that CEQA applies only to projects which have the potential for causing a significant effect on the environment. In addition, the incorporation of objective development standards into the MU-V and I zoning districts qualifies for the categorical exemption from CEQA included in CEQA Guidelines Section 15305 for minor alterations in land use limitations, because the affected areas have an average slope of less than 20%. In addition, the objective development standards do not result in any changes in allowed land use or density; they simply affect the design and form of uses and densities already permitted within the affected zones. These CEQA exemptions are included in the revised draft ordinance (Attachment 2).

Size of Housing Units: At the meeting on February 23, 2026, the City Council requested additional information on public comments regarding the size of housing units in a Capitola Mall redevelopment project. These comments recommended establishing a minimum average unit size requirement and requiring a specific percentage of 2- and 3-bedroom units.

In the proposed Zoning Code amendments, the inclusionary housing requirement provides that a minimum of 5 percent of the project units must be either deed-restricted affordable to moderate income households or studio units with a kitchen and living space, but without a separate bedroom (as called for by the Housing Element). Staff does not recommend including additional unit size requirements as suggested by public comment. Additional size requirements would reduce development flexibility, increase per-unit construction costs, and potentially limit the number of housing units that could be produced on the mall property sites. Minimum average unit size requirements or mandated percentages of larger units can constrain project design and make it more difficult for projects to respond to market demand and financing conditions. Given this, such a requirement could conflict with Housing Element policies that call for standards that facilitate housing production on the mall property.

Transit Center TOD Incentive: At the meeting on February 23, 2026, Council Member Orbach suggested adding an incentive in the Zoning Code amendments to encourage upper-story housing above a ground-level bus transit center, similar to transit-oriented development projects in Watsonville and the City of Santa Cruz. The Code, as drafted, allows a developer to dedicate land to an affordable housing developer. The Transit Center is located on an easement held by Metro. If the property owner, City, and Metro are interested in having a combined project with transit-oriented design (TOD), the RFP could include a preference for such.

Table 5. Summary of Staff Recommendations on Remaining Items

Topic	Staff Recommendation	Ordinance Updated in Current Draft
1. Deviations	Clarify that the Planning Commission can approve discretionary deviations in connection with initial entitlements for the project that continues to apply to future approvals implementing the entitlements, and that approved deviations shall be considered consistent with the City's applicable objective standards.	Yes
2. Perimeter Zone Setback	Reduce perimeter zone to 75 feet fronting 41 st Avenue and Capitola Road for Tier 2 and Tier 3. Keep 125 feet fronting Clares Street.	Yes
3. Tiers and Commercial and Hotel Minimum	Consider the market analysis provided by KMA and direct staff on Tiers	Pending Direction on Tiers
4. Ground floor Commercial Height minimum	Modify ceiling heights to be measured from finished floor to bottom of structure and add diagram. For any tier-required new commercial space, require a minimum 16 feet clear from the ground floor to bottom of structure.	Yes
5. Density Calculation	Include street right-of-way, public easements, public open space dedicated to the City in land area used to calculate permitted density.	Yes
6. Bike lanes	No changes to Planning Commission recommendation.	Yes
7. Internal Street Requirement	Allow for the Planning Commission to grant an exception to the new internal street requirement upon findings that establishing the new internal street is infeasible.	Yes
8. Street Frontage Improvements	Include exception by Planning Commission when infeasible.	Yes
9. Existing Parking Lots	Allow existing surface parking lots between a new building and an internal street.	Yes
10. Hotel Street Presence	Require hotel presence on one street frontage within block. Parking may be on all other sides	Yes
11. Project Phasing	Add section 17.24.035.H: Phasing requirements.	Yes

Environmental Determination: The Capitola Mall Zoning Code amendments are exempt from the California Environmental Quality Act (CEQA) as these amendments implement the City's Housing Element. For the General Plan Amendment, the amendments were analyzed and considered as part of the City's adoption of the Addendum to the General Plan EIR for the City's Housing Element, such that nothing further is required under CEQA. As discussed above, the proposed amendments that apply objective design standards in the MU-V and I Zoning Districts are also exempt from CEQA pursuant to CEQA Guidelines Sections 15060(c)(2), 15061(b)(3), and 15305.

Fiscal Impact: There is no fiscal impact associated with the adoption of the Zoning Code amendments. Fiscal impacts from new development allowed by the amendments will be considered through the fiscal impact assessment requirement included in the proposed amendments.

Alignment with 2025-2029 Strategic Plan Priority: Accountable Government; Attainable Housing; Economic Opportunity; Healthy Families, Community, and Environment.

Attachments:

1. Draft Resolution Amending General Plan Land Use Element
 - Exhibit A: Proposed General Plan Amendments
2. Draft Capitola Mall Redevelopment Ordinance
 - Exhibit A: Proposed Zoning Code Amendments
3. LCP Consistency Analysis
4. LCP Amendment Application Resolution
5. Merlone Geier Letter: February 23, 2026
6. Merlone Geier Partners Letter: March 11, 2026
7. Capitola Mall Retail and Hotel Market Overview by Keiser Marston Associates
8. Councilmember Westman Suggested Tiers
9. Public Comment Received 2/24/2026 – 3/12/2026
10. February 23, 2026 City Council Meeting Materials:
 - <https://mccmeetings.blob.core.usgovcloudapi.net/capitolaca-pubu/MEET-Packet-f6877abf2c3f421784777cab1a307b39.pdf>

Report Prepared By: Katie Herlihy, Community and Economic Development Director

Reviewed By: Julia Gautho, City Clerk; Eric Phillips, City Attorney Special Council

Approved By: Jamie Goldstein, City Manager

RESOLUTION NO. _____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CAPITOLA
AMENDING THE GENERAL PLAN LAND USE ELEMENT RESIDENTIAL
ACTION LU-9.3 TO BE CONSISTENT WITH PROPOSED CAPITOLA MALL
ZONING CODE AMENDMENTS AND FINDING THAT THE PROJECT'S
ENVIRONMENTAL EFFECTS WERE ADEQUATELY ANALYZED IN A
PREVIOUS EIR SUCH THAT CEQA REQUIRES NO SUPPLEMENTAL OR
SUBSEQUENT ENVIRONMENTAL REVIEW**

WHEREAS, on August 22, 2024, the City Council adopted amendments to the 2023-2031 Housing Element of the General Plan ("Housing Element") and Addendum to the General Plan Final Environmental Impact Report;

WHEREAS, on August 30, 2025, the California Department of Housing and Community Development ("HCD") certified the Housing Element;

WHEREAS, Housing Element Program 1.7 states that the City shall revise development standards in the Zoning Code to facilitate residential development on the Capitola Mall property;

WHEREAS, the Planning Commission held work sessions on October 2, October 30, and November 19, 2025 to consider Zoning Code amendments for the Capitola Mall in furtherance of Housing Element Program 1.7;

WHEREAS, on October 8, 2025, the City hosted a community meeting, to receive public input on design standards for residential development on the Capitola Mall property;

WHEREAS, a text amendment to the General Plan Land Use Element Action LU-9.3 is necessary for consistencies with the proposed Zoning Code amendments;

WHEREAS, City staff prepared a text amendment to the General Plan Land Use Element Action LU-9.3 to implement Housing Element Program 1.7 and ensure consistency between the General Plan and Zoning Code;

WHEREAS, notice of the General Plan Amendment and associated Zoning Code Amendment availability was mailed on November 13, 2025, and a public review draft made available on November 26, 2025, in compliance with California Coastal Act public participation requirements and applicable state law;

WHEREAS, a second notice of the General Plan Amendments and associated Zoning Code Amendment availability was mailed on January 8, 2026, and an updated public review draft made available on January 30, 2026, in compliance with California Coastal Act public participation requirements and applicable state law;

WHEREAS, the General Plan Amendment was analyzed and considered as part

of the City's adoption of the Addendum to the General Plan EIR for the City's Housing Element, such that nothing further is required under CEQA. There are no substantial changes proposed to the Housing Element, including Program 1.7, that would require major revisions of the previous EIR or its Addendum due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified significant effects. The General Plan Amendment merely implements Housing Element Program 1.7, which was studied and evaluated in the General Plan EIR Addendum. There are no substantial changes with respect to the circumstances under which implementation of the Housing Element will be undertaken which will require major revisions of the previous environmental document due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified significant effects. There is no new information of substantial importance, which was not known and could not have been known with the exercise of reasonable diligence at the time the previous Addendum was adopted. No subsequent or supplemental environmental review is required pursuant to CEQA Guidelines Section 15162;

WHEREAS, at a duly noticed public hearing on February 5, 2026, the Planning Commission recommended that the City Council adopt the General Plan Amendment;

WHEREAS, at a duly noticed public hearing on February 23, 2026, the City Council reviewed the proposed General Plan Amendment at which time it considered all evidence presented, both written and oral.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Capitola as follows:

1. The foregoing recitals are true and correct and are incorporated by reference into this action.
2. Based on substantial evidence in the record, the Amendment is consistent with state and local law, including the Municipal Code subject to approval of the associated Zoning Code amendments, and the other elements of the General Plan, including the City of Capitola Housing Element.
3. The Amendment was analyzed and considered as part of the City's adoption of the Addendum to the General Plan EIR for the City's Housing Element, such that nothing further is required under CEQA, consistent with CEQA Guidelines section 15162. There are no substantial changes proposed to the Housing Element, including Program 1.7, that would require major revisions of the previous EIR or its Addendum due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified significant effects. The Project merely implements Housing Element Program 1.7, which was studied and evaluated in the General Plan EIR Addendum. There are no substantial changes with respect to the circumstances under which implementation of the Housing Element will be undertaken which will require major revisions of the previous environmental document due to the involvement

of new significant environmental effects or a substantial increase in the severity of previously identified significant effects. There is no new information of substantial importance, which was not known and could not have been known with the exercise of reasonable diligence at the time the previous Addendum was adopted.

4. The City Council hereby adopts the text amendment to the General Plan Land Use Element as set forth in Exhibit A attached hereto and incorporated herein.

5. This resolution shall become effective at such time as Ordinance No. _____ approving the Zoning Ordinance amendments becomes effective, and if such Ordinance has not become effective by December 31, 2026, this resolution shall be deemed to be void and of no further force or effect.

SEVERABILITY

If any term, provision, or portion of these findings or the application of these findings to a particular situation is held by a court to be invalid, void or unenforceable, the remaining provisions of these findings, or their application to other actions related to the Project, shall continue in full force and effect unless amended or modified by the City.

I HEREBY CERTIFY that the foregoing resolution was passed and adopted by the City Council of the City of Capitola on the 23rd day of February, 2026, by the following vote:

- AYES:
- NOES:
- ABSENT:
- ABSTAIN:

Joe Clarke, Mayor

ATTEST: _____
Julia Moss, City Clerk

Action LU-9.2 Auto Plaza Signage. Amend the Zoning Ordinance to allow more prominent signage for the Auto Plaza.

Action LU-9.3 Increased Floor Area Ratio. The City Council may authorize increased FAR for properties located within the 41st Avenue corridor as follows:

- ◆ Properties fronting 41st Avenue or the 41st Avenue/Capitola Road intersection, including excluding the Capitola Mall property bound by 41st Avenue, Capitola Road, and Clares Street, with a Regional Commercial or Community Commercial land use designation may be developed at a maximum FAR of 2.0.
- ◆ Structures on properties fronting the east side of 41st Avenue must be set back a minimum of 100 feet from the property line abutting a residential property.

To approve a request for an increased FAR, the City Council must find that 1) the additional FAR results in a superior project with substantial community benefit; 2) the project enhances economic vitality; and, 3) the project is designed to minimize adverse impacts to neighboring properties.

On the Capitola Mall property, a maximum FAR of 2.0 is permitted for residential and mixed-use development that complies with objective standards in the Zoning Code.

Action LU-9.4 Retail/Office Mix. Take action to maintain an appropriate mix of retail and non-retail uses along the 41st Avenue corridor. These actions will include:

- ◆ Continuing to require a Conditional Use permit for offices, medical services, and other non-retail uses in the Regional Commercial designation.
- ◆ Amending the Zoning Code to require the Planning Commission to specifically find that a proposed non-retail use will not detract from the economic viability of the corridor.
- ◆ Preparing a study to examine the optimal socio-economic mix of retail and office/professional uses on 41st Avenue.

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF CAPITOLA TO ADOPT AMENDMENTS TO MUNICIPAL CODE TITLE 17 (ZONING) FOR THE CAPITOLA MALL PROPERTY AND INCLUDING AMENDMENTS TO CHAPTER 17.24 (COMMERCIAL AND INDUSTRIAL ZONING DISTRICTS), CHAPTER 17.76 (PARKING AND LOADING), CHAPTER 17.82 (OBJECTIVE STANDARDS FOR MULTIFAMILY AND MIXED-USE DEVELOPMENT), AND CHAPTER 17.88 (INCENTIVES FOR COMMUNITY BENEFITS), 17.160 (GLOSSARY) AND INTRODUCING A NEW CHAPTER 17.57 (OBJECTIVE DESIGN STANDARDS FOR CAPITOLA MALL REDEVELOPMENT), AND FINDING THE PROJECT EXEMPT FROM CEQA

WHEREAS, on August 22, 2024, the City Council adopted the 2023-2031 Housing Element of the General Plan (“Housing Element”) and Addendum to the General Plan Final Environmental Impact Report;

Whereas, on August 30, 2025, the California Department of Housing and Community Development (“HCD”) certified the Housing Element;

WHEREAS, Housing Element Program 1.7 states that the City shall revise development standards in the Zoning Code to facilitate residential development on the Capitola Mall property;

WHEREAS, the Capitola Mall property includes the properties located between Clares Street, 41st Avenue, and Capitola Road;

WHEREAS, the Planning Commission held work sessions on October 2, October 30, and November 19, 2025 to consider Zoning Code amendments for the Capitola Mall in furtherance of Housing Element Program 1.7;

WHEREAS, on October 8, 2025, the City hosted a community meeting, to receive public input on design standards for residential development on the Capitola Mall property;

WHEREAS City staff utilized Planning Commission input and considered public feedback to prepare draft amendments to Municipal Code Title 17 (Zoning) to implement Housing Element Program 1.7;

WHEREAS, the proposed amendments include changes to Zoning Code Chapter 17.24 (Commercial and Industrial Zoning Districts), Chapter 17.76 (Parking and Loading), Chapter 17.82 (Objective Standards for Multifamily and Mixed-Use Residential Development), and Chapter 17.88 (Incentives for Community Benefits), 17.160 (Glossary) and introduce a new Chapter 17.57 (Objective Design Standards for Capitola Mall Redevelopment)

WHEREAS, the proposed amendments would increase allowed building height and floor area ratio (FAR) on the Capitola Mall property, establish objective design standards for Capitola Mall redevelopment, and modify development regulations to facilitate residential and mixed-use development on the Mall property consistent with the

Housing Element;

WHEREAS, the amendments also apply the Objective Standards within Chapter 17.82 to the Mixed-Use Village zoning district and Industrial zoning district;

WHEREAS, notice of the Zoning Code Amendment availability was mailed November 13, 2025, and a public review draft made available on November 26, 2025, in compliance with California Coastal Act public participation requirements and applicable state law;

WHEREAS, a second notice of the Zoning Code Amendment availability was mailed on January 8, 2026, and an updated public review draft made available on January 30, 2026, in compliance with California Coastal Act public participation requirements and applicable state law;

WHEREAS, the Capitola Mall Zoning Code Amendments are exempt from the California Environmental Quality Act (CEQA), pursuant to California Public Resources Code Section 21080.85 which exempts from CEQA rezonings to implement a certified Housing Element;

WHEREAS, further, the Capitola Mall Zoning Code Amendments were analyzed and considered as part of the City's adoption of the Addendum to the General Plan EIR for the City's Housing Element, such that nothing further is required under CEQA. There are no substantial changes proposed to the Housing Element, including Program 1.7, that would require major revisions of the previous EIR or its Addendum due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified significant effects. The Project merely implements Housing Element Program 1.7, which was studied and evaluated in the General Plan EIR Addendum. There are no substantial changes with respect to the circumstances under which implementation of the Housing Element will be undertaken which will require major revisions of the previous environmental document due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified significant effects. There is no new information of substantial importance, which was not known and could not have been known with the exercise of reasonable diligence at the time the previous Addendum was adopted;

For the proposed amendments that apply objective design standards in the MU-V and I zoning districts are also exempt from CEQA pursuant to CEQA Guidelines Sections 15060(c)(2) which applies to projects that will not result in a direct or reasonably foreseeable indirect physical change in the environment, CEQA Guidelines Section 15061(b)(3) which provides that a project is exempt from CEQA if the activity is covered by the common sense exemption that CEQA applies only to projects which have the potential for causing a significant effect on the environment, and Section 15305 for minor alternations in land use limitations. Applying objective design standards in the MU-V and I zoning districts do not result in any changes in allowed land use or density. They simply affect the design and form of uses and densities already permitted within the affected zones.

WHEREAS, at a duly noticed public hearing on February 5, 2026 the Planning

Commission recommended the City Council adopt the Zoning Code Amendments;

WHEREAS, at a duly noticed public hearing on February 23, 2026 and March 16, 2026, the City Council reviewed the proposed Zoning Code Amendments at which time it considered all evidence presented, both written and oral.

BE IT ORDAINED by the City of Capitola as follows:

Section 1: The above findings are adopted and incorporated herein.

Section 2: Pursuant to Capitola Municipal Code Section 17.144.040 and 17.144.060 and based on substantial evidence in the record, the City Council hereby finds that:

- a) The proposed Zoning Code Amendments are consistent with the General Plan, including the Housing Element and Land Use Element and any applicable specific plan as provided by Government Code Section 65860. Concurrent with the Amendments, the Planning Commission and City Council will be considering a text amendment to the General Plan Land Use Element to allow without special City Council authorization a maximum 2.0 FAR for residential and mixed-use development that complies with objective standards in the Zoning Code. Adoption of the Amendments will be subject to final City Council approval and adoption of the associated General Plan text amendment.
- b) The proposed Amendments will not be detrimental to the public interest, health, safety, convenience, or welfare of the City.
- c) The proposed Amendments are internally consistent with other applicable provisions of the Zoning Code.

Section 3: The City Council has considered the Amendments' consistency with the certified Local Coastal Program (LCP) and finds the Zoning Code Amendments in conformity with and adequate to carry out the certified Land Use Plan as described in Exhibit C attached hereto and incorporated herein.

Section 4: Title 17 (Zoning) of the Capitola Municipal Code is amended as set forth in Exhibit A, attached hereto and incorporated herein by this reference.

Section 5: Environmental Review.

The City Council finds that the Amendments are exempt from the California Environmental Quality Act (CEQA), pursuant to California Public Resources Code Section 21080.85 which exempts from CEQA rezonings to implement a certified Housing Element.

Further, the Project was analyzed and considered as part of the City's adoption of the Addendum to the General Plan EIR for the City's Housing Element, such that nothing further is required under CEQA. There are no substantial changes proposed to the Housing Element, including Program 1.7, that would require major revisions of the

previous EIR or its Addendum due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified significant effects. The Project merely implements Housing Element Program 1.7, which was studied and evaluated in the General Plan EIR Addendum. There are no substantial changes with respect to the circumstances under which implementation of the Housing Element will be undertaken which will require major revisions of the previous environmental document due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified significant effects. There is no new information of substantial importance, which was not known and could not have been known with the exercise of reasonable diligence at the time the previous Addendum was adopted. development, and implementing projects would be subject to environmental review.

For the proposed amendments that apply objective design standards in the MU-V and I zoning districts are also exempt from CEQA pursuant to CEQA Guidelines Sections 15060(c)(2) which applies to projects that will not result in a direct or reasonably foreseeable indirect physical change in the environment, CEQA Guidelines Section 15061(b)(3) which provides that a project is exempt from CEQA if the activity is covered by the common sense exemption that CEQA applies only to projects which have the potential for causing a significant effect on the environment, and Section 15305 for minor alternations in land use limitations. Applying objective design standards in the MU-V and I zoning districts do not result in any changes in allowed land use or density. They simply affect the design and form of uses and densities already permitted within the affected zones.

Section 6: Effective Date.

This Ordinance shall be in full force and effect thirty (30) days from its passage and adoption except that it will not take effect within the coastal zone until certified by the California Coastal Commission. This Ordinance shall be transmitted to the California Coastal Commission and shall take effect in the coastal zone immediately upon certification by the California Coastal Commission or upon the concurrence of the Commission with a determination by the Executive Director that the Ordinance adopted by the City is legally adequate.

Section 7: Severability.

The City Council hereby declares every section, paragraph, sentence, cause, and phrase of this ordinance is severable. If any section, paragraph, sentence, clause, or phrase of this ordinance is for any reason found to be invalid or unconstitutional, such invalidity or unconstitutionality shall not affect the validity or constitutionality of the remaining sections, paragraphs, sentences, clauses, or phrases.

Section 8: Certification.

The City Clerk shall cause this ordinance to be posted and/or published in the manner

required by law.

This Ordinance was introduced at the meeting of the City Council on the 16th day of March, 2026, and was adopted at a regular meeting of the City Council on the 26th day of March, 2026, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Margaux Morgan, Mayor

Attest: _____
Julia Moss, City Clerk

Chapter 17.24

COMMERCIAL AND INDUSTRIAL ZONING DISTRICTS

Sections:

- 17.24.010 Purpose of the commercial and industrial zoning districts.
- 17.24.020 Land use regulations.
- 17.24.030 Development standards.
- 17.24.040 Residential mixed use development in commercial zoning districts.

17.24.010 Purpose of the commercial and industrial zoning districts.

A. Community Commercial (C-C) Zoning District. The purpose of the C-C zoning district is to provide areas for a variety of commercial uses serving Capitola residents and visitors. The C-C zoning district allows for retail, restaurants, and services that meet the daily needs of the community. The scale, intensity, and design of development in the C-C zoning district shall be compatible with adjacent neighborhoods and contribute to Capitola’s unique coastal village character. Interspersed residential and office uses in the C-C zoning district shall support a diverse local economy and range of housing choices.

B. Regional Commercial (C-R) Zoning District. The purpose of the C-R zoning district is to provide areas for commercial uses that serve regional shoppers as well as Capitola residents, workers, and visitors. The C-R zoning district will maintain a critical mass of retail and service uses that maintain 41st Avenue as a successful retail destination. Office, medical, and residential uses will be restricted to protect the long-term economic vitality of the corridor. Incremental redevelopment of underutilized properties in the C-R zoning district will enhance the corridor as a pedestrian-friendly shopping destination that enhances Capitola’s unique identity and quality of life.

C. Industrial (I) Zoning District. The purpose of the I zoning district is to provide an area for heavy commercial and light industrial uses in Capitola. The I zoning district allows for nonresidential uses which are desired in the community but could be incompatible with land uses in other zoning districts. The I zoning district shall continue to accommodate businesses that contribute to a diverse economy, provide local jobs, and serve the needs of residents and other businesses in Capitola. (Ord. 1043 § 2 (Att. 2), 2020)

17.24.020 Land use regulations.

A. Permitted Land Uses. Table 17.24-1 identifies land uses permitted in the commercial and industrial zoning districts. The city council may approve a use not listed in Table 17.24-1 after receiving a recommendation from the planning commission and finding the use to be consistent with the general plan and the purpose of the zoning district.

Table 17.24-1: Permitted Land Uses in Commercial and Industrial Zoning Districts

Key		Zoning District			
P	Permitted Use	C-C	C-R	I	Additional Requirements
A	Administrative Permit required				
M	Minor Use Permit required				
C	Conditional Use Permit required				
-	Use not allowed				
Residential Uses [12]					

Key		Zoning District			
P	Permitted Use				
A	Administrative Permit required				
M	Minor Use Permit required				
C	Conditional Use Permit required				
–	Use not allowed	C-C	C-R	I	Additional Requirements
Single-Family Dwellings		–	–	–	
Multifamily Dwellings		C [9]	C [9]	–	
Residential Mixed Use		C	C [7]	–	Section 17.24.040
Large Residential Care Facilities		C [9]	C [9]	–	
Accessory Dwelling Unit		A	A		Chapter 17.74
Public and Quasi-Public Uses					
Colleges and Trade Schools		C	C	C	
Community Assembly		C	C	–	
Cultural Institutions		C	C	–	
Day Care Centers		M	M	–	
Emergency Shelters		P	–	P	Section 17.96.030
Government Offices		See 17.24.020(C)		C	
Home Day Care		P	P	P	
Medical Offices and Clinics		See 17.24.020(C)		–	
Public Paths and Coastal Accessways		C	C	C	
Public Safety Facilities		C	C	C	
Commercial Uses					
Alcoholic Beverage Sales		C	C	C	
Banks		P [2]	P [2]	–	
Car Wash		C	C		
Financial Institutions		See 17.24.020(C)		–	
Business Services		P [2]	P [2]	P	
Commercial Entertainment and Recreation		M	M	–	
Drive-Through Facilities		–	C [4]	–	
Eating and Drinking Establishments					
Bars and Lounges		C	C	C	
Mobile Food Vendors		–	A [6]/C	A [6]/C	

Key		Zoning District			
P	Permitted Use				
A	Administrative Permit required				
M	Minor Use Permit required				
C	Conditional Use Permit required				
-	Use not allowed	C-C	C-R	I	Additional Requirements
Restaurants and Cafes		M [2]	M [2]	C	
Take-Out Food and Beverage		M [2]	M [2]	-	
Food Preparation		M [2]	-	P	
Gas and Service Stations		C	C	-	
Liquor Stores		C	C	-	
Lodging					
Bed and Breakfast		C	-	-	
Hotel		C	C	-	
Maintenance and Repair Services		M	C	P	
Personal Services		P [1]	P [1]	-	
Professional Offices		See 17.24.020(C)		P	
Salvage and Wrecking		-	-	P	
Self-Storage		C	-	C	Section 17.96.140
Retail		P [11]	P [11]	-	
Retail Cannabis Establishment		C [10]	C [10]		Section 17.24.020(D)
Vehicle Repair		C	C	P	
Vehicle Sales and Rental		C [5]	C [5]	-	
Vehicle Sales Display Room [8]		P	P	-	
Wholesaling		-	M [3]	P	
Heavy Commercial and Industrial Uses					
Construction and Material Yards		-	-	P	
Custom Manufacturing		M	M	P	
Light Manufacturing		-	-	P	
Warehousing and Distribution		-	-	P	
Transportation, Communication, and Utility Uses					
Utilities, Major		-	C	C	
Utilities, Minor		P	P	P	

Key		Zoning District			
P	Permitted Use				
A	Administrative Permit required				
M	Minor Use Permit required				
C	Conditional Use Permit required				
–	Use not allowed	C-C	C-R	I	Additional Requirements
Recycling Collection Facilities		C	C	C	Section 17.96.130
Wireless Communications Facilities		See Chapter 17.104			
Other Uses					
Accessory Uses		See Chapter 17.52			
Home Occupations		P	P	–	Section 17.96.040
Permanent Outdoor Display		C	C	C	Section 17.96.100
Temporary Uses		See Section 17.96.180			
Urban Agriculture					
Home Garden		P	P	–	
Community Garden		M	M	–	

Notes:

[1] Combination of two or more tenant suites within a multi-tenant building or greater than five thousand square feet requires minor use permit.

[2] Combination of two or more tenant suites within a multi-tenant building or greater than five thousand square feet requires conditional use permit.

[3] Without stock. Storage of merchandise limited to samples only.

[4] Prohibited within one hundred feet of a residential zoning district or residential use including residential properties outside the city limits. No minimum distance requirement from residential uses on the Capitola Mall property. Distance is measured from any site feature designed and/or used to provide drive-through service (e.g., vehicle aisle, menu board, lighting) to the property of the residential district or use.

[5] Majority of vehicles for sale must be new.

[6] Mobile food vendors in one location four times or less per year are regulated as a temporary use in accordance with Section 17.96.180 and are allowed with an administrative permit in accordance with Chapter 9.36 of this code. Mobile food vendors in one location more than two times per year require a conditional use permit.

[7] Residential uses are prohibited on the first story, except on Capitola Mall Housing Element Sites where ground-floor residential uses are allowed. See Section 17.24.035 (Capitola Mall Redevelopment) for additional requirements on the Capitola Mall property.

[8] Maximum five thousand square feet.

[9] Allowed only as a part of a mixed use project integrated with commercial structures located on the same development site, except on Capitola Mall Housing Element Sites where residential-only projects are allowed. See Section 17.24.035 (Capitola Mall Redevelopment) for additional requirements on the Capitola Mall property.

[10] Requires cannabis retail license (Chapter 9.61) and compliance with subsection D of this section.

[11] A retail use twenty thousand square feet or more requires a conditional use permit.

[12] See Section 17.96.210 (Demolition and replacement of dwelling units) for requirements that apply to new residential uses on sites identified as nonvacant in the general plan housing element inventory of land suitable for residential development.

B. Additional Permits. In addition to permits identified in Table 17.24-1, development projects in the commercial and industrial zoning districts may also require a design permit pursuant to Chapter 17.120 (Design Permits). Modifications to a historic resource may require a historic alteration permit pursuant to Chapter 17.84 (Historic Preservation). Development in the coastal zone may require a coastal development permit pursuant to Chapter 17.44 (Coastal Overlay Zone), independent of and in addition to any other required permit or approval.

C. Office Uses in the C-C and C-R Zoning Districts.

1. New Office Uses. In the C-C and C-R zoning districts, permits required for new office uses and conversions of nonoffice space to office use are shown in Table 17.24-2. Offices include professional, medical, financial institutions and governmental offices.

Table 17.24-2: Permitted New Office Uses in the C-C and C-R Zoning Districts

Key			
P	Permitted Use		
A	Administrative Permit required		
M	Minor Use Permit required		
C	Conditional Use Permit required		
-	Use not allowed	C-C Zoning District	C-R Zoning District
Location and Size of Office Use			
Ground floor, less than 5,000 sq. ft.		P	C [1]
Ground floor, 5,000 sq. ft. or more		P/C [2]	C [1]
Upper floor above a ground floor		P	P

Notes:

[1] Allowed with a conditional use permit only in a multi-tenant building if one or more of the following conditions are met: (1) entry doors do not face an adjacent street frontage; or (2) the building does not front 41st Avenue or Clares Street.

[2] Permitted by right where: (1) entry doors do not face an adjacent street frontage; or (2) the building does not front 41st Avenue. Otherwise, a conditional use permit is required.

2. Existing Office Uses.

a. In the C-C and C-R zoning districts, office uses may continue to occupy existing office space. For purposes of this section, “existing office space” means any tenant space legally occupied by an office use; and vacant tenant space where the most recent legal occupant was an office use. The city shall use business license documentation to determine the legal occupancy of tenant space.

b. Offices are a permitted use in existing office space. A new office tenant may occupy existing office spaces without the permit requirements in Table 17.24-2.

D. Retail Cannabis. A retail cannabis establishment must be in compliance with the following standards:

1. Permit Requirements.

a. Cannabis Retail License. Prior to conditional use permit application, an applicant shall obtain a potential retail cannabis license from the city, as outlined in Chapter 5.36.

b. Conditional Use Permit. A retail cannabis establishment must obtain a conditional use permit from the planning commission. The retail cannabis establishment shall be in compliance with the following standards:

i. Distance from Schools and Churches. Retail cannabis establishments are not permitted within a path of travel of one thousand feet from any schools and churches. The path of travel shall be measured following the shortest path of travel along a public right-of-way from the property line of the proposed retail cannabis establishment parcel to the church or school.

ii. Distance Between Retail Cannabis Establishments. A retail cannabis establishment shall not be located within a path of travel of five hundred feet of another retail cannabis establishment. Path of travel is measured from the retail establishment suite on a multi-tenant property or the structure for a single-tenant property.

iii. Independent Access. A retail cannabis establishment shall have an independent exterior entrance that is not shared with any other business or residence.

iv. 41st Avenue Frontage. In the C-C zoning district, a retail cannabis establishment must be on a property fronting 41st Avenue.

17.24.030 Development standards.

A. General. Table 17.24-3 identifies development standards that apply in the commercial and industrial zoning districts, excluding the Capitola Mall property. For development standards that apply to the Capitola Mall property, see Section 17.24.035 (Capitola Mall Redevelopment).

Table 17.24-3: Development Standards in Commercial and Industrial Zoning Districts

	C-C	C-R	I	Additional Standards
Site Requirements				
Parcel Area, Minimum	5,000 sq. ft.			
Parcel Width, Minimum	50 ft.			
Parcel Depth, Minimum	100 ft.			
Floor Area Ratio, Maximum	1.0 [1]	1.5	0.5	Section 17.24.030(D) Chapter 17.88
Structure Requirements				
Setbacks, Minimum				
Front	See Section 17.24.030(C)		0 ft.	
Rear	0 ft. unless adjacent to a residential zoning district (see Section 17.24.030(E))			
Interior Side	0 ft. unless adjacent to a residential zoning district (see Section 17.24.030(E))			
Street Side	See Section 17.24.030(C)		0 ft.	
Height, Maximum	40 ft. [1]	40 ft.	30 ft.	Section 17.24.030(D) and (E) Chapter 17.88
Landscaped Open Space, Minimum	5%			Table 17.72-1

	C-C	C-R	I	Additional Standards
Parking and Loading	See Chapter 17.76			

Notes:

[1] Additional building height and FAR allowed for a housing development project that consolidates adjacent housing element opportunity sites. See 17.24.040(J) (Lot Consolidation Incentive).

B. C-C Zoning District Fronting Capitola Road. The following requirements apply to C-C parcels fronting the south side of Capitola Road between 41st Avenue and 45th Avenue as shown in Figure 17.24-1:

1. Maximum height: thirty-five feet.
2. Minimum rear setback: forty feet.
3. Enhanced Application Review. A proposed project with a height greater than two stories shall comply with the following enhanced application review procedures:
 - a. Conceptual Review.
 - i. Prior to consideration of a formal application, the planning commission and city council shall provide conceptual review of a proposed project in accordance with Chapter 17.114 (Conceptual Review).

Figure 17.24-1: Parcels Fronting Capitola Road Between 41st Avenue and 45th Avenue



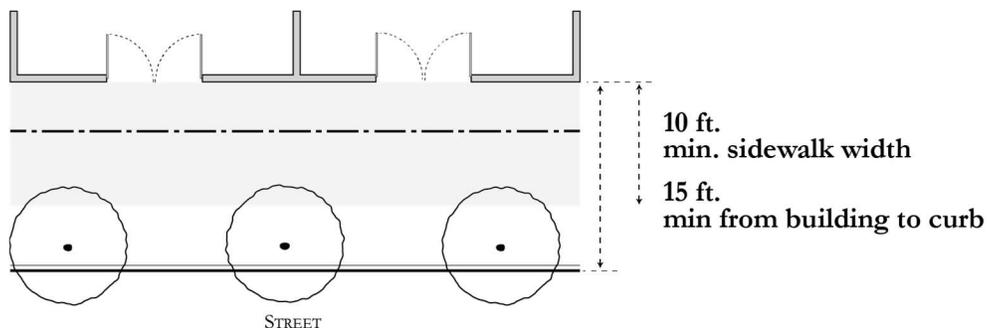
- ii. Before planning commission and city council review, the applicant shall host at least one community workshop to solicit community input on preliminary project plans.

- iii. When reviewed by the planning commission and city council, the applicant shall demonstrate how the project design addresses public input received at the community workshop, as appropriate.
- b. City Council Action. Following conceptual review, the planning commission shall serve as the recommending body and the city council shall serve as the review authority and take final action on the application.
- c. Findings. To approve the application, the city council shall make all of the following findings in addition to findings for the required permits:
- i. The project satisfies applicable design review criteria in Section 17.120.070 (Design review criteria).
 - ii. On-site parking, points of ingress/egress, and internal vehicle accessways are located and designed to minimize parking and traffic impacts on neighboring residential areas to the greatest extent possible.
 - iii. The project incorporates rear yard setbacks and upper-story setbacks as needed to maintain adequate light and air for abutting residential uses.
 - iv. The height and intensity of development is compatible with the scale and character of neighboring residential areas.
 - v. The project incorporates design features to support a safe and welcoming pedestrian environment. Potential features may include, but are not limited to, enhanced sidewalks along the property frontage, internal pedestrian walkways, outdoor public gathering places, unique landscaping treatments, and active ground-floor uses fronting the street.

C. Front and Street Side Setbacks in the C-R and C-C Zoning Districts. In the C-R and C-C zoning districts, buildings shall be set back from the front and street side property line so that:

1. The building is at least fifteen feet from the curb or street edge; and
2. Building placement allows for a minimum ten-foot sidewalk along the property frontage. See Figure 17.24-2.

Figure 17.24-2: Front and Street Side Setbacks in the C-R and C-C Zoning Districts



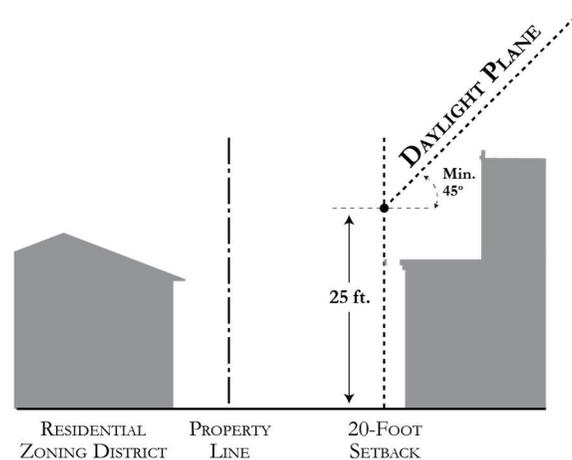
D. Increased Floor Area and Height in C-C and C-R Zoning Districts. As provided in Chapter 17.88 (Incentives for Community Benefits), the city council may approve exceptions to height and floor area ratio (FAR) limits shown in Table 17.24-3 for proposed projects in the C-C and C-R zoning districts. These exceptions are intended to facilitate the redevelopment of underutilized properties along 41st Avenue consistent with the vision for the corridor described in the general plan.

E. Residential Transition Standards. Where a commercial or industrial zoning district abuts a residential zoning district, the following standards apply:

1. Setbacks. The minimum setback from the residential property line shall be fifteen feet for interior side yards and twenty feet for rear yards. For lots less than one hundred feet wide, the planning commission may allow a reduced side yard setback upon finding that potential impacts to adjacent residential properties have been adequately minimized through enhanced building and landscape design.

2. Daylight Plane. No structure shall extend above or beyond a daylight plane having a height of twenty-five feet at the setback from the residential property line and extending into the parcel at an angle of forty-five degrees. See Figure 17.24-3.

Figure 17.24-3: Residential Transitions – Daylight Plane



3. Landscaping. A landscaped planting area, extending a minimum of ten feet from the property line, shall be provided along all residential property lines. A tree screen shall be planted in this area with trees planted at a minimum interval of fifteen feet.

4. Loading. Loading and unloading shall be designed to have the least amount of impact on neighboring residential uses. When feasible, loading and unloading shall be provided from the commercial frontage rather than from areas adjacent to residential uses.

~~F. Reserved. Capitola Mall Redevelopment. While the Capitola Mall site has been zoned regional commercial (C-R) as part of the zoning code update, it is expected that major redevelopment of the mall property may require a rezone, planned development, specific plan, development agreement, or similar process to tailor appropriate development standards for the redevelopment project. Where an application submitted pursuant to this section includes fewer than all parcels within the mall property, the applicant shall demonstrate that the development type and pattern and site design will be compatible and not unreasonably interfere with future redevelopment of the remaining parcels. For the purposes of this section, the mall property is defined as the area bound by 41st Avenue, Clares Street, and Capitola Road.~~

G. Landscaping. See Section 17.72.050(B) for nonresidential landscape requirements.

H. Objective Standards for Multifamily Dwellings and Mixed-Use Residential Development.

~~1. Excluding development on the Capitola Mall property. New multifamily dwellings and mixed-use residential development in the C-C and C-R zoning districts must comply with Chapter 17.82 of this code (Objective Standards for Multifamily and Mixed-Use Residential Development).~~

~~2. Residential-only and mixed-use development on the Capitola Mall property shall comply with Chapter 17.57 (Objective Design Standards for Capitola Mall Redevelopment).~~

I. Roof Decks. Roof decks that provide common open space for residents in the commercial zoning district require a design permit. Roof decks must comply with standards in Section 17.16.030(C)(5)(b).

J. Lot Consolidation Incentive. Housing Element Table 4-3 identifies adjacent opportunity sites which are suitable for lot consolidation. Projects in the C-C zoning district that consolidate two or more opportunity sites identified in Housing Element Table 4-3 into a single parcel as part of a housing development project are permitted maximum building height and floor area ratio (FAR) as identified in Table 17.24-4.

Table 17.24-4: C-C Lot Consolidation Bonus

Baseline C-C Standard		Lot Consolidation Allowance	
Height	FAR	Height	FAR
40 ft.	1.0	50 ft.	1.5

K. Micro-Units. A building with micro-units in the C-C or C-R zoning district is permitted a maximum height of fifty feet and a maximum FAR of one and one-half only when:

1. The micro-units are within one-quarter mile walking distance of a major transit stop or a high-quality transit corridor, as those terms are defined in Section 21064.3 of the Public Resources Code; and
2. The micro-units constitute fifty percent or more of the total number of units in the building. (Ord. 1066 § 2 (Att. 1), 2024; Ord. 1057 § 2 (Att. 1), 2022; Ord. 1053 § 3, 2022; Ord. 1043 § 2 (Att. 2), 2020)

17.24.035 Capitola Mall Redevelopment

A. Purpose. This section establishes standards for residential and mixed-use development on the Capitola Mall property. These standards aim to promote and facilitate housing production that is affordable to all income levels in a vital, mixed-use environment, in accordance with the General Plan Housing Element.

B. Applicability. This section applies to all proposed development projects with new residential and/or mixed uses on the Capitola Mall property.

C. Definitions. Terms used in this section are defined as follows.

1. “Core area” means all areas on the Capitola Mall property that are not in the perimeter zone.
2. “Housing Element Site” means a parcel on the Capitola Mall property listed in Appendix D Table D-1 of the City of Capitola 6th Cycle Housing Element of the General Plan.
3. “New commercial space” means either a new commercial building or substantially improved existing commercial building with complete interior and exterior tenant improvements.
4. “Perimeter street” means 41st Avenue, Capitola Road and Clares Street.
5. “Perimeter zone” means all areas on the Capitola Mall property that are within 75 feet of a property line abutting 41st Avenue or, and Capitola Road and within 125 feet of a property line abutting Clares Street.
6. “Tier 1 project” means all proposed development projects with new residential uses that do not meet the “Tier 2 mixed-use project” or “Tier 3 mixed-use project” definitions in this section.
7. “Tier 2 mixed-use project” means a proposed mixed-use development project with all of the following:
 - a. Residential development that meets or exceeds the affordability requirements specified in Section 17.24.035.D.7. Inclusionary Housing Requirement).

a. A hotel with a minimum of 85 rooms and a minimum of 3,000 square feet of meeting space and conference facilities.

b. 30,000 square feet or more of new commercial space.

8. “Tier 3 mixed-use project” means a proposed mixed-use development project that:

a. Meets or exceeds the affordability requirements specified in Section 17.24.035.D.7. Inclusionary Housing Requirement); and

b. Complies with one or both of the following options:

Option 1: The project includes both a hotel with a minimum of 125 rooms and a minimum of 4,000 square feet of meeting space and 40,000 square feet or more of new commercial space.

Option 2: The project includes 200,000 square feet or more of new commercial space.

D. Development Standards.

1. Housing Element Sites. Table 17.24-6 identifies the development standards that apply to development on a Capitola Mall Housing Element Site. These standards aim to facilitate housing production on the Capitola Mall property and incentivize the creation of housing in a vital, mixed-use environment.

Table 17.24-6: Mall Redevelopment Development Standards

	<u>Tier 1 Projects</u>	<u>Tier 2 Mixed-Use Projects</u>	<u>Tier 3 Mixed-Use Projects</u>
<u>Floor Area Ratio</u>	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>
<u>Height, Maximum</u>			
<u>Perimeter Zone</u>	<u>55 ft.</u>	<u>65 ft. [1]</u>	<u>65 ft. [1]</u>
<u>Core Zone</u>	<u>75 ft.</u>	<u>75 ft.</u>	<u>85 ft.</u>
<u>Open Space</u>	<u>5% of site area [2]</u>	<u>2.5% of site area [2]</u>	<u>2.5% of site area [2]</u>
<u>Density</u>			
<u>Minimum</u>	<u>20 du/ac</u>	<u>20 du/ac</u>	<u>20 du/ac</u>
<u>Maximum [3]</u>	<u>48 du/ac</u>	<u>48 du/ac</u>	<u>53 du/ac</u>
<u>Setbacks</u>	<u>See Chapter 17.57</u>	<u>See Chapter 17.57</u>	<u>See Chapter 17.57</u>

Notes:

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

[2] See Section 17.57.040.B (Publicly Accessible Open Space) for open space landscaping requirements.

[3] Maximum density only for Housing Element Sites. For other parcels, see 17.24.035.D.2.b.

2. Parcels Not a Housing Element Site. On a Capitola Mall parcel that is not a Housing Element Site (APNs 034-261-07 and 034-261-52), the following apply:

a. The maximum residential density is 20 dwelling units per acre

b. Development shall comply with the development standards in Section 17.24.030 (Development Standards) except as otherwise modified in this section.

3. Density.

a. **Calculation.**

i. The density of a proposed development on the Capitola Mall property is calculated on a project-wide basis as the number of dwelling units per acre of land, using the total combined land area for all contiguous parcels under single ownership regardless of whether dwelling units are proposed on an individual parcel.

ii. The land area used to calculate density includes the following:

(a) Privately owned and maintained publicly accessible open space; and

(b) Public open space dedicated to the City; and

(c) Private streets, sidewalks, pathways and other similar private circulation improvements except where dedicated for public use consistent with paragraph iii below and

(d) Areas subject to tenant lease controls and private easements.

(e) Perimeter street frontage improvements on privately owned property subject to a public access easement or dedication pursuant to Section 17.57.050.A.h.3.d.

(f) Public rights of way; and

(g) Public easements.

iii. The “density” definition in Section 17.160.020.D.6 does not apply to the Capitola Mall property.

b. Minimum Density – Alternative Compliance. If an owner of multiple parcels within the Capitola Mall property proposes an initial phase of development that does not meet the minimum density standard, including but not limited to a commercial-only building or commercial-only project, the applicant may demonstrate compliance by recording, to the satisfaction of the City Attorney, a legal instrument that establishes an increased minimum residential density on other parcels within the Capitola Mall property under the applicant’s control, such that the affected parcels collectively achieve an overall minimum density of 20 dwelling units per acre.

4. Parking. Minimum on-site parking spaces shall be provided as follows:

a. Tier 1 Projects: As required by Chapter 17.76 (Parking and Loading).

b. Tier 2 and Tier 3 Mixed-Use Projects: As shown in Table 17.24-7 for residential uses. For non-residential uses, as required by Chapter 17.76 (Parking and Loading).

Table 17.24-7: Required Residential Parking for Tier 2 and Tier 3 Mixed-Use Projects

<u>Unit Size</u>	<u>Minimum Spaces per Unit</u>
<u>Studio</u>	<u>0.8</u>
<u>1 bedroom</u>	<u>1.0</u>
<u>2 bedroom</u>	<u>1.6</u>
<u>3 bedroom</u>	<u>2.0</u>

c. Parking spaces for residential units must be in a parking structure.

5. Floor Area Ratio.

a. All structured parking and hotels are excluded from the floor area used to calculate a project’s FAR.

b. For Tier 2 and Tier 3 projects, rooftop decks are excluded from the floor area calculation.

6. Height Projections.

a. Up to fifteen percent of the total building frontage along a perimeter or interior street may include architectural features and building infrastructure that project up to 10 feet above the maximum permitted building height identified in Table 17.24-5. Permitted height projections include the following:

- i. Corner building elements.
- ii. Tower or vertical accent features.
- iii. Parapets or roofline projections with distinctive architectural treatment.

b. Elevator overruns, stair enclosures, mechanical equipment, and similar building infrastructure may project above the maximum permitted building height within any portion of a building footprint.

7. Objective Standards. Development on the Capitola Mall property shall comply with the requirements in Chapter 17.57 (Objective Design Standards for Capitola Mall Redevelopment).

8. Inclusionary Housing Requirement. New residential development on the Capitola Mall property shall comply with the City's inclusionary housing ordinance in Municipal Code Chapter 18.02 (Affordable (Inclusionary) Housing) except as follows.

a. A minimum of 15 percent of the dwelling units shall be deed restricted affordable to lower income households and a minimum of 5 percent of the units are either deed restricted affordable to moderate income households or studio units with a kitchen and living space but without a separate bedroom.

b. Rental and ownership housing projects must provide either on-site affordable units or dedicate land that satisfies the criteria below in lieu of concurrently constructing inclusionary units within the housing development project. Payment of in-lieu fees is not permitted. Dedicated land must comply with the following:

- i. The dedicated land must be on the Capitola Mall property.
- ii. The amount of dedicated land must be sufficient to accommodate the required number of affordable units otherwise required for the proposed housing project.
- iii. The offer of dedication shall be made prior to or concurrently with the filing of the final subdivision map or prior to issuance of the first building permit, whichever occurs earlier.
- iv. The offer of dedication may occur only after the City approves the conditional use permit and all other discretionary planning permits required for the affordable development, except for a design permit which may be approved by the City after the dedication.
- v. The dedicated land and the affordable units shall be subject to a deed restriction ensuring continued affordability of the units at affordability levels sufficient to satisfy the otherwise-applicable inclusionary requirement.
- vi. The land must be dedicated to the City or to a housing developer approved by the City. The City may require the applicant to identify and transfer the land to the developer.
- vii. The applicant shall identify a proposed source of funding for the affordable units and off-site infrastructure necessary to serve such units not later than the date of approval of the final subdivision map, parcel map, or residential development application.

E. Land Use Regulations. All land use regulations and permit requirements in Section 17.24.020 (Land Use Regulations) apply to development with new residential uses on the Capitola Mall property, except as follows:

1. Within a Tier 2 or Tier 3 mixed-use project, the following land uses are permitted “P” uses:
 - a. All hotels.
 - b. All retail uses.
 - c. Eating and drinking establishments, excluding bars and lounges.
 - d. Commercial entertainment and recreation excluding such uses with an ancillary bar or lounge.
 - e. Cultural institutions
2. All residential development, with or without a new commercial component, is allowed with a conditional use permit.
3. The City has determined that residential uses on the Capitola Mall property consistent with this chapter and Chapter 17.57 (Objective Design Standards for Capitola Mall Redevelopment) are in compliance with the City’s General Plan and are conditionally allowed in the CR zoning district. Therefore, the City’s review of a Conditional Use Permit for residential development on the Capitola Mall property shall focus on requiring conditions related to the following considerations, provided that such conditions shall not deny the residential development or reduce project density:
 - a. Interior site layout (e.g., arrangement and configuration of different uses, public open space, and structures).
 - b. Site access and internal circulation.
 - c. Operating characteristics (hours of operation, traffic generation, lighting, noise, odor, dust, and other external impacts).
 - d. Public services and infrastructure.
 - e. Project phasing.
 - f. Property maintenance.
4. On a Housing Element Site, a project with less than 50 percent of the new floor area occupied by residential uses is prohibited except where allowed as provided in Section 17.24.035.D.3.b (Minimum Density – Alternative Compliance).

F. Fiscal Impact Analysis.

1. **When Required.** A Fiscal Impact Analysis (FIA) is required in connection with the application for any proposed development project with new residential uses on the Capitola Mall property, except that an FIA is not required for a stand-alone 100 percent affordable housing development project.
2. **Contents of Fiscal Impact Analysis.**
 - a. Each FIA shall include, at a minimum:
 1. An estimate of the incremental change to annual recurring revenues and expenditures to the City generated by the project at buildout, including but not limited to property tax, sales tax, transient occupancy tax, and service costs (police, public works, parks, administration).

2. Identification of any net fiscal surplus or deficit to the City's General Fund and special revenue funds over 10, 15, and 20-year horizons.

3. A description of proposed mitigation measures or financing mechanisms (e.g., community facilities district, development agreement contributions) to offset any projected negative fiscal impact.

4. Supporting assumptions, data sources, and methodology.

b. The FIA shall consider City cost implications resulting from publicly accessible open space, maintained by the property owner and not the City, provided in the proposed development.

3. Review and Approval.

a. The applicant shall submit for City review a FIA prepared by a qualified economic consultant concurrently with the applicant's submittal of a development application.

b. The applicant's FIA shall be peer reviewed by a qualified independent economic consultant hired by the City and funded by the applicant.

c. Based on the results of the peer and City review of the FIA, the City may require revisions to the FIA analysis assumptions, data sources, and methodology.

d. When reviewing and acting on the proposed development project, the City shall consider the findings of the FIA to inform the decision-making body about future land use and planning decisions that may be necessary in response to the proposed development project's fiscal impacts. The findings of an FIA shall not be used as a basis to deny or reduce the density of a housing project.

4. Relationship to Other Requirements. The FIA requirement is in addition to, and does not replace, any environmental or infrastructure impact analyses required under CEQA, this title, or other applicable law.

G. Permit Application and Review. A proposed project with new residential uses on a Housing Element Site is subject to the permit application and review requirements in Zoning Code Part 4 (Permits and Administration) except as modified below.

1. Applicant Community Meeting.

a. Meeting Required. The applicant shall host a community meeting for the proposed project to:

i. Notify the community that an application has been or soon will be submitted to the City;

ii. Allow the community to share with the applicant comments about the project; and

iii. Create an opportunity for the applicant to consider these comments before finalizing the application to the City review and action.

b. Timing.

i. The City will deem the application complete only after the applicant has hosted the community meeting.

ii. The meeting shall be held during evening hours or on a weekend.

c. Notice Method. At least 10 days prior to the community meeting, the applicant shall notify the community and the City by:

i. Mailing notice to all property owners and residents within a radius of 300 feet from the exterior boundaries of the subject property;

ii. Posting a sign of at least 2.5 feet by 3 feet in a conspicuous place on each street frontage along the subject property; and

iii. Emailing and mailing notice to the City of Capitola Community and Economic Development Department.

d. Notice Contents. The notice shall:

i. State the date, time, and location of the community meeting;

ii. Describe the proposed project;

iii. Describe the meeting purpose; and

iv. Provide a contact phone number and email address of the applicant or agent.

e. Meeting Materials and Agenda. At the meeting the applicant shall share the project plans and answer questions about the proposed project.

f. Information to City. The applicant shall submit to the City the following information and materials:

i. A copy of the public notice mailed and posted for the meeting; and

ii. A copy of the information presented and made available (in all formats) by the applicant at the meeting.

2. Application Review and Action.

a. The Planning Commission shall review the proposed project at a noticed public hearing and recommend that the City Council approve, approve with conditions, or deny the proposed project.

b. After receiving the Planning Commission's recommendation, the City Council shall review and act on the proposed project at a noticed public hearing.

H. Project Phasing. 100% affordable development projects are exempt from the project phasing requirement in this section. The following project phasing requirements apply to all Tier 2 and Tier 3 mixed use projects.

1. Deed Restriction. Prior to recording of a final subdivision map or issuing building permits for any market rate housing on the site, whichever occurs first, the applicant shall record a 10 year deed restriction on the parcel(s), or portions of a parcel, in a form approved by the City Attorney that designates the parcel that contain the hotel and/or new commercial space required for a Tier 2 or Tier 3 project and prohibit development of such parcels for other uses.

2. Phasing Alternatives. All Tier 2 and Tier 3 projects shall be subject to phasing requirements, which shall include either Certificate of Occupancy Restrictions or Annual Fee Restrictions, as provided below:

a. Phases for Certificate of Occupancy Restriction.

i. The City shall issue a building permit for the first market rate multifamily building in the development project following entitlement.

ii. The City shall issue a Certificate of Occupancy for the first market rate multifamily building and issue a building permit for the second market rate multifamily building in the development project only after the City issues a building permit for a Tier 2 or Tier 3 qualifying hotel and/or new commercial space within the development site, and

iii. The City shall issue a Certificate of Occupancy for the second market rate multifamily building in the development project only after the City issues Certificate of Occupancy for the Tier 2 or Tier 3 qualifying hotel and/or new commercial space within the development site.

b. Annual Fee Payment.

i. A project utilizing the Tier 2 or Tier 3 incentives may enter a contract with the City to pay an annual fee to the City per market rate unit for which a Certificate of Occupancy has been issued.

ii. The required per unit fee amount shall be calculated during the entitlement of the project within the Fiscal Impact Analysis prepared pursuant to Section 17.24.035.F., in a form approved by the City Attorney.

iii. The first payment of such fees shall be due one year after the issuance of Certificate of Occupancy, and annually thereafter. The contract shall terminate immediately upon issuance of Certificate of Occupancy for the hotel and/or commercial development necessary to qualify for Tier 2 or Tier 3 incentives.

17.24.040 Residential mixed use development in commercial zoning districts.

A. Purpose and Applicability. This section establishes design standards for mixed use development with housing above ground-floor commercial uses in the community commercial (C-C) and regional commercial (C-R) zoning districts. These standards are intended to promote successful mixed use development that is pedestrian-friendly and contributes to the vitality of commercial districts in Capitola. These standards do not apply to the Capitola Mall property.

B. Standards.

1. Ground-Floor Uses. Ground-floor spaces fronting the primary street shall be occupied by retail, restaurant, and personal service uses that generate pedestrian activity.
2. Building Placement. Buildings shall be placed near the edge of the sidewalk. Increased setbacks are permitted if they enhance pedestrian experience and add visual interest.
3. Building Orientation. Buildings shall be oriented towards a public street with the primary entrance to the site or building directly accessible from an adjacent sidewalk. The planning commission may allow buildings and their primary entrances to be oriented toward a public space. The primary entrance to a building shall not be oriented towards surface parking.
4. Blank Walls. The length of an unarticulated/blank building wall shall not exceed ten feet. Architectural articulation should have a similar pattern as other adjacent buildings to provide cohesive design in the neighborhood. Building articulation may be provided by:
 - a. Doors, windows, and other building openings;
 - b. Building projections or recesses, doorway and window trim, and other details that provide architectural articulation and design interest;
 - c. Varying wall planes, heights or contrasting materials and colors; and

d. Awnings, canopies, or arcades to reinforce the pedestrian scale and provide shade and cover from the elements.

5. Storefront Width. The width of a single building/storefront shall not exceed fifty feet. Larger buildings shall be broken down into a pedestrian-scale rhythm with individual storefront widths of twenty-five to fifty feet.

6. Ground-Floor Building Transparency. The ground-floor street-facing building walls of nonresidential uses shall provide transparent windows or doors with views into the building for a minimum of sixty-five percent of the building frontage located between two and one-half and seven feet above the sidewalk. See Figure 17.24-4. Windows or doors area shall be transparent to allow views into the building. Exceptions to this transparency requirement may be allowed if the planning commission finds that:

a. The proposed use has unique operational characteristics which preclude building openings, such as for a cinema or theater; or

b. Street-facing building walls will exhibit architectural relief and detail, and will be enhanced with landscaping in such a way as to create visual interest at the pedestrian level.

Figure 17.24-4: Storefront Transparency



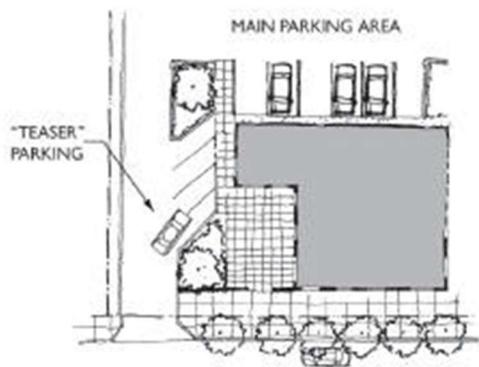
7. Retail Depth. Ground-floor commercial space shall have a depth of at least forty-five feet or two-thirds of the parcel depth, whichever is less. Where possible, sixty-foot depths are encouraged to accommodate a wider range of tenants, especially food tenants. The planning commission may grant an exception to the minimum retail depth requirement if the minimum retail depth is infeasible due to unusual physical conditions on the parcel.

8. Ground-Floor Height. Ground-floor commercial space shall have a minimum floor-to-floor height of fifteen feet. Where possible, eighteen-foot floor-to-floor heights are encouraged.

9. Parking Location. No more than ten percent of off-street retail parking may be provided along the side of retail as “teaser” parking. The remainder of the parking shall be behind the building or in underground/structured parking. See Figure 17.24-5.

10. Driveways and Curb Cuts. Pedestrian and vehicle conflicts shall be minimized by limiting the number of curb cuts to two per block and the width of curb cuts to twenty-four feet where feasible. To the extent possible, curb cuts shall be designed so pedestrian curb ramps are limited and pathways remain level as they cross the vehicle route.

Figure 17.24-5: Residential Mixed Use – Teaser Parking



Small amounts of "teaser" parking can act as a visual cue to direct drivers to additional parking out of view.

(Ord. 1043 § 2 (Att. 2), 2020)

Chapter 17.57 – Objective Design Standards for Capitola Mall Redevelopment

Sections:

- 17.57.010 ___ Purpose
- 17.57.020 ___ Applicability
- 17.57.030 ___ Definitions
- 17.57.040 ___ Permits and Deviations
- 17.57.050 ___ Standards

17.57.010 Purpose

This chapter contains objective design standards for multifamily residential, residential mixed-use, commercial, and hotel development projects on the Capitola Mall property. These standards are intended to provide a set of clear, objective, and measurable standards to promote ease of review and processing and increased certainty in the outcome of the review process for housing development projects, while ensuring that Capitola Mall redevelopment projects exhibit high-quality design that enhances Capitola’s unique identity and sense of place, allow for economically feasible housing development, and maintains the regional commercial district’s role as a long-term revenue generator that sustains essential services for residents. These standards aim to facilitate housing production on the Capitola Mall property and incentivize the creation of housing that is affordable for all income levels in a vital, mixed-use environment.

17.57.020 Applicability

- A. The design standards in Section 17.57.050 of this chapter apply to all development and redevelopment on the Capitola Mall property except for the following:
 1. Tenant improvements to existing buildings with no increase in building floor area.
 2. Additions to existing buildings that increase building floor area by less than 20,000 square feet or 50 percent of the existing building floor area, whichever is less.
- B. As noted in this chapter, certain standards apply only to “mall redevelopment projects” with new residential uses, while other standards apply to projects with any land, including commercial-only development.

17.57.030 Definitions

Terms used in this chapter are defined in Chapter 17.160 (Glossary) and as follows. If a definition below is different from a definition for the same term in Chapter 17.160, the definition below controls for purposes of interpreting the requirements of this chapter.

- A. “Internal street” means any new public or private street established on the Capitola Mall property as part of a development project.
- B. “Mall redevelopment project” means any development project on the Capitola Mall property that adds a new residential use. A mall redevelopment project includes both residential-only projects without new commercial uses and mixed-use projects with both new residential and non-residential uses.
- C. “Perimeter street” means 41st Avenue, Capitola Road and Clares Street.
- D. “Publicly accessible open space” means an area of land or building space that is designed and improved for public use and enjoyment, and that is permanently open and accessible to the general public without charge during normal operating hours.

- E. “Residential mixed-use” means a development project with new residential uses and new commercial uses on the development site.
- F. “Residential use” means the use of land or structures for dwelling purposes, including the provision of living, sleeping, cooking, and sanitation facilities for one or more persons.

17.57.040 Permits and Deviations

A. Permits Required.

1. A design permit is required for development on the Capitola Mall property = as specified in Section 17.120.030 (When required).
2. The design permit review criteria for a Mall redevelopment project is limited to project conformance with applicable objective standards. The City shall not consider and is not required to make design permit findings in Section 17.120.080 (Findings for approval).
3. Additional permits and approvals may also be required as determined by the scope and nature of the proposed development.

B. Deviations.

1. An applicant may request deviation from one or more standards in this chapter through the design permit process. The planning commission may approve a deviation upon finding that:
 - a. The project incorporates an alternative method to achieve the intent statement that proceeds the standard; and
 - b. The request is needed due to unique site conditions and/or to provide for a superior project design.
2. Unless the deviation is approved by the Planning Commission pursuant to Paragraph (1) above (which may be sought and obtained in connection with an applicant’s initial subdivision map, conditional use permit, and design permit application for a mall redevelopment project), a project requesting a deviation pursuant to this Section 17.57.040.B shall not be considered consistent with applicable, objective development standards for the purposes of qualifying for streamlined approval under Government Code Section 65913.4, Government Code Chapter 4.1, or other state laws providing a ministerial approval process for qualifying projects consistent with applicable, objective development standards. This paragraph does not apply to any benefits or modifications approved pursuant to the State Density Bonus Law (Government Code Section 65915).
3. A request for deviation pursuant to this Section 17.57.040.B shall not affect a housing development project’s eligibility for a density bonus, incentives, concessions, waivers, and/or parking reductions under Government Code Section 65915. An applicant may apply for and receive deviations pursuant to this Section 17.57.040.B regardless of whether the proposed project is eligible for a density bonus.

17.57.050 Standards

A. Streets and Circulation.

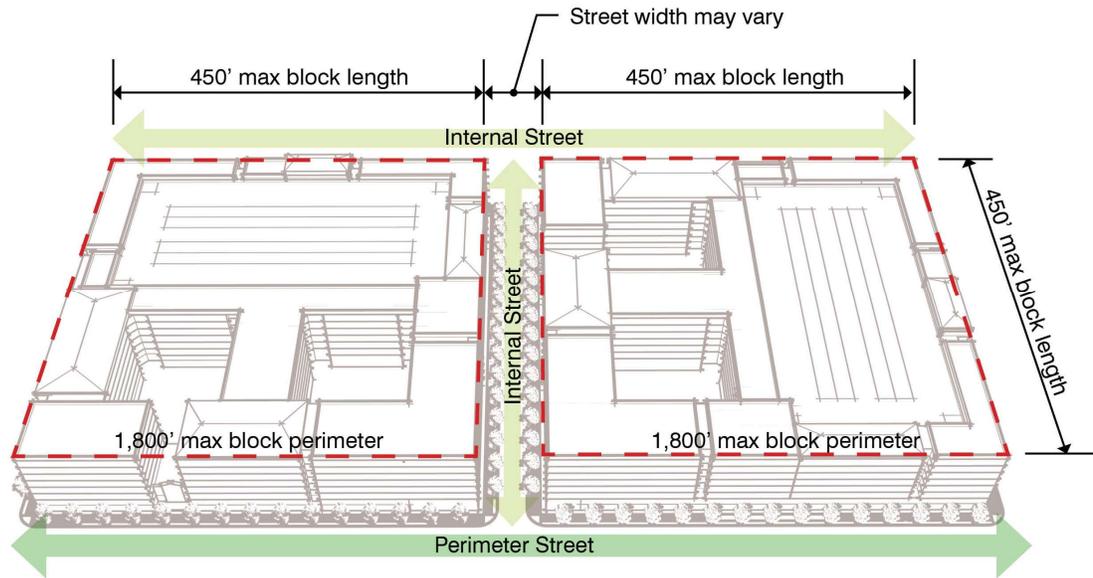
1. **Intent.** The intent of the streets and circulation standards is to:
 - a. Establish a block pattern on the mall property that maximizes public access and connectivity for vehicles, bicycles, and pedestrians;
 - b. Provide for infrastructure improvements that enable and encourage residents and visitors to walk, bike and take public transit to destinations; and

- c. Create an active and inviting public realm that supports pedestrian activity, economic vitality, and social interaction.
2. **Standards.**
- a. **Private Internal Streets.** New internal streets shall be privately owned and maintained. As such, dedication or irrevocable offer of dedication to the City is not required for new internal streets.
- b. **New Streets Intersecting Mall Property Boundary.**
- (1) **Capitola Road.** A mall redevelopment project on APN 034-26-140 shall establish a new internal street connecting to the signalized intersection at Capitola Road that aligns and connects with 38th Avenue. See Figure 17.57-1.
 - (2) **Clares Street.** A mall redevelopment project on APN 034-26-153 shall establish a new internal street intersecting Clares Street that aligns and connects with 40th Avenue. See Figure 17.57-1.
 - (3) **41st Avenue.** A mall redevelopment project on APN 034-26-137 shall establish a new internal street connecting to 41st in the same location as the signalized intersection providing vehicular access to the Capitola Mall from 41st Avenue existing as of January 1, 2026. See Figure 17.57-1.

Figure 17.57-1: New Streets Intersecting Mall Property Boundary



- (4) **Additional Streets.**
- (a) A mall redevelopment project shall establish new internal streets beyond those specified above as needed to comply with the maximum block length standard in Paragraph d (Maximum Block Lengths) below.
- (b) New internal streets are required only on parcels on which mall redevelopment occurs.
- c. **Internal Street Connectivity.**
- (1) A mall redevelopment project shall create new internal streets that provide a vehicular connection between all perimeter streets abutting the development site **except where the Planning Commission finds that the establishment of new internal streets would be infeasible (e.g., presence of existing structures and improvements on the site).**
- (2) A mall redevelopment project application shall include a circulation diagram that shows how future potential internal streets on adjacent parcels can:
- (a) Connect to new internal streets on the development site; and
- (b) Provide a vehicular connection to perimeter streets that do not abut the development site.
- (3) New internal streets shall be designed to allow for connections to existing internal circulation and future internal streets on adjacent properties within the mall block.
- (4) Where an adjacent property within the mall block was previously redeveloped, a mall redevelopment project shall provide one or more vehicular connection between the development site and the adjacent property.
- (5) If a new internal street cannot yet connect to an existing public street or other public way, the property owner may temporarily restrict public access to that street until such a connection becomes feasible through future adjacent development. Once a connection to another public street or public way is established, the internal street shall be opened for public use. The property owner shall remove any gates or other physical barriers to ensure permanent unrestricted public access.
- (6) If the parcel on which mall redevelopment will occur contains an existing street, pedestrian path, or other public connection, that connection will be preserved or replaced on the parcel to maintain public access and circulation through the property.
- (7) In all areas of the Capitola Mall property, where a project site includes an existing street or other public connection, this public connection will be maintained or relocated within the project site.
- d. **Internal Street Standards.** All internal streets shall comply with street design standards and requirements of the City of Capitola and the Central Fire District of Santa Cruz County.
- e. **Maximum Block Lengths.**
- (1) Mall redevelopment shall include new streets with a maximum block length of 450 feet along any block face, measured along the edge of curb between intersecting streets. See Figure 17.57-2.
-

Figure 17.57-2: Maximum Block Length

- (2) Maximum block length standards apply to blocks abutting a perimeter street and blocks internal to the mall property that do not abut a perimeter street.
 - (3) The City may grant a 25 percent increase to the maximum block length standard in Paragraph 1 above in cases where compliance with the standard is infeasible due to the location of existing structures and improvements, including existing points of ingress/egress from perimeter streets, that will remain on the property.
- f. **Pedestrian and Bicycle Circulation.**
- (1) A mall redevelopment project shall include a network of pedestrian and bicycle facilities that connect all new and existing buildings on the site to each other, to publicly-accessible open space areas, to commercial uses on adjacent properties, and to perimeter streets.
 - (2) All pedestrian and bicycle facilities shall comply with the City of Capitola Public Improvement Design Standards and the adopted 41st Avenue and Clares Street Corridor Plan. Where sidewalk and pedestrian realm standards in this chapter conflict with the Public Improvement Design Standards, this chapter governs.
 - (3) The following requirement applies when an internal street is established that connects two abutting perimeter streets:
 - (a) At least one continuous bike lane or bike path shall also connect the two abutting perimeter streets.
 - (b) For any portion of the internal street that abuts ground-floor commercial uses, sharrows may be provided as an alternative to the bike lane or path.
- g. **Circulation Plans.**
- (1) A mall redevelopment project application shall provide vehicular, bicycle, and pedestrian circulation plans that show the location of all streets, bicycle facilities, and pedestrian walkways on the development site and demonstrate compliance with all applicable standards.

- (2) The vehicular circulation plan shall include street sections specifying travel lane widths and pedestrian improvements consistent with Paragraphs g (Internal Street Frontages) and h (Perimeter Street Frontages) below.

h. Street Frontage Improvements

(1) When Required – Internal Streets.

- (a) Frontage improvements described in this section are required for all internal streets created on a development site.
- (b) Frontage improvements described in this section (excluding building frontage zone requirements) are required on an abutting parcel controlled by the developer but outside the development site if the improvements are:
- i. Necessary to provide complete pedestrian facilities on both sides of a new internal street included in the development; and
 - ii. Consistent with the circulation plan required by paragraph g (Circulation Plan) above.
- (c) The Planning Commission may grant an exception to the requirement in Paragraph (b) above upon finding that installing the frontage improvements on the abutting parcel would be infeasible (e.g., presence of existing buildings within the minimum frontage improvement dimensions).

(2) When Required – Perimeter Streets.

- (a) A mall redevelopment project abutting a perimeter street shall install street frontage improvements described in this section.
- (b) Required perimeter street frontage improvements shall be installed for the entire parcel frontage when one or both of the following occur:
- i. Redevelopment occurs on the parcel.
 - ii. The parcel area is included in the calculation of the development project's maximum permitted density.

(3) Required Components and Dimensions.

- (a) Street frontage improvements shall include a building frontage zone, pedestrian clear path, and landscape/street furniture zone that comply with the minimum dimensions in Table 17.57-1 and Figures 17.57-3 and 17.57-4.
- (b) Improvements with the minimum dimensions in Table 17.57-1 are required for all street frontages, including frontages that abut publicly accessible open space, surface parking, other conditions where a building is not present.
- (c) Perimeter street frontage improvements shall be consistent with the adopted City of Capitola Corridor Plan for 41st Avenue, Capitola Road, and Clares Street. In cases of conflict between this section and the Corridor Plan, the Corridor Plan governs. For Tier 1 and 2 projects, minimum dimensions are measured from the property line. For Tier 3 projects, the City may allow street frontage improvements within the public right-of-way consistent with the 41st Avenue Capitola Road Corridor Plan and subject to City approval.
- (d) Perimeter street curb location will be based on the Corridor Plan and other applicable City transportation plans and policies. The City shall require the developer to provide a public access easement or dedication for perimeter street sidewalks on public property.

Table 17.57-1: Street Frontages

<u>Pedestrian Realm</u>	<u>Internal Street</u>	<u>Perimeter Street</u>
<u>Total Minimum Width [1]</u>	<u>16 ft.</u>	<u>20 ft.</u>
<u>Component Minimum Width</u>		
<u>Building Frontage Zone</u>	<u>4 ft.</u>	<u>4 ft.</u>
<u>Pedestrian Clear Path</u>	<u>6 ft.</u>	<u>6 ft.</u>
<u>Landscape/Street Furniture Zone [2]</u>	<u>4 ft.</u>	<u>6 ft.</u>

Notes:[1] To achieve the total minimum width, one or more component must exceed the minimum width shown in this table.

[2] Dimension calculation excludes the curb.

Figure 17.57-3: Internal Street Pedestrian Realm

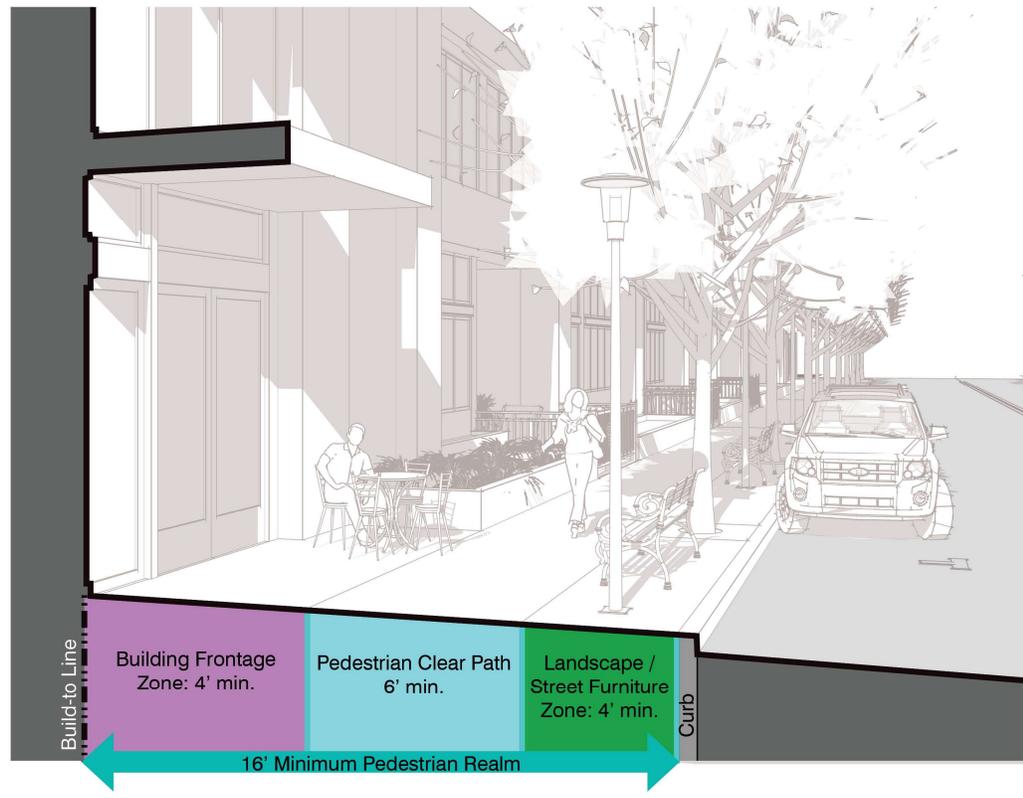
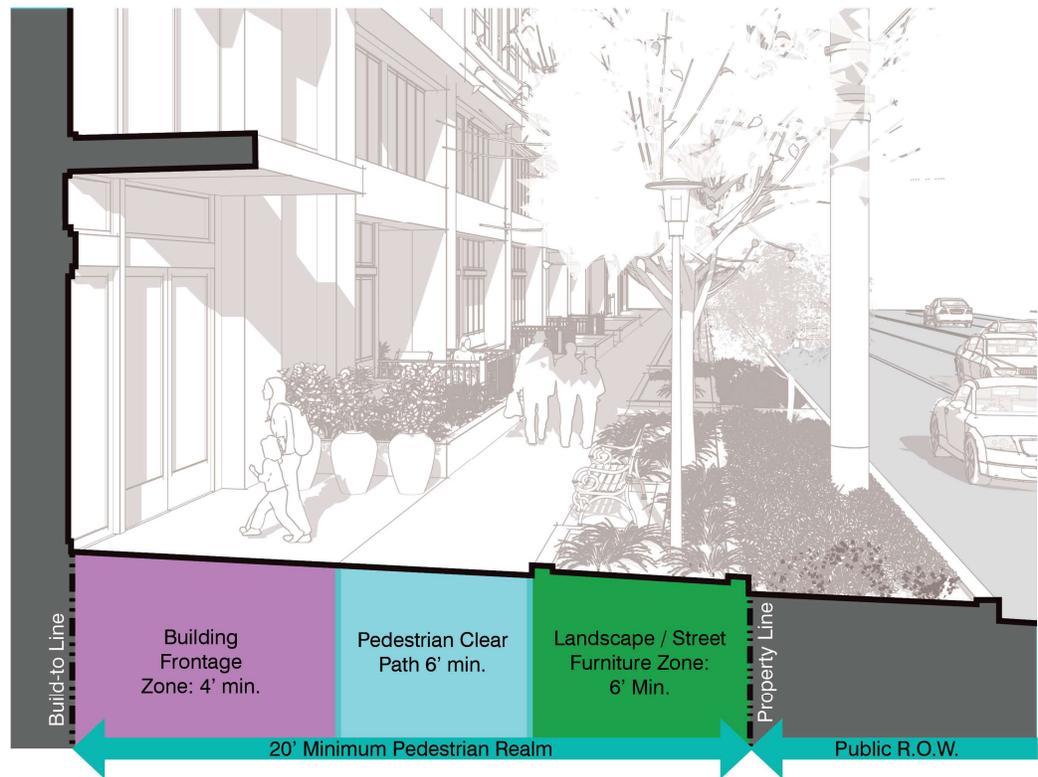


Figure 17.57-4: Perimeter Street Pedestrian Realm



(4) Deviations from Minimum Dimensions.

(a) The Planning Commission may approve a deviation to the minimum dimensions in Table 17.57-1 to:

- i. Create public plazas, forecourts, or widened sidewalk segments that enhance pedestrian gathering and activity;
- ii. Accommodate outdoor seating, café areas, or active ground-floor uses that animate the public realm;
- iii. Incorporate mid-block paseos or alternative bicycle and pedestrian connections that improve walkability and connectivity.

(b) Deviating frontages must comply with the following standards at all times:

- i. Minimum total pedestrian realm width: 16 feet for internal streets and 20 feet for perimeter streets.
- ii. Minimum pedestrian clear path: 6 feet.

(5) Building Frontage Zone.

(a) The building frontage zone is the land area between a building and a sidewalk or pedestrian pathway.

(b) The building frontage zone shall be landscaped, except for:

- i. Areas required for vehicular or pedestrian access to the building;

- ii. Areas for residential patios, porches, stoops, stair landings, fire escapes and other similar entry features;
 - iii. Courtyards, outdoor seating areas, and other similar outdoor spaces serving a commercial use; and
 - iv. An expanded public sidewalk when adjacent to ground-floor commercial uses.
- (c) A building frontage zone may include green stormwater infrastructure to comply with Municipal Regional Stormwater Permit requirements.
- (6) **Pedestrian Clear Path.** The developer shall install a sidewalk with the minimum pedestrian clear path shown in Table 17-57-1.
- (7) **Landscape/Street Furniture Zone – Internal Streets.** The following standards apply only to internal streets.
 - (a) **Street Trees.** Street trees shall be provided within the landscape/street furniture zone as follows:
 - i. Spacing between trees: maximum 30 feet on center.
 - ii. Tree well size: minimum 4 feet each direction.
 - iii. Planter well surfacing: tree grates, permeable pavers, decomposed granite, understory plants, or similar treatments as determined by City.
 - iv. Street tree selection: tree species shall be selected from the City of Capitola recommended tree list or in consultation with the City. Street tree species shall be consistent along each street.
 - (b) **Street Furnishings.** Furnishings such as bicycle racks, seating, and trash receptacles shall be provided in the landscape/street furniture zone consistent with the following standards.
 - i. Furnishings shall maintain a minimum 5-foot clearance around driveways, fire hydrants, and transit stops.
 - ii. Bicycle racks shall be inverted-U or post-and-loop style, securely anchored, and capable of supporting the frame in two points of contact.
 - iii. Seating/benches shall feature a minimum depth of 18 inches, height of 17 inches, and length of 4 feet.
 - iv. Trash receptacles shall have a minimum 30-gallon capacity with lids to control litter and stormwater entry.
 - v. Furnishing colors and materials shall be selected in consultation with the City to be durable, vandal resistant, and low maintenance.
 - (c) **Pedestrian Lighting.** Pedestrian lighting shall be provided in the landscape/street furniture zone consistent with the following standards.
 - i. Fixtures shall have a mounting height of 12 to 16 feet.
 - ii. All luminaires shall be full-cutoff or shielded to prevent glare and light spillover.
 - iii. Light poles shall be located a minimum of 2 feet behind the curb.
 - iv. Poles shall maintain a minimum 5-foot setback from driveways and intersections.
 - v. Light poles shall be spaced 40 to 60 feet on center, generally staggered on both sides of the street or per the photometric plan approved by the City.

- vi. Lighting shall not obstruct the pedestrian through-zone or accessibility features such as curb ramps.
 - vii. A minimum vertical clearance of 7 feet shall be maintained above all sidewalks.
 - viii. Light poles and fixture shall comply with City standard specifications and shall be selected to be durable, vandal resistant, and low maintenance.
- (8) **Landscape/Street Furniture Zone – Perimeter Streets.** For perimeter streets, improvements in the landscape/street furniture zone shall be installed consistent with the 41st Avenue and Clares Street Corridor Plan.
- (9) **Maintenance and Public Access Agreement.** Internal and perimeter street frontages shall be privately maintained and included in the recorded maintenance and public access agreement.
- (10) **Green Infrastructure.**
- (a) Green stormwater infrastructure to capture and treat runoff may be incorporated into the pedestrian realm to comply with the Municipal Regional Stormwater Permit requirements. Consolidated shared treatment areas are also allowed in other locations on the site.
- Where green stormwater infrastructure is included in internal and perimeter street frontages, the recorded operations and maintenance plan required for NPDES permit shall be included in the recorded maintenance agreement for the street frontages.

B. Publicly Accessible Open Space

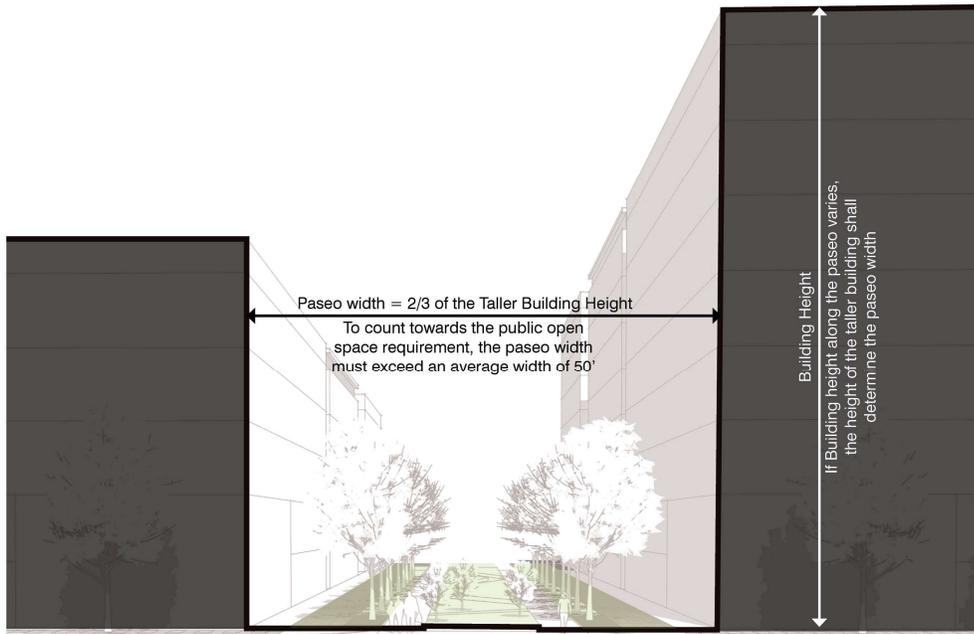
1. **Intent.** The intent of the publicly accessible open space standards is to:
 - a. Establish a cohesive network of public plazas, parks, and other open spaces that provide gathering areas, connection to nature, and visual relief within the urban environment;
 - b. Ensure that open spaces are designed for comfort, accessibility, and year-round use by people of all ages and abilities;
 - c. Create a connected and vibrant public realm that enhances community identity, supports economic development, increases social interaction, enhances the visitor experience, and contributes to the overall livability of a mall mixed use redevelopment project with high density housing; and
 - d. Facilitate housing production with objective open space standards that allow for feasible mall redevelopment projects.
2. **Standards.**
 - a. **When Required.** A mall redevelopment project shall provide publicly accessible open space as required by this section.
 - b. **Permitted Types.**
 - (1) Required publicly accessible open space may be provided in the form of plazas, squares, parks, parklets, and paseos/pedestrian paths as described below.
 - (a) **Plaza:** A plaza is primarily composed of hardscape surfaces, designed to support social gathering, pedestrian activity, and civic life within an urban context.
 - (b) **Square:** A square is intended for everyday use and community events with a predominantly landscaped or lawn surface for recreation, relaxation, and public assembly functions.

- (c) **Park:** A park is primarily composed of landscape and natural elements for recreation, leisure, and ecological functions with landscaped green areas, tree canopy, and opportunities for passive and active recreation.
 - (d) **Parklet:** A parklet is a small-scale space providing a place for rest, social interaction, and greenery within an urban or commercial environment.
 - (e) **Paseo/Pedestrian Path:** A paseo/pedestrian path is a publicly accessible pedestrian passageway that provides a connection between streets and open spaces within an urban block.
- (2) Permitted types of publicly accessible open space include rooftop open space located above a building which is open to the general public without charge and utilized for outdoor recreation, leisure, and/or public gathering functions.
- c. **Total Amount.**
- (1) The minimum amount of publicly accessible open space shall be:
 - (a) 2.5 percent of project site area for a Tier 2 and Tier 3 mixed-use project as defined in Section 17.24.035.C (Definitions); and
 - (b) 5 percent of project site area for a Tier 1 project as defined in Section 17.24.035.C (Definitions).
 - (2) Areas that qualify as publicly accessible open space must be located on the development site and comply with all applicable standards in this section.
 - (3) The following are excluded from the publicly accessible open space area calculation:
 - (a) Street frontage improvement areas required by Section 17.57.050.A.h (Street Frontage Improvements).
 - (b) Driveways, loading areas, fire lanes, and vehicular circulation areas.
 - (c) Private or semi-private spaces, including outdoor dining areas, café seating, patios, or other spaces limited to customers, tenants, or residents.
 - (4) Sidewalks and pathways internal to a publicly accessible open space are included in the open space calculation.
- d. **General Standards.** The following standards apply to all publicly accessible open space required by paragraph c (Total Amount) above. Open space areas that exceed minimum required amounts are not subject to these standards.
- (1) For all open space in a Tier 2 or Tier 3 mixed-use project a minimum of 25 percent of the open space area shall be planted with ground cover and/or shrubs, unless otherwise specified within this section. For Tier 1 projects, a minimum of 50 percent of the required open space area shall be landscaped.
 - (2) A minimum of one tree shall be planted per 400 square feet of open space, unless otherwise specified within this section.
 - (3) The open space shall be publicly accessible for a minimum 12 consecutive hours per day or during daylight hours, whichever is longer.
 - (4) The open space shall be directly accessible and visible from a publicly accessible street or pathway.
 - (5) The open space shall have a minimum area of 3,000 square feet and a minimum dimension of 20 feet in any direction.

- (6) The open space shall have permanent seating (e.g., seat walls, planter ledges, benches, picnic tables, and seating steps).
- (7) The open space shall include lighting for nighttime use.
- e. **Ownership and Maintenance.**
 - (1) Publicly accessible open space must be either be:
 - (a) Offered as dedication to the City with an associated maintenance funding mechanism acceptable to the City (such as a Community Facilities District or other equivalent arrangement); or
 - (b) Privately owned and maintained with dedication of a public access easement, subject to a recorded maintenance agreement.
 - (2) In all cases, publicly accessible open spaces shall be maintained at no public expense.
- f. **Central Gathering Place.**
 - (1) A project on a development site greater than 10 acres must include a central gathering place that:
 - (a) Supports civic and commercial activities such as farmers' markets, performances, and seasonal events; and
 - (b) Serves as a flexible gathering space for all ages and abilities.
 - (2) The minimum size of the central gathering place is 12,000 square feet.
 - (3) The central gathering place shall be a plaza, square, or park (Tier 1 projects only) and must include the following:
 - (a) Street trees along adjacent sidewalks.
 - (b) Vehicle traffic limited to no more than three sides of the plaza/square.
 - (c) Traffic-calming features such as crosswalks, pedestrian-oriented intersections and landscaped buffers.
 - (d) Furnishings such as benches, chairs, tables and drinking fountains.
 - (e) Awnings and coverings, either attached to buildings or freestanding, to provide weather protection.
 - (f) Features that encourage and accommodate public gathering, such as pavilions, kiosks, bandstands, and public art.
 - (4) For a Tier 2 or Tier 3 mixed-use project, the central gathering place must be a plaza or square and must either:
 - (a) Contain retail pavilions with terraces and outdoor seating to accommodate dining, gathering, and public activities; or
 - (b) Include retail, restaurants, or other active ground-floor commercial uses fronting at least one side of the square.
 - (5) A plaza/square for a Tier 2 or Tier 3 mixed-use project must include landscaping as follows:
 - (a) A minimum of 20 percent of the plaza/square landscaped with any combination of living plants, trees, shrubs, or grass. Required landscaping may be provided in raise planters.

- (b) A minimum of one tree per 1,000 feet of square area, excluding street trees. If a large signature tree is provided with an expected canopy greater than 40 feet diameter, this tree may count as two trees toward the requirement.
- g. **Paseo/Pedestrian Path.** A paseos/pedestrian path may count towards minimum required public open space if it complies with the following standards.
 - (1) The paseo/pedestrian path must comply with all standards in 17.57.050.B.2.d (General Standards).
 - (2) Minimum width (average building-to-building distance): two-thirds of the tallest adjacent building height or 50 feet, whichever is greater. See Figure 17.57-5.
 - (3) Minimum clear pedestrian walkway width: 6 feet.
 - (4) Private building functions (e.g., residential patios, outdoor dining) may project into the minimum required paseo width. However, such areas are not included in the required publicly accessible open space area calculation.

Figure 17.57-5: Paseo Width



C. Parking and Vehicle Access.

- 1. **Intent.** The intent of the parking and vehicle access standards is to:
 - a. Support a pedestrian-friendly streetscape, walkable neighborhoods, and active and inviting public realm;
 - b. Minimize the visual dominance of parking facilities visible from the street frontage; and
 - c. Encourage residents to walk, bike, and/or take transit to destinations, rather than drive.
 - d. Provide a seamless experience for residents and visitors when arriving and parking in commercial areas.
- 2. **Standards.**

- a. **Surface Parking Lots.**
- (1) **Internal Streets.**
 - (a) Excluding hotels, new surface parking may not be located between a building and an internal street. Parking must be behind or adjacent to a street-facing building.
 - (b) If surface parking is located adjacent to an internal street, frontage improvements required by Section 17.57.050.A.2.h (Street Frontage Improvements) shall be provided between the parking area and the street.
 - (2) **Perimeter Streets.**
 - (a) Existing surface parking lots located between a building and a perimeter street may continue to be used by new and existing uses.
 - (b) Existing surface parking lots abutting a perimeter street may be reconfigured as necessary to facilitate connectivity to new streets or land uses part of a mall redevelopment project.
 - (c) Frontage improvements between an existing surface parking lot and a perimeter street shall be provided as required by Section 17.57.050.A.2.h.
- b. **Internal Street Driveways.**
- (1) The maximum width of a driveway crossing an internal street sidewalk is 12 feet for a one-car driveway and 22 feet for a two-car driveway. Greater driveway width is allowed to comply with fire district standards.
 - (2) A maximum of two curb cuts for one-way traffic and one curb cut for two-way traffic are permitted per 150 feet of lineal internal street frontage. Deviation from this standard is allowed to comply with fire district standards.
- c. **Street-Facing Garages Serving Individual Units.** Street-facing garages serving individual units (e.g., front-loaded townhomes) are not allowed.
- d. **Structured Parking.** The following standards shall apply to new stand-alone parking structures and structured parking incorporated into a building.
- (1) Except for vehicle and pedestrian entrances to the garage, all parking garages shall be concealed from internal and perimeter street view by:
 - (a) Lining the street-facing portion of the parking garage with a residential or commercial use with a minimum depth of 20 feet; or
 - (b) Incorporating facade treatments that fully screen all internal vehicle parking facilities from view. Screening elements shall include architectural detailing, glazing, louvers, or other materials that provide visual depth and interest. Solid, unarticulated concrete walls or blank façades are not permitted.
 - (2) Parking garage vehicle entrances facing the street shall be no more than 24 feet wide. Garage entries to loading and utility/service areas shall not exceed 30 feet in width.
 - (3) Partially sub-grade parking shall not have an exposed facade that exceeds 5 feet in height above abutting grade at back of sidewalk.
 - (4) Partially sub-grade parking shall include a landscaped planter between the street and the garage facade. The planter shall be at least 4 feet wide with a planting height and vegetative cover sufficient to fully screen the podium edge and ventilation openings from view. At maturity, plantings shall comprise a minimum of 75 percent of the total landscape planter area.
- e. **Loading and Servicing.**

- (1) Loading docks and service areas serving a corner building shall be located on the secondary street frontage (i.e., frontage with less anticipated pedestrian activity)
- (2) Maximum width: 40 feet.

D. Building Placement and Orientation.

1. **Intent.** The intent of the building placement and orientation standards is to:
 - a. Ensure that new buildings adjacent to perimeter streets are appropriately integrated into the surrounding community fabric;
 - b. Support a pedestrian-oriented public realm with an attractive and welcoming streetscape character;
 - c. Support cohesive neighborhoods and social interaction internally and along perimeter streets through building placement and orientation; and
 - d. Facilitate housing production with building placement standards that allow for feasible Capitola Mall redevelopment projects.
2. **Standards.**
 - a. **Perimeter Street Setbacks.** The ground-level of a building that abuts a perimeter street shall be setback from the property line as required to comply with perimeter street frontage standards in 17.57.050.A.2.h (Perimeter Street Frontages).
 - b. **Interior Street Setbacks.** The ground-level of a building that abuts an interior street shall be setback from the street curb as necessary to accommodate the pedestrian realm improvements specified in 17.57.050l.A.2.g (Internal Street Frontages).
 - c. **Upper-Level Projections** Building elements such as bay windows, turrets, or other architectural features intrinsic to the building structure may project into required building frontage zone, subject to the following:
 - (1) Maximum projection into building frontage zone: 3 feet.
 - (2) The bottom of the architectural feature shall be a minimum of 10 feet above grade for residential frontages and 12 feet above grade for commercial frontages.
 - (3) No more than 50 percent of the facade area may have these elements project into the building frontage zone.
 - d. **Entrance Orientation.**
 - (1) Primary building entrances shall face an adjacent street, publicly accessible pathway, or publicly accessible open space.
 - (2) A pedestrian walkway shall provide a connection between the adjacent sidewalk and all building entrances. The walkway shall have a minimum width of 4 feet for individual unit entrances and 6 feet for shared entrances.

E. Building Massing.

1. **Intent.** The intent of the building massing standards is to:
 - a. Break down large building volumes to reduce the perceived mass and box-like appearance of buildings;
 - b. Create visual interest on street-facing building facades;
 - c. Minimize impacts on adjacent lower-intensity uses outside of the Capitola Mall property; and

- d. Facilitate housing production with building massing standards that allow for feasible Capitola Mall redevelopment projects.

2. **Standards.**

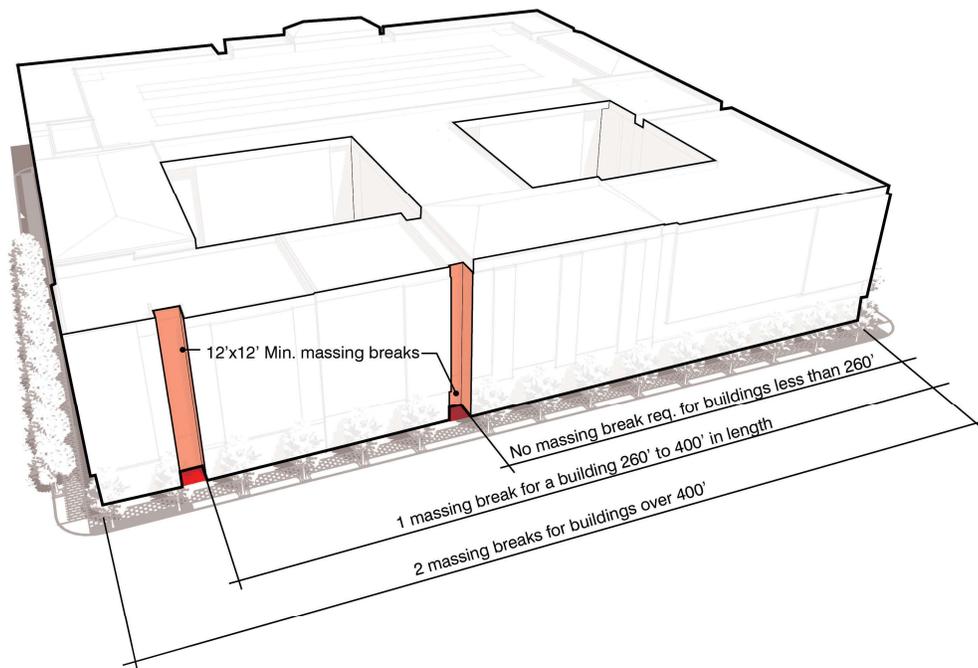
a. **Maximum Building Length.**

- (1) The length of a building, measured parallel to the adjoining street or publicly accessible open space, shall not exceed 450 feet.
- (2) If the City grants an increase to the maximum block length standard pursuant to 17.57.050.A.2.d.3, an increased building length is permitted equal to the permitted block length.

b. **Massing Breaks.**

- (1) Buildings facing a street or publicly accessible open space shall provide massing breaks as follows (See Figure 17.57-6):
 - (a) Buildings less than 260 feet in length: none required.
 - (b) Buildings 260 to 400 feet in length: minimum one required.
 - (c) Buildings greater than 400 feet: minimum two required.
- (2) Required massing breaks shall feature a horizontal change in the building plane with a minimum width of 12 feet and a minimum depth of 12 feet.
- (3) The change in building plane shall extend from the finished ground floor through the full height of the building including breaking the roof plane.

Figure 17.57-6: Massing Breaks



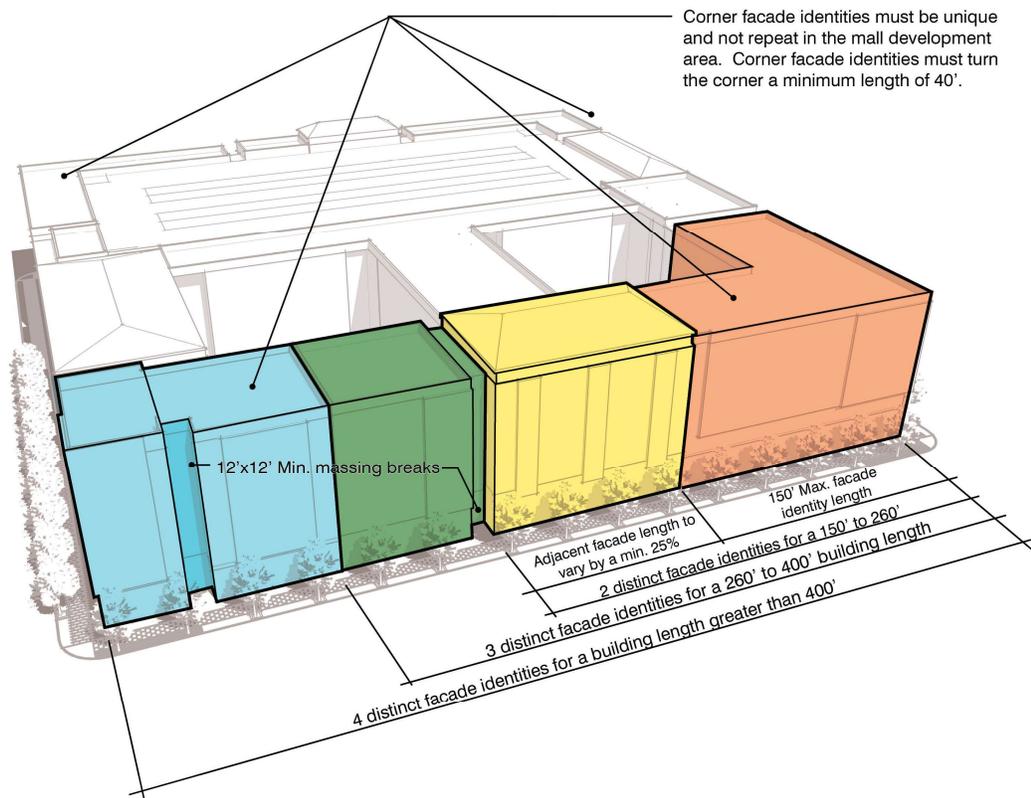
- c. **Building Height.** See Section 17.24.035 (Capitola Mall Redevelopment) for maximum building height standards, including building height limitations adjacent to perimeter streets.

F. Facade and Roof Design.

1. **Intent.** The intent of the facade and roof design standards is to:
 - a. Support an active and welcoming pedestrian environment;
 - b. Create street-facing building facades that are varied and interesting with human-scale design details;
 - c. Incorporate architectural elements that reduce the box-like appearance and perceived mass of buildings;
 - d. Ensure that new development reflects the scale, rhythm, and authenticity of a traditional urban block;
 - e. Reflect Capitola's diverse architecture with varied and distinct façade identities at regular intervals within each block; and
 - f. Prevents a large project from appearing monolithic.
2. **Standards.**
 - a. **Unique Facade Identities.**
 - (1) A facade identity is a visually distinct portion of the building frontage characterized by a unique combination of massing, materials, colors, architectural expression, and window rhythm that differentiates it from adjacent portions of the building frontage.
 - (2) A building facade greater than 150 feet facing a street or publicly accessible open space shall include multiple unique facade identities as shown in Table 17.57-3 and Figure 17.57-7.:

Table 17.57-3: Required Distinct Facade Identities

<u>Building Length</u>	<u>Minimum Facade Identities Required</u>
<u>> 150 ft and ≤ 260 ft</u>	<u>2 facade identities</u>
<u>> 260 ft and ≤ 400 ft</u>	<u>3 facade identities</u>
<u>> 400 ft</u>	<u>4 facade identities</u>

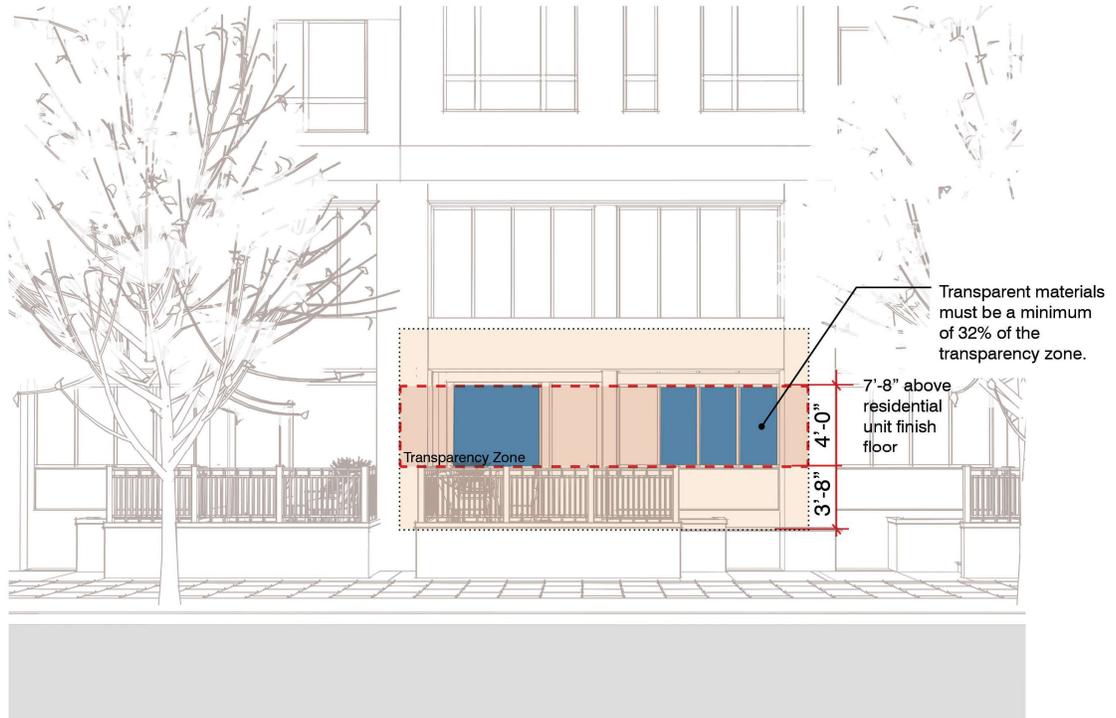
Figure 17.57-7: Unique Facade Identities

- (3) To qualify as a distinct facade identity, each identity must incorporate all of the following differentiating elements:
- A materially different primary cladding.
 - A contrasting color palette.
 - A distinct window pattern or rhythm.
 - Distinct building facade modulation patterns and forms (e.g., changes in patterns of building wall recesses and projections).
 - Varied roof/building height.
 - A unique ground-floor treatment (e.g., storefront articulation, residential stoops).
- (4) Each unique facade identity shall comply with the following:
- No individual facade identity may have a length less than 40 feet or greater than 160 feet.
 - The length of a facade identity shall vary by at least 25 percent from the length of an adjacent identity.
 - Each facade identity must be visually unique.
 - Corner facade identities may not repeat within the mall redevelopment area.
 - Mid-block facade identities may not repeat on the same block.
 - A facade identity at the end of a block must turn the corner and continue for a minimum of 40 feet.

- (5) To ensure each facade identity reads as a distinct architectural element, adjacent facade identities shall be separated by a recess no less than 12 inches in width by 12 inches in depth.
- (6) Roof parapets of adjacent facade identities shall vary by one or more of the following methods:
 - (a) Change in parapet height by 5 feet.
 - (b) Parapet setback created by a massing break or terrace.
 - (c) Change in roof form from flat to sloped.

b. **Residential Ground-Floor Design.** See Figure 17.57-8.

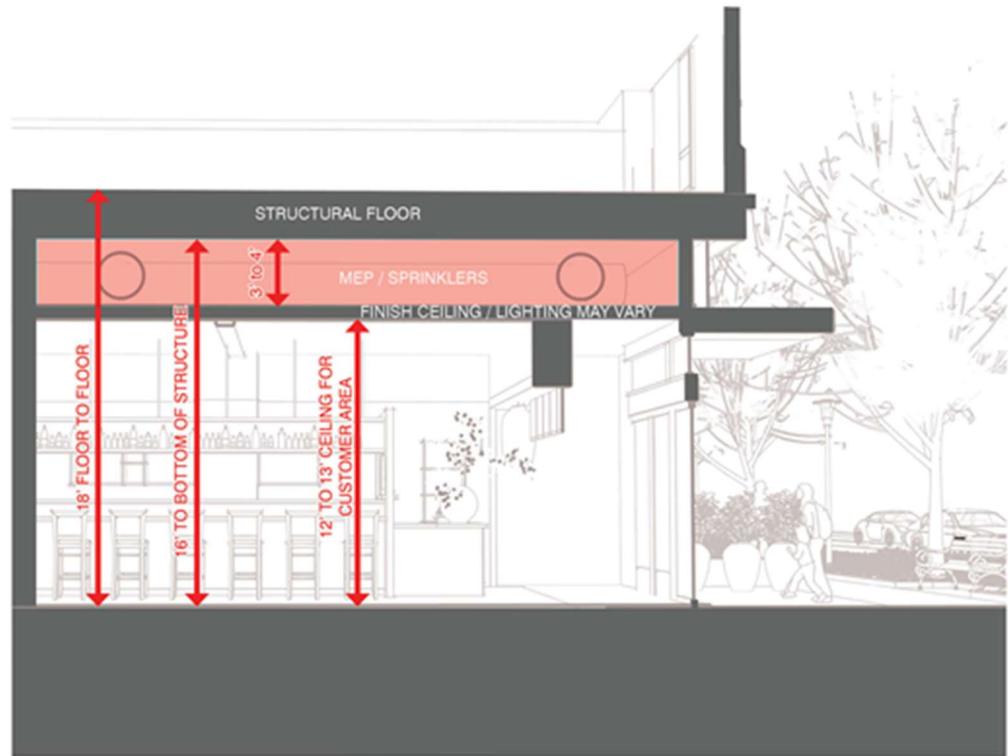
Figure 17.57-8: Residential Ground-Floor Design



- (1) **Transparency.** A residential ground-floor building facade facing a street or publicly accessible open space shall include transparent windows, entries, and/or clear glazing for a minimum 32 percent of ground-floor frontage located between 3 feet 8 inches and 7 feet 8 inches above the finished floor.
- (2) **Open Space Frontages.** Where a ground-floor residential use faces a publicly accessible open space required by Subsection B (Publicly Accessible Open Space), excluding paseos and pathways, a minimum of 75 percent of the facade frontage shall contain dwelling units, lobby, gym area, or other similar active space accessed and used by residents..
- (3) **Finished Floor Level.** The finished floor level of ground floor residential units shall be no greater than 4 feet above the adjacent sidewalk grade.
- (4) **Shared Entrances.** The following standards apply to all primary building entrances shared by two or more units.
 - (a) **Minimum Width:** The width of the entry shall be no less than 10 feet.

- (b) **Transparency.** Minimum 60 percent transparent glazing between 3 and 7 feet for the required entry width.
 - (c) **Weather Protection.**
 - i. To provide weather protection, the shared entrance shall include a projecting awning, canopy, extended eave, or other similar feature above the entry; a recessed entry; or a combination of the two.
 - ii. Minimum projection or recess depth: 5 ft.
 - (d) **Visual Prominence.** Primary building entrances must be clearly visible from the street with visual prominence. Projects must select one or more of the following methods to satisfy this requirement:
 - i. Changes in building form and modulations, including recessed or projecting entry bays and changes in the roofline or wall height above the entry.
 - ii. Entry materials and colors that contrast with surrounding facade treatment.
 - (e) Fenestration pattern that contrasts with surrounding window treatment.
 - (f) Projecting architectural elements surrounding the entrance, such as awnings, canopies, columns, and porticos.
- (5) **Entrances to Individual Units.** Entrances to individual units (e.g., townhome entrances) must be emphasized with one or more of the following:
- (a) An awning or canopy above the entry with a minimum outward projection of 3 feet and minimum width sufficient to clear the entrance on both sides.
 - (b) A recess in the building wall with a minimum width of four feet and depth of two feet.
 - (c) A covered porch, providing access to the entry, with a minimum area of 70 square feet with a dimension of 6 feet in any direction.
 - (d) A patio with minimum dimensions of five feet by five feet. A patio may include a partition not to exceed 42 inches in height between the sidewalk and the patio to define the transition between public and private space.
- c. **Commercial Ground-Floor Design (Excludes Hotels).** The following standards apply to both vertical mixed-use and stand-alone commercial buildings.
- (1) **Ground Floor Height.** For all new commercial space required for a Tier 2 or Tier 3 project, the ground level shall have minimum 16 feet clear from the ground floor to the bottom of the structure above. See Figure 17.57-9. This minimum ground floor height standard does not apply to commercial space provided in excess of the required new commercial minimum.
-

Figure 17.57-9: Ground-Floor Height



(2) **Transparency.**

- (a) A ground-floor building wall that faces a street or publicly accessible open space shall provide transparent windows or doors with views into the building between 3 and 10 feet above the finished floor as follows – see Figure 17.57-10):
- i. Primary facade: minimum 65 percent.
 - ii. Secondary facade: minimum 40 percent.
- (b) Primary facade means the facade of a building that:
- i. Contains the main public entrance to the commercial uses; and
 - ii. Is oriented towards the street or publicly accessible open space with the most anticipated pedestrian activity.
- (c) Secondary facade means all other facades of a building that are not the primary facade.

Figure 17.57-10: Commercial Ground-Floor Transparency

- (3) **Entrances.** Publicly accessible entrances shall include weather protection with either:
 - (a) A projecting non-fabric awning, canopy, extended eave, or other similar feature above the entry, minimum four feet wide by four feet deep; or
 - (b) A recessed entry, minimum four feet wide by four feet deep.
 - (4) **Maximum Blank Wall Length.** The width of ground-floor building walls facing a street or publicly accessible open space without a window, entry, or other transparent opening shall not exceed 25 feet
 - (5) **Tenant Space Depth.** Ground floor commercial buildings shall provide a minimum tenant space depth of 35 feet.
 - (6) **Signs.** Signs must comply with standards in Chapter 17.80 (Signs).
- d. **Hotels..**
- (1) **Street Presence.** A minimum of one hotel building facade shall front a perimeter street or internal street in compliance with the following:
 - (a) Surface parking lots are prohibited between the building facade and the street-adjacent sidewalk.
 - (b) Street parking and porte-cochères drop-off areas are permitted between the building facade and the street.
 - (c) A building entrance accessed from the sidewalk shall provide access to the hotel lobby.
 - (d) Loading docks and service areas may not front the street.
 - (2) **Parking Location.** Existing and new surface parking is permitted along all other building facades that do not provide the street presence as required by Paragraph 1 above.

- e. **Windows and Doors.** All windows above the ground floor, shall include trim, reveals, recesses, or other detailing to define window openings.
- f. **Rooftop Mechanical Equipment.** Rooftop mechanical equipment, including vents and stacks, shall be fully screened from view by an architectural feature, such as a parapet wall.
- g. **Materials.** The following exterior facade materials are prohibited on any building elevation facing a street or publicly accessible open space:
 - (1) Vinyl siding.
 - (2) T-111 plywood siding.
 - (3) Plastic or PVC-based siding systems.
 - (4) Exterior insulation and finish systems (EIFS) used for architectural decoration, trim or accent materials.
 - (5) Simulated stone within first 20 feet above the adjacent grade.
 - (6) Veneer products that are not rated for impact resistance within the first 30 inches above the adjacent grade.
 - (7) Corrugated metal used as a primary facade material (roof and facade accents allowed).

G. Other Site Features.

- 1. **Intent.** The intent of the other site features standards is to:
 - a. Minimize visual clutter on a development site;
 - b. Enhance the design character of the public realm; and
 - c. Support an active and welcoming pedestrian environment.
- 2. **Standards.**
 - a. **Refuse Storage Areas.** Refuse storage and collection areas shall be located in a building or screened from public view by a solid enclosure.
 - b. **Ground-Mounted Mechanical Equipment and Utilities.**
 - (1) Ground-mounted mechanical equipment and utilities shall be screened from view from streets, pedestrian pathways, and open space through the use of landscaping, building design, fences and walls, and/or other types of screening. Equipment that must be screened includes transformers, pump stations, backflow preventers, valves, and air conditioning units.
 - (2) Ground-mounted mechanical equipment and utilities are prohibited within the landscape /street furniture zone as described in Section 17.57.050.A (Streets and Circulation).

Chapter 17.82

OBJECTIVE STANDARDS FOR MULTIFAMILY AND MIXED-USE RESIDENTIAL DEVELOPMENT

Sections:

- 17.82.010 Purpose.
- 17.82.020 Applicability.
- 17.82.030 Deviations.
- 17.82.040 Circulation and streetscape.
- 17.82.050 Parking and vehicle access.
- 17.82.060 Building placement, orientation, and entries.
- 17.82.070 Building massing.
- 17.82.080 Facade and roof design.
- 17.82.090 Other site features.

17.82.010 Purpose.

This chapter contains objective standards for multifamily and mixed-use residential development. These standards are intended to help ensure that proposed development exhibits high-quality design that enhances Capitola's unique identity and sense of place.

17.82.020 Applicability.

A. Land Use.

1. The standards in this chapter apply to new multifamily dwellings, attached single-family homes (townhomes), and mixed-use development that contain both a residential and nonresidential use.
2. This chapter does not apply to detached-single-family dwellings, including subdivisions of multiple single-family homes.

B. Zoning Districts.

1. The standards in this chapter apply in all zoning districts except for the single-family (R-1) and mobile home (MH), ~~mixed use village (MU-V), and industrial (I) districts.~~

2. This chapter does not apply to the Capitola Mall property. Residential development on the Capitola Mall property must comply with Chapter 17.57 (Objective Design Standards for Capitola Mall Redevelopment).

17.82.030 Deviations.

An applicant may request deviation from one or more standards through the design permit process. The planning commission may approve a deviation upon finding that the project incorporates an alternative method to achieve the intent statement that proceeds the standard. A project requesting a deviation is not eligible for streamlined ministerial approval under Government Code Section 65913.4.

17.82.040 Circulation and streetscape.

A. Intent. The intent of the circulation and streetscape standards is to:

1. Enhance the visual character and aesthetic qualities of the city.
2. Encourage pedestrian mobility with safe, functional, and attractive sidewalks.
3. Provide for sufficient sidewalk widths to accommodate street trees and an ADA-compliant pedestrian clear path.
4. Provide for appropriate and attractive transitions from the public to private realm.
5. Promote social engagement along property frontages.

B. Standards.

1. Sidewalks. Outside of designated sidewalk exempt areas, public sidewalks abutting a development parcel shall have a minimum sidewalk width (back of curb to back of walk) as follows:

a. RM and MU-N zones: six feet. If the sidewalk ties into an existing four-foot sidewalk, the minimum sidewalk width is four feet.

b. C-C and C-R zones: ten feet.

2. Street Trees.

a. At least one street tree for every thirty feet of linear feet of sidewalk length shall be provided within the sidewalk.

b. A minimum forty-eight-inch pedestrian clear path shall be maintained adjacent to street trees.

c. Sidewalk tree wells shall be minimum thirty-six inches in width by minimum thirty-six inches in length. Tree grates are required for sidewalks less than seven feet in width.

d. Street trees shall be located a minimum fifteen feet from power and/or other utility poles and “small” per PG&E’s “Trees and shrubs for power line-friendly landscaping” to reduce potential utility line conflicts.

e. Street trees shall not be planted over buried utilities, public or private.

f. Street trees shall be planted with approved root guard to encourage downward root growth.

g. The variety of street tree to be planted must be approved by the city as part of a landscape plan.

3. Public Access Easement. If the existing public right-of-way area between the curb and the property line is insufficient to meet the minimum standards above, extension of the sidewalk onto the property, with corresponding public access easement or dedication, shall be provided.

17.82.050 Parking and vehicle access.

A. Intent. The intent of the parking and vehicle access standards is to:

1. Support a pedestrian-friendly streetscape, walkable neighborhoods, and active and inviting mixed-use districts.

2. Minimize the visual dominance of parking facilities visible from the street frontage.

3. Encourage residents to walk, bike, and/or take transit to destinations, rather than drive.

B. Standards.

1. Parking Placement.

a. As shown in Figure 17.82-1, surface parking spaces may not be located:

i. In a required front or street side setback area; or

ii. Between a primary structure and a front or street side property line.

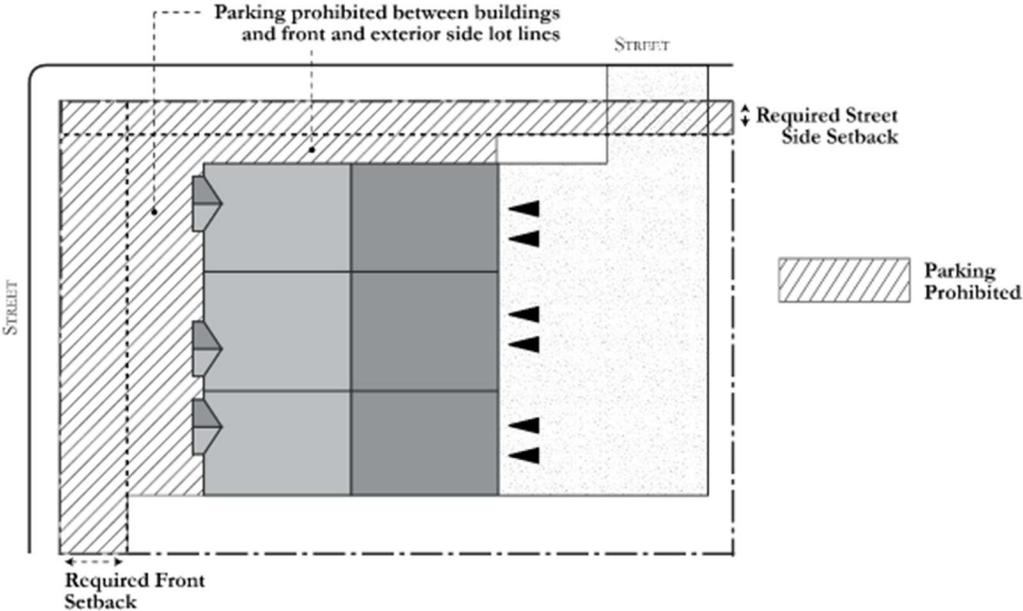
b. The director may administratively approve an exception to this requirement for age-restricted senior housing developments or when necessary to provide ADA-compliant parking. For such exceptions, the following standards apply:

i. Parking areas adjacent to a street must include a landscaped planting strip between the street and parking area at least four feet wide with a minimum planting height of thirty-six inches.

ii. Plantings and screening materials may include a combination of plant materials, earth berms, solid decorative masonry walls, raised planters, or other screening devices that are determined by the director to meet the intent of this requirement.

iii. Trees must be provided within the planting strip at a rate of at least one tree for each thirty feet of street frontage with a minimum distance of not more than sixty feet between each tree. Tree species must reach a mature height of at least twenty feet.

Figure 17.82-1: Parking Placement



2. Driveway Width. The maximum width of a new driveway crossing a public sidewalk is twelve feet for a one-car driveway and twenty feet for a two-car driveway. Greater driveway width is allowed if required by the fire district.

3. Number of Driveways. A maximum of two curb cuts for one-way traffic and one curb cut for two-way traffic are permitted per street frontage per one hundred fifty feet of lineal street frontage. Deviation from this standard is allowed if required by the fire district.

4. Garage Width and Design.

a. Garage doors may occupy no more than forty percent of a building’s street frontage and shall be recessed a minimum of eighteen inches from a street-facing wall plane.

b. Street-facing garage doors serving individual units that are attached to the structure must incorporate one or more of the following so that the garage doors are visually subservient and complementary to other building elements:

i. Garage door windows or architectural detailing consistent with the main dwelling.

ii. Arbor or other similar projecting feature above the garage doors.

iii. Landscaping occupying fifty percent or more of driveway area serving the garage (e.g., “ribbon” driveway with landscaping between two parallel strips of pavement for vehicle tires).

5. Podium Parking.

a. Landscaping Strip. Partially submerged podiums adjacent to a street must include a landscaped planter between the street and podium at least four feet wide with a planting height and vegetative cover sufficient in height to fully screen the podium edge and ventilation openings from view. At maturity, plantings must comprise a minimum of seventy-five percent of the total landscape planter area.

b. Residential-Only Projects.

i. The maximum height of lower-level parking podium adjacent to the street is five feet above finished sidewalk grade.

ii. First-floor units above a street-facing podium must feature entries with stoops and stairs providing direct access to the adjacent sidewalk.

c. Mixed-Use Projects. The podium parking entry shall be recessed a minimum of four feet from the front street-facing building facade.

6. Loading.

a. Loading docks and service areas on a corner lot must be accessed from the side street.

b. Loading docks and service areas are prohibited on the primary street building frontage. (Ord. 1053 § 2 (Att. 1), 2022)

17.82.060 Building placement, orientation, and entries.

A. Intent. The intent of the building placement, orientation, and entries standards is to:

1. Support cohesive neighborhoods and social interaction with outward-facing buildings.
2. Support a pedestrian-oriented public realm with an attractive and welcoming streetscape character.
3. Provide for sensitive transition from the public realm (sidewalk) to the private realm (residences).
4. Provide adequate area behind buildings for parking.

B. Standards.

1. Maximum Front Setback.

a. RM zone: twenty-five feet or front setback of adjacent building, whichever is greater.

b. MU-N zone: twenty-five feet.

c. C-C and C-R zones: twenty-five feet from edge of curb.

2. Front Setback Area.

a. All areas between a building and adjoining sidewalk shall be landscaped with live plant materials, except for:

i. Areas required for vehicular or pedestrian access to the property; and

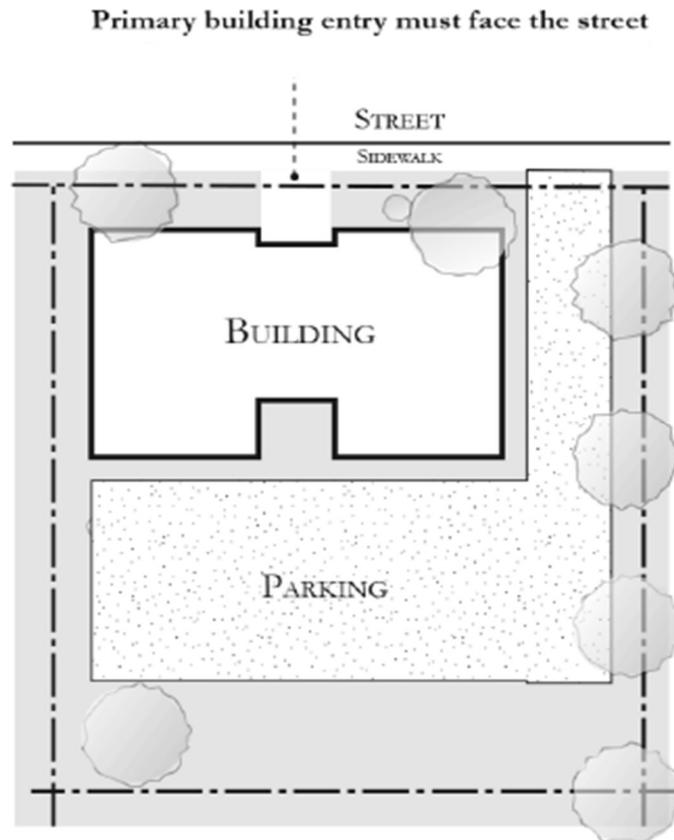
ii. Courtyards, outdoor seating areas, and other similar outdoor spaces for residents, customers and/or the general public.

b. Landscaping shall consist of any combination of trees and shrubs, and may include grass or related natural features, such as rock, stone, or mulch. At maturity, plantings must comprise a minimum of seventy-five percent of the total landscape area.

3. Building Entrances.

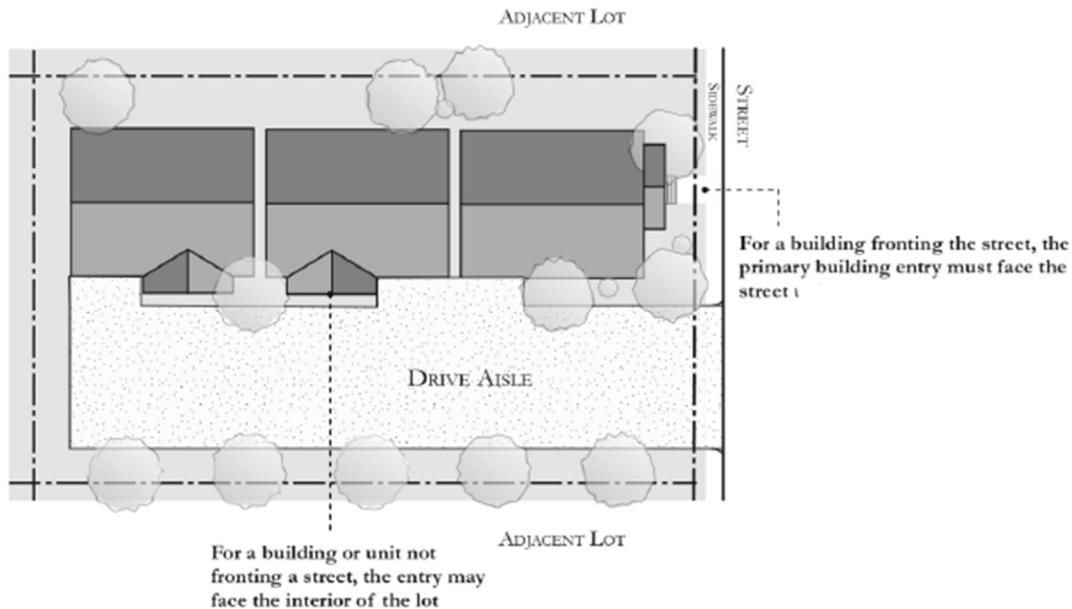
a. For buildings with one primary entrance that provides interior access to multiple individual dwelling units, the primary building entrance must face the street. A primary building entrance facing the interior of a lot is not allowed. See Figure 17.82-2.

Figure 17.82-2: Building Entry Orientation – Single Primary Entry



b. On lots where units have individual exterior entrances, all ground floor units with street frontage must have an entrance that faces the street. If any wall of a ground floor unit faces the street, the unit must comply with this requirement. For units that do not front the street, entrances may face the interior of the lot. See Figure 17.82-3.

Figure 17.82-3: Building Entry Orientation – Multiple Primary Entries



c. The director may administratively approve an exception to the entry-orientation standards in this section for residential-only projects on Bay Avenue, Capitola Road, and 41st Avenue north of Jade Street that comply with all of the following standards:

- i. At least one pedestrian walkway per fifty feet of property street frontage must connect the adjacent sidewalk to the interior of the lot.
- ii. The area between a building and the street must be landscaped, except for private open space for units (patios) and pedestrian pathways.
- iii. Continuous solid fences between buildings and the street are prohibited. Private outdoor space, if provided, may be defined by a low fence at least fifty percent transparent.
- iv. Street-facing buildings may not exceed a width of one hundred feet.

4. Pedestrian Walkway. A pedestrian walkway, minimum six-foot width, shall provide a connection between the public street and all building entrances (i.e., residents shall not be required to walk in a driveway to reach their unit).

C. Entry Design.

1. Residential Projects.

- a. A street-facing primary entrance must feature a porch, covered entry, or recessed entry clearly visible from the street that gives the entrance visual prominence. Entrances must be connected to the adjacent sidewalk with a pedestrian walkway.
- b. Front porches must comply with the following:
 - i. The front porch must be part of the primary entrance, connected to the front yard and in full view of the streetway.
 - ii. Minimum dimensions: six feet by five feet.

- iii. The porch or covered entry must have open-rung railings or landscaping defining the space.
 - c. Recessed entries must feature design elements that call attention to the entrance such as ridged canopies, contrasting materials, crown molding, decorative trim, or a forty-five-degree cut away entry. This standard does not apply to secondary or service entrances.
2. Mixed-Use Projects. Entrances to mixed-use buildings with ground-floor commercial must be emphasized and clearly recognizable from the street. One or more of the following methods shall be used to achieve this result:
- a. Projecting nonfabric awnings or canopies above an entry (covered entry);
 - b. Varied building mass above an entry, such as a tower that protrudes from the rest of the building surface;
 - c. Special corner building entrance treatments, such as rounded or angled facets on the corner, or an embedded corner tower, above the entry;
 - d. Special architectural elements, such as columns, porticos, overhanging roofs, and ornamental light fixtures;
 - e. Projecting or recessed entries or bays in the facade;
 - f. Recessed entries must feature design elements that call attention to the entrance such as ridged canopies, contrasting materials, crown molding, decorative trim, or a forty-five-degree cut away entry; and
 - g. Changes in roofline or articulation in the surface of the subject wall.
3. Street-Facing Entries to Upper Floors. Street-facing entries to upper floors in a mixed-use building shall be equal in quality and detail to storefronts. This standard may be satisfied through one or more of the following:
- a. Dedicated nonfabric awning, canopy, or other projecting element;
 - b. Dedicated light fixture(s);
 - c. Decorative street address numbers or tiles;
 - d. Plaque signs for upper-floor residences.

17.82.070 Building massing.

A. Intent. The intent of the building massing and open space standards is to:

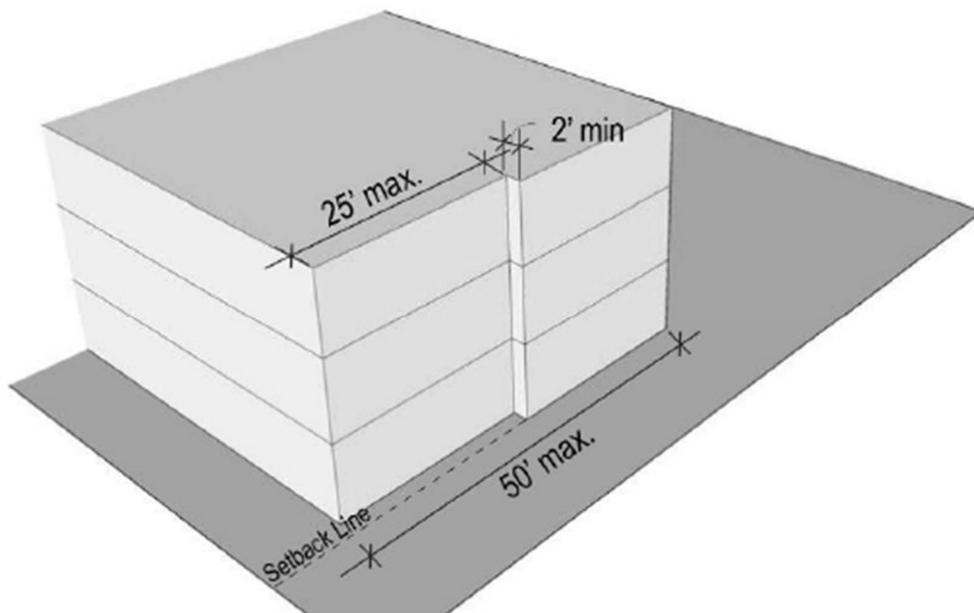
- 1. Provide for human-scale and pedestrian-friendly building massing where large buildings are broken into smaller volumes that fit into the surrounding neighborhood.
- 2. Provide for sensitive transitions to adjacent lower-density residential uses.
- 3. Minimize visual and privacy impacts to neighboring properties.

B. Standards.

1. Massing Breaks.

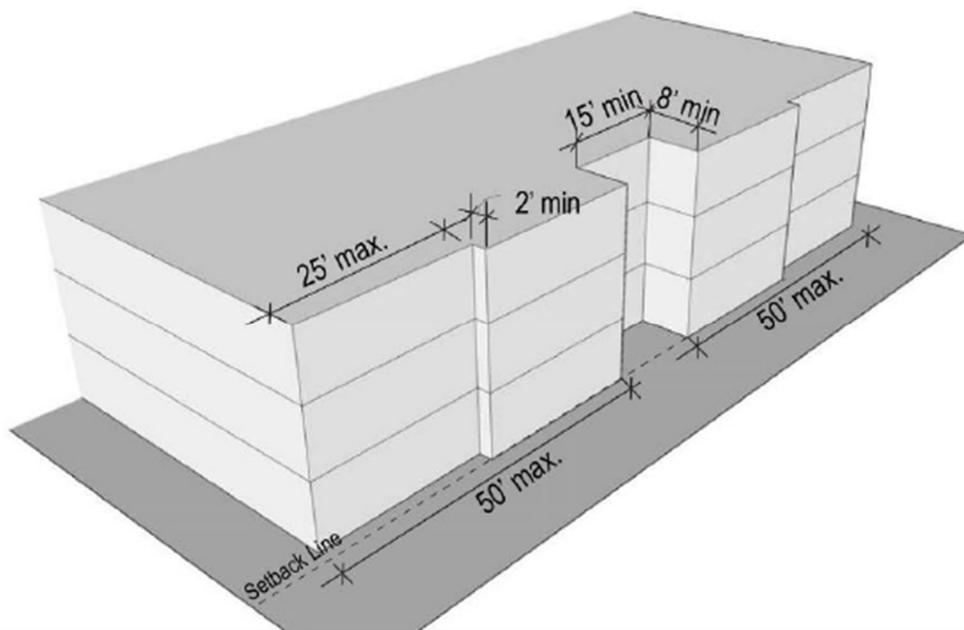
- a. All street-facing building facades twenty-five feet or more in length shall incorporate a building projection or recess (e.g., wall, balcony, or window) at least two feet in depth. See Figure 17.82-4.

Figure 17.82-4: Massing Breaks – Twenty-Five-Foot Module



b. Buildings that exceed fifty feet in length along a street facade shall provide a prominent recess at intervals of fifty feet or less. The recess shall have a minimum of depth of eight feet and minimum width of fifteen feet. See Figure 17.82-5.

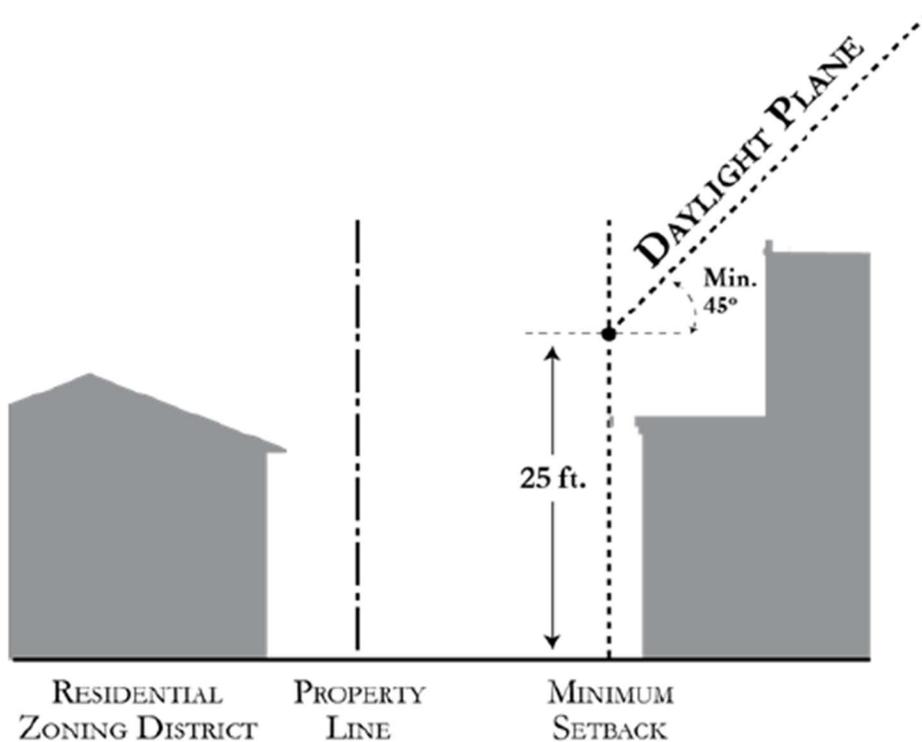
Figure 17.82-5: Massing Breaks – Fifty-Foot Module



2. Residential Transitions. Development sharing a side or rear lot line with the R-1 district shall comply with the following:

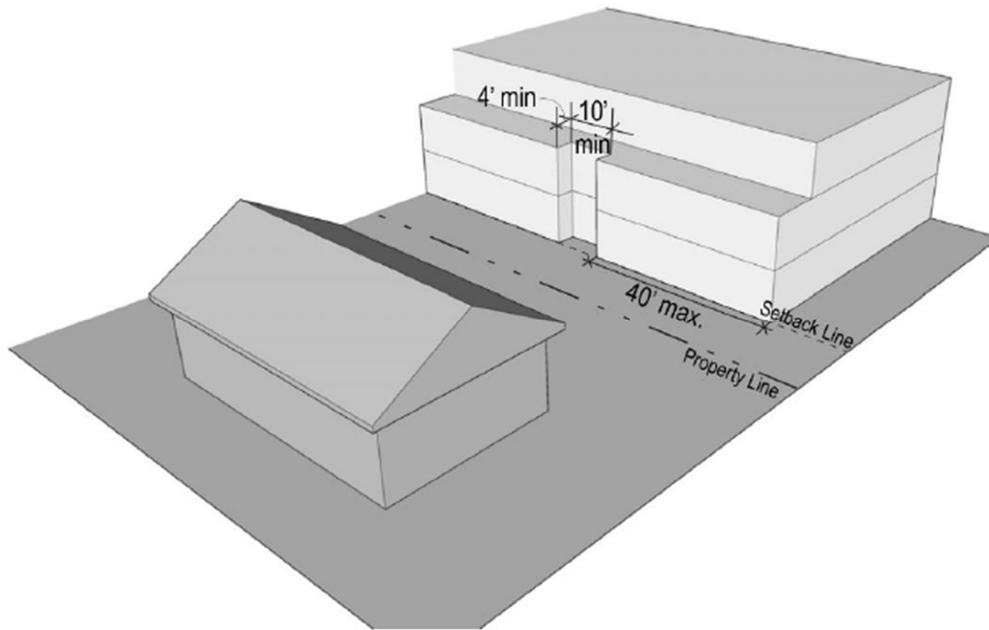
- a. No structure shall extend above or beyond a daylight plane having a height of twenty-five feet at the setback from the residential property line and extending into the parcel at an angle of forty-five degrees. See Figure 17.82-6.

Figure 17.82-6: Daylight Plane



- b. A side building wall adjacent to a single-family dwelling may not extend in an unbroken plane for more than forty feet along a side lot line. To break the plane, a perpendicular wall articulation of at least ten feet in width and four feet in depth is required. See Figure 17.82-7.

Figure 17.82-7: Break in Side Building Wall

**17.82.080 Facade and roof design.**

A. Intent. The intent of the facade and roof design standards is to:

1. Create street-facing building facades that are varied and interesting with human-scale design details;
2. Incorporate architectural elements that reduce the perceived mass and box-like appearance of buildings;
3. Provide for buildings designed as a unified whole with architectural integrity on all sides of the structure;
4. Promote design details and materials compatible with the existing neighborhood character; and
5. Minimize privacy impacts to neighboring properties.

B. Standards.

1. Blank Wall Areas.

- a. The area of a blank building wall fronting a public street may not exceed a square area where the height and width are both ten feet. See Figure 17.82-8.
- b. A break in a blank building wall may be provided by any of the following:
 - i. Doors, windows, or other building openings.
 - ii. Building projections or recesses, decorative trim, trellises, or other details that provide architectural articulation and design interest.
 - iii. Varying wall planes where the wall plane projects or is recessed at least six inches.
 - iv. Awnings, canopies or arcades.
 - v. Murals or other similar public art.

Figure 17.82-8: Blank Walls



2. Windows and Doors. Street-facing windows and doors shall comply with one of the following:
 - a. All street-facing windows and doors feature built-up profile trim/framing. Windows must include sills and lintels. Trim/framing must project at least two inches from the building wall with material that visually contrasts from the building wall.
 - b. For all street-facing windows, glass is inset a minimum of three inches from the exterior wall or frame surface to add relief to the wall surface.

3. Facade Design. Each side of a building facing a street shall include a minimum of two of the following facade design strategies to create visual interest:
 - a. Projecting Windows. At least twenty-five percent of the total window area on the street-facing building wall consists of projecting windows. The furthest extent of each projecting window must project at least one foot from the building wall. This requirement may be satisfied with bay windows, oriel windows, bow windows, canted windows, and other similar designs.
 - b. Window Boxes. A minimum of fifty percent of street-facing windows feature window boxes projecting at least one-half foot from the building wall.
 - c. Shutters. A minimum of fifty percent of street-facing windows feature exterior decorative shutters constructed of material that visually contrasts from the building wall.
 - d. Prominent Front Porch. A front porch with a minimum depth of six feet and width of twelve feet providing access to the unit's primary entrance.
 - e. Balconies. Balconies, habitable projections, or Juliet balconies, with at least twenty percent of the linear frontage of the street-facing building wall containing one or more above-ground balcony.
 - f. Shade/Screening Devices. Screening devices such as lattices, louvers, shading devices, awnings, nonfabric canopies, perforated metal screens, with such a device occupying at least twenty percent of the linear frontage of the street-facing building wall.
 - g. Datum Lines. Datum lines that continue the length of the building, such as cornices, with a minimum four inches in depth, or a minimum two inches in depth and include a change in material.

h. Varied Exterior Color. The street-facing building walls feature two or more visibly contrasting primary colors, with each color occupying at least twenty percent of the street-facing building wall area.

i. Varied Building Wall Material. The street-facing building walls feature two or more visibly contrasting primary materials (e.g., wood shingles and stucco), with each material occupying at least twenty percent of the street-facing building wall area.

4. Roof Design. Each side of a building facing a street shall include a minimum of one of the following roof design strategies to create visual interest:

a. Roof Eaves. A roof eave projecting at least two feet from the street-facing building wall with ornamental brackets or decorative fascia and eave returns.

b. Roof Form Variation. At least twenty-five percent of the linear frontage of the building's street-facing building roof line incorporates at least one element of variable roof form that is different from the remainder of the street-facing roof form. This requirement may be satisfied with recessed or projecting gabled roof elements, roof dormers, changes in roof heights, changes in direction or pitch of roof slopes, and other similar methods.

c. Roof Detail and Ornamentation. At least eighty percent of the linear frontage of the building's street-facing roof line incorporates roof detail and/or ornamentation. This requirement may be satisfied with a parapet wall that is an average of at least one foot tall and has a cornice, periodic and articulated corbelling or dentils, an ornamental soffit, an offset gable clearstory, and other similar methods.

5. Neighbor Privacy.

a. Balconies, roof decks and other usable outdoor building space is not allowed on upper-story facades abutting an R-1 zoning district.

b. Sliding glass doors, French doors, and floor-to-ceiling windows are not allowed on upper-story facades abutting an R-1 zoning district.

c. Windows facing adjacent dwellings must be staggered to limit visibility into neighboring units. The vertical centerline of a window may not intersect the window of an adjacent dwelling.

6. Three-Hundred-Sixty-Degree Design. Buildings shall have consistent architectural quality on all sides, with all exterior surfaces featuring consistent facade articulation, window and door material and styles, and building wall materials and colors. (Ord. 1053 § 2 (Att. 1), 2022)

17.82.090 Other site features.

A. Intent. The intent of the other site feature standards is to:

1. Minimize visual clutter on a development site.
2. Enhance the design character of the public realm.
3. Support an active and welcoming pedestrian environment.
4. Minimize noise, odor, and visual impacts on neighboring residential properties.

B. Standards.

1. Refuse Storage Areas.

a. Refuse collection and storage areas may not be located:

- i. In a required front or street side setback area;

- ii. Between a primary structure and a front or street side property line;
 - iii. Within a required landscape area; or
 - iv. Within a required side setback area adjacent to an R-1 district.
- b. Refuse containers shall be located in a building or screened from public view by a solid enclosure.
2. Mechanical Equipment Screening.
- a. Rooftop mechanical equipment, including vents and stacks, shall be fully screened from view by an architectural feature, such as a parapet wall.
 - b. Ground-mounted mechanical equipment may not be located:
 - i. In a required front setback area; or
 - ii. Between a primary structure and a front property line.
3. Backflow prevention devices shall not be placed directly in front of the building but may be located in a side location of the front yard. Backflow prevention devices may be located within the front half of the lot, when located between the side building plane extending to the front property line and the side yard property line. The equipment shall be either:
- a. Screened to its full height by a combination of fencing and perennial landscaping to seventy percent opacity; or
 - b. Contained within a protective enclosure (metal grate) within a planter or landscape bed.

Chapter 17.88

INCENTIVES FOR COMMUNITY BENEFITS

Sections:

- 17.88.010 Purpose.
- 17.88.020 Incentives restricted to added benefits.
- 17.88.030 Eligibility.
- 17.88.040 Allowable benefits.
- 17.88.050 Available incentives.
- 17.88.060 Relationship to state density bonus law.
- 17.88.070 Application submittal and review.
- 17.88.080 Findings.
- 17.88.090 Post-decision procedures.

17.88.010 Purpose.

This chapter establishes incentives for applicants to locate and design development projects in a manner that provides substantial benefits to the community. These incentives are intended to facilitate the redevelopment of underutilized properties along 41st Avenue consistent with the vision for the corridor described in the general plan and to encourage the development of a new hotel in the Village as called for by the general plan and the local coastal program (LCP). This chapter does not apply to development on the Capitola Mall property.

17.88.020 Incentives restricted to added benefits.

The city may grant incentives only when the community benefits or amenities offered are not otherwise required by the zoning code or any other provision of local, state, or federal law. Community benefits or amenities must significantly advance general plan and/or LCP goals and/or incorporate a project feature that substantially exceeds the city's minimum requirements.

17.88.030 Eligibility.

A. Eligibility for Incentive. The city may grant incentives for the following projects:

1. Projects in the regional commercial (C-R) and community commercial (C-C) zoning districts that:

- a. Front 41st Avenue, excluding the Capitola Mall property; or
- b. Front Capitola Road between Clares Street and 42nd Avenue; or

2. A hotel on the former Capitola Theater site (APNs 035-262-04, 035-262-02, 035-262-11, and 035-261-10) in the mixed use village zoning district.

B. Setback Required – 41st Avenue. Structures on properties fronting the east side of 41st Avenue must be set back a minimum of one hundred feet from the property line abutting a residential property.

17.88.040 Allowable benefits.

A. All Eligible Projects. The city may grant incentives to all eligible projects as identified in Section 17.88.030 (Eligibility) that provide one or more of the following community benefits. The public benefit provided shall be of sufficient value as determined by the planning commission to justify deviation from the standards of the zoning district that currently applies to the property.

1. Public Open Space. Public plazas, courtyards, and other public gathering places that provide opportunities for people to informally meet and gather. Open space must be accessible to the general public at all times. Provision must be made for ongoing operation and maintenance in perpetuity. The public space must either exceed the city's minimum requirement for required open space and/or include quality improvements to the public realm to create an exceptional experience.

- 2. Public Infrastructure. Improvements to streets, sidewalks, curbs, gutters, sanitary and storm sewers, street trees, lighting, and other public infrastructure beyond the minimum required by the city or other public agency.
- 3. Pedestrian and Bicycle Facilities. New or improved pedestrian and bicycle pathways that enhance the property and connectivity to the surrounding neighborhood.
- 4. Low-Cost Visitor Serving Amenities. New or improved low-cost visitor serving recreational opportunities or accommodations within the Central Village area.
- 5. Transportation Options. Increased transportation options for residents and visitors to walk, bike, and take public transit to destinations and reduce greenhouse gas emissions.
- 6. Historic Resources. Preservation, restoration, or rehabilitation of a historic resource.
- 7. Public Parking. A public parking structure that provides parking spaces in excess of the required number of parking spaces for use by the surrounding commercial district. Excess parking provided as part of a Village hotel may not be located on the hotel site and must be located outside of the mixed use village zoning district.
- 8. Green Building. Green building and sustainable development features that exceed the city’s green building award status.
- 9. Public Art. Public art that exceeds the city’s minimum public art requirement and is placed in a prominent and publicly accessible location.
- 10. Child Care Facilities. Child care centers and other facilities providing daytime care and supervision to children.
- 11. Other Community Benefits. Other community benefits not listed above, such as entertainment destinations, as proposed by the applicant that are significant and substantially beyond normal requirements.

B. 41st Avenue/Capitola Road Projects. In addition to the community benefits in subsection A of this section, the city may grant incentives to eligible projects fronting 41st Avenue or Capitola Road between Clares Street and 42nd Avenue (~~excluding or on~~ the Capitola Mall property) ~~site~~ that provide one or more of the following community benefits:

- ~~1. Capitola Mall Block Pattern. Subdivision of the existing Capitola Mall property into smaller blocks with new intersecting interior streets. May include the extension of 40th Avenue south into the mall property to form a new pedestrian-friendly private interior street.~~
- 12. Surface Parking Lot Redevelopment. Redevelopment of existing surface parking lots fronting 41st Avenue and Capitola Road while introducing new sidewalk-oriented commercial buildings that place commercial uses along the street frontage.
- ~~3. Transit Center. Substantial infrastructure improvements to the transit center on the Capitola Mall property that are integrated with a possible future shuttle system in Capitola. The transit center may be moved to an alternative location consistent with the operational requirements of Santa Cruz Metro.~~
- ~~24. Affordable Housing. Affordable housing that meets the income restrictions applicable in the affordable-housing (AH) overlay zone.~~

17.88.050 Available incentives.

A. 41st Avenue/Capitola Road Projects. The city may grant the following incentives to an eligible project fronting 41st Avenue, Capitola Road between Clares Street and 42nd Avenue (~~or on~~ excluding the Capitola Mall property) ~~site~~:

- 1. An increase in the maximum permitted floor area ratio (FAR) to 2.0.
- 2. An increase in the maximum permitted building height to fifty feet.

B. Village Hotel. The city may grant the following incentives to a proposed hotel on the former Capitola Theater site (APNs 035-262-04, 035-262-02, 035-262-11, and 035-261-10):

1. An increase in the maximum permitted floor area ratio (FAR) to 3.0.
2. An increase to the maximum permitted building height; provided, that:
 - a. The maximum height of the hotel (including all rooftop architectural elements such as chimneys, cupolas, etc., and all mechanical appurtenances such as elevator shafts, HVAC units, etc.) remains below the elevation of the bluff behind the hotel;
 - b. The bluff behind the hotel remains visible as a green edge (i.e., the upper bluff (i.e., below the blufftop edge) and upper bluff vegetation shall remain substantially visible across the length of the project site) when viewed from the southern parking area along the bluff of Cliff Drive (i.e., the parking area seaward of Cliff Drive and closest to Opal Cliff Drive) and from the Capitola wharf;
 - c. Existing mature trees shall be maintained on the site, except that trees that are unhealthy or unsafe may be removed; and
 - d. The rooftop shall be aesthetically pleasing and shall not significantly adversely affect public views from Cliff Avenue on Depot Hill. In addition to modifications to avoid structural incursions into this view, this can be accomplished through design features on top of the roof as well (e.g., use of a living roof, roof colors and materials that reduce its visual impacts, etc.). Rooftop appurtenances (e.g., elevator shafts, HVAC units, vents, solar panels, etc.) shall be screened from public view and integrated into/within the above-referenced rooftop design features to the greatest extent feasible. (Res. 4223, 2021; Ord. 1043 § 2 (Att. 2), 2020)

17.88.060 Relationship to state density bonus law.

The incentives allowed by this section are in addition to any development incentive required by Section 65915 of the California Government Code.

17.88.070 Application submittal and review.

A. Request Submittal. A request for an incentive in exchange for benefits shall be submitted concurrently with an application for the discretionary permits required for the project by the zoning code. Applications shall be accompanied by the following information:

1. A description of the proposed amenities and how they will benefit the community.
2. All information needed by the city council to make the required findings described in Section 17.88.080 (Findings), including a pro forma analysis demonstrating that the benefit of the proposed amenities to the community is commensurate with the economic value of the requested incentives.

B. Conceptual Review. Prior to city action on a request for an incentive, the request shall be considered by the planning commission and city council through the conceptual review process as described in Chapter 17.114 (Conceptual Review). Conceptual review provides the applicant with nonbinding input from the city council and planning commission as to whether the request for incentives is worthy of consideration.

C. Theater Site Story Poles. Prior to city action on a proposed hotel on the former Capitola Theater site the planning commission or city council may require the applicant to install poles and flagging on the site to demonstrate the height and mass of the proposed project.

D. Planning Commission Recommendation. Following conceptual review, the planning commission shall provide a recommendation to the city council on the proposed project and requested incentives at a noticed public hearing in compliance with Chapter 17.148 (Public Notice and Hearings).

E. City Council Action. After receiving the planning commission's recommendation, the city council shall review and act on the requested incentives at a noticed public hearing in compliance with Chapter 17.148 (Public Notice

and Hearings). The city council shall also review and act on other permits required for the project requesting incentives.

17.88.080 Findings.

A. All Eligible Projects. The city council may approve the requested incentives for all eligible projects only if all of the following findings can be made in addition to the findings required for any other discretionary permit required by the zoning code:

1. The proposed amenities will provide a substantial benefit to the community and advance the goals of the general plan.
2. There are adequate public services and infrastructure to accommodate the increased development potential provided by the incentive.
3. The public benefit exceeds the minimum requirements of the zoning code or any other provisions of local, state, or federal law.
4. The project minimizes adverse impacts to neighboring properties to the greatest extent possible.
5. If in the coastal zone and subject to a coastal development permit, the project enhances coastal resources.

B. Village Hotel. In addition to the findings in subsection A of this section, the city council may approve the requested incentives for a proposed hotel on the former Capitola Theater site only if the following findings can be made:

1. The design of the hotel respects the scale and character of neighboring structures and enhances Capitola's unique sense of place.
2. The hotel will contribute to the economic vitality of the Village and support an active, attractive, and engaging pedestrian environment.
3. Hotel siting and design will (a) minimize impacts to public views, including views of the beach and Village from vantage points outside of the Village and from Cliff Avenue and Depot Hill behind the hotel; and (b) does not adversely impact any significant public views of the coastline as identified in the LCP's land use plan.
4. Parking for the hotel is provided in a way that minimizes vehicle traffic in the Village, strengthens the Village as a pedestrian-oriented destination, and protects public parking options.

17.88.090 Post-decision procedures.

Post-decision procedures and requirements in Chapter 17.156 (Post-Decision Procedures) shall apply to decisions on incentives for community benefits.

Chapter 17.160: GLOSSARY

Sections:

- 17.160.010 Purpose.
17.160.020 Definitions.

17.160.010 Purpose.

This chapter provides definitions of terms and phrases used in the zoning code that are technical or specialized, or which may not reflect common usage. If any of the definitions in this chapter conflict with others in the municipal code, these definitions shall control for only the provisions of this zoning code. If a word is not defined in this chapter or in other chapters of the zoning code, the community development director shall determine the appropriate definition.

17.160.020 Definitions.

A. "A" Terms.

1. "Abutting" or "adjoining" means having a common boundary, except that parcels having no common boundary other than a common corner shall not be considered abutting.
2. "Accessory dwelling unit" means a self-contained living unit, either attached to or detached from, and in addition to, the primary residential unit on a single parcel.
 - a. "Accessory dwelling unit, attached" means an accessory dwelling unit that shares at least one common wall with the primary residential unit.
 - b. "Accessory dwelling unit, detached" means a secondary dwelling unit that does not share a common wall with the primary residential unit.
3. "Accessory structure" means a structure that is incidental and subordinate to a primary structure or use located on the same parcel. Includes garages, sheds, hot tubs, pergolas, and other similar structures.
4. "Accessory use" means a land use which is incidental and subordinate to a primary land use located on the same parcel.
5. "Addition" means any development or construction activity that expands the footprint or increases the floor area of a building.
6. "Adjacent" means directly abutting, having a boundary or property line(s) in common or bordering directly, or contiguous to.
7. "Alcoholic beverage sales" means the sale of alcoholic beverages for on-site consumption at a restaurant, bar, nightclub or other establishment, or the retail sale of alcoholic beverages for off-site consumption.
8. Alteration. See "Modification."
9. "Applicant" means any person, firm, partnership, association, joint venture, corporation, or an entity or combination of entities which seeks city permits and approvals.
10. "Arbor" means a freestanding unenclosed structure with vertical latticework on two sides for climbing plants and crossbeams or lattice forming a covering connecting the sides. The space between the vertical latticework may be open or contain a bench for sitting.
11. "Assumed ground surface" means a line on each elevation of an exterior wall or vertical surface which connects those points where the perimeter of the structure meets the finished grade.
12. "Average slope" means the average slope of a parcel calculated using the formula: $S = 100(I)(L)/A$, where:

- a. S = Average slope (in percent);
- b. I = Contour interval (in feet);
- c. L = Total length of all contour lines on the parcel (in feet); and
- d. A = Area of subject parcel (in square feet).

B. "B" Terms.

1. "Balcony" means a platform that projects from the wall of a building thirty inches or more above grade that is accessible from the building's interior, is not accessible from the ground and is not enclosed by walls on more than two sides.
2. "Banks" means a commercial establishment providing retail banking services. Includes only establishments serving walk-in customers or clients, including banks, savings and loan institutions, check-cashing services, and credit unions.
3. "Base zoning district" means the primary zoning, as distinguished from an overlay zone, that applies to a parcel of land as shown on the zoning map.
4. "Basement" means that portion of a building between floor and ceiling, which is partly or all below grade, and where more than the vertical distance from grade to ceiling is below the average ground contact level of the exterior walls of the building.
5. "Bay window" means a window or series of windows serving as an important element of the building's architecture, forming an alcove in a room and projecting outward from the wall in a rectangular, polygonal, or curved form.
6. "Block" means the property abutting on one side of a street and lying between the two nearest intersecting streets.
7. "Bluff" or "cliff" means the scarp or steep face of rock, decomposed rocks, sediment or soil resulting from erosion, faulting, folding or excavation of land mass and exceeding ten feet in height, and includes what are commonly known as "cliffs." See also the definition of "coastal bluff" in Section 17.44.030.
8. "Building" means any structure used or intended for supporting or sheltering any use or occupancy.
9. "Building coverage" means the land area covered by all buildings and accessory structures on a parcel.
10. "Building face" means and includes the general outer surface of a main exterior wall of a building. For example, a building with a rectangular plan has four main exterior walls and four building faces.
11. "Building height" means the vertical distance measured from the assumed ground surface of the building to the highest point of the roof, ridge, or parapet wall.
12. "Business services" means an establishment that provides services to other businesses on a fee or contract basis. Includes computer rental and repair, catering, printing and duplicating services, outdoor advertising services, package delivery services, equipment rental and leasing, and other similar land uses.
13. "By right" means permitted without any form of discretionary approval.

C. "C" Terms.

1. "California Environmental Quality Act (CEQA)" means California state law (Public Resources Code Section 2100 et seq.) requiring government agencies to consider the environmental consequences of their actions before taking action on a proposed project.

2. “Capitola Mall Housing Element Sites” means all parcels on the Capitola Mall property excluding Assessor’s Parcel Numbers (APNs) 034-261-07 and 034-261-52.

3. “Capitola Mall property” means the area within the block surrounded by 41st Avenue, Capitola Road and Clares Street.

42. “Capitola Village” means the central core of Capitola generally bounded by the Monterey Bay shoreline to the south, the railroad trestle to the north and west, and Cliff Avenue and Depot Hill to the east.

53. “Car wash” means a commercial facility for the washing, waxing, or cleaning of automobiles or similar light vehicles.

64. “Caretaker quarters” means a residence that is accessory to a nonresidential primary use of the site, where needed for security, or twenty-four-hour care or supervision.

75. “Carport” means an accessory building to a residential structure, open on two, three or four sides and attached to, or detached from, a dwelling and established for the loading or unloading of passengers or the storage of an automobile.

86. “Clerestory window” means a window where the bottom of the glass is at least six feet above the finished floor height.

97. “Coastal zone” means the area of land and water extending from the state’s outer seaward limit of jurisdiction inland to the boundary as shown in Capitola’s local coastal program (LCP) as certified by the California Coastal Commission.

108. “Cohousing” means an intentional, collaborative neighborhood that combines private homes with shared indoor and outdoor spaces designed to support an active and interdependent community life.

119. “Colleges and trade schools” means institutions of higher education providing curricula of a general, religious or professional nature, typically granting recognized degrees. Includes junior colleges, business and computer schools, management training, vocational education, and technical and trade schools.

12. “Commercial” means a land use listed as a “commercial use” in one or more permitted land use table in Part 2 (Zoning Districts and Overlay Zones) of the Zoning Code.

130. “Community assembly” means a facility that provides space for public or private meetings or gatherings. Includes places of worship, community centers, meeting space for clubs and other membership organizations, social halls, union halls, banquet centers, and other similar facilities.

141. “Community benefit” means a public amenity offered by a project applicant that advances general plan goals but is not required by the zoning code or any other provision of local, state, or federal law.

152. “Commercial entertainment and recreation” means an establishment that provides entertainment or recreation activities or services for a fee or admission charge. Includes bowling alleys, electronic game arcades, billiard halls, pool halls, sports clubs, commercial gymnasiums, dancehalls, and movie theaters.

163. “Community development director” means the community development director of the city of Capitola or his or her designee.

174. “Construction and material yards” means storage of construction materials or equipment on a site other than a construction site. Includes public utility buildings and service yards used by a governmental agency.

185. “Cultural institution” means a public or nonprofit institution that engages in cultural, scientific, and/or educational enrichment. Includes libraries, museums, performing art centers, aquariums, environmental education centers, nonprofit art centers and galleries, botanical gardens, and other similar uses.

196. “Curb-side service” or “drive-up service” means service provided by a commercial establishment while a customer remains waiting within a vehicle.

207. Custom Manufacturing. See “Manufacturing, custom.”

D. “D” Terms.

1. “Dark sky compliant” means a lighting fixture that meets the International Dark Sky Association’s (IDA) requirements for reducing waste of ambient light.
2. “Day care center” means a facility that provides nonmedical care and supervision of minors for periods of less than twenty-four hours. Includes nursery schools, day nurseries, child care centers, infant day care centers, cooperative day care centers, and similar uses.
3. “Daylight plane” means the imaginary line beginning at a height of twenty feet at the setback from a property line and extending into the parcel at an angle of forty-five degrees.
4. “Deck” means an outdoor platform, either freestanding or attached to a building, which is supported by pillars or posts.
5. Demolition, Substantial. “Substantial demolition” means the removal or replacement of either fifty percent or more of the lineal footage of existing interior and exterior walls or fifty percent or more of the area of existing floor, ceilings, and roof structures.
6. “Density” means the number of dwelling units per acre of land, excluding street rights-of-way, public easements, public open space, land under water, and certified wetlands and floodplains.
7. “Design review” means that process for the city to review and act on a design permit application.
8. Designated Historic Resource. See Section 17.84.020(A) (Designated Historic Resources).
9. “Development” means any human-caused change to the land or a structure that requires a permit or approval from the city, including construction, rehabilitation, and reconstruction. See Section 17.44.030 for the definition of “development” that applies in the coastal zone.
10. “Development standards” means regulations in the zoning code that limit the size, bulk, or placement of structures or other improvements and modifications to a site.
11. “Discretionary approval” means an action by the city by which individual judgment is used as a basis to approve or deny a proposed project.
12. “Drive-through facility” means a facility where a customer is permitted or encouraged, either by the design of physical facilities or by the service procedures offered, to be served while remaining seated within a vehicle. Includes drive-through restaurants, coffee shops, pharmacies, banks, automatic car washes, drive-up windows, and other similar land uses and services.
13. “Duplex home” means a residential structure that contains two dwelling units, each with its own entrance. Each unit within a duplex home provides complete, independent living facilities for one or more persons, including permanent provisions for living, sleeping, eating, cooking, and sanitation.
14. “Dwelling unit” means a building or a portion of a building containing one or more habitable rooms used or designed for occupancy by one family for living and sleeping purposes, including kitchen and bath facilities.

E. “E” Terms.

1. “Eating and drinking establishments” means businesses primarily engaged in serving prepared food and/or beverages for consumption on or off the premises.

a. “Bars and lounges” means a business devoted to serving alcoholic beverages for consumption by guests on the premises and in which the serving of food is only incidental to the consumption of such beverages. Includes cocktail lounges, nightclubs, taverns, and other similar uses. Also includes tasting rooms with more than one hundred sixty square feet of floor area accessible to the public.

b. “Restaurants and cafes” means a business establishment serving food and beverages to customers where the food and beverages may be consumed on the premises or carried out and where more than one hundred sixty square feet of public area is open to customers. Includes full service restaurants, fast-food restaurants, coffee shops, cafes, and other similar eating and drinking establishments.

c. “Take-out food and beverage” means establishments where food and beverages may be consumed on the premises, taken out, or delivered, but where the area open to customers is limited to no more than one hundred sixty square feet. Includes take-out restaurants, take-out sandwich shops, limited service pizza parlors and delivery shops, and snack bars. Also includes catering businesses or bakeries that have a storefront retail component and tasting rooms with one hundred sixty square feet or less of floor area accessible to the public. Excludes “bars and lounges.”

2. “Elderly and long-term care” means establishments that provide twenty-four-hour medical, convalescent or chronic care to individuals who, by reason of advanced age, chronic illness or infirmity, are unable to care for themselves, and are licensed as a skilled nursing facility by the state of California, including but not limited to rest homes and convalescent hospitals, but not residential care, hospitals, or clinics.

3. “Emergency shelter” means housing with minimal supportive services for homeless persons that is limited to occupancy of six months or less by a homeless person, as defined in Section 50801 of the California Health and Safety Code. An emergency shelter may include other interim interventions, including, but not limited to, a navigation center, bridge housing, and respite or recuperative care.

F. “F” Terms.

1. “Farmers’ market” means a market held in an open area or in a structure where groups of individual sellers offer for sale to the public such items as fresh produce, seasonal fruits, fresh flowers, locally produced arts and crafts items but excludes second-hand goods. Food and beverages dispensed from booths located on site is permitted as an accessory use.

2. “Financial institution” means a professional office conducting businesses within the financial industry. Excludes commercial establishments providing retail banking services to walk-in customers or clients (see “Banks”).

3. “Fence” means a structure connected by boards, masonry, rails, panels, or other similar permanent building material for the purpose of enclosing space or separating parcels of land. This definition includes gates but excludes hedges and other living plants.

4. “Floor area” means the sum of the horizontal areas of all floors of an enclosed structure, measured from the outside perimeter of the exterior walls as described in Section 17.48.040 (Floor area and floor area ratio).

5. “Floor area ratio” means the gross floor area of all of the buildings on the parcel divided by the net parcel area.

6. “Food preparation” means businesses preparing and/or packaging food for off-site consumption, excluding those of an industrial character in terms of processes employed, waste produced, water used, and traffic generation. Includes catering kitchens, and small-scale specialty food production.

7. “Frontage” means that portion of all property abutting a street.

G. “G” Terms.

1. “Garage” means an enclosed structure or a part of a building designed or used for the storage of automobiles and other motor vehicles.

2. “Garage sale” means a temporary sale for the purpose of selling, trading or otherwise disposing of household furnishings, personal goods or other tangible properties of a resident of the premises on which the sale is conducted.
3. “Gas and service stations” means a retail business establishment supplying gasoline and oil and minor accessories for automobiles. Included in this definition are incidental food and beverage and car wash facilities.
4. “Group housing” means shared living quarters without separate kitchen or bathroom facilities for each room or unit, offered for rent for permanent or semi-transient residents on a weekly or longer basis. Includes rooming and boarding houses, single-room occupancy housing, dormitories, and other types of organizational housing, and extended stay hotels intended for long-term occupancy (thirty days or more). Excludes hotels, motels, bed and breakfasts, and residential care facilities.
5. “Geological hazard” means a threat to life, property or public safety caused by geological or hydrological processes such as faulting and secondary seismic effects, including but not limited to: liquefaction, landsliding, erosion, flooding, tsunami or storm wave inundation.
6. “Government offices” means a place of employment occupied by governmental agencies and their employees. Includes offices for administrative, clerical, and public contact functions but excludes corporation yards, equipment service centers, and similar facilities that primarily provide maintenance and repair services and storage facilities for vehicles and equipment.
7. “Grading” means any and all activities involving earthwork, including placement of fill and/or excavation.
8. “Ground floor” means the first floor of a building other than a cellar or basement that is closest to finished grade.

H. “H” Terms.

1. “Habitable space” means an area within a building that is conditioned (heated or cooled) with a finished floor and a ceiling height of at least seven feet six inches. Excludes unfinished attics, cellars, crawl spaces, and other similar utility areas.
2. Height. See “Building height.” For structures other than buildings, “height” means the vertical distance from grade to the highest point of the structure directly above.
3. “Home day care” means a facility providing daytime supervision and care for up to fourteen children located in the provider’s own home. Includes both small and large home day care facilities as defined in California Health and Safety Code Sections 1597.44 and 1597.465.
4. “Historic resource” means either a designated historic resource or a potential historic resource as defined in Section 17.84.020 (Types of historic resources).
5. “Historic alteration permit” means the city permit required to alter the exterior of a historic resource in accordance with Section 17.84.070 (Historic alteration permit).
6. “Home occupation” means the conduct of a business within a dwelling unit or residential site, with the business activity being subordinate to the residential use of the property. Does not include “vacation rental” as defined by this chapter.

I. “I” Terms.

1. “Impervious surface” means any surface that does not permit the passage of water. Impervious surfaces include buildings, parking areas, and all paved surfaces.

J. “J” Terms. None.

K. “K” Terms.

1. “Kitchen” means any room or part of a room used or intended or designed to be used for cooking or the preparation of food for a single dwelling unit, and distinct from a “mini-bar/convenience area” which is intended as a supplemental food preparation area within a single-family home.

L. “L” Terms.

1. “Land use” means an activity conducted on a site or in a structure, or the purpose for which a site or structure is designed, arranged, occupied, or maintained. The meaning of the term “use” is identical to “land use.”

2. “Landscaping” means the planting and maintenance of living plant material, including the installation, use, and maintenance of any irrigation system for the plant material, as well as nonliving landscape material (such as rocks, pebbles, sand, mulch, walls, fences, or decorative paving materials).

3. “Liquor store” means a business selling alcoholic beverages for off-site consumption with the sale of alcoholic beverages constituting its primary source of revenue.

4. “Local coastal program (LCP)” means the city’s land use plan and implementation plan which includes portions of the municipal code, portions of the zoning code, zoning map (as more specifically identified in Chapter 17.44 (Coastal Overlay Zone) and actions certified by the Coastal Commission as meeting the requirements of the California Coastal Act of 1976.

5. Light Manufacturing. See “Manufacturing, light.”

6. “Lodging” means an establishment providing overnight accommodations to transient patrons for payment for periods of less than thirty consecutive days.

a. “Bed and breakfast” means a residential structure that is in residential use with one or more bedrooms rented for overnight lodging and where meals may be provided.

b. “Hotel” means an establishment providing overnight lodging to transient patrons. Hotels and motels may provide additional services, such as conference and meeting rooms, restaurants, bars, or recreation facilities available to guests or to the general public. Includes motor lodges, motels, extended-stay hotels, and tourist courts, but does not include group housing or bed and breakfast establishments, which are separately defined and regulated.

7. Lot. See “Parcel.”

M. “M” Terms.

1. “Maintenance and repair services” means businesses which provide construction, maintenance and repair services off site, but which store equipment and materials or perform fabrication or similar work on site. Includes off-site plumbing shops, general contractors, contractor’s storage yards, appliance repair, janitorial services, electricians, pest control, heating and air conditioning, roofing, painting, landscaping, septic tank service, and other similar uses.

2. “Manufacturing, custom” means establishments primarily engaged in on-site production of goods by hand manufacturing or artistic endeavor, which involves only the use of hand tools or small mechanical equipment and the incidental direct sale to consumers of only those goods produced on site. Typical uses include ceramic studios, candle making shops, woodworking, and custom jewelry manufacturers.

3. “Manufacturing, light” means the manufacture, predominantly from previously prepared materials, of finished products or parts, including processing, fabrication, assembly, treatment, and packaging of such products, and incidental storage, sales and distribution of such products, but excluding basic industrial processing and custom manufacturing.

4. “Material change” means any significant alteration, by private or public action, in the external appearance or surface of an improvement, landscape or vista. This shall not include ordinary maintenance which does not require a permit.

5. "Micro-unit" means a multifamily dwelling unit three hundred fifty square feet or less with a fully functioning kitchen and bathroom.
6. "Ministerial action" means a city decision on a planning permit which involves only the use of fixed standards or objective measurements and does not require the exercise of discretion.
7. "Mini-bar/convenience area" means a supplemental food preparation area within a single-family home subject to the standards in Section 17.16.030(B)(8) (Mini-Bar/Convenience Areas).
8. "Medical offices and clinics" means a facility where medical, mental, dental, or other personal health services are provided on an outpatient basis using specialized equipment. Includes offices for physicians, dentists, and optometrists, diagnostic centers, blood banks and plasma centers, and emergency medical clinics offered exclusively on an out-patient basis. Hospitals are excluded from this definition.
9. "Mixed use" means two or more different land uses located in one structure or on one parcel or development site.
10. "Mobile food vendors" means businesses selling food or drinks from temporary and semi-permanent structures or mobile equipment such as food trucks or pushcarts.
11. Mobile Home Park. See Section 17.100.030 (Definitions).
12. "Modification" means any construction or physical change in the internal arrangement of rooms or the supporting members of a structure, or a change in the external appearance of any structure, not including painting.
13. "Multifamily dwelling" means a building that contains three or more dwelling units, with each unit providing complete, independent living facilities for one or more persons, including permanent provisions for living, sleeping, eating, cooking, and sanitation.

N. "N" Terms.

1. "Nonconforming parcel" means a parcel that was lawfully established but that no longer conforms with the parcel size or dimension standards of the zoning district in which it is located.
2. "Nonconforming structure" means a structure which does not meet the current development standards for the district in which the structure is located. Development standards include, but are not limited to, setbacks, height or lot coverage regulations of the zoning district, but do not include standards contained in the uniform codes, such as the building code.
3. "Nonconforming use" means a use that lawfully occupied a building or land at the time the use was established, but that no longer conforms with the use regulations of the zoning district in which it is located.

O. "O" Terms.

1. "Open space, private" means open areas for outdoor living and recreation that are adjacent and directly accessible to a single dwelling unit, reserved for the exclusive use of residents of the dwelling unit and their guests.
2. "Open space, common" means areas for outdoor living and recreation that are intended for the use of residents and guests of more than one dwelling unit.
3. "Outdoor kitchen" means an outdoor space used or intended or designed to be used for cooking or the preparation of food for a single dwelling unit subject to the standards in Section 17.16.030(B)(9). Outdoor pizza ovens are included in the definition of an outdoor kitchen.
4. "Overlay zone" means an additional zoning district as shown on the zoning map that prescribes special regulations to a parcel in combination with the base zoning district.

P. "P" Terms.

1. "Parcel" means a lot, tract, or area of land whose boundaries have been established by a legal instrument such as a deed or map recorded with the county of Santa Cruz, and which is recognized as a separate legal entity for purposes of transfer of title, except public easements or rights-of-way. The meaning of "lot" is identical to "parcel."
2. Parcel Area, Gross. "Gross parcel area" means the total horizontal area included within the parcel lines of the parcel, including one-half the width of any alley or portion thereof abutting a parcel line.
3. Parcel Area, Net. "Net parcel area" means the gross parcel area excluding: (a) any recorded easements to allow others to use the surface of the property for necessary access to an adjacent property or other similar use such as a shared driveway or public access agreement (excludes utility easements), and (b) any area under the high water mark that extends into a waterway.
4. Parcel, Corner. "Corner parcel" means a parcel situated at the junction of two or more intersecting streets, with a parcel line bordering on each of the two or more streets.
5. "Parcel depth" means the average distance from the front parcel line to the rear parcel line, measured in the general direction of the side parcel lines.
6. "Parcel line" means the lines bounding a parcel.
7. Parcel Line, Front. "Front parcel line" means that dimension of a parcel or portion of a parcel, abutting on a street except the side of a corner parcel. On a corner parcel the narrowest street frontage is considered the front parcel line. The community development director has the authority to determine and designate the front parcel line based on existing conditions and function of the lot.
8. Parcel Line, Rear. "Rear parcel line" means, ordinarily, the line of a parcel which is generally opposite the front parcel line of said parcel. The community development director has the authority to determine and designate the front parcel line based on existing conditions and function of the lot.
9. Parcel Line, Interior Side. "Interior side parcel line" means any boundary line not a front line or a rear line shared with another parcel.
10. Parcel Line, Exterior Side. "Exterior side parcel line" means any boundary line not a front line or a rear line adjacent to a street.
11. Parcel, Reversed Corner. "Reversed corner parcel" means a corner parcel, the side street line of which is substantially a continuation of the front line of the parcel upon which it rears.
12. "Parcel width" means the average distance between the side parcel lines, measured at right angles to the parcel depth.
13. "Parking lot" means an open area of land, a yard or other open space on a parcel other than a street or alley, used for or designed for temporary parking for more than four automobiles and available for public use, whether free, for compensation, or as an accommodation for clients or customers.
14. "Parking space" means land or space privately owned, covered or uncovered, laid out for, surfaced, and used or designed to be used for temporary parking or storage of standard motor vehicles.
15. "Parks and recreational facilities" means noncommercial public facilities that provide open space and/or recreational opportunities. Includes parks, community gardens, community centers, passive and active open space, wildlife preserves, playing fields, tennis courts, swimming pools, gymnasiums, and other similar facilities.
16. "Pergola" means an unenclosed structure with vertical posts or pillars that supports crossbeams and/or an open lattice. A pergola may be freestanding or attached to a building.

17. “Personal services” means an establishment that provides services to individuals and that may provide accessory retail sales of products related to the services provided. Includes barber shops and beauty salons, nail salons, dry cleaning establishments, self-service laundromats, tailors, tanning salons, state-licensed massage therapists, fitness studios, yoga studios, dance studios, pet grooming services, veterinary clinics, and other similar land uses. Also includes establishments that primarily offer specialized classes in personal growth and development such as music, martial arts, vocal, fitness and dancing instruction. This does not include professional offices that offer classes in addition to the professional office spaces.

18. “Planning permit” means any permit or approval required by the zoning code authorizing an applicant to undertake certain land use activities.

19. Potential Historic Resource. See Section 17.84.020(B) (Potential Historic Resource).

20. “Primary use” means the main purpose for which a site is developed and occupied, including the activities that are conducted on the site a majority of the hours during which activities occur.

21. “Primary structure” means a structure that accommodates the primary use of the site.

22. “Professional office” means a place of employment occupied by businesses providing professional, executive, management, or administrative services. Includes offices for accountants, architects, advertising agencies, insurance agents, attorneys, commercial art and design services, nonretail financial institutions, real estate agents, news services, photographers, engineers, employment agencies, and other similar professions. Also includes research and development facilities that engage in research, testing, and development of commercial products or services in technology-intensive fields.

23. “Public safety facility” means a facility operated by a governmental agency for the purpose of protecting public safety. Includes fire stations and other fire-fighting facilities, police stations, public ambulance dispatch facilities, and other similar land uses.

Q. “Q” Terms. None.

R. “R” Terms.

1. “Recreational vehicle (RV)” means a motor home, travel trailer, truck camper, or camping trailer, with or without motive power, originally designed for human habitation for recreational, emergency, or other occupancy, which meets all of the following criteria:

- a. Contains less than three hundred twenty square feet of internal living room area, excluding built-in equipment, including wardrobe, closets, cabinets, kitchen units or fixtures, and bath or toilet rooms;
- b. Contains four hundred square feet or less of gross area measured at maximum horizontal projections;
- c. Is built on a single chassis; and
- d. Is either self-propelled, truck-mounted, or permanently towable on the highways without a towing permit.

2. “Recycling collection facility” means a center for the acceptance by donation, redemption, or purchase, of recyclable materials from the public.

3. “Remodel” means a change or alteration in a building that does not increase the building’s net square footage.

4. “Residential care facility” means a residential facility providing social and personal care for residents. Includes children’s homes, homes for the elderly, orphanages, self-help group homes, supportive housing, and transitional housing for the homeless. Excludes facilities where medical care is a core service provided to residents, such as nursing and convalescent homes.

- a. “Residential care facility, large” means a residential care facility for seven or more persons.
 - b. “Residential care facility, small” means a residential care facility for six or fewer persons.
5. “Residential mixed use” means one or more structures on a single parcel that contains both dwelling units and nonresidential uses such as retail, restaurants, offices, or other commercial uses. Different land uses may be within a single structure (vertical mixed use) or in separate structures on a single parcel (horizontal mixed use).
 6. “Residential use” means any legal use of a property as a place of residence, including but not limited to dwelling units, group housing, and the residential component of a mixed-use residential building.
 7. “Retail” means stores and shops selling merchandise to the general public. Includes drug stores, general merchandise stores, convenience shops, pet stores, department stores, grocery stores and other similar retail establishments.
 8. “Retail cannabis establishment” means a retail store in which cannabis or cannabis products are sold for adult use and/or medicinal use.
 9. “Review authority” means the city official or city body that is responsible, under the provisions of the zoning code, for approving or denying a permit application or other request for official city approval.
 10. “Roof deck” means an occupied roof space created by a walkable exterior floor system located above the top story of a structure, not including access, and supported by the roof of a building.

S. “S” Terms.

1. “Salvage and wrecking” means storage and dismantling of vehicles and equipment for sale of parts, as well as their collection, storage, exchange or sale of goods including, but not limited to, any used building materials, used containers or steel drums, used tires, and similar or related articles or property.
2. “Schools, public or private” means public or private facilities for education, including elementary, junior high, and high schools, providing instruction and study required in public schools by the California Education Code.
3. “Setback” means the minimum allowable distance from a given point or line of reference such as a property line to the nearest vertical wall or other element of a building or structure as defined in this chapter, or from a natural feature such as a bluff edge or an environmentally sensitive habitat area. Setbacks for buildings or structures shall be measured at right angles from the nearest property line establishing a setback area line parallel to that parcel line. Where a property line is located within a street, the setback shall be measured from the edge of the right-of-way containing the street.
4. Sign. See Chapter 17.80 (Signs).
5. “Single-family dwelling” means a residential structure designed for occupancy by one household. A single-family dwelling provides complete, independent living facilities for one or more persons, including permanent provisions for living, sleeping, eating, cooking, and sanitation. “Single-family dwelling” includes employee housing for six or fewer persons as defined in Health and Safety Code Section 17008.
6. “Single-room occupancy” means housing consisting of a single-room dwelling unit that is the primary residence of its occupants. A single-room occupancy must include either food preparation or sanitary facilities (or both) and must be four hundred square feet or less.
7. “Site” means a parcel or adjoining parcels that are under single ownership or single control, and that are considered a unit for the purposes of development or other use.
8. “Site area” means the total area included within the boundaries of a site.

9. “Self-storage” means a structure or group of structures with controlled access that contains individual and compartmentalized stalls or lockers for storage of customers’ goods.
10. “Split zoning” means a parcel on which two or more zoning districts apply due to zoning district boundaries crossing or otherwise not following the parcel boundaries.
11. “Story” means that portion of a building included between the upper surface of any floor and the upper surface of the floor next above, except that the topmost story shall be that portion of a building included between the upper surface of the topmost floor and the ceiling or roof above. If the finished floor level directly above a basement, cellar or unused under-floor space is more than six feet above grade as defined in this chapter for more than fifty percent of the total perimeter or is more than twelve feet above grade as defined in this chapter at any point, such basement, cellar or unused under-floor space shall be considered as a story.
12. Story, Half. “Half story” means a partial story under a gable, hip or gambrel roof, the wall plates of which are at least two opposite exterior walls and which are not more than four feet above the floor plate of the second floor, and may include shed or dormer projections from those walls. Dormers may constitute not more than one-third of the length of the wall upon which they are located, whether as a single unit or multiple dormers.
13. “Street” means a public way more than twenty feet in width which affords a primary or principal means of access to abutting property. “Streets” includes private roads and highways.
14. “Structural alterations” means any change in the supporting members of a building, such as bearing walls, columns, beams, girders, floor, ceiling or roof joists and roof rafters, or change in roof exterior lines which would prolong the life of the supporting members of a building.
15. “Structure” means anything constructed or erected that requires attachment to the ground, or attachment to something located on the ground. Pipelines, poles, wires, and similar installations erected or installed by public utility districts or companies are not included in the definition of “structure.” In the coastal zone, “structure” includes, but is not limited to, any building, road, pipe, flume, conduit, siphon, aqueduct, telephone line, and electrical power transmission and distribution line.
16. “Structured parking” means a permanent, non-temporary parking facility in which parking spaces are provided within or on a building or structure, including multilevel parking garages, podium parking, and parking located above or below grade. Includes stand-alone parking garages and areas for parking integrated into a building containing other uses. Structured parking does not include open, surface parking lots or on-street parking
176. “Supportive housing” means housing with no limit on length of stay, that is occupied by low income adults with disabilities, and that is linked to on-site services that assist the supportive housing resident in retaining the housing, improving his or her health status, and maximizing his or her ability to live and, when possible, work in the community.

T. “T” Terms.

1. “Tandem parking” means an arrangement of parking spaces such that one or more spaces must be driven across in order to access another space or spaces.
2. “Tasting room” means a room or rooms, open to the general public, primarily used for the retail marketing of winery, brewery, distillery, and/or food products.
3. “Temporary structure” means a structure that is erected for a limited period of time, typically no longer than one hundred eighty days, and that does not permanently alter the character or physical facilities of a property.
4. “Temporary use” means a short-term activity that may or may not meet the normal development or use standards of the applicable zone, but that occurs for a limited period of time, typically less than twelve months, and does not permanently alter the character or physical facilities of a property.

5. “Transitional housing” means temporary housing, generally provided for a period of six months to several years, with supportive services that prepare individuals or families to transition from emergency or homeless shelters to permanent housing. Such housing may be configured for specialized needs groups such as people with substance abuse problems, mental illness, domestic violence victims, veterans, or people with specified illnesses. Such housing may be provided in apartment complexes, boarding house complexes, or in single-family homes.

6. “Trellis” means a structure made from an open framework or lattice of interwoven or intersecting pieces of wood, bamboo or metal made to support and display climbing plants. A trellis may be freestanding or attached to a building wall or other structure.

U. “U” Terms.

1. “Upper floor” means any story of a building above the ground floor.

2. “Urban agriculture” means activities involving the raising, cultivation, processing, marketing, and distribution of food in urban areas.

a. “Home garden” means the property of a single-family or multifamily residence used for the cultivation of fruits, vegetables, plants, flowers, or herbs by the residents of the property, guests of the property owner, or a gardening business hired by the property owner.

b. “Community garden” means privately or publicly owned land used for the noncommercial cultivation of fruits, vegetables, plants, flowers, or herbs by multiple users. Community gardens may be divided into separate plots for cultivation by one or more individuals or may be farmed collectively by members of the group and may include common areas maintained or used by group members.

3. Use. See “Land use.”

4. “Utilities, major” means generating plants, electric substations, solid waste collection, including transfer stations and materials recovery facilities, solid waste treatment and disposal, water or wastewater treatment plants, and similar facilities of public agencies or public utilities.

5. “Utilities, minor” means infrastructure facilities that are necessary to serve development within the immediate vicinity such as electrical distribution lines and underground water and sewer lines.

V. “V” Terms.

1. “Vacation rental” means the occupancy for hire of residential property or a portion thereof for a period of less than thirty consecutive calendar days. See Section 17.40.030 (Vacation rental use (-VRU) overlay zone). “For hire,” for purposes of this section, does not include:

a. The owner or long-term lessee of the property, without consideration, allowing family or friends to use the property;

b. An arrangement whereby the owner or long-term lessee of the property agrees to a short-term trade with another property owner or long-term lessee whereby the sole consideration is each concurrently using the other’s property.

2. “Valet parking service” means a parking service provided to accommodate patrons of one or more businesses that is accessory and incidental to the business and by which an attendant on behalf of the business takes temporary custody of a patron’s motor vehicle and moves, parks, stores or retrieves the vehicle for the patron’s convenience.

3. “Vehicle repair” means an establishment for the repair, alteration, restoration, or finishing of any vehicle, including body repair, collision repair, painting, tire and battery sales and installation, motor rebuilding, tire recapping and retreading, and towing. Repair shops that are incidental to a vehicle sales or rental establishment on the same site are excluded from this definition.

4. "Vehicle sales and rental" means an establishment for the retail sales or rental of new or used vehicles. Includes the sale of vehicle parts and vehicle repair; provided, that these activities are incidental to the sale of vehicles.

5. "Vehicle sales display room" means an establishment for the retail sales of new vehicles conducted entirely within an enclosed building. Outdoor storage and display of vehicles are not permitted.

W. "W" Terms.

1. "Wall" means a permanent upright linear structure made of stone, concrete, masonry, or other similar material.

2. "Warehousing and distribution" means an establishment used primarily for the storage and/or distributing of goods to retailers, contractors, commercial purchasers or other wholesalers, or to the branch or local offices of a company or organization. Includes vehicle storage, moving services, general delivery services, refrigerated locker storage facilities, and other similar land uses.

3. "Wholesaling" means indoor storage and sale of goods to other firms for resale. Wholesalers are primarily engaged in business-to-business sales, but may sell to individual consumers through mail or internet orders. Wholesalers normally operate from a warehouse or office having little or no display of merchandise, and are not designed to solicit walk-in traffic.

4. "Wireless communications facility" means a facility that transmits or receives electromagnetic signals for the purpose of transmitting voice or data communications. See Chapter 17.104 (Wireless Communications Facilities).

X. "X" Terms. None.

Y. "Y" Terms.

1. "Yard" means an open space, other than a court, on the same parcel with a building, unoccupied and unobstructed from the ground upward, except for such encroachments allowed by the zoning code.

2. Yard, Front. "Front yard" means a yard extending across the full width of the parcel, the depth of which is the minimum horizontal distance between the front line of the parcel and the nearest line of the main building or enclosed or covered porch. On a corner parcel the front line of the parcel is ordinarily construed as the least dimension of the parcel fronting on a street.

3. Yard, Rear. "Rear yard" means a yard extending across the full width of the parcel, and measured between the rear line of the main building or enclosed or covered porch nearest the rear line of the parcel; the depth of the required rear yard shall be measured horizontally.

4. Yard, Side. "Side yard" means a yard on each side of the main building extending from the front yard to the rear yard, the width of each yard being measured between the side line of the parcel and the nearest part of the main building or enclosed or covered porch.

Zoning Code Amendments Consistency with LCP Land Use Plan

The proposed amendments apply existing design standards in Chapter 17.82 (Objective Standards for Multifamily and Mixed-Use Residential Development) to residential development in the Mixed-Use Village (MU-V) zoning district. Table 1 identifies the basis to find these proposed amendments to be consistent with applicable LCP policies. The proposed amendments for the Capitola Mall property will not apply in the coastal zone.

Table 1: Zoning Code Amendment Consistency Determination

LCP Policies	Basis for Consistency Finding
<p>Policy III-1 It shall be the policy of the City of Capitola to maintain the natural features, visual resources, and unique character of the Capitola Village. This includes maintenance of the particular scale and character of Capitola Village, retaining its special ability to serve both Capitola residents and visitors, protecting its natural features and views, and recognizing its historical continuity extending from the Camp Capitola period through the present. A commitment shall be made to maintaining the level of current activity in the Central Village area and/or intensifying activity and increasing capacity only in ways consistent with the current scale and character of Capitola Village.</p>	<p>The proposed amendments apply standards for streetscape improvements, parking placement and design, building placement and orientation, building massing, facade design, roof design that support an active and inviting built environment consistent with the existing scale and character of Capitola Village.</p>
<p>Policy III-2 It should be recognized that the historical continuity of development in Capitola Village is an evolutionary process that doesn't stop in the present. New styles of architecture may be as appropriate now as they have proved to be in the past. Capitola will continue to evolve as it has before, but should maintain a consistency of scale and a variety of architectural types to support the goal to preserve the special scale and character of historical Capitola Village.</p>	<p>The proposed amendments do not mandate a specific architectural style for new development. Instead, the amendments apply building placement, massing, and facade design standards to ensure quality design that will fit into the existing Village character.</p>
<p>Policy III-7 To ensure the maintenance of the special scale and character of Capitola Village development proposals within the Village area shall be subject to Arch & Site and Planning Commission Review with emphasis placed on the following design particulars:</p> <ul style="list-style-type: none"> a) Building bulk, width, height and roofscape (the overall building envelope and the scale of the pieces within this envelope). b) Architectural thematic units including: <ul style="list-style-type: none"> 1. Window size and scale and frame materials. 2. Color variety. 3. Materials variety. 4. Signage. 	<p>The proposed amendment apply standards for window design, varied exterior color, varied exterior building wall material, facade articulation, sidewalks, street trees, parking lot design.</p>

<p>5. Scale of articulation.</p> <p>c) Street thematic units including:</p> <ol style="list-style-type: none"> 1. Trees, ground cover and foliage. 2. Street, path and public space lighting. 3. Paving patterns and paving materials. 4. Traffic and parking furniture (directional signs, directional islands, bicycle racks, etc.). 5. Signage. • <p>d) A continuing program for the removal of utility poles and undergrounding of overhead wires.</p>	
<p>Policy III-8 Where replacement of structures is permitted, new buildings need not necessarily be copies of older ones, but should be build with scale, materials, and a sensitivity to the spirit of adjacent buildings and the prior structure.</p>	<p>See Policy III-2 basis for policy conformance.</p>

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CAPITOLA AUTHORIZING SUBMITTAL TO THE CALIFORNIA COASTAL COMMISSION FOR THE CERTIFICATION OF AN AMENDMENT TO THE LOCAL COASTAL PROGRAM AMENDING MUNICIPAL CODE TITLE 17 (ZONING) PERTAINING TO THE CAPITOLA MALL PROPERTY INCLUDING AMENDMENTS TO CHAPTER 17.24 (COMMERCIAL AND INDUSTRIAL ZONING DISTRICTS), CHAPTER 17.76 (PARKING AND LOADING), CHAPTER 17.82 (OBJECTIVE STANDARDS FOR MULTIFAMILY AND MIXED-USE DEVELOPMENT), AND CHAPTER 17.88 (INCENTIVES FOR COMMUNITY BENEFITS), 17.160 (GLOSSARY) AND INTRODUCING A NEW CHAPTER 17.57 (OBJECTIVE DESIGN STANDARDS FOR CAPITOLA MALL REDEVELOPMENT)

WHEREAS, on August 22, 2024, the City Council adopted the 2023-2031 Housing Element of the General Plan (“Housing Element”) and Addendum to the General Plan Final Environmental Impact Report;

Whereas, on August 30, 2025, the California Department of Housing and Community Development (“HCD”) certified the Housing Element;

WHEREAS, Housing Element Program 1.7 states that the City shall revise development standards in the Zoning Code to facilitate residential development on the Capitola Mall property;

WHEREAS, the Capitola Mall property includes the properties located between Clares Street, 41st Avenue, and Capitola Road;

WHEREAS, the Planning Commission held work sessions on October 2, October 30, and November 19, 2025 to consider Zoning Code amendments for the Capitola Mall in furtherance of Housing Element Program 1.7;

WHEREAS, on October 8, 2025, the City hosted a community meeting, to receive public input on design standards for residential development on the Capitola Mall property;

WHEREAS City staff utilized Planning Commission input and considered public feedback to prepare draft amendments to Municipal Code Title 17 (Zoning) to implement Housing Element Program 1.7;

WHEREAS, the proposed amendments include changes to Zoning Code Chapter 17.24 (Commercial and Industrial Zoning Districts), Chapter 17.76 (Parking and Loading), Chapter 17.82 (Objective Standards for Multifamily and Mixed-Use Residential Development), and Chapter 17.88 (Incentives for Community Benefits), 17.160 (Glossary) and introduce a new Chapter 17.57 (Objective Design Standards for Capitola Mall Redevelopment)

WHEREAS, the proposed amendments would increase allowed building height and floor area ratio (FAR) on the Capitola Mall property, establish objective design standards for Capitola Mall redevelopment, and modify development regulations to facilitate residential and mixed-use development on the Mall property consistent with the Housing Element;

WHEREAS, the amendments also apply the Objective Standards within Chapter 17.82 to the Mixed-Use Village zoning district and Industrial zoning district;

WHEREAS, the Mixed-Use Village zoning district and some properties within the Industrial zoning district are located in the Coastal Zone;

WHEREAS, notice of the Amendments' availability was mailed and public review drafts were made available on January 8, 2026, in compliance with California Coastal Act public participation requirements and applicable state law;

WHEREAS, the Capitola City Council conducted duly noticed public hearings on February 26, 2026, at which the City Council reviewed the proposed Amendments at which time it considered all evidence presented, both written and oral, and continued the item to a special City Council meeting on March 16, 2026;

WHEREAS, the Capitola City Council conducted duly noticed public hearings on March 16th, 2026, at which the City Council introduced and performed a first reading of an ordinance to adopted the proposed Zoning Code Amendments. On March 26, 2026 the City Council adopted the ordinance, with the Zoning Code Amendments; and

WHEREAS, the City Council determined that the Zoning Code Amendments are consistent with the General Plan and that the revisions would be internally consistent with all other provisions of the Municipal Code.

WHEREAS, the Zoning Code Amendments would become a component of Implementation Plan of the City's Local Coastal Program and is intended to be implemented in a manner that is in full conformance with the California Coastal Act.

WHEREAS, the Local Coastal Program Implementation Plan establishes specific land use and development regulations to implement the Local Coastal Program Land Use Plan, and Title 17 (Zoning) and the Zoning Map are part of Capitola's Local Coastal Program Implementation Plan; and

WHEREAS, the City provided Public Notice, as required under Coastal Act 30514 et seq., for Certification of the LCP Implementation Plan and Corresponding Maps.

NOW, THEREFORE, BE IT HEREBY RESOLVED, by the City Council of the City of Capitola, that this Resolution declares and reflects the City's intent to amend the LCP Implementation Plan as it pertains to Chapter 17 (Zoning), as drafted, if certified by the California Coastal Commission, in full conformity with the City of Capitola LCP and provisions of the California Coastal Act.

BE IT FURTHER RESOLVED, that the City Manager or his designee is directed to submit the said Coastal Commission LCP Amendments to the California Coastal Commission for its review and certification. If the Coastal Commission approves the amendment package, it will take effect automatically upon Coastal Commission approval. If the Coastal Commission modifies the amendment package, only the modifications will require formal action by the City of Capitola.

I HEREBY CERTIFY that the foregoing resolution was passed and adopted by the City Council of the City of Capitola on the 16th day of March, 2026, by the following vote:

- AYES:
- NOES:
- ABSENT:
- ABSTAIN:

Joe Clarke, Mayor

ATTEST: _____
Julia Moss, City Clerk



MGP Additional Materials

1. Dedicate Affordable Land Incentive
2. Perimeter Zone: 75 feet
3. Commercial Minimum: 25,000 sf
4. Commercial Ground Floor: 14 feet
5. Density Calculation: Include dedications
6. Internal Street Connectivity
7. Bike Circulation
8. Street Frontage Improvements
9. Internal Street Parking
10. Hotel Street Presence

MGP 1.

Dedicate Affordable Land Incentive



MGP: For development which includes a land dedication for the inclusionary housing requirement, request to not required deviation requirements within the project.

Staff Recommendation: Requested change not recommended. The applicant can include a density bonus application if they prefer density bonus incentives over City process.

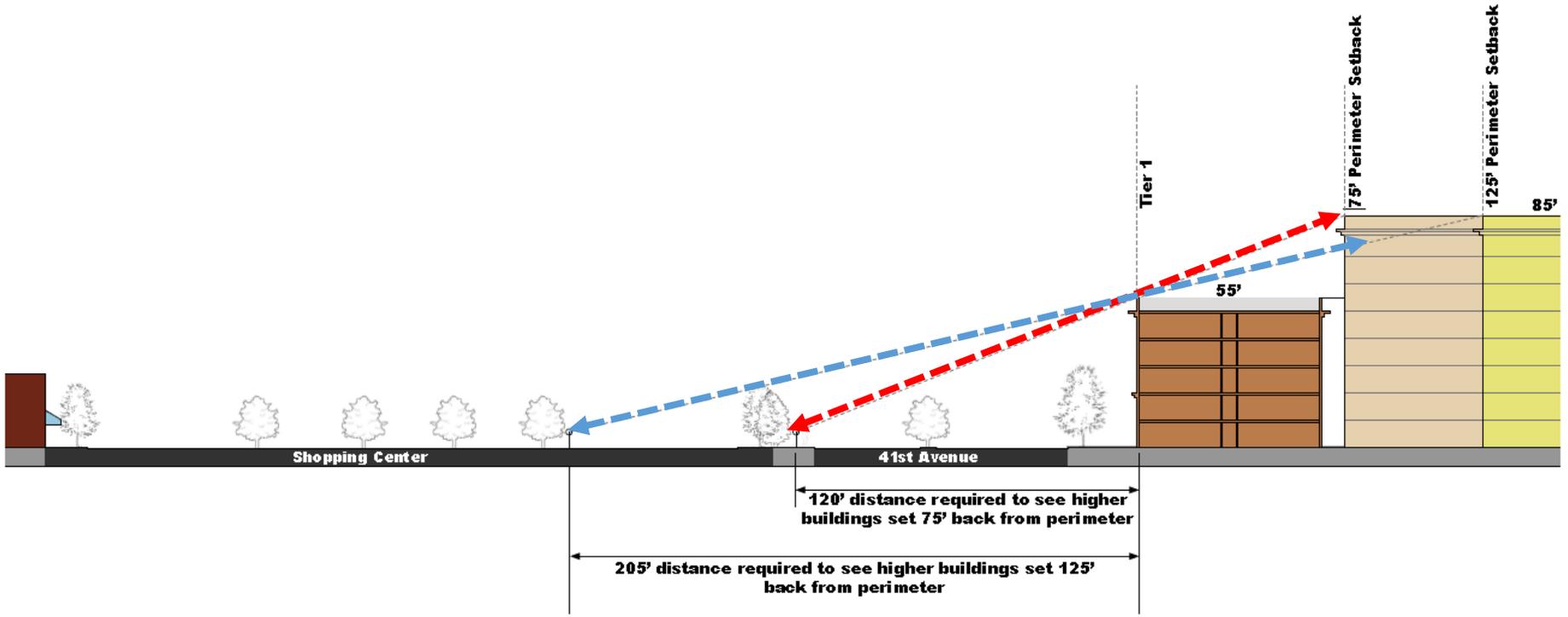
MGP 2.

Perimeter Zone decrease 75 feet



MGP: Request to decrease perimeter zone from 125 feet to 75 feet.

Staff Analysis: The taller buildings will not be visible from within the right-of-way (street and sidewalk). They will be visible from structures that are setback on properties across the street, for example Wholefoods.





MGP 3. Commercial Minimum

Proposed

- Tier 2: 30,000 square feet
- Tier 3: 40,000 square feet

MGP Request

- Request: 25,000 square feet

KMA Economic Development Study

- 25,000 – 35,000 square feet

MGP 4: Commercial Ground Floor Height Minimum



- Proposed: 18 feet floor to floor
- MGP request: 14 feet floor to floor
- Staff recommendation – No Change

MGP 5: Density Calculation:

Change Exclude to Include for dedicated public open space, public rights of way, and public easements

Item 5 A.

3. Density.

a. Calculation.

i. The density of a proposed development on the Capitola Mall property is calculated on a project-wide basis as the number of dwelling units per acre of land, using the total combined land area for all contiguous parcels under single ownership regardless of whether dwelling units are proposed on an individual parcel.

ii. The land area used to calculate density includes the following:

(a) Privately owned and maintained publicly accessible open space; and

(b) Public open space dedicated to the City; and

(c) Private streets, sidewalks, pathways and other similar private circulation improvements except where dedicated for public use consistent with paragraph iii below and

(d) Areas subject to tenant lease controls and private easements.

(e) Perimeter street frontage improvements on privately owned property subject to a public access easement or dedication pursuant to Section 17.57.050.A.h.3.d.

(f) Public rights of way; and

(g) Public easements.

~~iii. The land area used to calculate density excludes public rights of way, public easements, and public open space dedicated to the City~~

iv. The “density” definition in Section 17.160.020.D.6 does not apply to the Capitola Mall property.

MGP 6. Internal Street Connectivity



c. Internal Street Connectivity.

- (1) A mall redevelopment project shall create new internal streets that provide a vehicular connection between all perimeter streets abutting the development site **except where the Planning Commission finds that the establishment of new internal streets would be infeasible (e.g., presence of existing structures and improvements on the site).**
- (2) A mall redevelopment project application shall include a circulation diagram that shows how future potential internal streets on adjacent parcels can:
 - (a) Connect to new internal streets on the development site; and
 - (b) Provide a vehicular connection to perimeter streets that do not abut the development site.
- (3) New internal streets shall be designed to allow for connections to existing internal circulation and future internal streets on adjacent properties within the mall block.
- (4) Where an adjacent property within the mall block was previously redeveloped, a mall redevelopment project shall provide one or more vehicular connection between the development site and the adjacent property.
- (5) If a new internal street cannot yet connect to an existing public street or other public way, the property owner may temporarily restrict public access to that street until such a connection becomes feasible through future adjacent development. Once a connection to another public street or public way is established, the internal street shall be opened for public use. The property owner shall remove any gates or other physical barriers to ensure permanent unrestricted public access.
- (6) If the parcel on which mall redevelopment will occur contains an existing street, pedestrian path, or other public connection, that connection will be preserved or replaced on the parcel to maintain public access and circulation through the property.
- (7) In all areas of the Capitola Mall property, where a project site includes an existing street or other public connection, this public connection will be maintained or relocated within the project site.
- ~~(8) The City may grant an exception to the standards in this Paragraph b (Internal Street Connectivity) upon finding that it is infeasible to provide vehicular connection.~~

MGP 7. Bike Circulation



Proposed:

Residential: Bike lane or Bike Path required

Commercial: Bike Lane, Bike Path, or Sharrow

MGP: Allow sharrow in all scenarios

Staff Recommendation: No Change





8. MGP Street Frontage Improvements

MGP request for Deviations to Internal Street where one side of a new internal street abuts an existing retail structure that is to remain regardless of whether it is “controlled by the developer”

Staff Recommendation: No change

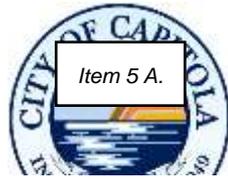
9. Internal Street Parking



MGP request to allow existing parking lots to remain

(1) **Internal Streets.**

- (a) Excluding hotels, new surface parking may not be located between a building and an internal street. Parking must be behind or adjacent to a street-facing building.
- (b) If surface parking is located adjacent to an internal street, frontage improvements required by Section 17.57.050.A.2.h (Street Frontage Improvements) shall be provided between the parking area and the street.



10. Hotel Street Presence

MGP request for carve out for existing surface parking lots to remain. Ambiguous.

Recommended Change:

d. Hotels

(1) Street Presence. A minimum of one hotel building façade shall front a perimeter internal street in compliance with the following:

(a) Surface parking lots are prohibited between the building façade and the sidewalk.

(b) Street parking and porte-cocheres drop-off areas are permitted between the building façade and street.

(c) A building entrance accessed from the sidewalk shall provide access to the hotel lobby.

(d) Loading docks and service areas may not front the street.

(2) Parking Location. Existing and new surface parking is permitted along all other building facades that do not provide the street presence as required by Paragraph 1 above.



Staff Recommendation

1. Dedicate Affordable Land Incentive ✗
2. Perimeter Zone: 75 feet
3. Commercial Minimum: 25,000 sf
4. Commercial Ground Floor: 14 feet ✗
5. Density Calculation: Include dedications ✓
6. Internal Street Connectivity ✓
7. Bike Circulation ✗
8. Street Frontage Improvements ✗
9. Internal Street Parking ✓
10. Hotel Street Presence ✓

March 11, 2026

BY ELECTRONIC MAIL

Katie Herlihy
Community and Economic Development Director
City of Capitola
420 Capitola Ave
Capitola, CA 95010

kherlihy@ci.capitola.ca.us

Re: Proposed General Plan and Zoning Code Amendments Relating to Capitola Mall

Dear Ms. Herlihy:

Thank you for the opportunity to provide additional comments regarding the proposed development standards and incentive framework for mixed-use redevelopment in Capitola. Our team appreciates the City's continued engagement as these policies are refined and offers the following recommendations intended to support financially feasible projects while still achieving the City's long-term planning objectives.

1. Ground Floor Retail Height

We recommend adjusting the minimum ground floor retail height requirement to better align with market practices and construction feasibility. While the current proposal establishes a minimum 18-foot floor-to-floor height, our experience suggests that a 16-foot floor-to-floor height with a 14-foot minimum clear height provides adequate flexibility for retail tenants while avoiding unnecessary cost burdens that may discourage redevelopment.

For reference, our Village at San Antonio mixed-use project in Mountain View utilized the following dimensions that we are proposing here successfully (see attachments):

Dimension	City Proposed	MGP Recommended
Minimum Floor-to-Floor Height	18 ft	16 ft
Minimum Clear Height (finished floor to underside of slab)	16 ft	14 ft

These dimensions accommodated a wide variety of successful retail tenants while still allowing greater clear height where necessary for specific tenants. For example, restaurants and specialty tenants requiring additional vertical space were easily accommodated without requiring higher minimums across the entire project.

Establishing an 18-foot minimum floor-to-floor height across all retail space increases construction costs without delivering proportional benefits for most tenants, which may reduce overall project feasibility.

2. Sharrow Lanes

We also recommend revising Section 17.57.050.A.2.f to allow sharrow lanes on private streets regardless of whether they abut ground-floor commercial uses.

For projects of this scale and context—where portions of existing commercial development and surface parking will remain—it is impractical to require dedicated bicycle lanes or paths in all circumstances.

Retailers and property owners typically maintain control over pedestrian and bicycle circulation within private parking areas. Requiring dedicated bike lanes or paths through areas that interface with existing parking lots may create unnecessary operational challenges and safety concerns.

Sharrow lanes represent an appropriate and commonly used alternative to facilitate bicycle circulation while maintaining compatibility with existing site conditions.

At our Village at San Antonio project, sharrows were successfully implemented on private streets with both parallel and angled parking. However, sharrows were not used on streets that connected directly to or traversed through parking lots, as those conditions present too many potential conflict points between vehicles and cyclists.

Similarly, Class II bike lanes along streets that connect through retail parking lots are generally infeasible and potentially unsafe due to the number of vehicle turning movements. Allowing the use of sharrows in these circumstances would provide the City with a flexible and practical tool for bicycle connectivity without creating unintended safety issues.

3. Tier 2 & 3 Development Incentives

Finally, we recommend that the Tier 2 development requirements align with the minimum recommendations prepared by Keyser Marston Associates, which were presented to the City Council on February 23, 2026. Tier 3 can reflect Planning Commission recommendations.

Maintaining these thresholds is important to ensure the Tier 2 incentive structure functions as intended and encourages mixed-use development that includes a hotel component.

	<u>Planning Commission Recommendation</u>				<u>CC Westman Proposal</u>		<u>MGP Comment</u>		
	Tier 1	Tier 2	Tier 3A	Tier 3B	SW Tier 2	SW Tier 3	Tier 2	Tier 3A	Tier 3B
Density									
Min. (du/acre)	20	20	20	20	20	20	20	20	20
Max. (du/acre)	48	48	53	53	53	53	48	53	53
FAR	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Perimeter Zone (ft)									
41 st Ave.	125	125	125	125	75	125	75	75	75
Capitola Rd.	125	125	125	125	75	125	75	75	75
Clares St.	125	125	125	125	125	125	125	125	125
Height (ft)									
Perimeter Zone	55	65	65	65	75 (65)	55	75	75	75
Core Area	75	75	85	85	85	85	85	85	85
Open Space	5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Affordable Housing	20%	20%	20%	20%	20%	20%	20%	20%	20%
Min New Commercial (sf)	0	30,000	40,000	200,000	35,000	200,000	25,000	35,000	200,000
Min Hotel Rooms	0	85	125	0	120	0	85	120	0
Min Mtg Space (sf)	0	3,000	4,000	0	4,000	0	2,500	4,000	0

Hotel Keys

If a project is already required to include a hotel component, the incentive structure should allow the developer to build the number of rooms supported by market demand. Keyser Marston's analysis suggests that 85 keys represent a feasible minimum consistent with an Upper-Midscale hotel product.

There is no guarantee that an Upscale hotel product will be viable in this location. Tying minimum room counts to an upscale hotel prototype may therefore jeopardize the feasibility of the Tier 2 incentive structure.

Meeting Space

Similarly, requiring 4,000 square feet of meeting space may exceed what many hotel flags believe the market can support. Excess meeting space can result in lost rooms or the inability to secure a hotel flag.

Keyser Marston's analysis indicates that approximately 2,550 square feet of meeting space for an 85-room hotel would be appropriate. This level exceeds typical meeting space ratios for upper-midscale hotels (10-15 sf per room for Upper-Midscale) and would allow a boardroom and smaller breakout space while maintaining operational feasibility.

New Commercial Space

The Keyser Marston report also indicates that 25,000–35,000 square feet of new retail demand is likely in the area. Demand is strongest for smaller food service spaces, which can be financially challenging to deliver due to modest rents, expensive construction costs and limited credit tenancy.

Given these conditions, 25,000 square feet represents a more realistic minimum threshold that still supports the City's economic development goals keeping in mind the sales tax revenue in this Tier 2 structure will come from the hotel and the retail will be focused on placemaking.

Height and FAR

We support the proposed 75-foot perimeter height along 41st Avenue and Capitola Road, with 125-foot perimeter height along Clares Street, and a core height of 85 feet.

Additionally, we support the clarification that FAR calculations exclude parking garages, hotels in all tiers, and rooftop decks in Tier 2 projects, which will help ensure the FAR standard does not unintentionally constrain project feasibility.

Conclusion

We appreciate the City's efforts to create a framework that encourages redevelopment while delivering meaningful housing, hospitality, and commercial opportunities for Capitola. The recommendations outlined above are intended to help ensure that the standards and incentives ultimately adopted remain economically feasible, market-responsive, and consistent with the City's broader planning goals.

We look forward to continuing to work collaboratively with City staff and the community as these policies are finalized.

Sincerely,



James Gwilliam
Managing Director
Merlone Geier Partners



CARMEL
THE VILLAGE
apartments

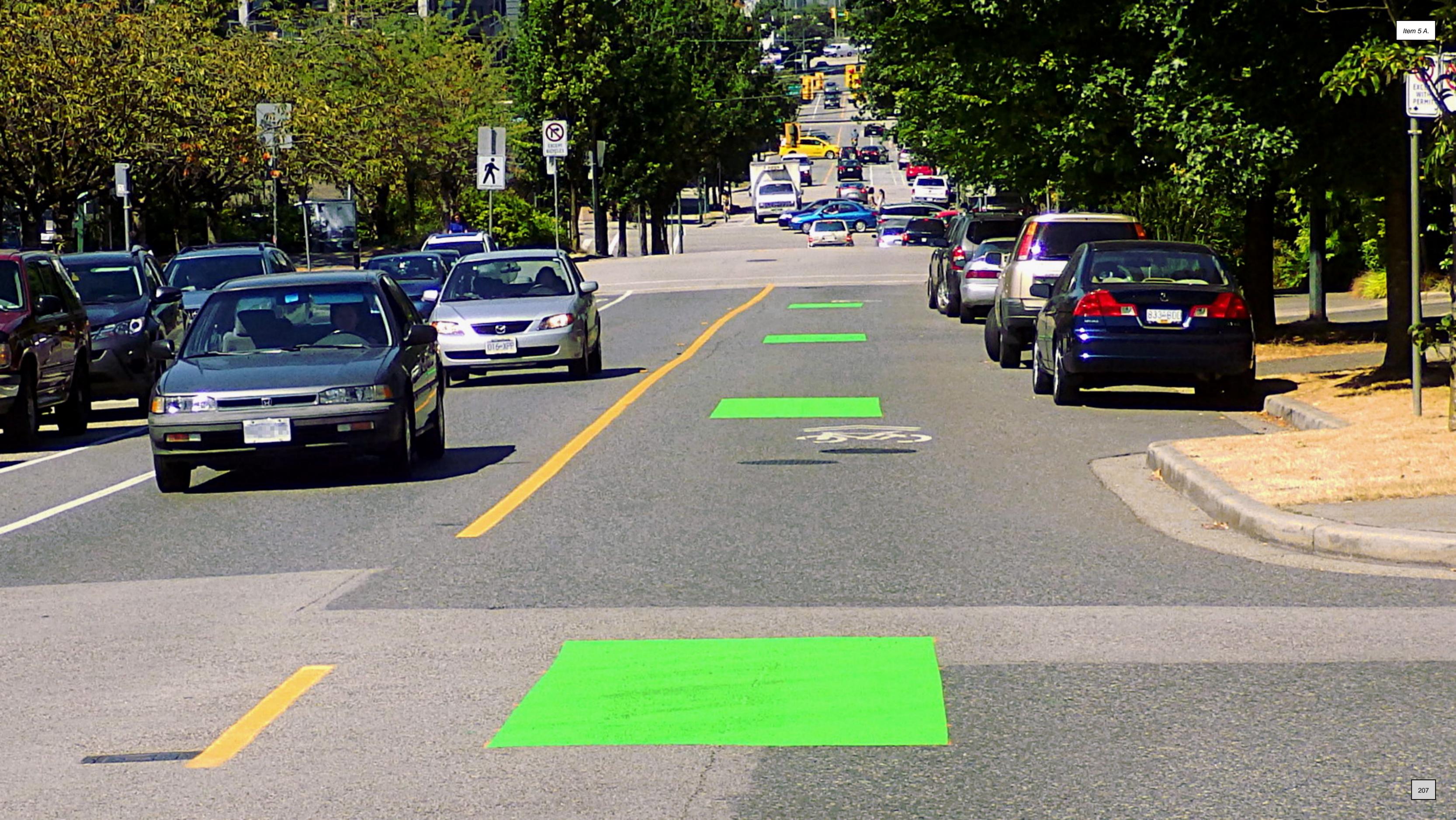
Paul Martin's
AMERICAN GRILL

Paul Martin's
AMERICAN GRILL

Paul Martin's
AMERICAN GRILL









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City of Capitola

Capitola Mall - Retail & Hotel Market Overview

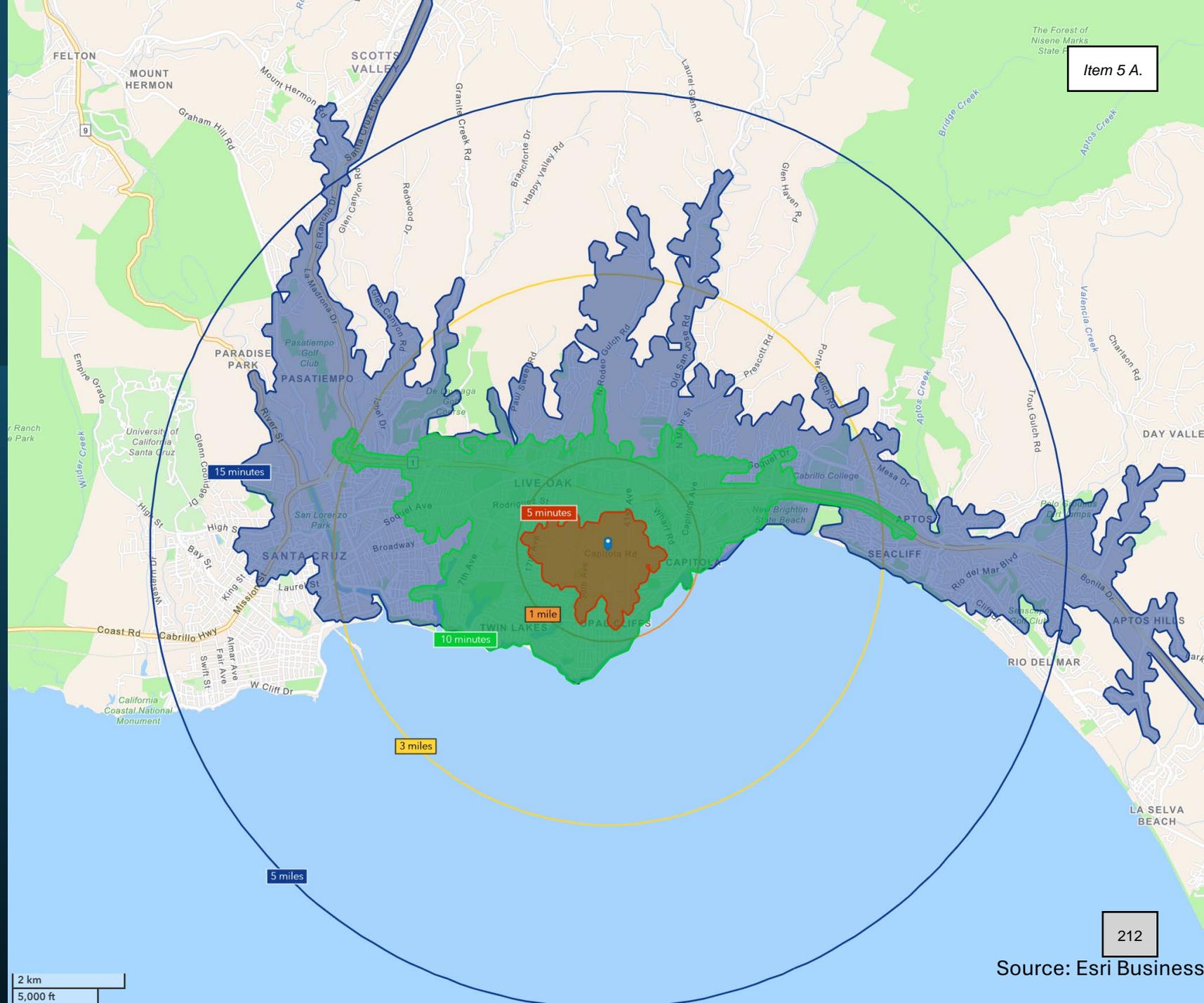


KEYSER MARSTON
ASSOCIATES



January 2026

Study Area – Site Radius and Drive-Time



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Population

Population & Households 2025 - 2030

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	2025	2030	% Change
Capitola			
Population	9,598	9,410	-1.96%
Households	4,574	4,548	-0.52%
5-mile Radius			
Population	120,724	120,273	-0.37%
Households	49,549	48,870	-0.77%
Santa Cruz County			
Population	262,934	260,654	-0.87%
Households	95,037	95,204	0.18%

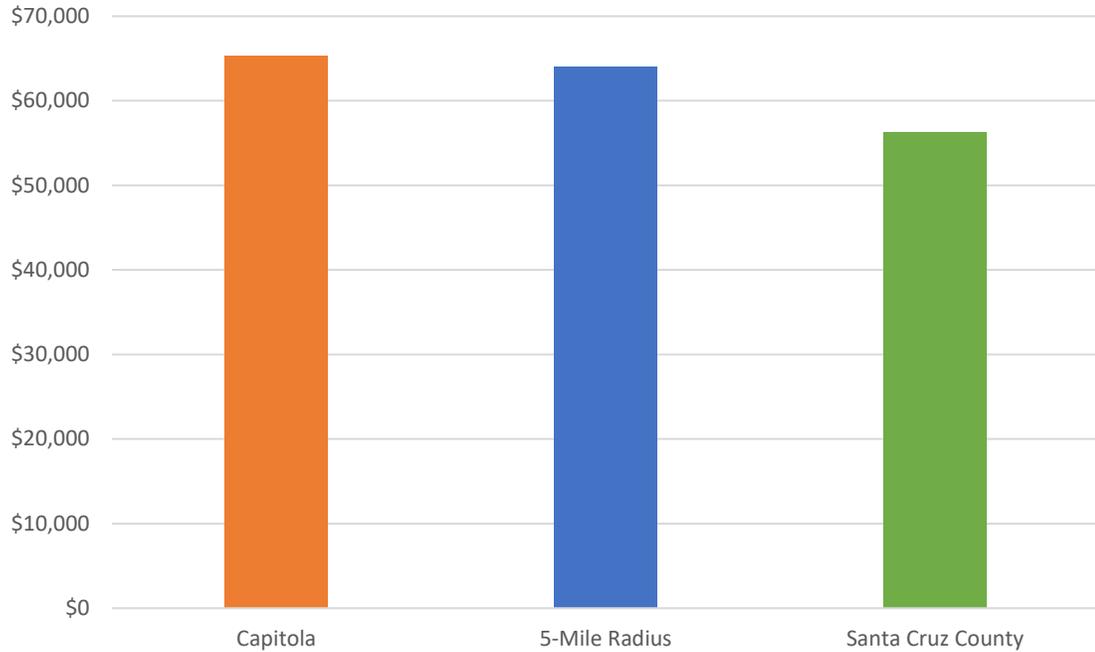
Average Persons per Household

Capitola	2.11
5-mile Radius	2.37
Santa Cruz County	2.62

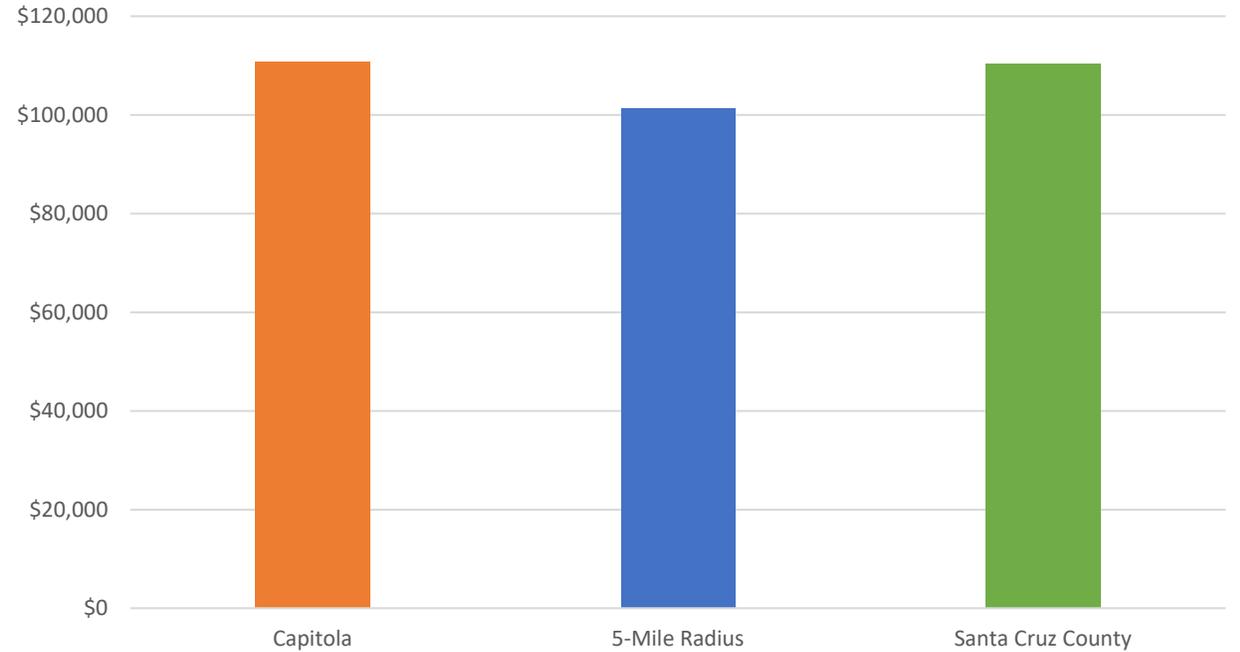


Income

Per Capita Income



Median Household Income

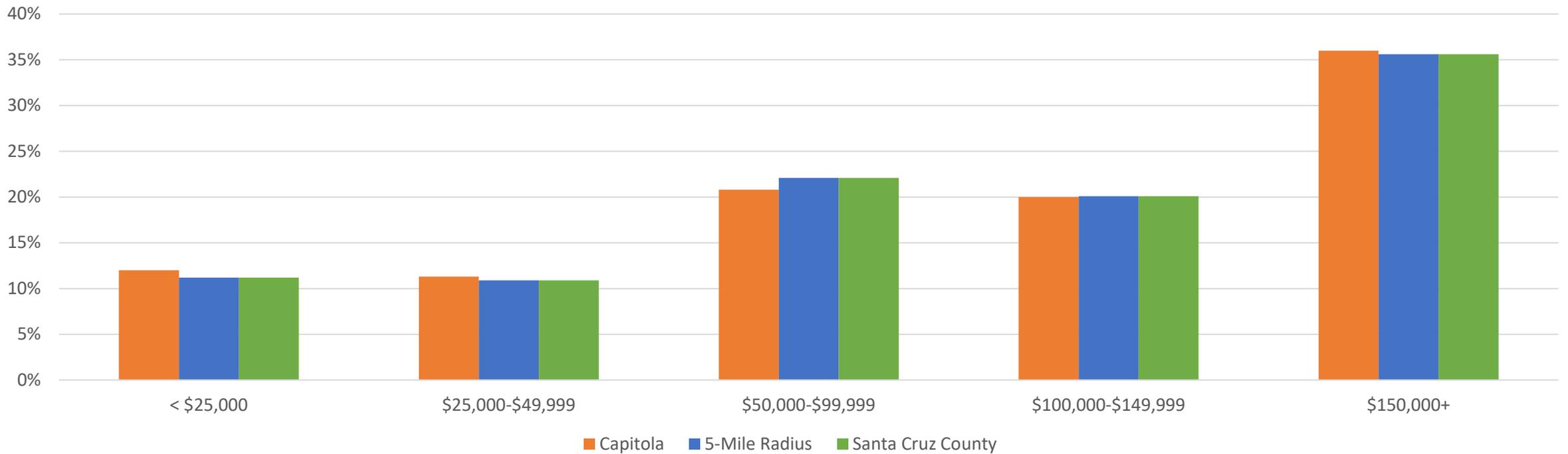


<i>Income (2025)</i>	Per Capita	Median Household
Capitola	\$65,271	\$110,864
5-mile Radius	\$64,064	\$101,409
Santa Cruz County	\$56,250	\$110,320



Income Distribution

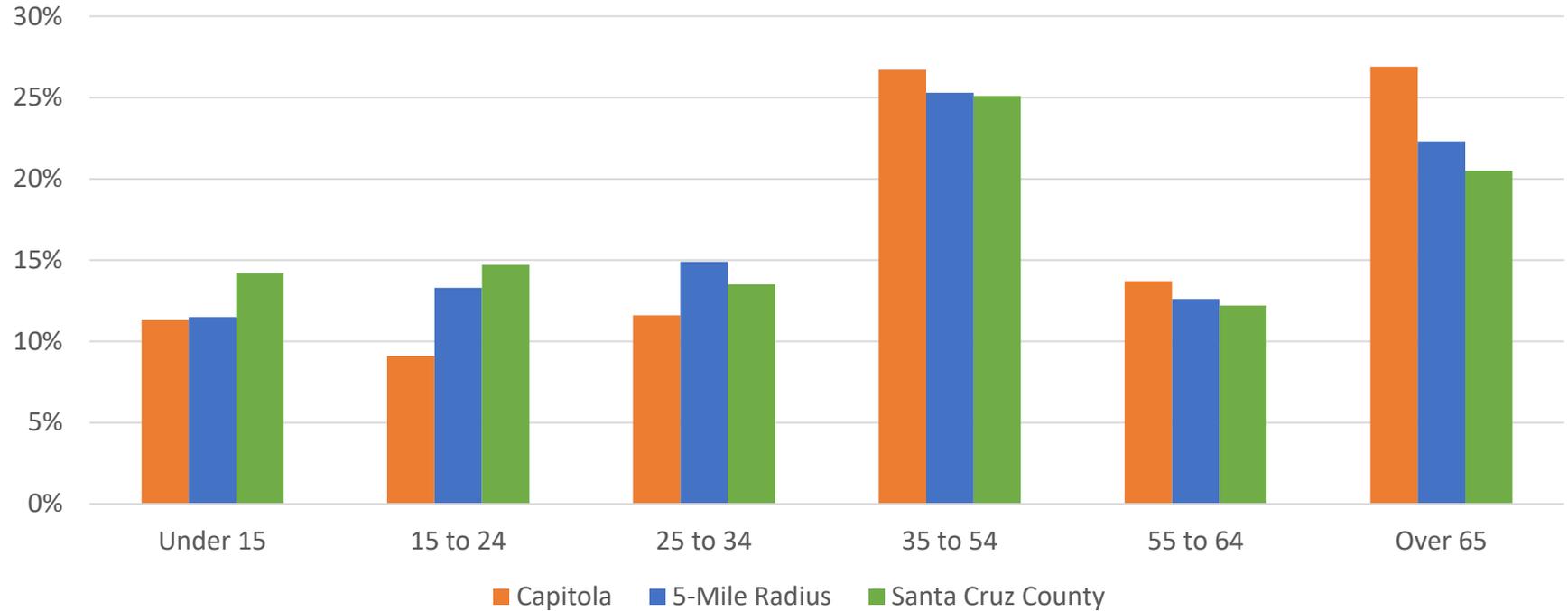
Income Distribution



<i>Household Income Distribution</i>	< \$25k	\$25k-\$49k	\$50k-\$99k	\$100k-\$149k	\$150k+
Capitola	12%	11%	21%	20%	36%
5-mile Radius	10%	12%	27%	25%	26%
Santa Cruz County	11%	11%	22%	20%	36%

Age Distribution

47.6
City
Median Age

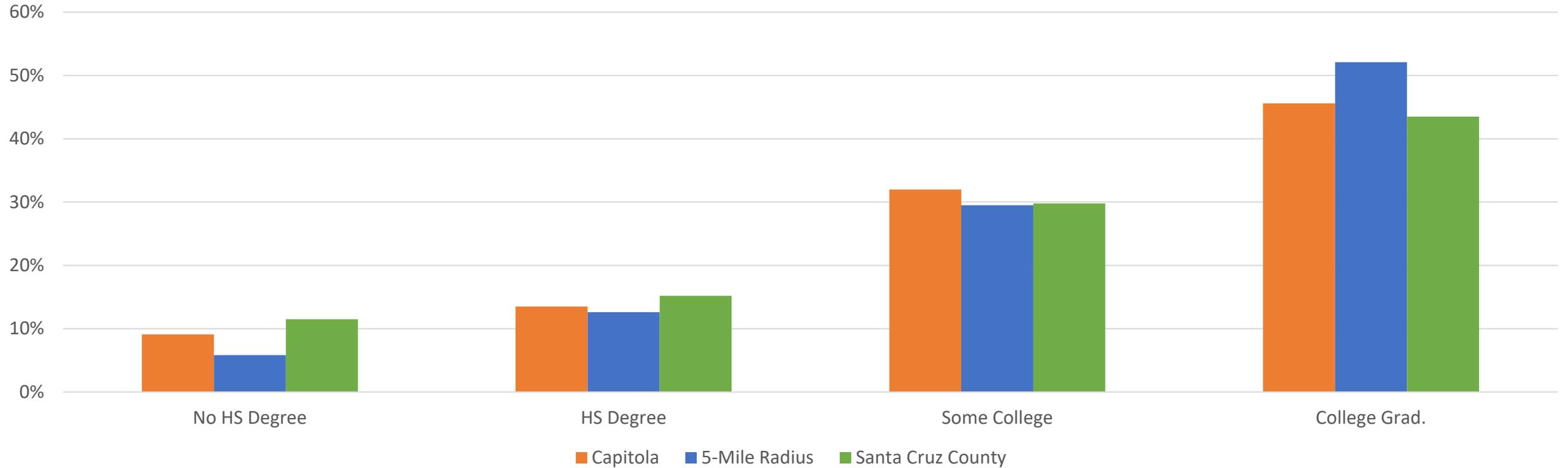


Age Distribution	Under 15	15 to 24	25 to 34	35 to 54	55 to 64	Over 65
Capitola	11%	9%	12%	27%	14%	27%
5-mile Radius	12%	13%	15%	25%	13%	22%
Santa Cruz County	14%	15%	14%	25%	12%	21%



Educational Attainment

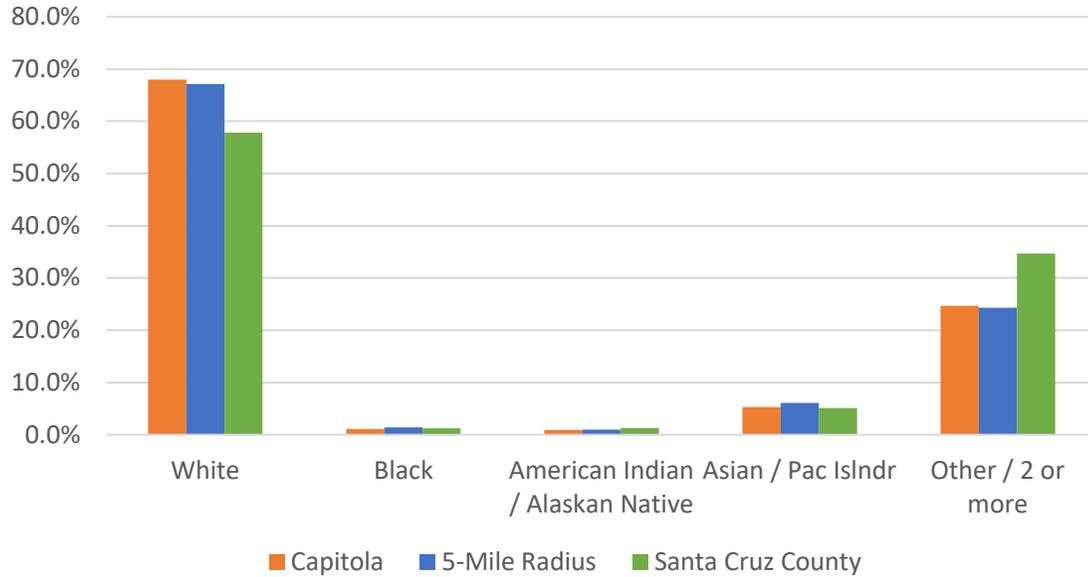
Item 5 A.



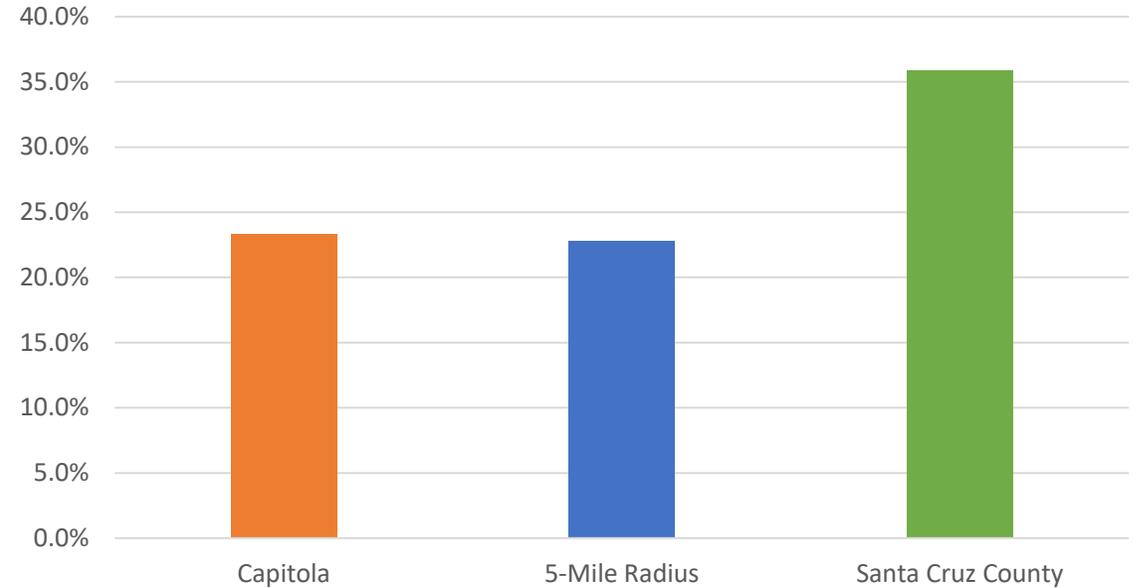
	No HS Degree	HS Degree	Some College	College Grad
Capitola	9%	14%	32%	46%
5-mile Radius	6%	13%	30%	52%
Santa Cruz County	12%	15%	30%	44%

Race & Ethnicity

Race Classification



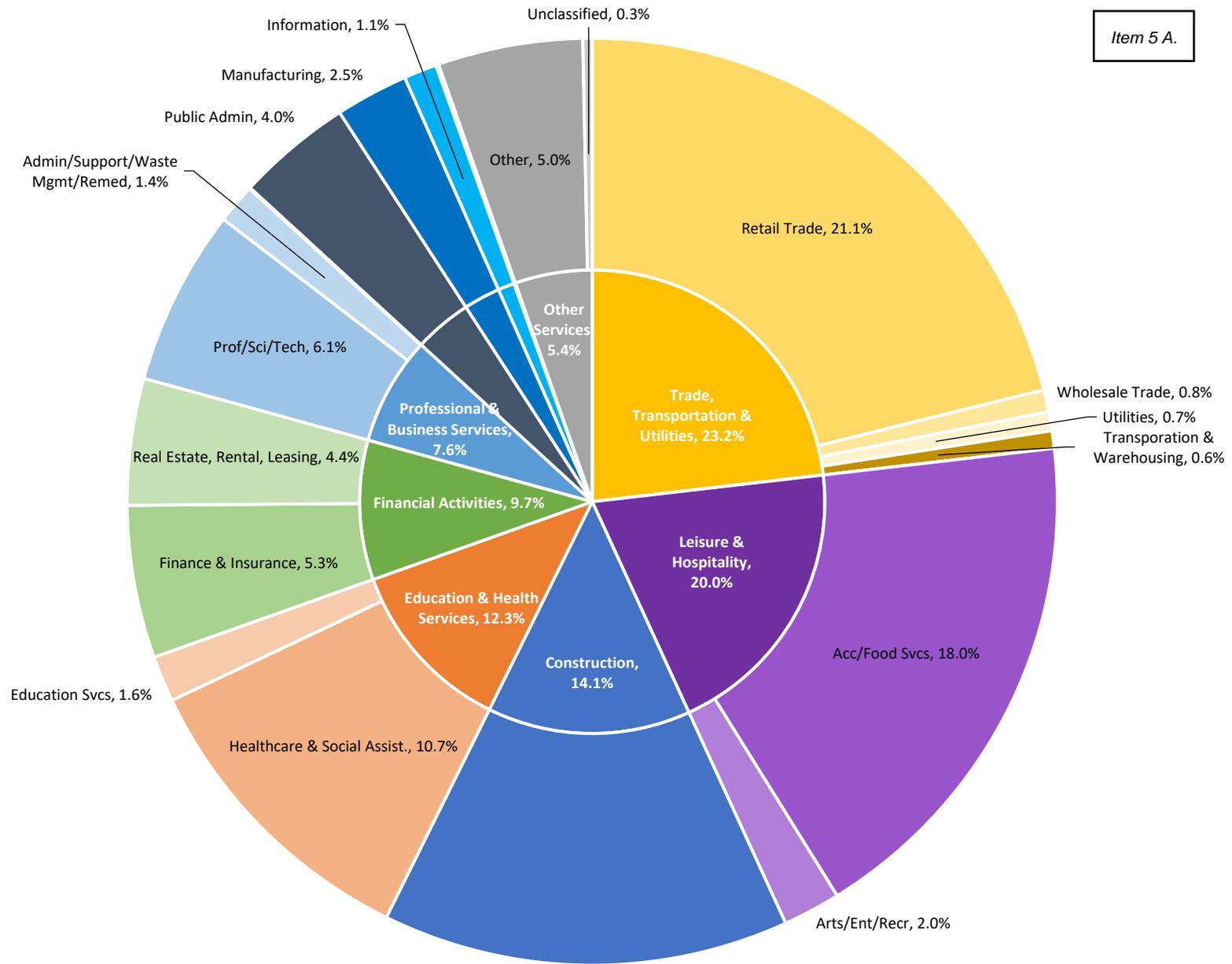
% Hispanic



<i>Race & Ethnicity</i>	White	Black	AIAN	AAPI	Other / 2+	% Hispanic
Capitola	68.0%	1.1%	0.9%	5.3%	24.7%	23.3%
5-mile Radius	67.1%	1.4%	1.0%	6.1%	24.3%	22.8%
Santa Cruz County	57.8%	1.2%	1.3%	5.1%	34.7%	35.9%

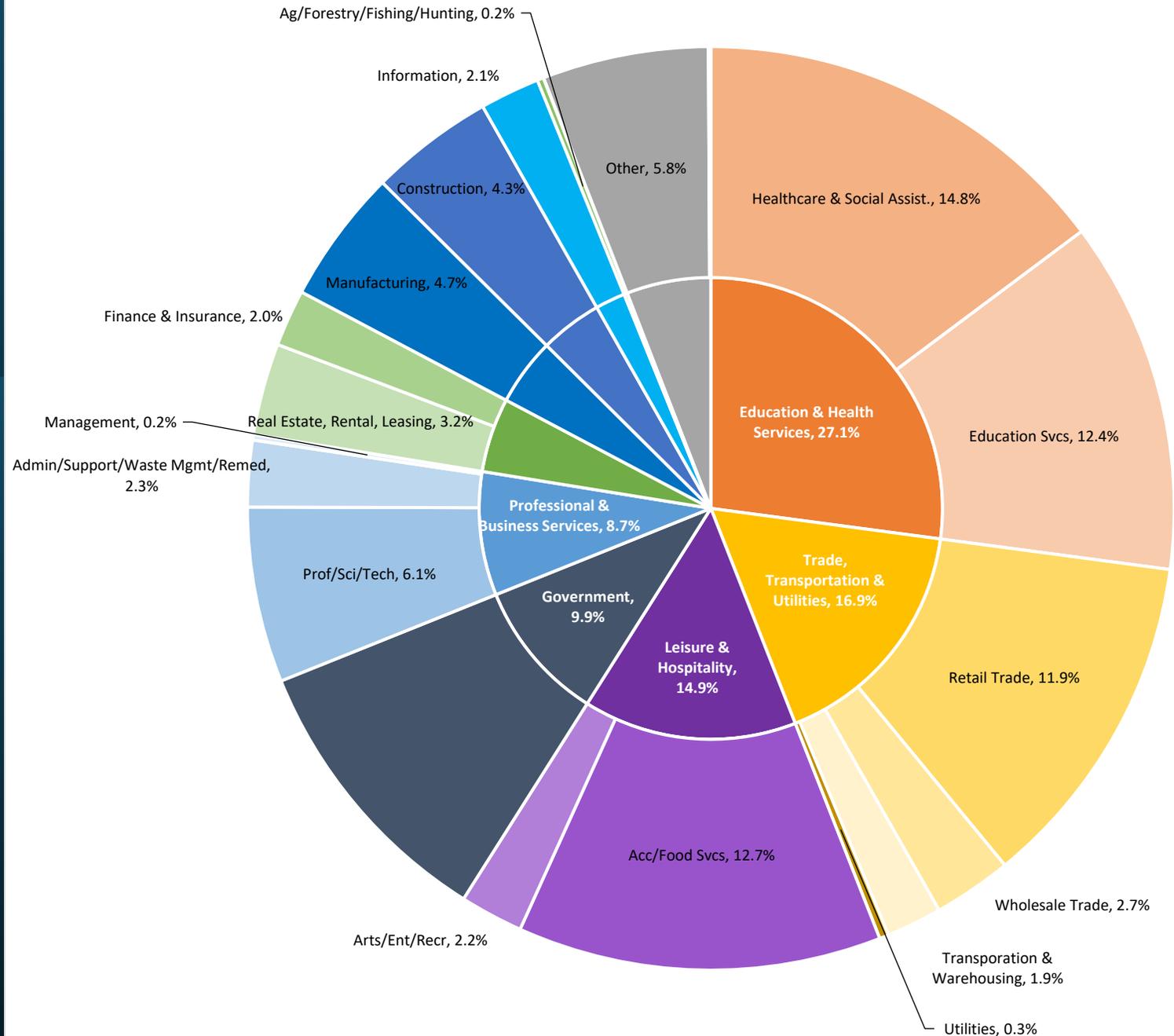


Employment - City

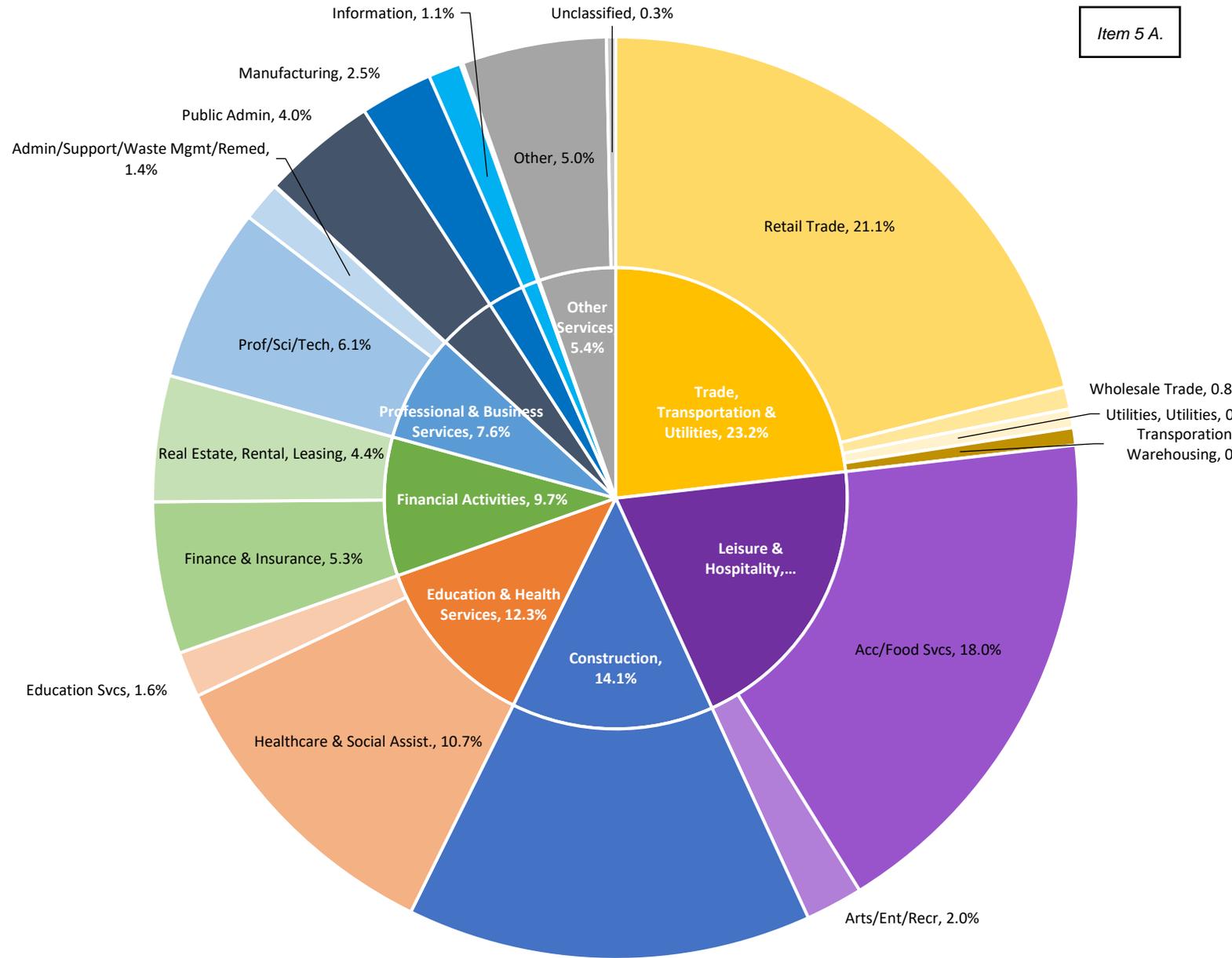


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Employment - 5-Mile Market Area

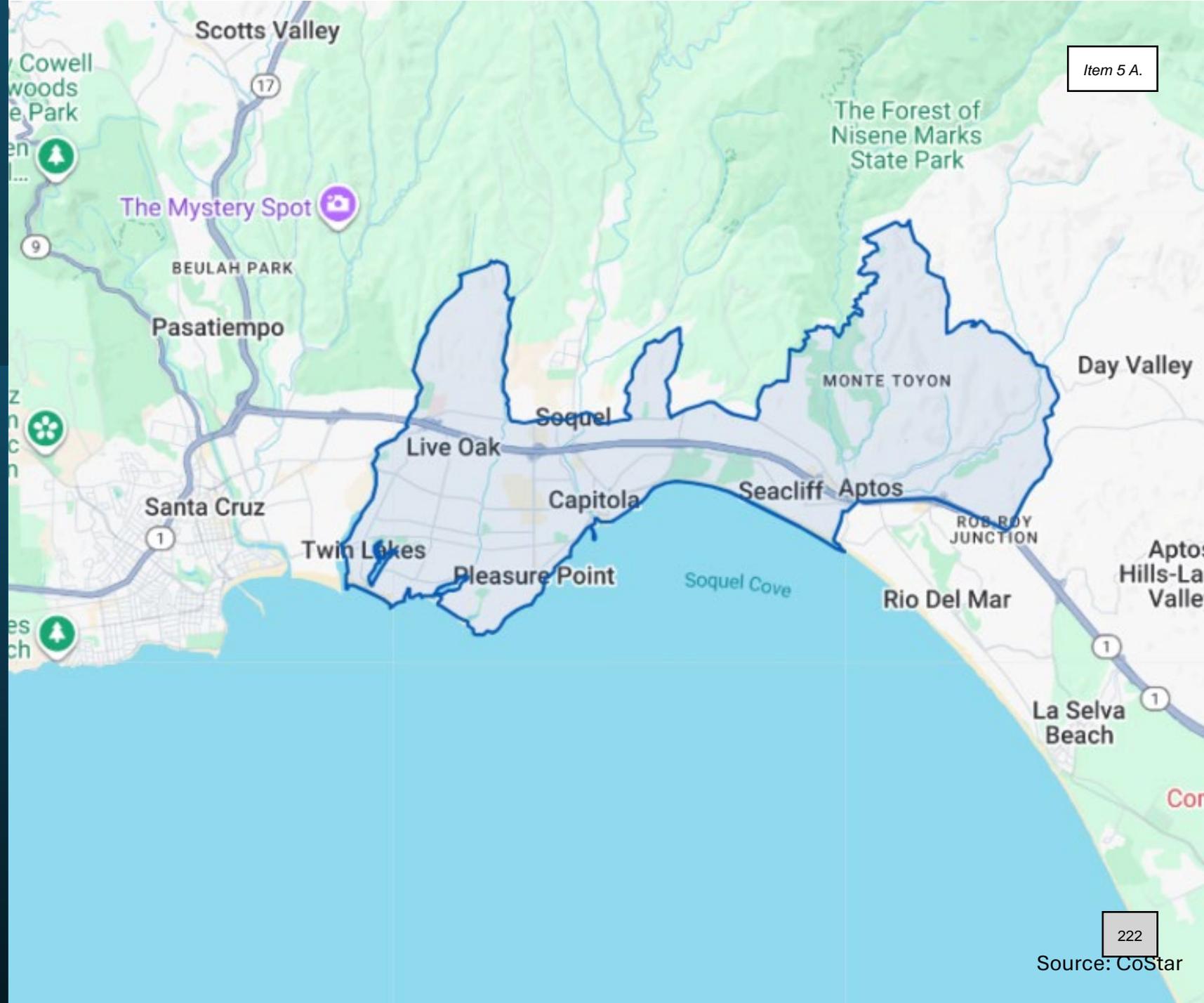


Employment – County



Item 5 A.

Study Area – CoStar Mid-County Retail Submarket



Retail Market - Submarket

Item 5 A.

Mid-County Submarket

<i>Product Type</i>	Total Inventory (sf)	SF Vacant	Vacancy Rate	Net Absorption (sf)	SF Under Construction	Market Rent/mo
Malls	679,068	143,962	21.2%	6,643	-	\$2.35
Power Centers	-	-	-	-	-	-
Neighborhood Centers	697,918	35,594	5.1%	9,757	-	\$2.52
Strip Centers	300,339	4,205	1.4%	(222)	-	\$2.56
General Retail	1,857,854	22,294	1.2%	(7,015)	-	\$2.74
Other	-	-	-	-	-	-
Total	3,535,179	206,055	5.8%	9,163	-	\$2.61



Retail Market - County

Item 5 A.

Santa Cruz County

<i>Product Type</i>	Total Inventory (sf)	SF Vacant	Vacancy Rate	Net Absorption (sf)	SF Under Construction	Market Rent/mo
Malls	679,068	143,962	21.2%	6,643	-	\$2.35
Power Centers	-	-	-	-	-	-
Neighborhood Centers	2,863,945	137,469	4.8%	45,604	4,770	\$2.31
Strip Centers	876,043	24,529	2.8%	(222)	-	\$2.32
General Retail	7,363,229	125,175	1.7%	1,021	-	\$2.22
Other	72,760	11,496	15.8%	-	-	\$2.38
Total	11,855,045	442,632	3.7%	53,046	4,770	\$2.26



Retail Market Inventory

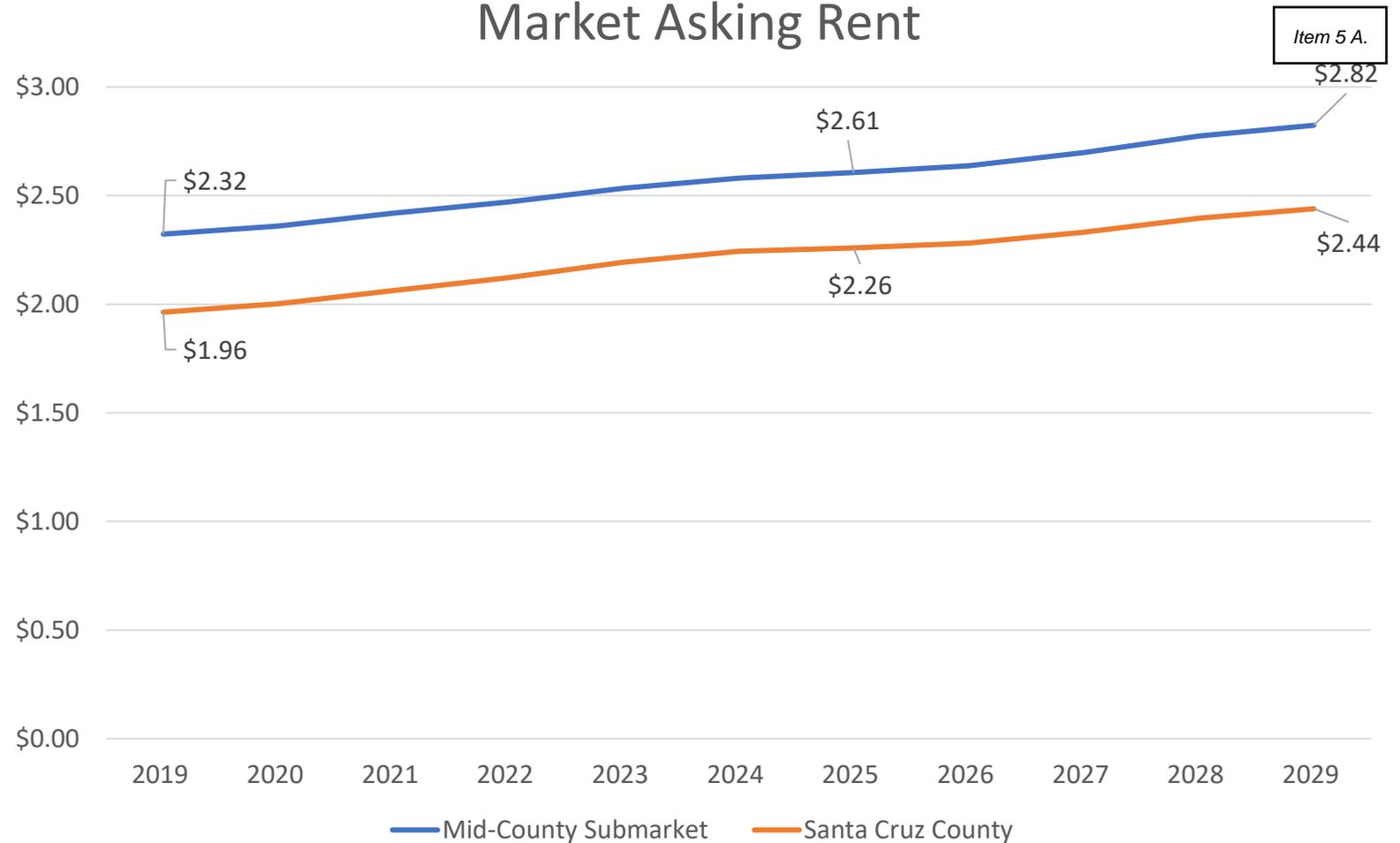
Market Inventory (sf) 2025 YTD

	Capitola	Mid-County	Santa Cruz County
Total Retail SF	1,661,979	3,555,677	11,883,610
Net SF Leased	29,248	50,600	128,514
Net SF Built	-	14,060	29,532
SF Under Construction	-	-	-



Rent Trends

Market Asking Rent



Item 5 A.

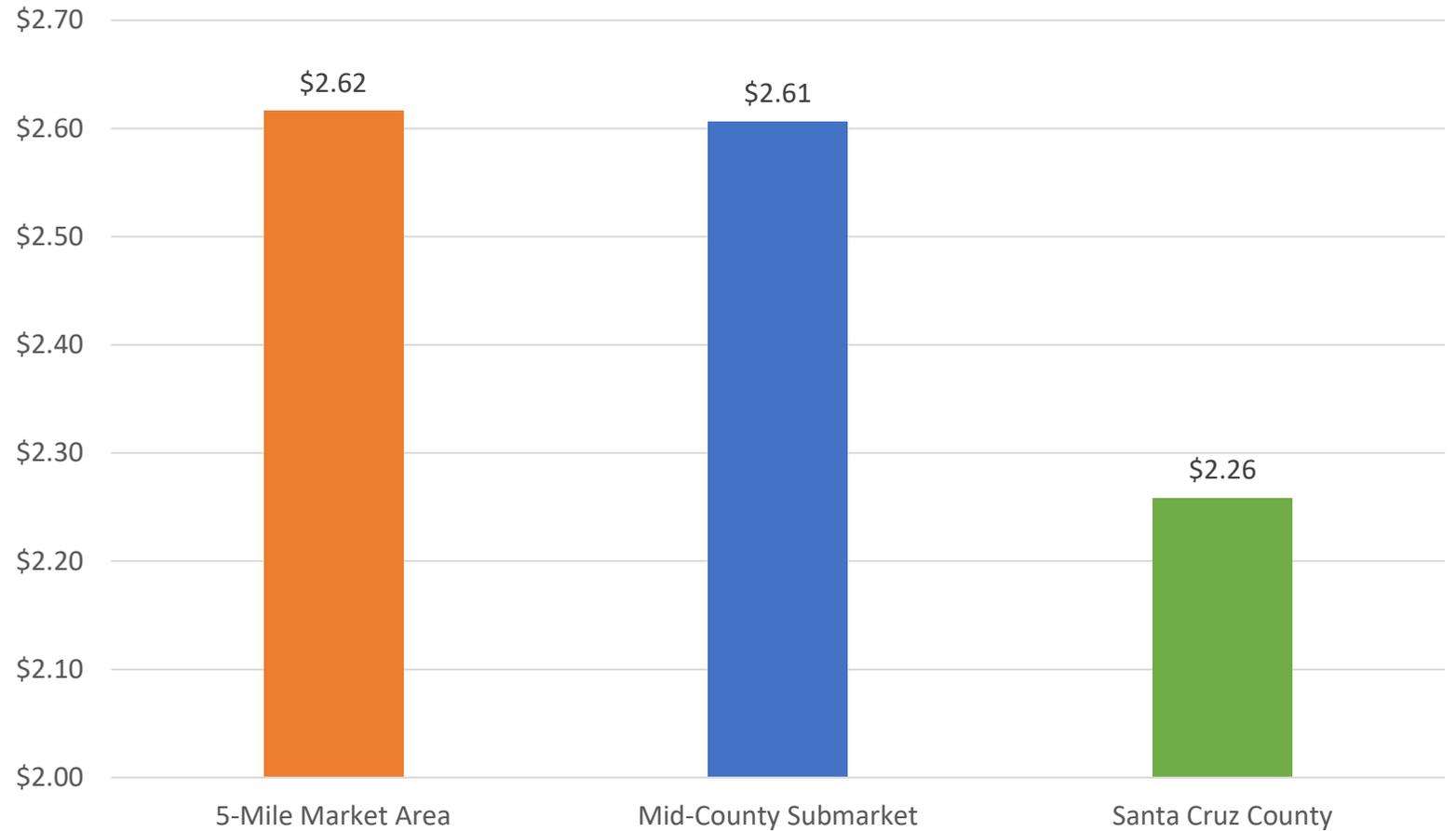
Market Asking Rent /sf per Month			
	2019	2025	2029
Mid-County Submarket	\$2.32	\$2.61	\$2.82
Santa Cruz County	\$1.96	\$2.26	\$2.44

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Retail Rent Survey

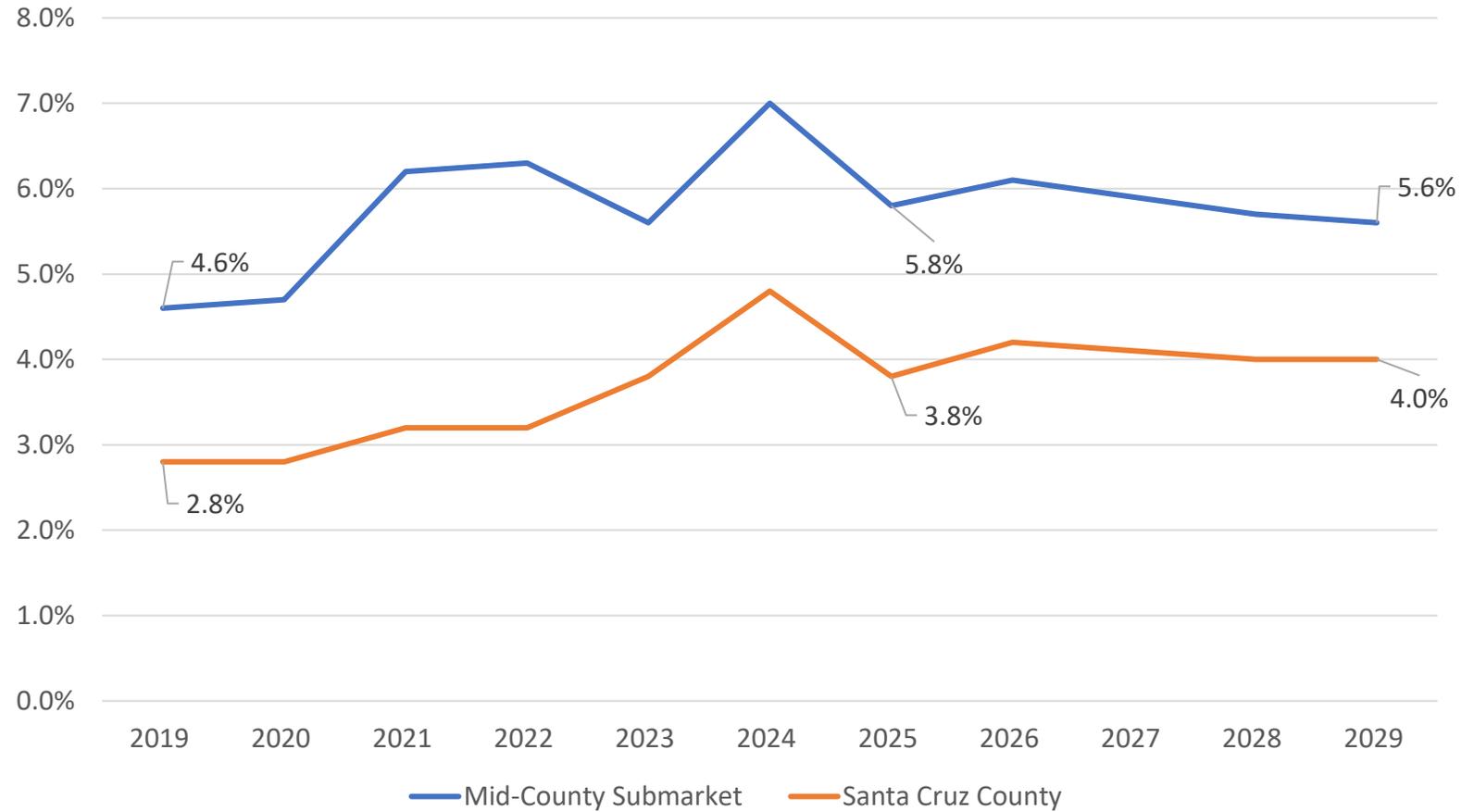
Retail Lease Rates



Retail Vacancy Trends

Retail Vacancy Rate

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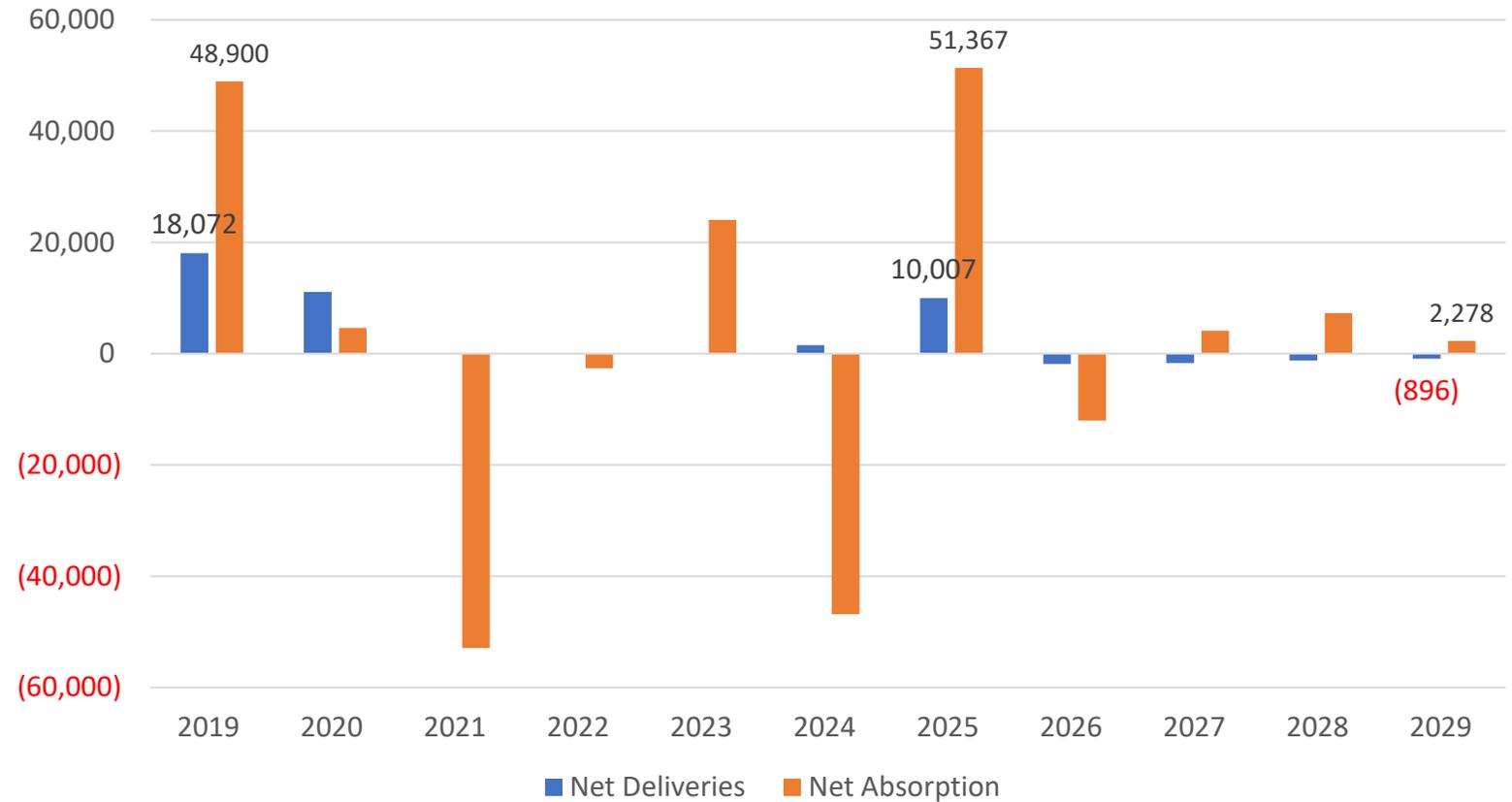
Retail Vacancy Rate			
	2019	2025	2029
Mid-County Submarket	4.6%	5.8%	5.6%
Santa Cruz County	2.8%	3.8%	4.0%

Retail Delivery & Absorption:

Mid-County Submarket

Net SF Delivered & Absorbed

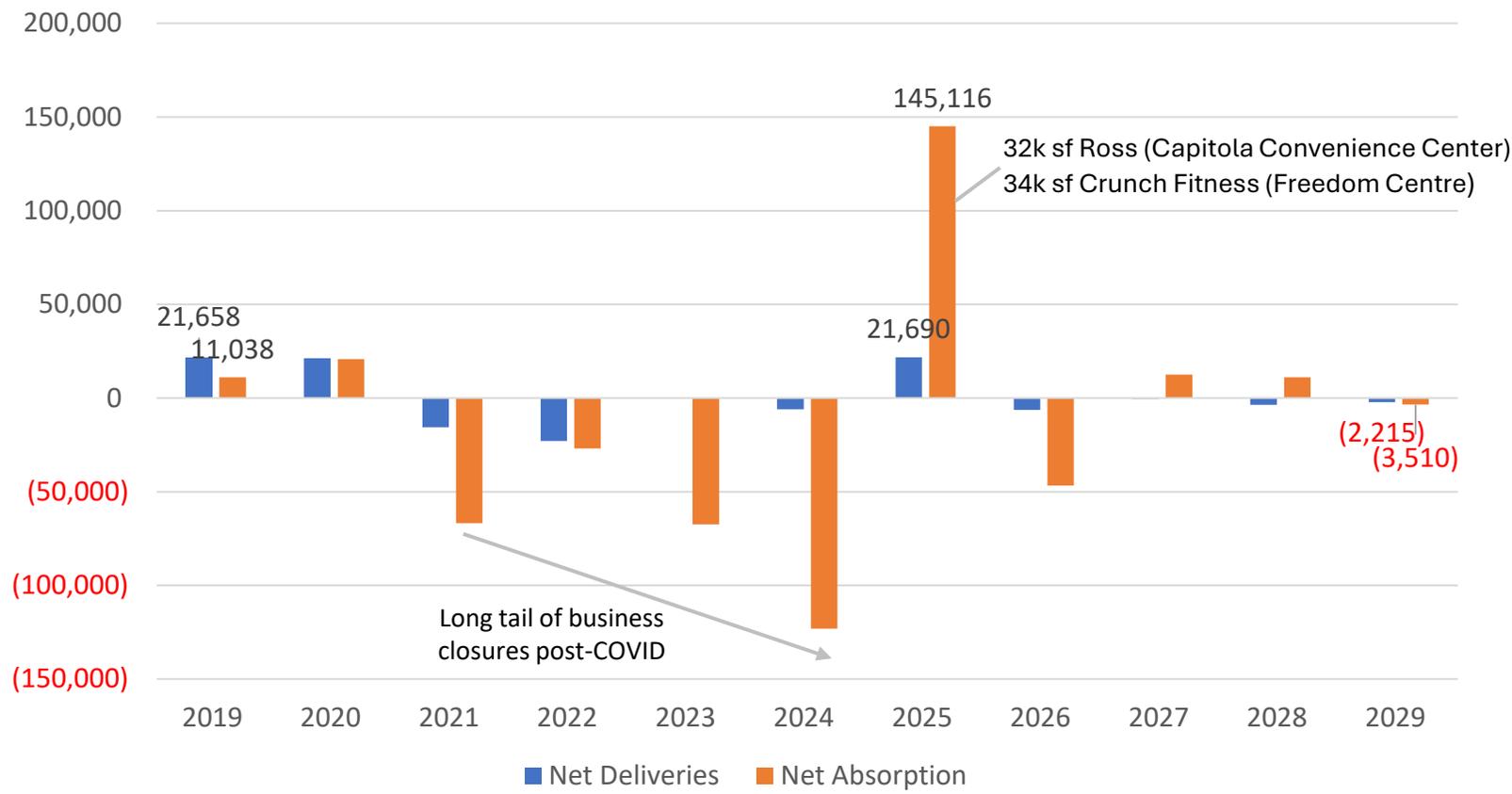
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Net Retail Delivery & Absorption		
	Net Deliveries (SF Built)	Net Absorption (SF Leased)
2019	18,072	48,900
2025	10,007	51,367
2029	(896)	2,278

Net SF Delivered & Absorbed

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Retail
Delivery &
Absorption:

Santa Cruz
County

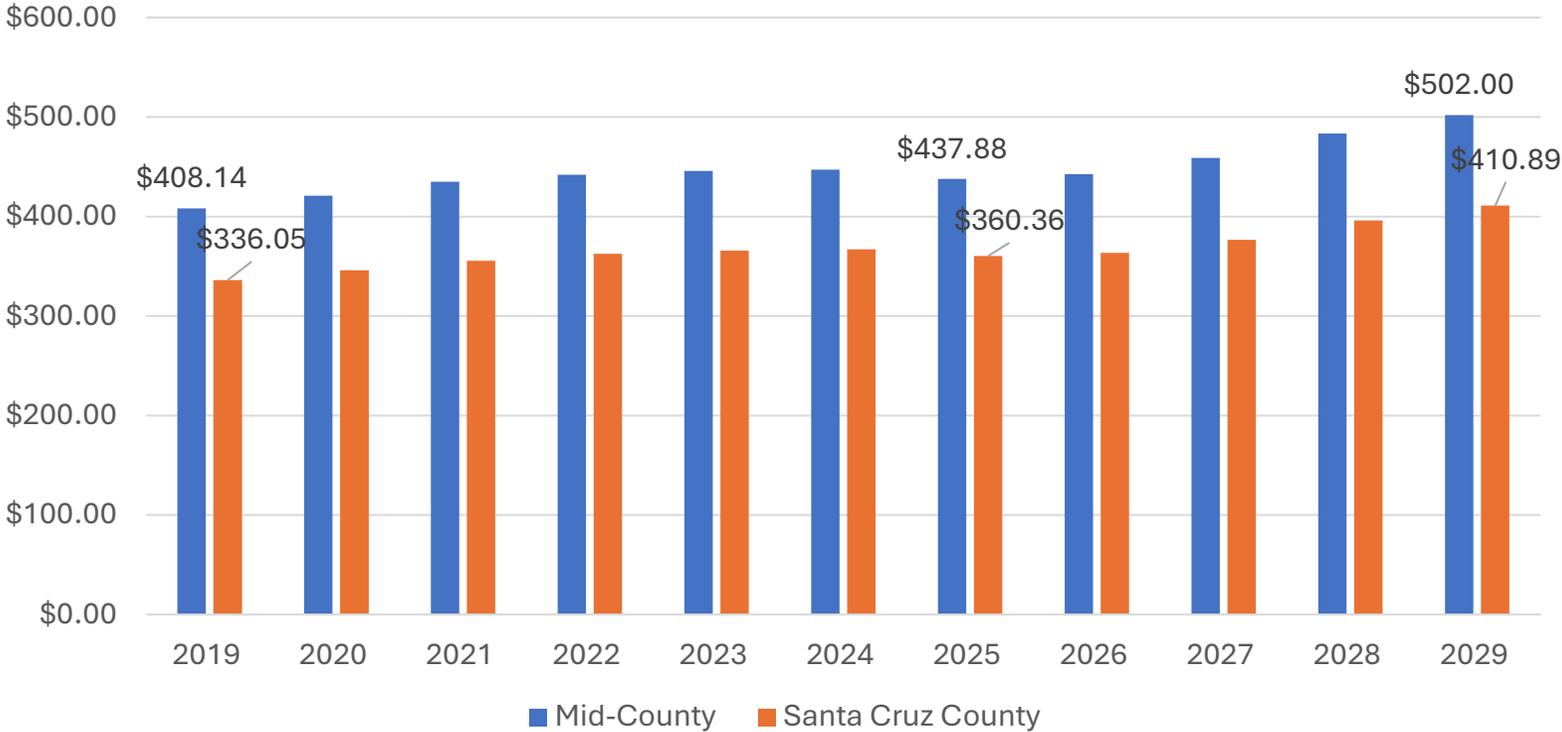
Net Retail Delivery & Absorption

	Net Deliveries (SF Built)	Net Absorption (SF Leased)
2019	21,658	11,038
2025	21,690	145,116
2029	(2,215)	(3,510)



Retail Property Sales Price /sf

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Retail Property Sales

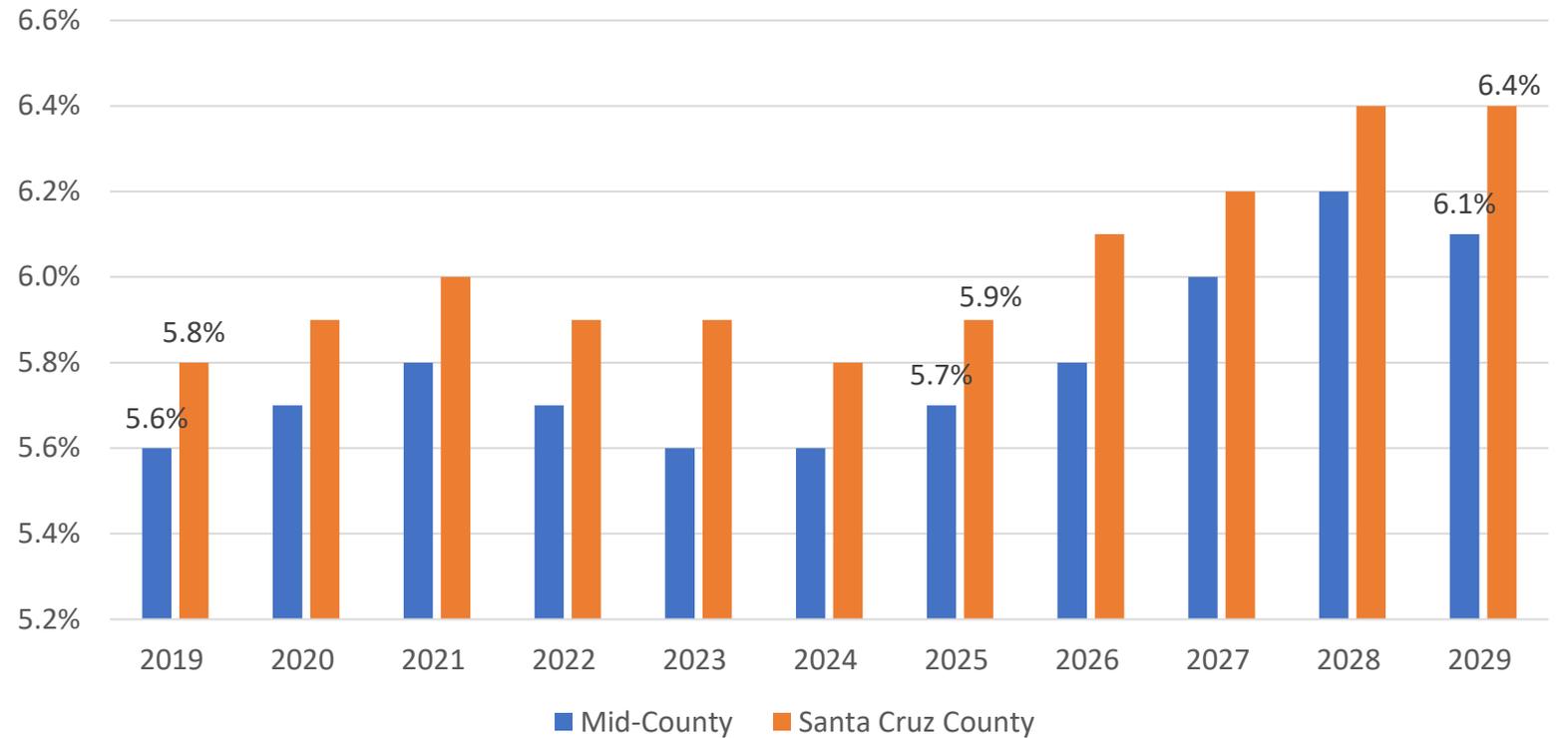
Market Pricing Trends – Retail Property Sales Price (/sf)

	Mid-County Submarket	Santa Cruz County
2019	\$408.14	\$336.05
2025	\$437.88	\$360.36
2029	\$502.00	\$410.89

Retail Property Sales

Capitalization Rate

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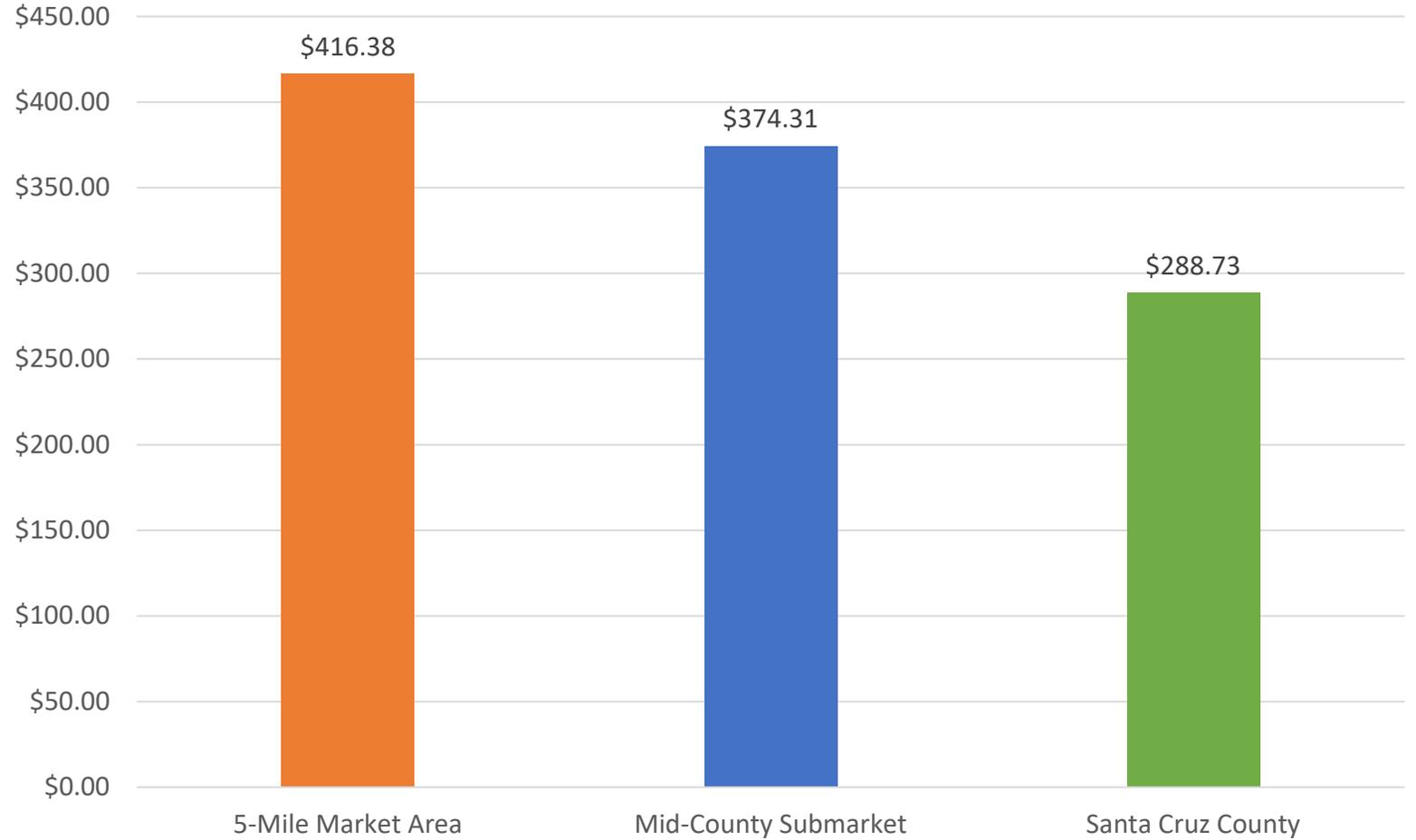
Market Pricing Trends Capitalization Rate

	Mid-County Submarket	Santa Cruz County
2019	5.6%	5.8%
2025	5.7%	5.9%
2029	6.1%	6.4%

Capitalization Rate is the anticipated annual return on investment on an investment property.

Retail Property Sales Survey

Average Retail Property Sales Price /sf



Retail Surplus/ Leakage

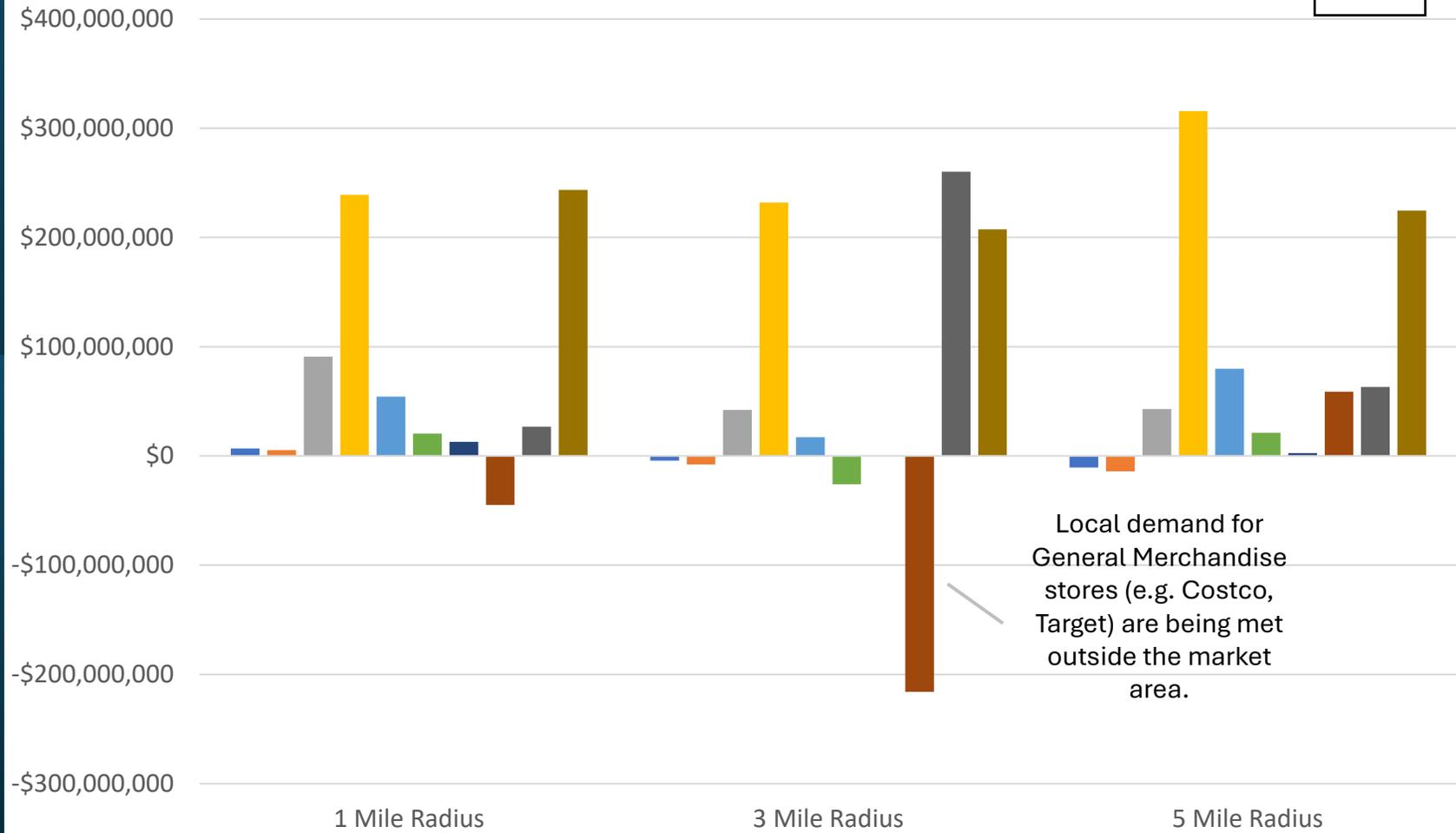
- **Retail Surplus:** Retail sales in an area greater than the anticipated spending by area residents. **Customers are traveling into the area to purchase this good/service.**
- **Retail Leakage:** Retail sales in an area below than the anticipated spending by area residents. **Customers demand is not being met by existing establishments. Demand exists in the area for businesses providing this good/service.**



Retail Surplus/ Leakage

Retail Sales Surplus (+) / Leakage (-)

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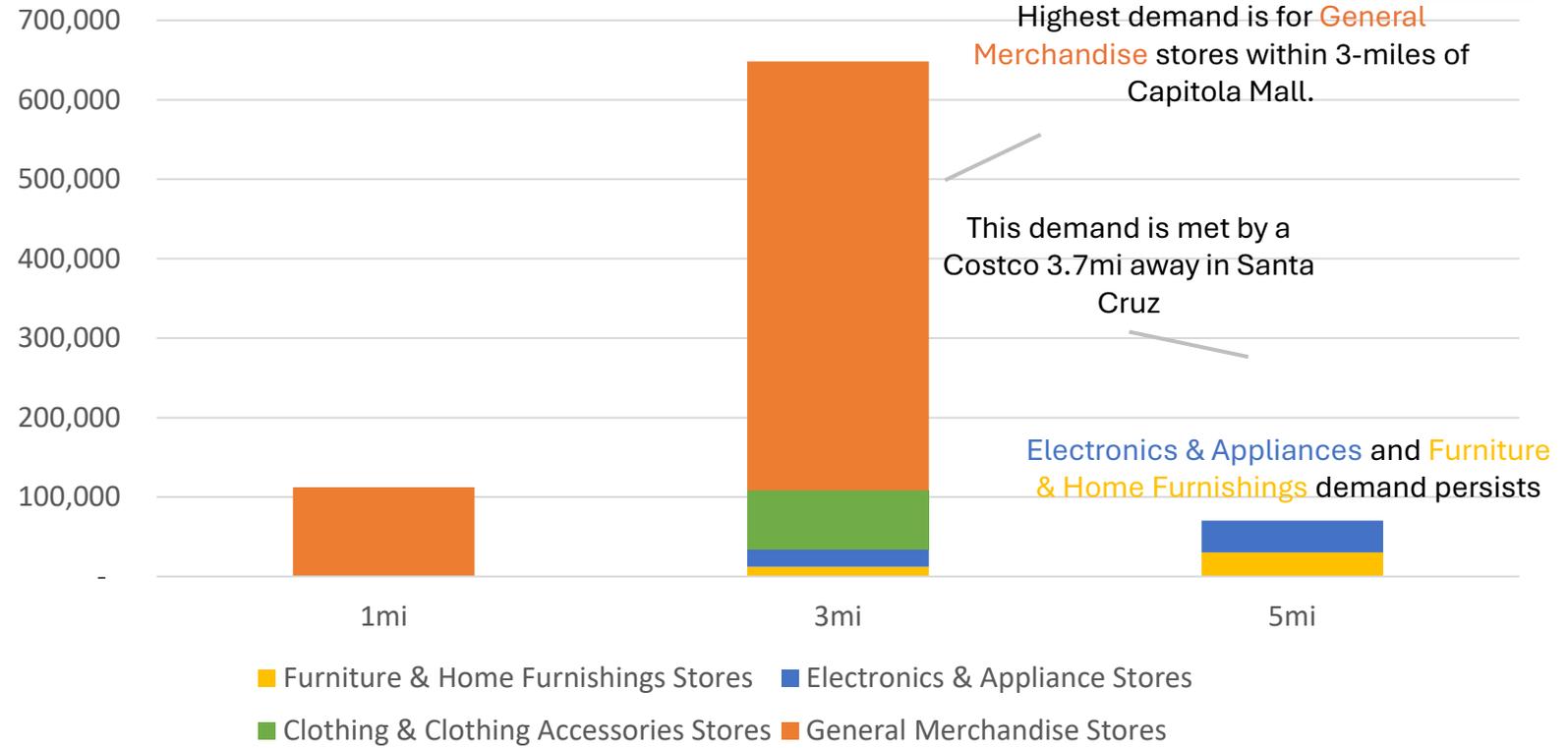


- Furniture & Home Furnishings Stores
- Electronics & Appliance Stores
- Bldg Materials, Garden Equip. & Supply Stores
- Food & Beverage Stores
- Health & Personal Care Stores
- Clothing & Clothing Accessories Stores
- Sporting Goods, Hobby, Book & Music Stores
- General Merchandise Stores
- Miscellaneous Store Retailers
- Food Services & Drinking Places

Retail Leakage – Space Demand

Retail Space Demand (sf)

Item 5 A.



Retail Space Demand (sf)

	1mi Radius	3mi Radius	5mi Radius
Furniture & Home Furnishing	-	12,264	30,229
Electronics & Appliances	-	22,179	39,995
Clothing & Accessories	-	73,862	-
General Merchandise	112,468	539,762	-



Broker Perspectives – Market Overview

Item 5 A.

- KMA reached out to over 20 brokers active in the local market area to gain insights into current and future commercial opportunities at the Mall.
- Retail demand is modest Countywide– vacancies are low, but so are rents
- Santa Cruz County is perceived to be a seasonal market, with greater summer sales.
- The Mall is well-situated for redevelopment. 41st Ave is a regional retail destination that draws visitors from across the County.
- Local brokers are skeptical of retail demand at the site.
- Brokers recommended mixed-use development with high residential density and some food service tailored to the site plan



Broker Perspectives – Retail Product

- Market demand greatest for small space
- Unfortunately, small space is financially more challenging to develop
- Limited interest from national and regional tenants for large space.



Broker Perspectives – Tenant Types

- Food service is a highly desirable retail use for the site.
- Development types demonstrating potential include:
 - Small cafes with outdoor seating
 - Indoor/outdoor food hall with live entertainment programming,
 - Quick-serve restaurant.



Broker Perspectives - Challenges

- Mall area and County as a whole have low daytime populations, which can prove challenging.
- Smaller local tenants may not have strong credit.
- Limited national/credit/larger scale retail demand.



Broker Perspectives – Development Patterns

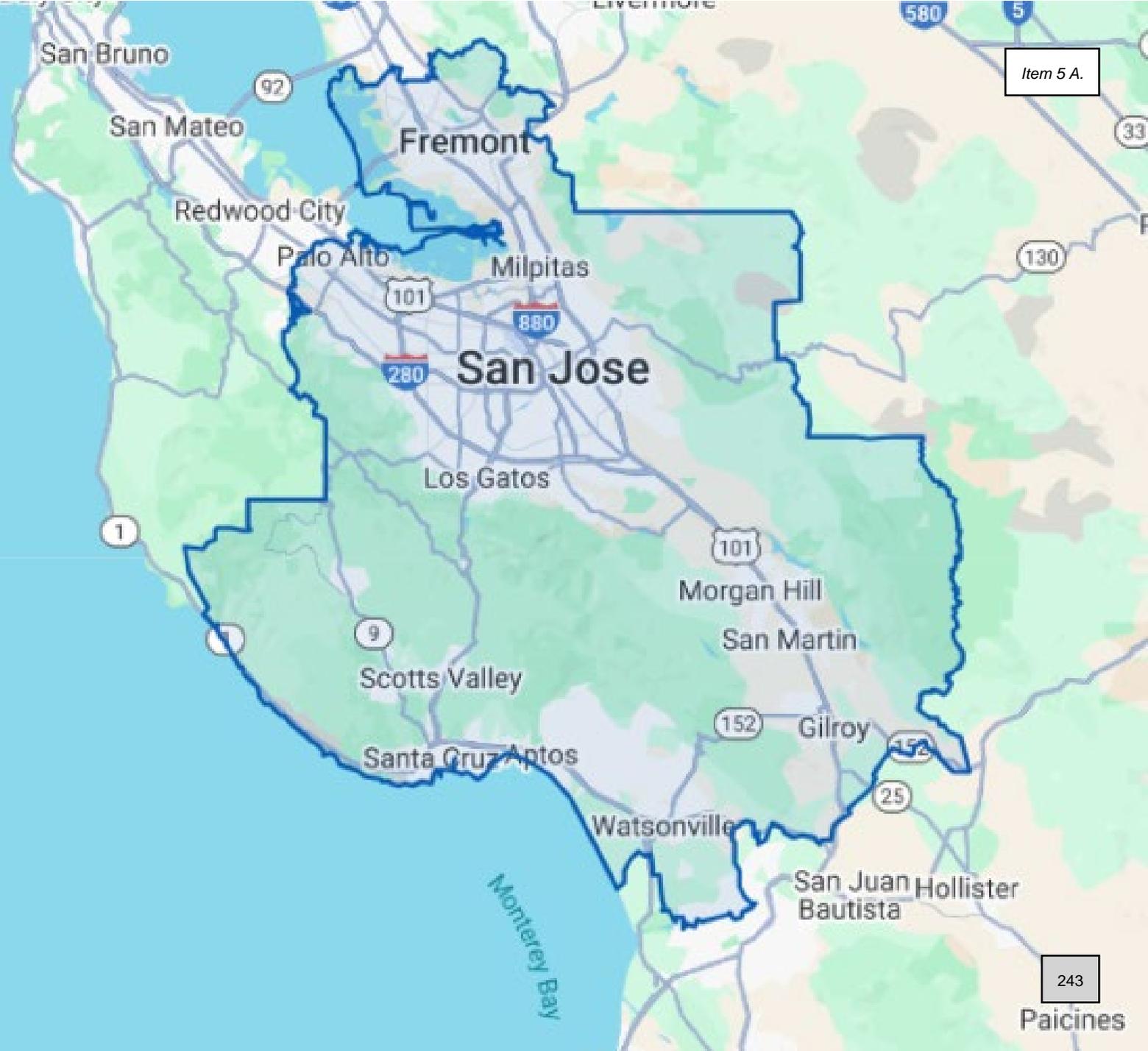
- Hotel – Existing demand. Development would support retail. Likely mid/select service property type.
- Residential – The large number of proposed residential units will support retail at the site and across the region.
- Mixed-Use - Highest and best use for the site, with many brokers citing Santana Row as an example the site could replicate.



Study Area – CoStar Santa Cruz / Scotts Valley Hospitality Submarket



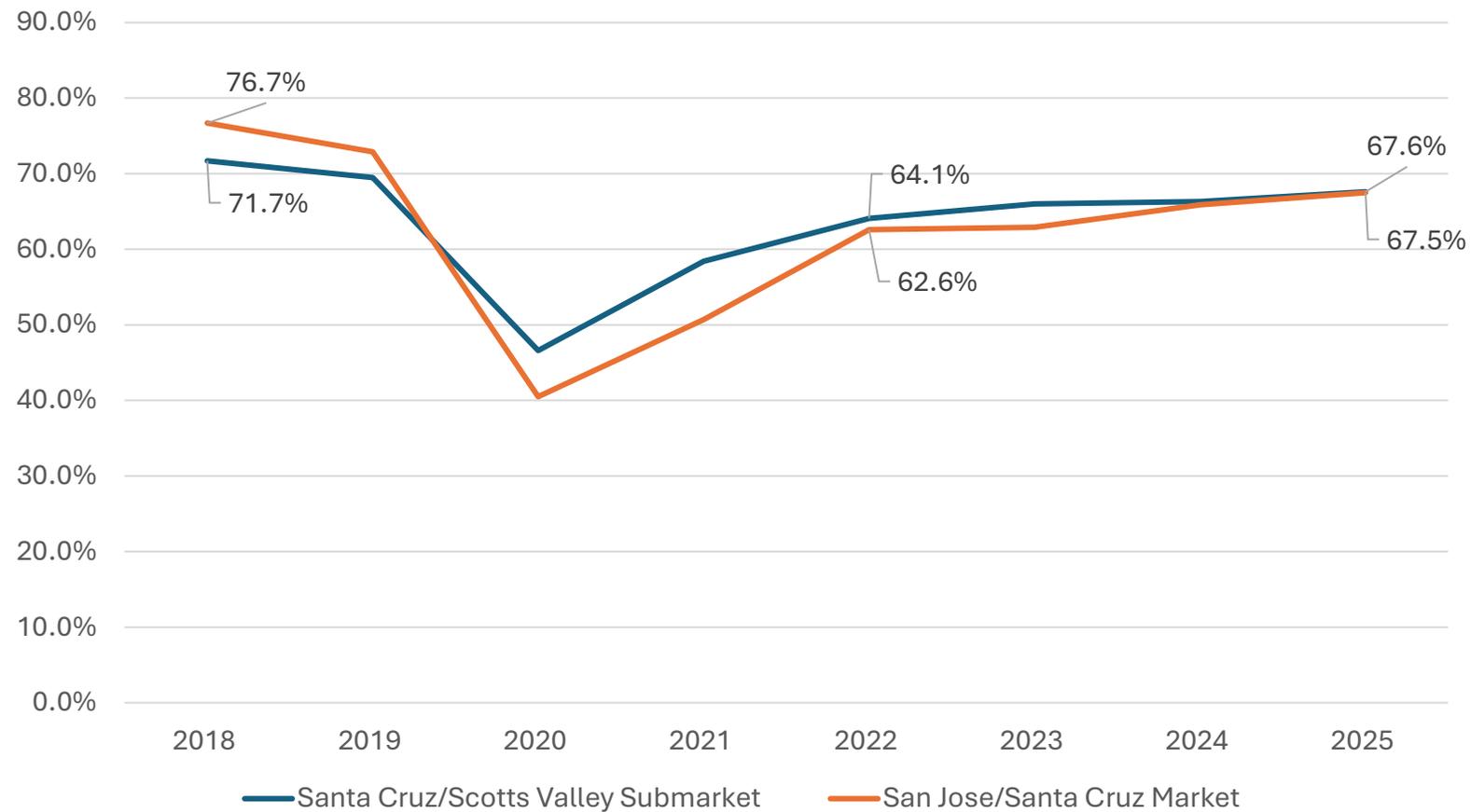
Study Area – CoStar San Jose / Santa Cruz Hospitality Market



Hotel Performance – Occupancy

Occupancy

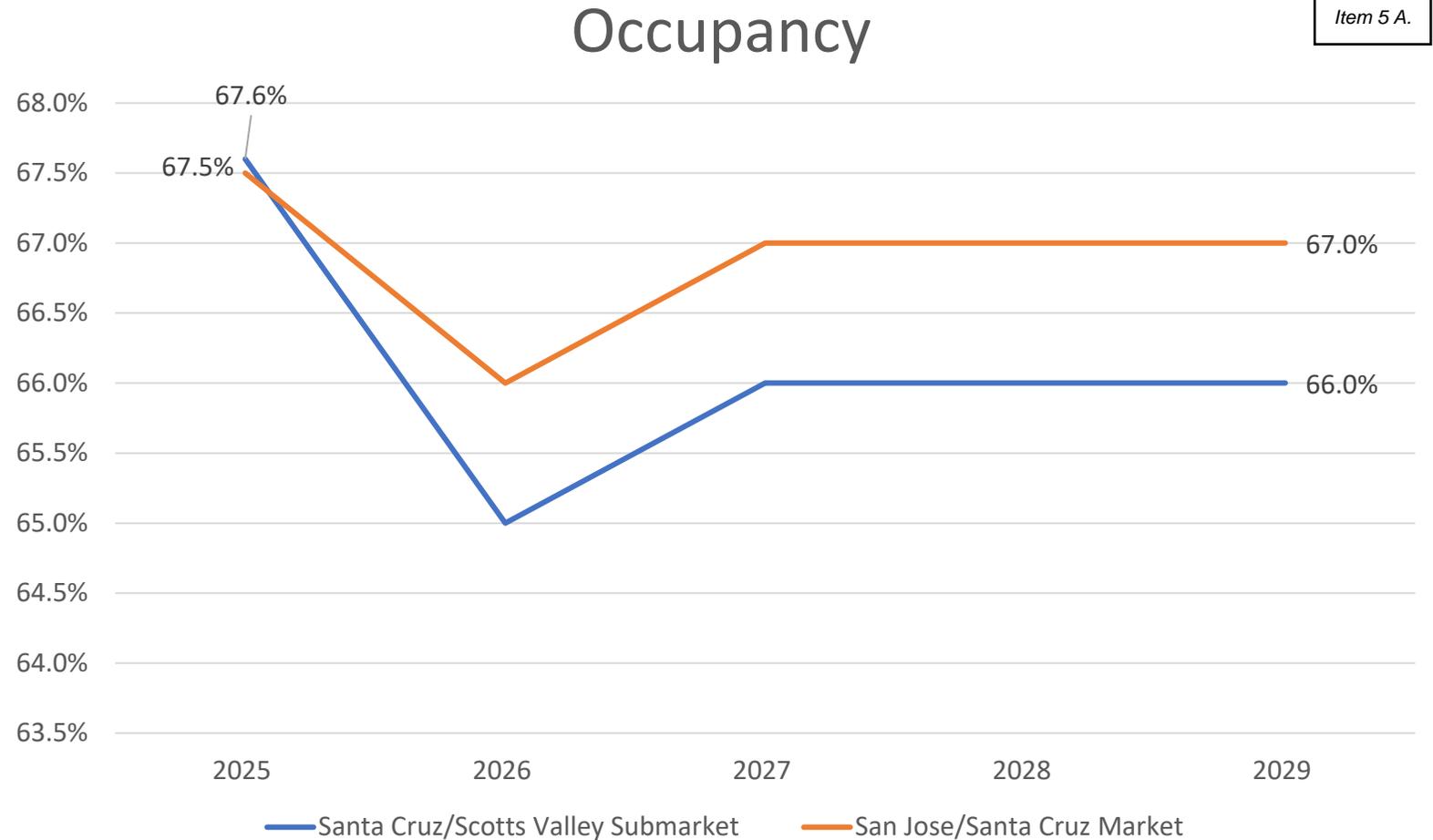
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Occupancy			
	2018	2022	2025
Santa Cruz/Scotts Valley Submarket	71.7%	64.1%	67.6%
San Jose/Santa Cruz Market	76.7%	62.6%	67.5%

Hotel Performance – Occupancy Projection

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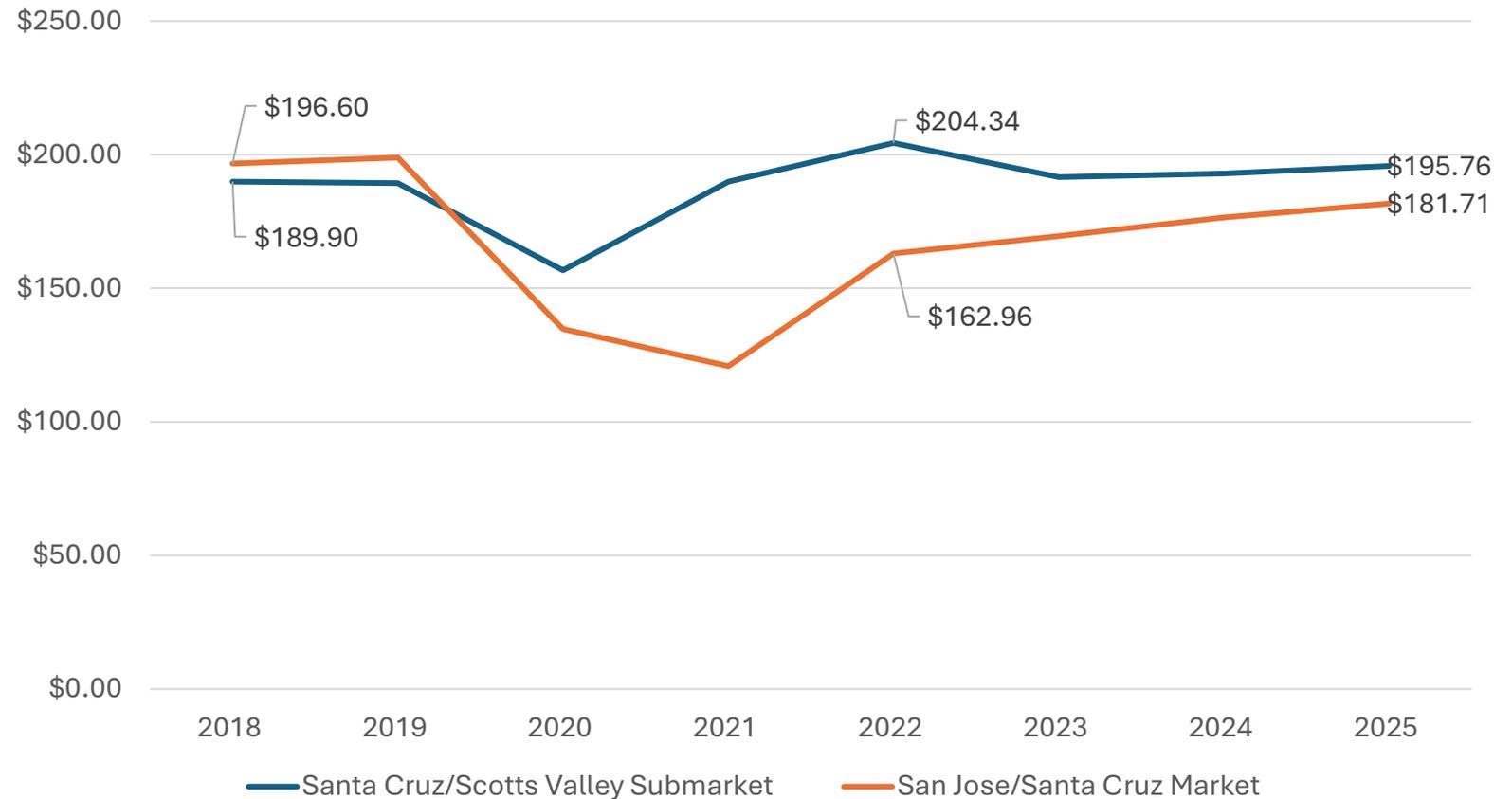


Occupancy		
	2025	2029
Santa Cruz/Scotts Valley Submarket	67.6%	67.0%
San Jose/Santa Cruz Market	67.5%	66.0%

Hotel Performance – ADR

ADR

Item 5.A.



Average Daily Rate (ADR)

	2018	2022	2025
Santa Cruz/Scotts Valley Submarket	\$189.90	\$204.34	\$195.76
San Jose/Santa Cruz Market	\$196.60	\$162.96	\$181.71

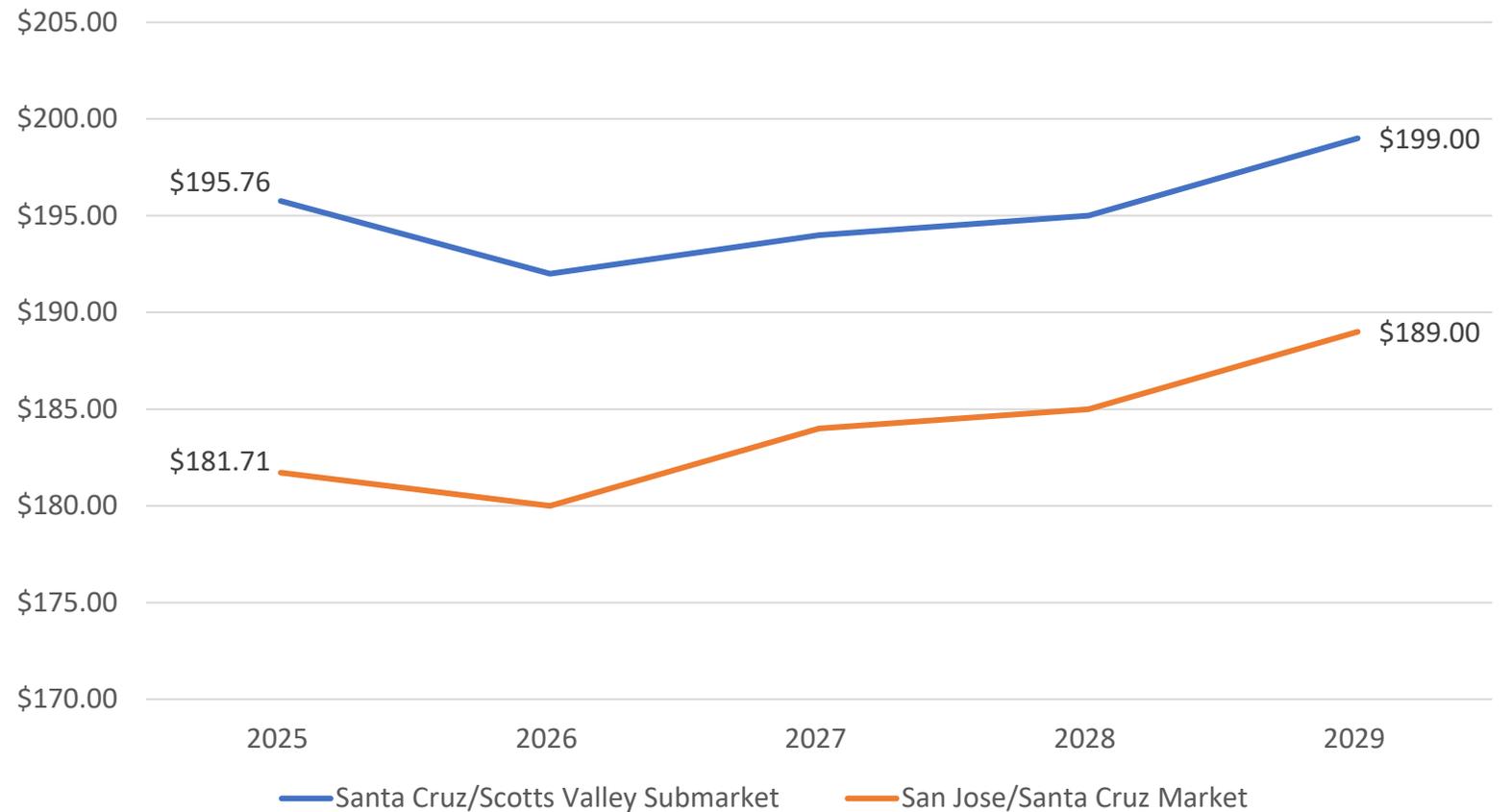
Average Daily Rate (ADR) is the average price guests pay per night for a hotel room.



Hotel Performance – ADR Projection

ADR

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Average Daily Rate (ADR)

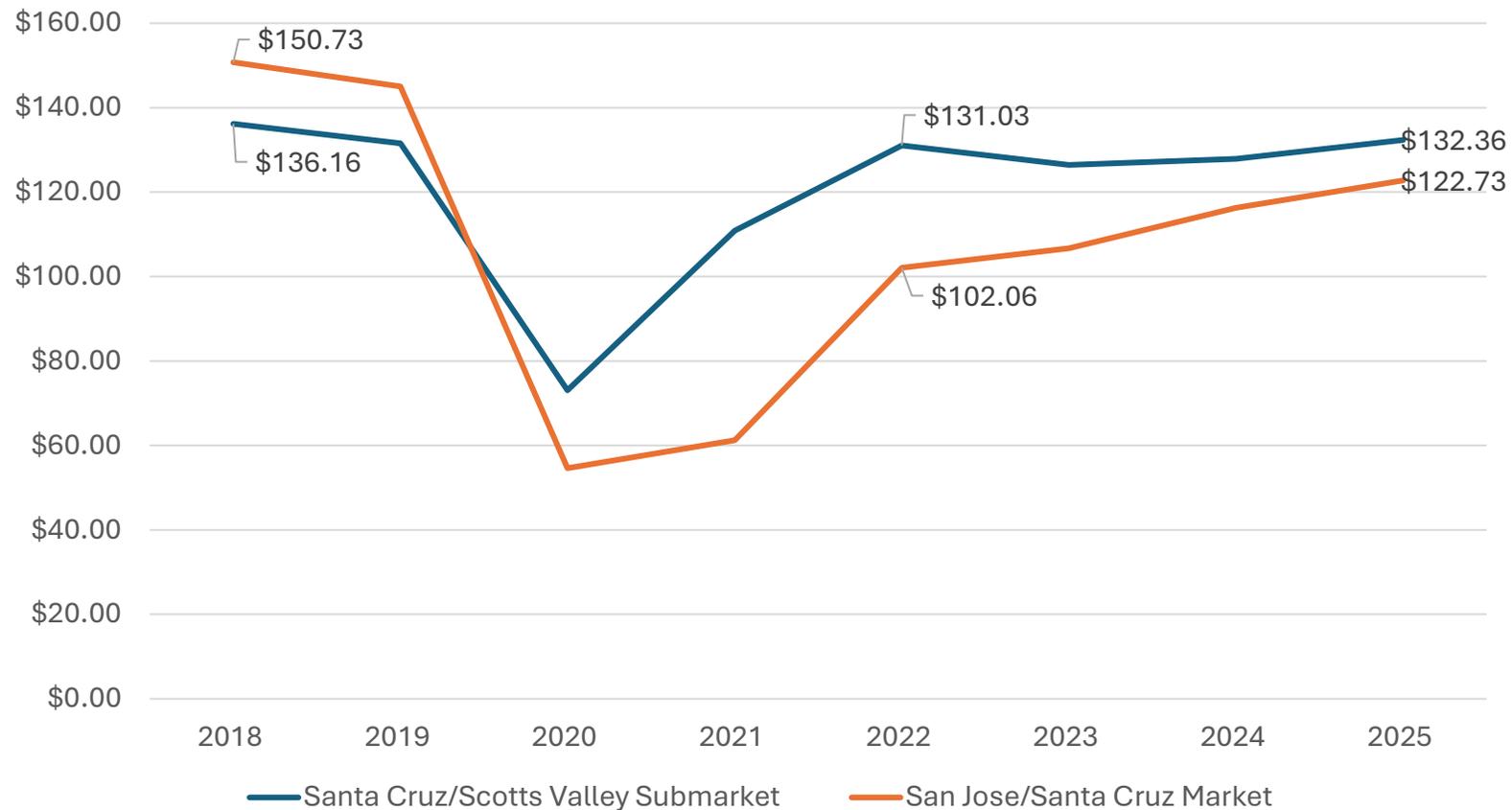
	2025	2029
Santa Cruz/Scotts Valley Submarket	\$195.76	\$199.00
San Jose/Santa Cruz Market	\$181.71	\$189.00



Hotel Performance – RevPAR

RevPAR

Item 5.A.



Revenue Per Available Room (RevPAR)

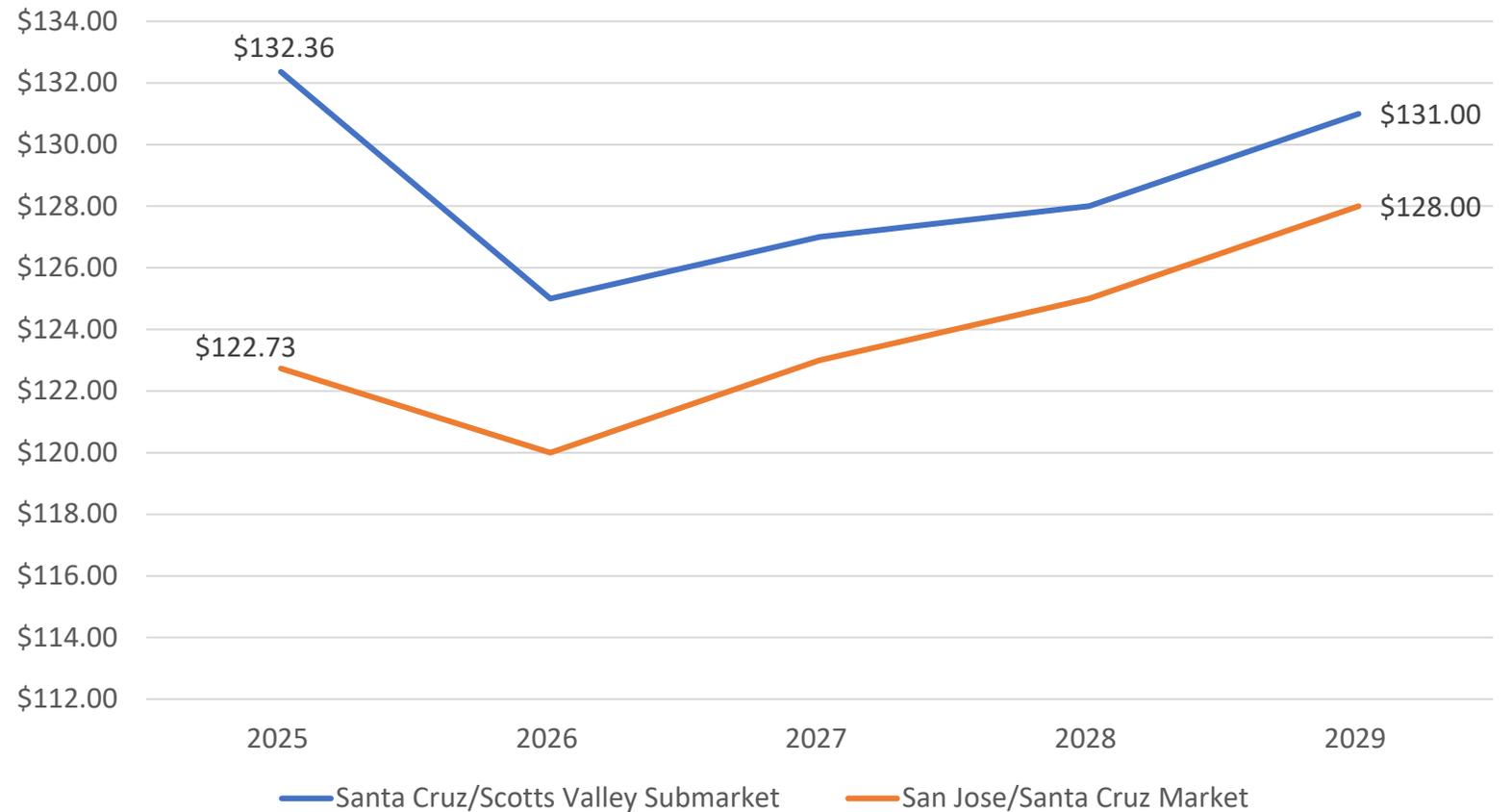
	2018	2022	2025
Santa Cruz/Scotts Valley Submarket	\$136.16	\$131.03	\$132.36
San Jose/Santa Cruz Market	\$150.73	\$102.06	\$122.73

Revenue Per Available Room (RevPAR) is calculated as follows: Average Daily Rate * Occupancy

Hotel Performance – RevPAR Projection

RevPAR

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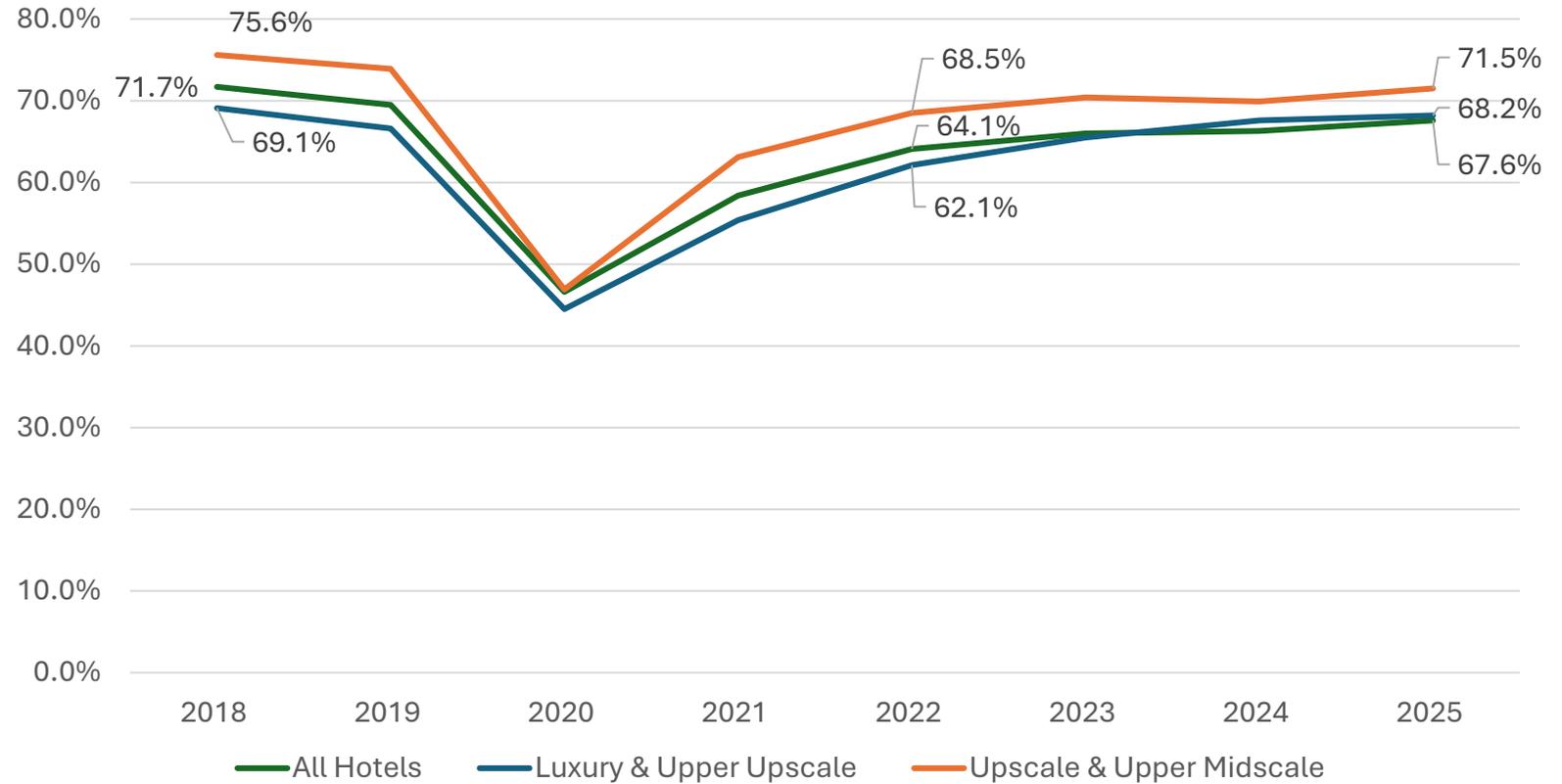
Revenue Per Available Room (RevPAR)		
	2025	2029
Santa Cruz/Scotts Valley Submarket	\$132.36	\$131.00
San Jose/Santa Cruz Market	\$122.73	\$128.00



Hotel Performance – Submarket Occupancy

Submarket Occupancy

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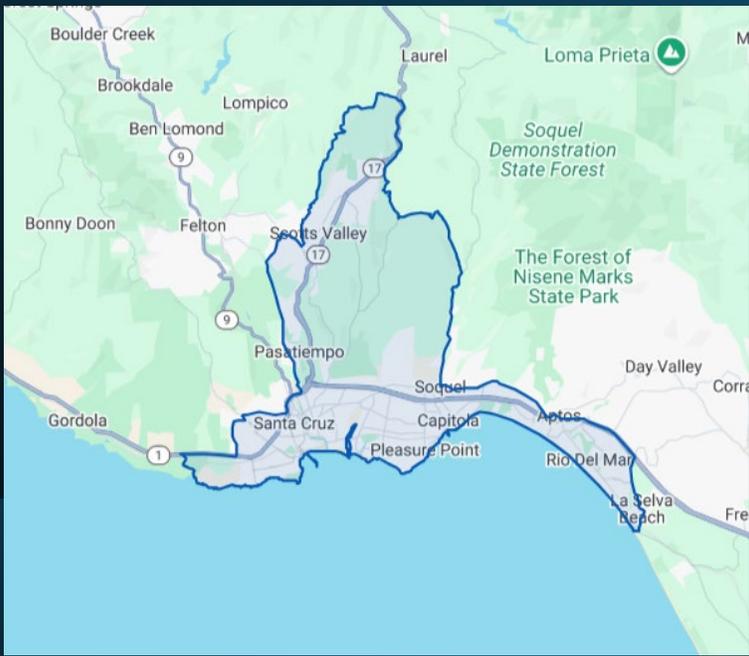


Santa Cruz / Scotts Valley Submarket Occupancy

	2018	2022	2025
All Hotels	71.7%	64.1%	67.6%
Luxury & Upper Upscale Hotels	69.1%	62.1%	68.2%
Upscale & Upper Midscale Hotels	75.6%	68.5%	71.5%

Luxury Hotels: Four Seasons, Ritz Carlton, St. Regis, Chaminade, La Bahia
 Upscale: Marriott, Sheraton, Hilton

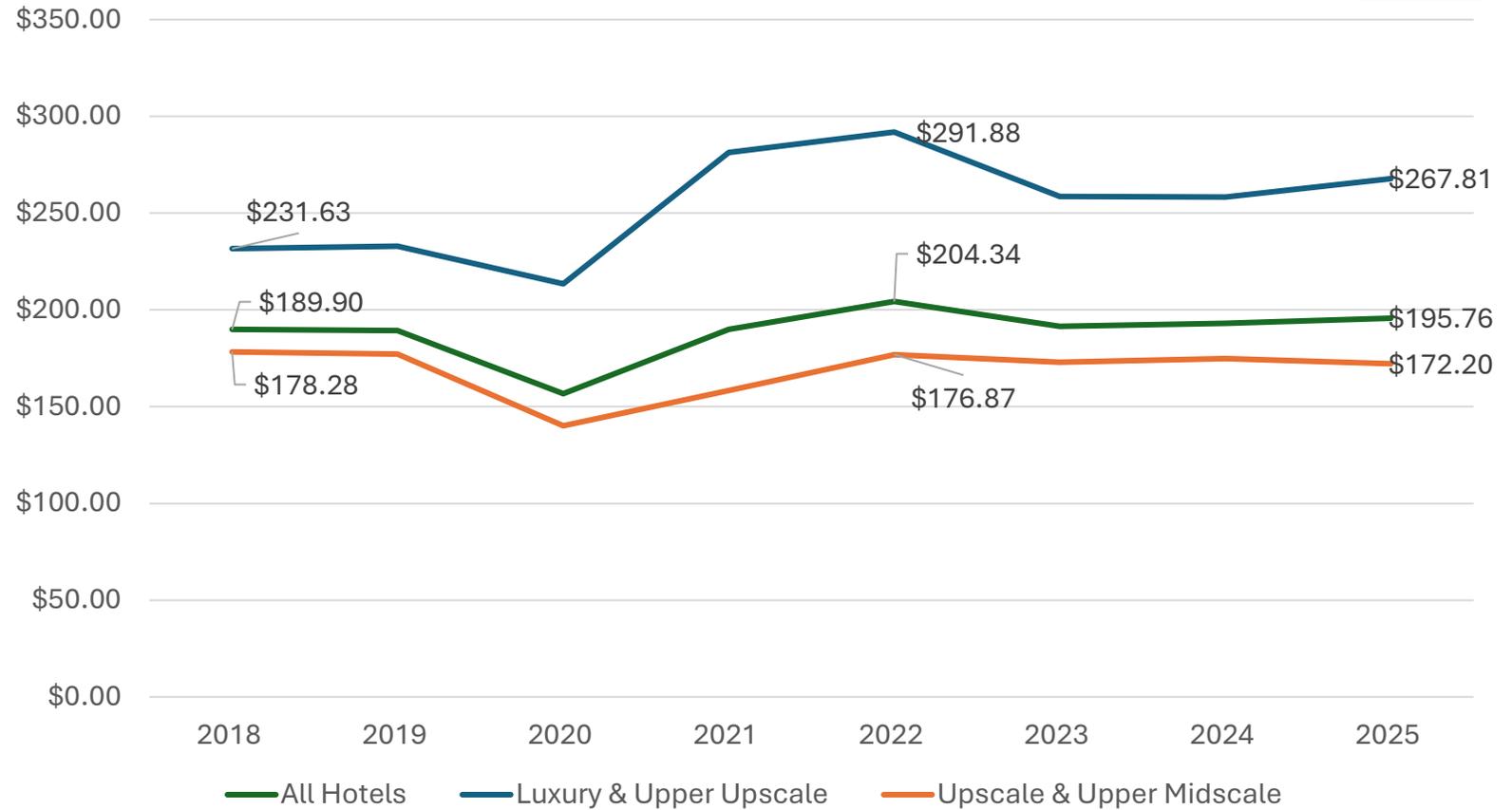
Upper Midscale: Courtyard by Marriott, Fairfield Inn & Suites, Hotel Paradox



Hotel Performance – Submarket ADR

Submarket ADR

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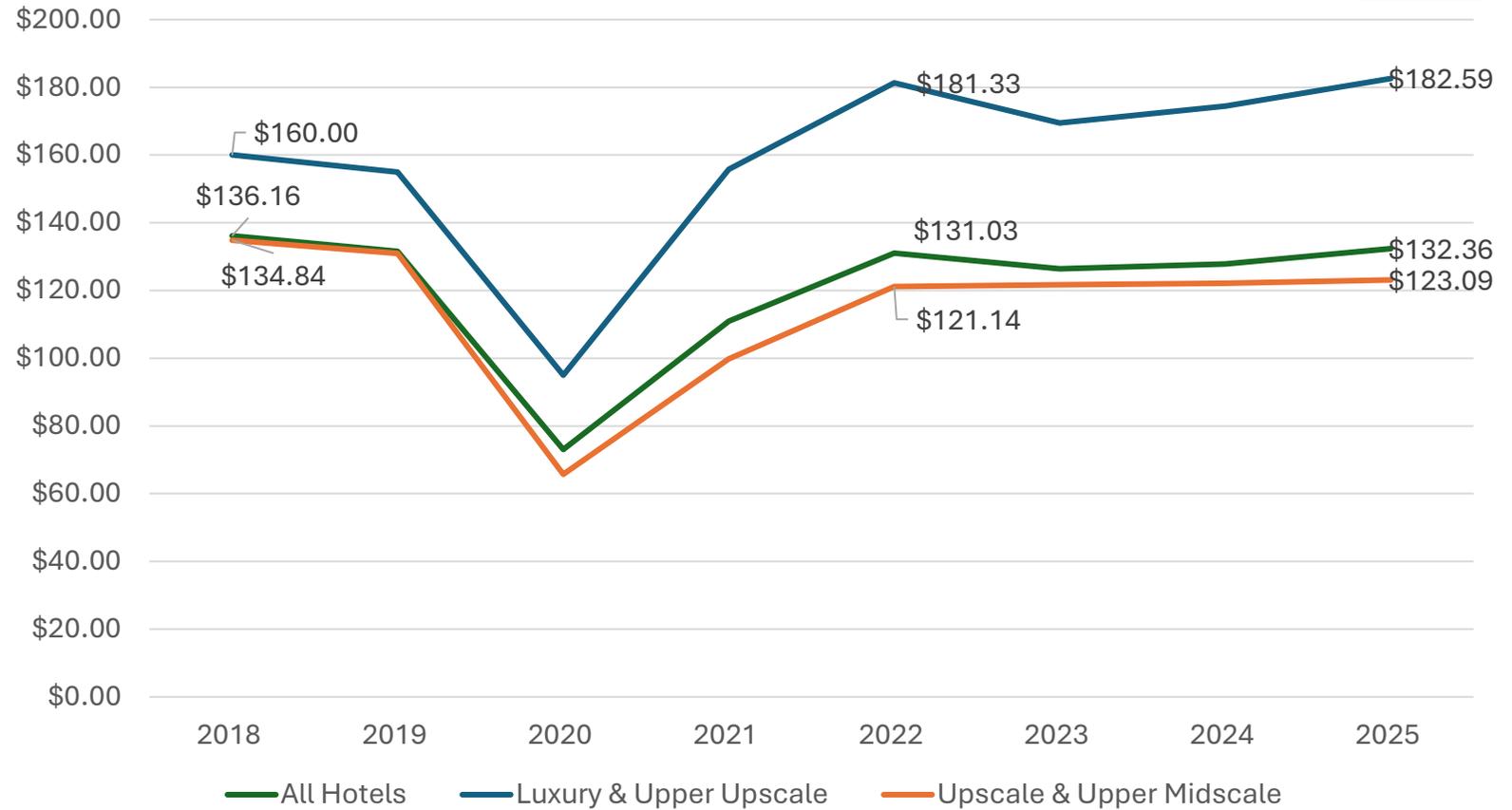
Santa Cruz / Scotts Valley Submarket ADR			
	2018	2022	2025
All Hotels	\$189.90	\$204.34	\$195.76
Luxury & Upper Upscale Hotels	\$231.63	\$291.88	\$267.81
Upscale & Upper Midscale Hotels	\$178.28	\$176.87	\$172.20



Hotel Performance – Submarket RevPAR

Submarket RevPAR

Item 5 A.



Santa Cruz / Scotts Valley Submarket RevPAR

	2018	2022	2025
All Hotels	\$136.16	\$131.03	\$132.36
Luxury & Upper Upscale Hotels	\$160.00	\$181.33	\$182.59
Upscale & Upper Midscale Hotels	\$134.84	\$121.14	\$123.09

Event Space Trends

Item 5 A.

Santa Cruz / Scotts Valley Submarket

	Rooms	Meeting Space (sf)	Meeting Space (sf) /Room
Minimum	54	990	12
Median	128	2,600	23
(Weighted) Average	122	4,027	30
Maximum	178	9,210	72

National

	Meeting Space per Guest Room	Typical Total for a 150-room Hotel
Upper Upscale	50 – 75+ sq. ft	7,500 – 11,000+ sq. ft
Upscale	20 – 40+ sq. ft.	3,000 – 6,000 sq. ft
Upper Midscale	5 – 15 sq. ft	750 – 2,250 sq. ft.



Event Space Trends

- Meeting rooms are generally categorized by capacity, but physical footprint varies based on set-up (theater-style vs. boardroom)
- **Boardroom (8-12 people):** 250 – 400sf
 - *Upscale:* Usually have permanent boardroom tables and high-end AV.
 - *Upper Midscale:* Often a “flex” room with a standard table
- **Small Breakout (20-40 people):** 500 – 800sf
 - Common in both segments for team training or small workshops
- **Large Meeting Room/Junior Ballroom (100-150 people):** 1,500 – 2,500sf
 - Found frequently in *Upscale* hotels. These are often divisible by a “partition” wall



Findings

- Population is projected to contract throughout the region.
- Capitola has high incomes, education levels and median age
- The largest employment sectors include Retail Trade, Accommodation & Food Service, and Construction.



Findings

- Retail vacancy rates are healthy with modest rents in the market area.
- Rents projected to increase 8% over next five years, with vacancy rates remaining stable
- Limited retail market area development with *11,500 SF* of new commercial construction during past 5 years. The market area is projected to see a net loss of 5,700 SF of retail space by 2029.



Findings

- Three-mile retail leakage is primarily General Merchandise (Costco, Marshalls, World Market, etc.).
- Five-mile shows no leakage, indicating greater market is in balance.
- Mall repositioning will likely benefit Target and additional general merchandise on site is challenging.



Findings

- Food Service industry weathered pandemic well and continues to expand.
- Site residential will enhance demand for Food Service (i.e. restaurants) and Food & Beverage (i.e. grocery stores)
- Quantitative analysis and broker feedback indicates challenging retail environment.



Findings

- Opportunities likely limited to smaller tenants, primarily food & beverage
- Modest amount of new retail demand for site reflecting current and future market conditions.
- Retail demand likely ranges from 25,000 – 35,000 SF. Only 11,500 SF was delivered over the past 5 years.
- Financial feasibility will be challenging due to modest rents, non-credit tenants and smaller spaces



Findings

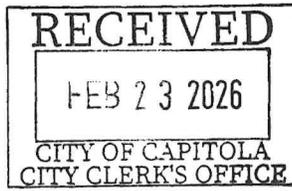
- Average occupancy of higher quality hotels (Upper Midscale+) in submarket approaches 70%
- Average ADR of higher quality hotels exceeds \$200 per night with a \$145 RevPAR
- Modest amount of meeting space in local hotels.



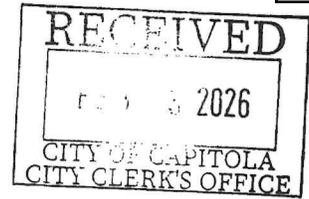
Findings

- Without a brand or operator, hotel performance is difficult to project.
- Assuming a strong operator and brand, a hotel on Site could hypothetically exceed market average
- Hypothetical performance assuming a 10% - 20% premium over the market area average would suggest a RevPAR of \$165 to \$180 per key with 25 – 30 SF of meeting space per key
- Meeting space in hotels likely range from 25-30 SF per key, indicating up to 2,550 SF for an 85 room hotel and 3,900 SF for a 130 room hotel





Item 5 A.



	Tier 1	Tier 2	Tier 3
Min. Density	20 du/ac	20 du/ac	20 du/ac
Max. Density	48 du/ac	53 du/ac	53 du/ac
Affordability	20%	20%	20%
Hotel	N/A	120 rooms	N/A
Meeting space	N/A	4,000	N/A
New Commercial	0	35,000 sf.	200,000 sf
Height			
Perimeter	55	75*	55
Core	75	85	85
FAR	2.0	2.0	2.0

* Reduce Perimeter for Tier 2 to 75 feet on 41st Avenue and Capitola Road.
Hotel can be 85 feet in Perimeter for Tier 2
FAR excludes parking garages and hotels in all tiers and rooftop decks in Tier 2

Herlihy, Katie (kherlihy@ci.capitola.ca.us)

From: Clark Cochran <clark.e.cochran@gmail.com>
Sent: Wednesday, March 11, 2026 11:30 AM
To: City Council
Subject: Don't Make the Same Mistakes as Los Gatos

Los Gatos had an orchard developed into a subdivision called the North 40 with about 800 dwelling units. They are townhomes, condos and apartments, with 67 designated as affordable. The developer was allowed to set open space zoning as being roads, sidewalks, and planting strips. I'm told owners are now selling because there is no open space for residents, especially children, to be outside.

Our proposed Mallcity will be much larger and denser but the mini parklets won't provide any real open space. We have focused on the needs of the developer and the needs of the city, but I have yet to hear focus on the needs of the residents. Using my guesstimate numbers, 2,000 occupants could mean 400 children of which 200 might be too young to ride their bikes to other parts of our city. Where will they be able to go outside? Same for adults to watch their young children and enjoy just being outside in beautiful weather. Many tiny open spaces won't allow any activities. 85 foot high buildings will only allow a glimpse of sunlight at midday. Let's try to keep as large an open space as possible. No need for anything fancy. Grass would be adequate. Anything more would be a bonus.

If we are forced to "Manhattanize" Capitola, make it livable. Let's do it right and not make the same mistakes as Los Gatos.

- Clark Cochran
Resident and Homeowner

Herlihy, Katie (kherlihy@ci.capitola.ca.us)

From: Kevin Maguire <kmaguire831@gmail.com>
Sent: Wednesday, February 25, 2026 10:20 AM
To: Herlihy, Katie (kherlihy@ci.capitola.ca.us); Westman, Susan; Gerry Jensen; Goldstein, Jamie (jgoldstein@ci.capitola.ca.us); Melinda Orbach; Clarke, Joe; Margaux Morgan; City Clerk
Subject: [PDF] Capitola Mall – Fiscal Balance, Retail Replacement, and Objective Standards
Attachments: Capitola Comparison Table and ODS.pdf

Dear Mayor and Councilmembers,

Thank you again for the time and seriousness each of you has brought to the Mall zoning discussion. After reviewing the City’s adopted budget, ACFR, prior 41st Avenue studies, and the recent staff reports, I would like to respectfully raise several structural questions that I believe are critical to long-term fiscal sustainability and balanced redevelopment. (@Katie how can we view the full Kosmot report and the Keyser Marsten reports)

1. Retail Replacement vs. “New” Retail Demand

The Mall site currently contains approximately 537,000 square feet of retail space in active use, supporting dozens of businesses and serving as a major regional sales tax generator. The Keyser Marston analysis references 25,000–35,000 square feet of **new** supportable retail demand along 41st Avenue. There is currently 60 out of 77 potential business at the Mall right now. Excluding Sears/Spirit: 115,000; Macy's 101,000; Target 98,120; Kohls 75,000. Occupied space is 147,849. With about 40,000 square feet of available space.

Can the City clarify whether that figure was intended as incremental new demand in addition to existing supply, or as replacement for the current Mall footprint? If redevelopment reduces retail from over 500,000 square feet to a minimum of 35,000–40,000 square feet, that represents a profound shift in land use and revenue structure.

Given that sales tax comprises roughly 46% of General Fund revenues, the retail-to-residential balance is not simply a design issue — it is a structural fiscal issue.

2. Fiscal Modeling Transparency

Before final zoning standards are locked in, it would be helpful for the public to understand:

- Assumed rent levels and valuation assumptions for projected housing units
- Estimated annual property tax yield per unit
- Sales tax projections under different retail replacement scenarios
- Service cost assumptions tied to population growth
- Phasing assumptions for construction-related revenue shortfalls
- 20-year fiscal modeling scenario. Projected long-term fiscal impact at full buildout.
- If Housing increase service demand, how will the city align revenue to avoid structural deficits?
- Clarity on the 50% reduction in needed police resources?

- Based on the City of Capitola regular employee salary chart, only the City Manager, some Management, Chief of Police, and Department heads could afford Market rate rents.

The budget narrative notes future structural imbalances related to pension growth. It is therefore essential that Mall redevelopment strengthens, rather than destabilizes, the City's long-term fiscal position. (pension growth and employment costs will continue to rise with more headcounts, inflation and trying to pay a quality wage)

3. Mixed-Use Balance and Phasing

If hotel and commercial uses are critical for fiscal resilience, are there phasing mechanisms that ensure meaningful commercial and hotel components are delivered alongside, rather than after, large residential phases?

Additionally, current conference space programming (4,000 sq ft | aprox. 65x60 feet) appears modest relative to regional competitors such as The Grove at the Santa Cruz Boardwalk (20,000 sq ft). If the goal is meaningful TOT growth, this component may warrant reevaluation.

Comparison to Santana Row, with an equal footprint of 42 acres. is home to ~615 luxury rental apartments, ~219 privately-owned condominiums, more than 50 shops, ~30 restaurants, A movie theatre, Spas and salons. Santana Row functions as a walkable retail/dining hub, not just apartments above shops.

The Hotel Valencia Santana Row has ~215 rooms. And Office / Other User, there is ~ 1 million+ sq ft of office space in Class A buildings adjacent to Santana Row, which integrates daytime employment with retail and residential.

4. Objective Design Standards as Guardrails

With ministerial pathways likely to apply, objective standards become the City's primary tool for shaping outcomes. Other California cities have used measurable standards to protect community character and fiscal balance. Capitola may wish to consider:

- Minimum average unit size requirements
- Required percentage of 2- and 3-bedroom units (see attachment)
- Retail frontage and minimum commercial depth requirements
- Mandatory plaza or public open space minimum square footage
- Phasing triggers tied to infrastructure certification
- Height step-backs above defined street edges
- Commercial heights of 18 feet floor to floor, maybe compromise on internal streets down to 14 feet. 18 Feet is the standard; many major restaurants and commercial spaces require 17-20 feet.

These standards must be measurable, clear, and legally defensible — but they are essential if the City is to guide this transformation responsibly.

Our goal is to understand housing compliance. And to ensure that redevelopment strengthens Capitola's fiscal durability, preserves commercial vitality, and protects long-term service capacity.

This site will shape our City for generations. Thoughtful calibration now will prevent difficult consequences later.

As most of you know, I am born and raised here. My grandparents moved here in 1965. On my father's side, they have been in Santa Cruz since the 1940's. And I would love for my children to live here, my friends that are teachers to live here.

Thank you for your leadership and for continuing to engage in these complex issues.

Best,
Kevin Maguire

2 Visual Comparison Table

Current vs. Proposed Conceptual Scenarios

Category	Current Mall	Tier 2 (Conceptual)	Tier 3 (Conceptual Upper Range)
Acres	~37–42	~37–42	~37–42
Retail Sq Ft	~537,000	25,000–40,000 minimum	35,000–40,000 minimum
Number of Retail Businesses	59+ (more incl. anchors)	~12–18 estimated	~15–20 estimated
Housing Units	0	~1,200–1,400	~1,700–2,000+ possible
Population Impact (est.)	N/A	2,000–3,000	3,000–5,000+ depending on mix
Conference Space	N/A	~4,000 sq ft	~4,000 sq ft
Major Sales Tax Driver	Yes	Significantly reduced	Significantly reduced
Primary Revenue Shift	Sales tax dominant	Property tax shift	Property tax dominant

“Sales tax = 46% of General Fund revenue”

3 Examples of Strong Objective Design Standards in California

Here are real-world examples where cities used measurable standards in large redevelopment areas:

San Diego – Complete Communities

- Required minimum commercial frontage percentages
- Required minimum active-use ground floor depth
- Objective step-back requirements above certain heights
- Affordable housing incentives tied to additional FAR

Mountain View – East Whisman Precise Plan

- Required minimum 10%–20% 2+ bedroom units in large projects
- Required average unit size minimums in certain subareas
- Retail frontage requirements along key corridors
- Measurable block-length maximums

San Jose – Urban Village Plans

- Ground floor commercial depth minimums (e.g., 50 feet)
- Required pedestrian paseo spacing
- Measurable façade articulation intervals
- Minimum public open space square footage per unit

Santa Monica – Downtown Community Plan

- Required percentage of family-sized units
- Height step-backs triggered at defined feet
- Mandatory ground-floor transparency percentages

Redwood City – Downtown Precise Plan

- Required hotel incentives tied to additional height
- Retail activation requirements along primary streets
- Maximum building length before façade break

How Capitola Could Adapt This

1. Unit Mix (Objective + Measurable)

- Minimum 25% of units must be 2+ bedrooms
- Minimum 10% must be 3-bedroom units
- Minimum average unit size of 850–900 sq ft (if legally vetted)

This controls population density per acre without reducing unit count.

2. Affordable Housing Lever

- Require higher affordability percentage for 100% residential projects
- Offer height/FAR bonus only if hotel or meaningful commercial included

Tilt economics toward mixed-use.

3. Retail Protection

- Minimum commercial square footage per phase
- Ground floor commercial depth of 40–60 feet on primary streets
- Required active frontage on at least 60–75% of perimeter

4. Phasing Triggers

- Infrastructure certification before occupancy of each 300–500 unit increment
- Commercial delivery before final residential phase
- Public safety staffing ratio trigger

5. Building Form Controls

- Step-back above 55–65 feet on perimeter streets
- Maximum building length before 40–60 foot articulation break
- Minimum public plaza of X square feet per acre

Mayor Morgan & Council Members
 Capitola City Council
 420 Capitola Ave,
 Capitola, CA 95010

UNITE
HERE! LOCAL 19



March 11, 2026

Dear Mayor Morgan & Councilmembers,

On behalf of the over 8,500 hospitality members of UNITE HERE Local 19 and the 60,000 members of the Monterey/Santa Cruz Building and Construction Trades Council, we write to express the importance of ensuring responsible development in the Capitola Mall Development Project. Our members are excited about a project that can respond to the housing crisis and bring more economic development and tax dollars to Capitola. However, we urge the Council to hold off on approving the proposed Zoning Code Amendments on Monday, March 16th as there are still many conversations to be had regarding how this development will be beneficial to the community and the City.

As the City prepares to enact significant changes to its Zoning Code, it risks depriving itself of the tools that are currently in place to ensure responsible development of hotels. One critical concern with the proposal is that it would make hotels permitted by right, eliminating the conditional use permit requirement.

The current conditional use permit requirement allows the City Council to ensure consistency with the general plan and attach conditions of approval to achieve that.¹ It also allows for community engagement with the public hearing requirement and maintains necessary oversight to make sure that hotel developments would not be “detrimental to the public health, safety, and welfare.”² These existing requirements were set in place to ensure responsible hotel development in Capitola. This is especially important because hotels potentially bring significant numbers of low-wage jobs to the city and increase the already-high demand for affordable housing.

The proposed Zoning Code Amendments go beyond the stated goal of supporting housing, providing significant incentives for a hotel while also stripping away the City’s current permitting oversight. These revisions were made for “increased flexibility for Hotel development” in response to comments from the property owner and the City’s desire to

¹ 17.124.070. Findings for Approval. Chapter 17.124 USE PERMITS, Capitola Municipal Code.
<https://www.codepublishing.com/CA/Capitola/#!/Capitola17/Capitola17124.html#17.124>

² Ibid.

incentivize hotel development.³ The proposal includes many incentives for hotel development, including the higher allowed FAR and the more than doubling the maximum height.⁴ Given these aforementioned incentives, it is not necessary for the City to impose further restrictions on its own power to ensure responsible hotel development by eliminating its conditional use permitting for the hotel, all while maintaining conditional use for residential development. Staff cited that maintaining the residential conditional use will “enable the City to ensure a mall redevelopment project that complies with objective standards and CEQA and minimizes potential community impacts.”⁵ Why should these standards not be applied to hotel development in the Zoning Update?

We ask the City Council to hold off on passing the current proposal until conversations have been had about how this development will be beneficial for the community, including with the hotel’s permitting. The developer has not yet submitted a proposal for the hotel, so reducing its permitting requirements as an incentive without knowledge of what the hotel proposal is would risk streamlining the process of careless hospitality development.

The current Zoning Code Amendment proposal should be adjusted so that hotel use continues to require conditional use permits, allowing the City to continue working towards community-oriented development in Capitola. The city should retain its discretion in considering the impacts of hotel development on the community. **If the City is to allow a hotel project, it should require a study to ensure that it will not create a negative impact on the community or exacerbate the shortage of affordable housing.**

We recognize that the hotel development is important to the City’s budget and we are aligned with City goals of developing a project that is beneficial for the City, the community, and the workers at this project. We hope you will take the time on Monday to maintain strong guardrails to ensure that the future project is consistent with this goal. We are happy to work with you and the developer before then to continue this conversation.

Thank you.

Sincerely,

³ Special City Council Meeting Packet. February 23, 2026, pg. 29, <https://mccmeetings.blob.core.usgovcloudapi.net/capitolaca-pubu/MEET-Packet-f6877abf2c3f421784777cab1a307b39.pdf>

⁴ Ibid. Pg. 27 & 53.

⁵ Special Planning Commission Meeting Agenda. October 30, 2025, pg. 14 <https://mccmeetings.blob.core.usgovcloudapi.net/capitolaca-pubu/MEET-Packet-c57df39de501436788b0c69c9c743eff.pdf>



Enrique Fernandez
Business Manager
UNITE HERE Local 19



Casey Van Den Heuvel
Chief Executive Officer
Monterey/Santa Cruz Building and
Construction Trades Council

Capitola Mall Zoning Code Amendments

City Council

March 16, 2026





Presentation Overview

- **Part 1:** Project Background
- **Part 2:** Additional information on:
 - Merlone Geier Partners 2/23/2026 letter
 - Merlone Geier Partners 3/15 letter
 - Items identified by City Council on 2/23/2026 meeting



What is a Housing Element?

Long range plan which identifies:

- Housing Needs
- Housing Constraints
- Goals, Policies, and Objectives
- Housing Programs
- Sites Inventory



Housing Element Background

- Updated Housing Element adopted 2024
- Housing Element programs require Zoning Code Amendments
- Zoning Code amendments: adopted in 2024
- Residential Multifamily (RM) zone amendments: adopted in September 2025
- Mall Zoning Code amendments: in process



Housing Element Background

Capitola Mall Zoning Amendments:

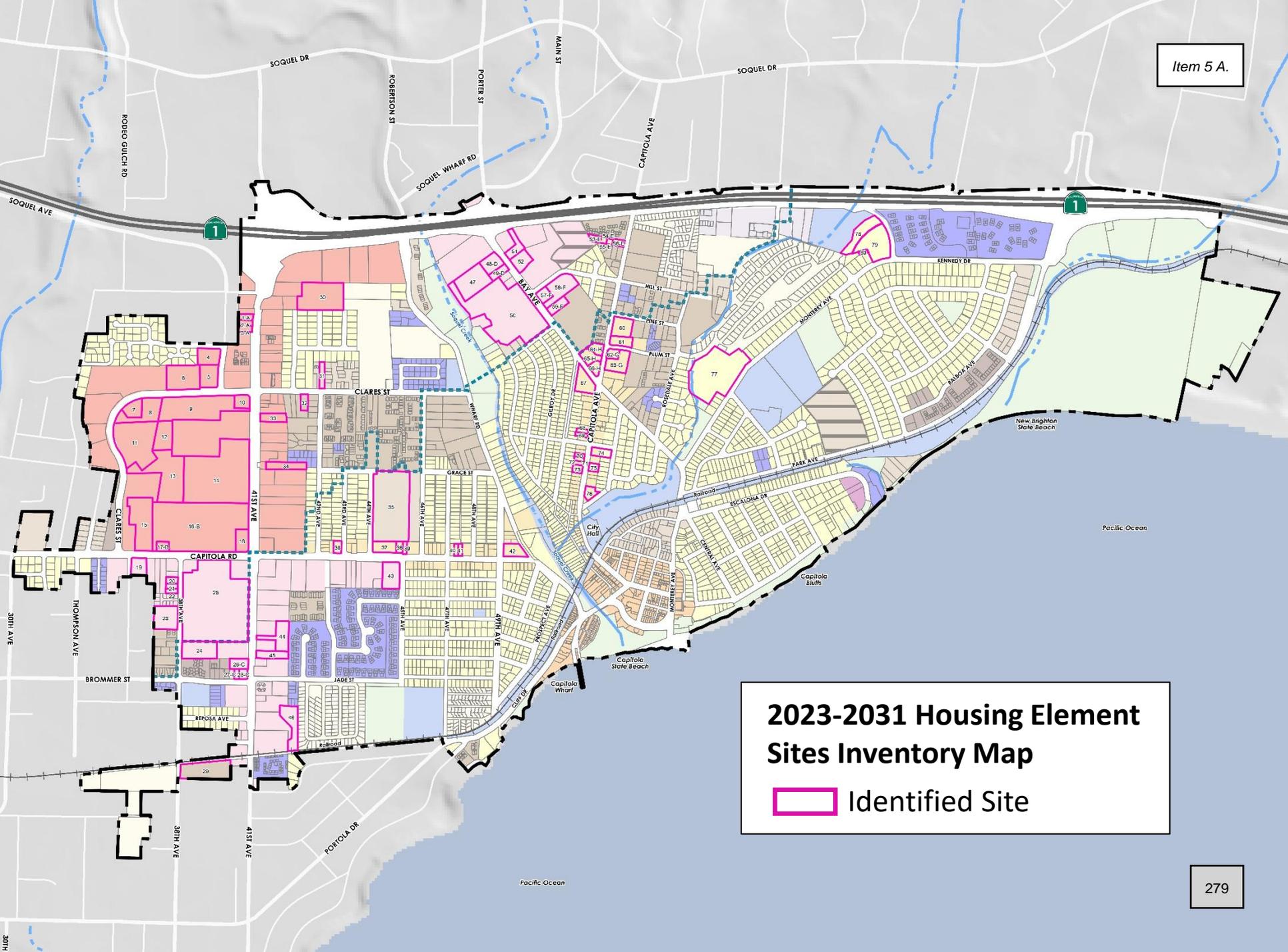
- Align with Housing Element Sites Inventory
- Implement Program 1.7 (Shopping/Commercial Center Redevelopment)



Housing Element Sites Inventory

- The Housing Element must identify adequate sites to accommodate regional housing needs allocation (RHNA) for 8-year planning period
- Capitola’s 2023-2031 RHNA:

Income Level	Percent of Area Median Income	RHNA	
		Units	Percent
Extremely Low	Up to 30%	215	16%
Very Low	31% to 50%	215	16%
Low	51% to 80%	282	21%
Moderate	81% to 120%	169	14%
Above Moderate	More than 120%	455	34%
Total	-	1,336	-



2023-2031 Housing Element Sites Inventory Map
Identified Site



Housing Element Sites Inventory

Sites Inventory

Location	Housing Units
Entire Block	1,777
MGP Properties	1,126

Housing Element Programs 1.6 & 1.7



1. Develop land use policies to facilitate shopping center redevelopment with a strong sense of urban design cohesion
2. Establishes Capitola Mall as all properties between Clares St, 41st Ave, and Capitola Rd.
3. Building height up to 75 feet for Mall Redevelopment
4. Define “Mall Redevelopment” to mean a mix of uses including residential and retail/commercial components
5. Exclude parking garages from project FAR calculations
6. Adopt objective development standards to facilitate mall redevelopment

State Housing Laws

By-Right Approvals

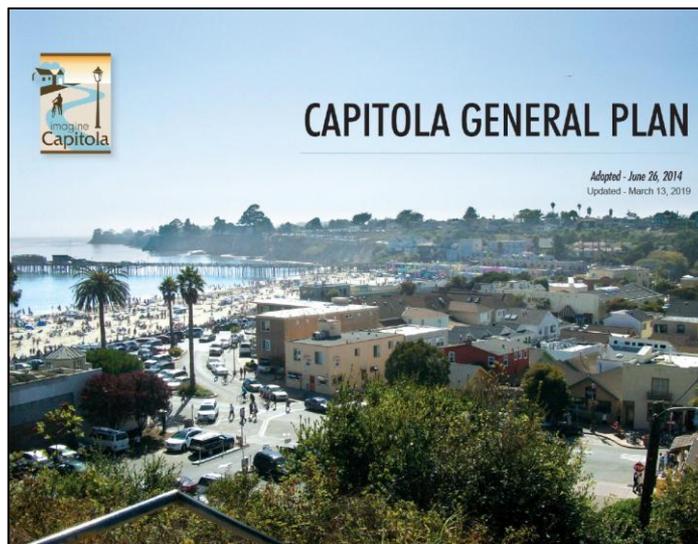
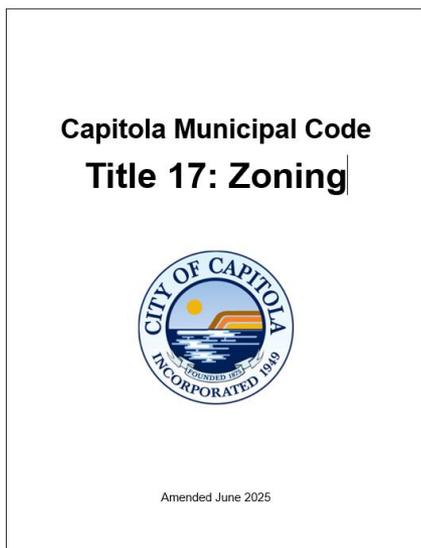
- SB 35 (2017)
- AB 2011 and SB 6 (2023)

Other Limitations

- Housing Accountability Act
- Housing Crisis Act (SB 330, 2019)
- Builder's Remedy

Current Amendments

- Municipal Code Title 17: Zoning Code
- General Plan Land Use Element





Meetings & Public Outreach

2025

- October 23 City Council reviews workplan
 - September 11 City Council adopts modified streamlined workplan
 - October 2 Planning Commission (PC) Work Session
 - October 8 Community Meeting
 - Oct & Nov Stakeholder Meetings
 - October 30 PC Work Session
 - Nov 19 PC Work Session – Partial draft
 - December 4 PC 1st Draft
- 2026
- February 5 PC 2nd Draft – Recommend to CC
 - February 23 CC 1st Draft - Continued
 - March 16 CC 2nd Draft



General Plan Amendment

Land Use Element Amendment

- Mall property has maximum FAR of 2.0 for residential and mixed-use development in compliance with objective standards.

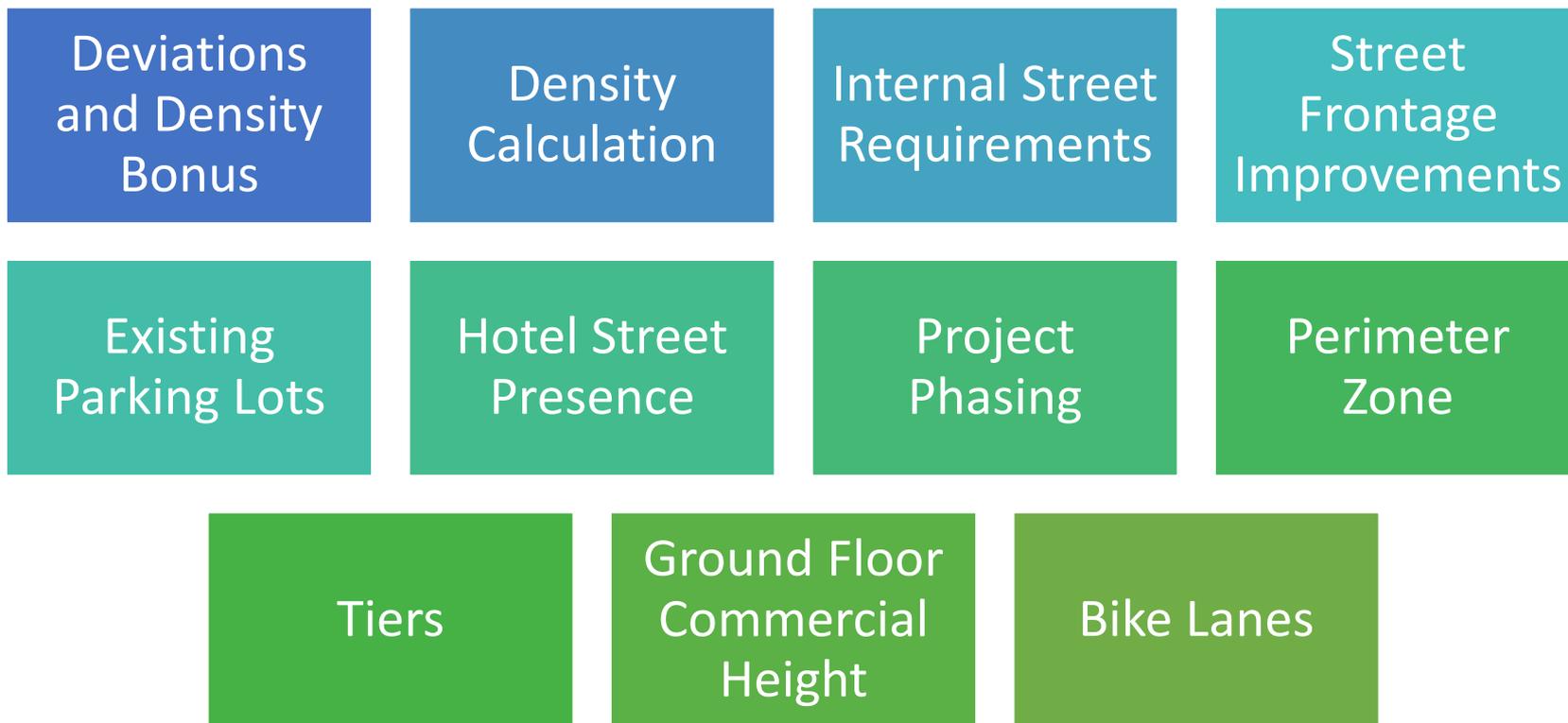


Presentation Part 2

- Merlone Geier Partners 2/23/2026 letter
- Merlone Geier Partners 3/15 letter
- Items identified by City Council on 2/23/2026 meeting



MGP 2/23 Comment Letter





MGP 3/15 Comment Letter

Deviations and Density Bonus ✓	Density Calculation ✓	Internal Street Requirements ✓	Street Frontage Improvements ✓
Existing Parking Lots ✓	Hotel Street Presence ✓	Project Phasing ✓	Perimeter Zone
Tiers	Ground Floor Commercial Height	Bike Lanes	Bike Parking <i>New</i>



Tiers

Tiers 1



100% Housing Development

No Commercial

Must be allowed on Regional Commercial site
pursuant to California State Law

Tiers 2 & 3



Zoning
Incentives

Community
Benefits

Height

Housing

Floor Area

Hotel

Density

Meeting Space

Parking

Retail



Tiers	1	2		3A			3B		
	All	PC	MGP	SW	PC	MGP	PC	MGP	SW
Min. Density (du/ac)	20	20	20	20	20	20	20	20	20
Max Density (du/ac)	48	48	48	53	53	53	53	53	53
Perimeter Zone									
41 st Ave. (ft)	125	125	75	75	125	75	125	75	125
Capitola Rd. (ft)	125	125	75	75	125	75	125	75	125
Clares St. (ft)	125	125	125	125	125	125	125	125	125
Perimeter Height	55	65	75	65	65	75	65*	75	55
Core Height	75	75	85	85	85	85	85	85	85
Open Space	5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Affordable Housing	20%	20%	20%	20%	20%	20%	20%	20%	20%
Commercial sf	0	30k	25k	35k	40k	35k	200k	200k	200k
Hotel Rooms	0	85	85	120	125	120	0	0	292
Meeting Space sf	0	3k	2.5k	4k	4k	4k	0	0	0

Tiers	1	2		3A			3B		
	All	PC	MGP	SW	PC	MGP	PC	MGP	SW
Min. Density (du/ac)	20	20	20	20	20	20	20	20	20
Max Density (du/ac)	48	48	48	53	53	53	53	53	53
Perimeter Zone									
41 st Ave. (ft)	125	125	75	75	125	75	125	75	125
Capitola Rd. (ft)	125	125	75	75	125	75	125	75	125
Clares St. (ft)	125	125	125	125	125	125	125	125	125
Perimeter Height	55	65	75	65	65	75	65*	75	55
Core Height	75	75	85	85	85	85	85	85	85
Open Space	5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Affordable Housing	20%	20%	20%	20%	20%	20%	20%	20%	20%
Commercial sf	0	30k	25k	35k	40k	35k	200k	200k	200k
Hotel Rooms	0	85	85	120	125	120	0	0	293
Meeting Space sf	0	3k	2.5k	4k	4k	4k	0	0	0

Item 5 A.



Minimum Hotel & Meeting Space

Tiers	1		2		3A			3B		
	All	PC	MGP	SW	PC	MGP	PC	MGP	SW	
Hotel Rooms	0	85	85	120	125	120	0	0	0	
Meeting Space	0	3k	2.5k	4k	4k	4k	0	0	0	

KMA - Capitola Mall Retail and Hotel Market Overview:

- Hotel may exceed market average revenues with a strong operator and brand
- No recommendation on specific room count
- 85-room hotel - typical and likely supported by market demand
- 25 – 30 sf of meeting space per hotel room



Minimum Hotel & Meeting Space

Tiers	1		2		3A			3B		
	All	PC	MGP	SW	PC	MGP	PC	MGP	SW	
Hotel Rooms	0	85	85	120	125	120	0	0	0	
Meeting Space	0	3k	2.5k	4k	4k	4k	0	0	0	

Hotel Rooms	Meeting Space Supported by KMA*
85	2,125 – 2,550
120	3,000 – 3,600
125	3,125 – 3,750

*25 – 30 sf of meeting space per hotel room



Minimum Commercial Area

Tiers	1	2		3A			3B		
	All	PC	MGP	SW	PC	MGP	PC	MGP	SW
Commercial Minimum sf	0	30k	25k	35k	40k	35k	200k	200k	200k

KMA - Capitola Mall Retail and Hotel Market Overview:

- Mall properties continue to have strong redevelopment potential
- Residential & hotel help overall retail environment within block
- Retail demand strongest in food and beverage, smaller tenants
- New retail development between 25,000 and 35,000 sf



Fiscal Analysis



Fiscal Impact Analysis \$

Estimates incremental change to City revenues and expenditures generated by development application

Tool for City to understand impacts and plan mitigation to offset any projected negative fiscal impact

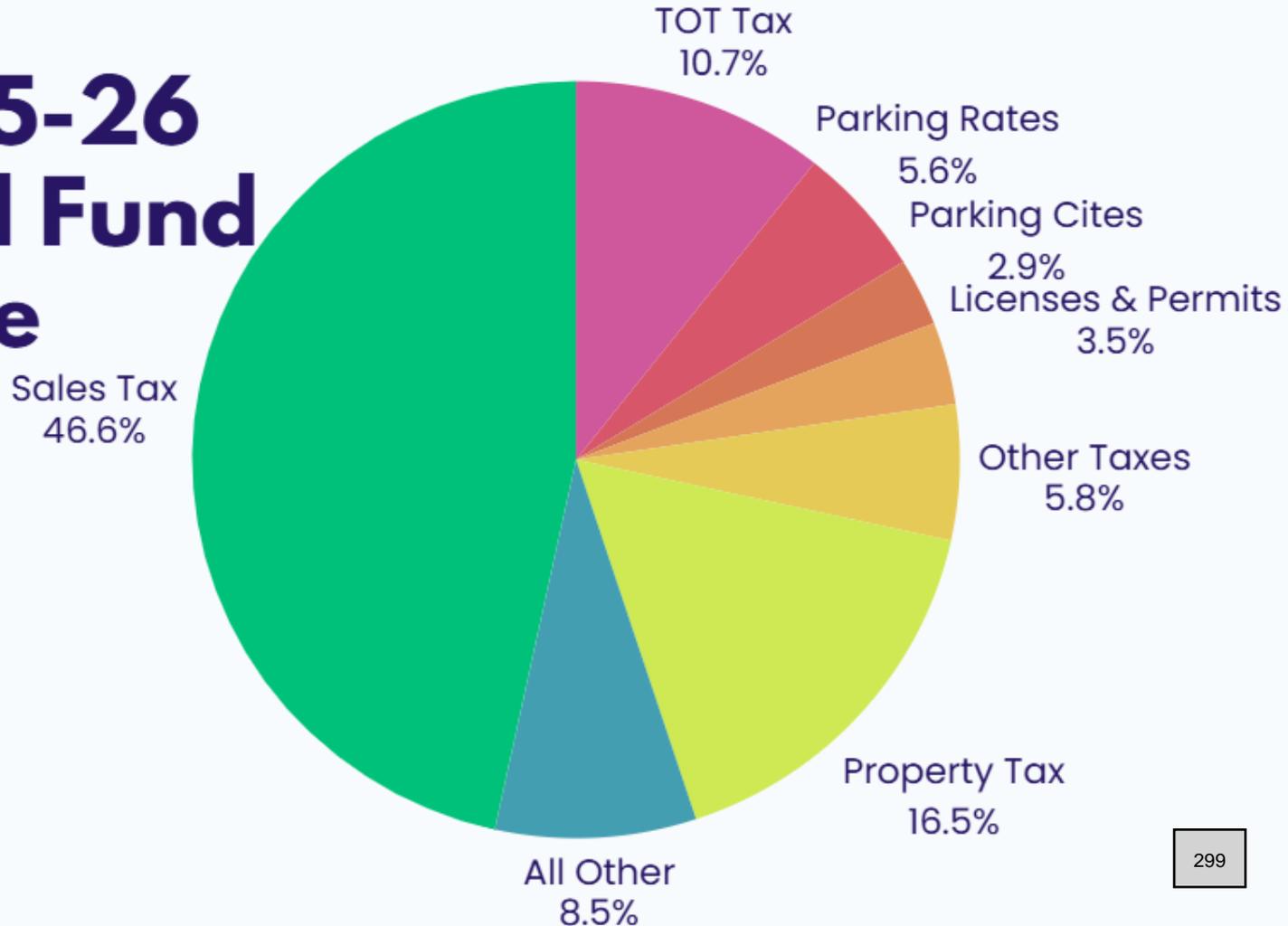
100% Affordable Developments exempt from FIA

Cannot be used as basis to deny or reduce density

Why is City Considering Fiscal Impacts?



FY 2025-26 General Fund Revenue



Tiers – Fiscal Analysis



Tiers	1	2		3A			3B		
	All	PC	MGP	SW	PC	MGP	PC	MGP	SW
Max Density (du/ac)	48	48	48	53	53	53	53	53	53
Units	1,256	1,256	1,256	1,326	1,326	1,326	1,326	1,326	1,326
Commercial	0	30k	25k	35k	40k	35k	200k	200k	200k
Hotel Rooms	0	85	85	120	125	120	0	0	0
Meeting Space	0	3k	2.5k	4k	4k	4k	0	0	0
Revenue	.5M	1.5M	1.4M	1.9M	2.0M	1.9M	2.0M	2.0M	2.0M
Cost	1.2M	1.2M	1.2	1.5M	1.3M	1.3M	1.3M	1.3M	1.3M
Economic Impact	-750k	300k	200k	500k	700k	600k	700k	700k	700k



Fiscal Analysis: Tier 2

■ Mall Revenue \$1.5M

Sales Tax, TOT, Property Tax, Motor Vehicle In Lieu, Gas Tax, Secondary Economics, etc.

New Revenue	1,966,830
- <u>Lost Existing Revenue</u>	- <u>470,552</u>
Net Revenue	\$1,496,277

■ Mall Expenditure \$1.2M

2019 cost per person (\$785) with decrease demand for Police and Public Works, adjusted for inflation

2019 FIA (Kosmont) Cost: \$785
Less 50% Police & 75% Public Works: \$504
Plus 29% Inflation
<u>2026 Updated Cost \$650:</u>
\$1,225,509

■ Net Fiscal Impact \$270k

1,496,277
- <u>1,225,509</u>
\$270,768



PC Tier 2 Fiscal Analysis: Household Size

Household Size (1.5 persons)

- Net new Revenue \$1.5 million
- New Expenditures: \$1.2 million
- Net impact: \$270k

Household Size (2.1 persons)

- Net new Revenue \$1.67 million
- New Expenditures: \$1.71 million
- Net impact: -\$40k

Changing household size by 0.6 people impacts net project impacts in each Tier by approximately -\$300k



Example allocations of additional Tier 2 Mall \$1.5M model revenue

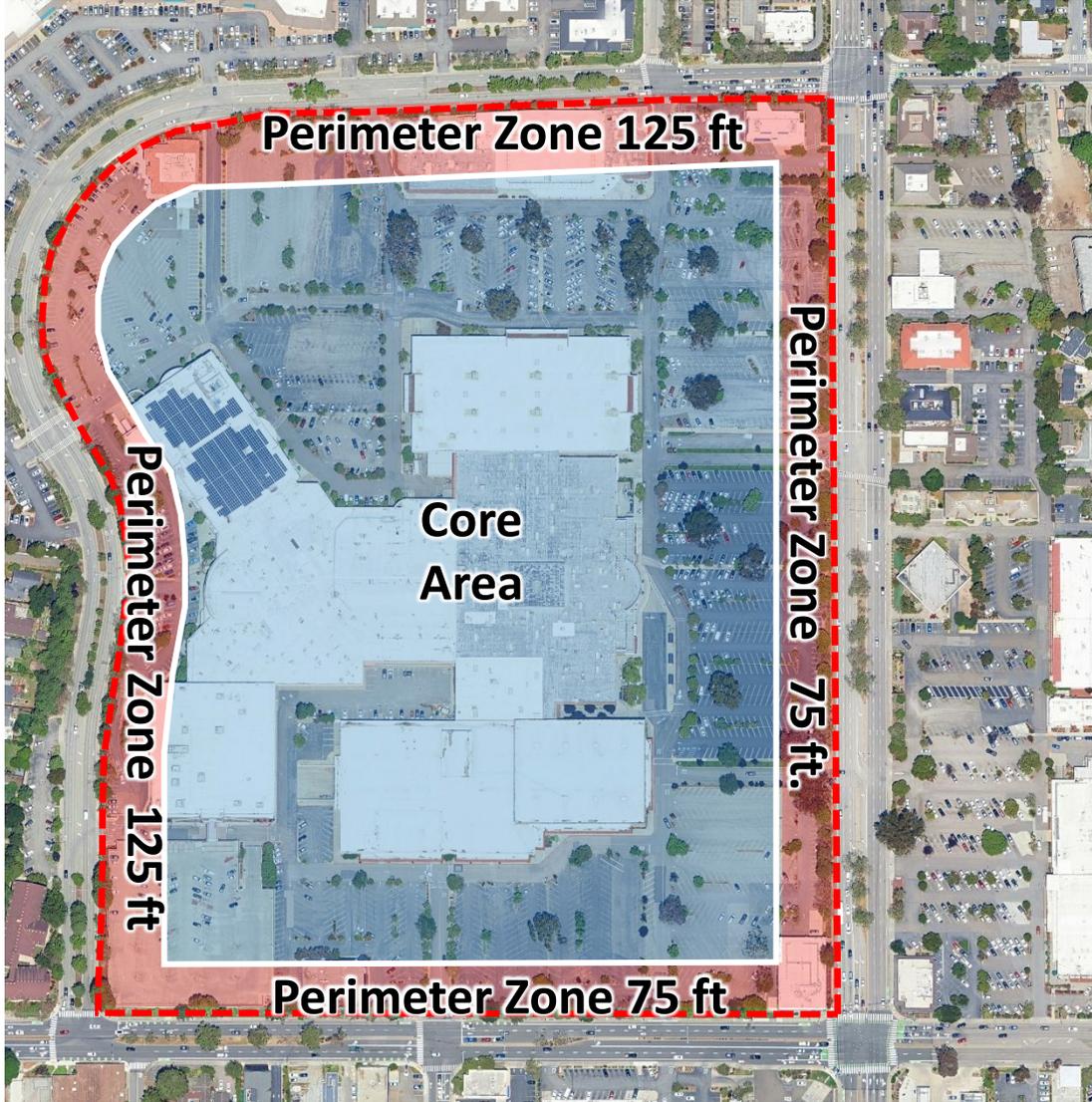
- 50% increase in Police patrol force, or
- 100% increase Public Works Crew, or
- Mix of new Officers, PW Crew and outreach staff

Shown for example purposes only - not specific staffing proposals. Future decisions regarding service levels would be subject to future City Council action, City service needs, and actual City revenues



Perimeter Building Height

Perimeter Building Heights



Perimeter Zone:
125 feet from
Clares St

75 feet from
41st Avenue
Capitola Rd

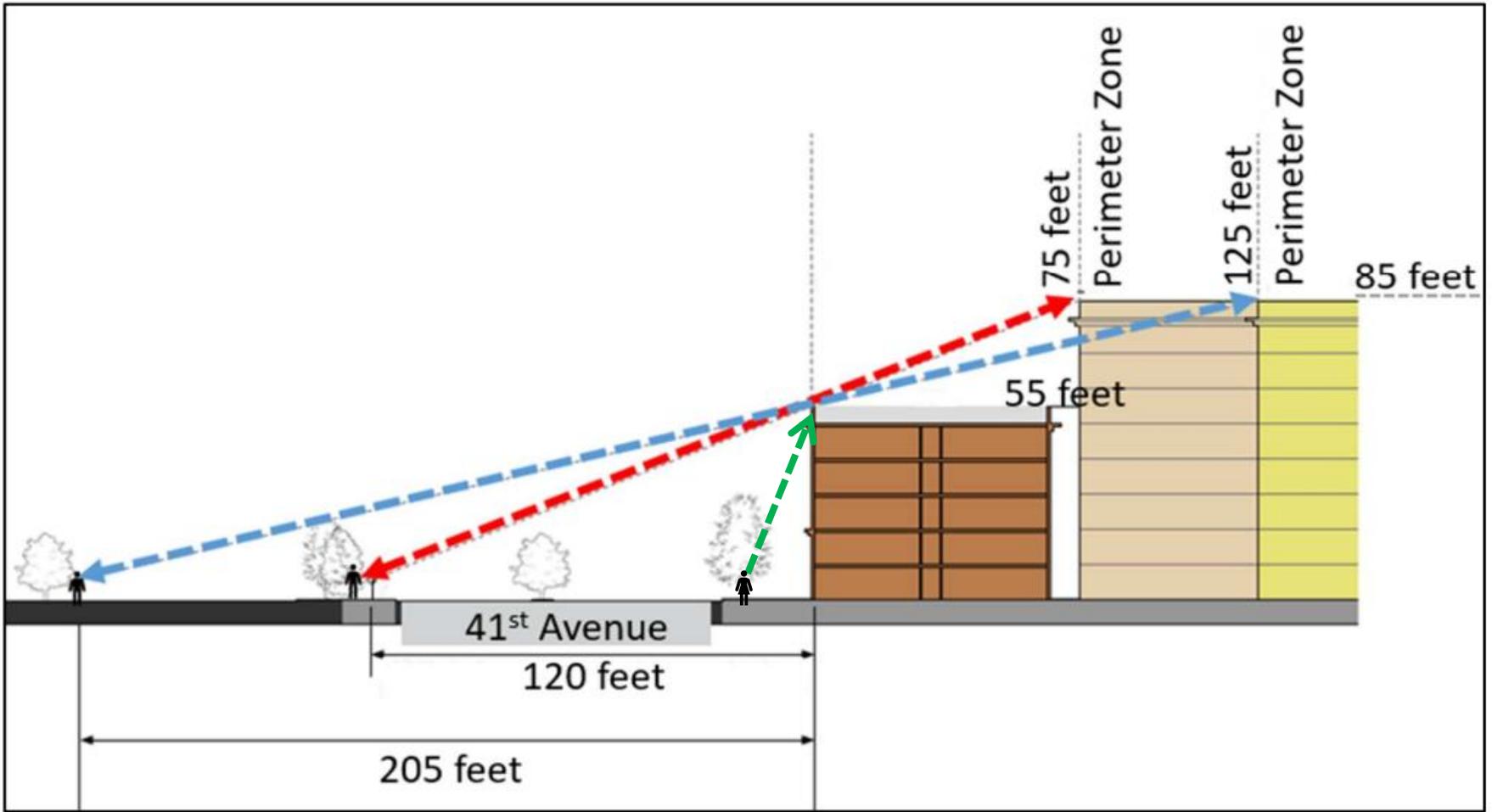


Perimeter Building Heights

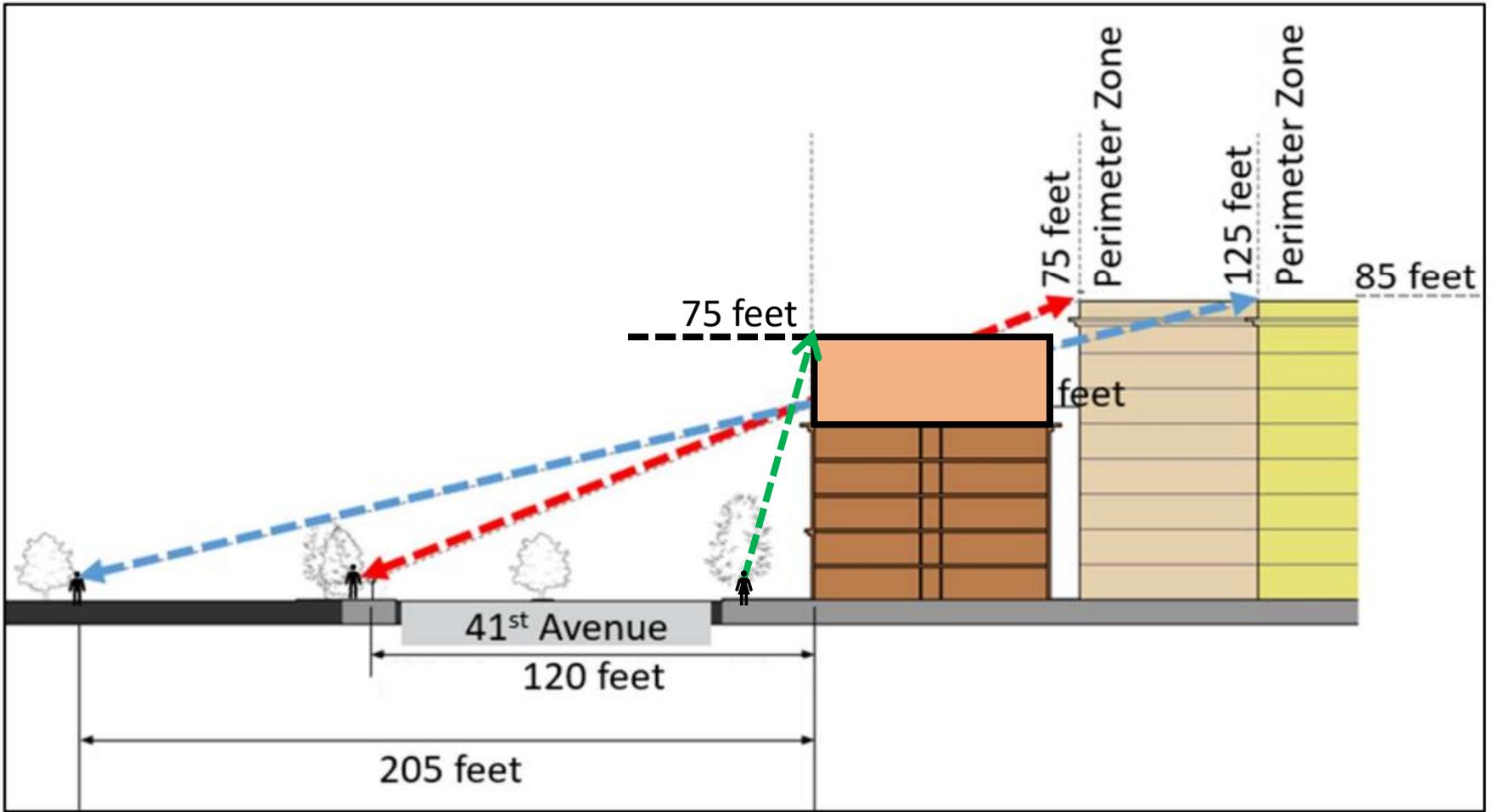
Tiers	1	2			3A		3B		
	All	PC	MGP	SW	PC	MGP	PC	MGP	SW
Perimeter Height	55	65	75	65	65	75	65*	75	55
Core Height	75	75	85	85	85	85	85	85	85

MGP: Request to increase perimeter height to 75 feet

Perimeter Building Heights



Perimeter Building Heights





Perimeter Building Heights

Tiers	1	2			3A		3B		
	All	PC	MGP	SW	PC	MGP	PC	MGP	SW
Perimeter Height	55	65	75	65	65	75	65*	75	55
Core Height	75	75	85	85	85	85	85	85	85

Perimeter Height Staff Recommendation:

Tier 1: 55 feet

Tier 2 & 3: 65 feet



Ground Floor Commercial



Ground Floor Commercial

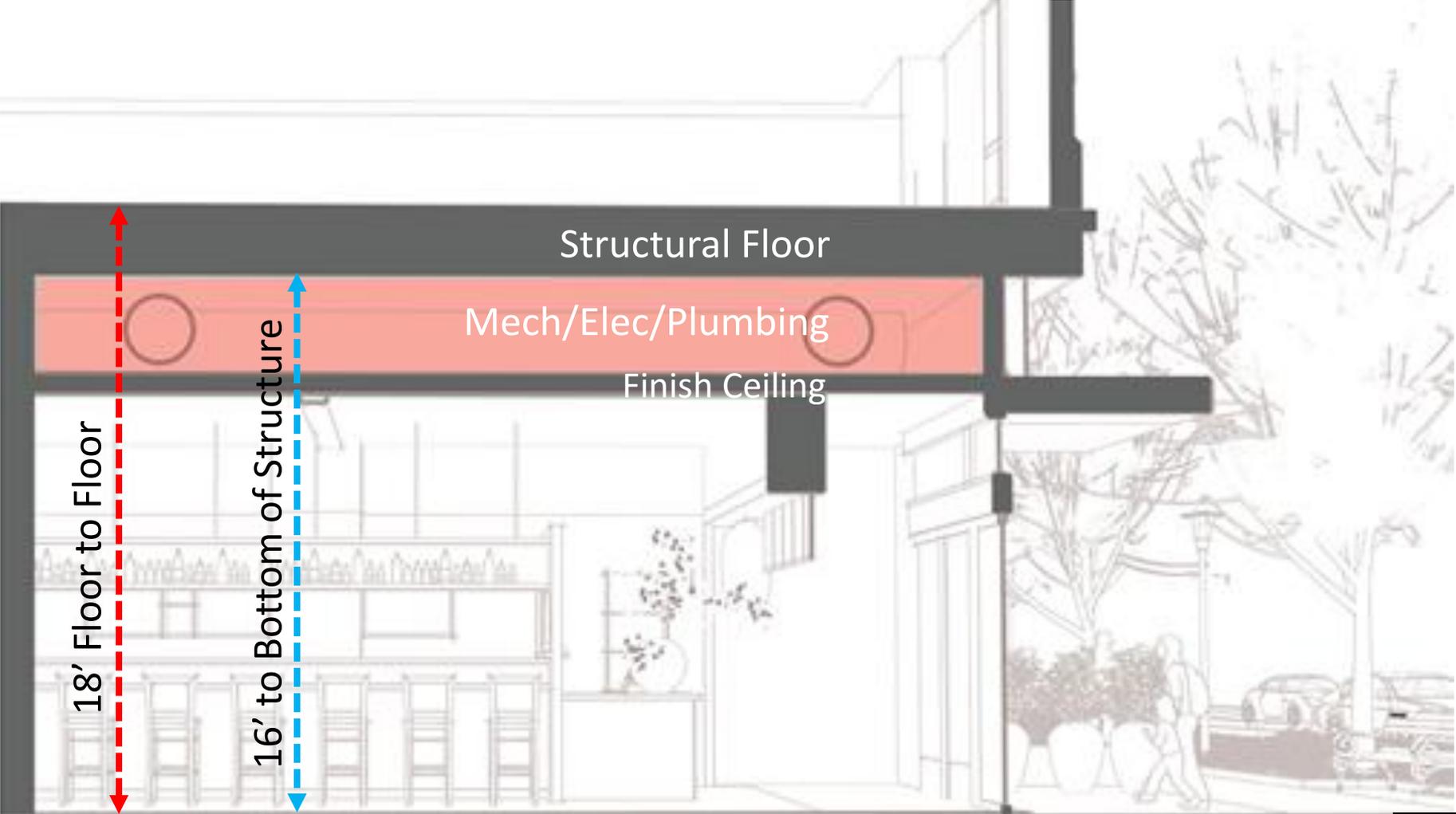
MGP: Reduce ground floor height, measured floor to floor, for non-restaurant and hotel uses to 16 feet

Original Code: 18 feet floor to floor minimum

Intent of High Ceilings:

- Flexibility of Tenant Space
- Market Competitiveness - Retailer specifications
- Natural light and better storefronts to attract and retain quality tenants
- Expect less commercial but require higher quality

Ground Floor Commercial



Ground Floor Commercial



Section: 17.57.050.F.2.c.1 (Ground Floor Height)

c. Commercial Ground-Floor Design (Excludes Hotels). The following standards apply to both vertical mixed-use and stand-alone commercial buildings.

(1) Ground Floor Height. For all required new commercial space required for a Tier 2 or Tier 3 project, the ground level shall have minimum **16 feet clear from the ground floor to the bottom of the structure** above. See Figure 17.57-9. This minimum ground floor height standard does not apply to commercial space provided in excess of the required new commercial minimum.

Bike Lanes





Bike Lanes

MGP: Allow sharrows throughout project

Draft: Bike lanes required on all internal streets, except sharrows allowed in front of commercial uses.



Bike Lanes

46 acre block / 31.5 owned by MGP

Today: No streets, no bike lanes, no housing

In future: Most dense neighborhood in Capitola

General Plan “As a long-term vision for Capitola Mall, support the addition of a new interior street within the mall property lined with sidewalk-oriented retail, outdoor dining, and pedestrian amenities. This new street should be connected with the existing street network surrounding the Mall property to enhance mall access for all modes of transportation”



Bike Lanes

Staff Recommendation:

No changes to Planning Commission recommendation.

- Continue to require bike lanes on new internal streets.
- Limit sharrows to areas in front of commercial only.
- Deviation section of code would apply and provide flexibility if warranted.



Bike Parking

Land Use	Required Bicycle Parking	
	Short-Term Spaces	Long-Term Spaces
Multifamily Dwellings and Group Housing	10% of required automobile spaces; minimum of 4 spaces	1 per unit
Nonresidential Uses	10% of required automobile spaces	1 per 20 required automobile spaces for uses 10,000 sf or greater

Long Term Parking – Must be secured.

Secured: Storage room, fenced area with gate, viewed by attendant or security camera, visible from employee work area.



Bike Parking

Staff Recommendation: Review multifamily bike parking requirements citywide with next zoning code updates.



Project Phasing

Step 1:

Deed restrict on parcel w hotel and/or commercial

Step 2 Options:

- Certificate of Occupancy Phasing, OR
- Annual fee payments



Project Phasing

Option 1: Certificate of Occupancy Phasing

Phase	Building Permit	Timing
1	First Multifamily Residential Building Permit	Upon Entitlement
2	First Multifamily Residential Certificate of Occupancy and/or Second Multifamily Residential Building Permit Issuance	Upon issuance of building permit of Tier 2 qualifying hotel/commercial
3	Second Multifamily Residential Occupancy	With Tier 2 or Tier 3 qualifying hotel and/or commercial certificate of occupancy



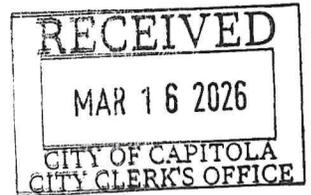
Project Phasing

Option 2: Annual Fee Payments

- (1) Tier 2 or Tier 3 project enter a contract to pay an annual fee to the City per market rate unit for which a Certificate of Occupancy has been issued.
- (2) Fee amount calculated during the entitlement within the Fiscal Impact Analysis in a form approved by the City Attorney.
- (3) First payment due one year after the issuance of Certificate of Occupancy, and annually thereafter.

Staff Recommendation:

- 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.



Comments from Vice-Mayor - Gerry Jensen

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.

I would also like to submit these comments into the official record, I'll forward a copy to the city clerk.