

Capitola Planning Commission

Agenda Report



Meeting: March 7, 2024

From: Community Development Department

Subject: Housing Element Update, Implementation Plan, and Annual Report

Project Description: Certification and Implementation of the City of Capitola 6th Cycle Housing Element.
Recommended Action: Accept the presentation.

Background: On November 9, 2021, the City Council unanimously adopted the [6th Cycle Housing Element](#) and authorized staff to submit the document to the State Department of Housing and Community Development (HCD) for Certification.

On January 12, 2024, staff received comments from HCD recommending further items be addressed prior to HCD certification (Attachment 1). In addition to requests for clarification and additional analysis on minor topics, the HCD letter specifically references the Capitola Mall and asks the City to “commit to establishing heights that encourage redevelopment” and modifications to Chapter 17.88: Incentives for Community Benefits to “remove governmental constraints to the development of housing.”

Capitola Municipal Code Chapter 17.88: Incentives for Community Benefits establishes incentives of additional height and floor area ratio in exchange for community benefits. The City’s Municipal Code provides incentives for the redevelopment of the Capitola Mall because it qualifies as a community benefit. The current incentives include increasing the maximum permitted building height from 40 to 50 feet and the maximum permitted floor area ratio from 1.5 to 2.0 on the Mall site (CMC § 17.88.050.).

The Housing Element identifies 645 housing units within the Capitola Mall sites, 419 of which are affordable. The 645 units within the Capitola Mall were all located on Merlone Geier Partners (MGP) properties, the majority property owner at the mall. The housing element did not include parcels at the mall not owned by MGP, other than the Macy’s parking lot.

The City’s Housing Element consultants confirmed the development of 645 units can be accommodated within a height limit of 50 feet and a floor area ratio of 2.0. However, the Mall redevelopment project may not be economically feasible under the current development standards with 419 of the units required to be affordable.

MGP indicated within public comment that an increase in the maximum permitted building height for the mall site to 75 feet would improve project feasibility. A height limit of 60 - 75 feet could result in 1,000 - 1,300 total units on MGP property. The mall owner also requested an exception to the floor area ratio calculation to exclude parking garages. This modification would incentivize onsite parking. At a time when the state is decreasing/removing parking requirements, having incentives for parking in the code may assist in the development of onsite parking. The visual impacts of parking garages can be mitigated through objective design standards.

On February 1, 2024, the Planning Commission held a work session and discussed HCD input regarding Chapter 17.88: Incentives for Community Benefits relative to the Capitola Mall. The Commission expressed unanimous support for the request to increase the height limit to 75 feet and add an exception for parking garages from the floor area ratio to encourage redevelopment. The Planning Commission also supported adding design mitigations that include stepping the massing of the building from the street frontage, wrapping parking garages into the site architecture, and limiting the 75-foot height to the Mall site.

On February 8, 2024, the City Council received an update on the Housing Element and echoed the Planning Commission’s direction related to height, floor area calculations, and additional design mitigation. During the City Council meeting, an MGP representative raised an additional issue regarding the number of affordable units identified in the sites inventory on the MGP properties. Following public comment, the City Council directed staff to work with MGP related to the number of units while preparing an updated draft of the Housing Element for HCD review.

Discussion: The purpose of this agenda item is to provide the Planning Commission with an update on the City’s Housing Element, the implementation plan for the housing element, and an annual report on housing development.

6th Cycle Housing Element: Since the February meetings, staff has been working with RRM Design and VTA to revise the housing element sites inventory to include all mall properties located within the boundaries of 41st Avenue, Clares Street, and Capitola Road, except the Kohl and the parking area near the food court due to a long-term lease agreement and parking agreement. Previously, the sites inventory included the MGP properties and the Macy’s parking lot. The updated housing element will distribute the affordable housing requirements throughout with a 15 percent low-income requirement and a five percent moderate-income estimate.

During the March 7, 2024, Planning Commission meeting, staff will provide an update on the modifications to the housing element. Staff continues to meet with HCD and Merlone Geier Partners on the revisions with the intent to publish an updated draft on approximately March 15, 2024. The update includes changes to the site's inventory which triggers updates to numerous tables and maps throughout the entire document.

Housing Element Implementation Plan: The 6th Cycle Housing Element includes a housing plan that outlines goals, policies, and programs. The new housing plan includes 80 items that must be implemented in the first three years of the 8-year housing cycle from 2023 to 2031 (Attachment 3). The following table outlines the broader implementation items and projected timing for completion.

Item	Timing	Who
Agency Coordination	Ongoing	City Staff
Developer Interest Outreach	Annually	City Staff and Local Housing Organizations
Emergency Rental Assistance	Annually	3 rd Party
Fee study update	2026	3 rd Party
Funding Opportunities	Ongoing	City Staff
Home Buyer Assistance Program	2024/2025	Legal and 3 rd Party
Home Buyer Assistance Administration	Ongoing	3 rd Party
Incentives – Develop Regulatory Incentive	December 2025	City Staff
Mobile Home Programs	Ongoing	City Staff
Progress Reports and Monitoring	Annually	City Staff
Public Information	Annually	City Staff and Local Housing Organizations
Rehabilitation Program	December 2025	Legal

Rehabilitation Projects	Annually	3 rd Party
Security Deposit Program	Annually	3 rd Party
Technical Guides (ADU & SB9)	Update w Building Code	3 rd Party
Municipal Code Update	2024/2025	3 rd Party

Annual Housing Report: The City is required to submit an annual housing report to HCD by April 15th of each year (Attachment 4). The following table includes all new units which received building permits within 2023. Projects that were entitled in 2023 but did not receive a building permit, are not included in the annual reporting as qualifying toward the City’s Regional Housing Needs Allocation. In 2023, 15 additional units received building permits including 1 single-family home and 14 accessory dwelling units. Within the 5th Cycle planning period, there were 75 units developed of the 143 assigned under RHNA. Of note, the 36-unit, 100% affordable development at 4401 Capitola Road is not included toward the 2023 RHNA due to the building permit being issued in January of 2024. It will be included in the 6th cycle reporting.

Address	Permit #	Type	Income
529 Capitola Ave	20230032	ADU	Above Mod
402 McCormick Ave	20220273	ADU	Above Mod
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621 Gilroy Dr	20220414	ADU	Above Mod
825 Columbus Dr	20220415	ADU	Above Mod
4180 Clares St	20220507	ADU	Above Mod
113 Oakland Ave	20230302	ADU	Above Mod
603 Escalona Dr	20230290	ADU	Above Mod
109 Central Ave	20230138	ADU	Above Mod
435 Monterey Ave	20230140	ADU	Above Mod
2202 Derby Ave	20230110	ADU	Above Mod
1410 Prospect Ave	20230107	SFD	Above Mod
4855 Topaz St	20220542	ADU	Above Mod
1385 Prospect Ave	20220506	ADU	Above Mod
106 Cliff Ave	20220435	ADU	Above Mod
511 Escalona Dr	20190433	ADU	Above Mod

Attachments:

1. January 12, 2024, HCD Letter
2. 6th Housing Element List of Items to be completed
3. Annual Housing Report RHNA units (5th Cycle)

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