

# Capitola Planning Commission

## Agenda Report



**Meeting:** November 20, 2025

**From:** Community & Economic Development Department

**Address:** Capitola Mall Properties

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**Project Description:** Amendments to Capitola Municipal Code Title 17: Zoning Code and the General Plan Land Use Element for Capitola Mall properties located between Clares Street, 41st Avenue and Capitola Road. The proposed amendments implement the 6<sup>th</sup> Cycle Housing Element of the General Plan to facilitate residential development on Capitola Mall. The Zoning Code is part of the City's Local Coastal Program (LCP) and amendments require certification by the California Coastal Commission before taking effect in the Coastal Zone.

**Recommended Action:** Review draft amendments to the General Plan Land Use Element and Zoning Code and General Plan and provide feedback.

**Representative:** Ben Noble, Consultant

Katie Herlihy, Community and Economic Development Director

**Background:** On August 22, 2024, the City Council adopted amendments to the 2023-2031 Housing Element of the General Plan. The Housing Element establishes goals and policies for housing production in Capitola as required by state law. The Housing Element also contains programs with required City actions to implement Housing Element policies. The City must complete these actions by the dates specified for each program.

Housing Element Program 1.7 calls for the City to amend the Zoning Code by the end of 2025 to facilitate housing production on the Capitola Mall site. Specifically, this program requires the City to:

- Develop land use policies to facilitate shopping center redevelopment with a strong sense of urban design cohesion;
- Define "Capitola Mall" as all properties between Clares Street, 41st Avenue and Capitola Road
- Allow for building height up to 75 feet for mall redevelopment;
- Define "mall redevelopment" to mean a mix of uses that includes residential and retail/commercial components;
- Exclude parking garages from the project FAR calculations for mall redevelopment; and
- Adopt objective development standards to facilitate mall redevelopment.

The Capitola Mall Properties are the properties bound by Clares Street, 41<sup>st</sup> Avenue, and Capitola Road, as shown in Figure 1 below.

**Figure 1: Capitola Mall Properties**



The Capitola Mall property is 46 acres in size, with 14 separate parcels and seven different property owners, as shown in the Figure 2 below. MGP is the major property owner, controlling the enclosed mall and former Sears building (31.5 acres total). In 2019 MGP submitted a pre-application for a mall redevelopment project, which was later withdrawn due to changed economic conditions resulting from the pandemic.



**Figure 2: Capitola Mall Properties Under Separate Ownership**



The Capitola Mall property is currently zoned Regional Commercial (C-R) and is subject to the development standards in Zoning Code Chapter 17.24 (Commercial and Industrial Zoning Districts). The Capitola Mall property is also eligible for increased floor area ratio (FAR) and building heights as an incentive to provide community benefits (Chapter 17.88). Multifamily and mixed-use development on the Capitola Mall property is subject to a conditional use permit in Chapter 17.124 and objective design standards in Chapter 17.82.

On October 2, 2025, the Planning Commission held its first study session for the Capitola Mall Zoning Code Amendments. At this meeting staff presented background information about the project and described unique design considerations for a Capitola Mall redevelopment project related to the current task of adopting objective standards.

The City hosted a community meeting on October 8, 2025, to receive public input on the Capitola Mall Zoning Code Amendments. At this meeting the City answered questions about the project and asked for input on design considerations related to mid-rise residential development (four to eight stories) on the Mall property.

On October 30, 2025, the Planning Commission held a second study session for the Capitola Mall Zoning Code Amendments. At this meeting the Planning Commission received an update on the public input received at the community meeting and provided feedback on the general approach to the Capitola Mall Amendments, including: allowed height and FAR, parking requirements, fiscal impact analysis requirements, permitted uses, conditional uses, permit requirements, and objective design standards.

**Draft Amendments:** Attachment 1 contains draft amendments to Zoning Code Chapter 17.24 (Commercial and Industrial Zoning Districts), Chapter 17.82 (Objective Standards for Multifamily and

Mixed-Use Residential Development), Chapter 17.88 (Incentives for Community Benefits), and Chapter 17.60 (Glossary). As discussed below, the amendments to implement Housing Element Program 1.7 primarily appear in new Section 17.24.035 (Capitola Mall Redevelopment).

The aforementioned Capitola Mall Zoning Code Amendments will apply to all parcels within the Capitola Mall property included in the Housing Element Sites Inventory (all parcels on the property excluding the Kohl's building and parking lot (APN 034-261-07) and the Merlone Geier Partners (MGP) parcel fronting Clares Street west of the Target building and parking structure (APN 034-2611-52)).

The new objective design standards for Capitola Mall redevelopment are still being crafted, and they will be published for a future Planning Commission meeting. The new Objective Standards will apply to all properties in the Capitola Mall block, including the Kohl's building and parking lot (APN 034-261-07) and the MGP parcel fronting Clares Street west of the Target building and parking structure (APN 034-2611-52).

**Development Standards:** As shown in Table 1 below, the new Zoning Code Chapter 17.24.035 (Capitola Mall Redevelopment) establishes development standards for projects on Capitola Mall Housing Element Sites. Terms used in Table 1 below are defined as follows:

- “Qualifying mixed-use project” means a proposed mixed-use development project with all of the following:
  - Residential development that meets or exceeds both the affordable housing requirements as defined in this section. (“Affordable housing requirement” applies to qualifying mixed-use projects and means a minimum of 15 percent of the dwelling units are 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.)
  - A hotel with a minimum of 85 rooms and a minimum of 3,500 square feet of meeting space and conference facilities.
  - A minimum of 25,000 square feet of new commercial space.
- “Other residential and/or mixed-use projects” means all proposed development projects that do not meet the “qualifying mixed-use project” definition.
- “Perimeter zone” means all areas on the Capitola Mall property that are within 75 feet of 41<sup>st</sup> Avenue and Capitola Road and 125 feet of Clares Street.
- “Core zone” all areas on the Capitola Mall property that are not in the perimeter zone.

**Table 1: Mall Redevelopment Development Standards**

	<b>Qualifying Mixed-Use Projects</b>	<b>Other Residential and/or Mixed-Use Projects</b>
Floor Area Ratio	2.0	2.0
Height, Maximum		
Perimeter Zone	65 ft. [1]	55 ft.
Core Zone	85 ft.	75 ft.
Open Space	2.5% of site area	5% of site area
Parking	As required by Chapter 17.76	As required by Chapter 17.76
Density		
Minimum	20 du/ac	20 du/ac
Maximum	48 du/ac	48 du/ac
Setbacks	See Chapter 17.57	See Chapter 17.57

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

In addition to the standards in Table 1 above, Chapter 17.24.035 also includes the following development standards:

- **Floor Area Ratio Exclusions:** The FAR calculation excludes all structured parking and hotels.
- **Height Projections:** For qualifying mixed-use projects, up to fifteen percent of the total building frontage along a perimeter street may include architectural features that project up to 10 feet above the maximum permitted building height.
- **Open Space:** For qualifying mixed-use projects, a minimum of 15 percent of required open space must be landscaped. For other residential projects, all required open space must be landscaped.
- **Objective Design Standards:** All development on the Capitola Mall Properties must comply with new objective design standards.

Land Use Regulations: For a qualifying mixed-use project, Chapter 17.24.035 lists the following land uses as permitted “P” uses: hotels, all retail and personal service uses, eating and drinking establishments, excluding bars and lounges, commercial entertainment and recreation uses, and cultural institutions (including museums). For all development, residential uses are allowed on the ground floor with a conditional use permit. Due to legal requirements, the proposed amendments encourage but do not require new commercial uses (see discussion section below). As required by state housing element law, projects with a density of less than 20 units per acre and/or with less than 50 percent of the new floor area occupied by residential uses are not allowed.

Fiscal Impact Analysis: Chapter 17.24.035 requires a fiscal impact analysis (FIA) for any proposed development project with new residential uses on the Capitola Mall property. The FIA will identify the incremental fiscal analysis of the proposed project and the net fiscal impact of the project to the City’s general fund and special funds. An applicant must submit for City review a FIA prepared by a qualified economic consultant, which would be peer reviewed by an independent economic consultant hired by the City and funded by the applicant.

Permit Application and Review: Subsection F in Section 17.24.035 requires an applicant proposing new residential uses to host a community meeting before the City deems an application complete. Applications must be reviewed and acted on by the City Council prior to Planning Commission review and recommendation.

General Plan Amendment: Attachment 2 contains a draft General Plan Land Use Element Amendment for consistency with the Housing Element and Zoning Code Amendments. The draft text amendment would add the following language to Action LU-9.3:

“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.”

**Discussion:** The proposed Capitola Mall Zoning Code Amendments described above aim to satisfy the City’s Housing Element obligations and comply with state housing laws. The amendments also intend to advance the City’s vision for Capitola Mall redevelopment as described in the General Plan Land Use Element, including the following goals and policies:

- **Goal LU-8:** Support the long-term transformation of Capitola Mall into a more pedestrian-friendly commercial district with high quality architecture and outdoor amenities attractive to shoppers and families.
- **Policy LU-8.4 Public Gathering Places.** Encourage the establishment of public gathering places on the Mall property—such as outdoor dining and courtyards—that provide space for people to informally meet and gather.
- **Policy LU-8.5 New Interior Street.** 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.

These General Plan policies reflect the desire for Capitola Mall redevelopment to establish a “pedestrian-friendly commercial destination” (page LU-29) with new commercial uses to enhance the City’s overall economic vitality and fiscal sustainability.

Under state housing element law, however, the City must permit 100 percent residential development and may not permit new commercial or other nonresidential uses to exceed 50 percent of a project’s floor area on properties listed in the City’s Housing Element sites inventory, including the Capitola Mall property (Government Code Section 65583.2, subdivision (h)(2)). Given this limitation, the Capitola Mall Zoning Code Amendments aim to advance the City’s vision for mixed-use mall redevelopment with incentives for new commercial uses and hotels.

As described above, the proposed Capitola Mall Zoning Code Amendments define “qualifying mixed-use projects” as mall redevelopment with new residential uses, a hotel, and new commercial space. The objective design standards for mall redevelopment projects will also require a qualifying mixed-use project to include a plaza/square integrated with new commercial space. The Capitola Mall Zoning Code Amendments encourage, but do not require, qualifying mixed-use projects with the following incentives:

- Increased building height up to 85 feet in core area.
- Up to 10-foot height projections along 15 percent perimeter street frontages.
- Reduced minimum open space (2.5 percent of site area).
- Reduced minimum open space landscaping (15 percent of required open space).
- Specified non-residential land uses allowed as permitted “P” uses (hotels, all retail and personal service uses, eating and drinking establishments, excluding bars and lounges, commercial entertainment and recreation, and cultural institutions, including museums).

As required by state housing law, housing developments that do not meet the requirements for qualifying mixed-use project, including residential-only projects, are permitted on the Capitola Mall property. These other residential and mixed use projects, however, would be subject to less permissive standards than apply to qualifying mixed-use projects. For example, residential and/or mixed use projects that are not qualifying mixed-use projects would be permitted maximum heights between 55 and 75 feet and would be required to dedicate 5 percent of their site area as open space. Also as required by state housing law, projects with a density of less than 20 units per acre and/or with less than 50 percent of the new floor area occupied by residential uses are prohibited.

Housing Element Compliance: The Capitola Mall Zoning Code amendments need to allow a residential development capacity on the Mall property that is no less than the capacity identified in the Housing Element. As found in Table 4-8 in the Housing Element, the realistic unit capacity for the Mall property is 1,777 units with an assumed density of 48 dwelling units per acre.

As described above, the proposed Zoning Code amendment establishes a maximum density of 48 dwelling units per acre for the Mall property. Applying this maximum density to the 37.06 acres on the Mall property included in the Housing Element sites inventory allows for 1,777 units, consistent with the residential development capacity called for in the Housing Element. A site analysis prepared by the City’s consulting architects Urban Field Studio found that the adoption of this 48 du/ac density standard in connection with the other proposed development standards, including increased height and FAR, would accommodate the Housing Element’s development assumptions.

Housing Crisis Act Compliance: The Housing Crisis Act of 2019 (Government Code Section 66300 et seq.) prohibits a city from adopting Zoning Code amendments that reduce the residential development capacity on a site unless the city concurrently increases allowed density on an alternative site so that there is no net loss in residential capacity. To verify that the proposed amendments comply with the Housing Crisis Act, Urban Field Studio studied the number of dwelling units that could be realistically accommodated under existing and proposed zoning on the Mall property. This study found that the proposed Zoning Code Amendments result in an overall increase in residential development capacity on the Mall property as compared to existing zoning standards due to the increased height and FAR allowances, along with the exclusions from FAR for structured parking and hotel uses.

Fiscal Impact Analysis: The draft Zoning Code Amendments require a residential project on the Mall property to prepare a fiscal impact analysis (FIA) that evaluates the net incremental fiscal impact of the proposed project to the City's general fund and special revenue funds. The amendments state that the City shall consider the findings of the FIA when reviewing and acting on the proposed development project.

**Next Steps:** Staff has scheduled a Planning Commission hearing for the Capitola Mall Zoning Code Amendments on December 4, 2025. A City Council hearing schedule will be determined following Planning Commission's recommendation; at this time, it is anticipated the Council would take up the Zoning Code Amendments in January of 2026.

**Attachments:**

1. Draft Zoning Code Amendments
2. Draft General Plan Land Use Element Text Amendments
3. Perimeter Zone Diagram

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